evidence for
better health care

nuffieldtrust

The Nuffield Trust for Research and Policy Studies in Health Services

Report and Financial Statements

Year ended 30 September 2013

The Nuffield Trust
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Company number: 382452
Charity number: 209169

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The Nuffield Trust for Research and Policy Studies in Health Services (formerly The Nuffield Health and Social Services Fund) is a company limited by guarantee, registered in England and Wales as company number 382452. It is registered with the Charity Commission as charity number 209169.

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Patron

Her Royal Highness The Princess Royal

Registered office

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Kevin Lowe FCA

Company Secretary

Elizabeth Bishop

Senior staff

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Andrew McKeon, Interim Chief Executive (*appointed 2 September 2013*)
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Professor Bernard Crump
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Charity number

209169

Trustees' Annual Report

The Trustees present their report and the financial statements of the charity for the year ended 30 September 2013. The Trustees have prepared the financial statements in accordance with current statutory requirements and the Statement of Recommended Practice (SORP) 2005 – Accounting and Reporting by Charities.

The objects of The Nuffield Trust for Research and Policy Studies in Health Services (the Trust) are to promote, carry out or advance any charitable objects, and in particular the prevention or relief of sickness and the advancement of the health of the people of the United Kingdom, in particular through the promotion of improvements in the quality of health care and health policy.

The Trustees have developed and adopted a statement of purpose to underpin and guide the future work of the Trust:

Our vision is to help provide the objective research and analysis that boosts the quality of health policy and practice, and ultimately improves the health and health care of people in the UK.

We aim to help provide the evidence base for better health care through four key activities:

- conducting cutting edge research and influential analysis
- informing and generating debate
- supporting clinical and managerial leaders, and the leaders of tomorrow
- examining international best practice and bringing lessons learnt back to the UK.

In everything we do we strive to be: independent; rigorous; relevant; open-minded; and to make a difference.

Board of Trustees

Trustees meet as a Board four times a year and consider all matters relating to the governance of the organisation and their responsibilities as Trustees. Once a year the Trustees, together with the Senior Management Team, meet to set the themes for the Trust's work programme for the coming year and to consider longer-term strategy. In addition there are two Board committees. The Chair's Committee meets typically twice a year and has a remit to consider matters relating to the appointment of new Trustees and Board Development; governance issues for the organisation; and the remuneration of senior executives. The Finance Committee meets four times a year and has responsibility for overseeing the financial functions of the Trust including recommending the budget to the Board and appraisal of certain projects and contracts; risk management; and monitoring of the investment management processes. New trustees follow an induction programme to gain familiarity with the Trust's work, governance procedures and ethos. The Trust maintains a Register of Interests for Trustees and Senior Management.

Day-to-day management of the Trust's functions is the responsibility of the Chief Executive and the senior management team, who operate within discretionary powers and protocols delegated by the Board.

The Chair of Trustees is Professor Dame Carol Black (Principal, Newnham College, Cambridge) and the Chairman of the Finance Committee is Charles Perrin (former Chief Executive, Hambros Bank).

Other Trustees who served during the year are: Dr Nicolaus Henke (Director, McKinsey & Co. and Leader of its Global Healthcare Practice); Tim Kelsey (National Director for Patients and Information, NHS Commissioning Board); Professor Sheila Leatherman, (School of Public Health, The University of North Carolina); Andrew McKeon (former Managing Director Health, Audit Commission) *retired 18 July 2013*; Peter Phillips (Chief Executive Officer, Cambridge University Press); Sir Hugh Taylor (Chairman, Guy's and St Thomas' NHS Foundation Trust); Simon Stevens (President of the global health division, UnitedHealth Group); Ian Krieger (former vice-Chairman Deloitte) *appointed 22 April 2013*, Michael Deegan (Chief Executive, Central Manchester University Hospitals NHS Foundation Trust) *appointed 22 April 2013*.

Professor Dame Carol Black, Chair of Trustees

During the year, the Trustees agreed to appoint Ms Kathryn Matthews (Chair of the Investment Committee, Royal London Group) as a Trustee. Her term of office will start on 2 December 2013. Simon Stevens, who has been a Trustee since January 2012, will retire in early 2014 in order to take up appointment as Chief Executive of NHS England, in succession to Sir David Nicholson.

Kevin Lowe, who is a non-Trustee member of Finance Committee, is a Director of PricewaterhouseCoopers with extensive experience in both the charity and health sectors.

This year has marked the end of Dr Jennifer Dixon's tenure as Chief Executive of the Nuffield Trust following her appointment to The Health Foundation, where she is now chief executive. Dr Dixon led the Trust with distinction for five years and presided over several high profile research programmes and activities, including the Trust's review for the Secretary of State for Health into the feasibility of rating care providers for quality. Under Dr Dixon's leadership the Trust established itself as a leading independent source of evidence-based research and policy analysis. The Trustees extend their sincere thanks to Dr Dixon for her leadership of the Trust since 2008.

In July, Andrew McKeon stepped down as a Trustee in order to take up the role of interim Chief Executive with effect from the beginning of September. The Charity Commission gave consent to this appointment and its terms.

None of the Trustees, including Mr McKeon whilst he was a Trustee, has received any payment, other than the reimbursement of expenses.

Senior Associates

As well as our permanent staff, the Trust is fortunate in being able to call on the expertise of its Senior Associates. Senior Associates are nationally-known academics, clinicians, managers and policy-makers who contribute time and input to our work programme, serve on advisory panels overseeing aspects of the Trust's work, and offer expert peer review to our publishing programme. We gratefully acknowledge their support.

Public benefit

The Trustees have considered the Charity Commission's general guidance on public benefit and have taken it into account when reviewing the Trust's aims and objectives and in planning its future activities. In particular, the Trustees consider how activities will contribute to the aims and objectives they have set. The main activities and beneficiaries are described in this report.

The Nuffield Trust works to promote improvements in the quality of health care and health policy. In so doing it seeks to improve patient care and health for all members of the public. All our charitable activities focus on health care policy and are undertaken to further our charitable purpose for the public benefit. TheTrustees confirm, in light of the guidance, that the aims of the Trust fully meet the public benefit test and that the activities described in this report are undertaken in pursuit of its aims.

Overview

The Nuffield Trust is an authoritative and independent source of evidence-based research and policy analysis for improving health care in the UK. We aim to help provide the evidence base for better health care by:

- conducting cutting edge research and influential analysis
- informing and generating debate
- supporting clinical and managerial leaders, and the leaders of tomorrow
- examining international best practice and bringing lessons learnt back to the UK.

We communicate our research and analysis in our research reports and academic journals; seminars and other events for health leaders and by speaking on external platforms; and by providing comment and analysis through the mainstream and social media, and via our website www.nuffieldtrust.org.uk.

The impact of our work

We believe our work makes a difference to the quality of health care and policy-making in the UK. This report is not a comprehensive list of our activities over the past year but instead sets out our most significant work and the impact it has had. . All our reports are available on the website which also gives information on our projects in progress.

Cutting edge research and policy analysis

The central objective in our 2012-13 Operational Plan was to progress a range of research projects to support the NHS as it responds to the major challenges ahead. The themes focused on areas where we have significant expertise:

- health and social care reform
- finances and efficiency
- commissioning
- the provision of care
- competition and market mechanisms.

We were also active in two other areas:

- Evaluation of local service initiatives using both quantitative and qualitative assessments.
- Predictive risk: we continued to develop and promote predictive risk models in health and social care. These tools identify patients most at risk of future unplanned hospital admissions so those admissions may be prevented.

Health and social care reform

The reforms to the NHS in England implemented on 1 April 2013 following the passing of the Health and Social Care Act 2012 are a major upheaval for the service and carry significant risks to patient care if they are not well implemented and backed by further policy development. Much of the work set out later in this report was concerned with the impact and consequences of those reforms.

However, we also used our knowledge to comment on and influence the development of the secondary legislation and relevant Department of Health and NHS England guidance. We issued several briefings to parliamentarians, officials and other key stakeholders on the legislation and its consequences. Our publication: *NHS procurement, patient choice and competition: response to draft regulations* (April 2013), responded to the draft regulations governing the contentious issue of procurement and commissioning practice following the Health and Social Care Act 2012.

The Trust's knowledge and expertise meant that we were invited to appear before select committees and to work with agencies implementing the reforms. For example, our Director of Policy appeared as a witness to the House of Commons Health Select Committee's hearing on the implementation of the Health and Social Care Act 2012.

We also held a series of seminars with The King's Fund for parliamentarians to debate the future of the health and social care system beyond the Health and Social Care Act. This led to a well-received publication in which eight parliamentarians voiced their views on NHS and social care reform: *The view from Westminster: parliamentarians on the future of health and social care* (June 2013).

In addition, we were a prominent commentator and analyst on the Coalition Government's proposals to reform social care funding. The Care and Support Bill's provisions represent, arguably, the most significant reforms to social care funding in decades We engaged with officials, parliamentarians and others on key elements of the Bill. Our briefing: *Care Bill: Second reading* (May 2013), House of Lords was cited by parliamentarians during debates on the draft legislation.

The reforms have meant that much knowledge and experience has been lost as many senior managers have left the NHS. We sought to capture this in our publication: *Changing of the guard: lessons for the new NHS from departing health leaders* (28 Mar 2013) edited by Nicholas Timmins, one of the trust's Senior Associates. The reflections of some of the most experienced NHS leaders of the past decade were considered important reading for the new national and local leadership.

> *"Something very significant is happening to the leadership of the NHS, and the Nuffield Trust is to be applauded for recognising it. An entire generation of senior leaders are taking the opportunity of attractive redundancy packages or pension arrangements and leaving the service."*
>
> ***Alastair McLellan, Editor, HSJ (March 2013)***

Finances and efficiency

Health and social care face an unprecedented financial challenge with austerity set to last for the whole of this decade and perhaps beyond. We aimed first to expose that through authoritative analysis of the size of the challenge, second to assess how the NHS and social care were faring under it, and third to explore how it could be met through changes to funding and improved efficiency.

Our work: what we did

We strengthened our position as the leading analyst on NHS finances through working closely with expert partners, such as the Institute for Fiscal Studies. In December 2012 we followed up our report, *NHS and Social Care Funding: The outlook to 2021-22* (July 2012), with one that explored three possible funding scenarios up until 2021-22: *A decade of austerity? The funding pressures facing the NHS from 2010-11 to 2021-22* (December 2012). Linked to this, we published *Care for older people: projected expenditure to 2022 on social care and continuing health care for England's older population* (December 2012), in partnership with the London School of Economics partly to inform the debate on the Government's Draft Care and Support Bill.

The anatomy of health spending 2011-12: a review of NHS expenditure and labour productivity (March 2013) analysed the history and drivers of labour productivity in NHS trusts, as well as providing an in-depth examination of the accounts data for commissioning and provider bodies across the English NHS from 2003-04 to 2011-12. Alongside this report we held the first of a planned annual series of conferences on NHS finances. This conference, held in December 2012, provided a forum for informed, non-partisan debate on the sustainability and productivity of the NHS. The conference attracted almost 100 attendees, including key figures such as Sharon White, Director General – Public Spending, HM Treasury, who delivered the keynote address. The highlights are available at: *www.nuffieldtrust.org.uk/finance/2012* .

> *"In the light of yesterday's Autumn Statement, will the Minister and his colleagues study carefully the recent Nuffield Trust report, which cogently suggested that we are facing a decade of austerity within the NHS with the need to secure 4% efficiency savings on a yearly basis, not just to 2015 but up to 2021-22?"*
>
> ***Lord Warner (December 2012)***
>
> *"If you look at the recent Nuffield Trust report on future spending projection and we don't make the changes that are needed, then I think we will be in serious difficulties in protecting the founding principles of the service."*
>
> ***Mike Farrar CBE, Chief Executive, NHS Confederation (July 2013)***

A linked research project was our analysis of financial deficits in the NHS: *Managing financial difficulties in health economies: lessons for clinical commissioning groups* (October 2013). This report looked back at local health economies that were severely financially challenged in 2006, with a view to providing learning and advice to new commissioners (clinical commissioning groups, CCGs) drawing on their predecessors' experience. It should particularly help those CCGs experiencing financial problems a matter of months into taking on their new responsibilities.

Finally, our analysis was in demand at the time of the 2013 Spending Round. Our briefing: *Spending on health and social care to 2015-16* (July 2013), examined the key issues underlying debates on health and social care funding, the decisions taken on NHS spending over this Parliament, and the 2015-16 Spending Round period.

Public benefit: the impact of our work

Our work has provided new insights and helped to shape the debate on a critical aspect of the future of health and social care. Independent authoritative analysis is important to inform decisions and public understanding about the funding of vital public services and how they can use their resources efficiently to deliver good quality care.

As a consequence of our research, we delivered formal presentations to the Department of Health, HM Treasury, NHS England, Monitor, some royal colleges and others. It also featured in the House of Lord's Committee on Demographic Change and Public Service Reform's report in March 2013, which frequently cited our mapping of the NHS productivity challenge.

Future work in this area

Our work over the past year has reinforced the Nuffield Trust's position as the leading independent authority on health and social care finance. We intend to contribute further to the debate on funding by updating our projections of the potential funding gap facing the English NHS up to 2030, supplementing this by examining the options for new funding sources from co-payments and top-ups, national taxation and local funding. This research will look at the impact of options on the NHS, their wider macroeconomic and microeconomic effect, and their likely level of public support. The research from these projects will be published in our 2013-14 and 2014-15 financial years.

Feedback to our report: *The anatomy of health spending 2011-12: a review of NHS expenditure and labour productivity* (March 2013) which covered the period from 2003-04 to 2011-12 showed there is a gap in terms of analysis of this kind and an appetite for the gap to be filled. We intend to publish annual updates and will do so in the Spring of 2014.

We will also follow up the qualitative analysis we published in October 2013 of financial deficits in the NHS (*Managing financial difficulties in health economies: lessons for clinical commissioning groups*) with a quantitative analysis to identify whether there are factors external to individual organisations, for example allocations policies, that have helped to create deficits.

In late 2013 we will publish a new study comparing the costs and performance of the four health systems of the UK. This will be published in partnership with the Health Foundation and updates our 2010 report: *Funding and performance of healthcare systems in the four countries of the UK before and after devolution* (January 2010).

Finally, we have been commissioned by the Welsh Government to model the funding pressures facing the NHS in Wales over a decade and will report in Spring 2014.

Commissioning

Clinician-led commissioning forms one of the most radical elements of the Government's NHS reforms. One of our core aims for 2012-13 was to show how commissioning could be strengthened, drawing on our extensive knowledge and position in policy and academic communities as a leading centre for the study of commissioning.

Our work: what we did

Our research and analysis continued to draw on national and international evidence and best practice. Major projects included:

- *Clinical commissioning groups: supporting improvement in general practice* (July 2013). This report provided an overview of the development of CCGs prior to formal launch in April 2013, plus an assessment of the opportunities and challenges ahead. This is part of a three year research project with The King's Fund. It aims to explore how CCGs will develop primary care services, and their impact on secondary and community care. The project tracks six randomly selected CCGs, each with different characteristics. It should provide useful insights for all CCGs as well as the six directly studied.

- *Commissioning high-quality care for people with long-term conditions* (March 2013). This report highlighted the findings of an in-depth, two-year study of commissioning, funded by the National Institute for Health Research Health Services and Delivery Research) Programme. The research – one of the most significant of its kind – revealed the 'labour' of commissioning to be extensive and resource-hungry, especially when designing and specifying services. The authors found less evidence, however, of robust approaches to assessing the performance, quality and impact of local services, and of willingness to challenge existing local providers.

- *The impact of the Marie Curie Nursing Service on place of death and hospital use at the end of life* (November 2012). This study examined whether the home-based nursing service provided by Marie Curie Cancer Care helps more people to die at home (which most people prefer), and reduces hospital use and costs at the end of life. The researchers studied 29,538 people who received Marie Curie Nursing Service care and died between January 2009 and November 2011, along with matched controls. The study found that people who received this service were significantly more likely to die at home than those who received 'standard' care, and were less likely to use all forms of hospital care. The two groups had significantly different costs in both planned and unplanned hospital care. The results provided evidence that home-based care reduces hospital use at the end of life, and helps more people to die at home.

"Most people want to be cared for at home at the end of their lives and don't want to spend their final days in hospital. We now have strong evidence to show just what a difference the Marie Curie Nursing Service care can make to fulfilling people's last wishes."

Dr Jane Collins, Chief Executive, Marie Curie Cancer Care (November 2012)

- *Understanding patterns of health and social care at the end of life* (October 2012). This report outlined the findings from a study of over 73,000 people in England during the last 12 months of their lives. It suggested that social care may help prevent hospital admissions. The report was launched at the 'National End of Life Care' conference where the research authors hosted workshops to discuss the findings. The research attracted considerable interest from experts in the field, as well as the trade media.

- *Choosing a model to predict hospital admission: an observational study of new variants of predictive models for case finding* (August 2013). The Nuffield Trust has been exploring a range of models that could potentially be used by commissioners to identify people most likely to be admitted to hospital so that such admissions can be prevented. A paper in BMJ Open described our new predictive model. We also tested the performance of new variants of models, comparing the impact of using alternative data sources (hospital inpatient, A&E, outpatient and general practitioner (GP) electronic medical records); the effects of local calibration on the performance of the models; and the choice of population denominators.

- *Predictive Risk 2013*: our fourth annual predictive risk conference was again fully booked and continued to demonstrate the value that our activities bring in this area. The outputs from the conference are available at: *www.nuffieldtrust.org.uk/risk/2013*

Public benefit: the impact of our work

Much responsibility rests on the newly established CCGs to improve the quality of care and meet the financial challenges facing health and social care. Our work, based on qualitative research and leading edge statistical analysis, provides CCGs with information and advice about how they can best develop to meet the challenges and which service initiatives work best. Adoption of the advice included in our reports and use of the tools we provide will help to improve the quality of care and the efficiency with which tax-payers' resources are used.

This is reflected in invitations The Nuffield Trust continues to receive to provide advice and support to a range of national and local commissioning organisations, as well as national representative bodies. We are also increasingly being recognised as the leading independent centre for the development of predictive risk tools, helping commissioners and providers refine how they use risk stratification and case finding tools.

Future work in this area

The second year of our project with The King's Fund tracking the progress of six CCGs will focus on the engagement of GPs and their teams in the work of CCGs, and on primary care development. An interim report will be published in April 2014 to coincide with the anniversary of CCGs 'going live' and a full report will be completed in summer 2014.

We will also assess the effectiveness of new arrangements for the commissioning of specialised services and the emergence of new models of commissioning and contracting such as the accountable lead provider, and alliance contracting, making international comparisons as appropriate.

We will publish analysis of international experience of arm's length funder/insurance bodies within publicly funded health systems. This analysis is intended to inform NHS England's own development.

We will continue to develop, assess and promote predictive risk models in health and social care and are working with New York University further to analyse the performance of predictive modelling tools. We will convene our fifth annual conference on risk prediction to inform practitioners about the latest and best developments here and internationally. In addition, our analysts have been funded by several CCGs to evaluate their use of a risk prediction model. We are also helping another to build linked health and social care datasets, calibrating our risk models to the local data.

The provision of care

A core aim in 2012-13 was to monitor and report on the quality of care received by patients and service users, and to examine new ways of organising and delivering care to improve efficiency and enhance quality.

Our work: what we did

Over the past year, the quality of NHS care has been closely scrutinised in a series of national reports and enquiries. Our work has focused on directly contributing to that scrutiny; developing new mechanisms for reporting on and improving the quality of care; and evaluating and proposing new ways of providing better services. We also undertook significant work with the Health Foundation which was launched in October 2013 to develop an independent assessment of the quality of health and social care.

Contributing to scrutiny: The Nuffield Trust's Director of Policy, Dr Judith Smith, was an assessor to the Mid Staffordshire Public Inquiry in relation to policy recommendations. She also acted as an advisor to the Inquiry on NHS organisation and commissioning (2010-2013) and her team provided analytical support by tracking health policy changes throughout 2012. Our briefing: *The Francis Public Inquiry Report: a response* (March 2013) provided in-depth analysis of the key issues raised by the inquiry report.

New mechanisms for reporting on and improving the quality of care: In what was to prove to be a high-profile Spring for the Nuffield Trust, we published the findings from a review commissioned by the Secretary of State for Health into whether ratings of provider performance should be used in health and social care. This commission was one of the first major examples of the Department of Health commissioning policy work from an external organisation. *Rating providers for quality: a policy worth pursuing?* (March 2013) mapped the current system of assessing and holding providers to account for the quality and safety of their care. It

identified the advantages and disadvantages of aggregate assessments and made a series of recommendations for how provider ratings could best be developed. which informed the development of a new national ratings system (see further details below, in 'Public benefit: the impact of our work').

> *"The Nuffield Trust has reported on the feasibility of assessments and Ofsted-style ratings, and I am very grateful for its thorough work. I agree with its conclusion that there is a serious gap in the provision of clear, comprehensive and trusted information on the quality of care. In order therefore to expose failure, recognise excellence and incentivise improvement, the chief inspector will produce a single aggregated rating for every NHS trust… The Nuffield Trust rightly says, however, that in organisations as large and as complex as hospitals, a single rating on its own would be misleading. The chief inspector will therefore also assess hospital performance at speciality or department level.*

The Rt Hon Jeremy Hunt MP, Secretary of State for Health (March 2013)

Evaluating and proposing new ways of providing better services: Our work here had four highlights:

- In May 2013 we published, along with Imperial College: *Evaluation of the first year of the Inner North West London Integrated Care Pilot*. This report outlined the findings of our joint evaluation of an innovative pilot scheme that aimed to develop new forms of care for older people and those with diabetes.

- In June 2013 we published a synthesis of the evaluations we have conducted into more than 30 community-based interventions designed to reduce emergency hospital admissions. This critical analysis: *Evaluating integrated and community-based care: how do we know what works?*, provided important learning for all those intent on taking forward similar schemes.

- In July 2013 we published: *Securing the future of general practice: new models of primary care*. This report was undertaken with the King's Fund and was commissioned by the former Midlands and East Strategic Health Authority – now NHS England (Midlands and East). It reviewed UK and international models of primary care, focusing on those that could increase capacity and help primary care meet the pressures it faces. The report proposed a set of design principles for primary care to: address the pressures facing GPs; ensure the needs and priorities of patients and the public are met; and to enable general practice to be fit for the future.

- Finally, our Director of Policy, Dr Judith Smith, led a Royal Pharmaceutical Society commission on future models of care involving pharmacy. This work reported in November 2013 and outlined ways in which pharmacists and community pharmacies could play an enhanced role in care provision in the reformed NHS.

QualityWatch

Much effort in 2012-13 was devoted to *QualityWatch* which launched in October 2013. This is a major research programme, developed in partnership with The Health Foundation, which provides independent scrutiny into how the quality of health and social care is changing over time. It is intended to augment and inform the work of the statutory national bodies and other initiatives. It provides an authoritative resource on the overall quality of health and social care; monitors and comments on changes over time independently of government and the statutory bodies; highlights where there are clear and compelling gaps between what is being achieved and what is possible in order to incite action and improvement; and will contribute to improving measures of quality. The programme is primarily focused on the NHS and social care in England, but will draw on evidence from other UK and international health systems.

QualityWatch information is collected on a new website – *www.qualitywatch.org.uk* – that presents findings from the research, including in-depth 'Focus On' reports on specific topics and analyses of key indicators organised by area of quality and sector of care. This free online resource includes other outputs, such as interactive charts and blogs. The programme and website were launched at a major conference for health and social care professionals, policy-makers, academics and others with an interest in the quality of care provided to patients and service users.

Public benefit: the impact of our work

Several projects demonstrate our public benefit in this area.

Firstly, our work on provider ratings was endorsed by the Secretary of State for Health and the Government acknowledged and supported many of the issues raised in our review. It is now directly informing the development of the Care Quality Commission's new ratings system, which is being launched in shadow form for acute NHS trusts and foundation trusts in late 2013. The CQC is changing how it regulates care services and the introduction of provider ratings for acute trusts, followed by social care providers and general practice in subsequent phases, will be key components of the CQC's revised approach.

Second, the Francis Report, which we directly supported, has had a major impact on the way the quality of NHS care will be improved, monitored and regulated. The first Government response was published in early summer 2013 and the second, fuller response has been published this autumn. In the meantime, local organisations are directly responding to its recommendations where they can.

Third, our work on primary care has attracted significant policy interest and our experts are advising the Department of Health, NHS England and national medical organisations on their plans to develop primary care services. Our evaluation of the North West London pilot has informed the development of the Government's integrated care pioneers programme and we continue to provide support to North West London as they develop their approach. The summary of the evaluation of community initiatives provides clear evidence to government and CCGs locally of where to invest scarce resources. The tools we have developed for this can also be used more widely to bring further benefit.

Finally, although in its infancy, *QualityWatch*, is providing critical independent analysis above and beyond the work of statutory bodies. We expect this to be an area of high impact and public benefit in 2013-14 and beyond, including in its stimulus for and development of better metrics for measuring quality of care.

Future work in this area

A prime focus will continue to be monitoring and reporting on the quality of health and social care through *QualityWatch*. This will be a major activity over the next five years.

Building on the policy and advice work that the Nuffield Trust provided in support of the Francis Inquiry, we are examining the ways in which NHS trusts and NHS foundation trusts are responding to the Inquiry report. Robert Francis QC is collaborating with the Nuffield Trust on this project and will take part in the analysis and in our launch conference planned for the first anniversary of his report in February 2014.

We will use our expertise in exploiting large linked data sets to assess the quality and efficiency of care for older people. Working with the British Geriatrics Society, we will examine the practice of Comprehensive Geriatric Assessment and develop tools to improve local planning for the care of older people, for example developing better measures of frailty using operational data sets. This work is scheduled to start in Spring 2014.

Our work on end-of-life care will continue, using data from seven local authority areas representing a population of over three million and over 70,000 people who died. It will include a study of the determinants of hospital cost at the end of life – updating and extending earlier analyses. We will also complete work with Marie Curie Cancer Care exploring how our analysis on the impact on NHS-funded care of community based palliative care can be extended to look at wider costs in the healthcare system.

We will also continue to assess and help develop promising new models of service provision, including new work that will examine whether emerging models of primary care and general practice are improving services and saving money and how they might need to evolve further.

Competition and market mechanisms

The Health and Social Care Act 2012 paves the way for an extension of competition and market mechanisms in health care. In 2012-13 we researched and reported on: the impact of competition; the optimal form it should take, and how NHS payment systems should develop.

Our work: what we did

This year saw the publication of two high-profile research outputs from our joint project with the Institute for Fiscal Studies.

The first report: *Choosing the place of care: The effect of patient choice on treatment location in England 2003-2011* (November 2012) examined the impact of privately owned Independent Sector Treatment Centres (ISTCs), that treat NHS patients. The report examined how patterns of outpatient attendances and inpatient admissions have changed since the expansion of the ISTCs. It found that, since 2006-07, although total volumes have increased for all trusts, ISTCs have taken on an increasing proportion of both outpatient and

inpatient care across a range of different operation and specialities. The authors argued this suggested that choice and private provision may be creating real competition in the health service.

The second report: *Public payment and private provision: the changing landscape of health care in the 2000s* (May 2013) reviewed the changing relationship between the public and private sector over the past decade in the financing and delivery of care. Key findings were that rapid growth in public health spending was matched by a slowdown in the growth of private health spending. At the same time, an increasing volume of publicly funded care was delivered by the private sector – meaning that the NHS became a major client for many private health care providers. Over the 2000s, the number of NHS-funded hip and knee replacements rose by a half whilst there was a fall in the numbers of privately funded procedures.

More generally, we continued to provide expert analysis on the competition elements of the Health and Social Care Act 2012 and our experts were asked by Monitor to advise on the development of competition policy and on what their role should be in developing and supporting general practice.

Public benefit: the impact of our work

Competition in the NHS is a contentious topic but the debate is often undertaken with little reference to the evidence. In addition, if the new regulatory bodies such as Monitor are to use their powers wisely for the benefit of the public and patients much greater understanding is needed of the potential role and impact of competition in the NHS. Our programme with the Institute of Fiscal Studies and our general work add important insights from which better policy making and decisions can be made.

Future work in this area

2013-14 will be the second year of our research programme with the Institute for Fiscal Studies and more outputs are planned. The work has so far focused on competition for elective acute health services but will now increasingly concentrate on competition issues in relation to GP services.

In addition, our researchers are undertaking a joint study with the Office of Health Economics and Imperial College on the relationship between patient reported outcomes (PROMS) and market concentration for both NHS providers and independent sector providers treating NHS funded patients.

Payment mechanisms are an important aspect of any system. We will publish the results of our research into how they should develop in the NHS in England in 2013-14.

Informing and generating debate

The Nuffield Trust continues to provide a forum for health leaders to debate reform, consider emerging health policy, and learn from best practice. The following were of particular note:

- *Health Policy Summit 2013* (March 2013). The 2013 Summit provided an opportunity to hear and question the latest evidence and analysis on several key themes, including: the economy and health care reform and the quality of care. It also highlighted innovative practice and research among providers and commissioners from both the UK and internationally. We were delighted to welcome keynote speakers, including: The Rt Hon Jeremy Hunt MP,

Secretary of State for Health; The Rt Hon Stephen Dorrell MP; Robert Francis QC; Professor Sir Bruce Keogh, National Medical Director, NHS England; David Behan, Chief Executive, Care Quality Commission; Michael Dowling, President and Chief Executive Officer, North Shore-Long Island Jewish Health System; Jamie Heywood, Co-Founder, patientslikeme.com; Dr Nemat Shafik, Deputy Managing Director, International Monetary Fund; Polly Toynbee, Columnist, The Guardian; Stephanie Flanders, BBC Economics Editor; Branwen Jeffreys, BBC Health Correspondent; and Michael White, Assistant Editor, The Guardian. The event was broadcast live on the web and attracted many virtual visitors, as well as a fully booked contingent at the venue. The summit is now firmly established as a permanent fixture in the health policy calendar. The highlights are available at: *http://www.nuffieldtrust.org.uk/summit/2013*

- We held our second European Health Policy Summit in Brussels in January, in partnership with KPMG, on the subject of primary care that is fit for the future. The summit examined how primary care can be provided to meet the health and societal challenges facing European nations. The event considered trends and drivers of change, shared European experience, and questioned how primary care should be developed. The highlights are available at: *http://www.nuffieldtrust.org.uk/euro-summit/2013* . Further outputs were due to be published in November 2013.

- July 2013 saw the 65th anniversary of the NHS. To mark this milestone, the Nuffield Trust carried out a number of activities to promote debate and discussion on the state of the NHS and social care system, and its future prospects. The centrepiece was the publication: *The Wisdom of the Crowd: 65 views of the NHS at 65* (July 2013) edited by Nicholas Timmins. It featured interviews and essays from former health ministers, senior civil servants, clinicians, managers, academics, patient representatives and journalists. Contributors outlined their visions for how the health and social care system can rise to the triple challenge of: severe spending constraints; organisational change; and growing care needs.

- Alongside our publication, we held a high-profile debate in partnership with the RSA, about the future for health and social care. The debaters were the Rt Hon Stephen Dorrell MP, the Rt Hon Alan Milburn, Baroness Williams, Professor Raymond Tallis and Polly Toynbee. The Nuffield Trust website brought together all the outputs and resources from this project, including links to the report, blogs, video interviews and social media activity: *http://www.nuffieldtrust.org.uk/nhs-65*.

"In my view, [a debate on the NHS' future] is necessary before the next general election, and only this Chamber could facilitate such a debate. I also thank the Library staff and the many organisations outside, chiefly the Nuffield Trust, for providing detailed briefings to facilitate this debate.

Lord Patel (July 2013)

Public benefit: the impact of our work

Generating and contributing to public debate about health and social care is an important part of our work. Better decisions and policy making are likely to arise from it. Our reputation surveys and other feedback also show that senior policymakers value our seminars and other similar events as 'safe spaces' to consider major policy questions and help find answers. Our highly respected events programme attracts influential speakers and attendees from the UK and overseas. At a time of constrained budgets, Nuffield Trust events provide a free-to-attend platform for policy-makers, practitioners, academics and others to debate and discuss reform and learn from new insights and thinking. By bringing influential international speakers to the UK, we continue to provide opportunities for learning from international health systems.

Future work in this area

We will continue to provide a respected forum for high-level debate and thinking on health care reform. Next year, our events programme will feature: the sixth Annual Health Policy Summit and third European Summit; a series of major conferences in our main areas of expertise and seminars and other discussion groups. Our website is also becoming an increasingly important forum for debate.

Supporting the leaders of tomorrow

We provide Fellowships for individuals, especially via the Commonwealth Fund's Harkness Fellowships which we support. This fellowship provides a unique opportunity for mid-career health services researchers and practitioners to conduct research in the US, and work with leading US health experts. In addition we:

- contribute to the Clinical Advisors Scheme run by the NHS Leadership Council: hosting the group for a morning each year and attracting academic placements to work with us;
- host elective placements for NHS graduate management trainees;
- teach on MSc courses and the NHS Management Training Scheme, and give sessions for young clinical leaders at the Royal Colleges.

Public benefit: the impact of our work

Educating and supporting emerging leaders will bring important benefits in the future as we help to give them the experience and knowledge to provide better public services.

Future work in this area

We will continue the work set out above, sharing our expertise and experience, passing on skills and insights.

Examining UK and international best practice

During the past year our researchers have examined international health systems and translated the learning to the benefit of the UK health community. This continues a longstanding Nuffield Trust tradition. We will shortly be publishing the study, undertaken by the London School of Hygiene and Tropical Medicine and financed by a grant from the Trust, comparing the costs and performance of the four health systems of the UK that updates our 2010 report.

Our work: what we did

Much of our work in other work-streams draws on international experience, for example, our second European Health Policy Summit in Brussels in January, held in partnership with KPMG, examined the subject of primary care that is fit for the future. Representatives from 16 countries took part. The summit is becoming an established forum for senior policy-makers, practitioners and academics from across Europe to discuss and debate the major challenges facing European health systems.

We also held our annual Health Quality Conference with the Commonwealth Fund of America in Washington in July, sharing insight and learning on the impact of health reform, quality initiatives and new organisational forms in the US and UK. UK participants included Professor Dame Sally Davies (Chief Medical Officer), David Behan (Chief Executive of the Care Quality Commission), Simon Stevens, Dr David Fish (Medical Director UCL Partners Academic Health Science Network), Robert Francis QC and Derek Feeley (outgoing Director General and Chief Executive of NHS Scotland).

We also contributed to wider international discussion. Our Chief Economist was asked to write the UK case study for OECD work on the fiscal sustainability of health care, which she also presented on at a conference in March 2013 in Paris.

Public benefit: the impact of our work

Our international reports and events provide lessons for the NHS in England, and the wider UK. These are an invaluable source of learning for health and social care leaders.

Future work in this area

We will hold a further European Summit with KPMG in January 2014 on the subject of the future of small hospitals – a much debated subject in England. We will continue our collaboration with the Commonwealth Fund, although there will not be a conference next year. There will instead be a joint programme of studies, the results of which will be published and discussed at a further conference in 2015.

Our reports and events will continue to include an international element. For example, our report comparing arrangements in Japan for financing and providing social care with those in England will be published in late 2013.

Financial review

Policy on reserves

The Trust's funds are held as expendable endowment with generally only income spent and the capital retained although the Trust is able to spend capital if needed. The Trustees maintain funds in order to generate a sufficient yield to fund current and future charitable activities.

It is the policy of the Trustees to fulfil the charitable objectives of the Trust by achieving a balance of income and expenditure over a reasonable time horizon. They consider that this policy will enable the Trust to react swiftly and effectively to meet changing health policies. As at 30 September 2013 the expendable endowment fund and the designated fund amounted to £73,500,000 (2012 - £67,157,000).

The Trustees consider that £1 million represents a reasonable amount to be held as a free reserve by the Charity and, accordingly, this sum is held in cash and near-cash assets.

Review of 2012-13

The financial statements for the year to 30 September 2013 have been presented as consolidated accounts for the two entities, The Nuffield Trust for Research and Policy Studies in Health Services and Nuffield Trading Limited.

Research contracts from the Department of Health and others have been awarded in previous financial years and during this year. Work on these contracts typically spans more than one financial year and it is therefore appropriate to account for ascertainable expenditure and incoming resources while contracts are in progress in accordance with the guidance given in SSAP 9 'Stocks and long term contracts'. Charitable expenditure relating to these contracts recognised during the year amounted to £326,000 (2012 - £123,000).

The charity has an investment policy based on total returns and, each year, the operational expenditure budgeted is based on a percentage drawdown of the capital value of the endowment plus income from contracts. As such, charitable expenditure is expected to exceed incoming resources when reported under SORP 2005. Total charitable expenditure for the year was £4,412,000 (2012 - £3,796,000). Total incoming resources for the year were £3,272,000 (2012 - £2,685,000). In the year, total resources expended exceeded incoming resources by £1,140,000 (2012 –£1,111,000).

The costs as detailed in note 8 include the management processes to commission outsourced work, monitoring the performance of outsourced programmes, and coordination of external advice including refereeing of commissioned work.

Risk assessment

The Trustees have overall responsibility for ensuring that the organisation operates an appropriate system of controls, financial and otherwise, to provide reasonable assurance that:

- The Trust is operating efficiently and effectively
- Proper records are maintained and financial information, used either within the Trust or for publication, is reliable
- The Trust complies with relevant laws and regulations.

The Finance Committee is responsible for monitoring the effectiveness of controls and reports to the Board the results of such monitoring. In carrying out its responsibilities, the Finance Committee will consider:

- Procedures and protocols in place concerning the governance of financial and business practice, including those over the IT systems.
- The risks associated with individual pieces of work and the cumulative risk of the project portfolio.
- The importance of the investment portfolio to the long term future of the Trust.
- The responsibilities of the Trust to its stakeholders.

The systems of control operating within the Trust are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss; they include:

- A Strategic Plan and an Operational Plan.
- An annual budget and cash flow forecast.
- Regular consideration by Trustees of actual results compared with budgets, forecasts, cashflow and balance sheet information.
- Regular and frequent updates on the investment portfolio.
- Executive staff of sufficient calibre and experience to recognise and manage business risks.

The Trustees continue to review procedures and reporting systems to manage and reduce risk. The key prevailing risk is the long term loss of value of the Trust's endowment and to mitigate this Trustees retain professional investment managers who manage the portfolio within the agreed policy on investment.

The Trustees continue to monitor the risk associated with participation in the University Superannuation Scheme and currently do not intend to crystallise the cessation debt by withdrawing from the scheme. More information is in note 23.

Policy on investment

There are no restrictions on the Charity's power to invest.

The Trustees have a policy of making an annual drawdown of 4% of the capital value of the investment portfolio, averaged over three years, which is applied to fund Trust charitable activities.

During the course of 2009-10, the Trustees carried out a comprehensive review of investment policy and objectives. As a first stage in this review, Mercers was commissioned to report on the current investment arrangements. The findings of the report indicated that the Trust's income target from the investment assets was realistic and appropriate at an acceptable level of risk.

The investment assets of the Trust are managed by Sarasin and Partners LLP and Ruffer LLP.

The funds managed by Sarasin and Partners LLP are invested in the pooled Alpha CIF for Endowments, a diversified multi asset exempt fund for charities. It has an ethical investment policy which includes avoiding tobacco stocks. The long-term investment objective of the Fund is to achieve a "real" total return of 4-4.5% per annum. Over shorter time periods performance is measured against a bespoke benchmark. The yield on the portfolio is 3.4% at 30 September 2013 (2012 – 3.7%).

The funds managed by Ruffer LLP are invested on an absolute return basis within a segregated portfolio. Direct investment in tobacco is not permitted. Active asset allocation is central to the investment process that employs conventional assets, incorporating equity, bond, commodity and currency positions on a long-only basis. Capital preservation lies at the heart of the approach which has the objective of achieving positive returns with low volatility.

The Trust's investment in JP Morgan Asset Management's European Property Fund is held separately from the assets managed by Sarasin and Ruffer. In January 2011, the Trustees tendered the entire holding for redemption by the Fund's managers. As at 30 September 2013, 14.3% of the Trust's holding had been redeemed at a repurchase amount of £557,000 which represented a realised loss of £119,000. The Trustees have been informed by the Fund's managers that the Fund is in the process of liquidation, accordingly dividend payments have ceased and capital repayments are scheduled to be received with effect from March 2014. At 30 September 2013, the valuation placed on this investment, including cash held against currency hedge, by the Trustees was £1,331,000 (2012 - £1,542,000).

Income earned on the total investment portfolio was £1,950,000 for 2012-13 (2011-12 - £1,970,000). The portfolio of investments and cash on term deposit had a total value at 30 September 2013 of £70,945,000 (2012 - £63,578,000).

Long term analysis of available data (March 1994 to September 2013) shows that the total value of the investment portfolio, after taking into account withdrawals to support charitable purpose and investment management fees, has kept up with inflation, as measured by the retail prices index.

Subsidiary undertaking

The Trust operates a wholly owned trading subsidiary, Nuffield Trading Limited, to carry out non-charitable trading activity for the Trust. Details are included in Notes 2 and 22 to the accounts.

Wellness in the workplace

The Trust promotes employee wellness to aid good mental and physical health in the workplace and to help reduce absenteeism and workplace-related illnesses. Several initiatives are in place:

- The Chair of Trustees, Dame Carol Black takes an active interest in staff wellness by, for example, addressing staff on the importance of good health and wellbeing. Trustees receive a report at governance meetings of days lost due to staff sickness. During 2012-13, the proportion of working time lost to sickness was less than 0.7% (2012 1.4%), which compares favourably with the National Average of 1.8%.
- We have participated for the past five years in the Global Corporate Challenge, a competition which encourages employees to walk, run, and cycle.
- Staff benefits include flexible working, a preferential rate for gym membership, eye care vouchers, flu vaccinations and secure onsite bicycle parking.

The Trust also supports staff undertaking 10k runs and long distance charity cycle rides.

We will continue to carry these initiatives forward to enhance the health and fitness choices for our staff.

Responsibilities of the Trustees

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The Trustees are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 business.

The Trustees are responsible for keeping adequate accounting records that show and explain the charity's transactions, disclose with reasonable accuracy at any time the financial position of the charity, and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The current Trustees have taken all steps they ought to have to make themselves aware of any information needed by the Trust's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The trustees are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Approved by the Chair on behalf of The Nuffield Trust

Professor Dame Carol Black
Chair, The Nuffield Trust
Date: 2ND DECEMBER 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NUFFIELD TRUST FOR RESEARCH AND POLICY STUDIES IN HEALTH SERVICES

We have audited the financial statements of The Nuffield Trust for Research and Policy in Health Services for the year ended 30 September 2013 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charitable Company Balance Sheets and the related notes. 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 charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members 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 members 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 Trustees' Responsibilities Statement (set out on page 24), the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

- In our opinion the financial statements:
- give a true and fair view of the state of the Consolidated and the parent charitable company's affairs as at 30 September 2013 and of the Consolidated incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Donald Bawtree, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 4 December 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Nuffield Trust
For Research and Policy Studies in Health Services

Consolidated Statement of Financial Activities
For the year ended 30 September 2013

	Note	Unrestricted funds 2013 £'000	Expendable endowment fund 2013 £'000	Total funds 2013 £'000	Total funds 2012 £'000
Incoming resources					
Income resources from generated funds:					
Donation	4	153	-	153	63
Investment income	5	-	1,950	1,950	1,970
Incoming resources from charitable activities	6	1,153	-	1,153	636
Other income		15	-	15	16
Total incoming resources		1,321	1,950	3,272	2,685
Resources expended					
Costs of generating funds					
Investment management costs	7	-	568	568	527
Charitable activities	8	3,690	-	3,690	3,130
Governance costs	9	154	-	154	139
Total resources expended		3,844	568	4,412	3,796
Net (outgoing)/incoming resources for the year		(2,523)	1,383	(1,140)	(1,111)
Transfers	11	2,541	(2,541)	-	-
Net (outgoing) resources for the year before other recognised gains and losses		18	(1,158)	(1,140)	(1,111)
Other recognised gains and losses					
Realised and unrealised gains/(losses) on investment assets	13	-	7,483	7,483	3,600
Net movement in funds		18	6,325	6,343	2,489
Balances brought forward at 1 October 2012		293	66,864	67,157	64,668
Balances carried forward at 30 September 2013		**311**	**73,189**	**73,500**	**67,157**

The statement of financial activities includes all gains and losses recognised in the year
All incoming resources and resources expended derive from continuing activities.
The notes on pages 30 to 45 form part of these financial statements.

Consolidated and Charity Balance Sheet at 30 September 2013

	Note	Consolidated 2013 £'000	Consolidated 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Fixed assets					
Tangible assets	12	2,040	2,050	2,040	2,050
Investments	13	70,945	63,578	70,945	63,578
		72,985	65,628	72,985	65,628
Current assets					
Debtors	14	354	473	461	488
Short term deposits	15	976	1,876	976	1,876
Cash at bank and in hand		190	133	28	53
		1,520	2,482	1,465	2,417
Creditors: amounts falling due within one year	16	(911)	(801)	(856)	(736)
Net current assets		609	1,680	609	1,680
Creditors: amounts falling due after one year	17	(94)	(152)	(94)	(152)
Net assets		73,500	67,157	73,500	67,157
Funds					
Expendable endowment fund	18	73,189	66,864	73,189	66,864
Designated fund	18	311	293	311	293
Total Funds		73,500	67,157	73,500	67,157

Approved by the Chair on behalf of the Trustees of The Nuffield Trust and authorised for issue on 2nd December 2013

Professor Dame Carol Black
Chair, The Nuffield Trust

The notes on pages 30 to 45 form part of these financial statements.

1 Accounting policies

The accounts have been prepared under the historical cost convention (except for investments, which are valued at market value; and a leasehold property, which is valued at deemed cost) and in accordance with the revised Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2005), issued in March 2005, applicable Accounting Standards and the Companies Act 2006. The accounts include the results of the group's operations which are described in the Trustees' Report.

The principal accounting policies of the Trust are shown below.

Basis of consolidation

The consolidated accounts of the group incorporate the accounts of the charity and its subsidiary undertaking, all of which were prepared to 30 September 2013. The trading results of the subsidiary undertaking as shown in note 22 are consolidated on a line by line basis within the consolidated statement of financial activities (SoFA). A separate SoFA for the charity is not presented as permitted by the SORP and the Companies Act 2006. However, in accordance with paragraph 397 of SORP 2005, the results of the Trust are summarised in note 21.

Cashflow statement

The group has taken advantage of the exemption conferred by Financial Reporting Standard 1 *Cash Flow Statements (Revised 1996)* not to prepare a cash flow statement on the grounds that the group is 'small' under the Companies Act 2006.

Incoming resources

All incoming resources are recognised once the group and charity has entitlement to the resources, it is certain that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

Investment income

Dividends and interest are included on an accruals basis.

Dividends and interest are stated inclusive of the relevant tax claim as the Trust has activities that are not liable to income tax.

1 Accounting policies *(continued)*

Income from charitable activities

Revenue from performance related grants and contracts is recognised only when funds have been utilised to carry out the activity stipulated in the agreement. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

Resources expended

These comprise costs of generating funds, charitable expenditure and governance costs.

Costs of generating funds comprises expenses relating to management of the charity's investments and all costs associated with the charity's subsidiary company.

Direct charitable expenditure comprises commissioned work and expenditure on performance related charitable contracts directly relating to the objects of the charity. Commissioned work is allocated and recognised as expenditure in full in the year of approval from the General Fund on the basis of the anticipated expenditure during the tenure of each piece of commissioned work. Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to pay out resources and including the associated costs of publication and dissemination. Expenditure on performance related contracts is recognised only when the activity stipulated in the agreement has been completed. This is generally equivalent to the sum of the relevant recognised income during the year.

Support costs include those relating to business support (including human resource and general administration expenses), executive management, finance, and information systems. The details of support costs are shown under note 9.

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs.

Fixed assets

Furniture and equipment acquisitions have been capitalised and depreciation provided for at 25% on an annual straight line basis.

The leasehold premises (originally acquired by The Nuffield 1940 Trust in 1992) are depreciated over the remainder of the lease, currently 69 years. Straight line depreciation of 5% per annum is applied to capital additions. The Trustees consider whether there has been any impairment of the property on an annual basis.

1 Accounting policies *(continued)*

Fixed assets investments

Investments are stated at market value as at the balance sheet date. The statement of financial activities includes the net gains and losses arising on revaluation and disposal throughout the year.

Realised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (purchase date if later). Unrealised gains and losses are calculated as the difference between the market value at the year end and opening market value (or purchase date if later). Realised and unrealised gains are not separated in the Statement of Financial Activities.

Staff pensions

The Trust is a member of two final salary pension schemes – the USS (Universities Superannuation Scheme), a multi-employer scheme and the NHS Pensions Scheme, a public sector scheme. In addition, the Trust operates the Nuffield Group Personal Pension Plan (NGPPP), this is a defined contribution pension scheme administered by Legal & General.

Accordingly, due to the nature of the three schemes, the accounting charge for the period under FRS17 represents the employer contributions payable.

Funds

The expendable endowment fund was created by a donation from The Nuffield 1940 Trust. The income from this fund is on the terms equivalent to the objects of the Trust and is therefore not restricted. The terms of the fund allow the income to be accumulated and the capital to be spent as the Trustees determine.

Designated funds are funds that have been set aside by the Trustees for a specific purpose, with the balance constituting the charity's expendable endowment. An analysis of designated funds is provided in note 18.

2 Subsidiary

The Trust owns the whole of the issued capital amounting to £1 (1 ordinary share of £1 each) of Nuffield Trading Limited, a company registered in England & Wales with number 6898100. Its principal activity is non-charitable trading activity not covered by the Trust's main objectives. Nuffield Trading Limited gift aids its entire profit to the Trust.

3 Basis of consolidation

The Statement of Financial Activities (SoFA) and Balance Sheet consolidate the financial statements of the charity and its subsidiary undertaking using acquisition or merger methods of accounting. The results of the subsidiary are consolidated on a line by line basis.

4 Donation

	2013 £'000	2012 £'000
Donation in kind – seconded staff (see note 10)	152	63
Other	1	-
	153	63

5 Investment income

	2013 £'000	2012 £'000
Investment income received in the year was made up as follows:		
Investment portfolio	1,918	1,935
Bank interest	32	35
	1,950	1,970

6 Income from charitable activities

	2013 £'000	2012 £'000
Income from projects	1,153	636

7 Costs of generating funds

	2013 £'000	2012 £'000
Investment management fees charged	603	566
Rebated against portfolio valuation	(147)	(127)
Support costs (note 9)	112	88
	568	527

8 Charitable expenditure

	Commissioned work £'000	Grants awarded £'000	Direct spend £'000	Support costs* £'000	Total 2013 £'000	Total 2012 £'000
Cutting edge research and influential policy analysis						
Health & social care reform	75	6	87	485	653	-
Finances and efficiency	26	30	8	189	253	786
Commissioning programme	7	6	41	154	208	423
The provision of care	218	20	26	765	1,029	289
Competition and market mechanisms	-	-	96	277	373	394
Informing and generating debate	-	-	119	346	465	551
Supporting the leaders of tomorrow	-	107	-	309	416	353
Examining int'l best practice	-	45	30	218	293	334
	326	214	407	2,743	3,690	3,130

* Support costs are shown in note 9

9 Allocation of support costs

	Governance 2013 £'000	Generating funds 2013 £'000	Charitable activities 2013 £'000	Total allocated 2013 £'000	Total 2012 £'000
Staff costs *(nature of the charge)*	82	86	1,997	2,165	1,947
Notional cost of seconded staff *(nature of the charge)*			152	152	63
Premises costs *(use of area)*	12	9	196	217	217
IT and telephone costs *(staff time)*	5	6	128	139	151
Travel and hospitality *(staff time)*	1	1	22	24	22
Professional fees *(staff time)*	1	-	16	17	16
Communications and PR *(staff time)*	3	3	77	83	59
General costs incl irrecoverable VAT *(staff time)*	6	7	155	168	138
Governance fees *(nature of the charge)*	44	-	-	44	25
	154	112	2,743	3,009	2,751

Trustees expenses included in general costs above amount to £39,011 (2012 - £14,430). These expenses relate to travel costs for overseas trustees to attend board meetings and to trustees to attend meetings on behalf of the charity.
Governance fees include audit fees of £16,000 (2012 - £15,000).
Charity only £16,000 (2012 – £15,000).

Secondments and placements

The Trust has benefited throughout the year from secondments and volunteer staff. These include interns, public health traineeships and a secondee from PricewaterhouseCoopers. We gratefully acknowledge support for 9 people and have estimated that the value is approximately £152,000 (2012 – 7 people, £63,000).

10 Staff emoluments

	2013 £'000	2012 £'000
Salaries costs	1,657	1,474
Social Security costs	189	168
Pension costs	202	196
Other staff costs	117	109
	2,165	1,947

The average number of employees employed by the group during the year was 33 (2012 – 28), with 33 employed by the charity (2012 – 28).

10 Staff emoluments – *(continued)*

Higher paid employees – Group and Charity

The numbers of employees for whom remuneration exceeded £60,000 were:

	2013	2012
	£'000	£'000
£ 60,000 to £ 70,000	1	-
£ 70,000 to £ 80,000	-	1
£ 80,000 to £ 90,000	1	1
£ 90,000 to £100,000	3	2
£100,000 to £110,000	1	1
£140,000 to £150,000	-	1
£150,000 to £160,000	1	-

Contributions were made to the Nuffield Group Personal Pension Plan, which is a defined contribution scheme for 4 (2012 - 3) higher paid employees, to the NHS Pension Scheme, which is a defined benefit scheme for 3 (2012 - 3) higher paid employees and to the Universities Superannuation Scheme, which is a defined benefit scheme for 1 (2012 - 1) higher paid employee. One higher paid employee transferred during the year from the NHS Pension Scheme to the Nuffield Group Personal Pension Plan.

11 Transfer between funds

Under the terms of the expendable endowment, any shortfall in unrestricted funds can be transferred from the expendable endowment.

	2013	2012
	£'000	£'000
Net outgoing resources for the year from unrestricted charitable activities	(2,523)	(2,554)
Transfer (from)/to fund (see note 18)	(18)	281
Transfer from expendable endowment to unrestricted funds	(2,541)	(2,273)

12 Tangible fixed assets

Consolidated and parent charity

	Leasehold properties £'000	Furniture and equipment £'000	Total £'000
Cost or valuation			
At 1 October 2012	2,186	163	2,349
Additions	-	58	58
Disposals	-	(5)	(5)
At 30 September 2013	**2,186**	**216**	**2,402**
Depreciation			
At 1 October 2012	(172)	(127)	(299)
Provision during the year	(39)	(24)	(63)
Disposals	-	-	-
At 30 September 2013	**(211)**	**(151)**	**(362)**
Net book value			
At 30 September 2013	**1,975**	**65**	**2,040**
At 30 September 2012	2,014	36	2,050

The leasehold properties were transferred from The Nuffield 1940 Trust on 30 November 2007 at deemed cost.

13 Fixed asset investments

Consolidated and parent charity	**2013 £'000**	**2012 £'000**
Quoted investments		
Market value at 1 October 2012	62,310	59,860
Additions	7,260	5,317
Disposals	(7,302)	(5,259)
Unrealised gains/(losses)	6,072	2,392
Market value at 30 September 2013	68,340	62,310
Short term deposits	2,605	1,268
Total investments at 30 September 2013	70,945	63,578
Historical cost as at 30 September 2013	65,087	63,759
The geographical split of investments is as follows:		
UK	54,741	47,768
Overseas	16,204	15,810
	70,945	63,578

The following asset represents more than 5% by value of the total portfolio as at 30 September 2013:

	£'000
Sarasin Alpha CIF for Endowments	45,914

Realised and unrealised gains and losses on investments

	2013 £'000	**2012 £'000**
Unrealised gains/(losses)	6,072	2,392
Realised gains	1,411	1,208
	7,483	3,600

14 Debtors

	Group 2013 £'000	Group 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Prepayments	46	40	46	40
Other debtors	308	433	259	344
Amounts owed by subsidiary company	-	-	156	104
	354	473	461	488

15 Short term deposits

	Group 2013 £'000	Group 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Coutts Bank Deposit accounts	131	45	131	45
CCLA Term Deposit	50	310	50	310
Clydesdale Term Deposit	-	500	-	500
Scottish Widows Bank Term Deposit	795	1,021	795	1,021
	976	1,876	976	1,876

16 Creditors: amounts falling due within one year

	Group 2013 £'000	Group 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Tax and social security	59	48	59	48
Commissioned work commitment	490	430	490	430
Accruals and other creditors	362	323	307	258
	911	801	856	953

17 Creditors: amounts falling due after one year

	Group 2013 £'000	Group 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Reserve for leasehold obligations	94	77	94	77
Funded project accrual	-	75	-	75
	94	152	94	152

18 Funds

	Group 2013 £'000	Group 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Expendable endowment				
Balance at 1 October 2012	66,864	64,094	66,864	64,094
Excess of income over expenditure from financial activities	6,343	2,489	6,343	2,489
Transfer (to) /from designated funds	(18)	281	(18)	281
Balance as at 30 September 2013	73,189	66,864	73,189	66,864
Designated fund				
Balance at 1 October 2012	293	574	293	574
Transfer from / (to) expendable endowment	18	(281)	18	(281)
Balance as at 30 September 2013	311	293	311	293
Total funds				
Balance at 1 October 2012	67,157	64,668	67,157	64,668
Excess of income over expenditure from financial activities	6,343	2,489	6,343	2,489
Balance as at 30 September 2013	73,500	67,157	73,500	67,157

The expendable endowment fund was originally created by a gift from Viscount Nuffield in June 1940 to The Nuffield 1940 Trust. A designated fund is held to provide for the costs of completing research projects in progress at the year end.

19 Grants awarded

	2013 £'000	2012 £'000
Reform		
Saltzburg Global Seminar	6	
Finances and efficiency		
Local funding & NHS	30	
Biomed Central Journal	-	9
Four countries of the UK analysis	-	130
Commissioning		
Visiting fellow	4	-
Other	2	-
Provision of care		
Office of Health Economics	20	-
Competition and Market Mechanisms		
Strategic partnership with IFS	-	75
Supporting the leaders of tomorrow		
Harkness Fellowship	105	79
Other	2	-
International best practice		
Health Quality Conference	45	36
Health Affairs Thematic Issue	-	30
	214	359

20 Analysis of net assets between funds

Group and Charity	Tangible fixed assets £'000	Investments £'000	Other net assets £'000	Total £'000
Expendable endowment fund	2,040	70,945	204	73,189
Designated fund	-	-	311	311
Total funds	2,040	70,945	515	73,500

21 Summarised results for the Trust

Of the group surplus for the year of £6,343,000 (2012 – surplus of £2,489,000), the income and expenditure relating to the Trust is as follows:

	2013 £000s	2012 £000s
Total incoming resources	3,272	2,685
Total resources expended	4,412	3,796
Net (outgoing) resources before other gains/losses	(1,140)	(1,111)
Realised and unrealised gains on investment assets	7,483	3,600
Net movement in funds	6,343	2,489

22 Summarised results for subsidiary entity

Of the group surplus for the year of £6,343,000 (2012 – surplus of £2,489,000), the income and expenditure relating to the Charity's wholly-owned subsidiary entity, Nuffield Trading Limited, is as follows:

	2013 £000s	2012 £000s
Total incoming resources	137	82
Total resources expended	137	82
Net (outgoing) resources before other gains/losses	-	-
Net movement in funds	-	-
Net assets	-	-

23 Staff pensions

The Trust is a member of two final salary pension schemes – the Universities Superannuation Scheme (USS) and the NHS Pensions Scheme (NHSPS).

Contributions to the USS were made on behalf of one employee (2012 - 1).

The USS is a funded multi-employer scheme and is contracted out of the State Second Pension (S2P).

It is not possible, in the normal course of events, to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the USS is a multi-employer scheme where the assets are co-mingled for investment purposes, and benefits are paid from total assets. Accordingly, due to the nature of the USS, the accounting charge for the period under FRS17 represents the employer contribution payable (currently 16%).

The USS Trustees commission an actuarial valuation every three years. The main purpose of the valuation is to determine the financial position of the USS in order to address the level of future contributions required so that the USS can meet its pension obligations as they fall due.

The USS had its last triennial actuarial valuation as at 31 March 2011, when the funding level of the scheme was 92% on a technical provisions basis and 57% on a buy out basis. The assets of the scheme fell short of the total amount required to meet all liabilities by £2.9 billion. (Previous valuation: March 2008, funding level 103%, surplus of assets compared with liabilities of £0.7 billion.)

The USS actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 31 March 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. Between March 2011 and March 2012, the funding position on a technical provisions basis had deteriorated to 77% due to a large increase in the value of the liabilities, primarily due to a fall in gilt yields. The funding position on a buy out basis fell to 50%. During the year to March 2013, the assets of the fund increased by £4.7 billion (13.9% increase). At the same time, further reductions in gilt yields have meant the value placed on the scheme's liabilities also increased substantially in the year by £6.4 billion (14.6%). This year the funding ratio remained unchanged at 77%, the deficit was larger at £11.5 billion and the funding position on a buy out basis is 51%.

The Trust has been notified by the Trustees of the USS of the estimated employer debt were the Trust to withdraw from the USS based on the financial position of the Scheme as at June 2013. As of this date the estimated employer debt was £1,890,000.

The Trust became a Direction Authority member of the NHS scheme from 1 February 2008. Contributions were made during the year on behalf of 5 (2012 - 5) employees. Employee contribution rates vary from 5% to 10.9% depending on the member's pensionable earnings. Employer contributions are set by the Government Actuary at 14% for all members. Various changes were made to the scheme from 1 April 2008 which affected the definitions of pensionable earnings and contribution levels. The NHS Pension Scheme is unfunded but as a statutory scheme, benefits are fully guaranteed by the Government.

The Trust established the Nuffield Group Personal Pension Plan (NGPPP) on 1 April 2009. This is a defined contribution pension scheme administered by Legal & General. Employees are required to contribute a minimum of 4% of salary and the Trust contributes 14%. 24 (2012 - 13) employees are members of the scheme.

The pension charge for the period for all three schemes was £202,000 (2012- £196,000).