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 2016

Charity number: 209169
Company number: 382452

The Nuffield Trust
59 New Cavendish Street
London W1G 7LP

Contents

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

Andrew McKeon (Chair) *CF (Appointed 4 July 2016)*
Professor Dame Carol Black DBE (Chair) *C F (Resigned 4 July 2016)*
Dr Jocelyn Cornwell
Sir Michael Deegan CBE
Professor Tim Evans *F*
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Ian Krieger FCA *CF*
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Dr Christian van Stolk *F*

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

Andrew McKeon is the Chair of the Chair's Committee (formerly Dame Carol Black) and Ian Krieger is the Chair of the Finance Committee.

Non-Trustee Member of Finance Committee: Kevin Lowe FCA

Company Secretary

David Miller

Senior staff

Nigel Edwards, Chief Executive
John Appleby, Director of Research and Chief Economist *(Appointed 1 September 2016)*
Candace Imison, Director of Policy
Fiona Johnson, Director of Communications *(Appointed 1 March 2016)*
David Miller FCA, Director of Finance and Administration
Daniel Reynolds, Director of Communications *(Resigned 29 January 2016)*
Martin Bardsley, Director of Research *(until 31 December 2015, now Senior Fellow in Research)*

Senior Associates

Professor Gwyn Bevan
Professor John Billings
Professor Nick Black
Sharon Lamb
Dr Richard Lewis
Professor Marcus Longley
Professor Nicholas Mays
Professor Judith Smith
Professor Peter Smith
Dr David Steele OBE
Nicholas Timmins
Dan Wellings

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

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 2016. The Trustees have prepared the financial statements in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounting in accordance with the Financial Reporting Standard applicable in the UK and Republic (FRS102) (effective 1 January 2015) – (Charities SORP (FRS102)) and the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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 four times 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 five times a year and has responsibility for overseeing the financial functions of the Trust, including recommending the budget to the Board and appraisal of certain projects and contracts; risk management and monitoring of the investment management processes. New Trustees follow an induction programme to gain familiarity with the Trust's work, governance procedures and ethos. The Trust maintains a Register of Interests for Trustees and Senior Management.

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

The Chair of Trustees is Andrew McKeon (formerly a career public servant with the Department of Health and Audit Commission) and the Chair of the Finance Committee is Ian Krieger (senior partner and vice-chairman of Deloitte until his retirement in 2012).

Andrew McKeon, Chair of Trustees

Andrew McKeon took up the Chair in July 2016, succeeding Professor Dame Carol Black who had chaired the Trust for ten years. The Trustees owe Dame Carol a huge debt of gratitude for her leadership and support for the Trust over the last decade. The Trust has grown considerably in size and scope, with a strong reputation for independent ground breaking research and informed commentary.

Other Trustees who served during the year are:

- Professor Dame Carol Black (Principal, Newnham College, Cambridge) *resigned 4 July 2016*
- Dr Jocelyn Cornwell (Chief Executive and Founder of The Point of Care Foundation)
- Sir Michael Deegan (Chief Executive, Central Manchester University Hospitals NHS Foundation Trust)
- Professor Tim Evans (National Director for Clinical Productivity, Department of Health and Medical Director and Deputy Chief Executive, Royal Brompton and Harefield NHS Foundation Trust)
- Dr Jonathan Fielden, (Director of Specialised Commissioning and Deputy National Medical Director, NHS England)
- Ian Krieger (Senior Independent Director and the Audit Committee Chairman at Premier Foods plc and Safestore Holdings plc and Vice Chair at Anthony Nolan)
- Kathryn Matthews (Director of Rathbone Brothers Plc, Director of BT Investment Management Limited and member of the Council of Duchy of Lancaster)
- Julia Palca (Chair, Macmillan Cancer Support)
- Sir Hugh Taylor (Chairman, Guy's and St Thomas' NHS Foundation Trust)
- Christian van Stolk (Vice President RAND Europe)

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 have 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. Our particular thanks are due to Pam Garside, Dr Nicholas Hicks, Dr Richard Horton, Dr Keith Palmer and Professor Carol Propper who stepped down this year after providing invaluable advice to the Trust over a number of years.

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 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 practice 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 beginning of our financial year saw the launch of our new five-year strategy, with a firm commitment from the Trustees that the organisation will get closer to the practical implications of policymaking, bringing policymakers and senior staff together to raise issues and identify solutions.

We have an overarching and continuing aim to be a trusted and respected voice at a time of unprecedented challenge to the NHS and social care system. We set out to use our independence to provide expert commentary, analysis and scrutiny of policy and practice. We have worked throughout the year to ensure that our research and analysis improves the evidence base and can therefore lead to better care for people throughout the UK.

We have organised and delivered our research and policy work through a series of five key work streams and we review our activities, objectives and impact against each of these.

1. NHS and social care reform

The period between 2015 and 2020 is likely to be the most challenging ever faced by the NHS. In England, and prior to the EU referendum, the Government had embarked on an ambitious programme of reform and austerity, aiming to deliver seven-day working across the NHS in England, secure efficiency savings of £22 billion from the NHS and drive forward a transformation in the way care is delivered outside hospital.

Objectives for this work programme

We aim to provide authoritative analysis and timely commentary on the changing face of NHS and social care. We bring leading clinicians, service leaders and policy makers together to examine the challenges they face and identify solutions. We collaborate with partners to raise the level of debate and analysis of current health policy issues. We ensure that decision-makers are presented with high-quality evidence to inform their plans. We judge the success of the programme against key performance indicators that capture our media profile, parliamentary citations and invitations to contribute to emerging work on current NHS and social care challenges.

Public benefit of this work

It is important high-quality evidence is brought to bear on the major decisions affecting the funding and provision of health and social care services. As a public service, funded by general public taxation, it is important and serves the public interest for service changes and reconfiguration to be subject to scrutiny and challenge. Our work offers independent and objective analysis to parliamentarians and others which allow them to judge the merits of major reforms and policy initiatives.

NHS funding

In the run up to the 2015 Spending Review, Trust spokespeople provided clear and definitive analysis of the financial challenges facing the NHS and were much in demand from print and broadcast media to explain what the Chancellor's statement that £10 billion of extra funding would be provided for the NHS really meant. Our objective was to try to ensure that opinion formers, MPs and service leaders had an accurate picture and we have continued this work throughout the year. We collaborated with The King's Fund and The Health Foundation on a letter for the Daily Telegraph which was published the day before the Spending Review, and later submitted joint written and oral evidence to the Health Select Committee. As a result, both the Health Select Committee and the Public Accounts Committee have now stated that the true increase for the NHS is £4.5 over the period to 2021. Both Nigel Edwards and John Appleby have given evidence to a House of Lords Committee on NHS sustainability.

In August we published *Feeling the Crunch*, Sally Gainsbury's analysis of NHS funding challenges through to 2020. This explores how the funding gap of £22 billion in England might be closed but concludes that even if unprecedented efficiency savings are achieved, this cannot be done without making some potentially unpalatable decisions about access to services or service closures.

In September, shortly after joining the Trust as Chief Economist and Director of Research, John Appleby produced an analysis of new fiscal projections from the Office for Budget Responsibility which show that if NHS spending were to rise in line with previous patterns and in response to demographic and social change and medical innovation, it is arguably fully sustainable. The briefing was widely reported.

The impact of our work on NHS finances this year has been substantial. The Health Select Committee and the Public Accounts Committee have accepted our analysis. Our briefings have been described as "excellent analysis", having "brilliant clarity" and as "essential reading". We achieved coverage in leading financial and management journals including the Financial Times, the Health Service Journal and Public Finance and have made numerous appearances on national TV and radio. By maintaining a regular stream of informed commentary on NHS performance figures and related issues we are now a recognised source of expertise in this area.

Sustainability and Transformation Plans

Our analytical work on NHS funding has also served as an important reality check for the leaders of the 44 Sustainability and Transformation Plan (STP) "footprints" as they prepare to publish their plans for service development and delivery as part of the Five Year Forward View. In August, we held a Chatham House rules event for STP leaders and health policy makers and we have gathered data on STPs from a number of other sources. Our objective was to help them explore challenges and share possible solutions in the areas of finance, delivery, reconfiguration and governance. .

The workshop was extremely well received and two blogs published after the event have proved highly influential, leading to a belated recognition that clinicians and the public have so far been largely excluded from the planning process. Our analysis of STPs, *What we know so far*, published on 1 September, attracted the second highest number of web site visits we have ever achieved for a single publication.

Clinical Commissioning Groups

In addition to our work on STPs, we have continued to support the leaders of Clinical Commissioning Groups (CCGs) through a learning network for the chief officers of CCGs and another, commissioned by NHS England, for those working on new models of care. July saw the culmination of a three-year joint project with The King's Fund documenting the evolution of CCGs. Our final report, *Clinical commissioning: GPs in charge?* concluded that CCGs have achieved better GP engagement than previous forms of commissioning, that effective clinical involvement and leadership are essential for high-quality commissioning but that some serious barriers need to be addressed at national level to resolve the problems of lack of autonomy, lack of support for tough decisions and resource constraints that are impeding progress at local level.

Social care for older people: Home truths

No consideration of changes in the NHS would be complete without matching attention to the changes and pressures facing social care. In September, we published *Social care for older people: Home truths* jointly with The King's Fund. Our objective for this work was to examine the current state of social care services for older people in England through a combination of quantitative analysis of national data sets and qualitative interviews with local authorities, NHS and private providers, and to draw out policy recommendations.

In addition we were commissioned by the Richmond Group of Charities to interview older people and their carers about their experience of social care.

Our key findings were that social care for older people is under massive pressure, with 25 per cent fewer people receiving support. Social care providers are struggling to maintain quality, retain staff and even stay in business. Local authorities are making unenviable decisions about where to make service reductions and underinvestment in primary and community NHS services is undermining the policy objective of keeping people independent and out of residential care. At the launch of the report, several contributors lamented the difficulty of generating a sense of urgency and anger over social care. However, this may be changing. The report itself clearly struck a chord with commentators and received very widespread newspaper and broadcast coverage, which has continued in succeeding months.

Lessons from last year's A&E crisis

In December, we published a timely short paper on A&E and flow by Sasha Karakusevic and Mark Dayan. Our objective was to identify the factors that impede flow in acute hospitals in England and was a precursor to a longer paper on patient flow published in October 2016.

This short paper achieved more than 700 print and broadcast mentions including the Today programme, and breakfast and lunchtime programmes on BBC, ITN and Sky.

UK, regional and international work

The Nuffield Trust has an established reputation for its comparative work on UK health systems. This includes a comparison of the performance of the four UK nations published in 2014, an analysis of the challenges facing the Welsh NHS (2014) and a long standing interest and contribution to health care reform discussions in Northern Ireland. Although it is becoming increasingly difficult to make true, like-for-like comparisons between the four countries because approaches to data collection and health structures are diverging rapidly, we consider it is still worth attempting. This year we were keen to return to Scotland and to ascertain the lessons Scotland's NHS can offer health leaders in the rest of the UK. We worked with the Royal College of Physicians of Edinburgh to hold a joint seminar for health leaders which was highly productive and successful. A report of the seminar, and some further testing of the evidence provided by participants is in preparation, and we have plans to hold a similar event in Wales next year.

Ahead of the Scottish and Welsh elections in May, we published online briefings examining key health issues for voters. We collaborated with Full Fact to produce two briefings on the implications of the EU referendum for the health service. These focused on the contribution of EU national to our health and social care services, and the costs to the NHS of providing health care to migrants and their families. These briefings continue to have traction and further work is planned. Nigel Edwards has been invited to serve on a ministerial review of the health system in Wales.

Internationally, in December 2015 we hosted a briefing for OECD on comparative health care performance.

Events, networks and debates

In pursuit of our objective to bring service leaders and policy makers together to share their challenges and identify solutions, the Trust holds a series of events throughout the year. The annual Health Policy Summit is our flagship national event and took place on 3 and 4 March at Wotton House in Surrey. Overall, the Summit was highly successful. Feedback from delegates confirmed that they found it a valuable opportunity to network with senior level colleagues, take part in thought provoking debate, hear evidence and analysis of key issues and share opinions with other health experts. We exceeded our targets for sponsorship and digital engagement and 100 per cent of the evaluations rated the Summit as excellent.

We held a seminar on the future of pathology services in December 2015 which we organised in partnership with the Association of Independent Pathology Providers, another on austerity and innovation in conjunction with MSD and a roundtable on accountability at the House of Commons in February, which was supported by Pfizer.

The New Cavendish Group, which brings together chief executives from smaller acute trusts, continues to prosper and has become a major source of intelligence for our work on acute medicine and remote and rural health care. We also now have a learning group for Clinical Commissioning Group chief officers and have held two workshops for people interested in rural and remote health care. New Cavendish Group members made a substantial contribution to our debate on the future of small hospitals, the second in our Daring to Ask series.

Chaired by Sarah Montague of BBC Radio 4's Today programme, the first debate, held in March, and organised in partnership with the NHS Confederation, questioned whether the NHS is on the brink of fundamental change or heading for collapse.

Impact of this work

A very substantial proportion of our media mentions derive from our work in this programme. Our analysis of funding and organisational pressures in the NHS and social care has been cited by the Health Select Committee, national broadcasters and broadsheet newspapers. Treasury officials, regulators and arm's length bodies recognise that our commentary is both authoritative and independent and maintain a dialogue with the Trust. Our work on STPs led to invitations to hold further events and to support STP leaders.

2. Quality of care

Objectives for this programme

We aim to provide authoritative commentary across a wide range of quality indicators, identifying where quality is improving or holding steady and warning where pressure points are emerging. In addition to presenting the evidence, we are able to point to possible remedies and solutions that will benefit patient care.

Public benefit of this programme

There are a small number of indicators, such as A&E waiting times, which are the subject of regular scrutiny and commentary throughout national media. However, quality of care is complex and multi-faceted, and some services attract less attention despite their importance to patients and their families. By taking a consistently broad look at quality, we contribute to a more balanced and nuanced picture of how quality is faring in a period of austerity.

QualityWatch

At a time of unprecedented financial pressure, it is vital that independent, non-statutory bodies continue to provide a trusted, independent source of evidence on how quality of care is changing over time. We do this primarily through our QualityWatch programme, now in its fourth year and run in partnership with The Health Foundation.

QualityWatch aims to provide an authoritative resource on the overall quality of health and social care; independently to monitor and comment on changes over time; highlight areas where improvement is possible and contribute to improving measures of quality.

Key elements of the programme include the monitoring and updating of more than 300 care quality indicators, a series of in-depth research reports, an annual statement on quality and a range of events. The quality indicators are maintained and presented alongside analysis and commentary on the QualityWatch web site.

In October 2015 we published a QualityWatch Focus on report on *Mental ill health and hospital use*. The report highlighted the scale of additional emergency activity related to treating the physical health conditions of people with mental health problems – an area where there is little other quantitative evidence.

November saw the publication of *Closer to critical*, the third annual statement from the QualityWatch programme. The report identified major challenges in relation to access to care, children's services, workforce, mental health and ambulance services.

Consensus on quality was a summary report on the findings from a study carried out by Solutions for Public Health (SPH) who were commissioned to gather consensus from a range of stakeholder groups on what they felt was important to measure in order to understand the quality of health care.

In February 2016 we published the QualityWatch *Focus On: Winter Pressures*. We tracked 29 indicators within the English NHS using the NHS England operational data sets and Weekly Winter Situation reports

covering the 2010/11 to 2014/15 financial years. Our analysis demonstrated evidence of increased pressures on several aspects of acute service provision.

In April we published the latest in our QualityWatch "Focus on" reports, covering public health and prevention. The research aimed to find out whether changes to public health services ushered in by the Health and Social Care Act 2012, and increased financial pressures on local government, were driving changes in in the level of provision of key public health services. Although many aspects of the reforms to public health were welcomed by Directors of Public Health, concerns were voiced about changes in the level of provision of certain important services such as sexual health.

We followed this up with a seminar for public health leaders focusing on solutions and next steps for public health in the new local government context. The report looked at 20 indicators across five key areas of public health (smoking, childhood obesity, substance misuse, immunisations and sexual health), alongside a survey of senior public health professionals and in-depth interviews with a sample of directors of public health and advocacy organisations in the relevant fields.

Alcohol-specific activity in hospitals in England

In other work on care quality, we used Hospital Episode Statistics to explore trends in alcohol-specific activity in hospitals in England. This is the first study to also investigate the use of hospital services before and after a diagnosis of alcohol-related liver disease (ARLD) highlighting opportunities for preventative action to reduce alcohol-related harm.

The report was published on the Nuffield Trust website on 22nd December 2015, alongside a blog by Claire Currie entitled *The sobering burden of alcohol on the NHS*.

The work was also presented (poster presentation) at the national Public Health England Conference (Sept 2016); and an academic paper has been submitted for peer review to BMC Public Health. Publication of the report was supported by numerous television and radio interviews by Alisha Davies and Claire Currie, and had extensive coverage in the press – adding to the national debate on the impact of alcohol on hospital care. In total, the report had 118 print mentions, and 1,132 broadcast mentions – one of the highest ever levels of coverage for a Nuffield Trust publication.

Impact of this programme

QualityWatch outputs are frequently referenced in major national reviews and guidance such as the Carter Review and NICE guidance on transition between acute and community settings.

- As a follow-up to her report *Mental ill health and hospital use*, Holly Dorning has advised representatives from the NHSE Mental Health Taskforce on how they could understand more about how people with mental ill health use urgent care. She has also provided advice to several organisations who wish to repeat the methodology locally, this has been done very successfully by the West Midlands Strategy Team.
- In addition to this there was a campaign launched calling for an increase in funding for mental health services, where the news report quoted the findings from this report (November 2015).
- *Closer to critical* (QualityWatch Annual Statement November 2015) was used by the organisation Full Fact to fact check comments made by the then Prime Minister David Cameron on access

to mental health services (https://fullfact.org/factcheck/pmqs_prime_ministers_questions_nov_4-49370) (November 2015).

- The QualityWatch *Focus On: Winter pressures* (February 2016) received extensive coverage on TV and radio and in newspapers (print and on-line). Highlights include interviews on BBC Breakfast, BBC Radio 4's Today Programme, BBC News 24 and BBC Radio 2.
- A report on *Public health and prevention* was widely read at Public Health England, and was influential in PHE evidence to the Health Select Committee hearing on public health in June 2016. The report by the Health Select Committee on 'Public Health post-2013' referenced our QualityWatch report from April 2016 on the same subject.
- The QualityWatch paper on mental and physical health from last October was cited in NHS England's new Mental Health Five Year Forward View, published in July. Based on this Holly Dorning presented findings from *Focus on: People with mental ill health and hospital use* at the International Conference for Integrated Care held in Barcelona and at an expert roundtable on mental health issues convened by the then Shadow Health Secretary Diane Abbott to brief her and the Labour frontbench health team on this area of policy.
- Chris Sherlaw-Johnson presented a paper *Use of analytical methods to monitor quality of health and social care* at the 8th IMA Conference on Quantitative Modelling in the Management of Health and Social Care.

3. The NHS workforce

Many of the most pressing issues in the NHS centre on the planning, design and deployment of the NHS workforce. There is a real tension between the requirement for the NHS in England to achieve £22 billion of efficiency savings by 2021, and the need to motivate, reward and retain skilled staff.

We set ourselves the aim of establishing the Nuffield Trust as a thought leader in the area of workforce development, providing evidence to help service leaders, national bodies and policy makers plan more strategically and implement change more effectively.

Objectives for this programme

We believe that the workforce challenges facing health and social care are as serious as its funding crisis. By researching and advocating new approaches to workforce planning and deployment, we aim to provide policy makers with high-quality evidence and analysis to inform workable solutions that will ensure the supply of skilled and motivated staff into the future.

Public benefit of this programme

The sustainability of our health and social care services depend on the availability of stable and skilled staff and the development of new and enhanced skills within the health and social care workforce.

Delivering the benefits of digital health care

This report, supported by KPMG, sets out how digital technologies can transform health care. It provides insights from those who have made most progress on the journey and suggests how some of the most common pitfalls can be avoided.

The research project is reported here under our workforce programme because in addition to enhancing the patient experience, many of the most significant benefits come in simplifying the work of clinical staff. Conversely, new technologies tend to fail when they are layered on to existing processes, when they simply add to staff workloads.

A highly targeted media strategy was adopted for the launch of the report in February, including a blog series.

The publication has attracted our highest ever number of web site page views. NHS England issued a press release on 4th March by Dr Harpreet Sood, Senior Fellow to the Chief Executive, giving a positive citation to our report.

Health policy commentator Roy Lilley recommended that his audiences read the report which was covered by the Today Programme, BBC website, the Guardian Society, BMJ and HSJ, amongst others.

As a result of the report Professor Bob Wachter came and met Candace Imison and Nigel Edwards so that he could feed our insights into a major IT review he was conducting for the Secretary of State. Paul Rice, Head of Technology Strategy, met us for a meeting following the publication of the report in particular to explore the development of the Digital Maturity Index and some of the insights that it is providing. Health minister George Freeman mentioned the report at a national meeting of Chief Information Officers at which Candace presented. The report has led to numerous requests to present on this topic, including a Guardian roundtable event on technology and health care held in September. As a result of these invitations, Sophie Castle-Clarke presented to one the largest Commissioning Support Units (CSUs) in the country covering 39 CCGs including Oxford, Devon, and Bristol. The report continues to generate significant interest with frequent speaking requests, the latest from Australia, to present at a major international digital congress next year.

IT in primary care and telehealth

Alongside this work, we also delivered a three-month project to describe the workforce implications of IT developments for primary care staffing. A seminar on telehealth produced the important insight that poor implementation of telehealth can increase rather than reduce demand, leading NHS England to halt its plans to roll out a telehealth hub across London.

Reshaping the workforce to deliver the care patients need

A second major output this year was the publication in May of *Reshaping the workforce to deliver the care patients need*. Recent national developments, including the Five Year Forward View, have driven an emphasis towards new care models to meet the needs of a rising population with complex needs. Yet the capacity for NHS staff to deliver these models has often been overlooked, in spite of a growing disparity between patient needs and the skills and knowledge of the workforce that treats them.

Our objective for the report, which was commissioned by NHS Employers, was to demonstrate that there is an urgent need to rethink the nature of the NHS workforce if new care models are to succeed in meeting the needs of patients in the future.

The authors conducted a survey of local Health Education England (HEE) leaders, examined a number of case studies around the country, convened an expert seminar, interviewed a wide range of stakeholders, and carried out a review of relevant literature. The report concludes that equipping NHS nursing, community and support staff with additional skills to deliver care is the best way to develop the capacity of the health service workforce, and will be vital to enable the NHS to cope with changed patient demand in the future. However, expanding the skills of the non-medical workforce in this way also presents big organisational challenges for NHS trusts, and will not be easy to achieve in the current financial context. Despite this, changing staffing should be considered an urgent, 'must-do' priority for trusts.

Work on the report was planned to maximise its potential impact. Interim and emerging findings were presented to NHS Employers, NHS Providers, the New Cavendish Group and at our Health Policy Summit in March.

The report attracted strong coverage at launch, including excellent broadcast coverage, albeit with some short-lived media and social media criticism deriving from an inaccurate portrayal of the report in The Times.

Candace Imison presented the report's findings at the NHS Confederation conference in June and at NHS Expo in September and regularly receives invitations to speak to a range of national audiences, including a forthcoming evidence session for the House of Lords Committee on the sustainability of the NHS and an invitation to chair their workforce seminar.

Impact of this programme

As outlined above, the two major reports from the workforce programme have been well received and attracted substantial media coverage and web traffic. The authors are now in regular demand to speak at conferences and contribute to other stakeholder work. The Chief Executive of NHS Employers, which commissioned our work on the non-medical workforce, has adopted our recommendations as a blueprint for reform and change. In the previous reporting year, Candace Imison was a member of the Primary Care Workforce Commission. Commissioned by Health Education England and chaired by Professor Martin Roland, the Commission examined how to secure a primary workforce with the right skills for the future. Candace Imison presented evidence on its work to the Health Select Committee in November 2015 and this was reported in the BMJ. Its final report was published in July 2016 and was well received by both the Health Select Committee, which took its recommendations as a starting point for its inquiry into primary care and by Health Education England.

4. New models of health care delivery

We are developing expertise on how service delivery models in primary and secondary care are changing and need to change. Our work builds on the considerable experience and reputation we have in conducting evaluative work of new models of care.

Objectives for this programme

Our work on new models of care delivery spans acute care in both large and small settings, primary and community care and some aspects of social care. Our common objectives for the programme are rooted in our expertise in evaluating the impact of these new models. They include timely reporting to the service of the opportunities and challenges presented by new models; providing real time support to practitioners embarking on service reform; and the dissemination of emerging insights.

Public benefit of the programme

There is a compelling imperative to devise new models of care delivery that will deliver enhanced care, reduce cost and contain demand for costly inpatient services. The considerable taxpayer investment in these new models demands that their effectiveness be systematically evaluated and our work aims to serve the public interest by illuminating which innovative models are most likely to secure access to timely, innovative and cost effective approaches to health and social care delivery.

North West London Integrated Care

Our 15-month evaluation (with the LSE) of the Whole Systems Integrated Care Programme in North West London, one of the national Integrated Care Pioneers, was published in early October 2015.

The objective of the research project was to evaluate progress in the early stage of the design and implementation of a major new approach to integrated care affecting two million patients across North West London involving eight London boroughs, the NHS and the voluntary sector.

The report identified that moving from system redesign to implementation is a major challenge, with delays in the NW London implementation making it difficult to discern tangible benefits for patients at that stage. This in itself is a useful lesson for other organisations attempting ambitious integration initiatives.

The future of child health services

In February, we published a briefing *The future of child health services: new models of care* based on materials and discussions from a workshop organised in September 2015, as well as published literature. The report summarises the current state of and challenges facing child health and quality of care for children and young people in the UK, and how some of the new models are responding to these problems.

A comment piece by Lucia Kossarova on the future of child health services was published in the HSJ and her report was used as the background document for an event organised between NHS England and the Children's Hospital Alliance, which focused on new models of care and the role of tertiary hospitals. Lucia was invited to present to Partners in Paediatrics – covering CCGs, acute and community trusts in West

Midlands and has had approaches from a number of other areas. The report featured in the Children's Health Digital Strategy developed by NHS England.

Building on the new models of care workshop and the child health summary in the 2015 QualityWatch Annual Statement, we organised a workshop in January the goal of which was to better understand how to measure quality of care for children and young people. Representatives from the key organisations involved in measurement of outcomes and quality for children and young people were present, including NHS England, the National Institute for Health Care Excellence (NICE), NHS Digital, the Royal College of Paediatrics and Child Health and Imperial College and University College London. The group agreed on nine priorities and is very keen to work together in the future.

Archives of Disease in Childhood has published a very positive leading article on our report *The future of child health services: new models of care* (Powell, CVE, Heinz P. "New models of care: the future of child health services. What does this mean for you and your patients?" (http://adc.bmj.com/content/early/2016/08/29/archdischild-2016-310991.extract)). The report also continues to generate further interest with requests for Senior Research Analyst Lucia Kossarova to speak at events and undertake follow-up work.

Evaluation of Vanguard sites

We were able to influence the approach being taken by NHS England to the evaluation of Vanguard sites, where new models of care delivery are being piloted. Our recommended approach includes our pioneering work on matching methods and the use of statistical process controls.

Models of generalist and specialist care in smaller acute hospitals

The National Institute for Health Research is funding a 30-month exploratory study which started on 1 April 2016. The project team is examining models of medical generalism in smaller acute hospitals throughout England, focusing on processes and models of care and their alignment with patient case mix; their impact on staff, patients, costs; and patient and staff preferences. The objective of the work is to offer helpful insights to the service on how smaller acute hospitals, which deliver care for 50 per cent of UK patients, can better align their services to deliver optimum patient care in an era of workforce shortage.

An excellent response from members of the New Cavendish Group enabled the project team to undertake an initial in-depth survey of 28 hospital sites. This early work shows a high degree of variation across trusts in their models of care and approaches to managing patients with "general medical" needs. This includes variation in staffing; the role of A&E and the acute assessment unit; the use of ambulatory care units; and the management of patients on inpatient wards post assessment.

Emergency general surgery: challenges and opportunities

We were commissioned by the Royal College of Surgeons of England to explore the challenges facing emergency general surgery and identify opportunities to overcome them.

We conducted a number of interviews with experts, performed a rapid assessment of the literature and undertook a detailed piece of novel quantitative analysis. This work fed into a seminar attended by senior

stakeholders across surgery, medicine, anaesthetics, radiology, pre-hospital medicine, advanced nursing and management.

The most significant challenges faced by emergency general surgery include variation in outcomes, workforce, organisational and operational issues and underlying demographic and epidemiological trends. At the heart of these challenges are two inter-related issues. Firstly, the desire to reduce variation in outcomes (particularly in high risk surgery) and second, the need to resolve the tension between increasing pressures to centralise services while political and demographic pressures argue for sustaining local access.

Our report suggests potential solutions to the problems of providing safe and viable emergency general surgery. The quickest gains could be achieved through the systematic use of protocols and pathways. The most comprehensive means to address the challenges faced by emergency general surgery would be the development of managed clinical networks. We also recommend that all hospitals consider the potential for new roles to support different solutions. Finally, we have laid out options for future training models and set out practical ideas to improve or redesign the provision of emergency surgery services.

The report was published and jointly launched with the Royal College of Surgeons of England via an exclusive article in The Times in April.

The report was subsequently highlighted in the BMJ and an exclusive editorial in the Lancet ("Fixing emergency general surgery in England"), whose authors describe the report as "important work". Nationally and internationally the report has been cited prominently in the mainstream and trade press and by various professional bodies, including the Australian Commission on Safety and Quality in Health Care and the National Centre for Rural Medicine in Norway.

Small, remote and rural settings

Our work on emergency general surgery fed into discussions within the New Cavendish Group and very directly into an emerging work stream for the Trust on the challenges and opportunities associated with health care provision in small, remote and rural settings. A workshop held jointly with the Academy of Medical Royal Colleges yielded some productive early thinking and informed an NHS England seminar on sustainability in small, remote and rural hospitals. In July we held the second in our Daring to Ask events series on the topic of the future of small hospitals and a further rural forum meeting was held in October to continue this work.

Nigel Edwards and Louella Vaughan are joint authors with an international group of an article published in Health Policy on rural acute care. We also provided input to the acute medicine project being run by NHS England.

Large-scale general practice: is bigger better?

July saw the culmination of an extensive internally funded project to evaluate the effectiveness of emerging new models for general practice.

These find practices grouping together in informal or formal larger groupings, federations and as multi-speciality community providers. Our report identifies that although large scale general practice groupings have yet to demonstrate improved clinical effectiveness or improved patient satisfaction, they do provide a

means for hard pressed general practices to cope better with increasing demand and pressure and offer scaled up benefits in terms of staff development and morale. The findings of the report were presented in advance of publication to a joint conference for GPs organised with the RCGP, NAPC and new NHS Alliance and subsequently published with an accompanying literature review and a blog series. This scope of this project is wide and has been selected for an extensive and sustained assessment of its impact.

Virtual network for GP federations

Throughout the last year, we have been offering a virtual support network to emerging GP Federations, involving webinars, toolkits and other online resources. Strong take up has led to the extension of the network for a further year, funded by NHS England.

Supporting the Acute Care Collaborative Vanguards

In the early summer we won a joint contract with The King's Fund to provide a 12 month programme of support to the Acute Care Collaborative Vanguards which provide test beds for different models of hospital provision such as provider chains where hospitals develop shared and linked services, as well as other models such as franchises and concessions not currently in widespread use.

London Quality Standards and models of acute medicine

This major project is using both qualitative and quantitative approaches to offer important lessons for service leaders intending to introduce, implement and embed consistent approaches to staffing levels, skill mix, response times and standards of clinical service. It is scheduled to report in December 2016.

Impact of this programme

As reported above, the reports that have been published in year have achieved strong resonance and interest. Their impact over time will be reported on a continuing basis.

5. Older people and complex care

The needs of older people with multiple health problems are recognised as being a sentinel marker of the quality of care as well as a major driver of cost and demand. The research projects in this work stream are also of relevance to our work on NHS and social care reform, quality as well as our analysis of new models of care. They are grouped together here as a discrete area of work because our experience in research and analysis is especially relevant to the area of complex care and multi-morbidity.

Objectives for this programme

Any explanation of the pressures facing health and social care starts by acknowledging the additional demands that result from having and ageing population with complex needs and co-morbidities. This programme provides authoritative analysis of the factors that underpin good care and the effectiveness of interventions designed to keep people well, avoid hospital admission or support their recovery. Each project within the programme has a common set of requirements which include the selection of a rigorous and appropriate methodology, the delivery of a timely report with clear findings or learning points that the

commissioning can use to adapt and develop its service or reflect in future work, wider learning points for the service; and a targeted dissemination strategy. Each project has a bespoke communications plan designed to ensure that its findings reach its primary and wider audiences. Several projects came to fruition towards the end of the financial year. We intend to capture their impacts over the coming year and expect the research findings to make a substantial contribution to increasing understanding of how to organise and deliver care more effectively for this key population group.

Public benefit of this programme

Older people and their families are the largest users of and depend most on our health and social care services. Understanding the drivers of good quality care is essential to designing and delivering effective services.

Harnessing social action to support older people

At the end of August we delivered the final report on our evaluation of seven social action projects funded by the Cabinet Office, NHS England, NHSI and the Association of Directors of Social Services. These projects were part of the "Reducing Winter Pressures Fund" which aimed to scale up and test projects using volunteers to support older people to manage their health conditions or to recover after illness. The hope was that these projects would reduce pressure on hospitals.

Our evaluation was designed to add to the evidence base about what value these types of projects could bring to a stretched NHS. The task facing all these projects was complex as projects were required to scale up rapidly, whilst forming relationships with NHS colleagues and matching volunteers to closely targeted groups of older people. It was a source of frustration for the voluntary sector staff that funding for their projects was often very short term with results expected in very short time frames for a group of people with complex needs. This may explain the contrasting findings from the quantitative and qualitative elements of the evaluation. Older people, volunteers and NHS staff all found the support provided by volunteers highly valuable and beneficial but the quantitative work did not find reductions in hospital use for people supported by volunteers when compared with a closely matched sample of people from the rest of England. The full report and accompanying blogs were scheduled for publication in October and a further piece of work is planned to scope out what it is reasonable to expect from community based interventions.

Knowing you're not alone: Understanding peer support for stroke survivors

Stroke Association Voluntary Groups (SAVGs) are volunteer-led, peer support groups based in local communities across the UK. They offer a range of activities for stroke survivors and carers such as exercise, art, music, gardening, talks and trips out. Peer support is a core part of these groups and seven in every 10 of the volunteers who run the groups are themselves stroke survivors. Through the support they offer, the groups aim to contribute to a set of key outcomes for stroke survivors, as well as providing positive and largely similar outcomes for the carers who attend them. The Nuffield Trust was selected to independently evaluate these SAVGs and to assess the value and impact of the groups for their beneficiaries. Our evaluation used a mixed-methods approach, which included a questionnaire of stroke survivors and carers to capture self-reported measures of health and wellbeing, interviews with stroke survivors and carers, and interviews and focus groups with staff and volunteers.

The evaluation drew on the experiences and views of more than 200 stroke survivors and 100 carers from 30 local groups, as well as 20 Stroke Association staff and volunteers. Our report was published on 28 September accompanied by an aphasia-friendly version and a narrated video – both firsts for the Nuffield. In common with the work for the Cabinet office, this evaluation found that the volunteer services were highly valued by stroke survivors and their carers but did not have the hoped for impact on hospital admission or readmission.

Hip fracture care

Dr Jenny Neuberger joined the Nuffield Trust as a senior research analyst in January 2016. Her work on hip fracture, which was largely completed at the London School of Hygiene and Tropical Medicine, now forms part of a continuing programme of work at the Trust. It found that increased involvement of ortho-geriatricians in hip fracture care reduces short-term mortality. Immediate impacts from this work include presentations to the 2016 Fragility Fracture conference in Madrid, the RCN Society of Orthopaedic and Trauma Nursing conference in Cardiff, articles in the BMJ and Age and Ageing and references to the Fellowship in the annual reports of the National Hip Fracture Database.

Integrated care – pioneer sites

We are working jointly with the London School of Hygiene and Tropical Medicine (LSHTM) and the Heath Services Management Centre (HSMC) Birmingham on a five-year evaluation which runs to 2019-20of the 25 integrated care pioneer sites. An important part of our work will be to undertake an annual stock take of progress across the pioneer sites using a range of readily available indicators. This is a rare opportunity to look at a national initiative both over a long time scale and at population level to see whether a differential pattern of change can be detected. Other elements of the overall evaluation programme will include focused cost-effectiveness studies of specific interventions, led by LSHTM and workshops with the Pioneer sites (led by Professor Judith Smith at HSMC).

Acute hospital care for frail older people

Methods developed by the Nuffield Trust which use the Hospital Episode Statistics to identify people with frailty have been used by the Acute Frailty Network to help hospitals develop acute services for older people. The overall programme, led by the University of Leicester, has featured in the Royal College of Physicians Future Hospital Commission website and in Roy Lilley's "Fab NHS stuff".

A separate pilot project to investigate how routine data may be used to identify good quality care for older people has been peer reviewed and scheduled for launch on 1 November.

Barking, Havering and Redbridge – evaluation of Health 1000 and Health Hub

This is a two-part project designed to evaluate the effectiveness of a new primary care delivery model for patients with complex needs. Interim reports have been well received and work continues into next year.

This year also saw the publication of three papers from the concluding Pennyhill Park conferences series, which focus on developing care models for patients' with complex and/or costly needs.

Impact of this programme

Several of the projects within this programme were completed towards the end of the reporting year and their impacts will be captured in the coming months. As described above, both the Acute Frailty Network and the Royal College of Physicians have taken up our work using HES data to identify frailty and conference invitations and citations have followed our work on hip fracture.

Achieving and measuring impact

In December 2015, the Board of Trustees discussed a presentation on impact measurement which had been developed by a staff group. There was consensus between the staff group and the Trustees that we should attempt to measure impact over the medium to long term as well as capturing immediate indicators such as media coverage and web traffic. Impact measurement should be a tool for learning and the approach we take should be proportionate to the size of the organisation and our resources.

We have taken this work forward using existing tools and processes to capture impact, the principal components of which are awareness, profile, influence and policy and/or behaviour change. We have moved away from a descriptive approach to our annual report and quarterly reports to Trustees and over the last year have captured both emerging insights and the initial impact of completed projects and activities within our five strategic work programmes. We have returned to previously completed projects where new impacts have been identified – for example where a member of the research team has been invited to speak at a conference, or previous publications have been cited in Parliament, or we have attracted new work.

We aim to have clarity at the outset of a project over what we are trying to achieve or find out, who will benefit from knowing about our work, which organisations or individuals we may want to influence and, in some cases, whose behaviour we hope will change. This initial analysis then informs the development of a communications and stakeholder strategy from the outset and helps us pick the right techniques to achieve our desired impact and measure it.

Once embedded, this approach should help the whole organisation discern what the impact of a project has been over time and to identify which factors appear to have contributed to its impact. We can then build successful approaches into future work. We now aim to capture media coverage, web and social media statistics, peer reviewed journals and citations, mentions in Hansard, citations by Select Committees and parliamentarians, published endorsements by stakeholders and partner organisations, attendances and repeat attendances at Nuffield events, conference evaluations, invitations to speak at conferences or to join expert panels, the number of stakeholders accepting our invitations to discuss a project, the outcome of stakeholder discussions, invitations to tender for related work and commissions for related or follow-up work.

This year our policy, research and analytical work have enabled us to produce 35 publications, an increase from 29 the previous year. When we launch a report, we seek to write or source a series of complementary blogs, infographics and charts, as well as promoting our work to stakeholders, external and social media. We published 91 blogs this year compared to 89 in 2014 to 2015. We held 14 events and 96 per cent of those attending them rated the event as very good or excellent.

Our web site attracted an increased number of visitors, with 690,530 sessions recorded, up by 25,000 on the previous year. Part of the increase can be attributed to our growing media and social media profile. We have

seen a 30 per cent increase our Twitter followers who now number more than 30,000 and, following a segmented direct mail campaign, our newsletter subscribers have grown from around 6,000 to more than 7,500. The year 2014–2015 saw a significant rise in our national and regional media profile to 4,200 mentions. We have built further on this during the year, reaching 9,866 broadcast and print mentions.

We have provided evidence to the Health Select Committee on several occasions, advised the Chair of the Select Committee at her request, briefed Ministers and MPs during the passage of the Communities and Local Government Bill, and Nigel Edwards, John Appleby and Candace Imison have all given oral evidence to the House of Lords enquiry into the sustainability of the NHS. Our work has been referenced on 18 occasions during the year, both in a number of Select Committee reports and in debates in the House. We held successful breakfast briefings with the Royal College of Surgeons during the party conference season.

An important test of impact is the extent to which our work is endorsed and acted upon by key stakeholders. The Royal College of Surgeons is now using our report on emergency general surgery to influence clinical practice and NHS Employers are actively promoting the recommendations in our report on reshaping the non-medical workforce. Stakeholder briefings for the RCGP and the BMA's General Practitioners' Committee secured active engagement with and support for our report on large scale general practice. A first seminar on care in remote and rural settings, run jointly with the Academy of Medical Royal Colleges led to a productive engagement with NHS England and the prospect of further work.

Our one-year contract to run a virtual network for GP federations was renewed for a further year, and interim sight of our work for Barking, Havering and Redbridge has led to an extension of the contract to allow a longer period of evaluation. Nigel Edwards has been invited to join NHS Improvement's Faculty and has again been named by HSJ as one of their Top 50 health leaders, with a higher ranking than last year. Our work has been written up in a series of peer-reviewed journals including the BMJ, Lancet, Archives of Disease in Childhood, Public Health (USA), Age and Ageing and in influential specialist magazines such as Public Finance and the HSJ. Nigel Edwards and John Appleby are regular contributors to the BMJ.

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 terms over a reasonable time horizon, fulfilling the charitable objectives of the Trust by achieving a balance of income and expenditure. They consider that this policy will enable the Trust to react swiftly and effectively to meet changing health policies.

The Trust holds unrestricted reserves in the form of designated funds that are earmarked to meet external costs related to self-funded projects. All other funds are held as part of the expendable endowment.

If the Trustees deem it appropriate, the Trust can draw from its capital, as well as income, to fund its activities. Based on the accounts as at 30 September 2016, total reserves are £80,093,000 (2015 - £74,046,000). Excluding fixed assets (£1,885,000) and designated funds (£226,000) this leaves £77,982,000 in reserves that could be utilised, if required. Whilst these could be considered 'free reserves', the Trustees do not believe that this is an appropriate measure for the Trust. The Trustees consider the current level of reserves to be appropriate for the Trust to protect its ability to achieve future growth and returns to sustain its future activities.

In addition, in order to fund operational cash flow and avoid being forced to liquidate assets during market downturns, the Trust maintains a 'free cash' requirement of £1,200,000 in liquid funds.

Review of 2015-16

The financial statements for the year to 30 September 2016 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 (including donations and investment income) for the year were £2,922,000 (2015 - £3,244,000) and total resources expended were £4,145,000 (2015 - £5,083,000).

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, excluding realised and unrealised gains on investments, by £1,223,000 (2015 - £1,839,000).

Investment income earned on the endowment fund was £1,876,000 (2015 - £1,878,000). The cost of managing the investment portfolios was £535,000 (2015 - £557,000) 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 NHS bodies, royal colleges 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 £1,001,000 (2015 - £1,201,000.

Total charitable expenditure for the year was £3,610,000 (2015 - £4,126,000), including the costs of completing project work. Support costs in note 9 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.

In May 2016, as detailed in note 25, the S75 debt liability for the USS pension scheme became due. Despite several requests, the Trustees of the USS scheme have not confirmed the details of the amount due. As such it remains unpaid. Based on the information now available to the Trust, and advice received, we have revised our best estimate of this liability to £400,000, as explained in note 25, for which a provision has been made (see note 18). Of the £2,400,000 liability previously recognised the balance of £2,000,000 has now been reversed, with this element of the commitment to the USS pension scheme now regarded as a contingent liability based on the legal advice received in the current year in relation to the 'Approved Withdrawal Agreement'. A prior year adjustment of £2,000,000 has been made, see note 27, to reflect the accounting for this adjustment under FRS102. A further liability to USS may fall due in relation to the 'Approved Withdrawal Agreement', however the amount and timing of this liability is uncertain and it is therefore shown as a contingent liability which is detailed in note 27.

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.

In addition, the Trust also has limited exposure to three other areas of risk - liquidity risk, market risk and customer credit exposure. The Trust has no significant exposure to interest risk outside of investment portfolio.

Liquidity risk – The objective of the Trust in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Trust expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Trust has the ability to draw down from its expendable endowment.

Market risk – The Trust may not be able to generate sufficient external income to support its current operating model. The Trustees and senior management regularly review the pipeline of projects to assess this risk. In the event that there is a significant shortfall in income the Trust has the ability to draw down on the expendable endowment whilst it rebalances its resources.

Customer credit exposure – The Trust may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Trust is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by contractual arrangements and strong on-going customer relationships.

Policy on investment and review of investment performance

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

During the year the Trustees reviewed the Trust's annual drawdown policy. For this year whilst the review was being completed, the annual drawdown was capped to the absolute value of drawdown in the previous year, which represented 3.68% of the capital value of the investment portfolio, when averaged over three years, which is applied to fund Trust charitable activities.

Following the review of the drawdown policy it was agreed, in order to more effectively manage fluctuations in investment markets, to move to averaging over five years. Under this change the drawdown for the year represented 3.86% of the capital value of the investment portfolio. This is anticipated to return to an annual drawdown of 4.0% of the average capital value of the investment portfolio in future years.

During the year under review the investment assets of the Trust were 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 was 3.1% at 30 September 2016 (2015 – 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. 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 2016, the fair value placed on this investment by the Trustees, including cash held against currency hedge, was £1,080,000 (2015 - £1,013,000).

The overall return on the total investment portfolio was £9,146,000 for 2015-16 (2014-15 - £2,390,000). The portfolio of investments and cash on term deposit had a total value at 30 September 2016 of £76,593,000 (2015 - £71,209,000).

Long-term analysis of available data (March 1994 to September 2016) shows that the total value of the investment portfolio, after taking into account withdrawals to support charitable purpose and investment management fees, has risen 2.5% ahead of inflation, as measured by the retail prices index. For the 12 months from 30 September 2015 the total value of the investment portfolio has risen 5.1% ahead of inflation, as measured by the retail prices index.

Remuneration policy

The Trust aims to provide all staff with remuneration packages that are competitive, fair, equitable and sustainable within the available resources of the Trust. The pay and remuneration for members of the senior management team is approved by the Chair. The pay and remuneration for all other staff is approved by the Chief Executive within the financial parameters approved by the Board upon recommendation from the Finance Committee. In reaching its recommendation the Finance Committee considers key inflationary indicators (e.g. CPI) and the increases made by comparable organisations and the NHS.

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:

- During the year we held a Wellness Week when staff were offered health screening, well-being and fitness classes.
- Trustees receive a report at governance meetings of days lost due to staff sickness. During 2015-16, the proportion of working time lost to sickness was 1.3% (2014-15 – 0.8%), which compares favourably with the national average of over 2.0%.
- We have participated for the past eight years in the Global Corporate Challenge, a competition which encourages employees to walk, run and cycle for a 100 day period over the summer.
- Staff benefits include flexible working, a preferential rate for gym membership, eye care vouchers, flu vaccinations, regular staff lunches and secure onsite bicycle parking.

The Trust also supports staff undertaking well-being focused charity activities.

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

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 24 to the accounts.

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

Andrew McKeon
Chair, The Nuffield Trust
Date: 5th December 2016

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 2016 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charitable Company Balance Sheets, the Consolidated Statement of Cash Flows 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), including Financial Reporting Standard 102, 'the Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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 29), 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 2016 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.

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

Date: 6th December 2016

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 2016

	Note	Unrestricted funds 2016 £'000	Expendable endowment fund 2016 £'000	Total funds 2016 £'000	Total funds 2015 £'000
Income and endowments					
Donations	4	40	-	40	135
Investment income	5	-	1,876	1,876	1,878
Charitable activities	6	1,001	-	1,001	1,201
Other		5	-	5	30
Total income and endowments		1,046	1,876	2,922	3,244
Expenditure					
Raising funds					
Investment management costs	7	-	535	535	557
Charitable activities	8	3,610	-	3,610	4,126
Total expenditure before historic pension costs		3,610	535	4,145	4,683
Historic pension costs	25	-	-	-	400
Total expenditure		3,610	535	4,145	5,083
Realised and unrealised gains on investment assets	13	-	7,270	7,270	512
Net income / (expenditure) before transfers		(2,564)	8,611	6,047	(1,327)
Transfers	11	1,838	(1,838)	-	-
Net income / (expenditure) and net movement in funds		(726)	6,773	6,047	(1,327)
Reconciliation of funds					
Balances brought forward		952	73,094	74,046	75,373
Balances carried forward		**226**	**79,867**	**80,093**	**74,046**

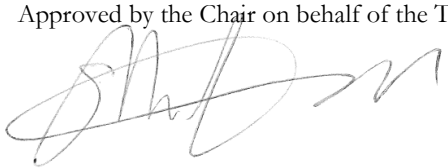
The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.
The notes on pages 36 to 55 form part of these financial statements.

Consolidated and Charity Balance Sheet at 30 September 2016

	Note	Consolidated 2016 £'000	Consolidated 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Fixed assets					
Tangible assets	12	1,885	1,926	1,885	1,926
Investments	13	76,593	71,209	76,593	71,209
		78,478	73,135	78,478	73,135
Current assets					
Debtors	14	482	448	566	483
Short term deposits	15	2,109	1,576	2,109	1,576
Cash at bank and in hand		284	178	200	103
		2,875	2,202	2,875	2,162
Creditors: amounts falling due within one year	16	(785)	(848)	(785)	(808)
Net current assets		2,090	1,354	1,690	1,354
Creditors: amounts falling due after one year	17	(75)	(43)	(75)	(43)
Provisions for liabilities	18	(400)	(400)	(400)	(400)
Net assets		80,093	74,046	80,093	74,046
Funds					
Expendable endowment fund	20	79,867	73,094	79,867	73,094
Designated fund	20	226	952	226	952
Total Funds		80,093	74,046	80,093	74,046

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 5th December 2016



Andrew McKeon
Chair, The Nuffield Trust

The notes on pages 36 to 55 form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 30 September 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash used in operating activities	26		(3,107)		(3,361)
Cash flows from investing activities					
Dividends and interest from investments		1,876		1,878	
Purchase of tangible fixed assets		(16)		(14)	
Proceeds from sale of investments		8,107		14,281	
Purchase of investments		(6,221)		(12,375)	
Cash generated by investing activities			3,746		3,770
Increase in cash and cash equivalents			639		409
Cash and cash equivalents at the beginning of the year			1,754		1,345
Cash and cash equivalents at the end of the year			2,393		1,754
Analysis of cash and cash equivalents					
Short term deposits	15		2,109		1,576
Cash at bank and in hand			284		178
			2,393		1,754

The notes on pages 36 to 55 form part of these financial statements.

1. Accounting policies

The Nuffield Trust is an incorporated charity registered in England & Wales with the Charity Commission. The address of the registered office is given on the contents page and the nature of its operations is set out in the report of the directors. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounting in accordance with the Financial Reporting Standard applicable in the UK and Republic (FRS102) (effective 1 January 2015) – (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

These financial statements are the first financial statements prepared under FRS 102. There has been no requirement to amend the financial statements following the adoption of FRS102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Charity's accounting policies.

Disclosure exemptions

In preparing the separate financial statements of the parent charity, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent charity;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

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 2016. The trading results of the subsidiary undertaking as shown in note 24 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 Companies Act 2006.

1 Accounting policies *(continued)*

Income

All incoming resources are recognised once the group and charity has entitlement to the resources, it is probable 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.

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 raising funds and charitable expenditure.

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, governance, finance, and information systems. The details of support costs are shown under note 9.

1 Accounting policies *(continued)*

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 66 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.

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).

Staff pensions

During the year the Trust was a member of one final salary pension scheme, 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 schemes, the accounting charge for the period under FRS102 represents the employer contributions payable.

1 Accounting policies *(continued)*

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 20.

Derivative financial instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

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 consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

4 Donations income

	2016 £'000	2015 £'000
Donation income – seconded staff (see note 9)	40	135
	40	135

Of the total donation income in 2016, £40,000 (2015 - £135,000) related to unrestricted funds and £nil (2015 - £nil) related to expenditure endowment funds.

5 Investment income

	2016 £'000	2015 £'000
Investment income received in the year was made up as follows:		
Investment portfolio	1,872	1,874
Bank interest	4	4
	1,876	1,878

Of the total investment income in 2016, £nil (2015 - £nil) related to unrestricted funds and £1,876,000 (2105 – £1,878,000) related to expenditure endowment funds.

6 Charitable activities

	2016 £'000	2015 £'000
Income from projects	1,001	1,201

Of the total income from charitable activities in 2016 £1,001,000 (2015 - £1,201,000) related to unrestricted funds and £nil (2105 - £nil) related to expenditure endowment funds.

7 Raising funds

	2016 £'000	2015 £'000
Investment management fees charged	456	482
Support costs (note 9)	79	75
	535	557

Of the total expenditure from raising funds in 2016 £nil (2105 – £nil) related to unrestricted funds and £535,000 (2105 - £557,000) related to expenditure endowment funds.

8 Charitable expenditure

All the activities of the charity are managed through a single structure with the impact of activities reported against the strategic objectives. Below is an analysis of this expenditure:

	2016 £'000	2015 £'000
Commissioned work	316	360
Grants awarded	19	27
Direct spend	449	613
Support costs *	2,826	3,126
	3,610	4,126

* Support costs are shown in note 9

Of the total charitable expenditure in 2016 £3,610,000 (2015 - £4,126,000) related to unrestricted funds and £nil (2105 - £nil) related to expenditure endowment funds.

9 Allocation of support costs

	Generating funds 2016 £'000	Charitable activities 2016 £'000	Total allocated 2016 £'000	Total 2015 £'000
Staff costs *(nature of the charge)*	55	2,122	2,177	2,216
Notional cost of seconded staff *(nature of the charge)*	-	40	40	135
Premises costs *(use of area)*	15	222	237	222
IT and telephone costs *(staff time)*	3	156	159	228
Travel and hospitality *(staff time)*	-	12	12	25
Professional fees *(staff time)*	1	27	28	50
Communications and PR *(staff time)*	2	72	74	93
General costs incl. irrecoverable VAT *(staff time)*	3	137	140	187
Governance fees *(nature of the charge)*	-	38	38	45
	79	2,826	2,905	3,201

Trustees' expenses included in general costs above amount to £453 (2015 - £11,321). The 2015 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 £17,386 (2015 - £16,898).
Charity only £17,386 (2015 – £16,898).

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 3 people and have estimated that the value is approximately £40,000. (2015 - 8 people, £135,000).

10 Staff emoluments

	2016 £'000	2015 £'000
Salaries costs	1,990	2,026
Social security costs	231	231
Pension costs	243	241
Other staff costs	121	177
	2,585	2,675

10 Staff emoluments *(continued)*

The key management personnel of the charity, as defined by SORP, comprise of the Trustees and Senior Staff as listed on page 2. The total employee benefits of the Trustees was nil for both 2016 and 2015, for Senior Staff during the year it totalled £537,000 (2015 - £723,000).

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

	2016 £'000	2015 £'000
Project staff costs, allocated as direct project costs	408	459
Allocated as support costs	2,177	2,216
	2,585	2,675

The average number of employees employed by the group during the year was 41 (2015 - 40), all were employed by the charity.

Higher paid employees – Group and Charity

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

	2016 £'000	2015 £'000
£60,000 to £70,000	2	1
£70,000 to £80,000	2	1
£80,000 to £90,000	1	3
£90,000 to £100,000	0	1
£100,000 to £110,000	1	1
£160,000 to £170,000	1	1

Contributions were made to the Nuffield Group Personal Pension Plan, which is a defined contribution scheme for 4 (2015 - 6) higher-paid employees, to the NHS Pension Scheme, which is a defined benefit scheme for 2 (2015 - 2) higher-paid employees, to a Private Personal Pension for 1 (2105- nil) and to the Universities Superannuation Scheme, which is a defined benefit scheme for nil (2015 - 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.

	2016	2015
	£'000	£'000
Net outgoing resources for the year from unrestricted charitable activities	(2,564)	(3,160)
Designated funds expended in the year	726	227
Transfer from expendable endowment to unrestricted funds	(1,838)	(2,933)

12 Tangible fixed assets

Consolidated and parent charity

	Leasehold properties £'000	Furniture and equipment £'000	Total £'000
Cost			
At 1 October 2015	2,186	230	2,416
Additions	16	-	16
Disposals	-	-	-
At 30 September 2016	**2,202**	**230**	**2,432**
Depreciation			
At 1 October 2015	(291)	(199)	(490)
Provision during the year	(40)	(17)	(57)
Disposals	-	-	-
At 30 September 2016	**(331)**	**(216)**	**(547)**
Net book value			
At 30 September 2016	**1,871**	**14**	**1,885**
At 30 September 2015	1,895	31	1,926

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	**2016 £'000**	**2015 £'000**
Market value at 1 October 2015	69,721	70,549
Additions	6,221	12,375
Disposals	(8,604)	(11,275)
Unrealised gains /(losses)	7,987	(1,928)
Market value at 30 September 2016	75,325	69,721
Short term deposits	1,267	1,488
Total investments at 30 September 2016	76,593	71,209
Historical cost of assets held at 30 September 2016	63,649	66,433
The geographical split of investments is as follows:		
UK	62,132	55,016
Overseas	14,461	16,193
	76,593	71,209

The following asset represents more than 5% by value of the total portfolio as at 30 September 2016:

	£'000
Sarasin Alpha CIF for Endowments	52,367

Realised and unrealised gains and losses on investments

	£'000	**£'000**
Unrealised gains/(losses)	7,987	(1,928)
Realised (losses)/gains	(717)	2,440
	7,270	512

14 Debtors

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Prepayments	66	58	66	58
Other debtors	416	390	416	326
Amounts owed by subsidiary company		-	84	99
	482	448	566	483

15 Short-term deposits

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Coutts Bank Deposit accounts	1,255	725	1,255	725
CCLA Term Deposit	50	50	50	50
Scottish Widows Bank Term Deposit	804	801	804	801
	2,109	1,576	2,109	1,576

16 Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Tax and social security	69	63	69	63
Commissioned work commitment	71	258	71	218
Accruals and other creditors	645	527	645	527
	785	848	785	808

17 Creditors: amounts falling due after one year

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Leasehold obligations	75	43	75	43

18 Provisions for liabilities

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
USS pension S75 provision	400	400	400	400

As detailed in note 25, the Trust is still awaiting confirmation from the Trustees of the USS pension scheme as to the amount of the Trust's S75 liability. Based on the information available to us we estimate this liability to be £400,000.

19 Financial instruments

The group's financial instruments may be analysed as follows:

	Group 2016 £'000	Group 2015 £'000
Financial assets		
Financial assets measured at fair value through statement of financial activities	76,593	71,209
Financial assets that are debt instruments measured at amortised cost	2,875	2,202
Financial liabilities		
Financial liabilities measured at fair value through statement of financial activities	-	-
Financial liabilities measured at amortised cost	1,260	1,291

Financial assets measured at fair value comprise investments.

Financial assets measured at amortised cost comprise debtors, short term deposits and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise creditors.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow and interest rate risk is included in the Trustee's annual report.

Included within financial assets at fair value are a number of derivative instruments, including swaps and forward purchase arrangements, which form part of the organisations overall investment strategy. As at 30 September 2016 the fair value of these derivatives was negative£78,000 (2015 – negative £180,000).

20 Funds

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Expendable endowment				
Balance at 1 October 2015	73,094	74,194	73,094	74,194
Excess of (expenditure over income) from financial activities	8,611	1,833	8,611	1,833
Transfer (to) /from designated funds	(1,838)	(2,933)	(1,838)	(2,933)
Balance as at 30 September 2016	79,867	73,094	79,867	73,094
Designated fund				
Balance at 1 October 2015	952	1,179	952	1,179
Excess of (expenditure over income) from financial activities	(2,564)	(3,160)	(2,564)	(3,160)
Transfer from expendable endowment	1,838	2,933	1,838	2,933
Balance as at 30 September 2016	226	952	226	952
Total funds				
Balance at 1 October 2015	74,046	75,373	74,046	75,373
Excess of (expenditure over income) from financial activities	6,047	(1,327)	6,047	(1,327)
Balance as at 30 September 2016	80,093	74,046	80,093	74,046

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.

21 Grants awarded

	2016 £'000	2015 £'000
Harkness Fellowship	17	24
Other	2	1
	19	25

22 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	1,885	76,593	1,389	79,867
Designated fund	-	-	226	226
Total funds	1,885	76,593	1,615	80,093

23 Summarised results for the Trust

Of the group surplus for the year of £6,047,000 (2015 – deficit of £1,327,000), the income and expenditure relating to the Trust is as follows:

	2016 £000	2015 £000
Total incoming resources	2,922	3,244
Total resources expended	4,145	5,083
Net (outgoing) resources before other gains/losses	(1,223)	(1,839)
Realised and unrealised gains on investment assets	7,270	512
Net movement in funds	6,047	(1,327)

24 Summarised results for subsidiary entity

Of the group surplus for the year of £6,047,000 (2015 – deficit of £1,327,000), the income and expenditure relating to the Charity's wholly-owned subsidiary entity, Nuffield Trading Limited, is as follows:

	2016 £000	2015 £000
Total incoming resources	116	95
Total resources expended	116	95
Net (outgoing) resources before other gains/losses	-	-
Net movement in funds	-	-
Net assets	-	-

25 Staff pensions

The Trust is a current member of a defined benefit pension scheme; the NHS Pensions Scheme (NHSPS). Historically it was also a contributing member of the Universities Superannuation Scheme (USS) defined benefit pension scheme.

NHS Pensions Scheme

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 (2015 - 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.

USS Pension Scheme

Contributions to the USS were made on behalf of one employee until May 2015 when The Trust ceased to employ active participants in the scheme. The USS is a funded multi-employer scheme.

Following the departure of the last remaining employee in the USS pension scheme in May 2015, an employer S.75 debt liability was triggered and became due in May 2016. During our work to quantify this liability it was identified that the Trust had two separate liabilities to the USS pension scheme. The first liability being the S75 liability related to two former employees and the second arising as guarantor under an 'Approved Withdrawal Agreement' which the Trust entered into in October 2007.

Further investigation uncovered that the USS had not separated out the S75 liability into two amounts, one that was due in 2008, when the first former employee left the USS and a second that was due in May 2016 when the second former employee left. However, the Trust is still awaiting confirmation from the Trustees of the USS that these amounts will be calculated separately and the total amount of the S75 liability due, so it is therefore still outstanding. Our best estimate, based on the information available to us, is that this liability amounts to £400,000 which has been provided for as a 'provision for liabilities' in the balance sheet.

The 'Approved Withdrawal Agreement' has clearly defined 'trigger events', which the Trust does not envisage occurring in the foreseeable future. Any liability will be calculated as at the date of the 'triggering event'. As such there is insufficient probability, as to both the timing and amount, of any liability due to USS to enable us to make a provision for this. In accordance with chapter 21 of Financial Reporting Standard 102, this potential liability is therefore disclosed as a contingent liability in note 26.

25 Staff pensions *(continued)*

As detailed in note 28, a prior year adjustment has been made to reflect the error in the S75 liability reducing the provision from £2,400,000 to £400,000.

Nuffield Group Personal Pension Plan

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%. 41 (2015 - 33) employees are members of the scheme.

The total pension charge for the period for all schemes was £243,000 (2015 - £241,000).

26 Reconciliation of net movement in funds to net cash flow from operating activities

Consolidated	**2016 £'000**	**2015 £'000**
Net movement in funds	6,047	(3,327)
Unrealised gains on investments	(7,270)	(512)
Depreciation of tangible fixed assets	57	63
(Increase) in debtors	(33)	(183)
(Decrease)/Increase in creditors	(31)	2,476
Investment income	(1,876)	(1,878)
Cash used in operating activities	(3,107)	(3,361)

27 Contingent liability

As detailed in note 25, the Trust has a liability as guarantor to the Universities Superannuation Scheme (USS) under the 'Approved Withdrawal Agreement' dated October 2007. The Trust does not envisage that any of the 'trigger events' will occur in the foreseeable future. As such there is insufficient probability as to both the amount and timing, which is calculated at the date of the 'triggering event', to enable the Trust to make a provision for any liability due to the USS pension scheme.

28 Prior year adjustment

Further information is now available in respect of the estimate of the liability to Universities Superannuation Scheme (USS) when the Trust ceased to be a contributing member in May 2015. As explained in note 25, this has resulted in equity being understated, and creditors falling due after more than one year being overstated, by £2,000,000 at 30 September 2015 and the loss for the year ended 30 September 2015 being overstated by £2,000,000.

As this is the first year of application of FRS 102 the correction of this error is shown in the transition reconciliation below, separately identified as an error under the previous UK GAAP.

Consolidated and parent charity	**Funds as at 1 October 2014 £'000**	**Deficit for the year ended 30 September 2015 £'000**	**Funds as at 30 September 2015 £'000**
As previously stated under former UK GAAP and FRS102	75,373	(3,329)	72,046
Prior year adjustment - correction of error	-	2,000	2,000
As restated under former UK GAAP and FRS102	75,373	(1,329)	74,046

29 Related party transactions

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. In accordance with SORP (FRS102) the Trust's transactions with Nuffield Trading Limited are set out below.

	2016 £'000	**2015 £'000**
Sales	23	21
Purchases	-	-
Amounts due from/(to) Nuffield Trading Limited	84	99

Related party transactions relating to the Trust's Trustees is set out in note 9.