

The background is a dark blue-grey color. It features several large, semi-transparent circles in purple, pink, yellow, and red. On the left side, there is a glowing, textured light fixture, possibly a lamp or a piece of art, that emits a warm, golden light. The overall aesthetic is modern and artistic.

# Annual report and accounts

For the year ended  
31 March 2017

**nesta**



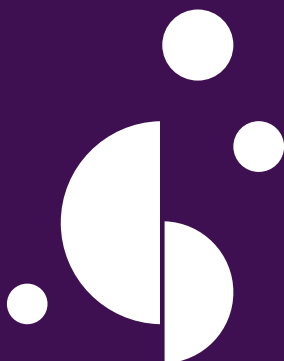
Company Number: 07706036

## About Nesta

Nesta is a global innovation foundation. We back new ideas to tackle the big challenges of our time.

We use our knowledge, networks, funding and skills - working in partnership with others, including governments, businesses and charities. We are a UK charity but work all over the world, supported by a financial endowment.

To find out more visit [www.nesta.org.uk](http://www.nesta.org.uk)



**nesta**

# Annual report and accounts

For the year ended  
31 March 2017

Trustees	4
Chair and Chief Executive's introductory statement	5
Strategic report	6
1. Achievements for 2016–2017	6
2. Performance and impact	22
3. Plans for the future	32
4. Financial review	33
5. Principal risks and uncertainties	38
Objectives	39
Governance and management	40
Independent auditor's report	43
Financial statements	44
Reference and administrative details	75

## Trustees



### Sir John Gieve

Nesta's Chair.  
Independent Director of CLS, a Director of the Homerton Hospital Trust and Chair of Trustees for the Clore Social Leadership Programme.

### Madeleine Atkins

Chief Executive, Higher Education Funding Council for England.

### Kersten England

Chief Executive of the City of Bradford Metropolitan District Council.

### David Pitt-Watson

Executive Fellow at London Business School, and Chair of the UN Environment Programme's Finance Initiative.

### Dr Michelle Harrison

CEO of WPP Government and Public Sector Practice, and CEO of TNS, BMRB.

### Kim Shillinglaw

Controller BBC 2 and BBC 4.

### Dame Julie Mellor, DBE

Chair of the Young Foundation, Trustee of the Clore Social Leadership Programme and Involve.

### Ed Wray

Directorships at Funding Circle LMAX Limited, Property Partner and Prodigy Finance. He is a Trustee of The Mix.

### Simon Linnett

Executive Vice Chairman at Rothschild.

### Piers Linney

Entrepreneur and investor.

### Natalie Tydeman

Private equity investor with a focus on growth-stage tech-enabled businesses.



## Chair and Chief Executive's introductory statement



**Last year felt like something of a rite of passage for Nesta. As an organisation we hit the age of 18, moving out of adolescence into adulthood. We moved into a new building, for the first time becoming an owner. And many of our big programmes moved up a gear.**

Some of these built on our past work in public services, in particular the Centre for Social Action Innovation Fund (a partnership with the Cabinet Office) whose projects are now directly helping hundreds of thousands of people and mobilising tens of thousands of volunteers alongside professionals to deliver public services in new ways. Nesta's Health Lab is now involved in projects all over the country, testing and scaling ways that people can use technology, data and mutual support to improve their health and wellbeing, and has seen many of its ideas adopted directly into NHS policy.

Our impact investments have proven their worth – through Nesta Impact Investments, and also the Arts Impact Fund (with Arts Council England and the Arts & Humanities Research Council). And our Skills team has continued to spread across the globe. Nesta has worked in over 20 countries this year, training up senior officials, innovators and non-profits in the methods and skills of effective innovation. We have also seen some new activities come of age – in particular the work of our data analytics team who are producing world-leading analysis of the economy, dramatised through brilliant data visualisations. In the middle of the year we held the third FutureFest, our biggest yet with over 4,000 people joining together to explore how we might work, love, play and thrive in the future. Audiences listened to speakers such as Brian Eno, Will Self and Cindy Gallop, and experienced immersive installations such as insect-infused ice creams and people being implanted with chips.

Not everything in 2016-2017 worked as we hoped. Our digital magazine, *The Long and Short*, for

example, produced fantastic content covering stories of innovation, but didn't achieve the scale of readership we'd hoped for.

This year we concluded a three-year strategy that was about using our relatively new found independence to increase Nesta's reach and impact. Over this period, Nesta shifted to multiple funding models (including support from many governments, companies, foundations, UN agencies and the European Commission). We built far more partnerships in more countries with literally hundreds of partner organisations, and deepened our expertise in key fields and innovation methods. We also shifted towards longer time horizons for programmes - having learned that we achieve most when we work in a field for five years or more combining research, advocacy and practical projects, as has happened in fields such as alternative finance, digital skills and people powered health.

In early 2017 we published our new strategy for the next three years, which defines more clearly the sectors and subjects where we will focus on growing new ideas that can change the world for the better.

We are more convinced than ever of the need to amplify innovation for common good. Too high a proportion of the world's innovation resources are allocated to destructive or trivial tasks. Drones are a good example – developed first for military and surveillance use, then later tested out for commercial uses and only belatedly adapted for public purposes, like helping out in humanitarian disasters. Nesta's work continues to show how much better it is to start from the challenges that really matter and to devote energy to devising and discovering new approaches and new technology to tackle them. We hope that over the next year you may be one of the thousands of people who work with us to make that happen.

**Sir John Gieve, Chair  
Geoff Mulgan, CEO**

## Strategic report

**We have a strategy to meet our charitable objects, which are set out on page 38 below.**

In the financial year 2016-2017, our mission, in line with our 2014-2017 strategy, was to increase the creation and growth of new ideas in the following key areas:

- Health and Ageing
- Education and Opportunities for Young People
- Creative Economy, Arts & Heritage
- Government Innovation, and Citizen Engagement in Public Services
- Innovation Policy and New Models for Inclusive Economic Growth

- Impact Investment
- Future Thinking

We encouraged innovation in these areas by:

- Backing promising ideas to achieve the greatest possible impact.
- Designing policies that can improve the environment for innovation.
- Conducting original research to improve our understanding of how innovation works.
- Developing new tools and promoting skills to turn ideas into impact.

A revised strategy has been developed for 2017-2021 and can be found on page 32.

### 1. Achievements in 2016-2017

Nesta's impact and influence continued to grow at pace over the last year, with achievements across all areas of the organisation.

Some of the highlights and themes of the year include:

- **Championing the use of high quality evidence, data analytics and rigorous experimental methods** in decision-making for social and economic innovation.
- **Raising awareness and driving adoption of new ideas** and tools for innovation.
- **Convening organisations and individuals** across sectors and countries.
- **Understanding and spreading 'people powered'** innovations.

#### **Championing the use of high quality evidence, data analytics and rigorous experimental methods**

When it comes to decision-making about innovation, Nesta champions the use of high quality evidence and rigorous experimental methods - from the development of policies to support entrepreneurship, to the creation of edtech products.

We've learned that it's critical to work with policymakers to help them to adopt, experiment,

adapt and rigorously test new policies and programmes for innovation support. This is one of the reasons we set up the **Innovation Growth Lab (IGL)** in partnership with leading governments and foundations worldwide. We work with partners to carry out and fund randomised controlled trials (RCTs), build capacity through workshops and online resources, and share new research findings amongst a global community of like-minded individuals and organisations. In 2016-2017, IGL led by Nesta, brought together increasing numbers of governments, practitioners and researchers from across the world to champion experimentation and better use of evidence in innovation policymaking. IGL held the first global conference on experimental innovation and entrepreneurship policy, establishing it as a globally renowned centre for expertise in using RCTs for decision-making about innovation policy.

In addition, during 2016-2017, the IGL Grants programme provided funding for seven randomised controlled trials of policy ideas that support innovation, entrepreneurship and business growth. We published some of the results from trials funded in previous rounds, including one that shows how simple changes to messaging can substantially increase the number of ideas submitted to innovation contests, without decreasing their quality.

## Case study: Innovation Growth Lab



IGL Conference 2016

**Governments spend billions on policies to make their economies more innovative and entrepreneurial. Yet there is little experimentation with new programmes and limited evidence of the effectiveness of these policies.**

### Our intervention

Nesta set up the Innovation Growth Lab (IGL) with the aim of making innovation, entrepreneurship and growth policy more experimental and evidence-based.

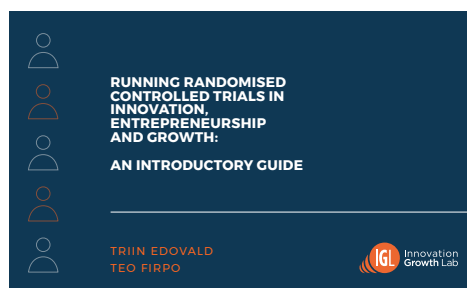
IGL is led by Nesta in partnership with the Kauffman Foundation, the Argidius Foundation, ACCIÓ, the Australian Department of Industry, Innovation and Science, the Austrian Research Promotion Agency, Innovate UK, Innovation Norway, Scottish Enterprise, Tekes, and the UK Department for Business, Energy and Industrial Strategy.

We work with partners to carry out and fund randomised controlled trials (RCTs), build capacity through workshops and online resources, and share new research findings amongst a global community of like-minded individuals and organisations.

In 2016-2017 we tackled the barriers to the wider adoption of experimental approaches with a variety of initiatives - some open to the wider community of innovation policymakers, while others were directed specifically to our partners.

### 2016-2017 achievements

- We organised the first global conference on experimental innovation and entrepreneurship policy, bringing together over 230 participants from 27 countries.
- Awareness and interest in experimental policy is growing amongst innovation agencies, governments and the European Commission, with many of them starting to consider how to apply it within their own programmes.
- Nesta ran capacity-building workshops with a number of organisations, leading to several ideas for new policy trials that are now being taken forward.
- We published the first guide to running trials in innovation policy, which will be followed by a new online toolkit.



Nesta's **Alliance for Useful Evidence** is a hub for sharing social research, good practice and resources - such as the Nesta Standards of Evidence (a framework to assess how confident we can be that a new intervention is having a positive impact). This year the Alliance co-curated and hosted a two-day international conference on the use of evidence in public sector policymaking. We followed the conference with a summary report distilling this exchange of ideas, specifically targeted at our new international following, and interested UK funders.

The Alliance further demonstrated the strength of its convening power by pulling together a multiple stakeholder group of key providers in UK social policy, building a strong coalition to bid for funding to review and develop an updated Standards of Evidence.

The Alliance's advisory and advocacy role has been increasingly in demand and we have worked with a range of different organisations from Public Health England, the Government of Canada, and the Money Advice Service (MAS), as well as a range of academic institutions including UCL, to establish evidence centres or What Works models, building capacity, knowledge and skills across institutions. Some of these partnerships have led to income generating activity for this new financial year 2017-2018.

Nesta is interested in how the latest types of **data analytics**, drawing on new and varied sources of data, can help companies, cities, public services and countries do things better. In 2016-2017, we continued to build interactive data visualisations to support policymaking at a local level, such as mapping the economic importance of creativity in local areas in *The Geography of Creativity*. This report showed the important contribution of the creative industries to local economies across the UK. Its findings are informing the creative

industries 'sector deal' in the UK Government's Industrial Strategy and the Arts and Humanities Research Council priorities for the Industrial Strategy Challenges Fund. The data set we published alongside the report has been used to measure the impact of BBC Media City in Salford. Nesta has also been running pilots in London and the North East to apply data analytics to datasets sourced from multiple local authorities to tackle rogue landlords and issues related to alcohol abuse.

**The Behavioural Insights Team (BIT)**, in which Nesta has a 30 per cent stake, has continued to expand and grow its operations, with 2016-2017 annual turnover of over £10 million. BIT's focus is on achieving social impact via the application of insights from the behavioural sciences to real world policy problems. BIT's approach is highly empirical - testing and trialing policy ideas before they are scaled up.

Highlights this year include the launch of the Financial Capability Lab. Using their new Predictiv platform, BIT is running a suite of online lab experiments to develop evidence-based approaches to increase financial capability across a series of savings and credit policy challenges.

In the health policy area, BIT's work has continued to expand, moving into mental health work whilst maintaining a strong public health portfolio. One trial within the NHS reduced the demand on overcrowded hospitals by simple changes to the choice-making structures within GP IT systems, and is currently being rolled out nationally.

2016-2017 was the first full year of operation for BIT North America. With the support of Bloomberg Philanthropies, they have run over 40 randomised controlled trials with government partners in 21 US states and are extending their work in Canada.



BIT has increased its capacity to develop products and services through the creation of a subsidiary, Behavioural Insights Ventures Ltd. Their most advanced product, Applied, is an online recruitment tool that enables organisations to use behavioural science to remove implicit bias from their hiring decisions.

BIT continues to expand its operations outside of the UK, opening offices in Singapore and New Zealand and growing operations in Australia and North America.

Nesta has used investment to support innovation for nearly 20 years. We seek positive financial and social returns by investing in innovative approaches and technologies that tackle major challenges in the fields of health, education and employability, and community sustainability. Evidencing the social impact of our investments is critical and, this year our **Impact Investment Team** built on the lessons of our first fund to include external client investors in the process of refining its theory of change, making significant improvements to our impact evaluation and reporting frameworks. As an example, Nesta has previously demonstrated the effectiveness of tutoring on exam grades through randomised controlled trials. This year Nesta Impact Investments made follow-on investments into Third Space Learning, a programme that raises attainment by connecting around 6,000 primary school pupils every week with quality maths tutors abroad, via a secure web platform. Other notable milestones in the year were follow-on investments in rapidly growing portfolio companies CogBooks which has provided digital degree courses to over 2,000 undergraduates, Oomph! which provides exercise and activity programmes to around 90,000 older people and vulnerable adults each month, and a new investment into Synopsis Healthcare, a leading provider of digital health data collection and risk analysis software.

## Raising awareness and driving adoption of new ideas

A large part of Nesta's impact comes from its communications, directly promoting research, new ideas, innovation methods and practical case studies. Over recent years we have shifted the focus of our communication from Whitehall and Westminster to a broader audience of thought leaders. We now spread knowledge and expertise about how to manage innovation to a substantial community of entrepreneurs and innovators in startups, civil society, businesses and the public sector.

Our communication activity ranges from intimate roundtable events with influential players, through to mainstream, mass media coverage. In the last year, some particularly high profile examples were New Radicals, FutureFest and the coverage of our European Digital City Index (EDCi) initiative. Other events included a conference in Edinburgh on the future of the economy in Scotland, involving the Scottish Cabinet.

Our biennial **New Radicals** campaign showcases the 50 people and organisations who are changing Britain for the better. It made a media splash once again through our rolling partnership with *The Observer*. The campaign attracted over 400 submissions, which were then shortlisted by a panel of judges. The winning submissions featured in a six-page spread in *The Observer* on 10 July and generated 100,000 page impressions to the Nesta site across all the New Radicals content.

## Case study: New Radicals



New Radicals



Non-profit Wayfindr is empowering vision impaired people through digital audio wayfinding

In 2016 we ran our third New Radicals campaign to champion the UK's unsung social entrepreneurs and innovators who are using their technical expertise, community influence, scientific prowess and artistic bravery for social good.

### Our intervention

Once again we teamed up with *The Observer* for the campaign, working together to encourage nominations and entries from across the country and helping to shine a light on some of the pioneering social innovators in the UK today.

We filtered 400 nominations and applications down to a final list of 50, chosen by a panel of cross-industry judges including Mike Bracken, co-founder of the UK Government Digital Service (GDS); Fiona Duncan, Chief Executive at Lloyds TSB Foundation for Scotland; and performance artist and social activist Bryony Kimmings.

The work of the 2016 New Radicals spanned fields as diverse as hospitality, engineering, healthcare, music, international development, technology, retail and politics.

Themes from our third list included responses to the migration and refugee crisis, innovations in political engagement and the use of technology to improve disabled access to public spaces.

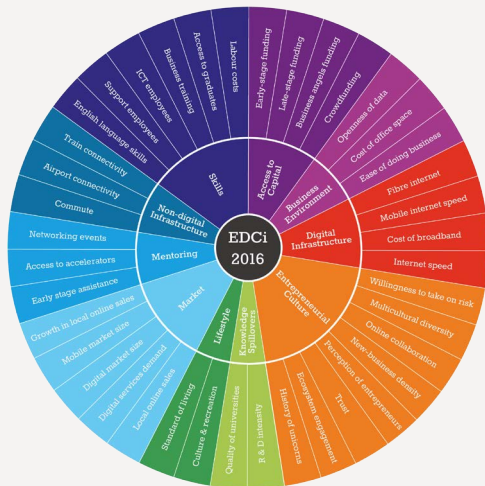
### 2016-2017 achievements

- The list of 50 New Radicals were showcased in a six-page exclusive spread in *The Observer*, including a front cover mention, and was supported by a regional and local radio campaign.
- Our online feature, for which we interviewed all 50 2016 radicals, attracted 24,000 visits to Nesta's website.
- The campaign had a social media audience of over 20 million as a result of the #50radicals hashtag being shared by 2,100 Twitter users.
- 155 radicals (past and present) came together at the New Radicals event at Nesta.

We make it our job to understand the best conditions for innovation, in the UK and abroad. In 2016-2017, Nesta launched a new edition of the **European Digital City Index (EDCi)** - an index for startups, scale-ups and policymakers comparing how well different cities support

digital entrepreneurship. It secured front page coverage on *CITY A.M.*, as well as informing the wider debate about skills and policy environment and providing tools for city governments and entrepreneurs.

### Case study: The European Digital City Index



European Digital City Index - Illustration of factors.

The European Digital City Index is a project to measure the different conditions for supporting digital entrepreneurship across Europe. The index was produced as part of the European Digital Forum, a programme funded by the European Commission and managed by Nesta in collaboration with the Lisbon Council. The ultimate aim was to raise awareness among policymakers of the local conditions for entrepreneurship in different cities and prompt improvement.

### Our intervention

Underpinned by a novel methodology, the index is a composite index built from 40 different characteristics, which compares 60 cities across the EU.

The choice of characteristics in the index was based on more than 70 interviews with entrepreneurs, venture capitalists, accelerator managers and digital experts from across Europe. Data for the index was provided by several data partners, including Teleport, Statista, Crowdsurfer and the European Business Angel Network.



### 2016-2017 achievements

- The index generated significant press attention, including the front page of *CITY A.M.* and headline slot on *BBC London News*. There were also appearances on France's RFI (the equivalent of the BBC) and China's CNC global news service.
- To provide assistance for local policymakers, the index was also accompanied by an 'Idea Bank' of exemplar initiatives supporting digital startups, collected from across the globe.
- Governments of several other cities, regions and even countries have since requested their own versions.

**FutureFest 2016** was Nesta's third execution of this two-day flagship festival. The aim was to excite and inspire a cross-section of our audience with ideas about what the future could hold, linking the experience more closely to Nesta's work. We set ourselves ambitious ticket and production targets with a venue capacity twice as large as the previous festival. The smaller debate spaces, including Oxford Martin's room and Nesta's first dedicated room, The Nesta Lounge, were notable successful new additions.

The sessions covered a vast range of topics, all designed to provoke the audience to think about the future. But some interesting common themes emerged from across the weekend's debate, such as a shared commitment to directing technology in a more human and responsive direction; a shared interest in using play to explore complexities which don't easily succumb to linear logic; and a maker/hacker ethic of taking things apart and putting them back together in ways that better fit our needs.

## Case study: FutureFest 2016



FutureFest 2016 – DJ Spooky

**Nesta's third flagship FutureFest took place in September 2016 at Tobacco Dock in London and was designed to help people think about how we might work, love, play and thrive in the future.**

### Our intervention

The two-day festival featured 130 speakers, and plenty of installations, experiences and provocations including insect-infused ice creams, futuristic cocktails, the fertility shop of the future, dancing drones, footballers showing off their skills immersed in 'collective reality' and cybathlon equipment (featuring human-machine tech demonstrations).

Influential speakers included Will Self, Brian Eno, Cindy Gallop, Mustafa Suleyman and Rhianna Pratchett - and ranged from extended meditations, inspiring accounts of the future to a debate about future politics between Green Party leader Caroline Lucas and South Australian Premier Jay Weatherill.

The event was supported by Nissan, Oxford Martin School, University of Greenwich, Sedition and EUNIC amongst others, and was the most ambitious Nesta event to date.





FutureFest 2016

# 4,000

people attended  
FutureFest.

# 70%

of those would  
recommend FutureFest  
to others or attend  
again.

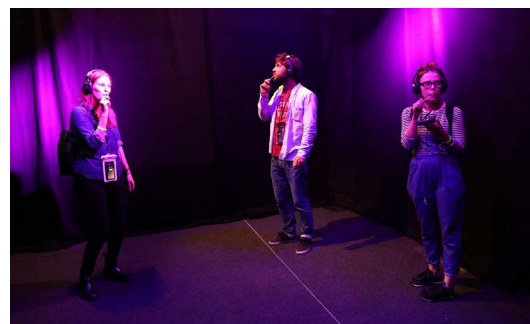
There were over

# 15,000

visits to the  
FutureFest website.

## 2016-2017 achievements

- FutureFest attracted an audience of 4,000 people - up 20 per cent from 2015.
- Over half of attendees reported that FutureFest was more innovative and thought provoking than similar events they had attended this year, and around 70 per cent would recommend the event or come to FutureFest again.
- The Nesta stage (dedicated Nesta content) was at 90 per cent capacity throughout the weekend.
- Over 155 pieces of international and national media coverage and broadcast were secured, up from 120 in 2015.
- #FutureFest trended in London over the weekend and there were over 15,000 visits to the FutureFest website.



FutureFest 2016

## Convening organisations and individuals across sectors and countries

With Nesta's unusual cross-sector view, we are ideally placed to act as a convener - bringing together organisations of all sizes, individual innovators and academics from different fields to focus on particular challenges or identify new opportunities for innovation.

For example, in 2016, **Readie**, a unit operated by Nesta to connect key digital policymakers across Europe, hosted its annual conference in Berlin to address opportunities of digitalisation and ways to drive more effective, efficient digital policymaking. In another area of Nesta's work, we played an instrumental role in **The Startup Europe Partnership** - a group promoting open innovation through collaboration between startups and corporates (using findings from Nesta's publication: *Winning Together - A Guide*

*to Successful Corporate-Startup Collaboration*). The work in 2016-2017 involved several matching events convening startups and corporates, as well as the first Corporate Startup Stars awards celebrating good practice from the top 'startup friendly' corporates in Europe.

We cannot make a future until we can imagine it, and fiction plays a huge role in defining and expanding the range of possible solutions to our problems and directions of development. Nesta brought together academics and science fiction writers in a workshop to explore **The Roots of Collective Intelligence**, with speakers including Robin Dunbar, known for his pioneering research on social connections between humans. We asked academics to collaborate with science fiction writers to develop short stories that explored the impact that developments in collective intelligence might have on our society.

## Case study: Readie Policy Summit 2016

**We all know that digital technology is completely changing the way we live and work. But which digital policies benefit entrepreneurs, business and society? And how might governments design better ones?**

Responding to the impact of digital technology, many European governments have installed new digital economy units. These teams are mandated to design digital strategies, policies and initiatives that improve society and build economic growth.

Around Europe, some governments, agencies and businesses are already coming up with innovative solutions to support digital transformation. But, these efforts lack coordination and visibility. Despite many shared issues, policymakers struggle to find concrete case studies and learn what is working - and what is not.



*"The best thing at this Summit was that there were people from 23 countries, so we had input from very, very different aspects and points of view - that was very interesting and fruitful."*

**Helge Braun, Minister of State to the Federal Chancellor, Germany**

## Our intervention

Nesta is behind Readie, and the Readie Policy Summit - a unique forum, bringing together key decision-makers across Europe to collaborate and share pioneering approaches to digital policymaking.

In 2016, the Readie Policy Summit brought together the digital policymakers shaping Europe's digital economy for the first time. The summit took place in Berlin, in partnership with the Konrad-Adenauer-Stiftung. Key themes included digital skills, digitising industry, scaling startups and disruptive regulation. Speakers included experts working at the cutting edge of developments in digital technology and policymakers leading some of the most groundbreaking programmes in Europe at the moment.



*"The ability to network with important thinkers and policymakers across Europe was the most powerful part of the day so great job in bringing them all under one roof."*

Danny Lopez, Chief Operating Officer Blippar

## 2016-2017 achievements

- Over 100 stakeholders attended the Summit including ministers, secretaries of state, elected representatives and senior policy experts from 23 countries.
- Nine pioneering initiatives were showcased including Google's Growth Engine for Digital Skills, Germany's High-Tech Gruenderfonds and Estonia's smart regulation of ride sharing services.
- New research was launched revealing the attitudes of 9,000 Europeans towards using technology to take part in politics and policy decisions: *Policy Making for the 21st Century*.
- Building on discussions at the summit, Readie released the *Digital Pulse* report in March 2017, exploring how open citizens are to new technology and what issues might be preventing them from embracing digital transformation. The first two reports focused on the UK and Germany; a Swedish version will be released in summer 2017.



In 2016-2017 Nesta demonstrated its convening power when it comes to innovation in funding, as the **Arts Impact Fund** made its first loans. Following our earlier report, *The New Art of Finance*, it was clear that there was an ever increasing appetite for an expanded range of financial instruments and methods that could

bring new money into the arts, and offer more opportunities for existing funding to work harder. The Arts Impact Fund brings together commercial, philanthropic and lottery finance in a 'co-mingled' fund and was the first of its kind to focus on the social, artistic and financial return created by arts-based organisations.

## Case study: The Arts Impact Fund



Bow Arts Trust

The Arts Impact Fund (AIF) is a £7 million pilot social impact fund, set up to prove the case for investing in arts and culture to achieve social and artistic outcomes. In 2016-2017 it made its first loans, and broke new ground by 'co-mingling' public funders, philanthropic organisations and other private investors to support arts organisations to grow and better evidence the social impact they have.

### Our intervention

AIF is managed by Nesta, and funded by Arts Council England, Nesta, The Esmée Fairbairn Foundation and Bank of America Merrill Lynch, with additional support from Calouste Gulbenkian Foundation. The aims of the initiative were to:

- Provide risk capital to promote and enable greater resilience in arts and culture.
- Encourage and articulate the positive social impact of arts and culture.
- Demonstrate the value of mixing public, private and philanthropic capital alongside the catalytic potential of sector-specific investment funds.



South East Dance

### 2016-2017 achievements

- **£5.05 million of investment** was committed in the first 18 months of active investment to 16 organisations - representing a diverse portfolio of organisations operating across a range of art forms, social impact areas, geographies, and uses of finance.
- **Examples include** an image licensing trading subsidiary of a photography gallery celebrating cultural difference; a gourmet fish restaurant whose profits will support a creative writing programme for disadvantaged children; and an environmental retrofit generating income for a volunteer-run theatre company helping local schoolchildren engage with theatre, particularly Shakespeare.
- **Nesta expanded the reach of the programme** with bespoke London and regional publicity, awareness-raising events and multiple requests for national speaking engagements.
- We started work on **pioneering methods of measuring artistic impact and cultural value** to demonstrate return on investment.





London School of Mosaics



Our Ladies - Live Theatre

## Understanding and spreading 'people powered' innovations

Nesta has been at the forefront of the 'people powered' movement to better utilise the skills and time of citizens, working alongside professionals, to enhance and shape public services and give people greater control over their lives.

In 2016-2017, there was a rapid acceleration in our **People Powered Health** practical work, following the establishment of Nesta's Health Lab (in 2015-2016). Health Lab was set up to test and scale new ways for people to remain healthy by drawing on new sources of support (to make it possible for people to be more involved in their health), new sources of data (to improve people's knowledge about their health) and new sources of innovation (that can generate new solutions to problems). One practical example is **People Powered Results**, a structured innovation method developed by Nesta and the Rapid Results Institute that helps unlock the expertise and passion of leaders, frontline professionals and service users, to accelerate change and innovation in complex systems. In 2016-2017, the People Powered Results (PPR) team worked with NHS England to deliver the Elective Care Development Collaborative, a programme of ten teams across four different health economies (Stockport, Fylde Coast, Frimley and South Somerset) to test initiatives aimed at reducing demand for elective care. Early results indicate that:

- In Stockport, **41 orthopaedic patients attended virtual follow-up appointments** none of which needed to be converted into face-to-face appointments. Patients also reported a reduction in stress and flare ups caused by long walks from hospital car parks to clinics.
- In Somerset, virtual diabetes clinics (consultant-led case reviews in primary care) have contributed to a **69 per cent decrease in referrals into secondary care** from the practices involved.
- A telephone service piloted in Fylde Coast for GPs to discuss rheumatology patients with consultants led to **51 per cent of cases not being referred into the rheumatology service**.

The PPR team have also been working with NHS England's personalisation and choice group to support the Stockton health and care economy to be the first place in the UK to test the whole new Integrated Personalised Commissioning operating model within 100 days. The 100 Day Challenge focused on the Frail 65+ cohort (505 patients) and agreed a system-wide approach to personalised care and support planning which enabled:

- Forty-one per cent reduction in A&E attendance.
- Nineteen per cent reduction in admissions.

**Realising the Value** is another people powered success story coming out of Health Lab this year. Working in partnership with The Health Foundation, Voluntary Voices (National Voices, Regional Voices, NAVCA and Volunteering Matters), the Behavioural Insights Team, PPL, and the Institute of Health and Society at Newcastle University, Nesta researched and tested a people-

and community-centred approach to health by pulling together the experience of different locations around the country. The programme generated a set of popular digital tools and resources for healthcare professionals to put people and communities at the heart of decisions on health and wellbeing.

## Case study: Realising the Value

**We want the health and care system to support people to have the knowledge, skills and confidence to play an active role in managing their own health.**

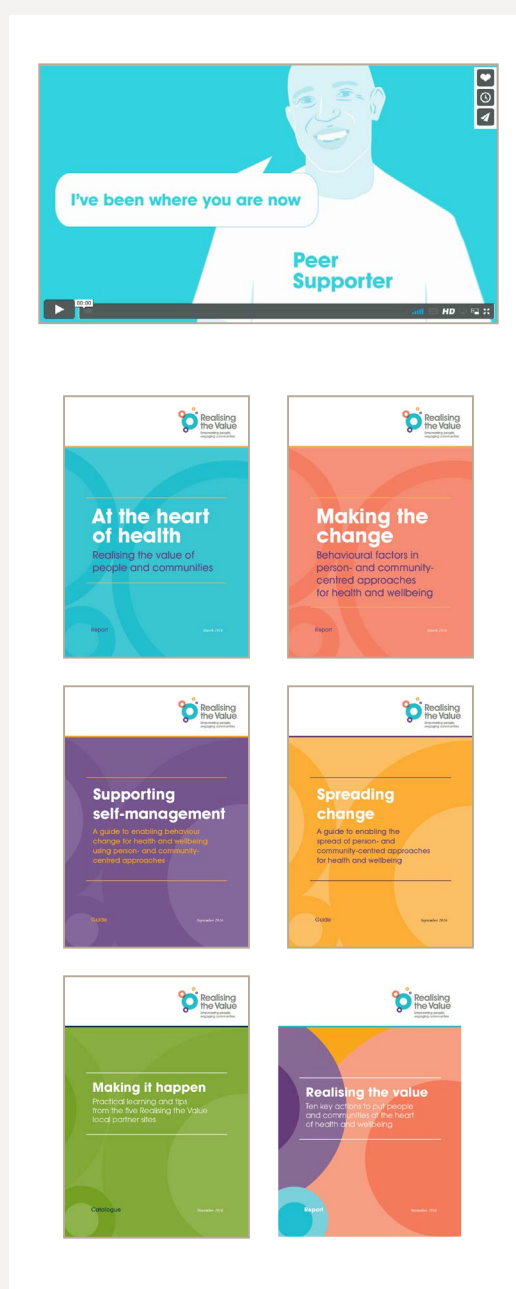
Realising the Value was an 18-month programme, funded by NHS England and jointly led by Nesta and The Health Foundation. It was not about inventing new approaches, but rather about strengthening the case for change by identifying evidenced examples of initiatives that engage people in their own health and care.

### Our intervention

The programme:

- Drew together and consolidated an **evidence base** for person- and community-centred approaches for health and wellbeing.
- Developed an **economic tool** for commissioners to evaluate the potential impact of investing in person- and community-centred approaches.
- Created **tools to support behaviour and culture change** in health systems.

Realising the Value also pulled together a catalogue of practical lessons from local areas already putting this approach into practice. It specifically drew on on-the-ground experience from five voluntary and community organisations across the UK (Positively UK, Penny Brohn UK, Big Life Group and Being Well Salford, Creative Minds, and Unlimited Potential with Inspiring Communities Together).





Creative Minds



Penny Brohn Cancer Care

## 2016-2017 achievements

- Over 18 months, Realising the Value engaged more than 600 people directly through a series of programme events, including final launch events in London and Manchester.
- To date there have been more than 15,000 unique downloads of the reports and 26,000 views of the blogs. The content and hashtag, #RealisingTheValue, have had more than 4,000 social media mentions, reaching a potential audience of over three million.
- Realising the Value is also informing broader policymaking. For example, Jon Rouse, Chief Officer at the Greater Manchester Health & Social Care Partnership, has said that he has, *"taken learning from the programme directly into the development of our Population Health Plan and our work on integration of health and care services"*.

Another example of how Nesta supports innovation that empowers people is **DECODE** (Decentralised Citizen Owned Data Ecosystem), an experimental European Commission-funded project launched in early 2017 to develop and test cutting edge blockchain-based tools that can give individuals control of their personal data on the internet and the ability to share it for the common good. DECODE is a response to the loss of control people have over their personal data on the internet. On the other hand, the huge quantities of data produced on the web every day offers the potential for insights that could benefit all of society. With the data controlled by a handful of monopolies, society cannot benefit from these insights. DECODE will develop and test new tools to give people control of their personal data, based on principles from the sharing economy, the Internet of Things, and participatory democracy. To support this work, Nesta will be undertaking research into the

future of the personal data economy and how the project can have a real impact for people. DECODE's pilots (in Barcelona and Amsterdam) will engage with and build an active, diverse community of people who are interested in using tools that give them control of their data.

We're also empowering public sector innovators through the development of the **world's first dedicated public innovation curriculum**, designed and delivered by the world's leading practitioners. The initiative launched this year and aims to help strengthen innovation capacity across governments by supporting the next generation of public sector leaders to learn the methods and skills of innovation. In December, we prototyped our first module on Experimentation with the UAE government, and we are entering partnerships with more than a dozen national governments to continue to develop the curriculum.



Our public services are under significant funding pressure and increasing demand. We need radical new models of public service delivery, including making the most of community expertise and skills. Over the last five years, Nesta has directed over £22 million towards new models of delivering public services in partnership with 'people power' - using the time and energy of local people. In 2016-2017 the **Centre for Social Action Innovation Fund**, a £14 million partnership between Nesta and the Cabinet Office, came to a close. The programme supported 52 promising

innovations that mobilised citizen time and skills alongside public services - from Code Club volunteers helping children learn computing, to GoodSAM - an app that alerts trained first aiders to emergencies nearby. The partnership helped innovations like this to grow both their reach and their evidence of impact. The collation of its results after four years, reveals impressive growth from the innovations it supported, and a bank of evidence for others to draw on.

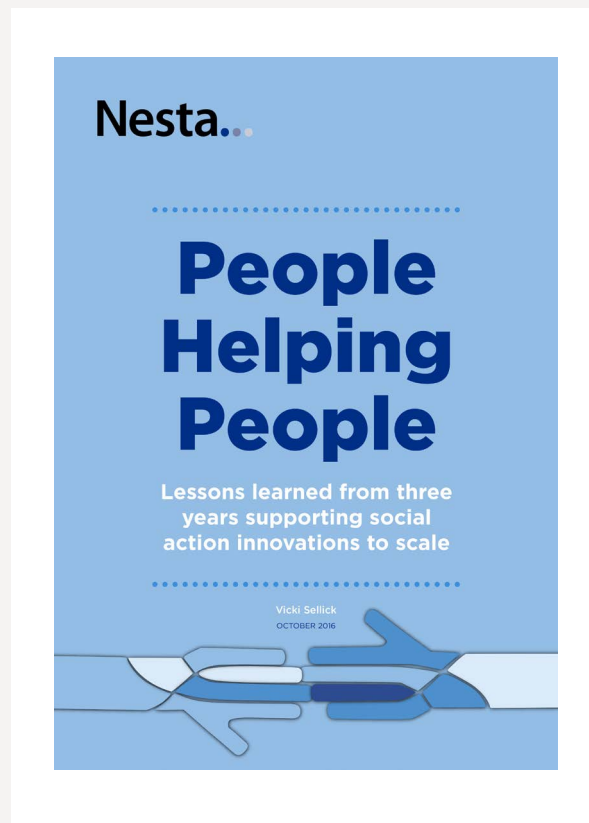
### Case study: The Centre for Social Action Innovation Fund



North London Cares

We know that when people help other people it creates stronger communities and higher levels of social capital – economic, social and wellbeing. This kind of volunteer led 'social action' transforms lives, helping students who have fallen behind at school to catch up, job seekers to find work, isolated older people to feel connected, and more.

That's why Nesta and the Cabinet Office together invested £14.5 million in the Centre for Social Action Innovation Fund over the last three years to back 52 social action innovations with grants and support to grow.





## Our intervention

The aim was to help this portfolio of innovations to grow their impact (reaching many more people) and their evidence, and to enable a small number of proven innovations to achieve impact at significant scale with national reach.

During 2016-17, as the programme drew to a close, we've been publishing evidence of what works. We've compiled guides and toolkits from practitioners and commissioners to make this way of working the new normal in public services.



City Year

## 2016-2017 achievements

- More than 70,000 generous people across England gave their time and expertise to **help nearly 175,000 people**, including two lives saved by CPR from a volunteer.
- **The innovations leveraged a further £18 million of investment** as they have grown and some have reached significant scale, able to deliver their services to any public service in England that commissions them. For example, any primary school can now request a Code Club, any local authority a Shared Lives Plus caring scheme, any Ambulance Trust a GoodSAM first responder scheme and more.
- **More than 1,000 people downloaded our social action reports and toolkits**, sharing the lessons learnt from three years of the Fund, and more than 500 people attended our **People Helping People series of events** on making social action the new normal.
- **We've published an evidence bank** of social action evaluations so commissioners know what works. We've published 30 to date, all validated against Nesta's standards of evidence, including **validating two randomised controlled trials** that show the impact of volunteer-led tutoring on students' GCSE and A-Level scores.

## 2. Performance and impact

Nesta's main activities are organised across functional teams, supported by the Communications and Corporate Services teams. The Nesta departments are as follows:

- **Policy and Research:** This team conducts research and analysis, using the findings to encourage debate and develop policy, with the aim of improving the conditions for innovation.
- **Programmes comprising:**
  - **Innovation Lab:** Through its Innovation Lab, Nesta supports people and organisations who are developing ideas to solve big social challenges. The Lab delivers experiments, practical programmes and funds. It incubates and scales new ventures across a range of sectors, including education, government, civil society, arts and culture and the collaborative economy. We have a specific focus on the use of data and digital technology to drive innovation alongside mobilising the resources and skills of people and citizens in new ways to make a positive difference. Across our work, we also experiment with different ways in which finance can be deployed to best support innovation.
  - **Health Lab:** A centre of expertise on people-powered and data-driven health. We use funding, research and practical support to look for better ways for people to remain healthy, drawing on their own energy and ideas, as well as the insights of medical science and new digital tools.
- **Investment Management:** Nesta invests in mission-led businesses from a number of funds, primarily for a positive social impact, but also for a financial return. By leveraging Nesta's research, knowledge, networks and capital, we have helped the UK's impact investment sector to become a world leader.
- **Communications:** The Communications team works to raise the profile of the organisation, manage the brand and promote its work and achievements to key audiences in the UK and around the world. It does this by maximising positive coverage, and developing compelling events and digital content for our audiences to engage with.
- **Innovation Skills:** The Innovation Skills team helps people become better innovators for the common good by providing content, learning experiences and strategic support to improve innovation skills and embed them into everyday practice.

Department: Policy and Research	
Current impact	Future impact
<p>The work of Policy and Research seeks to achieve impact primarily through generating new knowledge, influencing policy and systems change.</p>	
<p><b>Data, mapping and evidence</b></p> <p><i>The Geography of Creativity</i> report showed the important contribution of the creative industries to local economies across the UK. Our findings are informing the creative industries 'sector deal' in the UK Government's Industrial Strategy and the Arts and Humanities Research Council priorities for the Industrial Strategy Challenges Fund. The data set we published alongside the report has been used to measure the impact of BBC Media City in Salford.</p> <p><b>Mapping the UK's digital tech industries</b> - our mapping method was used in Tech City's UK Tech Nation 2017.</p> <p><b>The Innovation Growth Lab (IGL)</b> has continued its work to make innovation policy more experimental and evidence-based, by bringing new partners on board, providing capacity-building workshops and events, and funding seven trials.</p>	<p><b>Data, mapping and evidence</b></p> <p>In 2017-2018, we will launch <b>Arloesiadur</b>, the cutting-edge innovation data visualisation platform that Nesta has developed for the Welsh Government. We are also working on our first international innovation mapping project with the government of United Arab Emirates. These projects should help put new mapping methods at the heart of innovation policymaking.</p> <p>We have begun a two-year research programme analysing online job ads to build a revised classification systems for occupations and skills for the Office of National Statistics, as part of the Economic Statistics Centre of Excellence that we are running with NIESR, King's College London, Cambridge University, Warwick Business School</p>

Current impact	Future impact
<p>We also published the first guide on how to conduct trials in innovation policy. As a result, interest in experimental policy from innovation agencies, governments and the European Commission has grown.</p> <p><b>The Alliance for Useful Evidence</b> co-curated and hosted the two-day international conference: Evidence Works 2016: A Global Forum for Government in September 2016, offering a space for high quality exchange around the challenges, solutions, and lessons learnt in promoting evidence-informed policymaking.</p>	<p>and Strathclyde Business School. The aim is to improve official labour market statistics and therefore better understand labour market needs.</p> <p><b>IGL's</b> ambition is to change how innovation policy is made, so that testing policy changes at small scale becomes part of the norm rather than the rare exception. Specifically, by 2021 we want to see more countries engaged in policy experimentation in this field, more trials being conducted, and more funding made available to test innovation support schemes across Europe and beyond.</p> <p>Given the demand for <b>The Alliance for Useful Evidence's</b> training arm and advisory services in 2016-2017, we expect to see an impressive number of organisations replicating our model (for example ANSA in France, are currently in the process of developing an Alliance for Useful Evidence equivalent in France), recycling our work in order to be useful in a range of different contexts (e.g. South African reproduction of <i>Using Research Evidence - A Practice Guide</i>, and <i>Using Evidence - What Works</i> with lower and middle income country case studies).</p>
<p><b>International innovation policy</b></p> <p><b>The Global Innovation Policy Accelerator</b> is a new Nesta-led executive development programme for innovation policymakers. In 2016-2017 it worked with 20 very senior policymakers and more than 100 other stakeholders across five countries to build their individual and system capabilities.</p> <p>Our study of <b>frugal innovation</b> and its relevance for Europe, with Fraunhofer ISI, has prompted new interest in this topic within the European Commission.</p> <p><b>Open innovation in health</b> - Nesta research helped the State Government of São Paulo to set up a new accelerator scheme to support open innovation in health, which will now be repeated annually.</p> <p><b>Collective intelligence</b> - our work has prototyped a new approach to participatory poverty measurement with the UN Development Group.</p>	<p><b>International innovation policy</b></p> <p>In the next three years, the <b>Global Innovation Policy Accelerator</b> will develop the skills of innovation policymakers in ten more countries across Asia, Africa and South America.</p> <p><b>Frugal innovation</b> - we will find new opportunities to apply frugal innovation approaches to promote more inclusive outcomes in the UK.</p> <p><b>The Social Innovation Community</b> project will be working with policymakers to embed social innovation principles in policy design across Europe.</p> <p><b>Action research</b> projects with UNDP Moldova and others will help show how collective intelligence tools can be used in practice to improve governance, particularly in lower-resource settings.</p>
<p><b>Futures and explorations</b></p> <p><b>Machine learning and artificial intelligence</b> - we explored the impact of these technologies, influencing the House of Commons Science and Technology Committee's Robotics and Artificial Intelligence report. Nesta research on these topics was featured in the media and has now been presented at several international conferences. This year, the Hot Topics events programme also examined the future of human-computer interactions attracting around 120 delegates.</p> <p><b>Responsible research and innovation</b> - a series of events and workshops attracting around 400 people were held with UCL looking at citizen participation, responsible social experimentation, investment and the role of universities.</p>	<p><b>Futures and explorations</b></p> <p><b>Horizon-scanning across Nesta's priority themes</b> - in alignment with Nesta's new three-year strategy, futures research will be integrated within a new Explorations function which will support teams across the organisation to identify emerging trends and technologies on core themes.</p> <p><b>Healthcare and artificial intelligence</b> - in collaboration with the Health Lab we will look ahead to the impact of these technologies on health systems and the medical profession.</p>

Current impact	Future impact
<p><b>Collective intelligence stories</b> - bringing academics together with science fiction writers to explore the impact of collective intelligence on society. The collection received coverage in the <i>Long and Short</i> magazine and popular science publications such as <i>WIRED</i> magazine.</p>	<p><b>Data-driven foresight</b> - we will develop data analysis tools which complement our futures research, in order to help Nesta identify the emergence of new technologies, trends and networks in real time.</p>
<p><b>Government and public innovation</b></p> <p><b>Informing policy and practice</b> - Nesta published the <i>Wise Council</i> and <i>Digital Democracy</i> reports - profiling digital and data-led innovations in public sector reform and citizen engagement. We articulated clear lessons for policymakers and practitioners about how to use these to best effect.</p> <p><b>Mapping digital social innovation across Europe</b> - through our <i>digitalsocial.eu</i> platform, almost 2,000 civil society organisations that use digital technologies to tackle social challenges were connected, mapped and championed to support digital social innovation across Europe.</p> <p><b>Launched a £250,000 matchfund crowdfunding platform for Arts and Heritage projects</b> - with the UK Department for Digital, Culture, Media and Sport.</p> <p><b>DECODE</b> - we launched an ambitious, experimental three-year European Commission project to research and trial how technology can give people control of their personal data and the ability to share it for the common good.</p>	<p><b>Government and public innovation</b></p> <p>Over the next years we will promote innovation in government through:</p> <p><b>Researching, highlighting and advocating for best practice</b> in how the smarter use of people, data and technology can reform public services, improve citizen engagement and deliver social impact at scale.</p> <p><b>Testing our research ideas</b> in real-world settings, for instance with pilots of tools for digital democracy and collective intelligence.</p> <p><b>Using foresight and horizon scanning methods to spot emerging innovations</b> in the way governments use people, technology and data to inform policy.</p>
<p><b>Startups and new tech</b></p> <p><b>The European Digital Forum</b>, a think tank run by Nesta and the Lisbon Council to promote better conditions for digital entrepreneurship across Europe, continued to influence European policymakers and received recognition from Commissioners Ansip, Oettinger and Moedas. Outputs included the <i>European Digital City Index</i> and <i>Scale-Up Europe</i>, a manifesto written and crowdsourced by leading startup associations and entrepreneurs across Europe.</p> <p><b>The Startup Europe Partnership</b>, a collaboration with three other European partners, continued its work to promote corporate-startup collaboration, with several successful matching events. We also ran a set of awards called the Corporate Startup Stars, a list of top 'startup-friendly' corporates in Europe, in order to promote good practice.</p> <p><b>Readie</b>, the research alliance for the digital economy, produced a report on European attitudes towards digitisation and held an event in Berlin which included a number of ministerial-level speakers on the digital economy.</p> <p><b>Accelerators</b> - Our workstream on Accelerators continued, with the Department for Business, Energy and Industrial Strategy (BEIS) commissioning Nesta to map the rapidly changing landscape of accelerators and incubators in the UK.</p>	<p><b>Startups and new tech</b></p> <p>Over the coming years, we will continue to understand the conditions which help firms start and scale. This will involve:</p> <p><b>Undertaking new mapping projects</b>, in the UK and Europe, which help policymakers understand the local environment for entrepreneurs.</p> <p>Working with BEIS and other partners to improve <b>evidence about the effectiveness of different ways of supporting young businesses</b>.</p> <p><b>Extending our research on corporate-startup collaboration</b>, understanding the benefits and inhibitors as well as establishing and promoting good practice.</p> <p>Through Readie and other programmes, we will continue efforts to <b>understand the ways in which new digital businesses are changing the digital economy</b>, helping policymakers evolve public policy in ways which support these new digital businesses.</p>
<p><b>Creative and digital economy</b></p> <p><b>Nesta's creative economy research</b> is widely held to have played a major role in the selection of the creative industries to be one of five sectors invited by government to submit a sector deal in the <i>Industrial Strategy Green Paper</i>. Our research on creative employment, creative clusters and creative R&amp;D has been extensively cited in policy reports by bodies like the Creative Industries Federation, Creative Industries Council and the Greater London Authority.</p>	<p><b>Creative and digital economy</b></p> <p><b>Future skills needs</b> - In 2017-2018 we are launching the results of an ambitious project with Pearson, to predict the future skills needs of UK and US employers in 2030. We developed a new methodology for the project, combining qualitative expert judgement with cutting-edge machine learning.</p>



Current impact	Future impact
<p><b>Data visualisations</b> - Our interactive data visualisations on the creative economy, such as creative skills and on museums in England, have been some of the most popular and widely shared content on Nesta's website.</p> <p><b>Valuing cultural institutions</b> - Following the impact of our 2015 cultural value research in the Department for Digital, Culture, Media and Sport's (DCMS) spending round discussions with HM Treasury, the DCMS commissioned Nesta and the consultancy Simerica to undertake a major study to scope whether estimates of the economic value of culture can be transferred between different arts and culture sites.</p>	<p><b>Skills profiling tool</b> - launching in 2017-2018, it provides detailed information to employees about the current skills needs of employers. We would like to develop this tool into a career and lifelong learning skills resource, and evaluate its impact on career decisions.</p> <p><b>Creative Nation</b> - In 2017-2018 we will publish <i>Creative Nation</i> in partnership with the Creative Industries Council - the most detailed mapping yet of the networks underpinning the UK's creative clusters. This report and open data set will inform the investment priorities of Local Enterprise Partnerships, universities and other bodies charged with promoting local economic development.</p> <p><b>Data visualisations</b> - we will use interactive data visualisations to highlight challenges facing the creative economy, arts and culture, including gender diversity in the British film industry, access to visual art in public collections and STEAM (Science, Technology, Engineering, Arts and Maths) subject combinations in English schools.</p> <p><b>Valuing cultural institutions</b> - we will be producing a transferable bank of economic value estimates of cultural institutions for the DCMS and the AHRC.</p>

## Department: Innovation Lab

Current impact	Future impact
<p>The Innovation Lab has had a strong year, working across a range of thematic areas, from very small-scale experiments and seed funding new ventures, through to national scaling of proven initiatives and running large, global challenge prizes. Through this work, we've intensively supported 71 organisations throughout the last year.</p> <p>The Lab uses a <b>range of financial instruments and incentives</b> to stimulate novel ideas and grow the impact of initiatives that are proven to work; everything from match-crowdfunding and impact investing to awarding prizes, loans and grant funding. The Innovate to Save Fund is probably the most interesting example of our work to blend R&amp;D support, grant and loan-making to drive innovation in public services in Wales.</p> <p>We place a strong emphasis on <b>opening up opportunities for more people to innovate</b>, who may not ordinarily gain support from a philanthropic foundation, in the belief that in doing so, we build agency for social change and get a broader, better range of ideas to support.</p> <p>The Lab has a long history of achieving impact through supporting innovations that <b>engage citizens - in social action and public services</b>, increasingly <b>underpinned by digital technologies</b>. The ShareLab Fund is an example of where we are supporting new ventures that combine both people power and digital platforms to tackle specific issues, such as integrating volunteer first-aid responders with the emergency services, bringing the benefits of ride-sharing apps to rural communities or giving disadvantaged pupils access to private tuition.</p>	

## Education

**Solved! Making the Case for Collaborative Problem-Solving** - Over 2,500 people read our report, which argues that problem-solving with others is becoming increasingly important to help kids succeed in the classroom and to access future work.

**Rocket Fund** was launched: a pilot platform for teachers to crowdfund and test products that they think will aid learning in the classroom, raising £8,000 for good causes in the first pilot, reaching over 2,000 pupils.

## Education

By 2021 we will have:

- **Influenced policy and practice on the skills needed for the future workplace**, such as problem-solving, collaboration and creative skills. From industry to educators, we'll work with partners to promote better skills development across the talent pipeline.

Current impact	Future impact
<p><b>Click Connect Learn Fund</b> - we gave grants of £370,000 to three organisations that are prototyping online volunteer-led tutoring in partnership with the Office for Civil Society.</p>	<ul style="list-style-type: none"> <li>• <b>Brought quality tutoring to those who need it most</b>, helping 170,000 disadvantaged students do better in their GCSEs, or equivalent.</li> <li>• <b>Made it easier for teachers to access and experiment with affordable and evidence-driven education technology</b>, helping 500,000 school children.</li> </ul>
<p><b>Government innovation</b></p> <p><b>Offices of Data Analytics</b> - our pilots in London and the North East have involved 18 local authorities and the GLA in using data to tackle rogue landlords and alcohol related harms.</p> <p><b>Social action reports</b> - more than 1,000 people downloaded our social action reports, sharing the lessons from three years of the Centre for Social Action Innovation Fund, which mobilised 170,000 volunteers. We published 30 evaluations of social action, including validating two randomised controlled trials (level 3) that show the impact of volunteer-led tutoring on students' GCSE and A-Level scores.</p> <p><b>ShareLab Fund</b> launched in 2016-2017 offering grants to incubate eight new collaborative platforms that can support public services and address social need in areas such as homelessness, social care and community transport.</p>	<p><b>Government innovation</b></p> <p>By 2021 we will have:</p> <ul style="list-style-type: none"> <li>• <b>Made social action easy to commission at a local level.</b> We'll have grown the supply of social action innovations that the public sector can use (integrating at least five into everyday public services nationwide), as well growing commissioner engagement in social action, through convening and publishing evidence and 'what works' guides. We'll also have voiced the stories and impact of these radical models of caring and sharing on real lives in the community.</li> <li>• <b>Supported the development of at least eight tangible examples of how smarter use of people, technology and data can reform public services, improve citizen engagement and deliver social impact at scale.</b> Through Nesta-led practical work (e.g. Offices for Data Analytics and Collective Intelligence pilots) regions will have the ability and confidence to use data to address local needs. Through financial support and mentoring (e.g. the ShareLab Fund), we'll have supported the growth and market readiness of external projects that offer alternative service delivery models. And through our research, we'll have inspired and facilitated new practices and collaborations.</li> <li>• <b>Made the case for the use of dedicated innovation funds, programmes and new financial instruments by governments.</b> We'll have proven the case for the Innovate to Save scheme and replicated the model with other governments.</li> <li>• <b>Established the pre-eminent global learning community for public sector innovation</b>, with thousands of public innovation leaders delivering greater impact through their participation in an active curriculum across every continent.</li> </ul>

Current impact	Future impact
<p><b>The creative economy, arts and culture</b></p> <p><b>The Arts Impact Fund</b> approved 11 unsecured loans totalling £3.95 million to arts and cultural organisations across England - generating social outcomes across our three target areas, though health and wellbeing was under-represented.</p> <p><b>A matched crowdfunding campaign</b> was launched on Crowdfunder (in partnership with Arts Council England, Heritage Lottery Fund and DCMS) to explore the potential to use grant funding to attract additional capital by matching contributions from the public. By 31 March there were 19 funded projects from the arts raising a total of £148,278 (including £43,500 from ACE), and four funded projects in heritage, which had raised a total of £59,291 (including £14,000 from HLF).</p> <p><b>Digital R&amp;D Accelerator</b> - Nine of the most promising ideas backed by the Digital R&amp;D Fund for the Arts came through the Digital R&amp;D Accelerator (another partnership between Nesta and Arts Council England, delivered by The Accelerator Network). The cohort explored and tested commercial business models and pushed the boundaries of organisational practice. One has since secured equity investment in their venture and several are in discussions with other investors, including Arts Impact Fund.</p>	<p><b>The creative economy, arts and culture</b></p> <p>By 2021 we will have:</p> <ul style="list-style-type: none"> <li>• <b>Proven to policymakers that the creative economy is a crucial point of competitive advantage</b> and placed the creative economy at the heart of industrial policy.</li> <li>• <b>Helped hundreds of arts and cultural organisations to innovate and grow by developing and testing new funding tools</b> such as impact investment and matched crowdfunding.</li> <li>• <b>Helped hundreds of arts and cultural organisations to use emerging digital technologies</b> to create new artforms, reach new audiences and engage existing audiences in new ways.</li> </ul>
<p><b>Challenge Prize Centre</b></p> <p><b>Open Up Challenge Prize</b> launched in 2016-2017. This is a global-first in being a prize (of £5 million) that is backed by experimental regulation to encourage fin-tech companies to use new Open Banking APIs to deliver game-changing benefits for UK small businesses.</p> <p><b>Prizes for Community and International Development</b> - including a Data-Driven Farming Prize funded by USAID for translating data into actionable information for smallholder farms to improve agricultural productivity.</p> <p><b>The Longitude Prize</b> - The Challenge Prize Centre has continued to manage a wide variety of impactful prizes including the flagship Longitude Prize which this year included the awarding of discovery award funds for promising diagnostic tests that better target the use of antibiotics.</p>	<p><b>Challenge Prize Centre</b></p> <p>Going forwards, we are focusing particularly on using Challenge Prizes to:</p> <ul style="list-style-type: none"> <li>• <b>Demonstrate the effectiveness of regulators addressing market failure</b> and boosting innovation via prizes and outcome-based funding models. Firstly by the Open Up Challenge, then working with regulators in other 'utility' areas and in emerging technologies such as commercial drone development.</li> <li>• <b>Development of prizes for community and international development</b> that result in impacts for poor and deprived groups including by developing prizes in aquaculture that can significantly improve the livelihoods of poor fish farmers and the nutrition of those living on less than \$5 per day.</li> <li>• <b>Development of prizes which harness advanced technology for good</b>, including a prize to radically impact on those living with paralysis.</li> </ul> <p>By 2021 we hope to have found and enabled a winner for the <b>Longitude Prize</b> - that will have a significant impact on stemming the rise of drug resistant infection, potentially saving millions of lives.</p>

## Department: Health Lab

### Current impact

We want to see a people-powered and data-driven health system that makes the most of resources around the system: from patients' motivation to data, as well as the knowledge and commitment of health professionals.

Over the past few years we have backed over 100 local health systems and individual organisations with more than £20 million of funding.

We track the impact of individual grants and activities, including beneficiaries reached and outcome goals achieved. We also track the impact of overall programmes, including audience reach, learning developed and wider impact goals attained, such as the Realising the Value programme's influence on the Greater Manchester Population Health Plan. We also track the wider influence and take-up of our work, for example, Nesta's influence on the focus on people power in NHS England's *Five Year Forward View*.

**Realising the Value** - Nesta led a programme to bring together evidence and practice on how people can take an active role in their health and care. We worked with five local sites and produced ten reports and tools. Over 18 months, we engaged around 600 people directly through events, and more than 1,000 people through our newsletter. To date there have been more than 15,000 unique downloads of our resources.

**Accelerating Ideas** - we gave £5.44 million in grants to eight organisations to grow the reach and impact of their work with older people over five years with our partners The Big Lottery Fund.

**Health as a Social Movement** - we published groundbreaking research on the power of people in movements to improve health, read by more than 1,300 people. In addition, the social movements prediction series blog had 4,200 views.

**Helping in Hospitals** - a programme that supported ten hospital trusts to create new roles for volunteers with demonstrable impact on patient mood, hydration and nutrition. For example, the work with Kingston Hospital recently received a *Health Services Journal* Award for Value.

**Digital health** - in digital health we experimented with new ways to use apps to support health. We tested new ways for people with dementia to use digital apps to engage with music, reminisce and enhance relationships with the people around them. We supported 100 for Parkinson's who built a research app that generated 2.2 million datapoints for Parkinson's research. We also supported GoodSAM, an app that gets first responders to an accident quickly. GoodSAM has now been used over 10,000 times in London alone, and is being adopted nationally and internationally.

**People Powered Results** - Nesta has continued to develop the 100-day innovation method, co-created with the Rapid Results Institute, that transforms local systems by supporting frontline staff and leaders to achieve meaningful change. In 2016-2017, we worked with ten health and care systems from Stockton-on-Tees to Somerset, supporting frontline teams to increase the use of personalised care approaches and innovate new solutions to delivering elective care.

**Changing local areas** - our work in Greater Manchester, testing and growing a range of ways for people and communities to be supported to live well, has developed best practice and directly influenced the recent Greater Manchester Population Health Plan.

### Future impact

By 2021 we will have:

- **Nurtured and grown effective sources of support to improve people's health and wellbeing**, such as peer support, and contributed to these approaches reaching millions of people through mainstream adoption.
- **Created new pools of data collected by people**, with many millions of datapoints, that improve day-to-day management of health, inform clinical decision-making and drive new research.
- **Used the 100-day innovation method to transform at least 40 local health and care systems** at pace.



## Department: Investments

### Current impact

Nesta's Investments team achieves impact by:

- Investing in small, fast-growing businesses with the potential to improve lives at significant scale.
- Providing support to our portfolio with impact measurement, fundraising, business planning and networking.
- Sharing our approach, successes and failures to inform the wider market.

**We made follow-on investments into Oomph!, CogBooks and Third Space Learning and a new investment in Synopsis Healthcare**, a business that helps reduce clinical risk and unnecessary cancellations in hospitals by improving the quality and consistency of pre-surgical assessments.

**Theory of change** - Building on our experience of the last four years, we revised our theory of change and made some significant changes to our impact assessment and measurement frameworks, enabling more objective and quantitative analysis of impacts, risks and returns.

#### Investee reach and impact via their products and services:

- Arbor data management systems are now used in 200 schools.
- Over 2,000 students completed undergraduate courses on the CogBooks adaptive learning platform.
- Ffrees launched its transformational U digital 'unbanking' platform with over 15,000 users in the first four months.
- FutureGov provided digital transformation consulting for over 85 local authorities and government agencies in the UK, Australia and the Middle East.
- GetMyFirstJob has supported over 300,000 young people as they seek apprenticeship placements.
- Third Space Learning provides one-to-one maths support for around 6,000 primary school students each term.
- Activity management provider Oomph! runs 6,000 exercise and activity classes for older people and vulnerable adults each month and has launched its new Out and About service to help older people participate in community life.
- The Reconnections loneliness programme has supported nearly 700 isolated older people in the community.

We have seen strong performance from our portfolio of **Programme Related Investments**, including Abundance, Resonance, Bethnal Green Ventures and Behavioural Insights Team, all of which saw positive growth in revenues.

Continued management of our **early-stage venture portfolio** of investments, including £750,000 in cash proceeds during the year, and further investment commitments of £54,000.

### Future impact

In the next year we intend to:

- Build on non-binding, in-principle commitments from Nesta and Big Society Capital (which are subject to satisfaction of certain terms and conditions) to fundraise from a diverse set of investors for our **second impact investment fund**.
- Make our last two or three final investments from Fund 1, and we will **continue supporting our portfolio** with follow-on investment, support on impact measurement, strategy governance and business development.
- Contribute to the **Impact Management Project**, a global collaboration to identify norms in the measurement and use of impact data.
- Publish our refreshed impact approach and our **first annual report**.
- Continue to break new ground for impact funds by undertaking an **'impact audit'**.
- Continue to manage Nesta's **technology venture investment portfolio** with increasing focus upon profitable exits, enabling reinvestment into charitable activities.

## Department: Communications

### Current impact

The Communications team measures its impact in a number of significant ways, and uses key performance indicators to ensure annual targets are being met. Media coverage is tracked in national and international press, broadcast TV and radio, trade and specialist press. Website traffic and social media engagement levels are monitored on a weekly basis. Event registration and attendance records are evaluated on an event-by-event basis. The team also evaluates the impact of large campaigns, integrating all the different channels to provide an overarching view of communications impact.

**FutureFest** The team designed, produced and delivered Nesta's third FutureFest. The aim was to excite and inspire a cross-section of our audiences with ideas about what the future could hold, linking the experience more closely to Nesta's work. We set ourselves ambitious ticket and production targets with a venue capacity twice as large as the previous festival. Through careful planning and more targeted marketing campaigns we successfully filled the venue with over 4,000 people and delivered a vibrant festival with over 170 speakers, 15 debates and 12 curated experiences.

**New Radicals** The team worked with *The Observer* as media partner, on a third campaign to discover the 50 people and organisations who are changing Britain for the better. The campaign attracted over 600 submissions, which were then shortlisted by a panel of judges. The winning submissions featured in a six-page spread in *The Observer* on 10 July, and generated 100,000 page impressions to the Nesta site. Over 150 people came to the celebration event at Nesta, including 24 from previous cohorts.

**Predictions** Nesta's annual thought leadership series was launched on 14 December. The series explores the trends and technological breakthroughs that will shape the world in the next 12 months. The campaign started with a radio tour, with 26 back-to-back interviews in a single morning. The most topical prediction - *A Brexit Fairytale* - was placed in *CITY A.M.* The campaign reached 25 per cent more people than the 2016 campaign, with over 30,000 reads in the first 20 days and more than 2,000 shares on Twitter. A total of 48 pieces of national and local radio coverage and online and print coverage were secured.

**New brand** The Communications team led on a new brand for the organisation, which was implemented in January 2017 to coincide with the move to Nesta's new building. The new brand was carefully designed to communicate a clearer purpose for Nesta, and to help bring consistency to the way we talk about our work internally and externally.

### Future impact

**The communications priorities for 2017-2018 are to bring more consistency to Nesta's narrative and promote the five newly defined priority areas of work.** We will work with the relevant teams to develop campaigns and big events to support each area of work, and use backbone campaigns such as the annual *Predictions* series and FutureFest to promote Nesta at a masterbrand level.

The current **website** will reach the end of its technical life in mid 2017. We will design and build a new digital experience for Nesta's audiences on an updated technical infrastructure, and use the new brand as an opportunity to express a more focused approach.

**A new brand and marketing function** will help strengthen our communications approach. The new unit will conduct an analysis of our audiences, developing tools and actionable insights that will help the wider organisation target existing and new audiences more successfully.

All teams will work more closely with Salesforce, helping to **join up data** from events, media and digital channels to create a more forensic view of our audiences and deliver better, more tailored, experiences for Nesta stakeholders.

## Department: Innovation Skills

### Current impact

Our impact approach focuses on taking people on a learning journey that supports them to develop their innovation knowledge and skills. We do this through three different stages:

**Raising awareness:** understanding the benefits of innovation.

**Making it happen:** learning how to adopt new methods and approaches.

**Spreading skills:** building innovation skills more widely across teams, organisations, sectors or regions.

Ultimately, we want to see innovation methods and approaches become part of everyday practice.

**A new public innovation curriculum** - we launched a new initiative to develop the next generation of public innovation learning. The aim is to help strengthen innovation capacity across governments and improve their ability to solve complex problems. It does this by orchestrating the world's best people, organisations and knowledge to create more effective learning on the approaches, culture and behaviours that enable innovation in government. In December we prototyped our first module on Experimentation with the UAE government, and we are entering partnerships with more than a dozen national governments to continue to develop the curriculum.

**Creative Enterprise Programme** - in partnership with the British Council, we redeveloped our Creative Enterprise Programme - a three-day practical workshop that supports creative entrepreneurs in setting up and growing their businesses. Having completed three pilots of the redesigned content in Macedonia, Colombia and Chile, we are now embarking on a global roll out, working closely with a select number of countries.

**DIY Toolkit**, which features 30 tried-and-tested social innovation tools, reached over one million website views, as well as 130,000 tool downloads over the past year. In parallel, our online innovation learning programme DIY Learn, which features bitesize modules on the Toolkit's most popular tools, continued to attract new learners from across the globe.

**Design for Europe** - as part of the EC-supported Design for Europe programme, we worked with international design agency IDEO to create a new guide to design, targeted at the public sector. The practical guide brings together a collection of tools and methods for using design to improve public services.

Alongside this work, we continued to run a range of **workshops** to help people learn practical innovation skills. These included workshops with Nesta Lab programme participants, UNDP and USAID amongst others. In total, we ran almost 40 workshops in 17 countries, attracting over 1,100 attendees.

### Future impact

Over the next few years, our goals are:

- **To grow a world-leading centre for government innovation education.** We plan to maximise our reach by partnering with other innovation learning experts from across the globe and developing an affiliated network of learning providers. In this way we can increase our impact and broaden the scope of our offer. Our ambition is that the initiative will play an instrumental role in helping governments improve the way they operate, ultimately creating better outcomes for citizens.
- **To continue to codify Nesta's expertise on innovation approaches and methods** in order to share our practical experience with a wider audience. We have already created five practice guides on topics ranging from using evidence to running a challenge prize, and we currently have two more in development - one on using data in government, and another on foresight and futures thinking.
- **We will begin to run the revised Creative Enterprise Programme (in partnership with the British Council) in new locations across the world**, including Egypt, Russia and West Africa, as well as continuing our work with the pilot countries. In order to increase the opportunities for impact, we will also be working with some countries to help them establish their own locally-run programmes, led by local creative entrepreneur experts and overseen by Nesta. The aim is that these locally-embedded programmes will be able to respond better to local demand and run with higher frequency.

### 3. Plans for the future

Nesta's new strategy for 2017-2021 sets out plans for being more systematic about where and how we back new ideas to tackle the big challenges of our time. This means working hard to **see** new opportunities and challenges; **spark** creative solutions from many sources; **shape** the most promising ideas so that they can work in practice and at scale; and then, in partnership with others, **shift** whole systems in a new direction.

**Research and exploration** A new Futures and Explorations team will explore new areas to find where we can achieve the greatest impact, using research, convening power and funding to map possible futures.

**Innovation methods** We'll become more systematic in tracking, shaping and spreading the best methods for innovation. We've done this in the past around methods like accelerators and challenge prizes, and are now extending this work, for example to new uses of data and new ways of using money.

**Priority fields of work** We'll prioritise the use of these innovation methods in a small number of fields where there are big challenges and our capacities are suited to the action that's needed:

1. **Health.** How do we support a population living with more long-term health conditions when the health and care system is under serious financial pressure? We look for better ways for people to remain healthy, drawing on their own energy and ideas, as well as the insights of medical science and new digital tools.
2. **Education.** How do we educate young people for a future where work will be very different from today? We look for ways to prepare young people for good jobs in the future, testing and growing approaches to teaching skills that will complement new technologies and be relevant in a more automated world. We also focus on improving access and effectiveness in digital learning technologies.
3. **The creative economy, arts and culture.** How can we grow the creative economy and help arts and culture organisations thrive in a time of austerity? We show the value of the creative economy, influence policies to help it grow, and help arts and cultural organisations thrive by making the most of digital technologies and new funding sources.
4. **Government innovation.** How can governments respond to rising expectations,

shrinking budgets and fragile trust in political systems? We've worked with over 30 national governments, and dozens of local and city authorities, to help them get better at innovating. We support them to make smarter use of data, technology and people power to reform public services, address social need and engage citizens in the decisions that affect their lives.

5. **Innovation policy.** How can we create the conditions for innovation to fuel economic growth so that everyone benefits? We help design better ways for governments (at a national, regional and city level) to support innovation in the economy and society. We develop analytical tools and promote more effective innovation methods.

**Growing units.** We'll continue to extend our impact by becoming a networked organisation, growing more autonomous units that can generate their own revenues and relationships. These include our various impact investment funds; the Challenge Prize Centre; the Alliance for Useful Evidence; Innovation Growth Lab; Innovation Skills and Readie.

**Communications.** Our brand signals Nesta's spirit as a networked organisation and as an igniter and incubator of social change. We'll use it to help tell Nesta's story, focusing on media and digital to reach a wide audience and using our new building as a hub that can be used by many organisations sharing our mission.

**Impact.** We'll continue to become more rigorous in assessing both the direct and indirect impact of what we do and support, learning from failures as well as successes.

**Where will Nesta operate?** Our primary focus is in the UK – working in England, Scotland, Wales and Northern Ireland. But we also have a European and an international outlook, working in dozens of countries, so we can both learn from others and achieve a greater impact through partnerships. We intend to grow this global presence, while also using our new building in London as a hub for sparking ideas and convening people.

**What counts as success?** We judge ourselves against many measures: from the direct impact of the programmes we fund to our influence on public policy; from the growth of firms and social ventures we invest in, to how much value people have gained from our events and publications.



## 4. Financial review

The Group comprises of Nesta (the main operating charity through which all charitable activity is undertaken), the Nesta Trust (a charitable trust which holds all the investment assets invested to fund the charitable activities of Nesta in advancing the objects of the Trust), five companies and three limited liability partnerships.

A number of subsidiaries have been set up to manage investing and fund management activities undertaken by Nesta's investment and programme teams and expanded to manage Nesta's social impact investment activity. It enables Nesta to manage and invest funds on behalf of its investment partners in compliance with the Financial Conduct Authority's (FCA) requirements. This structure is made up of Nesta GP Limited, Nesta GP2 Limited, Nesta PRI Limited, Nesta Partners Limited, Nesta Investment Management LLP, NII2 Special Partner LLP, and Nesta Arts Impact LLP. The Group also includes Nesta Enterprises Limited, incorporated as a trading subsidiary for non-primary purpose trading. The results of the Group consolidate all subsidiary undertakings as well as the Trust and the joint venture in Behavioural Insights Limited.

Nesta Trust purchased a long leasehold interest in a property located in London on 12 September 2016 for £50.8 million. The lease will run until 2162. The property will be held for both investment purposes and also to provide accommodation for the Group's charitable activities. The total capital cost incurred by the Trust in regard to both acquisition of the leasehold interest and fitting out was £54.4 million.

Nesta Trust provides funding to Nesta to carry out the Trust's charitable objectives and this year provided £19.4 million (2016: £16.1 million) of which £17.8 million (2016: £16.2 million) was applied to charitable operating activities and £1.6 million (2016: £2.5 million) was applied against Nesta's commitment to the Impact Investment Fund and other programme-related investments held on Nesta's Balance Sheet. The assets of the Trust are held as an expendable endowment,

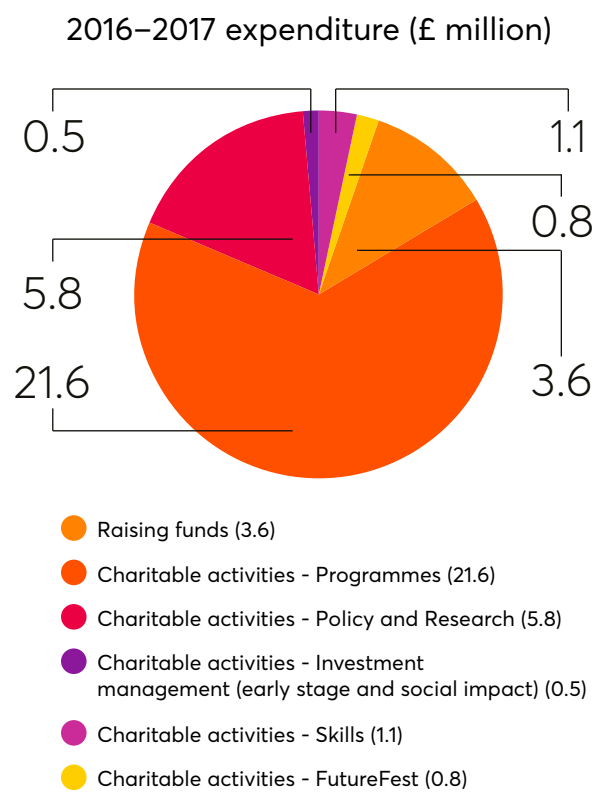
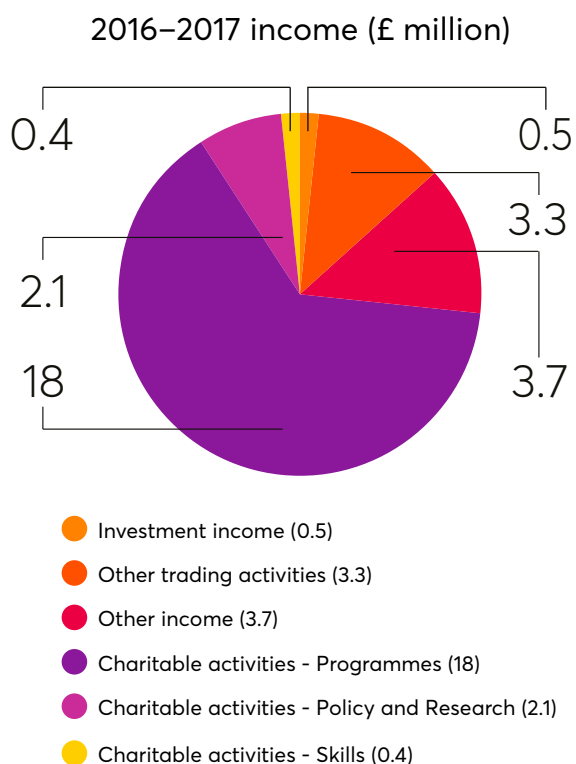
and the Trust is therefore able to fund charitable activity beyond the income it received of £1.3 million (2016: £1.9 million) during the year.

Nesta's Trustees have recently agreed an 'in principle' funding rule covering the three years to 31 March 2020, allowing Nesta to draw down £42-45 million for operating expenditure (adjusted in part for inflation) in support of its strategic plan. This is intended to move annual expenditure broadly into line with the assumed long-term real rate of return on the endowment of 3.25 per cent. During the last three years £48.6 million was drawn down which was the maximum funding available for that period.

Funding made available by Nesta Trust does not constitute a commitment until a drawdown is made. A further £12 million may be drawn for Nesta programme related investments for the three years to 31 March 2020, of which £5.5 million (2016: £4.6 million) has already been committed to the Nesta Impact Investment Fund.

In addition to funding from the Nesta Trust, the Nesta Board of Trustees set income targets for Nesta's Executive team. Income of £20.7 million (2016: £10.6 million) was recognised in addition to £1.3 million (2016: £1.9 million) of investment income from Nesta Trust. This income is predominantly in the form of partnership funding where Nesta's expertise in programme design and project management is combined with the funding capacity of other typically larger organisations. Nesta is the lead partner in a number of European funded grant programmes or service contracts which generated income of £1.4 million (2016: £0.6 million).

Total Group expenditure for the year was £33.4 million (2016: £25.7 million). Expenditure on charitable activities was £29.7 million (2016: £23.8 million) and £1.6 million (2016: £1.3 million) was spent on managing the endowment assets held by the Trust and impact investment funds held by Nesta. In addition £2 million (2016: £0.6 million) was spent on Nesta Enterprises trading activities. Grant commitment expenditure for the year was £11.1 million (2016: £2.1 million). Grant recipients of over £50,000 are detailed in Note 7b.



Programme expenditure was £21.6 million for the year (2016: £13.8 million), of which a proportion was funded by external income.

FutureFest expenditure was £0.8 million (2016: £0.6 million) and this event showcases some of the work of Nesta with the aim of engaging a larger and more diverse audience.

Support costs of £8.3 million (£9.7 million) relate to Communications and Corporate Service activities and are allocated to programme areas as shown in Note 7a.

At 31 March 2017, the Group had an unrestricted surplus of £5.3 million (2016: deficit of £0.3 million) as shown in the Statement of Financial Activities and unrestricted reserves of £8.3 million (2016: £2.9 million). At 31 March 2017 the reserves of the expendable endowment stood at £418.5 million (2015: £375.1 million).

An external review of the level of sustainable funding available from the endowment was commissioned during the year and which was taken into account when setting the strategic plan including a glide path reduction in drawdown during the next three years. The Trustees accordingly consider the level of expendable endowment reserves sufficient to sustain the future underlying value of the assets and funding plans for the Group.

As Nesta is able to draw down cash from Nesta Trust as required within the approved three year funding envelope, the Trustees have concluded that there is a reasonable expectation that the Group has adequate resources to continue activities for the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

## Investment review

The assets of the Trust provide income and capital to be applied by Nesta as sole Trustee to further the objects of the Nesta Trust. The investment strategy balances the desire to maintain the real value of the endowment and its ability to generate the income which Nesta will require, while at the same time maximising total return to fund activities to advance the charitable objectives of the Nesta Trust. The strategy aims to balance risk, return and capital preservation.

At 31 March 2017 the value of Trust investments and cash increased by £74 million to £417 million (2016: £343 million), after annual transfers to Nesta to carry out the objectives of the Trust in line with the Trust Deed. The increase included the sale of global equities of £58 million and purchase of a new head office building at £54 million. The value of the Trust investments has been assisted by realised and unrealised gains of £62 million. The asset values and relative allocation at 31 March 2017 compared with the previous year are as follows:

Asset class	Market value of investment assets 31 March 2017 £'000	Proportion of total endowment assets 31 March 2017 %	Market value of investment assets 31 March 2016 £'000	Proportion of total endowment assets 31 March 2016 %
<b>Current assets:</b>				
Cash	12,132	3	46,415	14
<b>Fixed asset investments:</b>				
Gilts	-	-	11,686	3
Property trust funds	-	-	2,528	1
Private equity funds	14,485	3	15,800	5
Global equities	226,073	54	164,990	48
High yield bonds (fixed income)	85,563	21	75,183	22
Early-stage venture portfolio*	24,972	6	25,856	7
Deferred investment and loans in early-stage companies*	2	-	664	-
Investment property**	54,103	13	-	-
<b>Total</b>	<b>417,330</b>	<b>100</b>	<b>343,122</b>	<b>100</b>

\*Mixed motive investments – see Note 6 of the accounts for further breakdown

\*\*Investment property value shown in the table above is the value held by the Trust before consolidation adjustments.

### Strategic review.

During the year, the Trustees of Nesta undertook a sustainable funding review of the investment portfolio including the asset allocation policy. Other asset investments were sold prior to purchasing a long leasehold property in London which now represents the only property class asset held.

### The gilt position.

The Trust's holding in gilts was reduced to £nil during the year (2016: £11.7 million).

### Global equities performance.

Global equities represent 54 per cent of endowment assets. At the start of the year the holding stood at £165 million, however due to market conditions this increased to £226 million as at 31 March 2017. Trustees continue to monitor investments in all asset classes in line with the tactical allocation policy agreed in January 2016.

During the year £58 million (2016: £28 million) of assets under active management were realised with proceeds invested and reallocated in line with the Trustees' decision to reduce the fee burden by reducing investments in actively managed funds.

### Managing holdings of alternative asset classes.

Drawdowns against the Trust's commitment to two private equity secondary funds continued during the year, with additions of £0.9 million (2016: £2.7 million) and capital returns received of £5.4 million (2016: £1.4 million). It is expected that these two funds will continue to be drawn down over the next two years. £6 million financial commitment outstanding for this asset class is disclosed in Note 10 to these Financial Statements.

### Maximising value from our self-managed venture portfolio.

The early-stage venture portfolio includes equity and loan investments in nineteen (2016: nineteen) early-stage companies, and commitments to five (2016: five) early-stage investment funds. The Trust's investment strategy is to maximise the returns from the current portfolio but not to invest in any new early-stage companies or funds in the near future. Follow-on funding invested in 2016-17 in accordance with this strategy totalled £0.7 million (2016: £1.0 million). A net realised gain of £0.6 million (2016: £1.7 million) was recognised in the year, due in part to earn-outs from realised investments in early-stage companies and in part due to disposals of holdings in various companies held by two early-stage fund of funds. A net unrealised loss of £1.5 million (2016: gain of £2.0 million) was also recognised, applying the valuation methodology which remains unchanged from previous years and is detailed in Note 1e to the Accounts.

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £1.4 million (2016: £1.2 million) across the Trust and include external fund manager fees and custodian fees. Where fund manager fees are offset against the relevant fund's value, in accordance with normal practice, these fees are grossed up and shown as fund manager fee expenditure, in the Statement of Financial Activities, along with those fund manager fees that are invoiced and paid for in cash.

### Investment policy

The Nesta Trust was established by a Trust Deed dated 22 September 2011. As the sole Trustee of the Nesta Trust ('the Trust'), Nesta is responsible for the Trust's investment policy. The investment strategy is delegated to the Trust Investment Committee of the Board which is responsible for strategic and tactical asset allocation, rebalancing, styles and weighting within asset classes, as well as monitoring manager, consultancy and custodial arrangements.

Nesta holds the investment assets of the Trust without distinction between capital and income, applying them in furtherance of the Trust's objects. These investment assets are held as an expendable endowment.

Trust assets are invested in accordance with the wide investment powers set out in the Trust Deed, which places two specific conditions on Nesta's power to invest:

- a. UK Government Gilts may only be sold to fund the activities of Nesta in advancing the charitable objects of the Trust, to purchase other UK Government Gilts, or with the consent of the Secretary of State for the Department for Business, Energy and Industrial Strategy;
- b. Nesta must set the investment and spending policy for the Trust with a view to preventing the value of the Trust assets and any returns generated by the Trust assets falling below £260 million.

Nesta's investment objective for the Trust is to balance the current and future needs of the Group by:

- Producing a consistent and sustainable level of income to support the work of Nesta in advancing the charitable objects of the Trust;
- Ensuring sufficient liquidity to avoid the forced sale of Trust assets at distressed prices, while ensuring that the majority of the assets are invested in higher returning investment instruments;
- Being aware that higher levels of assets may be required to meet Nesta's needs when investment income is expected to be low;
- Delivering these objectives within acceptable levels of risk.



To meet these objectives Nesta invests globally and maintains diversification across a range of asset classes in order to produce an appropriate balance between risk and return, believing that diversification can limit the impact of any single risk.

### Programme-related investments and grantmaking policy

Nesta achieves its charitable objects, and the objects of the Nesta Trust, in a number of ways which include providing investment, grant-making, providing non-financial support, and carrying out research. Support is provided in a range of different ways, depending on the nature and objectives of each programme.

In line with Charity Commission guidelines, programme related investments are made primarily to further the objects of the charity for public benefit but are also expected to make a financial return and are managed in line with programme objectives. Consequently they are, as permitted by *Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102)* applicable in the UK and Republic of Ireland (effective 1 January 2015) issued by the Charity Commission, included in the balance sheet at cost less any provision for impairment where there is no evidence for fair value.

There is no set allocation of the annual budget for overall grant expenditure, rather Nesta sets programme deliverables and the appropriate method of delivery will be determined within that programme's budget. Where grants are appropriate as a funding mechanism, Nesta sets out specific entitlement criteria for each programme at its launch. These criteria vary from programme to programme and are made available on Nesta's website where open calls are invited. Applications are then assessed against these criteria and awards made taking into account funds available, ability to deliver

the objectives of the programme, and the quality of applications. The period for which grants are awarded depends upon the programme but typically lasts between one and three years. Grants are monitored regularly and appropriate progress reports are required from recipients. (A list of grants over £50,000 can be found on pages 56 to 57, and a comprehensive list of all grants made during the year can be found on the Nesta website.)

### Free reserves policy

In accordance with the Trust Deed of the Nesta Trust, Nesta's reserves policy is to provide sustainable funding to advance the charitable aims of the Nesta Trust whilst holding reserves at sufficient levels with a view to maintaining the underlying assets above a market value of £260 million.

At 31 March 2017 the total funds of the Group stood at £439.4 million (2016: £384.9 million). Nesta Trust provided funding to fulfil its charitable objectives, through activities carried out by Nesta, totalling £19.4 million (2016: £16.1 million).

Nesta, as the parent charity, has no requirement to maintain its own free reserves provided that expenditure remains within the approved amount of drawdown from the Trust. The policy for drawdown was established in line with the Trust Deed and subject to the powers of the Protector of the Trust, and allows drawdowns at any time during the year as long as the approved drawdown total is not exceeded.

Restricted cash reserves are not used to fund Nesta's general operating costs and are held on its balance sheet until required to fund specific programme expenditure.

This Reserves policy will only be reviewed on a change in the funding relationship between the Trust and Nesta; such a change is currently not foreseeable.

## 5. Principal risks and uncertainties

The Trustees are responsible for the management of risks within the Nesta Group and consider risk in two areas – organisational risk and activity risk.

### i. Organisational risk:

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Finance and Audit Committee. The top-level organisational risk register is presented regularly to the Finance and Audit Committee and reviewed by the Board annually. Broader strategic risks including reputational risks are considered by the Executive Team collectively when they meet each quarter to review the top-level register for the organisation as a whole.

The key controls in place include:

- An established organisational and governance structure and lines of reporting;
- Detailed terms of reference for the Board and all Board Committees;
- Comprehensive financial planning, budgeting, management reporting and monitoring;
- Formal written policies and hierarchical authorisation and approval levels;
- Internal audit services engagement with programmes selected for review which are informed by the risk register.

One of the Group's main financial risks is the investment activity of Nesta Trust. Investment risk is managed with the support of our investment advisors, through regular review of the Nesta Trust investment policy, management of the strategic asset allocation, regular performance reporting, diversification across a broad range of asset classes, investment managers and investment strategies, and ongoing manager reviews.

The majority of Nesta's Trust investments are externally managed by investment managers in pooled fund vehicles.

### ii. Activity risk:

Nesta's mission to help people and organisations bring great ideas to life requires it to have an element of risk-taking in its activities if it is to succeed, as the mission requires experimentation. Accordingly the risk appetite is for 'managed

risk-taking' rather than simple 'risk aversion'. This includes the recognition that some activities or projects may fail to a greater or lesser extent, and that such failure can be an important source of learning.

The risk management of individual programmes is the responsibility of the relevant Executive Director. Risks identified in the normal course of business and performance dashboards for each programme with relevant risk ratings are discussed by the Executive Team in their monthly meetings.

Trustees are satisfied that the major risks identified through the risk management processes are being adequately managed where necessary while recognising that any framework can provide reasonable but not absolute assurance. There were no material control weaknesses identified by Trustees or management during the year.

Nesta has identified the following major organisational risks and uncertainties:

- Failure to achieve demonstrable impact in our projects (while recognising that some failure is inevitable in innovation) leading to an adverse impact on Nesta's reputation as a catalyst for innovation;
- Inability to attract or retain staff with the skills we need to carry out the range of work we do, leading to lower quality management of projects and diminishing outputs;
- Failure to attract sufficient match-funding to enable us to grow our activities and leverage our own resources, in line with our three year strategy;
- Ensuring that property tenancy voids are minimised and landlord responsibilities are appropriately discharged;
- Risk that poor investment returns over an extended period put pressure on income available to fund our activities and achieve our objectives;
- Risk that passive management of cash flow leads to investment assets not being sold advantageously thereby not maximising investment returns;
- Lack of landlord experience leading to inability to secure tenants for the new property and therefore increased reliance on the endowment.

## Objectives

### Nesta works to advance a number of charitable aims for the public benefit:

1. To advance education, and in particular the study of innovation, by the promotion of research and the publication of the useful results thereof, in:

- Science and technology
- The arts
- The efficiency of public services
- The voluntary sector and social enterprise
- Industry and commerce

2. To advance:

- Science and technology
- The arts
- The efficiency of public services
- The voluntary sector
- Industry and commerce and social enterprise which:
  - Relieves poverty
  - Relieves unemployment
  - Advances health
  - Advances environmental protection or improvement and sustainable development

- Advances citizenship or community development through or by encouraging and supporting innovation.

The voluntary sector means charities and voluntary organisations.

Charities are organisations, which are established for exclusively charitable purposes in accordance with the law of England and Wales.

Voluntary organisations are independent organisations, which are established for purposes that add value to the community as a whole, or a significant section of the community, and which are not permitted by their constitution to make a profit for private distribution. Voluntary organisations do not include local government or other statutory authorities.

Sustainable development means 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'

3. To advance any other purpose which is recognised as exclusively charitable under the laws of England and Wales and Scotland.

## Public benefit statement

The Trustees confirm that, in exercising their powers and duties in relation to both Nesta and the Nesta Trust, they have had due regard to the Charity Commission's statutory guidance on public benefit.

A copy of the Charity Commission's guidance on public benefit is provided to each Trustee. Every proposal brought to the Board for approval outlines how it will advance Nesta's charitable objects for public benefit.

This report sets out some of the activities and achievements of Nesta in carrying out its charitable purposes, and the purposes of the Nesta Trust, for the public benefit over the year. These range from major grant programmes to challenge prizes to other projects looking for ways to improve public services, education, healthcare and the arts. Nesta undertakes and disseminates research to improve public understanding of innovation through its reports,

events and digital media, and provides training and tools to teach innovation skills to a variety of audiences.

Support is provided to private and for-profit companies only where this will further Nesta's charitable purposes for public benefit and where personal benefit is incidental to the furtherance of those purposes. The potential for personal benefit is assessed on a case-by-case basis, through due diligence on potential investments, for example, and appropriate conditions are imposed to ensure this is incidental to the furtherance of Nesta's charitable purposes. Grants and investments are closely monitored to ensure they continue to further Nesta's charitable purposes throughout the project.

The details of Nesta's purposes and objectives and its strategies and achievements in pursuing these purposes and objectives, are set out on pages 6 to 31.

## Governance and management

Nesta was established and registered as a charity in 2011 to act as successor body to the National Endowment for Science, Technology and the Arts ('NESTA'). NESTA was a non-departmental public body with a statutory remit to promote talent, creativity and innovation in science, technology and the arts and with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta and to the Nesta Trust, registered charity no. 1144091. The Trust holds the expendable endowment and Nesta, its sole trustee, uses returns from the Trust to pursue the charitable objects of the Trust. Nesta is governed by its Articles of Association adopted by special resolution in January 2014 and last amended in November 2015.

Nesta is a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator (OSCR). Its Trustees are both directors and members of the company. For more information on the group structure and subsidiaries please see page 66.

Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. Trustees at the date of this Annual Report are listed on page 75. Sir John Gieve is Chair of the Board, which met six times in the year with members of the Executive Team also present. The Nesta Trust also has a Protector appointed by the Secretary of State for Business, Energy and Industrial Strategy with a fiduciary duty to ensure the integrity of administration of the Trust. The current Protector is James Sinclair Taylor.

New Trustees are selected through an open recruitment process, which generally includes advertising in the national press and online, and a targeted recruitment search. Trustees receive no remuneration for acting as Trustees and are appointed for an initial term of three years, renewable for another three years with Board approval. All new Trustees receive a tailored induction and information about structure and governance and their responsibilities as charity Trustees including previously *Good Governance - A Code for the Voluntary and Community Sector* and from July 2017 the *Charity Governance Code*. The Board observes all seven principle of the *Charity Governance Code* and provides appropriate control, challenge and support to the Executive team.

The Board has adopted a conflicts of interest policy and processes for both staff and Trustees to ensure that conflicts of interests are declared and managed appropriately, and maintains a Register of Interests. Trustees are reminded to declare relevant interests at the start of every Board and Committee meeting.

The Board has appointed a Chief Executive to lead and manage Nesta by implementing the policy and strategy adopted by the Trustees within the plan and budget approved by the Board. Approval for decisions up to certain financial thresholds have been delegated to the Chief Executive and other Executive Directors under a Scheme of Delegation. All decisions above this threshold must be approved by the Board or its Committees. The Board has also reserved to itself certain important decisions, such as changes to the Articles, appointment of the Chief Executive and approval of the long-term objectives and strategy.

Nesta's Executive Team comprises the Chief Executive, Deputy Chief Executive, Chief Investment Officer, Chief Finance Officer, General Counsel and the Executive Director of each of its main areas of activity, each of whom report to the Chief Executive. A full list is given on page 76.

The Board has established a number of Committees to oversee aspects of Nesta's activities. These include main Board Committees with delegated authority in respect of certain functions and activities, and Advisory Committees which advise and support the Board but do not make decisions for Nesta. Each Board Committee has written Terms of Reference approved by the Board and reports to the Board at each Board meeting. A list of Trustees and members of main Board Committees is provided on page 75.

The main Board Committees are as follows:

**Finance and Audit Committee** which reviews management reporting and financial performance against budget and recommends to the Board the annual budget; as well as reviewing audit and financial reporting, internal financial controls, risk management and compliance. Grant Thornton are engaged to provide internal audit services to assist the Committee with monitoring the effectiveness of internal control arrangements. The Committee met four times during the year.



**Trust Investment Committee** whose key responsibilities are to draw up the policies and objectives governing the investment of the assets of the Nesta Trust, to approve the making of investments within ranges set by the Board, to oversee their implementation and to monitor financial performance of the Nesta Trust. The Committee met four times during the year.

**Venture Investment Committee** which manages the Trust's portfolio of interests in early-stage companies and funds transferred from NESTA and certain programme-related and mixed-motive investments. The Committee met seven times during the year.

**Innovation Lab Committee** which has delegated authority to approve up to a certain threshold, and oversee, programmes in Nesta's Innovation Lab. The Committee met four times during the year.

**Remuneration Committee** whose key responsibilities are staff terms and conditions, ensuring fair and appropriate remuneration and benefit policies. The Committee met twice during the year, determined an annual pay review and agreed annual remuneration of the CEO and other Executives.

**Nominations Committee** which manages the recruitment of new Trustees and oversees appointments to other Committees. The Committee generally meets twice during the year.

**Advisory Committees** The Board has also established the following Advisory Committees to provide advice and scrutiny in particular areas:

- Policy and Research Advisory Committee
- Creative Economy Advisory Committee

---

## Remuneration policy

### Nesta and its people

Nesta's Executive team are responsible for strategic and day-to-day operational management of the charity and meets formally as the Executive team at least once a month.

Nesta has continued to expand in 2016-2017 and has 186.19 FTE as at 31 March 2017 (March 2016: 177.44 FTE).\*

We continue to focus on four key areas: Pay and Reward, Organisational Development, Internal Communication and ensuring that HR provide a service that is 'valued and value for money'. During 2017-2018 our aim will be to bring innovation to the way in which we recruit, retain, reward and develop our people; making Nesta a truly great place to work.

### Pay at Nesta

At Nesta we understand the importance of transparency in all aspects of our work. In line with recommendations from the National Council for Voluntary Organisations inquiry into executive pay, we are once again detailing our approach to pay; explaining how our pay levels are defined, publishing the ratio of pay dispersion; and listing the roles and salaries of our executive team.

Our Remuneration Committee is responsible for agreeing salary levels of all Executive posts and annual pay awards for all staff. The Committee meets at least twice a year.

Nesta is proud to be an Accredited Living Wage employer. The ratio between our highest and mean based salaries in 2016 is 3.16:1 (2015: 3.25:1). The Executive salaries are disclosed in Note 8c of the

\*This figure is different from the figure shown in Note 8b as the note is an average for the whole financial year.

accounts. These salaries are appropriate to ensure we attract and retain an Executive team that can successfully run a complex organisation recognised as a leader in innovation in the UK and beyond.

Nesta's annual salary review takes place each year with any changes taking effect from 1 April. A general award to salaries may be made to reflect changes in the wider labour market and levels of inflation. A general award of 2 per cent was made in April 2016 (April 2015: 2 per cent)

Individual pay awards are available and decided with reference to individual achievement against objectives, demonstrating Nesta values or where

there have been substantial changes to a role. Individual pay awards are in the form of a salary increase within the range and are approved by Executive Directors who meet to review and agree any proposed increases. All increases fall within the budget set aside for salaries which is signed off by the Remuneration Committee.

Nesta provides a mixed portfolio of financial and non-financial rewards for our employees, to ensure we remain attractive and competitive and are able to attract and retain the most talented people to deliver our strategy.

---

### Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Strategic Report, the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and charity and of the net income of the Group for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgements 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 Group will continue in business.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and charity's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on Nesta's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Disclosure to our auditors

Insofar as the Trustees are aware, as at the date of this report, they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information of which the company's auditor is unaware.

The Trustees' Report and the Strategic Report are approved by the Board of Trustees and authorised for issue on 12 September 2017, and signed on its behalf by:

**Sir John Gieve,**  
Chair of the Board of Trustees of Nesta

## Independent auditor's report to the Trustees and members of Nesta

We have audited the financial statements of Nesta for the year ended 31 March 2017 which comprise the Group Statement of Financial Activities, the Group and Parent Balance Sheets, the consolidated Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's Trustees and 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 Trustees and members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Trustees and auditors

As explained more fully in the statement of Trustees' responsibilities, 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's) Ethical Standards for Auditors.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

### 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](http://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 group's and parent charity's affairs as at 31 March 2017 and of the group's and parent charity's incoming resources and application of resources, including the 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' report, which includes the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements and the strategic report and the Trustees' report have been prepared in accordance with applicable legal requirements.

Based on our knowledge and understanding of the charity and its environment obtained during the course of the audit we have identified no material misstatements in the strategic report and Trustees' report.

### 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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charity, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charity 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.

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

Date:

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

## Financial statements

## Consolidated Statement of financial Activities for the year ended 31 March 2017

	Notes to the accounts	Unrestricted funds 2017 £'000	Restricted funds 2017 £'000	Expendable endowment 2017 £'000	Total funds 2017 £'000	Total funds 2016 £'000
<b>Income and endowments from:</b>						
Investment income	2	33	-	507	540	2,011
Charitable activities	3	1,675	18,826	-	20,501	10,913
Other trading activities	4	3,282	-	-	3,282	1,452
Other income	5	3,742	-	-	3,742	2,425
<b>Total income</b>		<b>8,732</b>	<b>18,826</b>	<b>507</b>	<b>28,065</b>	<b>16,801</b>
Less share of joint ventures' turnover		(3,157)			(3,157)	(2,309)
<b>Total group income</b>		<b>5,575</b>	<b>18,826</b>	<b>507</b>	<b>24,908</b>	<b>14,492</b>
<b>Expenditure on:</b>						
<b>Raising funds</b>						
Trading operations		2,026	-	-	2,026	565
Investment management costs	6	956	-	638	1,594	1,276
<b>Total expenditure on raising funds</b>		<b>2,982</b>	<b>-</b>	<b>638</b>	<b>3,620</b>	<b>1,841</b>
<b>Charitable activities</b>						
Policy and Research	7	4,759	1,052	-	5,811	5,701
Programmes	7	7,840	13,755	28	21,623	13,826
Investment (early-stage and social impact) management	7	394	-	69	463	2,530
Skills	7	903	183	4	1,090	1,182
FutureFest	7	752	-	6	758	593
<b>Total expenditure on charitable activities</b>		<b>14,648</b>	<b>14,990</b>	<b>107</b>	<b>29,745</b>	<b>23,832</b>
<b>Total expenditure</b>		<b>17,630</b>	<b>14,990</b>	<b>745</b>	<b>33,365</b>	<b>25,673</b>
Net gains on investments	10	-	-	62,378	62,378	1,799
<b>Net income/(expenditure)</b>		<b>(12,055)</b>	<b>3,836</b>	<b>62,140</b>	<b>53,921</b>	<b>(9,382)</b>
<b>Net interest in joint venture</b>		<b>145</b>	<b>-</b>	<b>-</b>	<b>145</b>	<b>335</b>
Transfers between funds		17,253	2,110	(19,363)	-	-
<b>Net income/(expenditure) before other recognised gains and losses</b>		<b>5,343</b>	<b>5,946</b>	<b>42,777</b>	<b>54,066</b>	<b>(9,047)</b>
<b>Other recognised gains/(losses)</b>						
Foreign exchange gains		-	-	632	632	143
<b>Net movement in funds for the year</b>		<b>5,343</b>	<b>5,946</b>	<b>43,409</b>	<b>54,698</b>	<b>(8,904)</b>
<b>Reconciliation of funds</b>						
<b>Total funds brought forward</b>		<b>2,926</b>	<b>6,892</b>	<b>375,067</b>	<b>384,885</b>	<b>393,789</b>
<b>Total funds carried forward</b>		<b>8,269</b>	<b>12,838</b>	<b>418,476</b>	<b>439,583</b>	<b>384,885</b>

A summary income and expenditure account is presented in Note 17 in compliance with the Companies Act 2016.

Total income for the year of Nesta, the parent charity, was £41,868k (2016: £27,811k); total expenditure was £30,223k (2016: £23,534); total net surplus was £11,645k (2016: £4,277).

The Group has no recognised gains or losses other than those included in the Consolidated Statement of Financial Activities. All activities are continuing.

The notes on pages 47 to 74 form parts of these accounts.

No separate Statement of Financial Activities has been presented for Nesta as permitted by section 408 of the Companies Act 2006.



## Consolidated balance sheet as at 31 March 2017

Company Number: 07706036

	Notes to the accounts	Group 2017 £'000	Parent Charity 2017 £'000	Group 2016 £'000	Parent Charity 2016 £'000
<b>Fixed assets</b>					
Tangible assets	9	26,651	546	607	257
Investments:					
Investments – quoted and unquoted	10	378,851	-	285,021	-
Programme-related investments	11a	4,960	5,460	3,450	3,450
Programme-related investment in joint venture – share of gross assets/costs	11b	919	30	808	30
Arts Impact Investments	11c	831	-	133	-
<b>Total Fixed assets</b>		<b>412,212</b>	<b>6,036</b>	<b>290,019</b>	<b>3,737</b>
<b>Current assets</b>					
Investments – quoted and unquoted	10	-	-	11,686	-
Debtors	12	7,305	6,960	39,378	8,278
Bank and cash		35,376	21,099	51,277	3,082
<b>Total current assets</b>		<b>42,681</b>	<b>28,059</b>	<b>102,341</b>	<b>11,360</b>
<b>Current liabilities</b>					
Creditors: amounts due within one year	13	(9,919)	(9,449)	(6,434)	(5,946)
<b>Net current assets/(liabilities)</b>		<b>32,762</b>	<b>18,610</b>	<b>95,907</b>	<b>5,414</b>
<b>Total assets less current liabilities</b>		<b>444,974</b>	<b>24,646</b>	<b>385,926</b>	<b>9,151</b>
Creditors: amounts due after one year	13	(5,391)	(3,971)	(1,041)	(121)
<b>Net Assets</b>		<b>439,583</b>	<b>20,675</b>	<b>384,885</b>	<b>9,030</b>
<b>Charitable funds</b>					
Expendable endowment funds	15a	418,476	-	375,067	-
General funds	15a	4,224	7,837	2,138	2,138
<b>Total charitable unrestricted funds</b>		<b>422,700</b>	<b>33,942</b>	<b>377,205</b>	<b>2,138</b>
Restricted funds	15b	12,838	12,838	6,892	6,892
<b>Total charitable funds</b>		<b>435,538</b>	<b>20,675</b>	<b>384,097</b>	<b>9,030</b>
Funds retained within non-charitable subsidiaries	15a	4,045	-	788	-
<b>Total funds</b>		<b>439,583</b>	<b>20,675</b>	<b>384,885</b>	<b>9,030</b>

The Parent Charity's net surplus for the year was £11.6 million (2016: surplus of £4.3 million).

The notes on pages 47 to 74 form a part of these accounts.

Approved by the Board of Trustees and authorised for issue on 12 September 2017, and signed on its behalf by Sir John Gieve, Chair of the Board of Trustees.

**Sir John Gieve**

## Consolidated cash flow for the year ended 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000
<b>Cash flows from operating activities</b>			
Net cash generated/used in operating activities	(a)	33,685	(52,002)
<b>Cash flows from investing activities</b>			
Net cash outflows by investing activities	(b)	(26,952)	(439)
<b>Cash flows from financing activities</b>			
Net cash outflows/inflows by financing activities	(c)	(23,266)	1,830
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(16,533)</b>	<b>(50,611)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>51,277</b>	<b>101,745</b>
<b>Change in cash and cash equivalents due to exchange rate movements</b>		<b>632</b>	<b>143</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>35,376</b>	<b>51,277</b>
<b>Cash flow statement notes</b>			
<b>a) Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>			
Net income (expenditure) for the reporting period (as per consolidated statement of financial activities)		53,921	(9,382)
Depreciation charges		582	383
Loss on disposal of fixed assets		426	8
Amortisation of premium		-	(635)
Net gains/(losses) from investments		(62,378)	(1,799)
Impairments		1,060	1,146
Grossed up investment costs (non-cash)		-	1,732
Dividends, interest and rents from investments		(1,439)	(2,011)
Interest paid and bank charges		11	9
Investment fees		1,594	1,276
Foreign exchange gains/(losses)		-	2
(Increase)/decrease in debtors		32,073	(36,904)
Increase/(decrease) in creditors		7,835	(5,827)
		<b>33,685</b>	<b>(52,002)</b>
<b>b) Cash flows from investing activities</b>			
Dividends, interest and rents from investments		174	35
Interest paid and bank charges		(11)	(9)
Investment fees		(63)	(19)
Purchase of property, plant and equipment		(27,052)	(446)
		<b>(26,952)</b>	<b>(439)</b>
<b>c) Cash flows from financing activities</b>			
Purchase of quoted investments		(70,178)	(40,802)
Purchase of unquoted investments		(29,969)	(4,667)
Purchase of programme-related Investments		(1,664)	(920)
Purchase of Arts Impact Fund investments		(730)	(150)
Investment fees		(1,531)	(1,257)
Proceeds from sale or maturity of quoted investments		72,103	42,000
Proceeds from sale or maturity of unquoted investments		7,271	5,384
Proceeds from sale of programme-related investments		102	263
Proceeds from sale of Arts Impact Fund investment		32	3
Dividends and interest from investments		1,298	1,976
		<b>(23,266)</b>	<b>1,830</b>

The notes on pages 47 to 74 form part of these accounts.

## 1. Accounting policies

### a. Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the revaluation of financial assets. They have been prepared on a going concern basis and in accordance and compliance with: (i) FRS 102, the Financial Reporting Standard applicable in the United Kingdom; (ii) *Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) 'Charities SORP (FRS 102)'* issued by the Charity Commission, (iii) Companies Act 2006.

### b. Basis of consolidation

The consolidated financial statements incorporate the results of Nesta and all its subsidiary undertakings including Nesta Trust, 'the Trust', from the date that control commences to the date that it ceases.

Subsidiary undertakings are consolidated on a line-by-line basis using the acquisition method of accounting in accordance with Section 9 '*Consolidated and Separate Financial Statements*' of FRS 102.

Details of Nesta's subsidiary undertakings can be found in Note 14.

Joint ventures that are not held as part of an investment portfolio are consolidated using the Gross Equity method of accounting in accordance with Section 15 '*Investments in Joint Ventures*' of FRS 102. Details of Nesta's joint ventures can be found in Note 11b.

The group applies the exemption contained in Section 15 '*Investments in Joint Ventures*' of FRS 102 so that where joint ventures and associates are held as part of an investment portfolio, they are included within investment assets.

No separate Statement of Financial Activities has been presented for Nesta as permitted by section 408 of the Companies Act 2006.

### c. Fund accounting

The General fund consists of unrestricted funds that are available for the furtherance of the objects of the charity at the discretion of the Trustees.

Restricted funds are subject to specific restrictions as applied by programme funders.

Where Nesta provides match-funding or programme support on projects, total expenditure is shown in the restricted fund and a transfer from the general fund to the restricted fund is made to account for Nesta's share of expenditure.

The expendable endowment fund relates to the funds of the Trust. These funds are held without distinction as to capital and income and can be applied in furtherance of the objects of the Trust. The Trust makes transfers throughout the year to Nesta to deliver its charitable aims as detailed in the reserves policy.

### d. Income

Income is recognised in the Statement of Financial Activities in the period in which Nesta is entitled to receipt and where the amount can be measured with reasonable accuracy, and where receipt is probable.

Grant income is recognised in the Consolidated Statement of Financial Activities when the charity has entitlement to the funds, it is probable the income will be received, the amount can be measured reliably and any performance conditions attached to the grants have been met fully. Where performance-related conditions have only been partially met, income is recognised to that extent with the balance deferred until conditions have been satisfied.

Investment income includes interest and dividends from investment assets and deposits, with any associated tax credits or recoverable taxation included in the Consolidated Statement of Financial Activities on an accruals basis.

Income from trading activities represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, income represents the value of the service provided to date based on proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within the year.

#### e. Expenditure

Expenditure is accounted for on an accruals basis.

Expenditure on raising funds is incurred on non-primary purpose trading activities of the trading subsidiary Nesta Enterprises Limited as well as investment management costs which include investment fund manager fees paid in cash as well as those that have been grossed up where they are offset against the fund's value rather than payable in cash, dilution levies, investment consultancy and custodian fees.

Expenditure on charitable activities is incurred in pursuit of the group's charitable objects and is reported as a functional analysis of the work undertaken. The categories defined by the Trustees for the purposes of organisational management are Programmes; Investment (early-stage and social impact) management; Policy and Research; Skills; and FutureFest. Expenditure includes direct expenditure and allocated support costs.

Grants payable are recognised as expenditure in the Statement of Financial Activities on the date when a grant agreement is signed or equivalent obligation created less any awards cancelled or refunded. Grants awarded but not yet paid are recorded as a liability in the Balance Sheet. Where grants paid are selected to be converted to an equity holding in the grantee organisation by virtue of grant conditions being met, on the date where there is a binding contract with investment terms agreed by both parties, grant expenditure is reversed and an investment asset is recognised and the asset valued in accordance with Nesta's investment valuation policies.

Commitments or approvals to fund specific projects not yet signed by Nesta are disclosed by way of note (see Note 19).

Non-grant direct costs include staffing, programme delivery partner costs, workshop event costs, commissioned research and evaluation, and any other direct costs attributable to a specific activity.

Support costs include costs shared by all activities. They include the costs of the office of the CEO, communications, front of house, facilities, finance, legal, information technology, and human resources. Support costs also include the costs related to governance which are costs attributable to maintaining the public accountability of the charitable group and ensuring compliance with regulation and good practice. Costs incurred by Trustees, internal and external audit costs and legal fees are included within governance costs.

Irrecoverable VAT incurred is allocated to the expenditure category to which it relates.

#### f. Support costs – allocation

Support costs are allocated to each area of programme activity bases appropriate to the activity concerned. These include drivers such as percentage of total cost, headcount or floor space.

#### g. Tangible fixed assets and depreciation

Property, plant and equipment are capitalised at their historic cost and stated at cost less depreciation. Assets costing less than £500 are expensed in the year of purchase.

Depreciation is calculated on a straight-line basis over the expected useful life of the assets as follows:

• Leasehold improvements	over the remaining life of the lease
• Office equipment, fixtures and fittings	three to five years
• Computer hardware	three years
• Computer software	three to five years or the life of the licence



#### h. Investment assets – quoted and unquoted

Investment assets include quoted and unquoted investments. Nesta holds its investment assets on trust without distinction between capital and income, applying them in furtherance of its objects. Assets held by Nesta Trust are classed as an expendable endowment.

Assets under construction relates to expenditure for the purchase of a new head office building which was completed in September 2016.

Cash and short-term deposits and investments to be held less than 12 months are presented in the balance sheet as current assets. All other financial assets are presented as fixed assets. Deferred investments and loans represent the portion of commitments which remain undrawn but draw down has been requested at the balance sheet date. The corresponding commitment is recognised under current liabilities.

Loans are recognised as financial assets when repayment of the loan or the option to convert to equity has not expired by the balance sheet date. The loans are included in fixed assets except where repayment is expected within 12 months of the balance sheet date, when they are included as current assets.

The carrying value of all investments is at market value and unrealised changes between accounting periods are charged or credited to the Statement of Financial Activities. For financial assets for which there is no quoted market, market value is established by using valuation guidelines as detailed below. Investment Property assets are revalued by an independent external property valuer.

##### I. Valuation – quoted investments:

The market values of quoted investments are based on externally reported bid prices at the balance sheet date.

Equity investments, high yield bonds, and property trusts are held in pooled funds and are stated at market value, being the market value of the underlying investments held. These valuations are provided by the relevant fund manager.

##### II. Valuation – unquoted investments:

Private equity investments are held through funds managed by private equity managers. As there is no identifiable market price for private equity funds, these funds are included at the most recent valuations provided by the private equity managers.

Where a valuation is not available at the balance sheet date, the most recent valuation from the private equity manager is used, adjusted for cash flows between the most recent valuation and the balance sheet date. Where a private equity manager does not provide a market value that complies with the above, the group is unable to obtain a reliable market value and therefore these investments are held at cost.

An estimated value of unquoted investments in early-stage companies is established by using valuation guidelines produced by the British Venture Capital Association (BVCA).

- BVCA guidelines provide for investments to be carried at cost unless there is information indicating an impairment or sufficiently clear evidence to support an increase in valuation.
- Where the price of a recent funding round (within previous 12 months) is not available, investments are valued using standard valuation methodologies, as appropriate and in the following order:
  - i. Earnings multiple
  - ii. Net asset value
  - iii. Discounted cash flow
  - iv. Applying BVCA valuation benchmarks
- At the balance sheet date, management assesses whether there is objective evidence that a financial asset or a group of financial assets should be revalued. The approach, which is within the principles of the BVCA guidelines, is to review and give a 'health' status:
  - Healthy: value held at cost unless sufficiently clear evidence to support an increase in valuation; company is performing to plan, unlikely to run out of cash within 12 months.

- Sick: value down according to the seriousness of a number of events considered by management; company is performing off-plan, may or may not be recoverable.
- Terminal: value down, company is performing off-plan, likely to run out of cash within six months, recovery not foreseen, no intervention planned.

Valuation of companies at this early stage of development is an inherently volatile and uncertain process. The valuation guidelines used are considered to be the best estimate of market value at the balance sheet date.

Loans to early-stage companies have the same valuation methodology applied as for investments in early-stage companies.

An estimated value of investments in early-stage funds is calculated as the group's share of partnership net asset value as stated in the last audited financial statements of each investment fund. Contributions made by the group in any period between the date of a fund's balance date and the group's own for which there is no audited valuation, are valued at cost unless there is information to determine otherwise.

Transaction costs incurred by the group and management support costs are not included in valuations and are charged to expenditure in the period in which they are incurred.

### III. Treatment – unquoted investments

Investments, loans or contributions to funds to date are recognised in full in the Balance Sheet. Un-drawn commitments are disclosed by way of note.

Unrealised changes in value between accounting periods are reflected in the Statement of Financial Activities.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred with all risks and rewards of ownership.

#### i. a. Investment assets – programme-related investments

Unquoted equity and similar programme-related investments are held at cost, less any provision for diminution in value, as Nesta is unable to obtain a reliable estimate of fair value. Programme-related investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Any diminution or impairment in value is charged to the Consolidated Statement of Financial Activities under charitable activities.

#### b. Investment Assets – Arts Impact investments

Arts Impact related investments are held at costs, less any provision for diminution in value, as Nesta is unable to obtain a reliable estimate of fair value. Arts Impact related investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Any diminution or impairment in value is charged to the Consolidated Statement of Financial Activities under charitable activities.

#### j. Significant estimates

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent liabilities at the balance sheet date. Actual outcomes could differ from those estimates. This is especially the case of the valuation of the group's investment in early-stage companies which is an inherently volatile and uncertain process. However, the valuation guidelines applied are considered to be the best estimate of market value.

#### k. Debtors receivable, creditors, provisions and contingent liabilities

Debtors receivable are recognised at fair value less any provision for bad debt. A provision for bad debt is established when there is objective evidence that the debtor will not be collected according to the original terms.

Creditors are recognised when Nesta has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are significant obligations which do not meet the requirements for recognition as a provision set out in Section 21 'Provisions and Contingencies' of FRS 102 these are disclosed as a note to the accounts (see Note 19).

#### **l. Pension costs**

For defined contribution schemes the amount charged to the Consolidated Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

#### **m. Taxation**

Nesta and the Nesta Trust are charities within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly they are potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

No tax charge arose in the period.

The subsidiary companies make qualifying donations of all taxable profit to Nesta. No corporation tax liability on the subsidiaries arises in the accounts.

#### **n. Exchange gains and losses**

The Statutory financial statements are presented in pounds sterling, the functional and presentational currency. Foreign currency transactions are translated using the exchange rates prevailing at the date of settlement. Realised and unrealised exchange gains and losses are recognised in the Statement of Financial Activities.

#### **o. Operating leases**

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Financial Activities on a straight-line basis over the period of the lease.

#### **p. Related party transactions**

Material transactions with related parties are disclosed in the notes to these financial statements. The group's policy is for all Trustees, non-Trustee Committee members, Executive Directors and senior direct reports to Executive Directors, to declare interests and related party transactions on appointment and at least annually. Declared interests are recorded in the Register of Interests and these are reviewed by the Finance and Audit Committee.

Transactions between all group undertakings (parent charity, subsidiaries, associates and joint ventures) are also disclosed in compliance with 23.4 of Charities SORP (FRS 102).

#### **q. Going concern**

The Trustees are not aware of any specific or general event which would change the charity's status as a going concern.

## 2. Investment income

	Group 2017 £'000	Group 2016 £'000
<i>Quoted investments:</i>		
Interest and dividends receivable	207	1,513
<b>Total income from quoted investments</b>	<b>207</b>	<b>1,513</b>
<i>Unquoted investments:</i>		
Interest and dividends receivable	159	130
<b>Total income from unquoted investments</b>	<b>159</b>	<b>130</b>
<b>Bank interest</b>	<b>174</b>	<b>368</b>
<b>Total investment income</b>	<b>540</b>	<b>2,011</b>

## 3. Income from charitable activities

	Funding from Government bodies 2017 £'000	Funding from Non-Government bodies 2017 £'000	Other charitable activity income 2017 £'000	Group total 2017 £'000	Funding from Government bodies 2016 £'000	Funding from Non-Government bodies 2016 £'000	Other charitable activity income 2016 £'000	Group total 2016 £'000
Policy and Research Programmes	216 9,885	1,076 7,796	781 291	2,073 17,972	166 1,348	570 1,943	282 5,904	1,018 9,195
Investment (early-stage and social impact) management	-	-	-	-	-	-	392	392
Skills	-	248	169	417	-	170	115	285
FutureFest	-	-	-	-	-	-	-	-
Other	-	-	39	39	-	11	12	23
<b>Total income from charitable activities</b>	<b>10,101</b>	<b>9,120</b>	<b>1,280</b>	<b>20,501</b>	<b>1,514</b>	<b>2,694</b>	<b>6,705</b>	<b>10,913</b>

Other charitable activity income includes income from consultancy services, monitoring and product sales.

The breakdown between funds for 2016 is as follows: Unrestricted funds £1,943,000: Restricted funds £8,970,000 of which £1,514,000 was from government bodies shown in Note 3a.



### 3a. Funding from Government bodies

	Restricted Funding from Government bodies 2017 £'000	Restricted Funding from Government bodies 2016 £'000
Agency for Business Competitiveness - Accio	-	75
Arts Council England	77	1
Australian Department of Industry	-	5
Cabinet Office	4,495	200
Centre for Economic and Social Inclusion	-	25
Department for Communities and Local Government	-	50
Department for International Development India	-	6
Department for Business, Energy and Industrial Strategy	-	525
Department of Health	35	400
Foreign and Commonwealth Office	125	-
Innovate UK	50	-
NHS England	400	162
Swedish Agency for Growth Policy Analysis	-	10
Technology Strategy Board	-	7
The Finnish Agency for Innovation	-	13
The Welsh Government	4,919	35
<b>Total restricted funding from Government bodies</b>	<b>10,101</b>	<b>1,514</b>

### 4. Income from other trading activities

	Group 2017 £'000	Group 2016 £'000
Rental income	419	562
Income from trading	2,863	890
<b>Total other income</b>	<b>3,282</b>	<b>1,452</b>

All income from trading activities are unrestricted funds.

## 5. Other income

	Group 2017 £'000	Group 2016 £'000
Impact fund management fees	440	-
Events and workshops fees	145	107
Returns on legacy investments	-	3
Share of income from joint ventures	3,157	2,309
Other sundry income	-	6
<b>Total other income</b>	<b>3,742</b>	<b>2,425</b>

Returns on legacy investments relate to investments granted which were expensed to programme expenditure in NESTA and were not transferred as a financial asset on 1 April 2012.

## 6. Investment management costs

	Group 2017 £'000	Group 2016 £'000
Investment manager fees	1,531	1,170
Custodian fees	19	56
Dilution fees	44	50
<b>Total investment management costs</b>	<b>1,594</b>	<b>1,276</b>

The investment management costs are the direct fees paid to intermediaries, the full costs of management, including transaction costs for example, are substantially more than this.

## 7. Charitable activities

	Grant-making 2017 £'000	Non-grant direct cost 2017 £'000	Allocated support costs 2017 £'000	Group total 2017 £'000	Grant-making 2016 £'000	Non-grant direct cost 2016 £'000	Allocated support costs 2016 £'000	Group total 2016 £'000
Policy and Research	60	3,575	2,176	5,811	167	2,855	2,679	5,701
Programmes	11,077	5,335	5,211	21,623	1,753	6,629	5,444	13,826
Investment (early-stage and social impact) management	-	159	304	463	45	1,642	843	2,530
Skills	-	672	418	1,090	167	532	483	1,182
FutureFest	-	547	211	758	-	352	241	593
<b>Total charitable activities</b>	<b>11,137</b>	<b>10,288</b>	<b>8,320</b>	<b>29,745</b>	<b>2,132</b>	<b>12,010</b>	<b>9,690</b>	<b>23,832</b>

The 2016 breakdown between funds is shown in the following table.

	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment £'000	Total £'000
Policy and Research	4,438	1,199	64	5,701
Programmes	8,651	5,041	134	13,826
Investment	2,504	-	26	2,530
Skills	808	358	16	1,182
Futurefest	587	-	6	593
	<b>16,988</b>	<b>6,598</b>	<b>246</b>	<b>23,832</b>

### 7a. Support costs

Support costs have been allocated to charitable activity areas as follows

	Support staff costs 2017 £'000	Premises, technology and other costs 2017 £'000	Governance 2017 £'000	Group total 2017 £'000	Support staff costs 2016 £'000	Premises, technology and other costs 2016 £'000	Governance 2016 £'000	Group total 2016 £'000
Policy and Research	829	1,299	48	2,176	958	1,602	119	2,679
Programmes	2,348	2,797	66	5,211	2,002	3,225	217	5,444
Investment (early-stage and social impact) management	134	163	7	304	391	414	38	843
Skills	200	208	10	418	238	219	26	483
FutureFest	92	116	3	211	92	139	10	241
<b>Total support costs</b>	<b>3,603</b>	<b>4,583</b>	<b>134</b>	<b>8,320</b>	<b>3,681</b>	<b>5,599</b>	<b>410</b>	<b>9,690</b>

The basis for allocation of support costs and governance is as follows:

Office of the Chief Executive, Front of House	Allocated equally to each area
Finance, Legal, Publications, Events and Communications, FutureFest	Allocated on the ratio of direct costs of each area or project in case of FutureFest
Facilities	Allocated on the basis of floorspace occupied
Information Technology, Human Resources	Allocated on the basis of headcount

## 7b. Grants

Included in the cost of charitable activities are grants committed. Grants of £50,000 and above are detailed below. A full list of grants committed is available via Nesta's website.

Recipient	Grants to institutions 2017 £'000	Charitable activity area	Programme
British Lung Foundation	958	Programme	Accelerating Ideas
The Stroke Association	832	Programme	Accelerating Ideas
British Red Cross	825	Programme	Accelerating Ideas
GoodGym	819	Programme	Accelerating Ideas
NL Cares (T/A North London Cares)	733	Programme	Accelerating Ideas
Shared Lives Plus Limited	509	Programme	Accelerating Ideas
GoodSAM	430	Programme	Accelerating Ideas
Carers UK	420	Programme	Accelerating Ideas
Home-Start Greater Manchester	285	Programme	Second Half Fund
The Reader Organisation	270	Programme	Second Half Fund
Crowdfunder Ltd	250	Programme	Arts and Heritage
St John Ambulance	250	Programme	Second Half Fund
Family Action	250	Programme	Second Half Fund
Spice Innovations	247	Programme	Second Half Fund
Aesop Arts and Society Limited	247	Programme	Second Half Fund
St Joseph's Hospice	244	Programme	Second Half Fund
Volunteering Matters	225	Programme	Second Half Fund
Volunteer It Yourself	201	Programme	Second Half Fund
Fareshare	178	Programme	Second Half Fund
Tutorfair Foundation	150	Programme	Click Connect Learn
TLG	142	Programme	Growth and Sustaining Fund
Eden Project	137	Programme	Second Half Fund
Action Tutoring Ltd	130	Programme	Growth and Sustaining Fund
BuddyHub Ltd	115	Programme	Second Half Fund
Whole Education	113	Programme	Click Connect Learn
The Access Project	113	Programme	Click Connect Learn
Forum for the Future	102	Programme	Aquaculture Prize Design
Genesis Housing Association	100	Programme	Give More Get More
Behavioural Insights	100	Programme	Behavioural Insights
Beanstalk	100	Programme	Give More Get More
King's College NHS Foundation Trust	100	Programme	Give More Get More
Volunteering Matters	99	Programme	Give More Get More
North Tyneside VODA	98	Programme	Give More Get More
Behavioural Insights	90	Programme	Behavioural Insights
The Access Project	84	Programme	Second Half Fund
Bombastic Dance	73	Programme	Digital Innovation Fund for the Arts in Wales
G39	63	Programme	Digital Innovation Fund for the Arts in Wales
Behavioural Insights	55	Programme	Behavioural Insights
Artis Community	54	Programme	Digital Innovation Fund for the Arts in Wales
The Marine Conservation Society	50	Programme	Join In Stay In
Barnardo's	50	Programme	Join In Stay In
CSW Group Limited	50	Programme	Join In Stay In
Leicester City Council	50	Programme	Join In Stay In
Grants below £50,000 (number of grants to institutions 45)	812		
Grants cancelled in the year	(66)		
<b>Total grants to institutions</b>	<b>11,137</b>		

There were no grants made to individuals in the year ended 31 March 2017.



## Grants committed in 2016

Recipient	Grants to institutions 2016 £'000	Charitable activity area	Programme
Open University	167	Programme	Rockerfeller/DIY Toolkit
Behavioural Insights	136	Programme	Behavioural Insights
Newcastle University	130	Programme	Realising the Value
Behavioural Insights	100	Programme	Behavioural Insights
Stockport Metropolitan Borough Council	100	Programme	Centre for Social Action Innovation Fund
Behavioural Insights	90	Programme	Behavioural Insights
National Voices	71	Programme	Realising the Value
Development Bank of Latin America - CAF	60	Programme	Innovation Growth Lab
The Better with Data Society	50	Programme	Open Data Challenge Series
PIC - Performance in Context Limited	50	Programme	Open Data Challenge Series
University Hospital Southampton NHS Trust	50	Programme	Young People Helping in Hospitals
Western Sussex Hospitals NHS Foundation Trust	50	Programme	Young People Helping in Hospitals
WikiHouse Foundation	50	Programme	Collaborative Economy
360Giving	50	Programme	Open Philanthropy / 360Giving
European School of Management and Technology	50	Programme	Innovation Growth Lab
Grants below £50,000 (number of grants to institutions 62)	1,323		
Grants cancelled in the year	(401)		
<b>Total grants to institutions</b>	<b>2,126</b>		

There were a total of 11 grants made to individuals in the year ended 31 March 2016, totaling £6k.

## 7c. Auditor's fees

	Group 2017 £'000	Group 2016 £'000
External audit	46	48
Internal audit	23	29
Tax advisory services	17	3
Other financial services	-	9
<b>Total auditor fees</b>	<b>86</b>	<b>89</b>

External audit fees incurred for Nesta, the parent charity, were £21,000 (2016 £20,500) excluding VAT.

## 8. Employees for Parent and Group

### 8a. Staff costs

	Group 2017 £'000	Group 2016 £'000
Salaries and emoluments of directly employed staff	8,706	8,037
Social security costs	1,000	899
Pension costs	1,081	949
Agency/temporary staff costs	318	341
Other staff costs	91	110
<b>Total</b>	<b>11,196</b>	<b>10,336</b>

During the year, there were also redundancy payments totaling £90,938 (2016: £109,708) as a result of restructuring.

### 8b. Staff numbers

The following shows average full time equivalent staff numbers during the year.

	Group 2017		Group 2016	
	F.T.E.	Headcount	F.T.E.	Headcount
Policy and Research	45	54	39	51
Programmes	62	79	58	82
Investment (early-stage and social impact) management	7	10	8	18
Skills	9	10	7	9
Publications, Events and Communications	18	23	21	27
Governance and Corporate Services	32	45	34	50
<b>Total</b>	<b>173</b>	<b>221</b>	<b>167</b>	<b>237</b>

## 8c. Higher earners

The employees who received remuneration (salaries, bonus and benefits in kind) of more than £60,000 in the year was as follows:

	Group 2017	Group 2016
£60,000 - £70,000	13	8
£70,001 - £80,000	5	7
£80,001 - £90,000	3	5
£90,001 - £100,000	2	4
£100,001 - £110,000	3	1
£110,001 - £120,000	1	1
£140,001 - £150,000	1	1

Of staff with remuneration over £60,000, 28 (2016: 27) are members of Nesta's defined contribution pension scheme. Employer contributions to the scheme relating to staff in these salary ranges during the year were £378k (2016: £255k).

The annual salaries of the Executive team as at 31 March 2017 are below:

	2017 £	2016 £
Chief Executive	148,009	152,128
Deputy Chief Executive*	109,994	-
Executive Director of Investments	117,573	127,500
Chief Finance Officer**	73,709	102,000
Chief Operating Officer***	-	100,000
Executive Director, Business Development	99,620	110,000
Executive Director of Policy and Research	66,310	109,750
Executive Director of Policy and Research, Interim	56,244	-
Executive Director of the Innovation Lab	102,814	98,594
Executive Director, Health Lab	97,989	95,000
	<b>872,262</b>	<b>894,972</b>

\*New role previously Chief Operating Officer

\*\*Part year

\*\*\*Role discontinued

The executives are entitled to the same flexible benefits and pension scheme as all staff. Nesta offers a defined contribution pension scheme with the contribution from Nesta ranging from a minimum of 8 per cent up to 12 per cent of salary, depending on the level of contribution made by employee. Employer pension contributions for executives amounted to £114k for the year. Employer National Insurance contributions were £143k.

## 8d. Pensions

Nesta offers employees an 8 per cent up to 12 per cent contribution, on a defined contribution basis, to a personal pension scheme or group stakeholder scheme. Nesta's total contribution made in respect of the period, for all schemes, totaled £1,081k (2016: £949k) including outstanding contributions of £188k (2016: £86k).

## 8e. Trustee remuneration

None of the Trustees received remuneration for performance of their role as Trustees during the year. Travel expenses of £652 (2016: £162) were reimbursed to one Trustee during the year (2016: two).

## 9. Tangible fixed assets

### Group fixed assets

	Leasehold improvements £'000	Leasehold asset £'000	Plant and machinery £'000	Computer Hardware £'000	Computer Software £'000	Office Equipment £'000	Fixtures and fittings £'000	Asset under construction £'000	Group Total £'000
<b>Cost</b>									
Opening balance	2,415	-	-	638	16	10	498	350	3,927
Additions	-	23,243	3,250	212	-	-	347	-	27,052
Transfers	-	-	-	-	-	-	-	(350)	(350)
Disposals	(2,415)	-	-	(194)	(16)	(10)	(497)	-	(3,132)
	-	<b>23,243</b>	<b>3,250</b>	<b>656</b>	-	-	<b>348</b>	-	<b>27,497</b>
<b>Depreciation</b>									
Opening balance	2,364	-	-	514	16	10	416	-	3,320
Transfers	-	-	-	-	-	-	-	-	-
Charge for the year	51	157	231	104	-	-	39	-	582
Disposals in the year	(2,415)	-	-	(180)	(16)	(10)	(435)	-	(3,056)
	-	<b>157</b>	<b>231</b>	<b>438</b>	-	-	<b>20</b>	-	<b>846</b>
<b>Net book value 2017</b>	-	<b>23,086</b>	<b>3,019</b>	<b>218</b>	-	-	<b>328</b>	-	<b>26,651</b>
<b>Net book value 2016</b>	<b>51</b>	-	-	<b>124</b>	-	-	<b>82</b>	<b>350</b>	<b>607</b>

The Assets under construction have been transferred to the investment property listed in Note 10.

### Parent charity fixed assets

	Leasehold improvements £'000	Computer Hardware £'000	Computer Software £'000	Office Equipment £'000	Fixtures and fittings £'000	Parent charity Total £'000
<b>Cost</b>						
Opening balance	2,415	638	16	10	498	3,577
Additions	-	212	-	-	347	559
Transfers	-	-	-	-	-	-
Disposals	(2,415)	(194)	(16)	(10)	(497)	(3,132)
	-	<b>656</b>	-	-	<b>348</b>	<b>1,004</b>
<b>Depreciation</b>						
Opening balance	2,364	514	16	10	416	3,320
Transfers	-	-	-	-	-	-
Charge for the year	51	104	-	-	39	194
Disposals in the year	(2,415)	(180)	(16)	(10)	(435)	(3,056)
	-	<b>438</b>	-	-	<b>20</b>	<b>458</b>
<b>Net book value 2017</b>	-	<b>218</b>	-	-	<b>328</b>	<b>546</b>
<b>Net book value 2016</b>	<b>51</b>	<b>124</b>	-	-	<b>82</b>	<b>257</b>

## 10. Investments

Category	Market /fair value at 1 April 2016 £'000	Additions at cost £'000	Maturities, proceeds and disposals at market value £'000	Charges £'000	Realised gain/(loss) £'000	Unrealised gain/(loss) £'000	Group Total market/fair value at 31 March 2017 £'000
<b>Fixed asset investments</b>							
<i>Quoted investments</i>							
Global Equities	164,990	68,178	(58,199)	(790)	25,801	26,093	226,073
Gilts - UK Government (current assets)	11,686	-	(11,477)	(31)	(178)	-	(0)
Property trust funds	2,528	-	(2,427)	(4)	(306)	209	(0)
Fixed income	33,124	2,000	-	(183)	183	4,234	39,358
Bonds	42,060	-	-	-	-	4,145	46,205
<b>Total quoted investments</b>	<b>254,388</b>	<b>70,178</b>	<b>(72,103)</b>	<b>(1,008)</b>	<b>25,500</b>	<b>34,681</b>	<b>311,636</b>
<b>Investment property</b>	<b>-</b>	<b>27,910</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(154)</b>	<b>27,756</b>
<i>Unquoted investments</i>							
<i>Managed Funds</i>							
Private equity funds	15,800	921	(5,436)	-	1,067	2,133	14,485
<i>Mixed Motive Investments</i>							
Investment in early-stage companies	16,467	831	(452)	300	438	(1,120)	16,464
Loans to early-stage funds	765	175	(340)	(300)	-	(300)	-
Investment in early-stage funds	8,624	128	(377)	-	185	(52)	8,508
Deferred investment early-stage companies	489	4	(491)	-	-	-	2
Deferred loans to early-stage companies	175	-	(175)	-	-	-	-
<b>Total unquoted investments</b>	<b>42,320</b>	<b>2,059</b>	<b>(7,271)</b>	<b>-</b>	<b>1,690</b>	<b>661</b>	<b>39,459</b>
<b>Total investments</b>	<b>296,708</b>	<b>100,147</b>	<b>(79,374)</b>	<b>(1,008)</b>	<b>27,190</b>	<b>35,188</b>	<b>378,851</b>

Quoted investments are held at market value, unquoted investments and the investment property are at fair value.

As at 31 March 2017, total cash and investments assets held by Nesta Trust totaled £417,330k (£343,112k). Refer also to the Investment Review on pages 35 and 36 of this report gives more detail of the investments. The above table has been adjusted for consolidation in relation to the Investment Property.

Charges reflect investment management fees grossed up where offset against the value of a fund.

Deferred investments represent the portion of commitments which remain undrawn but for which draw down has been requested at the balance sheet date. The corresponding liability recognised under current liabilities.

The fair value of the investment property was determined by independent professional property valuers, Allsops LLP.



## Note 10 - Investments (continued)

### Investment assets consist of the following

	Market/fair value at 31 March 2017 £'000	Market/fair value at 31 March 2016 £'000	Percentage of 2017 Portfolio %	Percentage of 2016 Portfolio %
UK quoted investments	46,205	56,275	12	19
Overseas quoted investments	265,431	198,113	70	67
UK unquoted investments	23,162	24,710	6	8
Overseas unquoted investments	16,297	17,609	4	6
Investment property	27,756	-	8	-
	<b>378,851</b>	<b>296,707</b>	<b>100</b>	<b>100</b>

Total gains and losses on investment assets above impacting the Consolidated Statement of Financial Activities are summarised as follows:

	Realised gain/(loss) 31 March 2017 £'000	Unrealised gain/(loss) 31 March 2017 £'000	Group Total gain/(loss) 2017 £'000	Realised gain/(loss) 31 March 2016 £'000	Unrealised gain/(loss) 31 March 2016 £'000	Group Total gain/(loss) 2016 £'000
Quoted investments	25,500	34,681	60,181	5,489	(9,402)	(3,913)
Unquoted investments	1,690	361	2,051	2,679	3,033	5,712
	<b>27,190</b>	<b>35,042</b>	<b>62,232</b>	<b>8,168</b>	<b>-6,369</b>	<b>1,799</b>

## 11a. Programme-related investments

	Group total value 1 April 2016 £'000	Additions £'000	Disposals £'000	Impairments £'000	Group total value 31 March 2017 £'000
<i>Investment type:</i>					
Equity	3,318	1,664	(102)	(52)	4,828
Unsecured loan	132	-	-	-	132
<b>Total</b>	<b>3,450</b>	<b>1,664</b>	<b>(102)</b>	<b>(52)</b>	<b>4,960</b>

	Parent Charity total value 1 April 2016 £'000	Additions £'000	Disposals £'000	Impairments £'000	Parent Charity total value 31 March 2017 £'000
<i>Investment type:</i>					
Equity	3,318	1,664	(102)	(52)	4,828
Unsecured loan	132	500	-	-	632
<b>Total</b>	<b>3,450</b>	<b>2,164</b>	<b>(102)</b>	<b>(52)</b>	<b>5,460</b>

## 11b. Programme-related investments in joint venture – share of gross assets/cost

Organisation name	Country of registration	Class of ownership	Joint venture interest	Year end date	Nature of business	Group share of gross assets 2017 £'000	Group share of gross assets 2016 £'000
Behavioural Insights Ltd	UK	Ordinary	30%	31 March	A social purpose consultancy company	919	808

	Parent Charity total value 1 April 2016 £'000	Additions £'000	Repayments £'000	Parent Charity total value 31 March 2017 £'000
<i>Investment type:</i>				
Equity	30	-	-	30
Unsecured loan	-	-	-	-
<b>Total</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>30</b>

## 11c. Arts Impact investments

	Group total value 1 April 2016 £'000	Additions £'000	Disposals £'000	Impairments £'000	Group total value 31 March 2017 £'000
<i>Investment type:</i>					
Unsecured loans	133	730	(32)	-	831
<b>Total</b>	<b>133</b>	<b>730</b>	<b>(32)</b>	<b>-</b>	<b>831</b>

## 12. Debtors

	Group 2017 £'000	Parent 2017 £'000	Group 2016 £'000	Parent 2016 £'000
<i>Amounts falling due within one year:</i>				
Trade receivables	761	348	401	343
Amounts due from subsidiaries	-	1,295	-	2,630
Amounts due from joint ventures	20	20	-	55
Accrued income	3,640	2,596	30,295	2,220
Prepayments	359	283	5,307	208
Tax receivable	-	-	90	-
Other debtors	216	109	619	156
<b>Total debtors falling due within one year</b>	<b>4,996</b>	<b>4,651</b>	<b>36,712</b>	<b>5,612</b>
<i>Amounts falling due after more than one year:</i>				
Accrued income	2,309	2,309	2,666	2,666
<b>Total debtors falling due after more than one year</b>	<b>2,309</b>	<b>2,309</b>	<b>2,666</b>	<b>2,666</b>
<b>Total debtors</b>	<b>7,305</b>	<b>6,960</b>	<b>39,378</b>	<b>8,278</b>

Included in accrued income at 31 March 2016 is £28 million relating to sale proceeds from sale of an investment asset. Within prepayments at 31 March 2016 is £5.1 million relating to a deposit for the purchase of 58 Victoria Embankment which was completed in September 2016.

## 13. Creditors

	Group 2017 £'000	Parent 2017 £'000	Group 2016 £'000	Parent 2016 £'000
<i>Amounts falling due within one year:</i>				
Trade creditors	745	606	596	537
Amounts due to subsidiaries	-	35	-	491
Amounts due to joint ventures	-	-	-	21
Accruals	1,712	1,505	2,047	1,795
Deferred income	767	682	686	686
Grants payable	5,728	5,728	1,744	1,744
Deferred investments	66	-	664	-
Other tax and social security	353	353	427	427
Other payables	548	540	270	245
<b>Total creditors falling due within one year</b>	<b>9,919</b>	<b>9,449</b>	<b>6,434</b>	<b>5,946</b>
<i>Amounts falling due after more than one year:</i>				
Grants payable	3,971	3,971	121	121
Trade and other payables	1,420	-	920	-
<i>Total creditors falling due after more than one year</i>	<i>5,391</i>	<i>3,971</i>	<i>1,041</i>	<i>121</i>
<b>Total creditors</b>	<b>15,310</b>	<b>13,420</b>	<b>7,475</b>	<b>6,067</b>

Deferred investments represent the portion of commitments which remain undrawn but for which draw down has been requested at the balance sheet date.

### Analysis of deferred income

	Group 2017 £'000	Parent 2017 £'000	Group 2016 £'000	Parent 2016 £'000
At 1 April	686	686	411	411
Prior year deferred income released during the year	(686)	(686)	(411)	(411)
Income deferred in the year	767	682	686	686
<b>At 31 March</b>	<b>767</b>	<b>682</b>	<b>686</b>	<b>686</b>

## 14. Subsidiaries

Organisation name	Country of registration and registered charity/ company number	Class of ownership	Parent interest	Share capital held	Year end date	Nature of business
The Nesta Trust	United Kingdom charity number 1144683	Sole corporate Trustee			31 March	A charitable Trust that holds investment assets
Nesta Enterprises Limited	United Kingdom company number 08580327	Ordinary	100%	£1	31 March	A charitable trading company
Nesta GP Limited	United Kingdom company number 08231985	Ordinary	100%	£1	31 March	General Partner in the Nesta Impact Investments 1 Limited Partnership Fund
Nesta PRI Limited	United Kingdom company number 08232090	Ordinary	100%	£1	31 March	Limited Partner in the Nesta Impact Investments 1 Limited Partnership Fund
Nesta Partners Limited	United Kingdom company number 06618114	Ordinary	100%	£1	31 March	(Dormant) Partner in Nesta Investment Management LLP and Nesta Arts Impact LLP
Nesta Investment Management LLP	United Kingdom company number OC338038	Limited Liability Partnership			31 March	Investment manager of funds
Nesta Arts Impact LLP	United Kingdom company number OC396102	Limited Liability Partnership			31 March	Financial support for arts organisations
Nesta US Inc	United States	Sole member	100%	Non-stock	31 March	(Dormant) To engage in charitable and educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Code 1986

The results of the consolidated entities are as follows:

	Nesta Trust		Nesta GP Limited		Nesta PRI Limited		Nesta Investment Management LLP		Nesta Arts Impact LLP		Nesta Enterprises Limited	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Income	1,298	1,976	440	440	-	-	441	441	7	362	2,878	565
Expenditure	(20,902)	(17,623)	(440)	(440)	(190)	(969)	(389)	(466)	(170)	(145)	(2,878)	(565)
Other gains/ (losses)	62,865	1,942	-	-	-	-	-	-	-	-	-	-
<b>Partner share/ Profit/(loss) for the period</b>	<b>43,261</b>	<b>(13,705)</b>	-	-	<b>(190)</b>	<b>(969)</b>	<b>52</b>	<b>(25)</b>	<b>(163)</b>	<b>217</b>	-	-
Assets	418,510	377,159	84	-	3,466	1,855	465	432	2,022	1,269	985	803
Liabilities	(182)	(2,092)	(84)	-	(5,348)	(3,928)	(165)	(32)	(1,968)	(1,052)	(985)	(803)
<b>Net assets</b>	<b>418,328</b>	<b>375,067</b>	<b>0</b>	<b>-</b>	<b>(1,882)</b>	<b>(2,073)</b>	<b>300</b>	<b>400</b>	<b>54</b>	<b>217</b>	<b>0</b>	<b>-</b>
Opening net assets	375,067	388,772	-	-	(2,073)	(1,104)	400	402	217	-	-	-



## 15. Funds

### 15a. Unrestricted funds

	General funds £'000	Endowment funds £'000	Funds retained within non-charitable subsidiaries or joint ventures £'000	Total £'000
Balance at 1 April 2016	2,138	375,067	788	377,993
Net income/(expenditure)	(15,167)	394	3,112	(11,661)
Transfers to restricted funds	(2,110)	-	-	(2,110)
Transfers from endowment to unrestricted funds	19,363	(19,363)	-	-
Gains	-	62,378	-	62,378
Share of operating profit in joint venture	-	-	145	145
<b>Balance at 31 March 2017</b>	<b>4,224</b>	<b>418,476</b>	<b>4,045</b>	<b>426,745</b>

## 15b. Restricted funds

Funder	Programme	Parent Charity and Group 1 April 2016 £'000	Income £'000	Expenditure £'000	Transfers from general fund £'000	Parent Charity and Group 31 March 2017 £'000
Guy's and St Thomas' Charity	Health Lab - Big Hitters Event	-	-	(14)	14	-
NHS England	Health as a Social Movement (NHSE)	162	-	(112)	-	50
Cabinet Office	Mobilising Communities (Cabinet Office)	131	-	(132)	1	-
NHS England	Realising the Value	277	-	(259)	-	18
Department of Health	Dementia Citizens	-	35	(128)	93	-
Alzheimer's Society	Dementia Citizens	-	35	(55)	40	20
NHS England	People Powered Results (previously Rapid Results)	-	400	(186)	66	280
Big Lottery Fund	Accelerating Ideas Fund	55	5,481	(5,647)	167	56
Department of Health	Young People Helping in Hospitals	-	(21)	(31)	52	-
Department for Communities and Local Government	Digital Public Services	31	-	(2)	-	29
European Commission	DECODE	-	333	(15)	-	318
Welsh Government	Y Lab	-	-	(155)	155	-
Welsh Government	Innovate to Save	-	4,829	(9)	-	4,820
Department of Health	Innovation Parks	-	-	8	(8)	-
National Philanthropic Trust	Mayors Challenge	9	-	-	-	9
Cabinet Office	Innovation in Giving Fund	-	(34)	30	4	-
NFER (Futurelab)	Digital Education	141	-	(320)	243	64
Centre for Innovation and Social Action	Centre for Social Action Innovation Fund	-	-	(40)	40	-
Cabinet Office	People Powered Schools	26	-	(20)	-	6
Cabinet Office	Click Connect Learn	-	357	(371)	-	(14)
Cabinet Office	Second Half Fund	-	2,876	(2,828)	96	144
Cabinet Office	Join In Stay In	-	246	(303)	57	-
Cabinet Office	Give More Get More	-	498	(554)	56	-
Cabinet Office	Follow On Funding For CSAIF	-	572	(315)	14	271
European Commission	D/CENT	-	82	(94)	12	-
European Commission	DSI4EU	-	215	(215)	-	-
Creative England	Digital Arts R&D Fund (Wales)	-	-	(20)	20	-
Arts Council England	Digital Arts R&D Fund (Scale)	-	-	3	(3)	-
Arts Council of Wales (Scaling fund)	Digital Innovation Fund for the Arts in Wales	103	5	(74)	-	34
Arts Council of Wales (R&D fund)	Digital Innovation Fund for the Arts in Wales	560	-	(405)	-	155
Arts Council England	Accelerator for the Arts	-	280	(367)	117	30
Arts Council England	Crowdfunding	-	125	(125)	-	-
The Heritage Lottery Fund	Crowdfunding	-	125	(125)	-	-
The Department for Digital, Culture, Media and Sport	Crowdfunding	-	77	(46)	20	51
Arts Council England	Digital Culture 2017	-	60	(7)	7	60
Office of Disability	Issues Prizes	-	-	58	(58)	-
International Business Machines Corporation	Prizes	-	10	(7)	7	10
Department for Business, Innovation and Skills	Prizes	32	-	(249)	218	1
The Sam & Bella Sebba Charitable Trust	Prizes	-	51	(51)	-	-
Department for Business, Energy and Industrial Strategy	Open Data Challenge	-	-	29	(29)	-
The Technology Strategy Board	Longitude	5,000	100	(451)	351	5,000
Merck Sharp & Dohme Corp	Discovery Awards	-	250	-	-	250

Funder	Programme	Parent Charity and Group 31 March 2015/1 April 2016 £'000	Income £'000	Expenditure £'000	Transfers from general fund £'000	Parent Charity and Group 31 March 2017 £'000
European Commission	EUICT	59	-	(3)	-	56
Global Innovation Fund	Aquaculture Prize Design	-	239	(144)	24	119
Lloyd's Registration Foundation	Safety Challenges	-	90	(4)	-	86
European Commission and European Business & Innovation Centre Network	Accelerators FP7 Transition	-	20	-	-	20
Australian Department of Industry	Innovation Growth Lab	19	50	(32)	29	66
Danish Business Authority	Innovation Growth Lab	(3)	-	-	3	-
Dutch Ministry of Economic Affairs	Innovation Growth Lab	10	-	(5)	4	9
Innovate UK (formerly Technology Strategy Board)	Innovation Growth Lab	23	50	(33)	31	71
The Department for Business, Energy and Industrial Strategy	Innovation Growth Lab	24	-	(11)	10	23
Swedish Agency for Growth Policy Analysis	Innovation Growth Lab	25	-	(11)	11	25
Agency for Business competitiveness - Acclnio	Innovation Growth Lab	27	25	(24)	22	50
Tekes	Innovation Growth Lab	14	25	(18)	16	37
Argidius Foundation	Innovation Growth Lab	-	40	(18)	17	39
Innovation Norway	Innovation Growth Lab	-	50	(23)	21	48
Scottish Enterprise	Innovation Growth Lab	-	50	(23)	21	48
Austrian Research Promotion Agency (FFG)	Innovation Growth Lab	-	50	(23)	21	48
UCL	Start ups Workstream	-	-	(37)	37	-
DFID	DfID India innovation capacity building	-	-	(2)	2	-
European Commission	European Digital Forum	-	112	(89)	(22)	1
European Commission	Startup Europe Partnership	-	50	(45)	(5)	-
Foreign and Commonwealth Office	Accelerated Tech China	-	9	(3)	(5)	1
British Council	Makerspaces China	-	-	(1)	1	-
Foreign and Commonwealth Office	São Paulo Open Innovation	-	125	(91)	-	34
Arts and Humanities Research Council	Measuring Cultural Value	7	-	-	-	7
Creative England	The Anatomy of Creative Clusters	-	-	(10)	10	-
UKIE	Video Games Living Map	-	24	(7)	-	17
The Welsh Government	Arloesiadur	24	90	(156)	42	-
ESRC - Alliance for Useful Evidence	UK Alliance for Useful Evidence	28	181	(121)	25	113
Big Lottery - Alliance for Useful Evidence	UK Alliance for Useful Evidence	46	160	(120)	25	111
Welcome Trust	A4UE Evidence Exchange	46	-	(45)	-	1
What Works Centre for Wellbeing	A4UE Evidence Exchange	16	-	(15)	-	1
European Commission	Social Innovation Community	-	112	(42)	-	70
Improvement & Development Agency	Local Datavores	-	25	(30)	5	-
Local Government	Local Datavores	-	15	(17)	3	-
SAP	Local Datavores	-	15	(17)	3	-
Rockefeller Foundation	Bloomberg Philanthropies	-	-	(26)	26	-
UNDP BRH	UNDP	-	33	-	-	33
EU Commission	EU Design Innovation Platform	-	114	(98)	(16)	-
Bloomberg Philanthropies	ISCHOOL	-	100	(59)	-	41
		6,892	18,826	(14,990)	2,110	12,838

In many cases restricted income is received for programmes for which there is part or match-funding by Nesta (either in cash or in kind). The expenditure shown as restricted is total expenditure of the programme funded by both Nesta and the external donor. A transfer from the general fund represents the portion of the programme funded by Nesta.

## 16. Analysis of net assets between funds

	Unrestricted funds 2017 £'000	Restricted funds 2017 £'000	Expendable endowment funds 2017 £'000	Group Total funds 2017 £'000
<i>Fund balances are represented by:</i>				
Tangible fixed assets	546	-	26,105	26,651
Investment assets	6,710	-	378,851	385,561
Current and long-term assets	16,141	12,838	13,702	42,681
Current and long-term liabilities and provisions	(15,128)	-	(182)	(15,310)
<b>Total net assets</b>	<b>8,269</b>	<b>12,838</b>	<b>418,476</b>	<b>439,583</b>

	Unrestricted funds 2016 £'000	Restricted funds 2016 £'000	Expendable endowment funds 2016 £'000	Group Total funds 2016 £'000
<i>Fund balances are represented by:</i>				
Tangible fixed assets	257	-	350	607
Investment assets	4,391	-	296,707	301,098
Current assets	1,535	9,018	80,102	90,655
Current and long-term liabilities and provisions	(3,257)	(2,126)	(2,092)	(7,475)
<b>Total net assets</b>	<b>2,926</b>	<b>6,892</b>	<b>375,067</b>	<b>384,885</b>

## 17. Summary consolidated income and expenditure account for the year ended 31 March

The summary income and expenditure account is presented in order to ensure compliance with the Companies Act 2006.

The major difference in the figures presented from those in the Consolidated Statement of Financial Activities is that unrealised gains and losses on investment assets are not recognised.

	Charity 2017 £'000	Charity 2016 £'000
<i>Gross income:</i>		
Income	41,868	27,810
Income of non-charitable subsidiaries	5,056	3,135
	<b>46,924</b>	<b>30,945</b>
Less: share of joint venture turnover	(3,157)	(2,309)
	<b>43,767</b>	<b>28,636</b>
<i>Gross expenditure:</i>		
Expenditure	32,041	23,787
Interest payable	-	-
Depreciation and charges for impairment of fixed assets	582	383
	<b>32,623</b>	<b>24,170</b>
Share of profit in joint ventures	145	335
<b>Net income for the year</b>	<b>11,289</b>	<b>4,801</b>
<i>Reconciliation to Consolidated Statement of Financial Activities:</i>		
Net income for the year	11,289	4,801
Movement on endowment funds	43,409	(13,705)
<b>Net income/(expenditure)</b>	<b>54,698</b>	<b>(8,904)</b>

## 18. Contingent liabilities

There were no contingent liabilities at the Balance Sheet date.



## 19. Commitments

Investments, loans or contributions to funds that have been contracted but not yet drawn down, and grant agreements not yet signed by Nesta by balance date, are shown as commitments below.

	Parent Charity and Group total at 1 April 2016 £'000	Additions £'000	De- committed £'000	Drawn down £'000	Contracted £'000	Parent Charity and Group total 31 March 2017 £'000
<i>Investments, loans, contributions to funds:</i>						
Private equity secondaries	6,136	-	-	-	-	6,136
Investments in early-stage funds	168	-	-	-	-	168
Investments or loans in early-stage companies	3	-	-	-	-	3
Programme-related investments	4,575	-	-	(1,513)	-	3,062
Arts Impact Fund investments	1,000	-	-	(500)	-	500
<i>Grants:</i>						
Grant agreements not yet signed by Nesta	190	11,353	-	-	(11,203)	340
<i>Other:</i>						
Property – 58 Victoria Embankment	45,855	8,548	-	(54,403)	-	-
<b>Total</b>	<b>57,927</b>	<b>19,901</b>	<b>-</b>	<b>(56,416)</b>	<b>(11,203)</b>	<b>10,209</b>

## 20. Operating lease commitments

At 31 March 2017 the Charity was committed to annual payments during the next year in respect of operating leases which expire within the following periods.

	Expire within one year £'000	Expire within two to five years £'000	Expire in more than five years £'000
Buildings - 58 Victoria Embankment	-	-	37,583
Photocopiers	1	43	-
<b>Total</b>	<b>1</b>	<b>43</b>	<b>37,583</b>

At 31 March 2017 the Nesta Parent Charity had entered into an agreement with an organisation to lease part of 58 Victoria Embankment. The rental payments due to the Parent Charity are:

	Expire within one year £'000	Expire within two to five years £'000	Expire in more than five years £'000
Rental of part of 58 Victoria Embankment	146	1,757	2,196
<b>Total</b>	<b>146</b>	<b>1,757</b>	<b>2,196</b>

## 21. Related party transactions

The Trust holds investment assets previously held by NESTA which was abolished on 1 April 2012. The Trust is a registered charitable trust which is classified by the Office of National Statistics as within the public sector boundary. The Trust has transferred sums to its Trustee Nesta in furtherance of its charitable objects during the year. Nesta has had transactions with Government Departments and bodies during the year as part of its ordinary course of business. As the Trust is not involved in the operational decisions of Nesta, any transactions between Government Departments/bodies and Nesta are not considered to be related party transactions.

Nesta's Trustees are drawn from among its key stakeholders, and staff may at times have links to stakeholder organisations and therefore it is in the nature of Nesta's business to have some transactions which are classified as related. All transactions are entered into the ordinary course of business and on an arm's length basis, consistent with Nesta's policy on potential conflicts of interest. During the year Nesta entered into the following material transactions with related parties.

Name	Position at Nesta	Related party	Transaction	Outstanding balance £ 1 April 2016	Expense £	Payments/ (Receipts) £	Outstanding balance £ 31 March 2017
David Pitt-Watson	Trustee, Nesta	Trustee and Treasurer, Oxfam UK	Facilitating the Asia Impact@scale Accelerator	-	(7,920)	(7,920)	-
David Pitt-Watson	Trustee, Nesta	Public Interest Committee Member, KPMG UK LLP	Quality of Evidence, uncertainty and risk project	-	(7,200)	(7,200)	-
Simon Linnett	Trustee, Nesta	Trustee, Science Museum Group	Venue hire	-	1,394	1,394	-
Sir John Gieve	Trustee, Nesta	Visiting Professor, University College London	Catering expenses and workshop	-	(21,992)	(392)	(21,600)
Sir John Gieve	Trustee, Nesta	Visiting Professor, University College London	Research commissioned	-	86,992	86,992	-
Sir John Gieve	Trustee, Nesta	Trustee, Clore Social	Leadership Training	-	495	495	-
Geoff Mulgan	Chief Executive Officer	Visiting Professor, University College London	Catering expenses and workshop	-	(21,992)	(392)	(21,600)
Geoff Mulgan	Chief Executive Officer	Member of OECD'S Expert Advisory Group	Study skills for Public Sector and trAWel expenses	-	(43,322)	(43,322)	-
Geoff Mulgan	Chief Executive Officer	Founder, Chair and Board Member, Social Innovation Exchange	Payments for Unusual Suspects Festival and organisational membership	-	20,000	20,000	-
Geoff Mulgan	Chief Executive Officer	Founder, Chair and Board Member, Social Innovation Exchange	Catering	-	(4,728)	(4,728)	-
Celia Hannon	Director of Explorations - Policy & Research	Mother is a Board member and consultant at Innovation Unit	Catering expenses	-	(194)	(194)	-

Name	Position at Nesta	Related party	Transaction	Outstanding balance £ 1 April 2016	Expense £	Payments/ (Receipts) £	Outstanding balance £ 31 March 2017
David Altabev	Senior Programme Manager - Innovation Lab	Consultant/contractor for assessment of competition applications, Innovate UK	Newton Fund Activity Services	(150,000)	-	(97,200)	(52,800)
Hasan Bakhshi	Executive Director - Policy & Research	Trustee, Culture 24	Catering expenses	-	(230)	(230)	-
Hasan Bakhshi	Executive Director - Policy & Research	Council member, DCMS Science Advisory Council	Receipt relating to Readie Research Summit. Submission of recommended research institutions	(78)	(72,017)	(18,082)	(54,013)
Hasan Bakhshi	Executive Director - Policy & Research	Panel member, BIES Expert Peer Review Panel on Evaluation	IGL Conference	-	(355)	(355)	-
Hasan Bakhshi	Executive Director - Policy & Research	Trustee, Culture 24	Catering	-	(215)	(215)	-
Kirsten England	Trustee, Nesta	Council Member, University of Bradford	Longitude grant	-	10,000	10,000	-
Glen Mehn	Head of Development - Innovation Skills	Mentor, Bethnal Green Ventures	Bethnal Green Ventures	5,000	-	-	5,000
Halima Khan	Executive Director - Health Lab	Trustee, Diabetes UK (British Diabetic Association)	Grant to promote citizen engagement in health and acceleration ideas programme	99,952	-	99,952	-
Nathan Elstub	Chief Investment Officer	Share Lives Plus Ltd	Grant, Accelerating ideas programme	-	509,017	130,000	379,017
Albert Bravo-Biosca	Head of Innovation Growth Lab - P&R	Reviewer, Worldbank	Conference and venue hire	-	(7,000)	(7,000)	-

The related party transactions that require disclosure between Nesta and its related companies are as follows:

- Nesta charged Arts Impact Fund LLP management fees totalling £150,000.
- Nesta recharged Nesta Enterprises Limited for salary costs totalling £455,000.
- Nesta Enterprises Limited gift aided its profits to Nesta £1,257,000.
- Nesta charged Nesta Trust £1,563,000 in relation to PRI Investments.
- Nesta Trust has transferred £17,800,000 to its Trustee Nesta in support of its charitable objects.
- Nesta Trust charged Nesta £791,000 for rental of 58 Victoria Embankment.
- Nesta charged Nesta Investments Management LLP £200,000 in relation to management charges.

No amounts were written off in the year, and no guarantees were given in respect of these transactions.

## Reference and administrative details

### Trustees and Main Board Committee Members

#### Trustees

**Sir John Gieve (Chair)**

**Madeleine Atkins**

Resigned 14 July 2017

**Dame Julie Mellor**

Resigned 14 July 2017

**Kim Shillinglaw**

**Kersten England**

**David Pitt-Watson**

**Michelle Harrison**

Resigned 16 March 2017

**Ed Wray**

**Piers Linney**

**Simon Linnett**

**Natalie Tydeman**

#### Finance and Audit Committee

**Simon Linnett (Chair)**

**Madeleine Atkins**

Resigned 14 July 2017

**Ed Wray**

**Tony Thomas (Non-Trustee member)**

#### Remuneration Committee

**Dame Julie Mellor (Chair)**

Resigned 14 July 2017

**David Pitt-Watson**

**Simon Linnett**

#### Trust Investment Committee

**David Pitt-Watson (Chair)**

**Sir John Gieve**

**Simon Linnett**

**Sally Bridgeland (Non-Trustee member)**

Reappointed 31 April 2017

#### Venture Investment Committee

**Natalie Tydeman (Chair)**

**Sir John Gieve**

**Ernie Richardson (Non-Trustee member)**

Resigned 15 April 2016

#### Nominations Committee

**Ed Wray (Chair)**

**Sir John Gieve**

**Kim Shillinglaw**

#### Innovation Lab Committee

**Kersten England (Chair)**

**Madeleine Atkins**

Resigned 14 July 2017

**Dame Julie Mellor**

Resigned 14 July 2017

**Geoff Mulgan (Non-Trustee member)**

**Jon Drori (Non-Trustee member)**

**Alex Craven (Non-Trustee member)**

#### Protector of the Nesta Trust

**James Sinclair Taylor**

## Executive Team

<b>Geoff Mulgan</b>	<b>Chief Executive Officer</b>	
<b>Simon Morrison</b>	<b>Deputy Chief Executive Chief Operating Officer</b>	Appointed 1 April 2017 1 July 2015 until 1 April 2017
<b>Trevor Richards</b>	<b>Chief Financial Officer</b>	
<b>Helen Goulden</b>	<b>Executive Director of the Innovation Lab</b>	
<b>Nathan Elstub</b>	<b>Chief Investment Officer</b>	
<b>Halima Khan</b>	<b>Executive Director, Health Lab</b>	
<b>Stian Westlake</b>	<b>Executive Director of Policy and Research</b>	Resigned 20 January 2017
<b>Kirsten Bound</b>	<b>Executive Director of Policy and Research</b>	Appointed 16 May 2017
<b>Brenton Caffin</b>	<b>Executive Director of Global Innovation</b>	Appointed April 2017
<b>Tom Blathwayt</b>	<b>Executive Director for Enterprise Development</b>	Resigned 16 June 2017
<b>Corinna Theuma</b>	<b>General Counsel and Company Secretary</b>	

## Administrative details of the Charity

Registered name	Nesta (changed from 'Nesta Operating Company' on 22 July 2013)
Companies House registered number	07706036 (registered 15 July 2011)
Charity Commission registered number	1144091 (registered 30 September 2011)
Office of the Scottish Charity Regulator registered number	SC042833 (registered 30 December 2011)
Registered Office	58 Victoria Embankment London, EC4Y 0DS
Independent Auditor	BDO LLP 2 City Place, Beehive Ring Road Gatwick, West Sussex, RH6 0PA
Internal Auditor	Grant Thornton UK LLP 30 Finsbury Square London, EC2P 2YU
Principal Bankers	Lloyds Bank plc 25 Gresham Street London, EC2V 7HN





**nesta**

58 Victoria Embankment  
London EC4Y 0DS

+44 (0)20 7438 2500

[information@nesta.org.uk](mailto:information@nesta.org.uk)

 [@nesta\\_uk](https://twitter.com/nesta_uk)

 [www.facebook.com/nesta.uk](https://www.facebook.com/nesta.uk)

[www.nesta.org.uk](http://www.nesta.org.uk)

Nesta is a registered charity in England and Wales with company number 7706036 and charity number 1144091.  
Registered as a charity in Scotland number SCO42833. Registered office: 58 Victoria Embankment, London, EC4Y 0DS.

