evidence for
better health care

nuffieldtrust

The Nuffield Trust for Research and Policy Studies in Health Services

Report and Financial Statements

For the year ended 30 September 2014

Charity number: 209169
Company number: 382452

The Nuffield Trust
59 New Cavendish Street
London W1G 7LP

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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.

Nuffield Trading Limited is a company registered in England and Wales as company number 6898100.

Patron

Her Royal Highness The Princess Royal

Registered office

59 New Cavendish Street, London, W1G 7LP

Board of Trustees at 30 September 2014

Dame Carol Black DBE (Chair) *C F*
Tim Kelsey
Charles Perrin CBE *C F*
Peter Phillips *C F*
Simon Stevens *(Resigned 31 March 2014)*
Kathryn Matthews *F (Appointed 2 December 2013)*
Dr Nicolaus Henke *F*
Professor Sheila Leatherman
Ian Krieger FCA *F*
Sir Hugh Taylor KCB *C*
Sir Michael Deegan CBE

C = member of Chair's Committee
F = member of Finance Committee

Dame Carol Black is the Chair of the Chair's Committee and Ian Krieger is the Chairman of the Finance Committee.

Non-Trustee Member of Finance Committee: Kevin Lowe FCA

Company Secretary

Elizabeth Bishop

Senior staff

Nigel Edwards, Chief Executive (*Appointed 31 March 2014*)
Dr Martin Bardsley, Director of Research
Elizabeth Bishop FCA DChA, Director of Finance & Administration
Daniel Reynolds, Director of Communications
Dr Judith Smith, Director of Policy

Senior Associates

Professor Gwyn Bevan
Professor John Billings
Professor Nick Black
Dr Richard Horton
Pam Garside
Dr Nicholas Hicks
Dr Richard Lewis
Professor Nicholas Mays
Dr Keith Palmer
Professor Carol Propper
Professor Peter Smith
Nicholas Timmins

See page 6 for more detail about our Senior Associates

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, West Gatwick, West Sussex RH6 0PA

Bankers

CCLA, 80 Cheapside, London EC2V 6DZ

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Coutts & Co, 440 Strand, London WC2R 0QS

Scottish Widows, 69 Morrison Street, Edinburgh EH3 8YF

Investment managers

Ruffer LLP, 80 Victoria Street, London SW1E 5JL

Sarasin & Partners LLP, Juxon House, 100 St Paul's Churchyard, London EC4M 8BU

Legal advisers

Stone King Sewell LLP, 16 St John's Lane, London EC1M 4BS

Charity number

209169

Trustees' Annual Report

The Trustees present their report and the financial statements of the charity for the year ended 30 September 2014. 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:

- Producing in-depth research and analysis
- Bringing people together to inform and generate debate
- Working to help those providing and managing services
- Learning from international best practice

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.

Dame Carol Black, Chair of Trustees

The Chair of Trustees is Professor Dame Carol Black (Principal, Newnham College, Cambridge) and the Chairman of the Finance Committee is Ian Krieger (senior partner and vice-chairman of Deloitte until his retirement in 2012).

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 England) *resigned 2 October 2014*
- Professor Sheila Leatherman (School of Public Health, The University of North Carolina)
- Peter Phillips (Chief Executive Officer, Cambridge University Press)
- Sir Hugh Taylor (Chairman, Guy's and St Thomas' NHS Foundation Trust)
- Simon Stevens (former President of the global health division, UnitedHealth Group and now Chief Executive, NHS England) *resigned 31 March 2014*
- Charles Perrin (former Chief Executive, Hambros) *resigned 2 October 2014*
- Sir Michael Deegan (Chief Executive, Central Manchester University Hospitals NHS Foundation Trust)
- Kathryn Matthews (Chair of the Investment Committee, Royal London Group) *appointed 2 December 2013*

Subsequent to the year end, the Trustees resolved to appoint as trustees:

- Professor Tim Evans (Medical Director and Deputy Chief Executive, Royal Brompton and Harefield NHS Foundation Trust) with effect from 6 October 2014
- Dr Jonathan Fielden, (Medical Director, University College London Hospital) with effect from 6 October 2014
- Christian van Stolk (Director of the Employment, Education, Social Policy & Population team at RAND Europe) with effect from 10 November 2014
- Jocelyn Cornwell (Founder and Chief Executive, Point of Care Foundation) with effect from 23 March 2015
- Julia Palca, (Chair , Macmillan Cancer Support) with effect from 10 June 2015.

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

This year, the Trust has appointed Nigel Edwards as Chief Executive. He was formerly Senior Fellow at The King's Fund, Director with the Healthcare and Life Sciences Centre of Excellence at KPMG LLP, and for 12 years he was Policy Director at the NHS Confederation. The Trustees wish to express their thanks to Andy McKeon who served as interim Chief Executive until March 2014.

The Charity Commission gave consent to the appointment of Mr McKeon and its terms.

None of the Trustees 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. The Trustees 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 the following strategic aims:

- Producing in-depth research and analysis
- Bringing people together to inform and generate debate
- Working to help those providing and managing services
- Learning from international best practice

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.

We augment our in-depth research with **timely and responsive analysis** that is focused on making sense of the current environment for policy-makers and practitioners. This includes a programme of analysis and briefing to bring evidence-based critique to the general election debate over the coming months.

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. Ultimately, we believe that we can add impact by helping respond to what we perceive to be a demand for help from the NHS. All our reports are available on our website, which also gives information on our projects in progress.

Producing in-depth research and analysis

NHS and social care reform

We are now two years into the reformed system in the NHS in England, and the past year has been another year of change for the health service. The NHS has emerged as one of the critical issues being debated by parliamentarians and other policy-makers in the run up to the General Election on 7 May 2015. The need for independent expertise and analysis is therefore as great as ever and we have continued to provide parliamentarians, the media, the public and other stakeholders with factual, impartial analysis and advice on the validity of policy proposals, as well as our recommendations for policy development.

In the run up to the 2015 General Election we are publishing a series of policy briefings on critical issues facing the NHS to inform the debate on the future of the NHS. Our briefings are focused on issues and challenges that are critical to the longer-term success of the health and social care system, and represent the key issues that the next Government will need to prioritise. These briefings are being accompanied by roundtable debates and other conferences. A key component of our pre-election work is an omnibus panel of 100 health and social care leaders we are surveying each quarter in the run up to the election. Our first

survey from the **Health and Social Care Leaders'** panel, published in July 2014, focused on the issue of financial performance and future funding prospects. Over two-thirds of the panel thought that NHS providers would have to go into deficit in order to provide a high-quality service, and almost half considered that the NHS will no longer be free at the point of use in ten years' time. Despite these concerns, a third said NHS care had improved over the past year.

The topic of our second survey, and our first policy briefing ahead of the election, was the **future of general practice** in England. This has been in the political and policy spotlight, with general practice services seen as both the problem with, and solution to, addressing NHS challenges. The briefing: *Is General Practice in Crisis?* (October 2014), provided an evidence-based overview of the state of general practice, and offered four ideas to help solve the problems facing general practice. Our accompanying survey revealed that health and social care leaders overwhelmingly recognise the need to move away from the traditional family doctor model: a third of respondents said that general practice is in crisis, and two-thirds said it is in need of reform. While over half of respondents support more funding, many of them said it should not come without changes to the way general practice operates.

Our analysis and expertise has been in demand from many of the main statutory bodies with responsibility for running the health service. The major strategic report of the year came from NHS England with its *Five Year Forward View* (published on 23 October 2014). This exercise aimed to set a shared vision for the future of the English NHS. We played a pivotal role in helping NHS England develop the report, particularly the section that examined how best to develop new models of patient care. We were a prominent commentator in the days and weeks following the launch of the report, and have been recognised as a leading independent analyst on the Forward View proposals.

Over the past year our analysis and commentary on the Coalition Government's NHS reforms, as well as on the new proposals put forward by the Opposition, has been cited in Parliament and in important policy papers from the Department of Health and various arms-length bodies. We continue to be a called-upon expert for the Health Select Committee – for example, our Chief Executive Nigel Edwards gave oral evidence to the committee's annual public expenditure inquiry, while our Director of Policy Dr Judith Smith appeared before the committee for its inquiry into integrated care.

Our research into one of the core elements of the Coalition Government's NHS reforms – the devolution of commissioning responsibilities to groups of GPs in clinical commissioning groups (CCGs) – has been an important source of evidence on how CCGs are adapting to their new responsibilities. In partnership with The King's Fund, we are tracking the progress of a group of CCGs and we will provide our second annual assessment in late 2014. In addition, we published a report which examined the role the voluntary sector can play in providing commissioning support to commissioners and commissioning support units, and what the challenges are. *Role of the voluntary sector in providing commissioning support* (November 2013) was commissioned by Macmillan Cancer Support and partner organisations NHS England, Neurological Commissioning Support and the Association of Chief Executives of Voluntary Organisations as part of their collective work to explore the role of the voluntary sector in the new commissioning structure.

Finally, we have continued to be active in debates surrounding social care funding and provision. We published a detailed analysis into the scale and scope of cuts to social care services for older adults as part of our joint *QualityWatch* programme with the Health Foundation. In a related event we brought together representatives from local government, the NHS and the voluntary sector to discuss the likely impacts on

the health and wellbeing of older adults and strategies to mitigate these. We are now scoping a follow-on, in-depth project examining case study social care economies and the impact of social care cuts on eligibility to different forms of social care provision.

Our other main contribution to social care reform centred on the Government's Care Bill, which resulted in the Care Act (2014). Among other things, the Bill's provisions represent the most significant reforms to social care funding in several decades. We produced regular briefings as key milestones in the legislation's progress through both Houses of Parliament and our analysis was sought by parliamentarians across the political divide. In particular, we were active on debates surrounding the Government's Better Care Fund – a flagship policy aimed at joining up health and social care by removing some NHS funding and putting it into a shared budget pool. We expressed serious concerns about whether the policy would succeed in some of its key aims, in particular the targets set for reductions in emergency admissions to hospital. Subsequently, key statutory bodies, such as the National Audit Office in November 2014, raised significant concerns about the Better Care Fund policy, several months after these were first echoed by the Nuffield Trust.

Quality of care and finance

Questions about the **quality of health and social care** are taking a more prominent place in the management of care services than ever before. Some of this interest is because of past lapses in care (such as at Mid Staffordshire NHS Foundation Trust, which was subject to a public inquiry led by Sir Robert Francis QC). On the first anniversary of the Francis Inquiry in February 2014, we published a study that examined how a selection of acute hospital trusts had responded to the Inquiry recommendations (see further details below in the 'NHS Management and Culture' section).

Our *QualityWatch* programme – jointly funded by the Health Foundation until 2017 – provides a platform for a range of analyses looking at changes in the quality of care. We have drawn on analysis of over 200 quality indicators and a series of in-depth research reports, including an annual assessment, to provide an overview of how patterns of quality in services are changing across a range of care settings. We have also hosted events and produced digital outputs to showcase the analysis. We see the impact of this work as contributing to a better understanding of what is happening to the quality of care. The information we generate has value in national debates about quality and in informing priorities for action at a national level.

We have established the Nuffield Trust as a centre of expertise in the analysis of NHS **financial performance** over the last three years, while we have also been a prominent commentator on future funding options for the NHS as well as social care. Our work on NHS spending and productivity has provided impartial insights into an issue that remains at the top of the agenda for those considering the future reform of the NHS.

Our influential report: *Into the Red? The state of the NHS' finances*, provided a comprehensive assessment of how the finances of the hospitals and commissioning groups that make up the NHS in England have held up under austerity. While our report into why some health economies have been more successful than others in balancing their finances – *Managing financial difficulties in health economies: lessons for clinical commissioning groups* (October 2014) – provided some key lessons for CCGs as they took over responsibility for the majority of the budget for the English NHS. We are now reviewing our future activities in this area following the recent departure of our Chief Economist Anita Charlesworth to the Health Foundation.

New models of care

There is a current debate about the future of many hospital and out-of-hospital services, including general practice, and the best way to organise and manage them. New models may need to be developed to deal with a number of serious challenges faced by these services. Our work on **acute models of care** has been identifying and developing research related to how hospitals are changing their services to reflect new technology, workforce pressures and other changes in the external environment. In October 2014, we published *NHS hospitals under pressure: trends in acute activity up to 2022*, which examined the likely pressures on hospitals in the future. The report examined trends in admissions and bed use over the last few years, and used population projections to explore future demand. We reviewed trends in acute hospital activity for the period 2006/07 to 2012/13 using hospital episode statistics data, and forecast what demand may be to 2021/22 based on recent trends and demographic pressure. We then considered what the implications of this would be for hospitals. Our analysis showed that if admission rates continue to rise, the NHS will need an additional 6.2 million 'bed days' by 2022 – which equates to 22 hospitals with 800 beds each. The analysis was cited in NHS England's *Five Year Forward View* report as important analysis which helps to reveal future pressures facing hospitals in England.

Finding ways for high-performing NHS providers to offer services to more patients, while helping all providers of NHS care to improve quality, has been a focus of recent Department of Health policy. A review led by Sir David Dalton has been examining the viability of introducing 'hospital chains' within the English NHS. To contribute to the review, the Nuffield Trust was commissioned by the Department of Health to review practice in sectors outside the NHS, along with historic NHS experience, to see what lessons could be learned when applying multi-site operating approaches within the English NHS. Our analysis, which was completed in autumn 2014, focused on lessons that organisations operating across multiple sites can offer NHS providers seeking to disperse high quality operating practice more widely, whilst avoiding some of the pitfalls that previous attempts at structural change in the NHS have exposed. Sir David's report and our study were both due to be published in late 2014.

Our third European Health Policy Summit in Brussels in January 2014, held in partnership with KPMG, examined the future of small hospitals – a much debated subject in England. Representatives from more than 10 countries took part. The Summit allowed senior policy-makers, practitioners and academics from across Europe to discuss and debate the major challenges facing European health systems.

Our analysis in this area has been supported by a new group we launched in September 2014 for small and medium sized hospitals that are developing innovative approaches to their future business and operating models. The **New Cavendish Group** is bringing together chief executives of NHS hospital trusts who are working on new solutions to major challenges, such as growing demand for health services and the continued funding squeeze.

Our work on acute models of care has been complemented by similar work in the area of **primary care**. We are in demand for our analysis on how primary care should best be reformed and are well placed to inform future developments in policy in this area following NHS England's Five Year Forward View, which sets out a vision for how GPs will need to operate at scale and upskill significantly in the future.

We have played a key role in informing the debate on the future scale and organisation of general practice and primary care more generally through our evidence-based overview of the state of general practice (as outlined above) and various high-level roundtables we have hosted for policy-makers and practitioners

leading reform in this area. Our research and policy analysis of emerging models of primary care continues to attract significant attention – during this year we have worked closely with NHS England, the BMA, and the European Union special interest group on primary care policy, among others. While our Senior Fellow Dr Rebecca Rosen is part of a No 10 advisory group on the future of general practice.

We ran a successful seminar for NHS England in March 2014 on the issue of supply-induced demand where new models of primary care (such as walk-in centres) are put in place. We followed this up with the report: *Meeting Need or Fuelling Demand? Improved access to primary care and supply-induced demand* (June 2014). The event and subsequent report examined how far increased access to general practice and other primary care services will deal with unmet need, or whether these efforts may only serve to stimulate additional use of services that would not have otherwise occurred. The report identified some important considerations for those evaluating the impact of the Prime Minister's Challenge Fund. We followed this up with further workshops, including a collaboration with NHS England in November 2014 which explored the range of mechanisms currently used to drive change in general practice with a view to supporting the transformation of general practice and primary care.

We are undertaking a two-year research project which seeks to analyse and understand new GP organisations and their role within primary care, community and mental health services and the wider NHS, and how such new models might be spread more effectively. This programme of work, whilst research-based and informed, has a strong focus on understanding the best ways of supporting NHS managers, clinicians and commissioners as they seek to make the profound changes to care provision that so many people advocate, yet few seem able to articulate in a practical evidence-informed manner. We have established a GP learning network, which is offering innovative 'at scale' primary care organisation developmental support, as well as the opportunity to engage in, and shape, the wider debate about the future of general practice and its role within wider primary care in England.

There has been ongoing interest in the commission into future models of care that was set up by the Royal Pharmaceutical Society and chaired by our Director of Policy Judith Smith. The review was published in 2013 and we have been commissioned by the Royal Pharmaceutical Society to review the profession's progress in meeting the report's recommendations. Our follow-up report will be published in December 2014. Leading up to the second report, we facilitated a seminar of innovative pharmacy providers held at No 10 Downing Street in January 2014.

We are evaluation partners with Barking Havering and Redbridge CCG on its successful bid for funding from the Prime Minister's Challenge Fund to improve access to primary care. Our work falls into two parts: one looking at the impact of a new telephone contact system; and the other at new arrangements for managing complex patients. We are using both quantitative and qualitative methods, and it is planned to produce a final report in summer 2016.

Health economies around England have been testing and implementing different approaches to **integrated care** to improve the coordination of services for users and their families, with the aim of securing financial efficiencies across health and social care. We have been involved in evaluating a number of these, including the National Evaluation of Integrated Care Pilots, a study of the implementation of the Inner North West London Integrated Care Pilot, and numerous other community-based interventions. Our work in the evaluation of Virtual Wards, a long term National Institute for Health Research study, was published in November 2013. Though there is a lot of enthusiasm for Virtual Wards as a form of community-based care

the evidence is not clear cut. Our two year NIHR funded study formed the most systematic analysis of virtual wards and focussed on the impact of schemes in three parts of the country. This was an important research report and its findings have considerable relevance for those developing strategies for integration and the care of people with long term conditions.

We are undertaking (with the London School of Economics) a 15-month study of the development and early implementation of a programme of integrated care in North West London, where CCGs and local authorities have embarked on a large-scale programme of 'Whole Systems Integrated Care'. This work is highly formative in nature, feeding back regularly to local stakeholders about findings from the research, with the intention that such feedback will help shape the next phase of local service development work. North West London is one of the 'national pioneers' of integrated care, and we are part of the evaluation of these 14 sites.

The national pioneers for integrated care have become the focus of interest in new forms of care delivery. We have collaborated with the Policy Innovation Research Unit (PIRU) at the London School of Hygiene and Tropical Medicine on early work to understand this programme. One output from this work was a short study of indicators that may be gleaned from existing data to understand progress towards integration.

There has been considerable policy interest in how new forms of social action, and in particular the use of volunteers, can complement statutory health and social care services. Our earlier work with Marie Curie has demonstrated how good quality evaluation can be applied to voluntary sector initiatives. We have therefore been able to secure funding for a number of other projects in this area. One looks at the impact of a British Red Cross Scheme on subsequent hospital admission (completed in January 2014).

We were also successful in winning a tender to undertake evaluation of the impact of voluntary sector-led work on social action: within a national project funded by the Cabinet Office. This work encompasses seven schemes around the country, mostly focused on supporting hospital discharge or community-based preventive strategies.

We have received funding to look at an Age UK scheme in Cornwall to use volunteers to provide a range of support to older people in community settings. We have been commissioned to consider both this project and the wider roll-out. Our analysis is focusing on changes in acute sector hospital use that flow from this work.

The **care of frail older people and end-of-life care** consume significant amounts of resources and are seen as a litmus test of the quality of provision. Much of our work on emergency and urgent care, integration and community services hinges on support to older people – often with multiple chronic health problems. We have several pieces of work specifically focused on services for this group. We have started a three-year project, funded by National Institute for Health Research and developed with the British Geriatric Society, looking at the wider applicability of Comprehensive Geriatric Assessment (CGA). In the first part, we are mapping the needs for CGA using a range of information sources to estimate the scale and characteristics of frail older populations. In addition, we are undertaking work to develop better ways to identify success in delivering services to support frail older people. This work is part of an internally-funded two year programme where the aim is to find ways to use data to identify good practice that exists around the country. This process is in part about developing better information tools but then validating these through engagement with local services to identify local differences in the ways services are delivered.

NHS management and culture

We published our *Francis One Year On* (February 2014) research which concluded, among other things, that in the NHS 'the culture of the external performance management and regulation system continued to feel punitive at times' and was still primarily focused on waiting-time targets and meeting financial goals. This echoed a central theme of the Francis Inquiry Report which criticised NHS management for focusing too much on 'the system's business' rather than that of patients and their families. This issue of how the quality and nature of management connects with the ability of individuals and organisations to deliver compassionate care is being discussed in various fora as part of the wider response to the Francis Inquiry Report. We are following up our report with a new programme of work that will be examining the state of NHS management and culture. The questions we are exploring are: is there a problem with NHS management?; if so, what is the nature of this problem?; do we have the right culture within NHS management?; and do NHS managers have the right skills?

Developing new tools and methods

One of the strengths of our analytical work has been our innovative application of linked data sets. In the past year we have published work from three areas that exploited data linkage in new areas. First, our work on social care and cancer – published in: *Use of health and social care by people with cancer* (June 2014) – detailed the patterns of both health and social care utilisation before and after cancer diagnosis. Second, the link between cancer registry data, hospital and GP activity was exploited in a specific analysis of pathways of care for people with colorectal cancers. This analysis was published in the British Journal of Cancer in July 2014. Finally, we have recently published an analysis of the costs of care at the end of life looking across different sectors of care. This small study demonstrated the types of analyses we needed if we are to develop shared mechanisms of accounting and funding across sectors – as in some models of integrated care. In this instance the findings are enormously useful evidence to those commissioning home-based support at the end of life as an alternative to hospital care.

We have continued our work looking at the wider applicability and utility of **predictive risk modelling** and acting as an independent observer of developments in the area. We are interested in ways that our past work can be used and developed in practice. During the year we have been approached by commercial software vendors to seek permissions to use some of the predictive models developed by the Nuffield Trust over the past few years. Unlike some other developers, we are keen that the products of our work are in the public domain and we openly publish the underlying data and definitions required to run our statistical models. However, we have been happy to advise on the implementation of these models, both by the NHS and commercial suppliers. In one case, Health Intelligence were keen to use our model that predicts hospital admissions and we arranged a licensing agreement to ensure that the model was freely available to the NHS. Similarly, our work on predicting readmission within 30 days of discharge has been picked up and turned into a mobile app which has been made available to the NHS.

We are interested in deploying new analytical methods. Within the QualityWatch programme, our study of trends in anti-depressant prescribing used multivariate analysis applied to understanding the factors driving variation between GP practices. In other studies we are especially interested in developing applications that look at how data changes over time, such as statistical process control methods, to use within evaluation studies as a way of feeding back interim findings.

As evidence of our desire to develop and test measures of care coordination at the individual carer and user level, we are undertaking an 18-month study funded by the Aetna charitable foundation (and working in partnership with Picker Europe, The King's Fund, National Voices and the International Foundation for Integrated Care), which entails the development of a survey tool that will be reliable, valid, easy-to-use and suitable for use by commissioners and providers in the UK and internationally.

Disseminating Our Research

As an authoritative and independent source of evidence-based research and policy analysis, we seek to make our research widely available across a variety of platforms. In addition to authoring Nuffield Trust reports, our researchers also publish their work in peer review journals. The following tables show the reports we have published and events we have organised as well as the journal articles we have authored.

Peer reviewed journal articles: October 2013 - September 2014

Article title	Journal	Authors	Date
Impact of telehealth on general practice contacts: findings from the whole systems demonstrator cluster randomised trial	BMC Health Services Research	Martin Bardsley Adam Steventon Helen Doll	08.10.13
Integrated health and social care: can England's NHS learn from Canterbury New Zealand?	British Medical Journal	Dr Judith Smith Professor Nicholas Mays	01.11.13
Integrating care for high-risk patients in England using the virtual ward model: lessons in the process of care integration from three case sites	International Journal of Integrated Care	Geraint Lewis Dr Martin Bardsley & others	06.11.13
The Francis Inquiry: from diagnosis to treatment	Journal of Medical Ethics	Dr Judith Smith	11.12.13
Classifying emergency 30-day readmissions in England using routine hospital data 2004–2010: what is the scope for reduction?	Emergency Medicine Journal	Ian Blunt Martin Bardsley	26.03.14
Why is health care inflation greater than general inflation?	Journal of Health Services Research & Policy	Anita Charlesworth	16.04.14
Experiences of front-line health professionals in the delivery of telehealth: a qualitative study	British Journal of General Practice	Martin Bardsley,	30.06.14
Effect of a telephonic alert system (Healthy outlook) for patients with chronic obstructive pulmonary disease: a cohort study with matched controls	Journal of Public Health Advance Access	Adam Steventon, Martin Bardsley, Nicholas Mays	10.07.14
Comparing primary and secondary health-care use between diagnostic routes before a colorectal cancer diagnosis: Cohort study using linked data	British Journal of Cancer	Jessica Sheringham, Theo Georghiou, Xavier Chitnis, Dr Martin Bardsley	29.07.14
Improving productive efficiency in hospitals: findings from a review of the international evidence	Health Economics, Policy and Law	Benedict E. Rumbold, Judith A. Smith, Jeremy Hurst, Anita Charlesworth and	09.09.14
Pre-dialysis hospital use and late referrals in incident dialysis patients in England: a retrospective cohort study.	Nephrol Dial Transplant	Blunt I, Bardsley M, Strippoli GF.	12.09.14
Effect of telehealth on glycaemic control: analysis of patients with type 2 diabetes in the Whole Systems Demonstrator cluster randomised trial.	BMC Health Services Research	Martin Bardsley, Adam Steventon	06.08.14
Integrated care and support Pioneers: Indicators for measuring the quality of integrated care. Final report.	Policy Innovation Research Unit	Martin Bardsley	04.14
Estimating lifetime costs of social care: A Bayesian approach using linked administrative datasets from three geographical areas	Health Economics	Adam Steventon, Adam Roberts	08.09.14

	Research and Analysis							
	NHS & Social Care Reform	Quality of Care & Finance	New Models of Care	NHS Management & Culture	Dev new tools and methods	Bringing people together	Helping providers and managers	International best practice
Reports: October 2013 – October 2014								
Is the quality of care in England getting better? *QualityWatch Annual Statement 2013*		✓						
Focus on: hip fracture		✓						
Managing financial difficulties in health economies: lessons for clinical commissioning groups		✓						
Role of the voluntary sector in providing commissioning support	✓							
Caring for an ageing population: points to consider from reform in Japan	✓							✓
New models of primary care: practical lessons		✓	✓		✓			
The Francis Report: one year on		✓		✓				
Focus on: distance from home for emergency care		✓						
The NHS payment system: evolving policy and emerging evidence		✓						
Focus on: social care for older people		✓	✓		✓			
The four health systems of the UK: How do they compare?	✓							✓
Focus on: Antidepressant prescribing		✓						
Use of health and social care by people with cancer		✓			✓			
A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26		✓						
Into the Red? The State of the NHS' Finances		✓						
Focus on: A&E attendances		✓						
Health leaders survey results 1: finance	✓	✓						
Is General Practice in Crisis?	✓		✓					
Health leaders survey results 2: out of hospital care	✓	✓						
Cause for concern? *QualityWatch Annual Statement 2014*		✓						
NHS hospitals under pressure: trends in acute activity up to 2022		✓						
Focus on: Allied Health Professionals		✓						
Exploring the cost of care at the end of life		✓			✓			
NHS payment reform: lessons from the past and directions for the future	✓	✓						

	Research and Analysis							
	NHS & Social Care Reform	Quality of Care &	New Models of Care	NHS Management &	Dev new tools and methods	Bringing people together	Helping providers and managers	International best practice
Events: October 2013 – September 2014						✓		
QualityWatch 2013: understanding quality of care		✓				✓		
Shifting values: how should we care for older people in society?	✓					✓		✓
Ratings in acute hospitals	✓	✓				✓		
European Summit			✓			✓		✓
The Francis Inquiry: the impact one year on		✓				✓		
Health Policy Summit	✓	✓				✓		
Supply induced demand			✓			✓		
QualityWatch: Social care for older adults: the impact of the cuts		✓				✓		
Nuffield Trust with Simon Stevens	✓					✓		
Predictive Risk 2014: Using information on patient pathways for predictive risk and evaluation					✓	✓		
The future of the hospital		✓				✓		
Jeremy Hunt in conversation at the Conservative Party Conference. 'A prescription for the future of the NHS'	✓					✓		
Policy crunch 1: Is general practice fit for the future?	✓					✓		
Andy Burnham in conversation at the Labour Party Conference. 'A prescription for the future of the NHS'	✓					✓		

Focus on: reports form part of our QualityWatch programme.

'NHS Management & Culture' is a developing workstream that will report more during 2014-15.

Our '*Helping providers and managers*' workstream has been supported through the grant programme during 2013-14.

Bringing people together to inform and generate debate

We provide a forum for health and social care leaders to come together to debate the future of the NHS and how different approaches to delivering patient care can be enhanced. We intend to be a valued forum for policy-makers, practitioners, academics and others, and provide a space for them to explore key issues across our programme of research and analysis, and to learn from best practice. At a time of constrained budgets, our events provide a free-to-attend platform for leaders to help progress some of the critical issues facing the health service. The following events were of particular note:

- The Health Policy Summit 2014 (March 2014) 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 continue to attract a distinguished audience and high-quality speakers. Keynote speakers included the Rt Hon Jeremy Hunt MP, Secretary of State for Health; the Rt Hon Andy Burnham MP, Shadow Secretary of State for Health; and the Rt Hon Stephen Dorrell MP, Chair, Health Select Committee.
- We held our third European Health Policy Summit in Brussels in January, in partnership with KPMG, on the subject of the future of hospital care. Case studies from across Europe were shared by the high-profile delegates that attended, and the insights were shared with UK policy-makers.
- Another highlight was our conference which marked the first anniversary of the publication of Sir Robert Francis QC's report into care failings at Mid Staffordshire NHS Foundation Trust. The conference reviewed the progress the health service has made towards implementing Robert Francis' recommendations, as well as outlining the new research we had undertaken and published in our report: *The Francis Report: one year on* (February 2014). Robert Francis was a keynote speaker at this conference. It provided a timely opportunity for practitioners and policy-makers to discuss and debate the impact of Robert Francis' report.

Working to help those providing and managing services

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. We host Public Health Trainees and elective placements for graduates on the NHS Management Training Scheme. Our staff teach on MSc courses and the NHS Management Training Scheme, and give sessions for young clinical leaders at the Royal Colleges.

Our work in predictive risk aims to provide both advice and tools for commissioners and providers of care. In summer 2014 we held our sixth national conference on risk assessment – an event that brought together presentations from national and international experts in risk stratification to an audience largely drawn from NHS commissioners and providers. In other studies we are working directly for individual NHS organisations – for example, a validation of a risk prediction tool for three CCGs.

Learning from 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. In April 2014 we published, in partnership with the Health Foundation, a study comparing the costs and performance of the four health systems of the UK (this updated our 2010 report). The report came at a key time ahead of the Scottish Referendum and provided one of the only evidence-based analyses of the respective performance of each UK health system. This was particularly in demand with the Conservative and Labour parties in Westminster regularly clashing over the performance of the NHS in Wales. We are now recognised as a leading independent analyst on UK health performance.

We produced an influential analysis of the scale of the longer-term financial challenge facing the NHS in Wales and how it can best be met. The Welsh government – like all others across the UK – will have some difficult decisions to make about NHS funding and services immediately after the next general election. Ministers in Wales commissioned us to undertake modelling to ascertain the funding shortfall facing the NHS in Wales for the period extending up to 2025/26. The report, *A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26* (June 2014), explores the reasons for rising pressures in Wales, finding that the ageing population, rising hospital admissions for people with chronic disease and increases in the cost of providing health care, mean that pressures on the Welsh NHS are set to grow. It identified a funding gap of £2.5 billion by 2025/26, worth over two-fifths of the Welsh NHS' current annual budget. The analysis is informing current debates on the future funding requirements of the Welsh NHS and has sparked ongoing debate among policy-makers in Wales.

Much of our work in other workstreams draws on international experience, for example, our third European Health Policy Summit in Brussels in January, held in partnership with KPMG, examined the future of small hospitals – a much debated subject in England. Representatives from more than 10 countries took part. The Summit allows senior policy-makers, practitioners and academics from across Europe to discuss and debate the major challenges facing European health systems.

As outlined above, we have continued to be active in debates surrounding social care funding and provision. We examined social care funding and provision for older people in Japan in order to bring back useful lessons for policy-makers and practitioners here. *Caring for an ageing population: points to consider from reform in Japan* (November 2013) explored how Japan has tried to meet the needs of its ever-growing older population through a new social care system, looking at points of interest for England.

More generally, 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. We are continuing our collaboration with the Commonwealth Fund with a joint programme of studies, the results of which will be published and discussed at a further conference in 2015. We published our report comparing arrangements in Japan for financing and providing social care with those in England.

Future plans

The Trust has considered its future work programme and strategic objectives. Many of the projects we have mentioned in this report span several years. On 2 October 2014 the Nuffield Trust formally adopted its Operational Plan for 2014-15. Among other things, we will:

Produce in-depth research and analysis by building on our strength in quantitative and qualitative research, which provides an evidence-based platform for our policy analysis. This work has both a short and long term impact on thinking about health care. During 2014-15 and following the appointment of our new Director of Healthcare Systems, Candace Imison, we will extend the range of our research by developing a new stream of work to examine the future of the health and social care workforce.

Help those providing and managing services by focusing on national policy developments and seeking to do that in ways that are relevant to those planning or delivering new service models, and supporting professionals to think about the shape of services and systems. Our evaluative work is a key part of this. We will focus on making sense of the current environment for policy-makers and practitioners. This will include a programme of analysis and briefing designed to bring evidence-based critique to the general election debate over the coming months.

Bring people together to inform and generate debate by being a leading independent discussion and debating forum for policy-makers, practitioners, academics and others. We will provide a space for them to come together to explore key challenges facing the health and social care system.

We will continue our work examining **UK and international best practice**, including by providing impartial analysis and commentary on the respective performance of the four UK health systems.

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 considered appropriate. The Trustees maintain funds in order to generate a sufficient return 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 2014, the expendable endowment fund and the designated fund amounted to £75,373,000 (2013 - £73,500,000).

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 2013 -14

The financial statements for the year to 30 September 2014 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.

Total incoming resources for the year were £2,958,000 (2013 - £3,272,000) and total resources expended were £4,036,000 (2013 - £4,412,000).

The charity has an investment policy based on total returns and, each year, the operational budget is based on a percentage drawdown of the capital value of the endowment plus income from contracts and projects. As such, charitable expenditure is expected to exceed incoming resources when reported in the Statement of Financial Activities. In the year, total resources expended exceeded incoming resources by £1,078,000 (2013 – £1,140,000).

Investment income earned on the endowment fund was £2,129,000 (2013 - £1,950,000). The cost of managing the investment portfolios was £539,000 (2013 - £568,000) which includes fees charged by investment managers and the internal costs of oversight of the investment function.

The Trust undertakes research projects on behalf of the Department of Health and others. Work on these projects may span more than one year and income and expenditure are recognised taking into account the proportion of work completed at the year-end. Project income during the year was £797,000 (2013 - £1,153,000) and direct charitable expenditure relating to these projects recognised during the year amounted to £304,000 (2013 - £326,000).

Total charitable expenditure for the year was £3,311,000 (2013 - £3,690,000), including the costs of completing project work. Support costs in note 8 include costs of employing staff and providing the infrastructure to enable the work of the Trust to be completed. The Trust maintains a grant making programme in furtherance of our strategic objectives. Direct spend on projects includes commissioning expertise; disseminating our work, including making it available through open access; and ensuring that our work is subject to appropriate peer-review.

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
- advising the Board of Trustees on the Trust's responsibility 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
- an IT Governance Committee which has responsibility for data and infrastructure security
- 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 risks are

- Long-term loss of value of the Trust's endowment, to mitigate this, Trustees retain professional investment managers who manage the portfolio within the agreed policy on investment.
- Damage to the reputation of the Trust, to mitigate this the Trust operates within a Research Governance Framework and has procedures in place regarding designated spokespersons.

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 and review of investment performance

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 Trustees have decided to undertake a review of the investment strategy during 2014-15.

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 3.3% at 30 September 2014 (2013 – 3.4%).

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. The Trustees have been informed by the Fund's managers that, with effect from December 2013, the Fund is in the process of liquidation and accordingly dividend payments have ceased and capital repayments received from March 2014. At 30 September 2014, the fair value placed on this investment by the Trustees, including cash held against currency hedge, was £1,287,000 (2013 - £1,261,000).

Income earned on the total investment portfolio was £2,129,000 for 2013-14 (2012-13 - £1,950,000). The portfolio of investments and cash on term deposit had a total value at 30 September 2014 of £72,603,000 (2013 - £70,945,000).

Long-term analysis of available data (March 1994 to September 2014) 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. During the year we have held a Wellness Week when staff were offered health screening, massage and fitness classes. Trustees receive a report at governance meetings of days lost due to staff sickness. During 2013-14, the proportion of working time lost to sickness was less than 0.9% (2013 - 0.7%), which compares favourably with the national average of 1.8%.
- We have participated for the past seven 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.

In preparing this Trustees' Annual Report, advantage has been taken of the small companies' exemption.

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 a meeting of the Board of Trustees.

Approved by the Chair on behalf of The Nuffield Trust

Professor Dame Carol Black
Chair, The Nuffield Trust
Date: 12 MAY 2015

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 Studies in Health Services for the year ended 30 September 2014 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 22), 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 Financial Reporting Council's (FRC) 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 FRC'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 2014 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.
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime and to the exemption from the requirement to prepare a strategic report.

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

Date: 3 Dec 2015

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

Consolidated Statement of Financial Activities for the year ended 30 September 2014

	Note	Unrestricted funds 2014 £'000	Expendable endowment fund 2014 £'000	Total funds 2014 £'000	Total funds 2013 £'000
Incoming resources					
Income resources from generated funds:					
Donation	4	28	-	28	153
Investment income	5	-	2,129	2,129	1,950
Incoming resources from charitable activities	6	797	-	797	1,153
Other income		4	-	4	15
Total incoming resources		829	2,129	2,958	3,272
Resources expended					
Costs of generating funds					
Investment management costs	7	-	539	539	568
Charitable activities	8	3,311	-	3,311	3,690
Governance costs	9	186	-	186	154
Total resources expended		3,497	539	4,036	4,412
Net (outgoing)/incoming resources for the year		(2,668)	1,590	(1,078)	(1,140)
Transfers	11	3,536	(3,536)	-	-
Net (outgoing) resources for the year before other recognised gains and losses		868	(1,946)	(1,078)	(1,140)
Other recognised gains and losses					
Realised and unrealised gains on investment assets	13	-	2,951	2,951	7,483
Net movement in funds		868	1,005	1,873	6,343
Balances brought forward at 1 October 2013		311	73,189	73,500	67,157
Balances carried forward at 30 September 2014		**1,179**	**74,194**	**75,373**	**73,500**

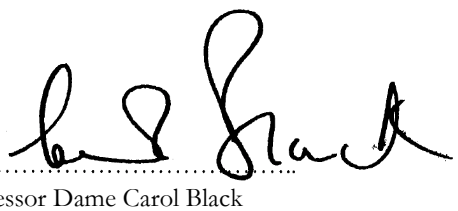
The statement of financial activities includes all gains and losses recognised in the year.
All incoming resources and resources expended derive from continuing activities.
The notes on pages 28 to 45 form part of these financial statements.

Consolidated and Charity Balance Sheet at 30 September 2014

	Note	Consolidated 2014 £'000	Consolidated 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Fixed assets					
Tangible assets	12	1,975	2,040	1,975	2,040
Investments	13	72,603	70,945	72,603	70,945
		74,578	72,985	74,578	72,985
Current assets					
Debtors	14	265	354	331	461
Short term deposits	15	1,178	976	1,178	976
Cash at bank and in hand		167	190	61	28
		1,610	1,527	1,570	1,465
Creditors: amounts falling due within one year	16	(795)	(911)	(755)	(856)
Net current assets		815	609	815	609
Creditors: amounts falling due after one year	17	(20)	(94)	(20)	(94)
Net assets		75,373	73,500	75,373	73,500
Funds					
Expendable endowment fund	18	74,194	73,189	74,194	73,189
Designated fund	18	1,179	311	1,179	311
Total Funds		75,373	73,500	75,373	73,500

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

Approved by the Chair on behalf of the Trustees of The Nuffield Trust and authorised for issue on 12 MAY 2015



Professor Dame Carol Black
Chair, The Nuffield Trust

The notes on pages 28 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 2014. 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.

Cash flow 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 68 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), 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

	2014 £'000	2013 £'000
Donation in kind – seconded staff (see note 9)	28	152
Other	-	1
	28	153

5 Investment income

	2014 £'000	2013 £'000
Investment income received in the year was made up as follows:		
Investment portfolio	2,125	1,918
Bank interest	4	32
	2,129	1,950

6 Income from charitable activities

	2014 £'000	2013 £'000
Income from projects	797	1,153

7 Costs of generating funds

	2014 £'000	2013 £'000
Investment management fees charged	472	456
Support costs (note 9)	67	112
	539	568

8 Charitable expenditure

	Commissioned work £'000	Grants awarded £'000	Direct spend £'000	Support costs* £'000	Total 2014 £'000	Total 2013 £'000
Research and analysis						
NHS and social care reform	2	9	56	396	463	653
Quality of care and finance	96	-	95	527	718	253
New models of care	34	-	32	527	593	208
NHS management and culture	-	-	-	132	132	1,029
New tools and methods	129	-	9	264	402	373
Bringing people together	16	8	27	396	447	465
Helping providers and managers	4	55	8	264	331	416
International best practice	23	54	17	131	225	293
	304	126	244	2,637	3,311	3,690

* Support costs are shown in note 9

9 Allocation of support costs

	Governance 2014 £'000	Generating funds 2014 £'000	Charitable activities 2014 £'000	Total allocated 2014 £'000	Total 2013 £'000
Staff costs *(nature of the charge)*	101	48	1,979	2,128	2,165
Notional cost of seconded staff *(nature of the charge)*			28	28	152
Premises costs *(use of area)*	13	9	212	234	217
IT and telephone costs *(staff time)*	7	3	140	150	139
Travel and hospitality *(staff time)*	1	1	25	27	24
Professional fees *(staff time)*	1	-	18	19	17
Communications and PR *(staff time)*	4	2	78	84	83
General costs incl. irrecoverable VAT *(staff time)*	8	4	157	169	168
Governance fees *(nature of the charge)*	51	-	-	51	44
	186	67	2,637	2,890	3,009

Trustees expenses included in general costs above amount to £11,000 (2013 - £39,000). 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 (2013 - £16,000).
Charity only £16,000 (2013 – £16,000).

Secondments and placements

The Trust has benefitted throughout the year from a number of secondments and volunteer staff. These include interns, public health trainees and a visiting senior fellow. We gratefully acknowledge the support for 4 people and have estimated that the value is approximately £28,000. (2013 - 9 people, £152,000).

10 Staff emoluments

	2014 £'000	2013 £'000
Salaries costs	1,695	1,657
Social security costs	193	189
Pension costs	188	202
Other staff costs	204	117
	2,281	2,165

10 Staff emoluments *(continued)*

During the year, staff were recruited and assigned to specific project work. The costs of these colleagues are included in direct project expenditure.

	2014 £'000	2013 £'000
Project staff costs, allocated as direct project costs	153	-
Allocated as support costs	2,128	2,165
	2,281	2,165

The average number of employees employed by the group during the year was 33 (2013 - 33), with 33 employed by the charity (2013 – 33).

Higher paid employees – Group and Charity

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

	2014 £'000	2013 £'000
£60,000 to £70,000	2	1
£70,000 to £80,000	1	-
£80,000 to £90,000	1	1
£90,000 to £100,000	3	3
£100,000 to £110,000	-	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 (2013 - 4) higher-paid employees, to the NHS Pension Scheme, which is a defined benefit scheme for 2 (2013 - 3) higher-paid employees and to the Universities Superannuation Scheme, which is a defined benefit scheme for 1 (2013 - 1) higher-paid employee.

11 Transfer between funds

Under the terms of the expendable endowment, any shortfall in unrestricted funds and the costs of meeting project commitments can be transferred from the expendable endowment.

	2014	2013
	£'000	£'000
Net outgoing resources for the year from unrestricted charitable activities	(2,668)	(2,523)
Transfer to fund (see note 18)	(868)	(18)
Transfer from expendable endowment to unrestricted funds	(3,536)	(2,541)

12 Tangible fixed assets

Consolidated and parent charity

	Leasehold properties £'000	Furniture and equipment £'000	Total £'000
Cost or valuation			
At 1 October 2013	2,186	216	2,402
Additions	-	-	-
Disposals	-	-	-
At 30 September 2014	**2,186**	**216**	**2,402**
Depreciation			
At 1 October 2013	(211)	(151)	(362)
Provision during the year	(40)	(25)	(65)
Disposals	-	-	-
At 30 September 2014	**(251)**	**(176)**	**(427)**
Net book value			
At 30 September 2014	**1,935**	**40**	**1,975**
At 30 September 2013	1,975	65	2,040

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	**2014 £'000**	**2013 £'000**
Market value at 1 October	68,340	62,310
Additions	7,550	7,260
Disposals	(6,212)	(7,302)
Unrealised gains/(losses)	871	6,072
Market value at 30 September 2014	70,549	68,340
Short term deposits	2,054	2,605
Total investments at 30 September 2014	72,603	70,945
Historical cost as at 30 September 2014	65,894	65,087
The geographical split of investments is as follows:		
UK	56,222	54,741
Overseas	16,381	16,204
	72,603	70,945

The following asset represents more than 5% by value of the total portfolio as at 30 September 2014:

	£'000
Sarasin Alpha CIF for Endowments	48,010

Realised and unrealised gains and losses on investments

	2014 £'000	**2013 £'000**
Unrealised gains/(losses)	871	6,072
Realised gains	2,080	1,411
	2,951	7,483

14 Debtors

	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Prepayments	47	46	47	46
Other debtors	218	308	178	259
Amounts owed by subsidiary company	-	-	106	156
	265	354	331	461

15 Short-term deposits

	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Coutts Bank Deposit accounts	330	131	330	131
CCLA Term Deposit	50	50	50	50
Scottish Widows Bank Term Deposit	798	795	798	795
	1,178	976	1,178	976

16 Creditors: amounts falling due within one year

	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Tax and social security	-	59	-	59
Commissioned work commitment	381	490	381	490
Accruals and other creditors	414	362	374	307
	795	911	755	856

17 Creditors: amounts falling due after one year

	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Reserve for leasehold obligations	20	94	20	94

18 Funds

	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Expendable endowment				
Balance at 1 October 2013	73,189	66,864	73,189	66,864
Excess of income over expenditure from financial activities	1,873	6,343	1,873	6,343
Transfer (to) /from designated funds	(868)	(18)	(868)	(18)
Balance as at 30 September 2014	74,194	73,189	74,194	73,189
Designated fund				
Balance at 1 October 2013	311	293	311	293
Transfer from / (to) expendable endowment	868	18	868	18
Balance as at 30 September 2014	1,179	311	1,179	311
Total funds				
Balance at 1 October 2013	73,500	67,157	73,500	67,157
Excess of income over expenditure from financial activities	1,873	6,343	1,873	6,343
Balance as at 30 September 2014	75,373	73,500	75,373	73,500

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

	2014 £'000	2013 £'000
NHS and social care reform		
Health Quality Conference (*)	15	15
Saltzburg Global Seminar	-	6
Other	1	
Quality of care and finance		
Local funding and NHS	-	30
Visiting fellow	-	4
Other	-	2
New models of care		
Office of Health Economics		20
Bringing people together		
Health Quality Conference (*)	15	15
Helping providers and managers		
Harkness Fellowship (*)	45	52
Health Service Research Network	10	-
Other	-	2
International best practice		
Harkness Fellowship (*)	45	53
Health Quality Conference (*)	15	15
Grants withdrawn	(20)	-
	126	214

*Costs have been apportioned across themes supported by the grant.

20 Analysis of net assets between funds

	Tangible fixed assets £'000	Investments £'000	Other net assets £'000	Total £'000
Group and Charity				
Expendable endowment fund	1,975	72,603	(384)	74,194
Designated fund	-	-	1,179	1,179
Total funds	1,975	72,603	795	75,373

21 Summarised results for the Trust

Of the group surplus for the year of £1,873,000 (2013 – surplus of £6,343,000), the income and expenditure relating to the Trust is as follows:

	2014 £000s	2013 £000s
Total incoming resources	2,958	3,272
Total resources expended	4,036	4,412
Net (outgoing) resources before other gains/losses	(1,078)	(1,140)
Realised and unrealised gains on investment assets	2,951	7,483
Net movement in funds	1,873	6,343

22 Summarised results for subsidiary entity

Of the group surplus for the year of £1,873,000 (2013 – surplus of £6,343,000), the income and expenditure relating to the Charity's wholly-owned subsidiary entity, Nuffield Trading Limited, is as follows:

	2014 £000s	2013 £000s
Total incoming resources	99	137
Total resources expended	99	137
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 (2013 - 1).

The USS is a funded multi-employer scheme and is contracted out of the state scheme.

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.

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 2014. 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%.

23 Staff pensions *(continued)*

Work to complete the triennial valuation for 31 March 2014 is ongoing and therefore the trustee of the USS is not able to provide the final assessment of the funding position at this time. An assessment based on the same assumptions adopted at the previous triennial valuation would put the overall funding ratio of assets to liabilities as at 31 March 2014 at approximately 85%, with a scheme deficit in the region of £7 billion. However, this does not reflect the updates that will be made to the assumptions as part of the formal valuation process, nor does it allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with the stakeholders. Therefore the number reported when the valuation is complete is likely to be materially different.

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 3 (2013 - 5) employees. Employee contribution rates vary from 5% to 13.3%, 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%. Twenty-four (2013 - 13) employees are members of the scheme.

The pension charge for the period for all three schemes was £188,000 (2013 - £202,000).