



NUFFIELD COLLEGE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

The accounts' index (if any), Responsibilities of the Governing Body, Statement of Principal Accounting Policies and Independent Auditors' Report have been omitted from this 150 dpi Akme scan.

Nuffield College

Report of the Governing Body

The Governing Body of Nuffield College presents the annual report and financial statements for the year ended 31 July 2006.

Status

Nuffield College is a chartered charitable corporation. It was founded by William Richard Viscount Nuffield of Nuffield under a Royal Charter of Queen Elizabeth the Second dated 18 April 1958, and a Deed of Covenant and Trust dated 16 November 1937. The corporation comprises the Warden and Fellows. The College is an exempt charity under s3(5a) Charities Act 1993 (as listed in Schedule 2 (b) to that Act).

Objects

As set out in the Charter, the College exists to encourage post-graduate research in the field of social studies, and especially by making easier the co-operation of academic and non-academic persons.

Governance

The Governing Body of the College comprises the Warden and Fellows. This body is constituted and regulated in accordance with the College Statutes, the Royal Charter of 1958, and the Universities of Oxford and Cambridge Act 1923. The Governing Body holds to itself the responsibilities for the ongoing strategic direction of the College, for its administration and for the management of its finances and assets. It meets regularly under the chairmanship of the Warden and is advised by a range of committees. The Strategy and Resources Committee prepares evaluated proposals and reports for consideration by Governing Body. The Personnel and Domestic Committee monitors Health and Safety. The Investment Committee and the Audit Committee both have outside members.

Scope of the Financial Statements

The financial statements consolidate the accounts of Nuffield College and its subsidiary undertaking, Nuffield Properties Limited, which is a wholly owned property development company.

Review of operations and finance

It should be noted that an exceptionally high proportion of the College's activities (around 85%) is funded by the endowment. Governing Body has the responsibility for determining the appropriate level of expenditure that can be afforded from the endowment. In 2006 the College adopted an endowment expenditure rule (EER) which sets a limit on expenditure according to an assessment of the long term investment return on the endowment (on a total return basis). The permissible expenditure in any one year also takes into account the level of the previous year's expenditure in order to achieve smooth adjustments.

The governance principles embedded in the EER, and how it is calculated are as follows:

1. The EER is calculated using statements of the real endowment and actual expenditure. It therefore uses financial data which is audited, published and verifiable.
2. The EER is based on the permanent endowment, that is the combined general and specific endowments. It does not include reserves.
3. In 2005/06 the EER was calculated on a risk adjusted real rate of return of 4.3%:

Governing Body continues to monitor closely the accounting deficit, which has been a feature of the College's accounts since the format was changed in 2003. However, it is the calculation of permitted endowment expenditure under the EER which is the measure used by Governing Body to decide financial strategy, and on this basis Governing Body is satisfied that its academic strategy has a sound financial basis.

In the year under review the College continued to exercise tight control over expenditure. Staff costs were contained despite continued increases in pension contributions, which are likely to continue. Provision has been made for a payment to the Colleges Contribution Fund of £363,000. The rebate of £85,000 from the previous year's contribution is because the Fund exceeded its target revenue of £3.4million for distribution to less well endowed colleges.

Investment Performance

The Investment Committee has continued to pursue a total return policy for investment income. Total return for the year was 14.6%. The diversified non-property portfolio (including equities, bonds, cash and alternative investments) gave a return of 14.6%, compared to the FT All Share index return of 17%. The property portfolio returned 14.5%, which included a strong income return of 6% but capital and rental value growth were disappointing and left the portfolio trailing the relevant index (Investment Property Databank) by some 6%.

Policy on Socially Responsible investment

Nuffield College seeks to invest in companies that will successfully develop their businesses financially in the interests of their shareholders. It is common sense that good companies will normally be ones which demonstrate responsible employment and best corporate government practises, are conscientious with regard to environmental performance and human rights and act with sensitivity to the communities in which they operate. The use of 'positive' ethical criteria is thereby incorporated within our policy on socially responsible investment.

Reserves

After applying the deficit of £600,000 from the Income and Expenditure account the College general reserves fell to just below £7million, some £238,000 less than the amount required to fund tangible assets. As a matter of policy, in the short term, cash needed to meet operational requirements would be provided by the general endowment.