



Report and Financial Statements 2011



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Reference and administrative details

Trustees

Professor David Rhind CBE FRS FBA
Dr Colette Bowe (appointed 1 January 2012)
Mr Andrew Dilnot CBE
Dr Peter Doyle CBE FRSE (retired 30 September 2011)
The Lord Krebs Kt MA, DPhil, FRS, FMedSci,
Professor Terrie Moffitt PhD FBA FMedSci
Professor Genevra Richardson CBE, LLB, LLM, FBA
Professor Sir David Watson MA PhD

Senior staff

Anthony Tomei, Director
Sharon Witherspoon, Deputy Director
Josh Hillman, Director of Education
James Brooke Turner, Finance Director

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Chairman's Foreword

The Foundation experienced challenging times in 2011. We have seen little sign of a sustained economic recovery in the wider world, and the value of our assets has remained static. On the positive side, we have been able to maintain our normal rate of expenditure, with £12 million spent in the year. We have set next year's budget at a similar level but will continue to keep our expenditure under review.

The pressures on public spending mean we have seen an increase in the number of grant applications we receive, and we have tried to be responsive and flexible in our approach. More details about the projects we have funded are contained in the detail of this report, along with analysis of our investment performance.

Changes to the Board

We have seen some important changes to both the Board of Trustees and the Foundation's senior management this year. In December, we welcomed Colette Bowe to the Board of Trustees. Colette is an economist, with extensive experience in both the public sector and the City. She is Chairman of communications regulator Ofcom, and a founder and former chairman of its Consumer Panel. In addition to being a member of the Board of Trustees, Colette will also sit on the Foundation's Investment Committee, which is responsible for devising and delivering our investment strategy.

Colette's appointment follows the retirement of Peter Doyle in September. Peter had been a Trustee since 1998, and made an enormous contribution to the work of the Foundation over a thirteen year period. In particular, Peter was influential in the development of both the Africa Programme and the Oliver Bird Rheumatism Programme in their current forms. On behalf of my fellow Trustees and all at the Foundation, I would like to thank Peter, who I am sure will keep in touch with us.

New Director

One hugely important development was the selection of a new Director. My fellow Trustees and I have appointed Sharon Witherspoon MBE as the new Director of the Foundation, following the retirement of Anthony Tomei in summer 2012. Sharon is currently Deputy Director, a post she has filled with great distinction. Her experience, proven track record and vision for the Foundation's future make her the right choice to lead us over the coming years. We made the appointment following a rigorous recruitment process aided by external consultants.

Anthony's retirement as Director will mark the end of a thirty-five year contribution to the work of the Foundation. By any standard this is a remarkable achievement, and we are extremely grateful for his leadership, strategic thinking, commitment and expertise. Among Anthony's many achievements at the Foundation are the development of the Foundation's science programmes; its work in curriculum development; and its support for integrated education in Northern Ireland. He has also played an active role in the strategic management of the Foundation's investment portfolio.

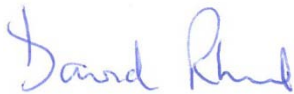
James Cornford

We were saddened to hear of the death in October of James Cornford, Director of the Foundation from 1981 to 1988. During his time as Director, James laid the groundwork for

the modern Nuffield Foundation. He is remembered with great fondness, particularly for his clarity of thought, his irreverent sense of humour, and above all for his innate decency and kindness.

Collaboration and partnership

Finally, I would like to extend my thanks to all those who make our work possible. To my fellow Trustees and Foundation staff of course, but also to all our grant-holders and referees, without whom we would not be able to maintain our commitment to independent and rigorous research and innovation. There are a great number of individuals and organisations who work with us to deliver our programmes, and we are grateful to all of them. Amongst these are the regional coordinators of our Science Bursaries Programme, and the organisations that provide placements; the Oliver Bird Collaborative Centres; our co-funders in the UK and abroad; and the many teachers, schools and agencies that work with us on our education projects.



Professor David Rhind
Chairman

Trustees' Report

Objectives and activities for the public benefit

Lord Nuffield established the Foundation to contribute to improvements in society, including the expansion of education and the alleviation of disadvantage. He called this the 'advancement of social well-being', and emphasised the importance of education, training and research in achieving that goal.

Our objectives are to:

- Improve social well-being by funding research and innovation in education and social policy.
- Increase the availability and quality of research and professional skills – both in science and social sciences – through our capacity building programmes.

The Trustees have referred to the Charity Commission's general guidance on public benefit when reviewing the Foundation's aims and objectives and in planning future activities and grant making policies.

We achieve our objectives by:

- Making grants for research and innovation in areas relating to education, children and families, and law. We also fund exceptional projects outside these areas, mainly in social policy, through our Open Door Programme. All the projects we fund must have the potential to improve policy and practice in the short or medium term.
- Developing resources and approaches that underpin effective educational practice.
- Providing opportunities for school and college students and undergraduates to take part in STEM-related (Science, Technology, Engineering and Maths) research.
- Funding UK/African partnerships to increase the professional and academic training available to people in eastern and southern Africa through our Africa Programme.
- Developing a cohort of outstanding young research scientists in rheumatic disease by funding PhD studentships through our Oliver Bird Rheumatism Programme.
- Supporting research capacity in social science.
- Supporting the independent examination of ethical issues in biology and medicine through our continued support of the Nuffield Council on Bioethics.
- Maximising the impact of the work we fund by supporting grant-holders past and present in their efforts to inform and disseminate their work. This includes hosting meetings and seminars at the Foundation and identifying opportunities to present our work to the right people at the right time.

Our work in 2011

From a financial point of view 2011 was a gloomy year. In the shadow of the Euro crisis and the underlying debt crisis, asset values have remained static, and in the wider economic world there is little sign of sustained recovery. Despite this, we have been able to maintain our normal rate of expenditure, and the following pages describe some of our grants and programmes, which in total amounted to some £11m of expenditure during the year. Maintaining a steady and sustainable annual rate of expenditure is one of the core objectives of our investment policy, and so far we are optimistic that it is attainable, despite the gloomy financial context. The budget for 2012 has been set at £11.2m and we hope to maintain this rate of expenditure for the foreseeable future.

While asset values have not changed, the pressure on both public and private spending has increased, as the newspapers report daily. In the Foundation's case this pressure manifests itself as greater demand, with more, and arguably better, applications being put forward for funding. We choose what we consider to be the best of the proposals, guided by our published criteria. The results of those decisions can be seen in the exciting range of projects described in the following pages.

One noticeable change from earlier years has been the increased number of grants in education. Another is the increased number of larger grants. Before 2008 we funded few grants larger than £200,000, but in 2011 we funded six grants of this size, with a similar number in 2010. These larger projects have been excellent and we have been happy to fund them, but funding bigger grants implies funding fewer grants, so there are consequences and we are very conscious of this.

One trend that is being seen more regularly in the Foundation world is the co-funding of larger projects. The grant to the Centre for Analysis of Social Exclusion at the LSE (page 11) where we are sharing the cost of over £750k with the Joseph Rowntree Foundation is a good example. Collaboration brings its own transaction costs, so these kinds of co-funding arrangements are likely to take place only for larger and more complex projects, especially those where the funders can add value by bringing together different kinds of expertise and experience.

Much of the work funded by the Foundation is research, and the purpose of these grants is to generate high quality evidence and reflection that can influence policy and practice. This aspiration is evident in the kinds of projects that are funded, but also in the supplementary activities that we undertake in order to bring the results of projects to the attention of those who should know about them. This is not simply a matter of "downstream" activities – communications, reports, launches, websites and the like. Increasingly, we appreciate the value of involving policy makers and practitioners "upstream" of projects, at a stage when they can feed into the planning and thinking stages. This is not without its dangers, and it would be a loss if the Foundation and the people it supports were to become too influenced by the agendas of government and its agencies. But carefully handled, this approach can produce projects that combine the Foundation's hallmark independence with a degree of engagement with those making decisions, and that in turn maximises the chances of a successful outcome.

Achievements, performance and future plans

This section contains some highlights of the year, both in relation to the outcomes of grants made in previous years and new grants made. A full list of all grants made in 2011 can be found on page 38.

Social Policy (£3.3 million, 28%)

The aim of our work in social policy is to bring about positive change in society by critical examination of, and innovation in, the institutions, laws and social policies that influence our lives.

Through our **Children and Families** programme we support work to help ensure that the laws and institutions relating to family life in the UK are operating in the best interests of children and families.

Our **Changing Adolescence** programme examines the reasons for the increase in young people's emotional and behavioural problems since the 1970s.

Through our **Law in Society** programme we fund projects to examine how law functions in society and its status as a social institution, particularly in relation to enforcement in civil and family law.

We also fund proposals of exceptional merit that lie outside our main programme areas but that meet our wider interests in social well-being through our **Open Door** programme.

Children and Families

Family Drug and Alcohol Court (FDAC)

We continue to support the evaluation of the Family Drug and Alcohol Court (FDAC), which is piloting a new approach to care proceedings when parental substance misuse is causing harm to children. In May, the evaluation team, led by Professor Judith Harwin, published its final report of the first phase of evaluation. It concluded that the FDAC pilot seemed to improve outcomes for children, either by tackling the substance misuse of parents at an early stage of care proceedings, or by enabling earlier decisions about alternative placements.

The evaluation influenced the Family Justice Review's recommendation that the "considerable promise" of FDAC justified a "further limited roll out" of the court. In June, we made a further grant of £77,686 to extend the evaluation to include a 24-month follow up of the cases that entered FDAC between 2008 and 2010 and compare them with non-FDAC cases to see if outcomes were better and if they were maintained over time.

Shared parenting

In May, the Oxford Centre for Family Law and Policy (OXFLAP) published a briefing paper on shared parenting, which followed a research review funded in 2010. The paper was timely because of two Private Members' Bills before Parliament that sought to introduce and

enforce a default position that children should spend a substantial amount of time with both parents in the event of separation.

The OXFLAP paper presented an analysis of research evidence on shared parenting, with particular reference to Australia, which introduced similar legislation in 2006. The authors concluded the default division of time was less important than the quality of relationships between parents and children, and that particular care might be needed in high conflict families.

Parental alienation

In July, we hosted a seminar led by Professor Nicholas Bala from Queen's University in Canada at which he presented evidence on "parental alienation", where the hostile attitude of one parent leads to the child's unjustified rejection of the other. Some of his recommendations, such as ensuring the same judge hears these cases throughout, are themes present in much of the recent work we have funded in family law and child protection. He also drew attention to the need for stronger and swifter enforcement of agreements, and earlier consideration of reversing residence under some circumstances.

Young witnesses

In June, together with the NSPCC, we published a progress report on *Measuring up?*, a report published in 2009 that examined the treatment of young witnesses in criminal proceedings. The report concluded that, despite some improvements, there remain areas in which the state is failing in its commitment to enable young witnesses, many of whom are victims, to give their best evidence.

Also in relation to vulnerable witnesses, we awarded a grant of £195,568 to Professor Cheryl Thomas for her empirical research project on the impact of various special measures on jury decision-making. Professor Michael Lamb completed his work to develop interview procedures for use with children who may have been sexually abused, and results will be published next year.

New Children and Families grants in 2011 – highlights

- Professor Mike Brewer from the University of Essex is leading a project to provide a comprehensive and neutral assessment of the impact of partnership dissolution on the economic circumstances of the family, the labour market behaviour of adults, and the mental health and/or well-being of both adults and children (£49,767).
- Caroline Bryson from Bryson Purdon Social Research (BPSR) will lead a project to assess whether the British public believes the government should require non-resident parents to pay child maintenance to support their children (£203,999).
- Emma Hitchings from Bristol University will research the nature and timing of final financial and property settlements following divorce with the aim of identifying factors that help and hinder settlements (£70,682).

Changing Adolescence Programme

During 2011, Programme Head Dr Ann Hagell has been working with Changing Adolescence grant-holders to bring the programme's findings together into a final volume, *Changing Adolescence: Social trends in mental health*, published by Policy Press. The book explores how social change may affect young people's behaviour, mental health, and transitions towards adulthood, and highlights areas for policy attention. Dr Hagell has begun presenting the findings, with talks at Warwick University and the University of Oxford. Papers have been published in *Educational Review*, *Social Science & Medicine* and the *Journal of Abnormal Child Psychology*. One of the programme's grant-holders, Professor John Gray, was the lead author of a book, *The Supportive School*, published by Cambridge Scholars Publishing in October.

Law in Society

Administrative justice

January saw the publication of *Administrative Justice and Asylum Appeals: a study of tribunal adjudication*, by Dr Robert Thomas. The book sets out findings from his empirical study into the determination of asylum appeals by the Asylum and Immigration Tribunal, which we funded in 2004. The book was awarded the Birks Prize by the Socio-Legal Studies Association, and we will publish a briefing paper in 2012, focussing on the recommendations for possible changes to the tribunal system.

Law seminars

One of our Trustees, Professor Genevra Richardson, chaired a series of law seminars in May and June. The first was led by Professor Carol Harlow and raised questions about the extent to which a focus on legal procedures in tribunals might affect access and outcomes. The second and third seminars examined 'enforcement and outcomes', with Professor Maurice Sunkin, Professor Liz Trinder and Professor Dame Hazel Genn leading discussions on the gaps in knowledge about outcomes in judicial review, family law and civil law and tribunals respectively.

The Alternative Libel Project

In October, the Alternative Libel Project (ALP) published its interim report, which recommended that defamation cases should be mediated or subject to an early neutral judicial intervention. Evidence from the interim report has been used in submissions to the Joint Committee considering Lord Lester's Defamation Reform Bill, and the organisations behind the ALP, Index on Censorship and English PEN, have been invited to give evidence to the Leveson Inquiry early in 2012. A final report will be published next year.

New Law in Society grants in 2011 – highlights

- Professor Alan Paterson from the University of Strathclyde will identify the conditions for success of telephone hotlines and internet services in the delivery of legal services (£51,477).
- A team at the Transitional Justice Institute at the University of Ulster is producing guidelines that will set out when, how and what forms of amnesty can be used to assist in the resolution of armed conflicts and other situations of mass human rights violations (£58,321).
- Professor Pascal Pleasence from UCL is leading a project to bring together the worldwide knowledge and experience that has arisen through the conduct of large-scale surveys of the public's experience of justice (£52,791).

Open Door

Constitutional issues

Two projects from UCL's Constitution Unit provided interesting evidence about the mechanics of government. In 2010, we awarded Professor Robert Hazell a grant of £76,487 to lead a study looking in depth at the coalition government. As well as providing valuable evidence about how coalition can work within the UK's constitutional framework, the study concluded that despite the ructions documented in the media, the coalition's first year had been characterised by unity and stability.

The second study, conducted by Dr Meg Russell with a grant of £37,852 in 2010, looked at the impact of select committees and found that a third of committee recommendations calling for significant policy change are implemented by government. In addition, anticipation of committee scrutiny helps keep ministers and senior officials on their toes, making for better decision-making.

Tax, benefit and employment

In February, the Charity Tax Group (CTG) called for the government to simplify the tax system following its investigation of the impact of taxation on charities, a project we funded in 2007 with a grant of £40,400. It found charities are liable for 18 different taxes, with the rate paid varying between two and 18 per cent of turnover. One of the CTG's recommendations, to remove the VAT barrier faced by charities which share services, has been included in the clauses for the Draft Finance Bill published in December.

The Mirrlees Review of taxation continues to have an impact in 2011. We have contributed £312,000 to the review since 2006. It was officially launched at the International Monetary Fund (IMF) in Washington in November and has been extensively cited by the Office of Tax Simplification in its consultations, particularly in relation to integrating the operation of income tax and national insurance contributions.

getstats

The Royal Statistics Society's (RSS) *getstats* campaign was launched in the spring. We awarded a grant of £249,700 in 2010 to enable the appointment of a campaign director, former journalist David Walker, in May 2011. The ten-year campaign aims to improve policy

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and practice to improve the statistical literacy of the UK. It has a particular focus on those with responsibility to educate and inform the public about statistics – teachers, the media and elected representatives.

New Open Door grants in 2011 – highlights

- Co-funded with the Joseph Rowntree Foundation and Trust for London, the LSE's Centre for Analysis of Social Exclusion (CASE) is undertaking a major new programme of work to report on the impact of the recession, spending changes, and the government's social policy reforms on inequality and poverty in the UK (£353,179).
- We awarded a grant of £150,000 to Full Fact, an independent fact-checking organisation that checks claims used by UK politicians and press. Their fact checks have resulted in printed corrections in many newspapers as well as in Parliament.
- The Institute for Fiscal Studies (IFS) is investigating the options for raising revenue to pay for the Dilnot Commission's proposals on the funding of long term care (£23,112).

Education (£3.0 million, 25%)

Our aim is to influence education policy and practice in order to ensure that all young people develop the understanding and skills required to play an informed role in society. We also support the development and progression of young scientists and social scientists.

Our current focus is on **foundations for learning; secondary education transitions; science and mathematics education; and women's education and student parents.**

Foundations for learning

Birth month

In November, the Institute of Fiscal Studies (IFS) published research showing that month of birth has a significant impact on educational achievement and well-being. Researchers, funded by a £111,639 grant in 2009, found that children born in August achieve lower scores in national achievement tests than those born in September. They are also less likely to attend a Russell Group University and more likely to report being unhappy or bullied at school. The IFS team will now seek to identify what is driving these differences so they can make policy recommendations in 2012.

Secondary education transitions

Transitions from school to work

In November, Dr Richard Dorsett presented preliminary research findings about young people's transitions from school to work to the ACEVO Commission on Youth unemployment. He has identified distinct groups within the 10 per cent of young people whose transitions are unsuccessful, and the next stage of his £110,535 project will identify which individual characteristics (such as gender, skills, disability, family structure, or social attitudes) are good predictors of adverse labour market outcomes in the long-run.

Science and mathematics education

In 2011, we began to implement significant changes to our work in science and mathematics education. This was a result of an independent review, which we commissioned Professor Sir John Holman, formerly Director of the National Science Learning Centre, to undertake at the end of 2010. Trustees considered his findings early in 2011 and made several strategic decisions in light of his recommendations.

For now, we will cease large scale in-house curriculum development projects and instead focus on smaller scale developments and interventions. We will increase the breadth of our work in mathematics education and continue to advance the case for wider participation in mathematics post-16. Our aim is also to advance mathematical and statistical thinking in the wider world, particularly the social sciences. We will do this through our new programme to support quantitative research methods in the social sciences, and also through support of projects such as the Royal Statistical Society's *getstats* campaign, which aims to improve the statistical literacy of the UK population.

We also aim to widen participation in our Science Bursaries for Schools & Colleges programme, and details of this can be found on page 14. There will also be changes to the Undergraduate Research Bursaries, details of which are on page 15.

In April, we submitted our response to the Government's review of the National Curriculum, with particular reference to science and maths education. Our fundamental belief is that the National Curriculum should offer a *range* of pathways in 14-19 science and mathematics education, taking the different needs of pupils into account. The full response is available to download from our website.

Cross curricular STEM projects

Our cross-curricular STEM activities for 11-14 year olds were officially launched at the ASE conference in January. An early evaluation of the sustainability-themed *Futures* project, found that in addition to the subject matter, schools are attracted to the focus on skills development; the promotion of solution-oriented and active learning; the promotion of engineering as a possible career; and the focus on collaborative teaching.

Twenty First Century Science

We have completed the revision of resources to match the 2011 specifications for GCSE Science. We also awarded a grant of £19,123 to Dr Matt Homer and Dr Jim Ryder at the University of Leeds to explore the transition between science GCSEs and A-levels, and in particular to analyse the progress of those taking Twenty First Century Science compared to other GCSE science courses. Findings from the new research will be published in 2012.

Post-16 mathematics

At the end of 2010, we published a comparative study of mathematics provision and policy for post-16 year olds: *Is the UK an outlier? An international comparison of upper secondary mathematics education*. Led by Dr Jeremy Hodgen of King's College London, the study continued to have impact throughout 2011. Its main finding, that England and Wales have the lowest levels of participation in post-16 mathematics out of the 24 surveyed, was quoted heavily in the Advisory Committee on Mathematics Education (ACME) report, *Mathematical Needs* published in June (which also received funding from the Foundation). It was also drawn upon in Carol Vorderman's report on mathematics education in August, and Education Secretary Michael Gove has since expressed his belief that the majority of pupils should study mathematics to the age of 18. We will build on this work in 2012.

Our Free Standing Mathematics Qualifications (FSMQs) and the related Use of Mathematics A and AS levels are among the few courses available for teaching mathematics at post-16 outside the traditional A level mathematics. In March, Professor Alison Wolf recommended FSMQs in her review of vocational education. We have been updating the resources during 2011 and will continue in 2012.

Maths in other subjects

We have begun a project to map the extent to which mathematics is used in other subjects at A level, specifically business studies, computing, economics, geography, psychology and sociology. This project is designed to complement the work of SCORE (Science Community Representing Education), which is undertaking a similar exercise in biology, chemistry and physics A-levels. Both projects will report in Spring 2012.

New education grants in 2011 – highlights

- Professor John Micklewright from the Institute of Education is leading a project to investigate the socio-economic gap in higher education participation. He is exploring seven commonly held beliefs, including: 'Tuition fees prevent students from poorer backgrounds from going to university' (£149,660).
- Professor Peter Davies is leading a randomised control trial to identify whether giving information to 15-16-year-old students about the earnings of university graduates from different subjects influences the subsequent subject choices made by the students (£141,697).
- Professor Kate Nation from Royal Holloway, University of London is conducting a longitudinal study to determine if vocabulary in infancy can predict reading skills in later childhood. She is using 5,000 assessments, collected from children under two, and will follow up these children in primary school (£150,016).
- Two projects will focus on children whose first language is not English. Dr Victoria Murphy from the University of Oxford will examine the writing skills of this group and the specific challenges they face (£68,885). Meanwhile, Dr Sandra McNally from the London School of Economics will look at whether an increase in the number of children who do not speak English as a first language has an impact on the educational performance of their classmates (£43,823).

Capacity building (£2.8 million, 23%)

We believe policy and practice should be influenced by independent and rigorous evidence. We aim to ensure these qualities are maintained in the future by funding programmes to build research and professional capacity in science and social science research.

Through our **Science Bursaries for Schools & Colleges** and **Undergraduate Research Bursaries** we support the development and progression of young scientists.

We administer the **Oliver Bird Rheumatism Programme**, which aims to build research capacity in rheumatic disease by developing a cohort of outstanding young research scientists.

Through our **Africa programme** we fund UK/Africa partnerships to increase the professional and academic training available for people in eastern and southern Africa.

We also support capacity building in the social science, with a focus on **quantitative methods** for undergraduates.

Science Bursaries for Schools & Colleges

In 2011 we gave 1,079 school and college students the opportunity to work alongside professional scientists, engineers and mathematicians in summer vacation work placements. This was an increase on 2010, when 1,017 students were placed.

Prize-winners

Forty three of our students were selected to exhibit their projects at the Big Bang Fair held in March at the Excel Centre in London. Between them they won 21 prizes, including top prize in the Science and Maths stream (intermediate). This was won by Jessica Wynn of Highfield School, Hitchin for her project on the assessment of air quality. Professor Brian Cox, one of the judges remarked that it was “wonderful to witness such enthusiasm and dedication from young people such as Jessica. It’s left me hugely excited about the future of science in the UK.”

In May, two bursary students were instrumental in a discovery that could help scientists better understand how to block cancer growth. Tom Hutchings and Georgina Steel were part of a University of Bath research team that shed light on how a common class of painkillers may interact with a key protein that fuels the growth of many different types of cancer. Results were published in the journal *Chemical Communications*.

Also in May, bursary students Stephanie Tudgey and Sam Hillman won silver medals at the International Sustainable World Energy Engineering Environment Project Olympiad (I-SWEEEP) in Texas. In August, Hannah Blyth helped astronomers discover over 20 new asteroids and a comet in the process of breaking up whilst on her summer placement at the University of Glamorgan.

Evaluation and future direction

Following John Holman's review of our science and mathematics work, we conducted an analysis of the socio-economic background of students participating in the scheme. We found that although 85 per cent of students come from the state sector, students from affluent schools and areas are taking most advantage of the bursary scheme.

To learn more, we commissioned an independent evaluation of the programme with the aim of developing a tool for coordinators to allocate bursaries in their area in a more representative way. Using this tool, we have issued each coordinator with a set of regional targets based on the proportion and distribution of Free School Meals in their area.

We have also developed partnerships with existing networks in order to reach students from groups that have previously been underrepresented, and provide them with appropriate support to compete for a bursary. These include the Teach First *Higher Education Access Programme for Schools*, which links mentors with sixth form students, and the *Realising Opportunities* programme, which is made up of a group of 12 research intensive universities working together to widen participation.

We are also working with the Brightside Trust to develop a pilot mentoring programme. Our coordinators will work with Brightside to match promising science students with appropriate mentors who can support their development.

Undergraduate Research Bursaries

In 2011, we awarded 466 bursaries for undergraduates to work on innovative research projects in universities and research institutes throughout the UK.

John Innes and MRC Clinical Sciences Centre

For the second year, we funded ten undergraduate places at the John Innes Centre (JIC) as part of their larger summer school programme. In 2011 we also funded six bursaries at the MRC Clinical Sciences Centre as part of their undergraduate programme. Both of these institutions offered a wide range of extra opportunities for undergraduates, as well as linking them with Nuffield School Bursary students.

Future of the programme

Professor Sir John Holman's review of our work in science and mathematics education concluded that although our Undergraduate Research bursaries were an excellent opportunity for students, we have been funding them for many years and similar awards are now funded by a range of other providers. As a result, we have decided to focus our efforts in the area where our contribution is distinct, namely the schools and colleges programme.

In 2012 and 2013 we will be working in partnership with a number of organisations to run a revised programme. The Foundation will match the funding offered by a number of other organisations (mainly learned societies). We will continue to administer bursaries in physics, chemistry and mathematics, but other subject areas will be administered by our partner organisations, who we hope will continue to fund the placements once our contribution ends at the end of 2013.

Oliver Bird Rheumatism Programme

The programme funds four-year PhD training studentships in the biosciences at six UK universities. Thirty three students are currently in training, 25 funded by the Oliver Bird Rheumatism Programme, and eight funded by corporate donors or universities. The additional studentships demonstrate how the programme has earned a reputation for excellence and is able to generate further funding in rheumatic disease.

Alumni

Of the alumni who graduated in 2009/10, six have remained in rheumatic disease research, two are working in fields related to their PhD projects (stem cells and inflammation), one is in medical training and one is completing her thesis. Students continue to publish their research, and of particular note this year was Dr Panos Kamperidis' work on developing a novel recombinant biotherapeutic, which was featured in the December issue of *Arthritis and Rheumatism*.

2011 Conference

This year's conference was held in Newcastle. Students presented their work and we were joined by several alumni who led discussions on their Fellowships or new careers in biotechnology and medicine. We had a lively programme of lectures and workshops, which covered advances in immunology and the latest findings from bone and cartilage research.

Awards

In January we were delighted to hear that Professor David Isenberg had been awarded the prestigious Evelyn V. Hess Research Award in recognition of his "outstanding contributions to the field of lupus research, diagnosis and treatment." David coordinates the Oliver Bird Centre at UCL, where he is Arthritis Research UK's Diamond Jubilee Professor of Rheumatology.

In May, three of our Oliver Bird Rheumatism Programme Centres were awarded 'Centre of Excellence' status by the European League Against Rheumatism (EULAR).

The Musculoskeletal Research Collaboration at the University of Aberdeen, the Centre for Rheumatic Diseases at the University of Glasgow and the Musculoskeletal Research Group at Newcastle University are three of only 18 institutions across Europe to be named Centres of Excellence in Rheumatology.

Africa Programme

Future direction of the programme

In 2011, we reviewed the operation of the Africa Programme and concluded that our contribution should shift to more focused, proactive support of a small number of large, collaboratively funded projects. In light of this, the programme will close for applications in March 2012, and we will instead build on the areas of work that have proved to be the most effective, such as mental healthcare in resource poor settings.

Mental health in resource poor settings

Since 2005, we have committed £509,000 to the development and implementation of a training programme to enable primary care workers to provide mental healthcare in Kenya. The project is led by Professor Rachel Jenkins and succeeded in training 1,677 primary care workers, as well as 195 medical supervisory staff. The Kenyan Minister for Health has since funded additional training courses in the north and north east of the country. Professor

Jenkins has responded to requests to train health trainers in other resource poor settings. We are currently exploring possibilities for developing this work.

Neglected tropical diseases

In 2011, we contributed £275,000 to the third round of funding for fellowships for African postdoctoral scientists through the European Foundations Initiative on Neglected Tropical Diseases, a collaborative initiative designed to strengthen research capacity in both biomedicine and public health aspects of diseases such as sleeping sickness, intestinal worms and river blindness. Reports from the first round Fellows reveal encouraging results even before the end of their projects - for instance, 22 international peer-reviewed publications and one joint policy paper.

Global grant-making

Together with the Baring Foundation and the Paul Hamlyn Foundation, we commissioned Cathy Pharoah at Cass Business School to undertake a review of UK foundations' funding for international development. The resulting report, *Global grant-making*, shows that UK charitable trusts and foundations give almost ten per cent of their funding to international development, a total of £292 million in 2009/10, which is equal to half the amount given by government (DFID) in bilateral aid via NGOs. We are now working with Fondation de France, Caixa Foundation, Compagne de San Paolo, and the European Foundation Centre to identify similar information Europe-wide.

Select Committee Inquiry

In October, Sarah Lock, Head of our Africa Programme, was invited to give evidence to the International Development Committee's Inquiry on Private Foundations. She emphasised the need for a more effective relationship with DFID and highlighted the importance of foundations in supporting issues like neglected tropical diseases, which are not being addressed by larger funders.

Africa Programme new grants in 2011 – highlights

- Dr Julie Marshall will lead a partnership between Manchester Metropolitan University (MMU) and Makerere University to support the development of Ugandan tutors on the BSc speech and language therapy course. Staff from MMU will deliver training three times a year and provide ongoing mentoring via email and Skype (£80,000).
- A project run by the Leicester-Gondar Link at the University of Leicester to develop and run an MSc programme in Advanced Clinical Nursing at the University of Gondar in Ethiopia. Led by Professor Mark Silverman, the project will include support of teaching in the first year and training for tutors (£95,365).
- Practical Action, Reading University and Zimbabwe's Department of Agricultural, Technical and Extension Services (AGRITEX) will work together to improve the capabilities of smallholder farmers in Zimbabwe to respond to climate change and variability (£119,776).

Social Science Small Grants

Although we closed our Social Science Small Grants Scheme in 2010, the final applications were received in December, and consequently we have processed 124 applications this year, with 35 grants awarded.

We will continue to make small grants in our areas of interest in education and social policy, but under the relevant grant programmes rather than through a special scheme.

Quantitative Methods for Undergraduate Social Scientists

In 2010, we decided to replace the Social Science Small Grants Scheme with a new capacity-building programme focussing specifically on developing undergraduate quantitative skills and experience in social sciences (with the exception of economics and psychology, where arguably the need is less great).

In 2011, we have been laying the groundwork for the new programme, which will be aimed at undergraduates and administered by a small number of UK universities, selected through a competition. We expect to fund five to ten centres at levels of up to £250,000 for five years in the first instance. Funding could be used in a number of ways, including for additional staff, training opportunities, student bursaries to special courses and summer schools, and work experience through summer placements. The ESRC is also making a contribution, and we will run the competition to select centres in 2012.

Nuffield Council on Bioethics (£1.3 million, 10%)

The Nuffield Council on Bioethics is an independent body tasked with examining and reporting on ethical issues in biology and medicine. It is funded by the Nuffield Foundation, the Wellcome Trust and the Medical Research Council.

In 2011, the Council's celebrated its 20th anniversary. To celebrate its achievements and look ahead to the next 20 years, it held an international symposium exploring global health inequalities, and published a report to review and celebrate the milestones and events since its inception in 1991.

Biofuels

In April, the Council published a report on the ethical issues raised by biofuels, concluding that current UK and European biofuel policies encourage unethical practices, such as deforestation and human rights abuses. It recommended the introduction of a set of overarching ethical principles that all biofuels have to meet before they can be used in and imported into the UK and Europe, and ideally worldwide.

Human bodies in medicine and research

In October, the Council published a report on the donation of bodily material such as organs, blood, eggs, sperm and whole bodies. It concluded that altruism should continue to be central to donation, but this does not exclude the possibility of allowing some form of payment in some circumstances.

Solidarity

A report commissioned by the Council on solidarity in bioethics was published in November. It defined solidarity as people's willingness to help others even if this incurs 'costs' for them, such as time, emotional investment and, in some cases, money. Using this definition, the report explores potential solutions in relation to biobanks, pandemics and lifestyle diseases.

New projects in 2011

Three new Working Parties were set up in 2011. The first is considering the ethical issues raised by **emerging biotechnologies** such as synthetic biology and nanotechnology. These technologies have the potential to provide a range of benefits, but also raise questions about risks and harms to health, safety and the environment. Findings and recommendations will be published in autumn 2012.

The second is exploring the ethical issues raised by techniques to prevent the transmission of inherited **mitochondrial disorders**, which can be fatal. Research on these techniques is at an experimental stage and it is currently unlawful in the UK to offer them for treatment. A report will be published in spring 2012.

The third new Working Party of 2011 is considering the ethical issues raised by **novel neurotechnologies** that intervene in the brain such as deep brain stimulation, brain-computer interfaces and neuron replacement therapy. These technologies have a number of potential medical and other applications, but also prompt questions that challenge widely-held notions about how and why we think and behave in the way we do. Findings and recommendations will be published in 2013.

Impact

In 2011, several policy changes were made in areas previously considered by the Council. For example, the Protection of Freedoms Bill 2010-11 proposes a number of changes to the way people's DNA is stored on the National DNA Database in line with recommendations made by the Council in 2007. In its report on behaviour change, the Lords Science and Technology Committee drew on the Council's 'ladder of interventions' for public health. And the Northern Ireland Executive published a strategy for improving dementia services, echoing many of the conclusions made in the Council's 2009 report.

As well as inform policy, the Council aims to promote public discussion of bioethics. In 2011, it took part in a number of events and meetings, such as the Cheltenham Science Festival. Its work was covered in a wide range of news articles and programmes, and resources for teachers were developed on the ethics of biofuels, personalised healthcare, and the forensic use of DNA.

Structure, governance and management

The Trust Deed

The Nuffield Foundation is an unincorporated charity registered with the Charity Commission (206601). It was established by Trust Deed on 9 June 1943 by Lord Nuffield, the founder of Morris Motors. The Trust Deed details the objects of the Foundation, which include: the advancement of health; the advancement of social well-being; the advancement of education; the care and comfort of the aged poor; the relief of handicaps; the benefit of the Commonwealth and 'such other charitable purposes as shall be declared in writing by all the Trustees'.

The Trust Deed has been amended on a number of occasions, most recently in 2003. A Common Investment Fund was established by a Charity Commission scheme which took effect on 1st January 1980. It allowed the investments of different charities (but for which the Foundation Trustees were also responsible) to be invested as one unit. Subsequently these funds (the Oliver Bird Fund, Elizabeth Nuffield Educational Fund and the Commonwealth Relations Trust) have been classified as 'subsidiary charities' of the Foundation and are only identified separately in the notes to these accounts.

Trustees

The Foundation has seven Trustees (who act jointly as a corporate body under the Charity Act 1993). They are appointed by other Trustees for three terms of five, four and three years respectively, so serve a maximum of twelve years.

The Trustees meet four times a year and are advised by an Investment Committee (which includes three Trustees and two independent investment professionals), an Audit Committee (which includes two Trustees and an independent accountant), and a Remuneration Committee (comprising two Trustees) to agree arrangements for the remuneration of staff. The Trustees appoint an external Chairman of a 'Panel for Trustee Remuneration' which meets periodically to review the remuneration of Trustees. Trustees set terms of reference for all committees and panels, and parameters for the delegation of authorities to senior staff.

New trustees receive an induction, which includes a series of meetings with other Trustees and senior staff. They also receive a *Handbook for Trustees*, containing information about procedures, committees, meetings, decision-making and finances.

Organisational structure

The Foundation employs 39 staff, including 12 Nuffield Council on Bioethics staff. Although Nuffield Council on Bioethics staff are employed by the Foundation, the Council acts independently.

A senior management team comprising the Director, Deputy Director, Director of Education and Finance Director is responsible for the management of the Foundation and for advising Trustees on strategic and operational matters. Trustees are responsible for grant-making decisions, although in some circumstances these are delegated to staff or committees.

Risk management statement

The Trustees are responsible for the management of the risks faced by the charity. Detailed considerations of risk are delegated to the Audit Committee, which is assisted by senior staff. Risks are identified and assessed, and controls are established throughout the year. A formal review of the charity's risk management processes is undertaken on an annual basis. The key controls used by the charity include:

- Established organisational and governance structure and lines of reporting.
- Detailed terms of reference for all sub-committees.
- Comprehensive financial planning, budgeting and management accounting.
- Formal written policies and hierarchical authorisation and approval levels.
- Regular review of current risks to the Foundation.

Trustees are satisfied that the major risks identified through the risk management processes are being adequately managed where necessary. We recognise that systems can provide reasonable but not absolute assurance that major risks have been adequately managed.

Statement of grant-making policy

The Foundation's grants programmes have been established to meet our objective to improve social well-being and therefore to benefit the wider public. The areas in which we operate, namely education, social policy and research are subject to changing environments and priorities. Programmes are therefore subject to periodic review to ensure they continue to meet their objectives. Usually these reviews will have input from external, independent advisers.

All our research and innovation grants are peer reviewed by independent referees, as are those made under the Africa Programme and our Social Science Small Grants Scheme. Final decisions on these applications are made by Trustees. Undergraduate Research Bursaries are awarded following assessment by a Peer Review Panel, and Science Bursaries for Schools and Colleges are awarded by a network of regional coordinators who operate under a service level agreement with the Foundation.

Details of available funding and the application process for each programme are published on our website. This information includes eligibility criteria, deadlines and terms and conditions. We require ethical scrutiny of proposals involving primary research, and evidence of a commitment to communication and dissemination of research findings. Grant-holders are also required to submit an end of grant report. For some longer-term grants, interim reports are also required.

In July 2011 we received a certificate of best practice in medical and health peer review from the Association of Medical Research Charities (AMRC) following its quinquennial peer review audit.

Financial Review

Like most UK charities we have been waiting to see from which direction the cool winds of this new age of economic uncertainty will blow. In 2011 the pressure came not from asset values (which barely changed), but from a vigorous pressure on spending. For a grant-making organisation this pressure is welcome and we have been as responsive and flexible as we can.

We set a total expenditure budget for the year of £10.9m (excluding investment costs), with separate budgets for each area of activity. We award grants under a peer review system which means that the ceiling for approvals is reached by either running out of money or running out of quality, whichever comes first. Happily during the year many grant programmes were able to find and fund this quality beyond their initial budgets. For example Education grants were made worth £1.9m (37 per cent more than the initial budget), and Children and Families grants were made worth £1.2m (27 per cent over budget). The Open Door and Africa programmes spent in line with budget, and the Science Bursaries programme spent eight per cent (£105k) less. Rather than illustrating a loss of financial control, these financial responses to shifting demand reflect our determination to be flexible about seizing opportunities, and to treat short term financial plans as a servant, not a master of an organisation that tries to use its long term horizon as best it can. During 2011 these additional costs were met from the budget released by the delayed start in the new Quantitative Methods programme (budget: £1.2m), but in future years these opportunities may have to be funded by borrowing from the future. This is the context in which we expect to find ourselves in this age of austerity; our challenge is to see these as opportunities rather than threats.

We continue to plan to distribute at least five per cent per annum (including investment fees), but based on a market value of assets smoothed over three years. Total expenditure for the year was £12.3m (2010: 12.0m) while the funding available (income and total return transfer) was £10.7m (2010: £11.4m). The unrestricted deficit for the year of £173k (2010: surplus of £1.1m) is part of a planned programme to bring our Unrestricted Expenditure Reserve back within our agreed range of +/-£2m. Over the next few years our central scenarios envisage a series of deficit budgets as we continue fund quality work from an essentially static asset base.

Investment management and governance (£1.6m, 14%)

Investment performance for periods ending 31 December is summarised below.

Total Returns	1 Year	3 Years	5 years
Nuffield Foundation (gross of fees)	-0.7	9.8	2.3
Bespoke Benchmark (gross of fees)	-3.8	8.6	1.0
WM Total Charities (gross of fees)	-2.7	9.6	2.2
Key			
Nuffield Foundation	Actual performance		
Bespoke Benchmark	90% MSCI WI; 10% UK 15 year Gilts		
WM Total Charities	Median, including property		

Performance in the year was again reasonable despite volatile markets; headwinds for global equities were our strategic bias towards the Asia Pacific region and the consequent underweight to North America (relative to a conventional MSCI (Morgan Stanley Capital International) benchmark). As a result, our equity managers generated a -5.7 per cent gross return (better than their aggregated benchmarks of -7.5, but less good than the MSCI return of -4.3). The total return for private equity for the year was 16.3 per cent where the Foundation had 25 per cent of its assets. Fund performance excluding private equity was -4.6 per cent (benchmark excluding private equity: -1.9 per cent). Measured against similar funds the returns for private equity are above median. Longer term returns in our portfolio (since April 2003) are emerging as global equities at 5.3 per cent and private equity at 9.5 per cent. Over the same period the MSCI has returned 4.6 per cent. The total fund has returned 8.4 per cent over the same period, in line with the target annual return we seek of approximately 8 per cent per annum.

The Foundation made no changes to its investment portfolio during the year.

Accounting for Total Returns and Reserves Policy

For the five years from 2009 our policy is to distribute 4.5 per cent of the trailing twelve-quarter average market value of the Foundation's investments (based on values at 30 June of the previous year). Cambridge Associates have advised this as a sustainable amount to distribute. The intention is to produce a consistent and sustainable amount for expenditure and to maintain (at least) the purchasing power of the endowment over the long term.

Our Reserves Policy is driven by two components: the first is to keep the unrestricted funds (which are part of the Expenditure Reserve) at a level of +/- £2m to allow for cumulative under-spending or over-spending from year to year (there is no similar range for the restricted Expenditure Reserve). Stepping outside this range would trigger a review of spending. On 31 December 2011 this reserve was worth £2.1m (2010: £2.3m). As mentioned above, future budgets are expected to bring this reserve back within its agreed range. The Restricted Expenditure Reserve continued to be negative, and will remain so until 2013. This is the result of absorbing the full costs of the five-year grants made in 2008 and annual income is used to replenish the reserve.

The second part of this policy reflects how we seek to preserve the endowment's value. The 'Core Endowment' represents that part of the assets which we seek to maintain in real terms. It is based on the value of the endowments on 31 December 2003 together with an allowance for subsequent inflation and is referred to in the table below as the 'Target Value at 31 December 2011'. If the value of the endowment is more than the Target Value it has been preserved in real terms, if smaller it has not. We expect our portfolio to be volatile in a normal range of +/-16%. We use this to set upper and lower ranges to help us identify when the endowment has drifted too far from its Target Value. In such circumstances a review of the distribution rate would be triggered (without necessarily leading to a change). The 'Allowance for Market Volatility' simply reconciles the Target Value to the value of the endowment shown on the balance sheet. At 31 December 2011 the market value of the endowment total represented 90 per cent of its core value (2010: 99 per cent), suggesting that the Foundation is, at the end of the year at least, still on an even keel.

£000s	Lower	31/12/2011	Upper
	Limit	Actual	Limit
Core endowment			
'Preserved Value' at 31 Dec. 2003		188,311	
Allowance for inflation		53,352	
Target Value at 31 December 2011	202,997	241,663	280,329
Allowance for market volatility		(23,118)	
Endowment total	202,997	218,545	280,329
Expenditure Reserve			
Restricted	-	(973)	-
Unrestricted	(2,000)	2,092	2,000
Total funds		219,664	

Statement of Trustees' Responsibilities

Law applicable to charities in England and Wales requires the Trustees of the Nuffield Foundation to prepare financial statements for each financial year that give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the Trustees should follow best practice and undertake the following.

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy, the financial position of the Foundation and which enable them to ensure that the financial statements comply with the Trust Deed. They are also responsible for safeguarding the assets of the Foundation, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Trustees on 3rd May 2012 and signed on their behalf by



Professor David Rhind
Chairman

Independent Auditor's Report to the Trustees of Nuffield Foundation

We have audited the financial statements of Nuffield Foundation for the year ended 31 December 2011 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charities trustees, as a body, in accordance with section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Report and any other surround information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2011 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Crowe Clark Whitehill LLP 17/5/12

Crowe Clark Whitehill LLP, Statutory Auditor, London

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of financial activities

	Notes	Unrestricted Funds £000s	Restricted Funds £000s	Endowed Funds £000s	Total 2011 £000s	Total 2010 £000s
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	2	-	541	-	541	674
Activities for generating funds		78	-	-	78	69
Investment income						
Investment portfolio	6	-	-	4,456	4,456	3,903
Other interest		2	-	-	2	2
Other income		54	-	-	54	44
Total incoming resources		<u>134</u>	<u>541</u>	<u>4,456</u>	<u>5,131</u>	<u>4,692</u>
RESOURCES EXPENDED						
Costs of generating funds						
Investment management costs				1,593	1,593	2,351
Charitable activities						
Social Policy		3,326	23	-	3,349	3,508
Education		2,921	97	-	3,018	2,389
Capacity Building		2,202	544	-	2,746	2,500
Nuffield Council on Bioethics		710	532	-	1,242	1,208
Charitable activities		<u>9,159</u>	<u>1,196</u>	<u>-</u>	<u>10,355</u>	<u>9,605</u>
Governance		86	-	-	86	88
Total resources expended	3	<u>9,245</u>	<u>1,196</u>	<u>1,593</u>	<u>12,034</u>	<u>12,044</u>
NET OUTGOING RESOURCES before transfers						
		<u>(9,111)</u>	<u>(655)</u>	<u>2,863</u>	<u>(6,903)</u>	<u>(7,352)</u>
Transfers	11	8,937	1,042	(9,979)	-	-
NET OUTGOING RESOURCES after transfers						
		<u>(174)</u>	<u>387</u>	<u>(7,116)</u>	<u>(6,903)</u>	<u>(7,352)</u>
Net (loss)/gain on investment assets	6	-	-	(5,862)	(5,862)	33,875
NET MOVEMENT IN FUNDS						
		<u>(174)</u>	<u>387</u>	<u>(12,978)</u>	<u>(12,765)</u>	<u>26,523</u>
Fund balances brought forward at 1 January		<u>2,266</u>	<u>(1,360)</u>	<u>231,523</u>	<u>232,429</u>	<u>205,906</u>
Fund balances carried forward at 31 December	11	<u>2,092</u>	<u>(973)</u>	<u>218,545</u>	<u>219,664</u>	<u>232,429</u>

Notes 1 – 11 form part of these Financial Statements

Balance sheet

		2011	<i>2010</i>
		£000s	<i>£000s</i>
FIXED ASSETS			
Tangible fixed assets	5	3,059	3,139
Investments	6	227,635	240,199
Programme related investments	6	100	100
		<u>230,794</u>	<u>243,438</u>
CURRENT ASSETS			
Debtors	7	612	605
Bank and cash		51	743
		<u>663</u>	<u>1,348</u>
LIABILITIES: amounts falling due within one year			
Provision for grants payable	8	(8,951)	(8,894)
Creditors	9	(499)	(786)
		<u>(9,450)</u>	<u>(9,680)</u>
NET CURRENT LIABILITIES		<u>(8,787)</u>	<u>(8,332)</u>
LIABILITIES FALLING DUE AFTER ONE YEAR			
Provision for grants payable	8	(2,343)	(2,677)
NET ASSETS		<u>219,664</u>	<u>232,429</u>
FUNDS			
Unrestricted funds		2,092	2,266
Restricted funds		(973)	(1,360)
Endowed funds	11	218,545	231,523
TOTAL FUNDS	11	<u>219,664</u>	<u>232,429</u>

Notes 1 – 11 form part of these Financial Statements

These financial statements were approved by the trustees on 3rd May 2012 and were signed on their behalf by:



Professor David Rhind
Chairman

Cash flow statement

	2011 £000s	2010 £000s
Operating Activities		
Net cash outflow from operating activities	(11,823)	(10,847)
Returns on investment and servicing of finance		
Investment income	4,456	3,903
Interest received	2	2
	<u>4,458</u>	<u>3,905</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(29)	(92)
Disinvestment from portfolio	6,702	6,880
	<u>6,673</u>	<u>6,788</u>
Decrease in cash during the year	<u>(692)</u>	<u>(154)</u>

Analysis of changes in net cash during the year

Cash at bank and in hand		
At 1 January	743	897
At 31 December	51	743
(Decrease)/increase in cash during the year	<u>(692)</u>	<u>(154)</u>

Net outgoing resources for the year	(6,903)	(7,352)
Depreciation	109	112
Investment income (including interest received)	(4,458)	(3,905)
Movement in current assets/liabilities :		
Reduction in grant commitments	(277)	(334)
Increase/(decrease) in creditors	(287)	309
(Increase)/decrease in debtors	(7)	323
Net cash outflow from operating activities	<u>(11,823)</u>	<u>(10,847)</u>

Notes 1 – 11 form part of these Financial Statements

Notes to the financial statements

1. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with applicable Accounting Standards. The trustees have adopted the recommendations contained within the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued by the Charity Commission in March 2005, applicable UK accounting standards, and the Charities Act 2011.

(b) Income

Investment income represents dividends and interest on fixed investments and deposits, with any associated tax credits or recoverable taxation, which are included on an accruals basis. Investment income and other gains (or losses) are allocated to the individual funds in proportion to their holding in the Common Investment Fund at the beginning of the year

Grants and donations are credited to incoming resources when they are due. They are deferred where the donor has imposed restrictions upon when the money can be spent.

(c) Expenditure

Costs of generating funds represent amounts paid to the Foundation's external investment advisors.

Charitable expenditure comprises grants and other payments made by the trustees in accordance with criteria set out in the trust deed.

Grants are charged to the Statement of Financial Activities when allocations are approved by the trustees and promised to the recipient, less any awards cancelled or refunded. Grants which are awarded subject to conditions are included as expenditure at the point at which the trustees agree that they no longer have control over the fulfilment of the condition.

'Other costs' include staffing, hosting seminars and conferences, commissioned research or evaluations together with any direct costs immediately attributable to a specific activity.

'Support costs' reflect the apportionment of costs shared by all activities. The basis of this apportionment is headcount. 'Governance' comprises costs incurred in trust administration and compliance with regulatory requirements, together with its share of apportioned costs.

(d) Basis of allocation of costs

Investment management costs and charity administration costs are allocated to the funds in proportion to their holding in the Common Investment Fund at the beginning of the year. Where identifiable costs related to Charitable Activities or Governance are attributed to appropriate activities and funds in full, or where not separately identifiable they are apportioned on the basis of headcount.

(e) Investments

Quoted investments are included in the accounts at their mid market values as at the balance sheet date. Unquoted (e.g. private equity) investments which have no readily identifiable market price are included at the most recent valuations from their respective managers.

(f) Taxation

The Foundation carries on activities which are exempt from corporation tax and income tax. Irrecoverable VAT is included with the expenditure to which it relates.

(g) Exchange gains and losses

All realised and unrealised exchange gains and losses on investments are accounted for in the Statement of Financial Activities.

Notes to the financial statements (continued)

(h) Fixed assets

The property at 28 Bedford Square together with certain furnishings is stated at market value. Art and Antiques are based on a frozen valuation (in accordance with the transitional provisions of FRS 15 'Accounting for fixed assets') made by Phillips in March 1999. Other fixed assets are stated at cost less depreciation. Assets over a value of £5,000 are capitalised. Depreciation has been calculated at the following annual rates, in order to write off each asset over its estimated useful life.

Leasehold property	- Length of the lease
Equipment, fixtures and fittings	- 3 years to 20 years

(i) Total Return Accounting

The Charity Commission permitted the Foundation to adopt the use of total return in relation to its permanent endowment on 7th February 2006. The power permits the trustees to invest permanent endowments to maximise total return and to make available an appropriate portion of the total return for expenditure each year. Until this power is exercised the total return shall be an 'unapplied total return' and remain as part of the permanent endowment. The trustees have decided that it is in the interests of the Foundation to present its expendable endowment in the same manner, although there is no legal restriction on the power to distribute the expendable endowment.

The trustees have used the values of the permanent endowments at 31st December 2003 to represent the 'Preserved Value' of the original gift.

(j) Fund Accounting

Unrestricted funds are donations or other income received or generated for the objects of the charity without further specified purpose and is available as general funds.

Restricted funds have arisen from restrictions applied by donors. Expenditure that meets these criteria is identified to the fund, together with a fair allocation of support and charity administration costs.

The endowed funds of the Foundation are capital funds where normally only the income arising may be applied, in some cases on restricted purposes. These funds are either permanent or expendable, depending on whether the trustees have power to spend the capital.

(k) Pension costs

Pension costs in respect of the multi employer pension scheme are accounted for as if it were a defined contribution scheme and are charged as they are incurred.

2 Incoming resources from generated funds

	2011 £000s	2010 £000s
Voluntary Income		
Grants received in support of:		
Nuffield Council on Bioethics	374	501
School Science Bursaries	138	136
Other restricted activities	29	35
Other unrestricted activities	-	2
	<u>541</u>	<u>674</u>
Activities for generating funds		
Sales, Royalties and Fee income	<u>132</u>	<u>69</u>

Notes to the financial statements (continued)

3 Resources expended

	Direct costs		Support	Total	Total
	Grants	Other	Costs	2011	2010
	£000s	£000s	£000s	£000s	£000s
Cost of Generating Funds					
Investment management	-	1,593	-	1,593	2,351
Charitable Expenditure					
Social Policy					
Children and Families	1,146	89	65	1,300	1,467
Law in Society	501	59	24	584	375
Open Door*	1,320	104	41	1,465	1,596
Changing Adolescence	-	-	-	-	70
	<u>2,967</u>	<u>252</u>	<u>130</u>	<u>3,349</u>	<u>3,508</u>
Education					
Nuffield Curriculum Programme	-	540	323	863	1,251
Education Grants	1,930	144	81	2,155	1,125
Maths Education	-	-	-	-	13
Grants for Women	-	-	-	-	-
	<u>1,930</u>	<u>684</u>	<u>404</u>	<u>3,018</u>	<u>2,389</u>
Capacity Building					
Undergraduate Research Bursaries	611	143	121	875	612
School Science Bursaries	390	272	-	662	861
Newly Appointed Lecturers	(21)	-	-	(21)	(2)
Rheumatism	(14)	64	40	90	124
Social Science Small Grants	323	6	-	329	276
New Career Development Fellowships	20	-	-	20	16
Quantitative Methods	-	46	32	78	-
Africa Programme	594	87	32	713	613
	<u>1,903</u>	<u>618</u>	<u>225</u>	<u>2,746</u>	<u>2,500</u>
Nuffield Council on Bioethics	<u>-</u>	<u>798</u>	<u>444</u>	<u>1,242</u>	<u>1,208</u>
Governance costs					
Audit fee	-	18	-	18	20
General costs					
Trustees' remuneration	-	63	-	63	65
Trustees' expenses	-	2	-	2	3
Legal fees	-	3	-	3	-
	<u>-</u>	<u>86</u>	<u>-</u>	<u>86</u>	<u>88</u>
Total Charitable Expenditure	<u>6,800</u>	<u>2,438</u>	<u>1,203</u>	<u>10,441</u>	<u>9,693</u>
Total Resources Expended	<u>6,800</u>	<u>4,031</u>	<u>1,203</u>	<u>12,034</u>	<u>12,044</u>

* The **Open Door** programme funds projects of merit lying across or outside the areas of special interest.

Each trustee is entitled to an annual allowance by virtue of the provisions of the Trust Deed. This is currently £9,033 per annum. During the year six trustees claimed re-imbursment of travel and subsistence expenses (2010: three).

Notes to the financial statements (continued)

4 Personnel costs

	2011 £000s	2010 £000s
Wages and salaries	1,832	1,836
Social security costs	196	192
Other pension contributions	210	211
	<u>2,238</u>	<u>2,239</u>
Average full time equivalent number of staff employed in year:		
Grant making	9	9
Curriculum Programme and other publications	8	8
Nuffield Council on Bioethics	11	11
Support services	11	11
Other Programmes	-	-
	<u>39</u>	<u>39</u>
Remuneration of Higher Paid Staff		
Between £60,000 and £69,999	1	1
Between £70,000 and £79,999	2	3
Between £80,000 and £89,999	1	1
Between £90,000 and £99,999	1	1

Employer's pension contributions for higher paid staff were in total £60,482.

The Pensions Trust Pension Scheme

Staff are entitled to contribute to a pension scheme known as the Pension Trust Growth Plan. This is a multi-employer pension plan and which in most respects is a money purchase arrangement, although it does include certain guarantee elements as described below.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from normal retirement dates. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity. The capital is guaranteed through investing in short term, high quality securities and deposits.

It is not possible in the normal course of events to identify the share of the underlying assets of this multi-employer pension plan belonging to the individual participating employers. Accordingly, in line with the requirements of FRS 17, the accounting charge for the year represents only the Nuffield Foundation employer contributions payable.

The latest formal valuation of the Growth Plan was performed at 30 September 2009 and this showed the Plan to have a buy out funding level of 79%. The Nuffield Foundation receives quarterly updates from the scheme's actuary on the funding level and its potential employer debt if it were to withdraw from the scheme. Based on the latest quarterly update at 31 December 2011 the funding level remained unchanged and the charity had a contingent liability of £2,315,804 in the event that it was to withdraw its membership of the Growth Plan.

The Nuffield Foundation paid contributions at a rate of 11% of member salaries during the accounting period. The Plan trustee has previously indicated that no additional contributions from participating employers are required at this time.

Notes to the financial statements (continued)

5 Tangible Fixed Assets

	Leasehold Property £000s	Other assets £000s	Total £000s
Cost or valuation			
At 1 January	3,300	446	3,746
Additions	-	29	29
Disposals	-	(73)	(73)
At 31 December	<u>3,300</u>	<u>402</u>	<u>3,702</u>
Depreciation and amortisation			
At 1 January	384	223	607
Charge for year	38	71	109
Disposals	-	(73)	(73)
At 31 December	<u>422</u>	<u>221</u>	<u>643</u>
Net book value			
At 31 December	<u>2,878</u>	<u>181</u>	<u>3,059</u>
<i>At 1 January</i>	<u>2,916</u>	<u>223</u>	<u>3,139</u>

All tangible fixed assets are held for continuing use in the Foundation's activities. The depreciated historic cost of the leasehold property is £1,203k. The lease expires on 24th December 2084 and was revalued in 2001 by Cotton Thompson Cole, Chartered Surveyors.

6. Investments

a) Investments at Market Value

	2011 £000s	2010 £000s
Market Value at 1 st January	240,199	213,204
Net disinvestment from portfolio	(6,702)	(6,880)
Realised and unrealised gains/(losses)	<u>(5,862)</u>	<u>33,875</u>
Market Value at 31 st December	<u>227,635</u>	<u>240,199</u>
Historic cost of listed investments at 31 st December	<u>199,887</u>	<u>196,115</u>

b) Disposition of Investments

	2011 £000s	2010 £000s
Listed Equities	148,292	174,845
UK Property Unit Trusts	-	-
Fixed Income	18,361	20,401
Private Equity	56,873	40,759
Cash	4,109	4,193
Total	<u>227,635</u>	<u>240,199</u>
Total UK investments	54,376	59,136
Total overseas investments	<u>173,259</u>	<u>181,063</u>
Total	<u>227,635</u>	<u>240,199</u>

Notes to the financial statements (continued)

6. Investments (continued)

c) Income from Investments	2011 £000s	2010 £000s
Global Equities	3,214	2,615
UK Property Unit Trusts	7	341
UK Government Bonds	830	855
Private Equity	371	80
Cash	34	12
	<u>4,456</u>	<u>3,903</u>

d) Illiquid assets and investment commitments

At the year end the Foundation had undrawn commitments to Private Equity funds of £25,328,441 which are expected to be called at various dates between 2012 and 2021. Over a similar period the current investments in Private Equity funds are expected to be realised by a return of capital. The carrying value of the Private Equity investments of £56,873,525 reported above represents the latest valuations of the funds at or prior to 31 December 2011 as provided by the relevant fund managers. However, it is not possible for the trustees to liquidate these investments prior to the future return of capital.

e) Currency Hedging

At 31 December 2011 the charity had open forward exchange contracts to sell US dollars, Yen and Euros with a total sterling value of £48,679,764. The settlement date for all of these contracts was 21st March 2012. These contracts were entered into to reduce the charity's currency risk following the greater global diversification of its investment holdings. The forward exchange contracts have all been revalued at the applicable year end exchange rates and the resulting unrealised translation losses are included within the overall value of the equity investments above.

f) Programme Related Investments

The Foundation holds 100,000 £1 fully paid Non Cumulative Preference Shares in the Charity Bank Ltd, a charity with a mission to tackle marginalisation, social injustice and exclusion and facilitate social change through investment.

7 Debtors and prepayments

	2011 £000s	2010 £000s
Accrued Income	439	477
Other debtors	173	128
	<u>612</u>	<u>605</u>
Contingent assets (potentially recoverable grants)	3	4

8 Grants Payable

a) Grants Payable	2011 £000s	2010 £000s
Grants awarded but not paid at 1 January	11,571	11,905
Grants awarded in the year	7,104	6,032
Grants cancelled in the year	(304)	(322)
Grants paid in the year	(7,077)	(6,044)
Grants awarded but not paid at 31 December	<u>11,294</u>	<u>11,571</u>
Payable within one year	8,951	8,894
Payable after one year	2,343	2,677
	<u>11,294</u>	<u>11,571</u>

Notes to the financial statements (continued)

8 Grants Payable (continued)

b) Analysis of grants awarded

	2011 £000s	<i>2010</i> <i>£000s</i>
Awarded to individuals	7	-
Awarded to institutions	7,097	6,032
	<u>7,104</u>	<u>6,032</u>

Five largest contributions

	2011 £000s
University of Oxford	598
London School of Economics	500
University College London	430
University of Birmingham	373
Institute of Education	281

9 Creditors: amounts falling due within one year

	2011 £000s	<i>2010</i> <i>£000s</i>
Income Tax and National Insurance	63	56
Accruals	316	316
Grant Creditors	-	193
Other creditors	120	177
Deferred Income	-	44
	<u>499</u>	<u>786</u>

10 Statement of Total Returns

Calculation of Total Return

	Permanent Endowments £000s	Expendable endowments £000s	Total £000s
Investment Return			
Investment income	179	4,277	4,456
Capital Gains/(Losses)	(236)	(5,626)	(5,862)
Investment Management costs	(64)	(1,529)	(1,593)
Total Return for year	<u>(121)</u>	<u>(2,878)</u>	<u>(2,999)</u>
Less:			
Application of Return to Expenditure Reserve	(402)	(9,577)	(9,979)
Net Total Return for the year	<u>(523)</u>	<u>(12,455)</u>	<u>(12,978)</u>
Unapplied Total Return			
<i>at 1st January 2011</i>	<u>1,749</u>	<u>41,463</u>	<u>43,212</u>
At 31st December 2011	<u>1,226</u>	<u>29,008</u>	<u>30,234</u>
'Preserved Value' at 31 December 2003	7,581	180,730	188,311

Notes to the financial statements (continued)

11 Funds

a) Description of funds

- The Elizabeth Nuffield Educational Fund was a gift from the wife of Lord Nuffield for the advancement of education and in particular the award of scholarships, grants or loans to women and girls who require financial assistance. It is used to fund the Education grant programme. Unspent income is restricted to this purpose.
- The Commonwealth Relations Trust was created for the purposes of promoting a common understanding between the unity of ideals in the United Kingdom and the other members of the British Commonwealth of Nations. It is used to fund the Africa programme. Unspent income is restricted to this purpose.
- The Oliver Bird Fund was given by Captain Bird for research into the prevention and cure of rheumatism. It is used to fund the Rheumatism grant programme. Unspent income is restricted to this purpose.
- The Main Fund includes Lord Nuffield's original endowment and the Auxiliary Fund, together with a number of subsequent gifts including the Ada Newit bequest and the Albert Leslie Stewart Bequest (both subsumed into this fund in 2003). This fund was known as the 'Auxiliary Fund' prior to 2004; the change was made following the modification of the Trust Deed in 2003.
- The 'Expenditure Reserve' is referred to in the Total Return Order made by the Charity Commission as the 'Trust for Application (income)'. It is that part of the Foundation's net assets that the trustees have determined is available for future expenditure.

b) Fund Movements

	Balance at 1 st January 2011	Movement in Resources				Balance at 31 st December 2011
		Incoming Resources	Outgoing Resources	Unrealised Gain/(Loss)	Transfers	
Capital Funds						
Endowments						
Permanent Endowment						
Elizabeth Nuffield Fund	2,004	38	(14)	(51)	(86)	1,891
Commonwealth Relations Trust	7,326	141	(50)	(185)	(316)	6,916
	9,330	179	(64)	(236)	(402)	8,807
Expendable Endowments						
Oliver Bird Fund	14,852	286	(103)	(376)	(640)	14,019
Main Fund	207,341	3,991	(1,426)	(5,250)	(8,937)	195,719
	222,193	4,277	(1,529)	(5,626)	(9,577)	209,738
Total Endowed Funds	231,523	4,456	(1,593)	(5,862)	(9,979)	218,545
Expenditure Reserve						
Restricted Funds						
Elizabeth Nuffield Fund	-	-	(86)	-	86	-
Commonwealth Relations Trust	-	-	(316)	-	316	-
Oliver Bird Fund	(1,546)	-	(90)	-	640	(996)
Other Restricted Funds	186	541	(704)	-	-	23
	(1,360)	541	(1,196)	-	1,042	(973)
Unrestricted Funds						
General Fund	2,266	134	(9,245)	-	8,937	2,092
Total Expenditure Reserve	906	675	(10,441)	-	9,979	1,119
Total Funds	232,429	5,131	(12,034)	(5,862)	-	219,664

Notes to the financial statements (continued)

11 Funds (continued)

c) Analysis of Funds

	Unrestricted Funds £000s	Restricted Funds £000s	Expendable Endowment £000s	Permanent Endowment £000s	Total £000s
Investments	-	-	218,828	8,807	227,635
Other fixed assets	-	-	3,159	-	3,159
Net current assets (liabilities)	2,092	(973)	(9,906)	-	(8,787)
Liabilities due in over one year	-	-	(2,343)	-	(2,343)
Total funds	2,092	(973)	209,738	8,807	219,664

Grants awarded during 2011

Name	Purpose	Value (£)	Term (m)
Social Policy: Children and Families			
Ms Caroline Bryson, BPSR and Professor Stephen McKay, University of Birmingham	Child support: how much does the British public think the government should require non-resident parents to pay?	203,999	29
Dr Elsbeth Neil, Centre for Research on the Child and Family, University of East Anglia	Contact after adoption - A longitudinal follow up in late adolescence	195,945	30
Ms Catherine Shaw National Children's Bureau	The role of the independent reviewing officer in improving care planning for looked after children	139,091	24
Dr Janet Boddy, Thomas Coram Research Unit, Institute of Education, University of London	Working with families of children placed away from home: cross-European perspectives	114,731	15
Professor Dorothy Bishop Department of Experimental Psychology, University of Oxford	Development of materials to help families explain to their child about a sex chromosome abnormality	102,470	27
Dr Kitty Stewart, Centre for Analysis of Social Exclusion, London School of Economics	The childcare puzzle: how can we improve both quality and affordability?	99,825	15
Professor Judith Harwin, School of Health Sciences and Social Care, Brunel University	FDAC evaluation project: 24-month second stage evaluation - Supplement	77,686	24
Dr Emma Hitchings, School of Law, University of Bristol	Examining final settlements in financial disputes following divorce: the timing and context of consent orders	70,682	16
Professor Mike Brewer, Institute for Social and Economic Research, University of Essex	Partnership dissolution and formation: how do they affect income, employment and well-being?	49,767	12
		1,054,196	
	Other grants	92,474	
	Cancelled grants	(1)	
	Total: Children and Families	1,146,669	
Social Policy: Law in Society			
Professor Cheryl Thomas, Faculty of Laws, UCL	Impact of special measures on jury decision-making	195,568	24
Professor Philip Leach, Human Rights and Social Justice Research Institute, London Metropolitan University	The role of Parliaments in the Execution of Judgments of the European Court of Human Rights	77,754	18

Name	Purpose	Value (£)	Term (m)
Social Policy: Law in Society (continued)			
Professor Philip Leach, Human Rights and Social Justice Research Institute, London Metropolitan University	Democratic legitimacy in human rights implementation: the role of Parliaments in the Execution of Judgments of the European Court of Human Rights	77,754	18
Dr Louise Mallinder, Transitional Justice Institute, University of Ulster	Guidelines on the positive use of Amnesties	58,321	16
Professor Pascoe Pleasence, Faculty of Laws, University College London	Paths to justice - a past, present and future roadmap	52,791	12
Professor Alan Paterson OBE, The Law School, University of Strathclyde	Face to face legal services and their alternatives: the global lessons	51,477	22
Ms Ann Lewis, Advice Services Alliance	Improving and sustaining ADRnow	19,500	10
Ms Tracey Brown, Sense About Science	Scientific and medical leadership in libel law reform	15,410	8
		470,821	
	Other grants	35,704	
	Cancelled grants	(5,290)	
	Total: Law in Society	501,235	
Social Policy: Open Door			
Dr Ruth Lupton, Centre for Analysis of Social Exclusion, LSE	Social Policy in a Cold Climate	353,179	45
Mr Will Moy, Full Fact	Full fact development	150,000	33
Mr Chris Curry, Pensions Policy Institute	PPI Model development	132,534	24
Professor John Curtice, National Centre for Social Research	Rewriting the British Constitution (again): Cure or Cold?	108,000	24
Dr Thomas Crossley, Institute for Fiscal Studies	Measuring living standards: developing quick expenditure questions	89,655	12
Mr Andrew Leicester, Institute for Fiscal Studies	Behavioural economics and public policy: understanding the implications and an application to UK smoking data	86,250	23
Dr Ruth Fox, Hansard Society	Lifting the lid on delegated legislation	80,013	12

Name	Purpose	Value (£)	Term (m)
Social Policy: Open Door (continued)			
Ms Niki Cleal, Pensions Policy Institute	The implications of the Coalition Government's Public Sector pension reforms	76,200	6
Professor Robert Blackburn, School of Law, King's College London	Support for the House of Commons Political and Constitutional Reform Committee in its inquiry into mapping the path to codifying - or not codifying - the UK constitution	60,000	11
Catherine Howarth, FairPensions, FairShare Educational Foundation	Protecting our Best Interests, a follow-up to the study of fiduciary duty	51,983	15
Mr Carl Emmerson, Institute for Fiscal Studies	What impact has increasing the female state pension age had on the employment and earnings of older workers?	48,716	14
Professor David Cope, Parliamentary Office of Science and Technology	Lord Flowers Memorial Fellowship	30,000	75
Mr Stuart Adam, Institute for Fiscal Studies	Examination of how the tax and benefits system relates to ageing and care	23,112	5
Dr Gemma Burgess, Department of Land Economy, University of Cambridge	Housing wealth and wellbeing: scoping study	21,650	7
Mr John Graham, The Police Foundation	Commission on youth crime and anti-social behaviour: follow-up work (7 month extension)	20,000	7
		1,331,292	
	Other grants	51,991	
	Cancelled grants	(63,423)	
	Total: Open Door	1,319,860	
	Total: Social Policy	2,967,764	

Education

Professor Terezinha Nunes Department of Education, University of Oxford	Children's understanding of probability: an intervention study	210,146	24
Dr Silke Fricke Department of Human Communication Sciences, University of Sheffield	Oral Language Intervention for Children with English as an Additional Language	206,744	24

Name	Purpose	Value (£)	Term (m)
Education (continued)			
Dr Julia Carroll, Department of Psychology, University of Warwick	Morphological processing in children with phonological difficulties: how does it relate to literacy development?	200,138	39
Professor Kate Nation, Department of Experimental Psychology, University of Oxford	Infant vocabulary measures as predictors of reading skills in later childhood	150,016	36
Professor John Micklewright, Department of Quantitative Social Science, Institute of Education	Higher education funding and access: exploring common beliefs	149,660	18
Dr Sara Wood, School of Health Sciences, Queen Margaret University	Improving the speech communication abilities of children with Down's syndrome: A new model of service delivery using electropalatography	147,626	24
Professor Peter Davies, School of Education, University of Birmingham	Labour market expectations, relative performance and subject choice	141,697	30
Professor Suzanne Graham, Institute of Education, University of Reading	Primary Modern Languages: the impact of teaching approaches on attainment and preparedness for secondary school language learning	139,585	24
Dr Frances Rice, Division of Psychology and Language Sciences, University College London	Examining pathways linking psychological adjustment and academic attainment across the transition to secondary school	118,112	39
Dr Richard Dorsett, National Institute of Economic and Social Research	Moving from school to work: understanding the role of early outcomes	110,535	23
Professor Claire Callender, Department of Social Policy and Education, Birkbeck, University of London	A critical assessment of new ways of involving student mothers in higher education	69,867	23
Dr Victoria Murphy, Department of Education, University of Oxford	Profiling writing challenges in children with English as an additional language (EAL)	68,885	12
Dr Andrew Holliman, Department of Psychology, Coventry University	Pre-school screening for literacy difficulties: A new test of speech rhythm sensitivity.	46,484	25
Dr Sandra McNally, Centre for Economic Performance, London School of Economics	Non-native speakers of English in the classroom: what are the effects on pupil performance?	43,823	9
Dr Luke Sage, Department of Psychology, Coventry University	Motivational Effects on Attention	24,572	16

Name	Purpose	Value (£)	Term (m)
Education (continued)			
Dr Ian Jones, Mathematics Education Centre, Loughborough University	Improving the quality of GCSE mathematics examinations	20,416	12
Dr Dimitra Kokotsaki, Centre for Evaluation and Monitoring, Durham University	Improving the primary-secondary transition in music education	23,000	29
Dr Matt Homer, Centre for Studies in Science and Mathematics Education, University of Leeds	A comparison between students completing GCSE 21CS at KS4 and students completing other KS4 science specifications	19,123	11
Dr Birgitta Rabe, Institute for Social and Economic Research, University of Essex	The effect of school inputs on educational attainments	18,064	10
Professor Judith Bennett, Department of Education, University of York	Comparing student attainment in context-led (SNAB) and concept-led approaches to teaching A-level Biology	15,429	13
		1,923,922	
	Other grants	56,643	
	Cancelled grants	(50,751)	
	Total: Education	1,929,814	
Capacity Building			
Undergraduate Research Bursaries			
	466 awards	681,900	
	Cancelled grants	(71,079)	
	Total: Undergraduate Bursaries	610,821	
Science Bursaries for Schools & Colleges			
	1,079 awards	391,197	
	Cancelled grants	(1,230)	
	Total: School Science Bursaries	389,967	
Newly Appointed Lecturers			
	Cancelled grants	(20,901)	
Oliver Bird Rheumatism Programme			
	Cancelled grants	(14,382)	

Name	Purpose	Value (£)	Term (m)
Social Science Small Grants			
	35 awards and one supplementary grant	400,052	
	Cancelled grants	(77,037)	
	Total: Social Science Small Grants	323,015	
New Career Development Fellowships			
	Three supplementary grants	20,570	
Africa Programme			
Dr Wilhelm Krull Volkswagen-Stiftung	Developing research capacity in Africa in neglected communicable diseases and related public health issues	275,000	36
Ms Hilary Warburton Practical Action	Mainstreaming climate change adaption in Zimbabwe's agricultural extension system	119,776	24
Professor Mike Silverman Department of Infection, Immunity and Inflammation, University of Leicester	MSc in Advanced Clinical Nursing - Ethiopia	95,365	33
Dr Julie Marshall Research Institute for Health and Social Change, Manchester Metropolitan University	Supporting Ugandan services for people with speech and language difficulties	80,000	22
		<hr/>	
		570,141	
	Other grants	23,550	
	Total: Africa Programme	593,691	
		<hr/>	
	Total: Capacity Building	1,902,781	
	TOTAL: GRANTS AWARDED	7,104,453	
	TOTAL: GRANTS CANCELLED	(304,094)	
	TOTAL ALL PROGRAMMES	6,800,359	

Summary of Financial Objectives and Investment Strategy

Objectives

1. Financial Objective
 - 1.1. to maintain (at least) the Foundation's endowment in real terms
 - 1.2. to produce a consistent and sustainable amount for expenditure
 - 1.3. to deliver 1.1) and 1.2) within acceptable levels of risk
2. Capital Maintenance
 - 2.1. The Foundation seeks to protect its endowment from its current experience of inflation (based on $\frac{2}{3}$ Average Earnings Index and $\frac{1}{3}$ Retail Price Index).
 - 2.2. The Foundation's composite inflation index is applied to the endowment value of £188,310k (the value on 31st December 2003).
3. Distribution rate
 - 3.1. The Foundation intends to distribute 4% of the average of the previous twelve quarter rolling market values. (4.5% from 2009 for five years).
 - 3.2. Where market values lie outside the indexed base value with an allowance for volatility (+/- 16%) a review of distribution rates will be triggered.

Investment Principles

4. Decision Making & Governance
 - 4.1. The Investment Committee is responsible to the trustees for investment decisions. It includes three trustee members and two independent investment professionals as advisors (who serve for three year terms). The committee is supported by staff of the Foundation. It is advised by investment consultants (appointed by trustees).
 - 4.2. The committee appoints investment managers (and terminates their appointments), recommends to trustees strategic asset allocations and reviews investment performance.
 - 4.3. Investment management is delegated to authorised commercial discretionary managers, properly licensed by the FSA, whose mandates are reviewed regularly.
5. Investment objective
 - 5.1. The Foundation requires a diversified portfolio which will provide the best return for an agreed measure of risk and liquidity
6. Ethical and other restrictions
 - 6.1. Prohibitions on segregated investment in tobacco companies (equity or bonds).
 - 6.2. No stock lending.

7. Asset allocation and ranges

Asset Class	Target	Range
<i>Real Assets</i>		
Global Equities	70%	
Private Assets	20%	
<i>Total Real Assets</i>	90%	
Nominal assets	10%	8% - 15%
<i>Total assets</i>	100%	

8. Principal benchmarks

- 8.1. Principal measurement is against the Index of Capital Maintenance (see 2 above)
- 8.2. Investment performance will be assessed against total returns relative to a composite benchmark based on asset allocation at the beginning of each period.
- 8.3. Performance is also compared to the WM Charities Unconstrained Index
- 8.4. Individual manager benchmarks are set out below.

9. Manager Structure and benchmarks

Asset Class	Manager
<i>Real Assets</i>	
Global Equities	Acadian, Harding Loevner, Longview, Marathon, Aberdeen, Veritas
Private Assets	Various illiquid funds
<i>Nominal Assets</i>	
Fixed Interest	Objective Completion
Custodian	Northern Trust

Asset Class	Benchmark	Target
Total Equities	MSCI WI	+ 2%
Private Assets	MSCI ACWI	+ 4%
Fixed Interest	5 – 15yr ML Gilt index	-

10. Performance assessment

- 10.1. Performance is assessed in £GBP on rolling twelve quarter periods.
- 10.2. Performance targets are net of fees

Effective from 1st April 2003

Ten Year History

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Statement of Financial Activities										
Incoming Resources										
Investment income (net of charges)	5.67	5.52	5.26	5.92	4.92	4.55	5.74	2.82	1.55	2.87
Other income	0.69	0.65	0.82	0.62	1.07	1.01	1.25	0.91	0.79	0.67
Total incoming resources	6.36	6.17	6.08	6.54	5.99	5.56	6.99	3.73	2.34	3.54
Expenditure										
Grants made	6.37	8.87	5.58	5.22	6.41	7.68	7.01	6.10	5.71	6.80
Projects managed internally										
Curriculum Development	0.80	0.86	0.78	0.99	1.01	1.01	1.28	0.87	1.25	0.86
Council on Bioethics	0.78	0.57	0.71	0.76	0.88	0.87	0.94	1.10	1.21	1.24
Other projects	0.24	0.12	0.18	-	-	-	-	-	-	-
Support costs	0.87	0.95	0.64	1.02	1.28	1.41	1.41	1.35	1.43	1.45
	2.69	2.51	2.31	2.76	3.16	3.28	3.63	3.32	9.60	10.35
Charity administration	0.15	0.27	0.35	0.11	0.09	0.07	0.07	0.08	0.09	0.11
Total Expenditure	9.21	11.64	8.24	8.09	9.66	11.04	10.71	9.50	9.69	10.46
Net Movement on Funds	(2.85)	(5.47)	(2.16)	(1.56)	(3.68)	(5.48)	(3.72)	(5.77)	(7.35)	(6.92)
Other Gains and losses	(38.28)	20.13	17.24	29.43	23.36	10.21	(59.19)	19.87	33.88	(5.86)
Funds at beginning of year	213.82	172.69	187.35	202.43	230.30	249.99	254.72	191.81	205.91	232.44
Funds at end of year	172.69	187.35	202.43	230.30	249.99	254.72	191.81	205.91	232.44	219.66
Balance Sheets										
Fixed Assets										
Investments	169.34	191.44	208.13	235.54	256.18	261.71	200.57	213.20	240.20	227.64
Tangible Fixed Assets	3.66	3.56	3.54	3.45	3.34	3.27	3.19	3.16	3.14	3.06
Programme Related Investment	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
	173.10	195.10	211.76	239.09	259.62	265.09	203.86	216.46	243.44	230.79
Current Assets										
Cash and short term deposits	6.80	2.49	0.95	0.45	0.65	0.45	0.17	0.90	0.75	0.05
Other current assets	1.06	0.77	0.64	0.65	0.53	0.95	0.46	0.93	0.61	0.61
	7.86	3.26	1.58	1.10	1.18	1.40	0.63	1.83	1.36	0.66
Liabilities	(8.27)	(11.01)	(10.92)	(9.88)	(10.81)	(11.77)	(12.68)	(12.38)	(12.36)	(11.79)
Net Current Assets	(0.41)	(7.75)	(9.34)	(8.79)	(9.64)	(10.37)	(12.05)	(10.55)	(11.00)	(11.13)
Total Net Assets	172.69	187.35	202.43	230.30	249.99	254.72	191.81	205.91	232.44	219.66
Reserves										
Income/Expenditure reserves	3.35	(0.96)	(1.30)	(0.66)	(1.69)	(3.24)	(3.33)	(0.76)	0.91	1.12
Endowments	169.34	188.31	203.73	230.97	251.68	257.96	195.14	206.67	231.53	218.55
	172.69	187.35	202.43	230.30	249.99	254.72	191.81	205.91	232.44	219.66
Performance										
Total Returns (12 months to 31 Dec.)										
Investments (net of fees)	-17.4%	15.2%	12.3%	17.3%	12.5%	5.9%	-20.7%	12.4%	17.2%	-1.0%
Benchmark (WM 2000/Bespoke)	-16.5%	16.5%	11.4%	19.1%	12.2%	6.3%	-18.0%	17.0%	15.1%	-3.8%
Change in Indices (12 months to 31 Dec.)										
Expenditure/Investments	5.4%	6.1%	4.0%	3.4%	3.8%	4.2%	5.3%	4.5%	4.0%	4.6%
Growth in Foundation Expenditure	19.2%	26.4%	-29.3%	-1.7%	19.4%	14.2%	-2.9%	-11.3%	2.0%	7.9%
Increase in RPI	2.9%	2.8%	3.5%	2.2%	4.4%	4.0%	0.9%	2.4%	4.8%	4.8%
Increase in Average Earnings	3.4%	3.4%	4.2%	3.8%	3.8%	3.6%	3.2%	1.2%	2.3%	2.0%
Notes										
1 These statements have been extracted from previously audited financial statements										
2 These statements do not form part of the trustees' Report and Accounts.										