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 2015

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

Professor Dame Carol Black DBE (Chair) *C F*
Dr Joyce Cornwell *(Appointed 23 March 2015)*
Sir Michael Deegan CBE
Professor Tim Evans *(Appointed 6 October 2014)*
Dr Jonathan Fielden *(Appointed 6 October 2014)*
Tim Kelsey *(Resigned 2 October 2014)*
Charles Perrin CBE *C F (Resigned 2 October 2014)*
Peter Phillips *C F (Resigned 31 December 2014)*
Ian Krieger FCA *F*
Kathryn Matthews *F*
Julia Palca *(Appointed 9 June 2015)*
Sir Hugh Taylor KCB *C*
Dr Christian van Stolk *F (Appointed 10 November 2014)*
Dr Nicolaus Henke *F (Resigned 31 December 2014)*
Professor Sheila Leatherman *(Resigned 31 July 2015)*

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 Chair of the Finance Committee.

Non-Trustee Member of Finance Committee: Kevin Lowe FCA

Company Secretary

David Miller *(Appointed 1 August 2015)*
Elizabeth Bishop *(Resigned 31 July 2015)*

Senior staff

Nigel Edwards, Chief Executive
Dr Martin Bardsley, Director of Research
Candace Imison, Director of Healthcare Systems
David Miller FCA, Director of Finance and Administration
Daniel Reynolds, Director of Communications
Ruth Thorlby, Deputy Director of Policy

Senior Associates

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

See page 6 for more detail about our Senior Associates

Auditors

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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 2015. 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

We want to help achieve a high-quality health and social care system that improves the health and care of people in the UK.

Our mission

We set out to do this by:

- improving the evidence base that leads to better care
- undertaking rigorous applied research and policy analysis to improve policy-making and practice
- providing expert independent commentary and analysis
- bringing together policy-makers, practitioners and others to develop solutions to the challenges facing the health and social care system.

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 the longer-term strategy. In addition, there are two Board committees. The Chair's Committee typically meets 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 Jocelyn Cornwell (Chief Executive and Founder of The Point of Care Foundation) *appointed 23 March 2015*
- Sir Michael Deegan (Chief Executive, Central Manchester University Hospitals NHS Foundation Trust)
- Professor Tim Evans (Medical Director and Deputy Chief Executive, Royal Brompton and Harefield NHS Foundation Trust) *appointed 6 October 2014*
- Dr Jonathan Fielden, (Medical Director, University College London Hospital) *appointed 6 October 2014*
- Dr Nicolaus Henke (Director, McKinsey & Co. and Leader of its Global Healthcare Practice) *resigned 31 December 2014*
- Ian Krieger (Senior Independent Director and the Audit Committee Chairman at Premier Foods plc and Safestore Holdings plc and Vice Chair at Anthony Nolan)
- Professor Sheila Leatherman (School of Public Health, The University of North Carolina) *resigned 31 July 2015*
- Kathryn Matthews (Chair of the Investment Committee, Royal London Group)
- Julia Palca (Chair, Macmillan Cancer Support) *appointed 9 June 2015*
- Peter Phillips (Chief Executive Officer, Cambridge University Press) *resigned 31 December 2014*
- Sir Hugh Taylor (Chairman, Guy's and St Thomas' NHS Foundation Trust)
- Christian van Stolk (Director of the Employment, Education, Social Policy & Population team at RAND Europe) *appointed 10 November 2014*

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.

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 independent health charity. We aim to improve the quality of health care in the UK by providing evidence-based research and policy analysis and informing and generating debate.

Our Vision

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Our Mission

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- undertaking rigorous applied research and policy analysis to improve policy-making and practice
- providing expert independent commentary and analysis
- bringing together policy-makers, practitioners and others to develop solutions to the challenges facing the health and social care system.

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 has included a programme of analysis and briefing to bring evidence-based critique to the general election debate.

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.

Cutting-edge research and policy analysis

NHS and social care reform

Our work: what we did

The NHS was one of the critical issues 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 was significant and we provided 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. As part of our role to deliver evidence to support better health policy, we aimed to help the main political parties weigh the evidence as they drafted their manifestos, outlining what we believed to be the most important issues.

Between November 2014 and March 2015 we produced a series of policy briefings on the issues and challenges that are critical to the longer-term success of the health and social care system – the issues that any government after 2015 would need to prioritise.

The first of these briefings – *Is general practice in crisis?* – provided an evidence-based overview of the state of general practice in England, and offered some potential solutions. *Rationing in the NHS*, our second briefing, provided an overview of the current difficulties in making decisions about rationing healthcare in England, and set out some of the challenges faced by policy-makers in the future. *What's behind the A&E 'crisis'?* examined some of the reasons behind England's A&E 'crisis', and warned that the emphasis on the four-hour waiting time target has become disproportionate. The fourth and final briefing – *Access to hospital care – is the NHS on target?* – examined how hospital trusts in England are performing against six national targets. It argued against the notion that dips in performance can be attributed to a handful of poorly performing hospital trusts, and found there had been deterioration across the board in some measures.

Alongside these policy briefings, we also regularly surveyed a panel of 100 health and social care leaders in England for their views on a range of issues, including the state of the NHS and social care system, and what they believed should be the priority areas for reform during the Parliament following the General Election. As we approached the election, these survey results provided unique insights for policy-makers into the views of senior leaders in health and social care, who are often not able to speak out individually. The panel members were drawn from across the NHS and social care, with the majority working in hospitals, ambulance trusts, community services, general practice, local authorities, and private and voluntary sector providers. The patients' perspective was provided by individuals working in local Healthwatch bodies.

During these surveys we are asked the panellists a number of 'tracker' questions that we then returned to for each survey. In addition, each survey focused on a specific topical issue:

- Survey one on the **financial health of the NHS and social care** (June 2014) found that health and social care leaders were deeply concerned about the financial future of the NHS and social care system. More than four in five respondents said they were concerned about the financial viability of their local NHS or social care provider(s). More than two thirds believed that NHS providers will need to go into deficit in order to maintain high-quality services.

- Survey two on the **state of general practice** (September 2014) found that the panel overwhelmingly considered that general practice was either in crisis or in need of reform. Over half of leaders supported more funding for general practice and there was a parallel call for reform of the way primary care is organised, managed and delivered.
- Survey three on **rationing health and social care** (November 2014) found that 68 per cent of the panellists thought that people should get the same package of NHS services no matter where they live. But over half thought commissioners should be able to tailor decisions to local circumstances, even if this results in variation.
- Survey four on **looking forward** (March 2015) found that over three quarters of the panellists thought that ensuring adequate funding for health and social care is one of the greatest challenges facing the incoming government.

We also provided analysis of, and commentary on, the manifesto pledges of the parties that made up the opposition or government in the previous parliament – the Conservative, Liberal Democrat and Labour parties. This analysis focused specifically on the parties' pledges regarding the NHS in England.

Also in the run-up to the General Election, we examined ten of the most commonly heard myths about the health service, and we published a series of 'Fact or fiction' blogs in which our experts examined common perceptions of the NHS, covering a range of issues, from immigration to the effect of social care cuts on A&E.

On 21 April 2015 we held a **Health and Care Debate**, during which health spokespeople from the four main political parties debated the NHS and social care in England. The speakers were: Rt Hon Jeremy Hunt, Secretary of State for Health; Rt Hon Andy Burnham, Shadow Secretary of State for Health; Rt Hon Norman Lamb, Minister of State for Care and Support; and Julia Reid MEP, UKIP Deputy Health Spokesperson. The debate was chaired by Sarah Montague of the BBC.

Following the General Election, we conducted a survey (in August 2015) on the **state of the NHS and social care ahead of the Comprehensive Spending Review**. This found that although most respondents said they were involved in planning for reduced spending, many leaders did not see how the efficiency savings required to free up an additional £22 billion for the NHS can be achieved. Longer-term efficiency plans often appear to be premised around achieving savings in notoriously challenging areas, with three quarters of respondents citing admissions avoidance and demand reduction as a main source of projected savings.

Commissioning in the NHS is a vital focus for reform and improvement as the health service looks for new paths towards effectiveness and efficiency. Our research and analysis has continued to draw on national and international evidence and best practice in relation to commissioning.

A joint project with The King's Fund aimed to understand the development of clinical commissioning groups (CCGs) and the challenges facing new clinical commissioners, and to support local commissioning groups by spreading good practice and learning. This three-year study began in September 2012. Part of this work was an online survey of GPs and practice managers in six CCGs, selected to broadly represent CCGs across England. The third year of results from the survey, on primary care commissioning, found that that CCG members have mixed views on primary care co-commissioning; that most GPs do not support

performance management by CCGs; that clinical engagement in CCGs is declining, but is higher than under practice-based commissioning; and that there are some positive signs for the future.

Public benefit: the impact of our work

With the NHS being high up the agenda at the time of the 2015 General Election, our role in providing independent and impartial commentary and analysis on party proposals ensured we were much in demand by politicians, the media and a range of national stakeholders. The need for independent expertise and analysis was significant and we were able to inform the public debate and provide useful factual analysis. In addition, we also provided advice to several political parties ahead of their manifestos being developed. There are few independent organisations in the health sector able to provide this respected and authoritative analysis, so we performed a crucial role during this seminal political moment.

More generally, we continue to play a critical role in assessing the government's NHS reforms as well as the performance of the health and social care system. This is helping to improve the quality of policy-making in the UK.

Future work in this area

The period from 2015 to 2020 is likely to be the most challenging ever faced by the NHS. The Conservative Government is attempting to deliver significant reforms, most notably through changes to enable seven-day working and the devolution of powers to cities such as Manchester. All of this is being attempted at a time of financial constraint, while simultaneously implementing the recommendations of the Five Year Forward View, which is ambitious even when taken in isolation. How the NHS responds to these reforms and challenges will be critical to its long-term success.

We will therefore continue to closely monitor and assess these reforms, providing our independent analysis of their validity, as well as how they can be improved. We believe there has never been a more important time for independent scrutiny of government policies and the performance of the system. We will continue to provide this, as well as opportunities for policymakers, practitioners and others to come together to develop solutions. Our focus will be on improving the quality of policy-making by providing evidence-based analysis, asking insightful questions and providing a challenging view. Our independence puts us in an important space to challenge orthodox thinking and hold policy-makers to account

Quality of care and finance

Our work: what we did

The quality of patient care is a central concern for health systems, especially in an era of unprecedented financial challenge and rising demand. Our **QualityWatch** programme – jointly funded by the Health Foundation – provides a platform for a range of analyses looking at changes in the quality of care over time. We have drawn on analysis of almost 300 quality indicators and produced 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.

In July 2015 we published *Focus on: International comparisons of healthcare quality,* which explored how quality of care in the UK has changed over time in comparison with 14 similar countries. We considered performance against 27 of the Organisation for Economic Co-operation and Development's (OECD) Health Care Quality Indicators, discussing both what international comparisons can tell us about healthcare in the UK, and the value of such comparisons as a means of assessing performance. The report serves as baseline evidence for further in-depth work and cross-country learning to better understand the observed trends. In time, we hope such work will lead to policies and actions that succeed in closing the gap between the UK and the world's best performers.

Also through our QualityWatch programme this year, we have explored how care home residents use hospital services, and how this information could prompt improvement in the way care is provided. It is estimated that around 325,000 older people live in care homes in England, representing around four per cent of the population aged 65 and over. With the number of older people in the UK projected to double in the next 20 years, understanding the quality of care being delivered to care home residents will be of increasing importance to policy makers, commissioners and providers.

Recently updated indicators for the QualityWatch programme include those on vaccination coverage, breast and cervical cancer screening, potentially preventable emergency hospital admissions, and cancer survival rates.

The second annual QualityWatch conference took place in October 2014 and provided a forum for policy-makers, clinicians and managers to come together to review the state of quality and explore opportunities to advance quality as NHS and social care services struggle to withstand the financial squeeze.

Also in relation to quality and NHS finance, this year we published a report looking at **what hospitals can do to improve length of stay** (*Improving length of stay: what can hospitals do?*). The work was part of a larger project by Monitor to find the best ways to improve quality of care across the whole health system. Drawing evidence from the literature together with insights from a number of case studies and a number of senior clinicians and managers, the report explored what approaches to reducing length of stay have been (and could be) effective by providing a set of measures for improving length of stay that are within the control of the hospital itself.

Public benefit: the impact of our work

Our QualityWatch programme is contributing to a better understanding of what is happening to the quality of care, and it is proving to be an important independent source of analysis. The information we generate has value in national debates about quality and in informing priorities for action at a national level.

In many areas across England, health organisations and local authorities have been testing and implementing different approaches to integrated care as a way to improve the quality of care and patient experience, and to secure financial efficiencies across health and social care. We have been involved in evaluating a number of these initiatives, 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 health and social care interventions. These evaluations are helping to shape and influence the development of other integrated care initiatives.

Future work in this area

Our forthcoming research as part of the QualityWatch programme will explore how hospital use among people with mental ill health differs from the general population. At any time, one in six adults has a mental health condition and one in 100 has a severe mental illness. People with mental ill health die younger, and a greater proportion have poor physical health compared with the general population. These differences are most profound for people with serious mental illnesses, such as psychosis or bipolar disorder, who die on average 10 to 17 years earlier than the general population. Our research uses Hospital Episode Statistics data to study planned and emergency inpatient admissions, outpatient admissions and A&E attendances over five years. This research will inform the work of policy-makers, commissioners and providers as they strive to improve the quality of physical health care for people with mental ill health and work towards achieving parity of esteem.

Another forthcoming study is exploring the differences in the ways that hospitals arrange and manage their acute services. NHS London developed and introduced Quality Standards for Acute and Emergency Care between 2011 and 2014, as part of its commitment to improve care for patients with unscheduled medical need. We are exploring how varying models support processes such as these quality standards, and how they impact on quality of care for acutely unwell patients.

New models of care

Our work: what we did

The future of general practice in England is in the political and policy spotlight, with existing general practice services seen as both the problem and the solution to addressing NHS challenges. Part of the solution is considered by many to lie in 'scaling up' GP practices into larger organisations or networks capable of delivering a wider range of better coordinated services in the community. Indeed, the Five Year Forward View provided a clear indication that large primary care organisations are to be the national direction of travel.

To help policy-makers and practitioners respond to the challenges ahead, we are undertaking a two-year 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. The network has been running since summer 2014 and offers participants the opportunity to make contact with, learn from, and challenge similar organisations; share ideas and work out solutions to problems with peers; engage in, and shape, discussions about the future of general practice and primary care; and derive developmental support from peers and expert speakers. Members also meet and hear from influential national and international speakers who are shaping the latest thinking about the future of primary and wider care.

In June 2015 we published a briefing – ***Transforming general practice: what are the levers for change?*** – which examined the approaches and levers for change that can be utilised by policy-makers and regulators to promote change in general practice. It examines academic evidence on current methods of driving change, as well as expert testimonials and case studies, to present a series of recommendations on how policy-makers and regulators can support general practice to deliver these changes.

We have also looked at the role of **CCGs in general practice** with the publication of *Risk or reward? The changing role of CCGs in general practice.* And, in work commissioned by the Royal Pharmaceutical Society, we examined at the progress made over the last year in moving **pharmacy** towards a wider, care-giving role in *Now more than ever: why pharmacy needs to act*.

The Five Year Forward View outlined a vision for how the traditional boundaries between primary care, community services and hospitals need to be dissolved. The best way to organise and manage hospital services is central to this development. We have examined **how hospitals are changing their services** to reflect new technology, workforce pressures and other changes. We have had a particular focus on **A&E**, with an 'Urgent care summit' being held in March 2015 and the publication of a briefing, *What's behind the A&E 'crisis'?*.

We have also formed a learning network for small and medium sized hospitals that are developing innovative approaches to their future business and operating models. The **New Cavendish Group** brings 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.

Public benefit: the impact of our work

Our activities in this area are helping policy-makers and NHS staff to respond to the challenges ahead. Our new learning networks provide a valuable source of intelligence and insight about the changing world of general practice and acute care, as well as providing useful learning and networking opportunities for the members involved.

Future work in this area

The changing nature of health care, alongside growing pressure on budgets, demands new skills, new ways of working, and new approaches to managing the health care workforce. We are working to explore how the workforce can be developed to address these challenges:

- There is growing concern about the **sustainability of emergency surgery services** in smaller hospitals. Working with the Royal College of Surgeons, we are looking at how a more network-based approach may help resolve quality and staffing issues in the management of emergency surgery.
- The health care workforce needs to change in order to meet future challenges. But with restricted budgets, developments in workforce redesign will need to be appropriately prioritised. We are working on a project that will **identify priorities for workforce redesign and development**.
- There are substantial differences in the ways that hospitals arrange and manage their acute care services. We are exploring how these varying models support processes such as NHS London's Quality Standards for Acute and Emergency Care, and how they impact on quality of care for acutely unwell patients, with our project on **unscheduled acute care in London: mapping models of care and understanding the impact of quality standards.**
- Health systems are facing severe workforce challenges – not only with the increase in demand, but the growing complexity of care. Health care has not exploited the opportunities that technology offers as much as other sectors have. We are working alongside KPMG to look at how **technology is being used to improve workforce productivity**.

We have undertaken (with the London School of Economics) a 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. We published the findings from our evaluation in the report: *Putting integrated care into practice: the North West London experience*.

NHS management and culture

Our work: what we did

We have developed a new programme of work that is 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?

A cornerstone of health care policy for some years now has been the encouragement of greater engagement of clinicians – especially doctors – in managerial roles. Poor relations between managers and clinicians was flagged in the Francis Report as contributing to the failures in care at Mid Staffordshire NHS Trust. Many of the other issues raised in the Francis Report about openness, candour and focusing on compassionate

care relate to governance, and the relationship between doctors and managers is at the heart of this. Our project, **Managing doctors, doctors managing: understanding the relationships between doctors and managers in acute trusts in the UK**, led by Professor Huw Davies and Dr Alison Powell of the University of St Andrews, is exploring the perceptions that doctors and managers have of each other and their roles, using a national survey. The project, which runs until early 2016, includes a rapid review of the recent research on doctor manager relations; a web-based survey, including chief executives, medical directors, clinical directors and other managers across the UK; focus groups to explore emerging findings; and a final reporting seminar to disseminate the findings.

As part of this programme of work, we produced a timely report into the new NHS Improvement organisation that has been created following a merger of Monitor and the NHS Trust Development Authority. Conducted in partnership with NHS Providers, we asked leaders from across the health service and other key positions in health care policy for their advice to the first leader of the powerful new regulator of health service providers. These included the chief executives of a range of NHS provider trusts, the former Health Secretary Stephen Dorrell, and representatives of patients and professionals. The insights were published in our Viewpoint publication: *What do leaders want from NHS Improvement?*

Public benefit: the impact of our work

Our work in this area is providing important insights for policy-makers and health leaders into how the NHS can develop a healthy culture that supports staff to plan and deliver high-quality care to patients.

Future work in this area

Alongside the publication of our work on the engagement of clinicians in managerial roles, we are scoping a second strand of work which is exploring whether the skills needed to manage acute trusts are in place, and how the NHS as a whole can support and value management as strongly as it does with leadership.

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. All of our research and analysis is available to view on our website: www.nuffieldtrust.org.uk

Informing and generating debate

We provide a respected 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 provide the space for policy-makers, practitioners, academics and others 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 this year:

- Our 2015 **Health Policy Summit** (March 2015) came just weeks before the General Election, and with the NHS a critical issue as voters went to the polls, it provided a timely opportunity for health and social care leaders to hear and question the latest evidence and analysis on current health and social care issues. The overarching theme was the macro challenges facing the NHS and social care systems, and exploring potential solutions. Keynote speakers included Simon Stevens, Chief Executive of NHS England, and Rt Hon Jeremy Hunt MP.
- In the run-up to the General Election, we held a **Health and Care Debate** (April 2015), jointly organised by the British Medical Association, the Health Foundation, the King's Fund, National Voices and NHS Confederation, with the BMJ as our media partner. Health spokespeople from the main political parties took part in the debate, which provided a platform for the parties to explain their policies on health and care to an informed audience of professionals, practitioners, patients and policy-makers. The debate followed a 'Question Time' format and was chaired by BBC broadcast journalist, Sarah Montague.
- Our second annual **QualityWatch conference** was held in October 2014. It was a forum for policy-makers, clinicians and managers to come together to review the state of quality and explore opportunities to advance quality as NHS and social care services struggle to withstand the financial squeeze. We heard from a range of international, regional and local leaders engaged in quality of care who explored how the quality of services has changed in recent years, how this compares with quality trends in other countries, and whether the media debate around quality reflects the actual experience of care. The conference also featured discussion of published QualityWatch research and analysis, including elective waiting times, admissions from care homes and mental health. Dr Geraldine Strathdee OBE, National Clinical Director for Mental Health, NHS England, chaired the event.
- Another QualityWatch event this year focused on **allied health professionals** (AHPs). We held a breakfast seminar in November 2014 to share the analysis from our QualityWatch report on AHPs and provide an opportunity to discuss ways to improve our understanding about the quality of care delivered by AHPs. The seminar was chaired by Suzanne Rastrick, Chief Allied Health Professions Officer, NHS England.
- In November 2014 we held a seminar on **Levers for change in general practice and primary care**. Organised in partnership with NHS England and with support from EY, we explored the range of mechanisms currently used to drive change in general practice, examined the strengths and weaknesses of different approaches, and considered how to balance the use of different change mechanisms to support the transformation of general practice and primary care.
- In February 2015 we held a joint debate with the Royal College of Surgeons: **Is a 'postcode lottery' in health justified?** The question of which treatments and services to fund has become an

increasingly tough set of choices for national and local commissioners. The mechanisms through which these decisions are made are often contested, decisions made by NICE are frequently questioned, and politicians speak out against the 'rationing' of the NHS. This lively, interactive debate highlighted these challenges and participants discussed how best to make these priority-setting decisions within a tax-funded and constrained budget.

- Our **Urgent care summit** in March 2015 brought together researchers, clinicians, managers and analysts to review what has been happening in A&E and emergency care, why, and what can be done to improve flow through hospitals and ease the current pressures. The event was supported by Monitor.
- In June 2015 we brought together a group of experts from the workforce and national health policy context to explore the issues surrounding skill mix change, and how changes in skill mix and new ways of working can help to bridge the financial gap. The event – **Workforce redesign: bridging the financial gap?** – was facilitated by Nigel Edwards, Chief Executive of the Nuffield Trust, with expert input from Richard Bohmer, Professor of Management Practice at Harvard Business School and International Visiting Fellow at The King's Fund.
- We held a one-day national conference (June 2015) on **evaluation of complex care initiatives**, which is increasingly recognised as an essential element in managing major organisational and system changes in healthcare. We brought together a range of relevant groups to discuss and explore the application of more robust evaluative methods to the complex care setting. The event built on several years of conferences on predictive risk, which have included different approaches for evaluating new services.
- **New models for delivering health care services in the Five Year Forward View – what about the children?** was an interactive workshop that we held in September 2015. It brought together clinicians, researchers, patient representatives, commissioners and policy-makers to better understand the drivers for delivering child health services differently, their potential impact on the quality of care delivered, and their transferability around the country.

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 also host **Public Health Trainees** and elective placements for graduates on the **NHS Management Training Scheme**.

We run two **learning networks** that bring people together to share experiences and debate issues that are relevant to them and their work:

- The **general practice network** offers organisations developmental support; and provides an opportunity to share past and current experience of developing different care, business and organisational models for primary care. It gives local primary care leaders a chance to engage in and help shape the wider debate about the future of general practice and its role within wider primary care in England. As well as sharing their experience of extending the scope and scale of services within primary care, they meet and hear from influential national and international speakers who are shaping the latest thinking about the future of primary and wider care.
- The **New Cavendish Group** is a network for small and medium sized hospitals that are developing innovative approaches to their future business and operating models. It brings together chief executives of NHS hospital trusts. Founder members include Paul Mears of Yeovil District Hospital, Susan Acott of Dartford & Gravesham NHS Trust and Bridget Fletcher of the Airedale NHS Foundation Trust.

Our **evaluation expertise** is helping other organisations within health and social care to evaluate their own service and initiatives. Local and national perspectives on evaluation were brought together during a one-day conference we hosted in June 2015. There is increasing interest in evidence-based health policy and in seeing return on investment – and evaluation has a key role in this. The conference brought people together to consider how to best foster collaboration between national evaluators and local areas. Beginning with an overview of the current strategic direction of evaluation, subsequent sessions outlined innovative methods of quantitative and qualitative evaluation, with local and national examples.

This was followed in August 2015 by the publication of the report *Evaluation of complex health and care interventions using retrospective matched control methods*. One of the recurrent problems when evaluating the impact of new care models on outcomes is how to know 'what would have happened under a different approach to delivering care'. One approach that can be used is retrospective matched control analysis, whereby the impact of an intervention can be measured in terms of differences in the outcome relative to a matched control group. Our research team has applied this approach in multiple evaluations of health and care initiatives over recent years. In this guide we drew upon that experience to highlight some of the key challenges in evaluation and introduce the retrospective matched study design as an alternative. We outlined ten steps towards retrospective matching to evaluate new health and care service models. The publication was aimed at those involved in evaluation at a local, regional or national level.

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 taken forward work from a number of projects that has enabled us to exploit data linkage in new areas.

We have played a leading role in helping policy-makers and decision-makers who are undertaking a range of initiatives that are introducing new ways of delivering care services to patients to understand what works, why it works, and what impact these changes are having on cost and patient outcomes. One of the recurrent problems when evaluating the impact of new care models on outcomes is how to know 'what would have happened anyway'. One approach that can be used is retrospective matched control analysis, whereby the impact of an intervention can be measured in terms of differences in the outcome relative to a matched control group. In August 2015 we published: *Evaluation of complex health and care interventions using retrospective matched control methods*, which outlined ten key steps towards retrospective matching to evaluate new health and care service models. We preceded this publication with a major national conference – both the guide and conference were produced in order to support those involved in evaluation at a local, regional and national level.

We are interested in deploying new analytical methods. Within the QualityWatch programme, our study: *Focus on: Hospital admissions from care homes* (January 2015) used de-identified person-level data to analyse hospital admission rates among people aged 75 and over, for small geographical areas. The report explored how care home residents use hospital services, and how this information could prompt improvement in the way care is provided. In addition, another study: *Focus on: People with mental ill health and hospital use* (November 2015) used Hospital Episode Statistics data to explore whether differences exist in how people with mental ill health use hospital services compared to those without mental ill health. The report helps to improve our understanding of how people with mental ill health use hospital services – both in terms of how much care they use and what type of care they use.

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. This will report in our 2015-16 financial year.

Financial review

Policy on reserves

The Trust's funds are held as expendable endowment with income and capital returns treated alike. 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 maintain the value of the endowment in real term, fulfilling 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 2015, the expendable endowment fund and the designated fund amounted to £72,046,000 (2014 - £75,373,000).

Review of 2014 -15

The financial statements for the year to 30 September 2015 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 £3,244,000 (2014 - £2,958,000) and total resources expended were £7,083,000 (2014 - £4,036,000).

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 £3,839,000 (2014 – £1,078,000).

Investment income earned on the endowment fund was £1,878,000 (2014 - £2,129,000). The cost of managing the investment portfolios was £557,000 (2014 - £539,000) 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 £1,201,000 (2014 - £797,000) and direct charitable expenditure relating to these projects recognised during the year amounted to £361,000 (2014 - £304,000).

Total charitable expenditure for the year was £3,934,000 (2014 - £3,311,000), 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.

During the year, as detailed in note 23, the last remaining member of the USS pension scheme left the Trust. On the basis that the Trust do not anticipate employing any staff eligible to join the scheme, as defined by the pension scheme rules, an employer S.75 debt liability is triggered. Our best estimate of the liability is £2,400,000, based on the estimates obtained from the scheme trustees, which we have provided for in these accounts.

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 have considered procedures and protocols in place concerning the governance of financial and business practice.

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, cash flow and balance sheet information
- regular and frequent updates on the investment portfolio
- an Information 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.

Policy on investment and review of investment performance

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

During the year under review the Trustees applied 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. Following a review of the investment strategy, which identified a forecast reduction in the future investment returns from the portfolio, the annual drawdown will be stepped down to 3.5% of the capital value of the investment portfolio phased over the next three years.

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 2015 (2014 – 3.3%).

The funds managed by Ruffer LLP are invested on an absolute return basis within a segregated portfolio. Direct investment in tobacco is not permitted. The fund invests in a range of asset classes, incorporating equity, bond, commodity and currency positions on a long-only basis. The key objective of the portfolio is capital preservation, 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. This fund is currently in liquidation. At 30 September 2015, the fair value placed on this investment by the Trustees, including cash held against currency hedge, was £1,013,000 (2014 - £1,287,000).

The overall return on the total investment portfolio was £2,390,000 for 2013-14 (2013-14 - £5,080,000). The portfolio of investments and cash on term deposit had a total value at 30 September 2015 of £71,209,000 (2014 - £72,603,000).

Long-term analysis of available data (March 1994 to September 2015) shows that the total value of the investment portfolio, after taking into account withdrawals to support charitable purpose and investment management fees, has fallen just short of inflation (to 30 September 2014 had 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 2014-15, the proportion of working time lost to sickness was less than 1.0% (2013-14 - 0.9%), which compares favourably with the national average of 1.7%.
- 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.

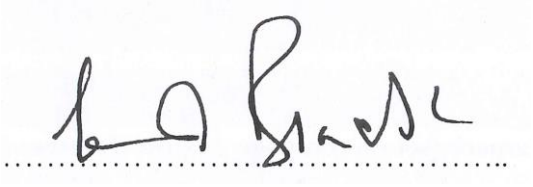
In preparing this Trustees' Annual Report, advantage has been taken of the small companies' exemption.

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: 7 December 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 2015 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 2015 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.

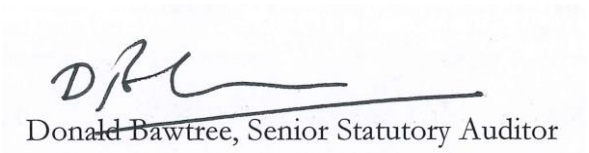
Opinion on other matter prescribed by the Companies Act 2006

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: 7 December 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 2015

	Note	Unrestricted funds 2015 £'000	Expendable endowment fund 2015 £'000	Total funds 2015 £'000	Total funds 2014 £'000
Incoming resources					
Income resources from generated funds:					
Donation	4	135	-	135	28
Investment income	5	-	1,878	1,878	2,129
Incoming resources from charitable activities	6	1,201	-	1,201	797
Other income		30	-	30	5
Total incoming resources		1,366	1,878	3,244	2,958
Resources expended					
Costs of generating funds					
Investment management costs	7	-	557	557	539
Charitable activities	8	3,934	-	3,934	3,311
Governance costs	9	192	-	192	186
Total resources expended before historic pension costs		4,126	557	4,683	4,036
Historic pension costs	23	2,400	-	2,400	-
Total resources expended		6,526	557	7,083	4,036
Net (outgoing)/incoming resources for the year		(5,160)	1,321	(3,839)	(1,078)
Transfers	11	4,933	(4,933)	-	-
Net (outgoing) resources for the year before other recognised gains and losses		(227)	(3,612)	(3,839)	(1,078)
Other recognised gains and losses					
Realised and unrealised gains on investment assets	13	-	512	512	2,951
Net movement in funds		(227)	(3,100)	(3,327)	1,873
Balances brought forward at 1 October 2014		1,179	74,194	75,373	73,500
Balances carried forward at 30 September 2015		**952**	**71,094**	**72,046**	**75,373**

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 29 to 46 form part of these financial statements.

Consolidated and Charity Balance Sheet at 30 September 2015

	Note	Consolidated 2015 £'000	Consolidated 2014 £'000	Charity 2015 £'000	Charity 2014 £'000
Fixed assets					
Tangible assets	12	1,926	1,975	1,926	1,975
Investments	13	71,209	72,603	71,209	72,603
		73,135	74,578	73,135	74,578
Current assets					
Debtors	14	448	265	483	331
Short term deposits	15	1,576	1,178	1,576	1,178
Cash at bank and in hand		178	167	103	61
		2,202	1,610	2,162	1,570
Creditors: amounts falling due within one year	16	(3,248)	(795)	(3,208)	(755)
Net current (liabilities) / assets		(1,046)	815	(1,046)	815
Creditors: amounts falling due after one year	17	(43)	(20)	(43)	(20)
Net assets		72,046	75,373	72,046	75,373
Funds					
Expendable endowment fund	18	71,094	74,194	71,094	74,194
Designated fund	18	952	1,179	952	1,179
Total Funds		72,046	75,373	72,046	75,373

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 7 · 12 · 2015

Professor Dame Carol Black
Chair, The Nuffield Trust

The notes on pages 29 to 46 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 2015. 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 67 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

During the year the Trust was 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. In addition, as detailed in note 23, a further £2,400,000 has been accrued in respect of the Trust's S75 liability to the USS pension scheme.

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

	2015 £'000	2014 £'000
Donation in kind – seconded staff (see note 9)	135	28
Other	-	-
	135	28

5 Investment income

	2015 £'000	2014 £'000
Investment income received in the year was made up as follows:		
Investment portfolio	1,874	2,125
Bank interest	4	4
	1,878	2,129

6 Income from charitable activities

	2015 £'000	2014 £'000
Income from projects	1,201	797

7 Costs of generating funds

	2015 £'000	2014 £'000
Investment management fees charged	482	472
Support costs (note 9)	75	67
	557	539

8 Charitable expenditure

	Commissioned work £'000	Grants awarded £'000	Direct spend £'000	Support costs* £'000	Total 2015 £'000	Total 2014 £'000
Research and analysis						
NHS and social care reform	14	-	67	293	375	463
Quality of care and finance	57	-	171	587	814	718
New models of care	179	-	98	733	1,011	593
NHS management and culture	0	-	6	147	153	132
New tools and methods	97	-	179	587	862	402
Bringing people together	6	-	70	293	369	447
Helping providers and managers	5	15	19	147	186	331
International best practice	2	12	3	147	164	225
	241	121	639	2,934	3,934	3,311

* Support costs are shown in note 9

9 Allocation of support costs

	Governance 2015 £'000	Generating funds 2015 £'000	Charitable activities 2015 £'000	Total allocated 2015 £'000	Total 2014 £'000
Staff costs *(nature of the charge)*	105	48	2,063	2,216	2,128
Notional cost of seconded staff *(nature of the charge)*	-	-	135	135	28
Premises costs *(use of area)*	15	14	193	222	234
IT and telephone costs *(staff time)*	11	5	212	228	150
Travel and hospitality *(staff time)*	1	0	24	25	27
Professional fees *(staff time)*	2	2	46	50	19
Communications and PR *(staff time)*	4	2	87	93	84
General costs incl. irrecoverable VAT *(staff time)*	9	4	174	187	169
Governance fees *(nature of the charge)*	45	-	-	45	51
	192	75	2,934	3,201	2,890

Trustees expenses included in general costs above amount to £11,321 (2014 - £11,000). 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 £16,898 (2014 - £16,000).
Charity only £16,898 (2014 – £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 8 people and have estimated that the value is approximately £135,000. (2014 - 4 people, £28,000).

10 Staff emoluments

	2015 £'000	2014 £'000
Salaries costs	2,026	1,695
Social security costs	231	193
Pension costs	241	188
Other staff costs	177	204
	2,675	2,281

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.

	2015 £'000	2014 £'000
Project staff costs, allocated as direct project costs	459	153
Allocated as support costs	2,216	2,128
	2,675	2,281

The average number of employees employed by the group during the year was 40 (2014 - 33), with 40 employed by the charity (2014 – 33).

Higher paid employees – Group and Charity

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

	2015 £'000	2014 £'000
£60,000 to £70,000	1	2
£70,000 to £80,000	1	1
£80,000 to £90,000	3	1
£90,000 to £100,000	1	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 6 (2014 - 4) higher-paid employees, to the NHS Pension Scheme, which is a defined benefit scheme for 2 (2014 - 2) higher-paid employees and to the Universities Superannuation Scheme, which is a defined benefit scheme for 1 (2014 - 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.

	2015	2014
	£'000	£'000
Net outgoing resources for the year from unrestricted charitable activities	(5,160)	(2,668)
Transfer to fund (see note 18)	227	(868)
Transfer from expendable endowment to unrestricted funds	(4,933)	(3,536)

12 Tangible fixed assets

Consolidated and parent charity

	Leasehold properties £'000	Furniture and equipment £'000	Total £'000
Cost or valuation			
At 1 October 2014	2,186	216	2,402
Additions	-	14	14
Disposals	-	-	-
At 30 September 2015	**2,186**	**230**	**2,416**
Depreciation			
At 1 October 2014	(251)	(176)	(427)
Provision during the year	(40)	(23)	(63)
Disposals	-	-	-
At 30 September 2015	**(291)**	**(199)**	**(490)**
Net book value			
At 30 September 2015	**1,895**	**31**	**1,926**
At 30 September 2014	1,935	40	1,975

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	**2015 £'000**	**2014 £'000**
Market value at 1 October	70,549	68,340
Additions	12,375	7,550
Disposals	(11,275)	(6,212)
Unrealised (losses)/gains	(1,928)	871
Market value at 30 September 2015	69,721	70,549
Short term deposits	1,488	2,054
Total investments at 30 September 2015	71,209	72,603
Historical cost as at 30 September 2015	66,433	65,894
The geographical split of investments is as follows:		
UK	55,016	56,222
Overseas	16,193	16,381
	71,209	72,603

The following asset represents more than 5% by value of the total portfolio as at 30 September 2015:

	£'000
Sarasin Alpha CIF for Endowments	47,001

Realised and unrealised gains and losses on investments

	2015 £'000	**2014 £'000**
Unrealised (losses) / gains	(1,928)	871
Realised gains	2,440	2,080
	512	2,951

14 Debtors

	Group 2015 £'000	Group 2014 £'000	Charity 2015 £'000	Charity 2014 £'000
Prepayments	58	47	58	47
Other debtors	390	218	326	178
Amounts owed by subsidiary company	-	-	99	106
	448	265	483	331

15 Short-term deposits

	Group 2015 £'000	Group 2014 £'000	Charity 2015 £'000	Charity 2014 £'000
Coutts Bank Deposit accounts	725	330	725	330
CCLA Term Deposit	50	50	50	50
Scottish Widows Bank Term Deposit	801	798	801	798
	1,576	1,178	1,576	1,178

16 Creditors: amounts falling due within one year

	Group 2015 £'000	Group 2014 £'000	Charity 2015 £'000	Charity 2014 £'000
Tax and social security	63	-	63	-
Commissioned work commitment	258	381	218	381
USS pension accrual	2,400	-	2,400	-
Accruals and other creditors	527	414	527	374
	3,248	795	3,208	755

17 Creditors: amounts falling due after one year

	Group 2015 £'000	Group 2014 £'000	Charity 2015 £'000	Charity 2014 £'000
Leasehold obligations	43	20	43	20

18 Funds

	Group 2015 £'000	Group 2014 £'000	Charity 2015 £'000	Charity 2014 £'000
Expendable endowment				
Balance at 1 October 2014	74,194	73,189	74,194	73,189
Excess of (expenditure over income) / income over expenditure from financial activities	(3,327)	1,873	(3,327)	1,873
Transfer (to) /from designated funds	227	(868)	227	(868)
Balance as at 30 September 2015	71,094	74,194	71,094	74,194
Designated fund				
Balance at 1 October 2014	1,179	311	1,179	311
Transfer (to) / from expendable endowment	(227)	868	(227)	868
Balance as at 30 September 2015	952	1,179	952	1,179
Total funds				
Balance at 1 October 2014	75,373	73,500	75,373	73,500
Excess of (expenditure over income) / income over expenditure from financial activities	(3,327)	1,873	(3,327)	1,873
Balance as at 30 September 2015	72,046	75,373	72,046	75,373

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

	2015 £'000	2014 £'000
NHS and social care reform		
Health Quality Conference (*)	-	15
Saltzburg Global Seminar	-	-
Other	1	1
Bringing people together		
Health Quality Conference (*)	-	15
Helping providers and managers		
Harkness Fellowship (*)	12	45
Health Service Research Network	-	10
International best practice		
Harkness Fellowship (*)	12	45
Health Quality Conference (*)	-	15
Grants withdrawn	-	(20)
	25	126

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

20 Analysis of net assets between funds

Group and Charity	Tangible fixed assets £'000	Investments £'000	Other net (liabilities) /assets £'000	Total £'000
Expendable endowment fund	1,926	71,209	(2,041)	71,094
Designated fund	-	-	952	952
Total funds	1,926	71,209	(1,089)	72,046

21 Summarised results for the Trust

Of the group deficit for the year of £3,327,000 (2014 – surplus of £1,873,000), the income and expenditure relating to the Trust is as follows:

	2015 £000s	2014 £000s
Total incoming resources	3,244	2,958
Total resources expended	7,083	4,036
Net (outgoing) resources before other gains/losses	(3,839)	(1,078)
Realised and unrealised gains on investment assets	512	2,951
Net movement in funds	(3,327)	1,873

22 Summarised results for subsidiary entity

Of the group deficit for the year of £3,327,000 (2014 – surplus of £1,873,000), the income and expenditure relating to the Charity's wholly-owned subsidiary entity, Nuffield Trading Limited, is as follows:

	2015 £000s	2014 £000s
Total incoming resources	95	99
Total resources expended	95	99
Net (outgoing) resources before other gains/losses	-	-
Net movement in funds	-	-
Net assets	-	-

23 Staff pensions

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

Contributions to the USS were made on behalf of one employee (2014 - 1).

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

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 2014, when the funding level of the scheme was 89% on a technical provisions basis and 54% on a buy-out basis. The assets of the scheme fell short of the total amount required to meet all liabilities by £5.3 billion. (Previous valuation - March 2011, funding level 92%, shortfall of assets compared with liabilities of £2.9 billion)

Between March 2011 and March 2014, the funding position on a technical provisions basis had deteriorated due to a large increase in the value of the liabilities, primarily due to a fall in gilt yields. During the 3 year period to March 2014, the assets of the fund increased by £9.2 billion (28.4% increase). At the same time, reductions in gilt yields plus other factors documented in the formal valuation have meant the value placed on the scheme's liabilities also increased substantially in the period by £11.6 billion (32.9%).

An Actuarial Report required by legislation for years in which a full actuarial valuation is not carried out has not yet been released by the USS actuary. Therefore, the trustee of the USS have not been 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 2015 at approximately 88%, with a scheme deficit in the region of £6 billion. Although, the number reported when the report is completed is likely to be materially different.

23 Staff pensions *(continued)*

During the year the last remaining member of the USS pension scheme left the Trust. On the basis that the Trust do not anticipate employing any staff eligible to join the scheme, as defined by the pension scheme rules, an employer S.75 debt liability is triggered. Following a request by the Trust, the trustees of the USS have notified us of the estimated employer debt for the Trust to withdraw from the scheme based on the financial position as at July 2015. The estimated range for employer liability was between £1,900,000 and £2,900,000 with £2,400,000 as their 'best' estimate. Accordingly an accrual has been made for the best estimate of this liability in these accounts.

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 (2014 - 3) employees. Employee contribution rates vary from 5% to 13.5%, depending on the member's pensionable earnings. Employer contributions are set by the Government Actuary at 14.3% 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%. Thirty three (2014 - 24) employees are members of the scheme.

The pension charge for the period for all three schemes was £241,000 (2014 - £188,000) before the provision for the USS liability of a further £2,400,000.