

Annual report and accounts

For the year ended 31 March 2022



About Nesta

We are Nesta. The UK's innovation agency for social good. We confront challenges that affect millions of people, from inequality and ill-health to the climate crisis.

We believe that innovation offers more potential now than ever before. We see opportunities to mobilise citizens and influence behaviour. Private and public capital that can be used more creatively. A wealth of data to mine.

And so we draw on these rich resources by bringing together diverse teams. Data scientists, designers and behavioural scientists. Practitioners, academics, entrepreneurs and people with lived experience.

Together, we design, test and scale new solutions to society's biggest problems. We partner with frontline organisations, build new businesses and work to change whole systems. Harnessing the rigour of science and the creativity of design, we work relentlessly to put new ideas to the test.

We'll keep going until we change millions of lives, for the better.

Find out more at: www.nesta.org.uk

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Trustees



Ed Richards

Nesta's Chair

Managing Partner
at Flint



Judy Gibbons

Nesta's Deputy Chair

Chairman of Wonderbly Books,
Non-executive Director
of Capri Holdings



**Professor Anthony
Lilley OBE**

Trustee

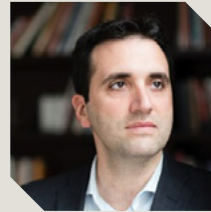
Director of
Scenario Two Ltd



Christina McComb OBE

Trustee

Senior Independent Director, Big
Society Capital and Non Executive
Director, Seraphim Space
Investment Trust



Heider Ridha

Trustee

Operating Partner
of TDR Capital



Jimmy Wales

Trustee

Founder of Wikipedia
and WT Social



Sarah Hunter

Trustee

Director of Global Public Policy at
X and The Moonshot Factory, part
of Alphabet



Ian Gomes

Trustee

Board Advisor and Director to a
portfolio of companies after a career
with KPMG



Catherine Brien

Trustee

Chief Data Officer at
Guardian News & Media



Jeremy King

Trustee

CEO and Founder
at Attest



Liz Ditchburn

Trustee

Public sector leader and
a senior policymaker



Seun Akindele

Trustee

Head of Data and Innovation at
Campaign Against Living Miserably
(CALM)

1. Foreword: Ed Richards and Ravi Gurumurthy

Nesta's story for 2021-2022 has been one of new beginnings. In the first year of our new strategy, we have reoriented our work towards addressing three major societal challenges.

- > **Our mission to give every child a fairer start has focused on reducing the gap in school readiness at age five between children on free school meals and the average.**
- > **The healthy life mission has addressed obesity – the biggest driver of ill health, after smoking.**
- > **The sustainable future mission has focused on achieving a rapid transformation in how we heat our homes.**

As an organisation, we have become more focused and mission-driven. The way we are delivering our three missions is through three roles.

Firstly, we are acting as an innovation partner, working closely with a wide range of frontline organisations, from local authorities and energy companies to supermarkets and schools. In each of our missions, we deploy teams of designers, behavioural scientists and data scientists to design, test and scale new solutions. For example, in our fairer start mission, we partnered with local authorities in Leeds, York and Stockport to use administrative data to help improve the take-up of health visiting services and tested behavioural interventions to improve attendance of free nursery education.

Secondly, alongside supporting existing institutions to grow and change, we know that new entrants are a key contributor to innovation. This is particularly the case where solutions require new business models, or can be delivered by technology-enabled products rather than services. This year, Mission Studio – a new partnership between Nesta and Founders Factory – was created to support new tech start-ups. For example, as part of our sustainable future mission, we developed a venture that streamlines the retrofitting process and another that buys old housing stock and renews the property to meet energy-efficiency standards.

Our third role is to act as a system shaper, ensuring that the funding, policies and institutions within our mission areas are conducive to learning and innovation. Through our work on each mission, we're starting to identify those issues, so we can create environments that nurture innovation more successfully.

As we reorientate towards three missions and start to work in new ways through our three roles, we have built on the expertise established within Nesta, as well as drawing on new capabilities. Each team supporting our three missions contains staff with subject matter expertise, as well as staff from a wide range of academic disciplines. One crucial development this year has been the acquisition of the Behavioural Insights Team (BIT), of which Nesta had been a founding shareholder. In December 2021, BIT became a wholly owned subsidiary of Nesta. We can now combine its expertise in behavioural science and conducting experiments with our capabilities in data science, design, experimentation, collective intelligence and arts and culture to drive even greater social impact.

Our strategy seeks to address some of society's most deep-rooted inequalities and we know that, in order to succeed, we must ourselves become a more inclusive employer and innovator. Last year, we set ourselves nine measurable goals to improve equity and tackle exclusion through our work and within our workplace, from expanding the diversity of our staff to fostering a truly inclusive culture within our organisation. While our journey to tackle inequalities within our organisation is far from over, we are proud of the progress we have made this year to increase the diversity of new hires at Nesta.

The past year has seen a number of changes designed to ensure we use resources as efficiently as possible. Most of the work associated with our previous strategy has now been completed or become self-

financing, with a view to these teams spinning out of the organisation next year. Our resources are now concentrated on delivering measurable impact against our three missions, each of which has defined theories of change and concrete, measurable goals.

By the end of March 2022, we had completed our hugely varied first projects. We have worked with National Gallery X to use the arts to bring attention to home heating in creative ways; supported local authorities to develop and use data dashboards to monitor take-up of public services; created video games that simulated the food environment of Dundee and enabled participants to visualise the impact of different interventions; and run online trials testing the effect that small changes on delivery platforms could have on food purchasing behaviour.

This year saw Sir John Gieve end his tenure of six years as Nesta's chair of trustees, having guided Nesta with energy, inspiration and wisdom. We are enormously grateful to John, under whose leadership Nesta has gone from strength to strength.

The need for innovation to tackle the UK's social, economic and environmental challenges has never been greater. This year we built the foundations for our work and we are now ready to go further and faster, designing, testing and scaling new solutions that improve the lives of millions of people.



Ed Richards,
Chair of Trustees
(from 1st April 2022)



Ravi Gurumurthy,
Nesta Chief
Executive

2. Strategic report

Our missions

This year, our three missions have taken shape. We have refined our theory of change and strategic goals so we can make better choices about where to focus our energy. We have brought together staff with a huge range of skills, from data science to design, practitioner knowledge to policy expertise.

We are still in the early stages of delivery, of course. As well as completing a range of projects and partnerships – some of which are covered below – we invested time in research and data analysis across each of our missions, building our foundational knowledge and understanding of the problems we are working to solve. We

invested in businesses that are aligned to our missions and spent time visiting the communities and industries we are working alongside. In the coming year, we'll begin to take bigger risks and increase our level of ambition, being bolder and shifting the dial on our challenging mission goals.

A fairer start

Opportunities for children are not created equally. Overall, children from disadvantaged backgrounds are far less school ready: in 2019, only 57% of those eligible for free school meals in England had a good level of development at the end of their reception year of school compared to 74% of those not eligible, a gap of 17 percentage points.¹

Our fairer start mission goal is to narrow the outcome gap between children growing up in disadvantage and the national average. We are focused on the two age ranges where inequalities widen the most – in early years and secondary school – though our primary focus is on under fives.

By 2030, our goal is that the UK will have eliminated the outcome gap between those born into deprivation and their peers, with similar gains at age 16 among students receiving free school meals.

Mission update

Over the last year, we focused on three key areas for our early years work: supporting parenting and the home learning environment; increasing disadvantaged children's take-up and attendance in early childhood education and care (ECEC); and improving the quality of ECEC.

We have worked in partnership with local authorities through our fairer start local programme to help them make better use of data, to understand how children's outcomes vary geographically and to identify where there are particular challenges with the take-up of services. We are starting to work with them on how to make some of their key early years services more effective. We have also initiated some ambitious foundational research projects to help us identify where we can add the most value.

1. Department for Education, <https://www.gov.uk/government/publications/local-authority-interactive-tool-lait>

Case study: Early Years Toolkit

What

Our Early Years Toolkit, created by Nesta and Behavioural Insights Team (BIT), is aimed at early years practitioners working within local authorities. It offers a step-by-step guide to embedding behavioural insights into early years policies and supports local authorities to consider how they can increase take-up of early education entitlements by making their communications more effective. A behavioural insights approach incorporates lessons from psychology and economics into policymaking by drawing on research that looks at how and why people behave the way they do.

The toolkit had two goals:

- > Offering evidence-based ideas to increase the number of parents taking up free childcare schemes
- > Providing a one-stop shop of information for local authorities to run randomised controlled trials (RCTs) to evaluate early years policies so they could test what works in a way that is clear and undaunting.

Why

Experimentation is far more commonly seen in the private sector than a sometimes risk-averse public sector. Yet RCTs are a highly effective way of assessing whether or not a particular policy is working.

Rather than simply implementing a policy and observing how it works, RCTs allow policymakers to experiment with A/B trials, comparing two or more methods for a far better understanding of what works and what doesn't.

How

The toolkit provides a clear, step-by-step guide to RCTs, why they are useful and how they can be used practically in an early years setting. This includes instructions on how to implement randomisation of participants, cleaning data, understanding and analysing results, applying findings and scaling.

Who it reached

With the help of the Local Government Association (LGA), Greater London Authority and using our own channels, our toolkit reached more than 3,300 people working in the early years sector.

Eighty-eight percent of the 150 people who attended a pre-launch feedback session said they would probably or definitely be able to apply the recommended practices in their work.



Case study: Mapping parenting technology

What

The Mapping parenting technology project, which was a joint project between our fairer start and Discovery Hub teams, looked closely at the role technology could play in children's early development.

This project analysed Google Play Store data to learn more about the market of apps aimed at parents and children in their early years. We created two pieces of dynamic content as part of this project. One shared findings from our analysis of parental support apps. The other showcased the market of apps for direct use by children aged 0-5.

Why

Screens are now a foundational part of the childhood experience. Government research from 2019 found a fifth of children aged four and under use devices on a daily basis, a figure which increases to a

third in lower income households. If we are to use "toddler tech" for good, we need to understand what tools are currently available, how they are being used and their potential for at-home learning.

How

We used data analytics to map digital tools currently available to parents and children.

We identified about 300 parenting apps available on the Google Play Store. These apps covered the whole of early childhood – from preconception to children aged up to five – and included fertility and pregnancy trackers, baby sleep apps, photo sharing apps and parental support apps providing advice on activities that facilitate a child's early development and learning.

Despite the widespread availability of parenting apps, the research found that take-up by parents was still slow. So while parenting support apps may have the potential to help narrow the school readiness gap, this type of digital channel may be under-used in the UK.

We also looked at apps that were targeted directly at children aged 0–5. This revealed a huge variety – at least 900, targeting everything from simple puzzles, drawing and colouring to learning play, numeracy and literacy. Of course, not all apps are made equal, so the most useful next step from this work is to think about how we might steer parents towards the apps that are likely to help children on their developmental journey. The report also highlighted the high prevalence of in-app purchases that can limit the functionality of the apps, which is an issue given that most UK parents are not spending money on apps they download for their pre-schoolers.

Who it reached

We ran two launch events to share our work; one targeted at people working in the early years and another for those in the tech sectors. Seventy-six percent of the 90 attendees surveyed said they would use Nesta as a resource in their work going forward.

The Local Government Association has also invited us to contribute to an event for its early years network in October 2022 to help local authorities share good practice on supporting parents to navigate screen time and access higher quality apps for their children.



Case study: Koru Kids

What

We invested £1 million in Koru Kids, an innovative model that delivers early years education through home nurseries. The platform offers a marketplace for families and carers to find childcare that works for them, as well as giving comprehensive support to early educators to deliver quality provision.

Why

There is a shortage of high-quality affordable childcare and early years options. This is in part due to a chronic shortage of high-quality early years practitioners. Koru Kids offers a well-supported opportunity to build a successful childcare business and aims to attract and train new early educators into the sector.

How

As a childminding agency, Koru Kids is able to register early educators on behalf of Ofsted. It attracts, recruits, trains and registers early educators and has developed a playbook to help get childminding businesses set up and make it easier for families to find suitable provision. It is also building a community of early educators to share best practice

and create a support network to make childminding a less isolated profession.

Who it reached

The business has already more than doubled the number of children it placed with early educators and is aiming to support 20,000 families.



A healthy life

Nesta's healthy life mission goal is to increase the average number of healthy years lived in the UK, while narrowing health inequalities. We are focusing on excess weight (ie, the obese and overweight) because it is one of the factors that contributes most to the burden of disease in the UK (35 million adults in the UK are carrying excess weight and 28% are obese,² and it is estimated that related conditions across the UK are costing the NHS £6.1 billion each year).

Our approach aims to reduce obesity across the population. As the poorest in society experience obesity at higher rates, we would expect this work to also narrow health inequalities.

To help us achieve our mission, we have set an ambitious goal that, by 2030, the UK will have halved the prevalence of obesity from the rate in 2020.

Mission update

Our primary focus in 2021-2022 has been making food environments healthier (by food environments we mean people's experiences related to food, which could include their neighbourhoods, workplaces or even where they spend time online). Making those environments healthier could include changes to the promotions or advertising people are exposed to, increasing the range and price of healthy options stocked by retailers, or rethinking how and where these products are displayed.

We live in environments where the food that is most readily available to us is too often bad for our health. Online environments, for example, can have a huge impact on purchasing behaviour; our early work with the Behavioural Insights Team (BIT) and the University of Oxford has already shown that small changes to an online takeaway ordering platform can lead to meaningful changes in what people order.



2. The figures cited (63% and 35 million) refer to the UK and they are a combination of the four national surveys (HSE, SHS, NSW, HSNI). NHS Digital. Health Survey for England. Available from <https://digital.nhs.uk/data-and-information/publications/statistical/health-survey-for-england>. Scottish Government. Scottish Health Survey. Available from [www.gov.scot/publications/scottish-health-survey-2019-volume-1-](http://www.gov.scot/publications/scottish-health-survey-2019-volume-1-main-report/pages/9/)

[main-report/pages/9/](http://www.gov.scot/publications/scottish-health-survey-2019-volume-1-main-report/pages/9/). Welsh Government. National Survey for Wales. Available from <https://gov.wales/national-survey-wales>. Northern Ireland Department of Health. Health survey Northern Ireland. Available from www.health-ni.gov.uk/topics/doh-statistics-and-research/health-survey-northern-ireland

Case study: Online takeaways project

What

Behavioural science suggests that making small changes to the way food is offered on delivery apps could help consumers make healthier choices. Together with BIT and the University of Oxford, we explored how changing the way food options are presented on delivery platforms might encourage healthier options without restricting choices.

Why

With a raft of online platforms delivering food straight to our doors, it's never been easier to order a takeaway – something that the pandemic exacerbated. While delivery apps can be a great treat, these services can encourage us to consume too much unhealthy food and could lead to poorer health outcomes.

Research from the Food Standards Agency found that out-of-home meals are 21% more calorie dense than those cooked at home and that exposure to takeaways is associated with higher obesity prevalence.

How

The team developed a simulated online takeaway platform called Take a BITE and recruited more than 9,000 participants to take part in a UK-wide experiment. The platform displayed a number of different restaurants and food types and asked people to make hypothetical choices.

- > A first group (the control) made their simulated food order using the standard app, where restaurants and foods were positioned randomly. On average people in this group ordered 1,382 calories.
- > A second group saw lower-calorie foods at the top of restaurant menus, with restaurants remaining random. On average, these people ordered 1,294 calories, 6% less than those in the control.
- > A third group saw lower-calorie restaurants at the top of the app but with foods positioned randomly within their menus. On average, these people ordered 1,221 calories, 12% less than those in the control.

- > A fourth group saw lower-calorie restaurants at the top of the app, and lower-calorie foods at the top of their menus. On average, these people ordered 1,173 calories, 15% less than those in the control.

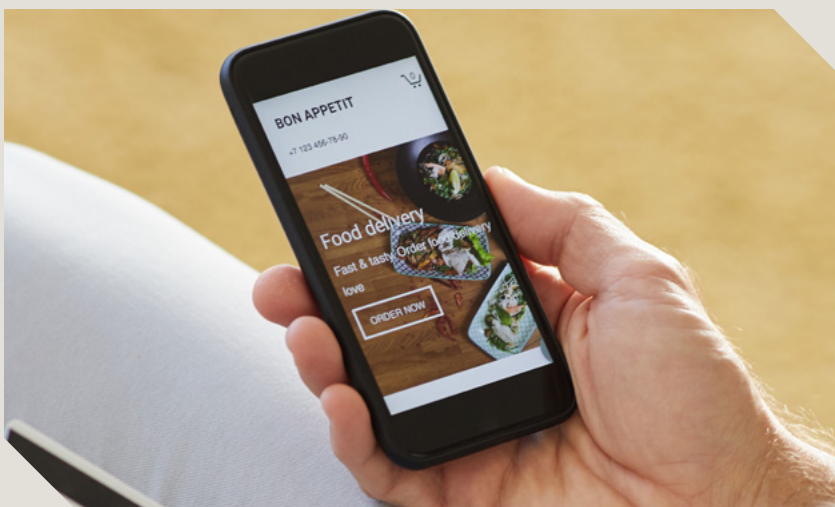
These four initiatives reduced the average number of calories purchased and also slightly reduced the average basket price. For consumers this is a win for their health and wallet. But we need to be realistic: restaurants and delivery apps may be unwilling to implement initiatives that cut their bottom line.

So we tested a fifth initiative, where options were presented at the top if they were low in calories but higher in price. This initiative reduced the number of excess calories in participants' takeaways while increasing the (hypothetical) price of the takeaway basket. While this result could encourage food businesses to implement initiatives that help people maintain a healthy weight, it is crucial to do further research to ensure that these types of initiatives do not inadvertently increase the negative impact of rising food costs.

Taken together, these findings suggest that simply changing the order in which options are displayed on delivery apps can help people to identify and select lower-calorie foods.

Who it reached

The research was shared widely on social media and with other organisations and campaigners in the sector. We will do further work with BIT to reshape and redesign online food environments to promote healthier food choices.



Case study: Oxford Medical Products

What

We invested £500,000 in Oxford Medical Products' (OMP) "gastric balloon in a pill" designed to deliver weight loss effects similar to a gastric balloon but via a non-invasive and much cheaper method. The pills work by expanding rapidly in the stomach, meaning that people feel full sooner and therefore eat less.

Why

While the food environment is our main focus in tackling obesity, we also know that not everyone will respond to this approach and for those whose obesity is more severe or problematic, a more aggressive and rapid approach may be necessary. Drugs and diets fail for a significant proportion of people

and adding to the range of possible approaches will be a necessary part of the global solution.

As the social stigma attached to medical weight loss treatments reduces, many more people will seek this avenue alongside, or instead of, dieting alone. While this means that the OMP product will have competition, it also builds awareness and acceptance of validated obesity treatments among patients and clinicians.

How

The next stage in OMP's pathway to adoption is a first-in-human trial, primarily to establish the safety and tolerability of the treatment. Success here would put OMP in a position to raise further funding and complete a randomised controlled trial.

What will happen next?

Sixty-five percent of adults in Europe are obese or overweight and very few obese people take up biomedical or surgical treatments such as pharmaceuticals or surgery. In the medium term, we are hopeful that the OMP treatment will be widely prescribed for obesity, excessive weight and its complications – but even a niche treatment is an important part of creating a solution to the problem of obesity.



Case study: Marketing Detectives

What

We asked 284 13- to 16-year-olds to act as Marketing Detectives to help us figure out how teens are targeted with junk food and drink ads. The teens used citizen social science, a form of participatory research, to explore the unhealthy food and drink marketing that teenagers saw online.

As well as providing valuable insights into junk food marketing, the project also provided evidence of the value of citizen social science and taking a participatory approach to working with young people. One participant said: "I really enjoyed the task. I felt like a real detective and this task made me notice how many food ads I come across everyday when using the internet."

Research has found that marketing has a significant impact on what we eat – and we know that most of the food advertised to young people is not healthy. With more and more time being spent online by young people, this volume of unhealthy food marketing has the potential to significantly worsen health outcomes.

Before our research there were gaps in evidence about how much online food and drink marketing teenagers were seeing every day, or what kind. This gap is what the research sought to address, specifically to inform the design of the online advertising restrictions being considered by the government at the time.

How

The teams used citizen social science to conduct the research. Online advertising is by nature both personalised and targeted, and the project aimed to capture the different kinds of promotion each participant saw based on their own online activity.

First, teenagers from across the country were interviewed about their experiences and opinions of online marketing, before a set of workshops took place with young people from the youth advocacy organisation Biteback 2030. Next, a gamified crowdsourcing platform was created, giving young people a set of daily challenges over the course of a week, inviting them to become marketing detectives and

share screenshots of marketing they saw across devices and platforms.

Overall, nearly 5,000 pieces of evidence were collected by the 284 teenagers. This evidence was then sorted through a crowd-labelling platform, in which each image or piece of data was labelled and categorised by a team from 1715 labs.

The research found that nearly 75% of all food and drink marketing teenagers saw online was for unhealthy food, a significant majority. Sixty percent was paid-for product advertising, meaning that it would be unlawful under new government legislation banning the marketing of unhealthy food and drinks products online.

There was also inequality in who was seeing unhealthy food and drink – teenagers from lower income households reported seeing around 50% more of these examples than those in higher income households.

Who it reached

We sent details of the findings to MPs and lords and the research was cited in Parliament. We built a good working relationship with Biteback 2030 and presented our research at its briefing in the House of Lords in advance of a debate on the Health and Social Care Bill.

We produced a report looking at how food and drink is marketed online to young people, as well as a briefing assessing the impact of online junk food advertising, and a YouTube video. The research was shared widely in the sector with other organisations campaigning to improve young people's access to healthy food.



A sustainable future

The UK urgently needs to make progress on reducing emissions if it is to meet the legally binding goal of reaching net zero emissions by 2050 (2045 in Scotland). At the same time, productivity in the UK is far below that of comparator countries. These challenges go hand in hand: an economy that succeeds in reducing emissions but does not protect or improve economic wellbeing is no more sustainable than one that is productive but fails to reduce emissions.

Our mission is to accelerate the decarbonisation of household activities in the UK and improve levels of productivity. Our goal is to reduce UK household emissions by 20 million tonnes of carbon dioxide per year by 2030. We also see opportunities to increase productivity in the transition to a net-zero economy and are starting exploratory work on green jobs, resource efficiency and green technology adoption.

Mission update

Our primary focus has been reducing household emissions. In the next 20 years, people will need to insulate their homes, replace their gas boilers with low-carbon alternatives and help the grid to cope with increased demand by shifting electricity use away from peak production times.

To accelerate this change, we have begun to investigate how we might accelerate the adoption of electric heat pumps and we have started public conversations about household emissions and their link to climate change.



Case study: How to reduce the cost of heat pumps

What

In April 2021, the UK government amended the Climate Change Act (2008) to require net zero emissions by 2050. This ambition will require significant adoption of electric heat pumps across UK homes.

Nesta analysed data on the cost of 60,000 heat pump installations across the UK, and created detailed [modelling of running costs](#) – the largest analysis of its kind to date.

Why

Scenarios modelled by the Department for Business, Energy and Industrial Strategy (BEIS) and the Committee on Climate Change (CCC) indicate that the widespread adoption of heat pumps will be necessary if we are to achieve net zero by 2050.

However, a number of barriers may be preventing consumer uptake – one of the most important of which is cost. Thinking about how to cut the lifetime costs of heat pumps is a crucial step in ensuring that we hit our climate targets.

How

We used data shared with us by the Microgeneration Certification Scheme, the publicly available Energy Performance Certificate dataset, information from the National Energy Efficiency Database, and an analysis by Renewable Energy Consumer Code to analyse 60,000 heat pump installations in the UK. We found that, at the moment, heat pumps are more expensive across their lifetime than gas boilers. But just a few changes could make heat pumps far more cost-competitive and appealing to the public.

These include:

- > Switching environmental levies from electricity to gas.
- > Increasing the efficiency of heat pump systems in homes.
- > Giving households with heat pumps access to a discounted electricity tariff for running their heat pump.

Who it reached

We are using the findings from this report on [reducing the cost of heat pumps](#) to brief both sector stakeholders and MPs, especially members of the Business, Energy and Industrial Strategy Commons Select Committee.



Case study: HOME-Zero

What

HOME-Zero was a creative research and development project, designed to start a public conversation about the relationship between household emissions and climate change. The project is a partnership with National Gallery X (the National Gallery and King's College London).

Why

As our sustainable future mission aims to significantly reduce household carbon emissions by 2050, we need a range of tactics to tackle the problem. Our own research into [consumer attitudes to decarbonising homes](#) shows that, although 85% of consumers agree climate change is one of the most important issues to address, just 35% have adopted or are planning to adopt energy efficiency measures in their own homes.

This project drew on the power of the arts to engage, inspire and shift mindsets and motivate change.

How

Nesta and National Gallery X published a call for ideas and two applicants were awarded grants to create interactive artwork designed to inspire the public to think about home heating.

Love Ssega is a British-Ugandan musician, performing artist and songwriter. He has built a varied career collaborating across art forms, while also speaking up for environmental, social and educational issues. He directed and composed a performance at the National Gallery for the project, which was performed on Earth Day 2022.

Makers of Imaginary Worlds is a Nottingham-based installation studio and performing arts company that designs immersive experiences and storytelling spaces for families and children 0–10 years. It exhibited its project in the National Gallery's innovation lab NGX in May 2022, as well

as in various locations across Nottingham in May, July and August.

Who it reached

Exhibitions were hosted in the National Gallery, as well as Makers of Imaginary Worlds' installations across Nottingham. Love Ssega's performance and the following performances for HOME-Zero were attended by hundreds of members of the public.

Ahead of the live performance, and to celebrate our creative collaboration, we held a launch event for key Nesta stakeholders. This project was an opportunity for us to unite experts across policy, academia, arts and culture.

A video was also created to [showcase the winners and their projects](#).



Case study: Renew and Retro

What

Mission Studio has so far created two venture concepts for our sustainable future mission. The first, Renew, is a purpose-led property developer, driving household decarbonisation by buying old housing stock and renewing the property to meet higher energy efficiency standards. The second, Retro, is an end-to-end marketplace that streamlines the retrofit process for people who want to improve the energy efficiency of their own

homes, removing confusion over steps to take and connecting users to financing options and local verified retrofitters.

We have recruited founders for both ventures and developed prototypes. If this six-month phase of further development is successful, the concepts will be spun out as independent businesses and provided with £200,000 of investment in return for equity stakes.

Why

These concepts were developed in response to identified pain points for retrofit adoption, including:

- > A lack of knowledge among homeowners on where to start if they want to retrofit their homes.
- > A lack of financing options that make retrofit measures affordable for homeowners, and a lack of easy access to quality service providers.
- > Potential legislation that would require landlords to upgrade the energy efficiency of their properties from 2025.

How

This was the product of deep collaboration between our domain experts, Founders Factory's venture designers, and external partners and advisors.

What will happen next?

These ventures are still under development but they have ambitious goals. Retro is aiming to retrofit 1,000 homes a year, achieving a 30-50% reduction in energy consumption in those homes. This would equate to up to a 1,500kg CO₂ saving for each home and 1,500 tonnes CO₂ saving each year. Project Renew (now incorporated as Hermit Crab Homes) has an ambition to retrofit 10,000 homes in the next 10 years, resulting in up to 25,000 tonnes of CO₂ avoided annually.



Discovery Hub

Nesta's Discovery Hub systematically scans for emerging trends, technologies and interventions, embedding strategic foresight at the heart of the organisation. Working across Nesta's three missions, Discovery Hub develops experimental projects which uncover novel insights and help us test more ambitious ways of achieving our 2030 goals.

We do this in three ways:

- > Anticipating shifts in the external landscape, identifying the drivers shaping our world and building up a picture of the trajectory we are on.
- > Graduating promising ideas into new programmes, bridging Nesta's current portfolio with a pipeline of future work.
- > Sharing intelligence on the cutting edge of innovation, scanning the horizon for methods, interventions and technologies.

Discovery Hub is both interdisciplinary (bringing together futures methods with data science and qualitative research) and social impact-led (with a focus on innovations and technologies that have real potential to generate public benefit).

Through enhancing the organisation's external profile, Discovery Hub also ensures Nesta's ideas influence more people, enabling us to build coalitions of willing partners. Finally, Discovery Hub's programmes help shape our internal culture, ensuring our staff are supported to innovate in ways that drive powerful social change.

Programme update

Over 2021 and 2022, Discovery Hub launched the first editions of its thought leadership products, including Tech in the Dock (which evaluates the social benefits of a particular emerging technology balanced against the potential risks), Innovation Sweet Spots (which uses cutting-edge data science to map trends in innovation around a particular social challenge) and Signals (which picks out the early stage trends, technologies and ideas set to shape the year to come).

The Discovery Hub also initiated multiple discovery dives with mission teams, designed to surface key insights and technologies to help us on our journey to achieving our mission goals.

As part of our internal employee-led innovation activities, in 2022 the Discovery Hub also launched a range of new initiatives. This included a sabbatical programme for staff and an open call for Nesta's first cohort of residents (who will inject new thinking and deep domain expertise inside our missions).

Outputs

- > The articles featured in our new Signals series were viewed more than 10,000 times online. Nesta gave 10 interviews about the series, including to Times Radio, Radio 5 Live and multiple BBC local radio stations.
- > Our first Tech in the Dock feature on loneliness and chatbots attracted around 29,000 social media engagements, with 1,400 viewers of the full feature to date.
- > Over 2021 and 2022 we ran eight Discovery Hour learning events with pioneering practitioners, academics and policy professionals.

Case study: Which green technologies are at a tipping point?

Our first Innovation Sweet Spots pilot, Which green technologies are at a tipping point?, was published in December 2021. It introduced a cutting-edge, data-driven, horizon-scanning approach to analysing trends in a given innovation ecosystem. For the first edition we explored innovations aimed at mitigating climate change.

We leveraged large datasets and data analytics to build up a multi-dimensional picture of research funding and venture capital investment alongside news and policy discourse. The aim is to help funders, policymakers and social impact investors better identify

sweet spots – innovations that are seeing a convergence of promising signals – and then act on that intelligence.

Among a number of insights from this green tech pilot, we found that low-carbon heating has attracted significant public funding for research and development. However, we did not find similarly strong signals from private venture capital investment, which could slow the pace of future innovation in the field.

The report was welcomed by investors and green technology experts. The feature received more

than 2,000 views to date on Nesta's website and gained traction on social media: Tabitha Goldstaub MBE, Chair of the UK Government's AI Council, shared the analysis on Twitter, describing it as "exactly what [climate start-ups] need to convince... investors to focus on".

We have since published an article about our recommendations in CableTalk, a magazine for electricians in Scotland, which has a 5,000-strong readership. The report has been included in external newsletters such as Sustain by Sifted (a media site for investors across Europe backed by the Financial Times) and Impact, the newsletter from Dealroom (a global provider of data and intelligence on start-ups and tech ecosystems).

The methodology used for the pilot and the findings have been presented at the Economic Statistics Centre of Excellence's annual conference and to the Government Office for Science. Discovery Hub will be building on the methodology to explore other mission domains such as innovations in food tech.



Impact Investments and Mission Studio

New and early-stage ventures have significant freedom to innovate, drawing on cutting-edge developments in different sectors.

To remain profitable, for-profit ventures must focus on products and services for which there is significant demand. Profitability can also mean scalability, generating an incentive for further investment that can accelerate user growth and expansion into new markets.

Nesta has a long and deep experience of investing in innovative early stage ventures. In 2021-2022, we harnessed that experience and skills to set up Mission Studio, which supports new ventures.

Nesta Impact Investments

Nesta Impact Investments provides financial, knowledge and network capital to innovative tech ventures that are changing the world for good. In this way, we ensure that we are drawing in private sector innovation, while harnessing our own experience and skills, to create change.

We invest £500,000 to £1 million in each round at Seed to Series A, so companies are at an early stage but typically have some paying customers. We look for ventures with high growth potential that combine commercial success and impact at scale.

This year we launched our new mission-aligned investment strategy. We invested £2.9 million into two new investments, Koru Kids and Oxford Medical Products, and three follow-on investments in our existing portfolio. We have developed a thriving pipeline of investment opportunities that align with mission goals and developed our healthy ageing investment partnership with Innovate UK.



Mission Studio

Mission Studio is a partnership between Nesta and Founders Factory. Our goal is to create and scale nine new tech start-ups over three years that further our missions by tackling some of the UK's most pressing social challenges.

Drawing on our domain knowledge and impact focus, and Founders Factory's commercial knowledge and experience, Mission Studio has a unique capability to

build new ventures with the potential to achieve scale, transform markets and address generational social problems. New and early-stage businesses have the agility to explore cutting-edge developments and to iterate and scale quickly when there is proof of demand. We will support these businesses to succeed through a tailored package of financing and practical support. For details of the two venture concepts backed in 2021/22, see [page 18](#).



Programmes

Working in collaboration is an important part of Nesta's approach.

We work with a range of organisations from government, industry, academia and the third sector, conducting research, advising government departments, making impact loans, launching prizes and more.

These five programmes, all of which were initiated as part of our previous corporate strategy, span the creative industries, arts and culture, edtech, innovation and the internet.



Creative Industries Policy and Evidence Centre

The Creative Industries Policy and Evidence Centre (PEC) is a UK-wide consortium of universities and one joint enterprise, led by Nesta and funded through the

Arts and Humanities Research Council as part of the UK Government's Industrial Strategy investment in the sector.

53

Direct policy impacts, including references in the House of Commons, references in the Government's white paper on *Levelling Up*, guidance on measuring cultural value referenced as part of the Government's recommended reading to local authorities bidding for funds, advising government departments, and the introduction of a number of policies

93

Pieces of press coverage achieved by the PEC, including BBC Radio 4's *Front Row*, the *Times*, *Sky*, and the *Guardian*

87

Creative industry champions advising on the PEC's work

10

New research commissioning partnerships, including scoping large-scale cultural analytics with Edinburgh Futures Institute, exploring sustainability with *Julie's Bicycle*, and helping establish a European-wide creative industries innovation network through EIT Culture and Creativity

4

New research co-commissioning partnerships, including research into the acquisition of UK gaming companies and the cultural and economic value of cinema, both with the BFI

Over the past two years, the PEC has carried out extensive research into issues of class diversity in the creative industries and influenced policy. It did this through:

- > Contributing to the Government's *Good Work plan*.
- > Conducting a call for evidence from policymakers, industry bodies, unions, charities, diversity champions, businesses, and creative workers on the quality of work in the creative sector.
- > Partnering with the Creative Diversity All-Party Parliamentary Group (APPG) to identify and tackle obstacles to diversity and inclusion in the creative sector, establish effective practices in recruiting, retaining and developing diverse talent, and provide recommendations for industry and government.



Arts and culture

Nesta and key partners, including Arts Council England and Esmée Fairbairn Foundation launched the pilot Arts Impact Fund (AIF) in 2015. Since then, we have developed the work into Arts & Culture Finance (ACF), a specialist lender operating three funds – AIF, Cultural Impact Development Fund (CIDF, closed December

2021) and Arts & Culture Impact Fund (ACIF) – making repayable impact loans to arts and culture organisations and other creative social enterprises.

The total managed by ACF is more than £30 million from eight investors, including £7 million of programme-related investments from the Nesta Trust endowment.

£167,000

The amount of investments approved by the CIDF in 2021-2022

39

Essays from diverse international voices published through the Creativity, Culture and Capital (CCC) partnership, illustrating the need for impact investment in the global creative economy

£1.2 million

The amount of investments improved by ACIF in 2021-2022

35,000

Number of unique visitors to the CCC's website



In 2022 ACIF invested £292,500 into Future Yard, a social enterprise established in 2019 to use music as a force for good in Birkenhead and the wider Wirral area, with the ambition to reimagine the role of a community music venue.

Future Yard will also create an artist development hub and offer free skills training programmes to enable young people to pursue careers in the industry.

Edtech

This year we completed work on the EdTech Innovation Partnership, a £4.6 million partnership with the Department for Education. It launched in 2019 to support more effective use of technology in schools and colleges in England.

With the onset of Covid-19 in 2020, the work was adapted to meet the demands of remote learning

and partial school closures – in particular, the disproportionate impact on disadvantaged children. In June, we published an analysis of edtech usage data, which found that during the first lockdown in spring 2020, children in schools with a higher proportion of children eligible for free school meals were less likely to be using edtech tools for remote learning, relying on mobile devices rather than laptops.

6

Edtech providers worked with the EdTech Research and Development Programme

58

Schools worked with the R&D programme, funding and testing improvements to edtech tools supporting more disadvantaged children

Our work to support the development of the first year of the National Tutoring Programme (NTP), of which Nesta was a founding partner, was completed in autumn 2021.

We continued to support the NTP Tuition Partners with a programme of capacity-building support to help them

deliver tutoring with quality, focusing on developing their provision and increasing the impact they have on disadvantaged students. The Digital Development Grants ended in June 2021 and supported five Tuition Partners to improve their digital tutoring provision.



Y Lab and Harp

During 2021-2022, Nesta's partnership with [Y Lab](#), an innovation collaboration with Cardiff University, came

to an end. However, the work of Health Arts Research People (HARP) and InFuse continued through the Nesta Cymru team.

1,200

Participants reached by HARP through creativity and arts programmes

47

Officers from

10

local authorities participating in the InFuse project

HARP explores how we can generate, grow and learn about impactful creative innovations that support health and wellbeing. It is an innovation and research partnership between Arts Council of Wales, Nesta and Y Lab.

Projects included singing for dementia and creative writing for people experiencing addiction. The approach is people-powered – focused on collaboration, creativity and learning-by-doing. The legacy of the project is the HARP Approach: [a framework to support arts and health innovation through a step by step guide](#).

InFuse, an innovation skills-building programme for the Cardiff region, is a collaboration between Cardiff University, Y Lab, Nesta, Cardiff Capital Region and

the 10 local authorities that make up the region, led by Monmouthshire County Council. InFuse is supported by the European Social Fund through the Welsh Government. The programme works with staff from local authorities and others delivering public services to take on real-life problems driven by the biggest challenges faced by the region with support from research fellows, data scientists and experts in innovation, data and procurement.

Projects have included creating data maps to help plan and prioritise energy efficiency measures for homes, and supporting the Welsh Government's ambition to increase local procurement by addressing lack of market intelligence through the development of a platform of local providers.



NGI Forward

NGI Forward was a Nesta-led project helping the European Commission with developing a vision, strategy and policy agenda for building a better future internet by 2030. It was a €3 million project with seven consortium partners from across Europe, and ran from 2019 to January 2022.

The European Commission's Next Generation Internet initiative was created to build a more inclusive, democratic, sustainable and resilient internet by 2030.

Through NGI Forward, Nesta influenced technology policy across the continent. We created an alternative, citizen-led model for the internet. We set out an ambitious vision for what we want the future internet to look like, identified the policy interventions and technological tools we need to get us there, and convened the right ecosystem to bring us towards our vision.

4

Experiments and trials launched during the project

Our report [Internet of waste](#) explored the full life cycle of connected products and services, making several recommendations that are being embedded into EU policy. For example, we called for smartphone software updates and spare parts to be made available for seven years to drastically increase their longevity and break the two-year cycle of replacement. As a result of our research and lobbying, legislation to enact these changes will be adopted in late 2022.



Enterprises

As we focus our activity on three innovation missions, the following enterprises that Nesta has incubated will continue to support and shape the innovation ecosystem in the UK and beyond. They provide the opportunity to leverage their expertise and blend methods with others in pursuit of impact – and help keep us at the forefront of innovation globally.



Challenge Works (Nesta Challenges)

Challenge Works is the new name of Nesta Challenges. For a decade this Nesta enterprise has established itself as a global leader in the design and delivery of high-impact challenge prizes that incentivise cutting-edge innovation for social good. In the last 10 years, the team has run more than 80 prizes, distributed £78 million in funding and engaged with 12,000 innovators.

Prizes launched over the last year include:

- > The \$33 million HomeGrown Challenge to grow berries at scale in Canadian winter
- > The second Water Breakthrough Challenge, making up to £35 million available for innovative initiatives in the water sector which deliver benefits for customers, society and the environment
- > The \$19.4 million Afri-Plastics Challenge focused on helping communities throughout Sub Saharan Africa to prevent plastic waste from entering the marine environment.

50 teams

Of innovators developing diagnostics for antimicrobial resistance (AMR) in more than 10 countries as part of the £10 million Longitude Prize on Antimicrobial Resistance

\$5 million Global Surgical Training Challenge

Selected four finalists developing open-source surgical training models

£1 million Mayor's Resilience Fund

Selected 10 winners supporting London's businesses and community groups to emerge stronger from Covid-19 and ensure the capital is prepared for future disruptive challenges

18 projects

Have been awarded £38.2 million through the Ofwat Innovation Fund's Innovation in Water Challenge and Water Breakthrough Challenge

£3 million Rapid Recovery Challenge

Selected two winners with tools and solutions that aim to provide rapid and personalised support with finances and jobs to people across the UK

Four cities

Worldwide selected as the focus for the Climate Smart Cities Challenge to achieve global net zero

Four winning teams

Of the Amazon Longitude Explorer Prize including a two-way AI-enabled British Sign Language (BSL) translator and a self-contained digester box that uses mealworm larvae

871 pieces of media coverage

With 11 million online coverage views, 3 million broadcast views, and 14.5 million print circulation

People-powered results

People Powered Results is a Nesta enterprise that pioneers new approaches to achieving change by working in partnership with individuals, organisations and systems to release the power of people closest to issues. In the last eight years we have worked with more than 500 partners, and reached more than 100,000 people through our work.

We launched People Powered Places at the New Local Conference 2022 to showcase how people-powered methods can be applied to create change in systems and places. Over the last year we have continued to develop and adapt our methods to meet the needs of our partners.

- > **People Powered Transformation Partnerships** – building on our work with Midlothian Council we established a multi-year Transformation Partnership, offering core support to leadership, capability building around innovation and people-power approaches as well as direct programme support for initiatives. This will support Midlothian in its ambition to build a Wellbeing Economy.
- > **Shaping new visions by bringing Liverpool's Good Food Plan to Life** – the team supported the co-creation of the plan through engaging a wide range of people from across the system and tapping into evidence and research. We facilitated a series of collaborative spaces to support the development of a **Good Food Network**.
- > **Curating insights on experiences of homelessness in Norfolk** – we used a range of methods to listen to people with lived experience of homelessness, supported a cross-system partnership to better understand the realities for this group and codesigned plans to more meaningfully involve them in change for the future. The work ensured that findings and recommendations grounded in real experiences of people fed into the new Norfolk Homelessness Prevention Strategy.



Innovation Growth Lab

The Innovation Growth Lab (IGL) is a global initiative, based at Nesta, with a mission to increase the impact of innovation and growth policy by ensuring that it is informed by new ideas, experimental approaches and robust evidence. Through our capacity-building work, funding and events, we have supported a growing global community of policymakers, practitioners and researchers engaged in policy experimentation in this field.

Over the last year we have launched a range of new resources including [the experimental research funder's handbook](#), in partnership with the Research on Research Institute, and [Evidence Bites](#), which offers evidence summaries and recommendations for entrepreneurship education and business support. We've also kicked off new collaborations to develop policy experiments, welcoming the Netherlands Enterprise Agency (RVO) to the IGL partnership and starting a project with [ATTRACT](#) to identify and test ways to accelerate the commercialisation of novel technologies.

**35 government agencies
over 5 continents**

Worked with us to become more experimental

**70 trials supported in more
than 28 countries**

Tackling a range of questions across innovation,
entrepreneurship and growth policy

More than £12 million

Has been invested into experimentation funds
delivered or supported by IGL

**17 innovation agencies
participated**

In our Experiment! Taskforce with the Taftie network

Case study

The question of how to raise productivity among small and medium-sized enterprises (SMEs) has long presented a challenge to policymakers around the world. Lots of initiatives have been launched but we know very little about which, if any, have proved effective.

In 2018, IGL worked with the UK's Department for Business, Energy and Industrial Strategy and Innovate UK to launch an innovative approach to this problem. Through the [Business Basics Programme](#), business-support providers were

invited to rigorously test their ideas for how to promote adoption of technologies and management practices to increase productivity.

A total of 32 policy projects were funded, from small proof of concept pilots through to larger field experiments. The final projects were completed during 2021-2022. IGL is now reviewing the outcomes and collating the [wealth of evidence](#) that has been generated to provide lessons learnt for how to design, implement and evaluate business-support programmes, and what pitfalls should be avoided.



Activities in Scotland

The Nesta Scotland team works to deliver Nesta's strategic aims in Scotland, taking advantage of unique opportunities in the Scottish environment, and to build Nesta's profile and credibility in our mission areas.

Early on in the reporting period, Nesta in Scotland commissioned two research projects as part of the sustainable future mission. One establishing what specific barriers exist to decarbonising home heating in Scotland's housing stock and one looking at the effect of Covid-19 disruption on jobs and skills and how these may overlap with skills needed for green industries. The subsequent reports helped to establish Nesta's credibility in decarbonisation in Scotland – credibility that was furthered by our analysis of the Scottish Government's Heat in Building Strategy which was covered in the Scottish press. We further established our position in this sector via high-profile participation in events linked to Cop26 in Glasgow, including Nesta's CEO chairing a panel for The New York Times event on COP's legacy for Scotland and the Head of Nesta Scotland and the ASF Mission Director leading an international panel event for Holyrood Magazine on the opportunities for decarbonisation for devolved

governments. The team also created a COP exhibit based on the This Must be the Place future visions project which was further developed for use in schools in partnership with YoungScot.

Mission managers for a healthy life and a fairer start missions were recruited into the Scotland team in autumn and quickly began developing projects. The Virtual Healthy Neighbourhoods Challenge, in collaboration with the arts and culture practice, partnered with Dundee-based video game innovation centre InGAME to create video games environments that simulated the food environment of Dundee and allowed players to understand the impact of different interventions. The Fairer Start team also convened a round table event with leaders from across the ELC sector in Scotland to establish opportunities for collaborative working.

Looking forward to 22/23

In 2021 we reoriented our work towards our three missions, each addressing major societal challenges. We built foundational knowledge and understanding of the problems we're seeking to solve, while also taking early steps toward impact in each mission. In the year ahead, we'll look to accelerate our progress and make the most of our expertise and capabilities to drive impact.

1. Create a high-impact portfolio of work in all our missions

We will continue to design, test and scale solutions in each of our missions that help us impact our mission goals. We will also continue to deliver mission-aligned venture building through our Impact Investments team and the Mission Studio.

2. Establish ourselves as a credible partner

We will establish key partnerships that give us credibility in our mission areas and give us the opportunity to influence each innovation ecosystem. We will build on our growing media presence across our three missions to ensure we're well known as a credible voice in our mission domains.

3. Inspire our people and create a culture that reflects our values

We will focus on increasing adoption of our core organisational values – of being impact led, inquisitive, incisive and inclusive – to create a culture where all our people can thrive.

4. Make the most of the BIT integration

We will work to realise the benefits of our partnership, particularly with regards to achieving impact through shared policy work, practices, knowledge sharing and career pathways.

5. Set our enterprises on a pathway to independence

We will successfully spin out key enterprises and set them up for success as independent entities, while transitioning others into new homes where they can thrive.

3. Financial review

The Group is comprised 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), seven companies, four limited liability partnerships and one entity registered in the United States.

A number of subsidiaries have been set up to manage Nesta's investing and fund management related activities. 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, Cultural Impact Development Loans Limited, Nesta Partners Limited, Nesta Investment Management LLP, NII2 Special Partner LLP, Nesta Arts Impact LLP, Nesta Arts and Culture Impact LLP and Nesta US Inc. The Group also includes Nesta Enterprises Limited, incorporated as a trading subsidiary for non-primary purpose trading. During the year, on 10 December 2021, Nesta acquired the remaining 70% of Behavioural Insights Limited ("BIT"), having previously owned 30% and held as a joint venture. The purchase cost of £15.7 million, which includes £0.4 million deferred consideration and £0.2 million acquisition costs, is included with the £6 million valuation from 31 March 2021 of the 30% already held of BIT to give a mixed motive investment of £21.7 million, as seen in Note 12. The results of the Group consolidate all subsidiary undertakings as well as the Trust and the joint venture in Mission Studio (FFN JV Limited).

Nesta Trust provided funding to Nesta of £39.0m million (2021: £28.1 million) during the year of which £36.0 million (2021: £23.6 million) was applied to charitable operating activities and £3.0 million (2021: £4.5 million) committed in relation to the Impact Investment Fund and other programme-related investments.

Funding made available by Nesta Trust does not constitute a commitment until a drawdown is made. The assets of the Trust are held as an expendable endowment and the Trust is therefore able to fund charitable activity beyond the returns it generates during the year.

The categories defined by the trustees for the purposes of organisational management are – A Fairer Start, A Healthy Life, A Sustainable Future, Central Programmes and Devolved Nations, Committed Programme Delivery, Enterprises, Investments and Practices. In 2021, A Fairer Start, A Healthy Life, A Sustainable Future, Central

Programmes and Devolved Nation were all included under the heading "Missions".

Total group income for the year was £21.6 million (2021: £29.6 million). Charitable income of £4.3 million (2021: £16.9 million) was recognised in addition to the £7.3 million (2021: £7.9 million) of investment income and £10.0 million (2021: £4.8 million) of other income. Charitable 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. Other income consists of rental income, trading income and fund management receipts.

Total Group expenditure was £41.6 million (2021: £37.1 million) of which £33.2 million (2021: £34.3 million) was spent on charitable activities, £7.5 million (2021: £1.9 million) on trading activities and £0.9 million (2021: £0.8 million) on managing endowment assets held by the Trust and impact investment funds held by Nesta. Grant expenditure commitments totalled £4.5 million (2021: £8.7 million) with recipients over £50,000 detailed in Note 7b.

Support costs of £12.2 million (2021: £12.4 million) relate to Communications and Corporate Services activities and are allocated to programme areas as shown in Note 7a.

Net gains on Investments for financial return decreased by £62.7m to £26.0m (2021: £88.7m). This is due to gains on investments being significant in 2021 following the recovery from initial Covid related investment losses in 2020.

Total Group funds increased by £5.9 million (2021: £81.4 million) during the year. This resulted in group funds of £511.0 million carried forward as at 31 March 2022 (2021: £505.1 million), of which £42.6 million (2021: £22.0 million) was unrestricted, £16.8 million (2021: £24.5 million) was restricted and £451.6 million (2021: £458.6 million) was in relation to the expendable endowment.

Going concern

As Nesta is able to draw down cash from Nesta Trust as required within the approved 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 no material uncertainties have been identified in respect of going concern. They 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 objects of the Nesta Trust. The strategy aims to balance risk, return and capital preservation.

During the year ended 31 March 2022, the value of Trust investments and cash decreased by £2 million to £466 million (2021: £468 million) after annual transfers to Nesta to carry out the objectives of the Trust in line with the Trust Deed. A further breakdown of the £2 million decrease can be seen in the table below:

Asset class (Trust accounts only)	Market value of investment assets 31 March 2022 £'000	Proportion of total endowment assets 31 March 2022 %	Market value of investment assets 31 March 2021 £'000	Proportion of total endowment assets 31 March 2021 %
Current assets:				
Cash	5,385	1	9,842	2
Fixed asset investments:				
Private equity funds	5,075	1	5,618	1
Equities – UK	37,412	8	39,100	8
Equities – Overseas	240,443	52	232,377	50
Bonds and Fixed Income	79,611	17	84,972	18
Early-stage venture portfolio*	16,718	4	18,338	4
Investment property	81,073	17	77,655	17
Total Fixed asset investments	460,332	99	458,060	98
Total Cash plus Fixed asset investment	465,717	100	467,902	100
Reconciliation to Group accounts				
Remove Trust cash included above	(5,385)	-	(9,842)	-
Consolidation adjustment – Investment property	(29,464)	-	(29,464)	-
Consolidation adjustment – Mixed motive investment	40	-	-	-
Total Group investments per Note 11	430,908	-	428,596	-

*Mixed motive investments – see Note 11 of the accounts for further breakdown.

Actions taken during the year included the following:

Strategic review

During the year, Nesta's Trustees continued to monitor and review the investment portfolio including the asset allocation policy. A risk register is used in order to proactively manage key risks.

Equities performance

Strategic allocation to equities increased to 60 per cent (2021: 58 per cent) during the year which, together with market conditions, resulted in an increase in the valuation to £278 million as at 31 March 2022 (2021: £271 million).

During the year £17 million of equities were sold (2021: £24m), of which £nil (2021:£6 million) was reinvested in other alternative asset classes in order to rebalance the portfolio, with the remainder being used to ensure the Trust had sufficient cash to fund day to day activities.

Managing holdings of alternative asset classes

A £3 million financial commitment remains outstanding for alternative asset classes as disclosed in Note 20 to these Financial Statements (2021: £6 million).

Maximising value from our self-managed early-stage venture portfolio

The early-stage venture portfolio includes equity investments in seven (2021: twelve) early-stage companies, and three (2021: three) 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 due to these investments being slow to generate income and being typically higher risk than other asset classes. There were net gains of £2 million (2021: £2 million) recognised in the year applying the valuation methodology which remains unchanged from previous years and is detailed in Note 1j to these Accounts.

Costs of managing the assets

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £749k (2021: £833k) across the Trust and include external fund manager fees and custodian fees. In addition, there are other indirect costs associated with fund management activities. Where fund manager fees are offset against the relevant fund's value, these are grossed up and shown as fund manager fee expenditure, in the Statement of Financial Activities in accordance with normal practice, along with those fund manager fees that are invoiced and paid for in cash. The full cost of investment goes beyond the fees we are charged by managers and include, for example, transaction costs, advisory costs and staff costs. We estimate that the full costs were about 0.5% of the average asset value over the year (2021: 0.5%).

Investment policy

The Nesta Trust was established by a Trust Deed dated 22 September 2011.

As the sole Trustee of the Trust, Nesta is responsible for the Trust's investment policy. The investment strategy is delegated to the Trust Investment Committee 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.

The Trustee 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 specific conditions on the Trustee's power to invest:

"The Trustee 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."

The Trustee's investment objective is to balance the current and future needs of the Trust 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;
- Maintaining if possible the value of investments in real terms; and
- Delivering these objectives within acceptable levels of risk.

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

Responsible investing

Nesta believes that responsible investment can enhance long-term portfolio performance. The process of incorporating a more responsible approach to investment involves:

- Some limited exclusion of stocks where Nesta objects on moral grounds to the activity of the company in question.
- An explicit programme to monitor fund managers' incorporation of environmental, social and governance (ESG) factors and their practice of active ownership.
- Adoption of the Hermes Equity Ownership Service for our index investments.

These policies have informed the Trustee's actions, oversight and asset allocation decisions and have informed the Trust's policy on Responsible Investment and Corporate Governance. This policy remains under constant review with the last version being approved by the Board in March 2021. As far as the Trustee is aware, the only potential area where the Trust does not fully accord with its policy is in relation to historical private equity holdings which are being run down over time.

Programme-related investments and grantmaking policy

Nesta achieves its charitable objects, and the objects of the Nesta Trust, in several ways, which include providing investment, grant making, providing non-financial support and carrying out research. It also provides support 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 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 2019), issued by the Charity Commission and 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 determines the appropriate method of delivery within that programme's budget. Nesta sets out specific entitlement criteria for each programme at its launch where grants are appropriate as a funding mechanism. These criteria vary from programme to programme and are made available on Nesta's website. Applications are assessed against these criteria and awards are made taking into account the availability of funds, Nesta's 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 63, 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 to maintain the underlying assets above a market value of £260 million.

On 31 March 2022 the reserves of the Group stood at £511.0 million (2021: £505.1 million). Nesta Trust provided funding to fulfil its charitable objects, through activities carried out by Nesta, totalling £18.8 million (2021: £23.6 million).

Nesta, as the parent charity, has no requirement to maintain its own 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.

Cash received that is restricted in use of specific programme expenditure is held on Nesta's own balance sheet.

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

Principal risks and uncertainties

The trustees are responsible for the management of risks within the Nesta Group. These are considered both organisationally and by activity.

i. Organisational risk

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Audit & Risk Committee. The organisational risk register is presented at each Audit and Risk Committee meeting and is reviewed by the Board annually. The Executive Team considers both strategic and detailed operational risks on a by-monthly basis.

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; and
- 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 is to bring bold ideas to life to change the world for good which requires experimentation and an element of risk-taking in its activities if it is to succeed. Accordingly the risk appetite is for 'managed risk-taking' rather than simple 'risk aversion'. Recognising that some activities or projects may fail to a greater or lesser extent and that such failure can be an important source of learning.

Activity risks are reviewed and discussed in the same way as organisational risks. Trustees are satisfied that the major risks identified through risk management processes are being adequately managed, whilst 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.

The following organisational risks and uncertainties are considered the most significant and which include those associated with the adoption by Nesta of its new strategic plan:

- Reduced breadth of activities results in a loss of influence and inability to attract new partners thereby impacting on our ability to achieve demonstrable impact at scale.
- Culture shift and talent/skills resourcing is insufficient to deliver effectively on strategy.
- Lack of funding, whether external and/or arising from an extended period of poor investment returns, impacts adversely on ability to deliver effectively on strategy and results in necessity for securing external income for non-aligned work.
- One or more projects or partners attract public criticism which diminishes Nesta's reputation and its ability to advance its objects.
- Threat of a serious breach from a cyber attack.

4. Objects

Nesta works to advance the following 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.

Fundraising statement

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities. Nesta does not undertake any fundraising activities and does not use any professional fundraisers or 'commercial participators' or any third parties to solicit donations. We are therefore not subject

to any regulatory scheme or relevant codes of practice. We have not received any complaints in the current or prior year in relation to fundraising activities, nor do we consider it necessary to design specific procedures to monitor such activities in the current year or in the prior year.

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. The Board considers how every proposal brought to it for approval 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 furthering 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 furthering 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 [7 to 39](#).

5. 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, with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta and 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 a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator. Its trustees are both directors and members of the company. For more information on the group structure and subsidiaries please see [page 76](#).

Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. Trustees on the date this annual report is published are listed on [page 86](#).

Sir John Gieve came to the end of his term as Chair of the Board at 31 March 2022. On 1 April 2022, Ed Richards was appointed as the Charity's Chair. The Board met six times in the year with members of the Executive Team also present.

The Nesta Trust has a Protector appointed by the Secretary of State for Business, Energy & Industrial Strategy with a fiduciary duty to ensure the integrity of administration of the Trust and the propriety of its procedures. James Sinclair Taylor, an experienced charity lawyer, was appointed as the first Protector of the Trust by the Secretary of State on 1 April 2012. His term came to an end on 31 March 2022. The process to recruit his replacement is underway and is expected to take several months to conclude. In the interim period, it has been agreed with the Secretary of State for Business, Energy & Industrial Strategy that James Sinclair Taylor shall become a governance adviser of the Trust with the same responsibilities and powers as the Protector.

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, in accordance with the Charity Governance Code. The Board observes all seven principles 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, plus the Chief Operating Officer, Chief Programme Officer, Chief Investment Officer, Chief Finance Officer, General Counsel and Company Secretary, Chief Scientist, Chief Strategy Officer, Chief Partnerships Officer, Director of People and Organisational Development and Director of Communications, all of which report to the Chief Executive. A full list is given on [page 87](#). The Board has established a number of committees to oversee aspects of Nesta's activities. Each of the Board committees have delegated authority in respect of certain functions and activities and has written terms of reference approved by the Board, and reports to the Board at each Board meeting. A list of trustee members for each of the Board committees is provided on [page 86](#).

Here is a list of the main Board committees

Audit and Risk 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 to monitor 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 Nesta Trust's assets, to approve 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, manages programme-related and mixed-motive investments, and oversees any other Nesta Investment. The Committee met twelve times during the year.

People Committee

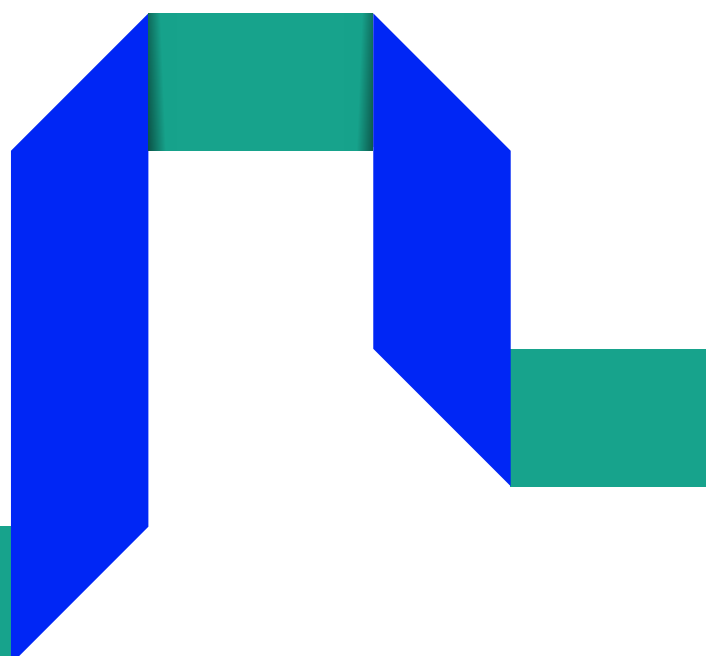
whose key responsibilities are staff terms and conditions, ensuring fair and appropriate remuneration and benefit policies. The Committee met four times during the year, and determined an annual pay award, including annual remuneration of the Executives. Following a benchmarking exercise, they agreed that Nesta could remunerate staff in line with the findings and any pay gap variances. The Committee also manages the recruitment of new Trustees and overseas appointments to other committees.

Challenges Committee

whose key responsibilities include regular monitoring and reviewing the performance and activities of Nesta Challenges, considering, advising, and scrutinising the scope, nature and impact of Nesta Challenges work and long-term objectives, and approval of all income and associated expenditure in Nesta Challenges above the level delegated by the Board. The Committee met three times during the year.

Mission Committees

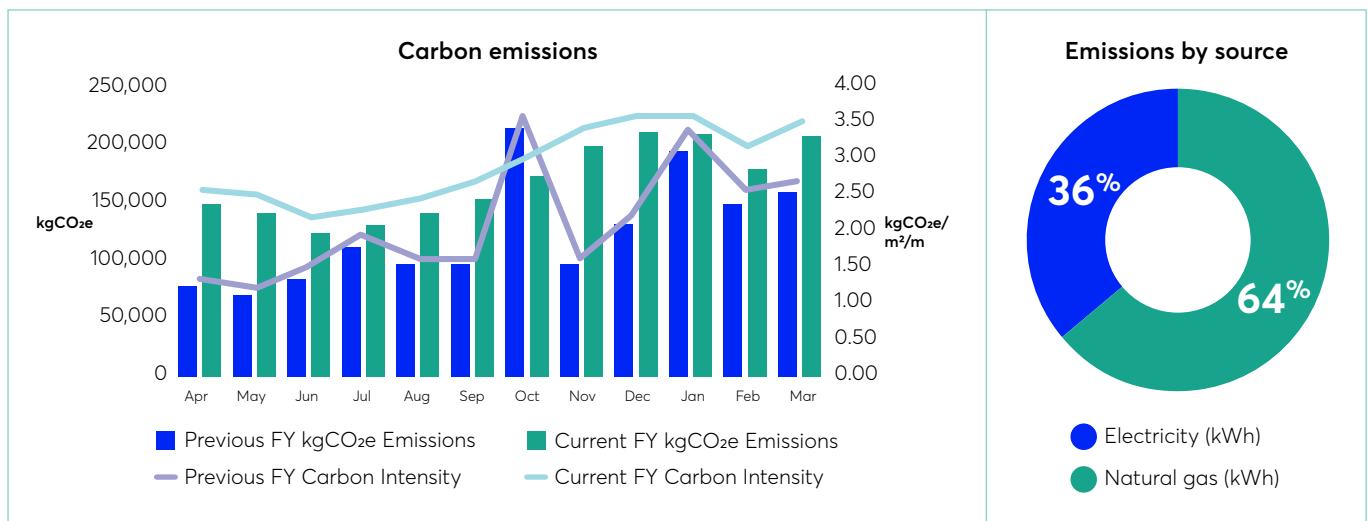
In March 2021, the Board approved the introduction of three advisory committees: A sustainable future committee, a fairer start committee and a healthy lives committee. These committees' purpose is to provide advice and direction to the Missions and to actively participate in the shaping of initiatives and supporting staff to deliver the new Mission goals.



Sustainability and carbon reporting

Nesta is reporting energy and carbon emissions in compliance with The Companies (Director's report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Reporting category	Year end March 2022	Year end March 2021	Change
Energy consumption used to calculate emissions (kWh)	967,975	660,848	46%
Electricity	578,258	414,202	40%
Natural Gas	389,717	246,646	58%
Emissions from combustion of gas (Scope 1) (kgCO _{2e})	71,426	45,350	58%
Emissions from purchased electricity (Scope 2) (kgCO _{2e})	126,439	98,751	28%
Total gross kg CO_{2e} emitted during the reporting period	197,865	144,101	37%
Intensity ratio: gross kgCO_{2e}/SqM/yr	34.51	25.13	37%
Emissions from purchased natural gas (Scope 1, market based) (kgCO _{2e})	71,426	45,350	58%
Emissions from purchased electricity (Scope 2, market based) (kgCO _{2e})	126,439	98,751	28%
Total annual net emissions (kgCO _{2e})	197,865	144,101	37%
Net intensity ratio (kgCO _{2e} /SqM)	34.51	25.13	37%



Methodology and Estimates

The methodology used to calculate total energy consumption and carbon emissions has been extracted from invoice data for the financial year. As Nesta does not occupy the whole building at 58 Victoria Embankment, consumption for areas outside of Nesta's control has been deducted. This has been deduced through sub-meter readings. Gas is supplied to the whole building and there are no heat meters to enable the identification of each final customer's consumption. As such Nesta is responsible for all gas consumption in the building. No estimates have been used as we have access to 100% actual data from the invoices. The Company does not own any vehicles and all travel is undertaken using public transport. Energy and

fuel consumption has been converted to carbon (KGCO_{2e}) using 2019 DEFRA published conversion factors.

The Nesta building was BREEAM certified on construction in 2011 gaining an overall score of 70.5% and a rating of excellent. Investigations have taken place on implementing improved lighting control across 95% of the building to progressively illuminate instead of instantly lighting whole areas on entry. Implementing light level controls to switch lighting off when lighting level meets set point. Investigations have also begun on the use of heat pumps in conjunction with our HVAC to heat domestic hot water. Solar thermal gain is something we have also been investigating to reduce the energy required for cooling.

The Charity Governance Code

Nesta's Board has applied the principles set out in the Charity Governance Code (the 'Code'). In accordance with good practice, external specialist consultants undertook a full governance and board effectiveness review which concluded that Nesta has a "well functioning board that has led Nesta through significant change". The

recommendations in the report aimed at further improving and refining Nesta's governance are being implemented and, in addition, Nesta's governance structures are regularly reviewed internally to ensure they continue to be best practice.

Section 172 statement

Background

As a company limited by guarantee, Nesta is required to report on how trustees have discharged their duty to promote the best interests of Nesta, while having regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. In doing so, regard (amongst other matters) must be given to:

- The likely long-term consequences of any decision
- The interests of employees
- Fostering relationships with key stakeholders
- The impact of operations on our communities and environment
- Maintenance of our reputation for the highest standards of conduct

- The need to act fairly as between members of the company

Our stakeholders

The Board recognises that Nesta's relationship with its stakeholders is critical to its success. Our charitable objects, scale and impact are achieved in part through relationships and having a positive influence on public policy for public benefit.

The table below sets out our key stakeholder groups, the key considerations of each group and how we engage with them. By understanding our stakeholders, Board discussions consider the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

Stakeholder group	Key considerations	How we engage
Beneficiaries	Improving the lives of the people and communities that Nesta works with. Making sure that our work benefits a significant section of the public.	Digital communications (website, social media, direct email). Event appearances and media coverage. Via our partners.
Partners	Nesta's partners are broad with varying interests and interactions with Nesta. From policy influence (from UK government and opposition parties) to regional stakeholders to international, and from our funders to our grantees and projects.	Publication of research reports, articles and blogs. One-to-one engagement on relevant issues. Lobbying for change at a policy level. Direct communications. Partner feedback and insights sought on issues of relevance to that partner. Website, newsletters and direct communications. Twitter. Nesta events.
Employees	Succession planning. Growth, training and development. Diversity, inclusion and equality. Fair and appropriate remuneration, benefits and conditions.	We receive feedback and seek to implement positive change through our employee represented Staff Forum and Diversity and Inclusion working group. Intranet, staff newsletters and all-staff meetings. Employee engagement survey. Learning and development through our People team.
Regulators	Maintaining strict governance procedures to ensure compliance with all applicable regulatory regimes.	Timely submissions of all necessary filings and returns. Self-reporting and engagement where appropriate. Prompt and comprehensive response to requests for information if requested.
Investment managers	Comprehensive view of the financial performance and sustainability of the endowment. Engagement on ethical, social and governance factors. Ability to maximise the overall return of the endowment.	Regular meetings, calls and correspondence with our investment managers. Oversight from our Trust Investment Committee. Via Nesta's external appointed investment advisers.

Key decision in 21/22

The table below sets out the key decision taken by the Nesta Board in 2021/2022 and how the interests of our stakeholders and the wider factors set out in section 172 of the Companies Act 2006 were taken into account.

Key decision	Reason	Key considerations
Approval for the acquisition of the Behavioural Insights Team	In order to further the charitable objects of both Nesta and the Nesta Trust and achieve a financial return, the Board approved the acquisition of BIT as a mixed motive investment.	<p>Long term impact on Nesta's strategy and on Nesta's ability to continue to achieve its charitable objects.</p> <p>Achievement of financial return for the Nesta Trust.</p> <p>Integration of a new subsidiary and the required change management and impact on Nesta employees.</p> <p>Impact on current and future Nesta beneficiaries.</p> <p>Impact on reputation and standing with Nesta's stakeholders.</p>

Nesta and its people

The Nesta Executive Team

Nesta's Executive Team is responsible for setting our strategic direction in tandem with providing day-to-day operational leadership of the charity. Our Executive Team (see [page 87](#) for details) provides advice and updates to the Board of Trustees on all strategic, operational or policy matters, the delivery of organisational key results (OKRs) and communicates any issues arising from the specific functional areas for which its members are responsible.

In 2021/2022 the Executive Team focused on implementing the new strategy and finding an equal balance between hybrid and in office working.

Key People Activities

- Embedding an ambitious strategy for Nesta.
- Embedding a challenging Equity, Diversity and Inclusion Strategy, that is now generating interest and attention across the third sector. We have boosted the focus on our EDI activities and strategy through enhancing our recruitment process and offering EDI training for staff.
- Developing a consistent, fair and objective assessment using our new HR platform to complete the appraisal process.
- Concluded an externally benchmarked review of Nesta's pay and reward structure.

- Experimented group moderation in the presence of an inclusion conscience.
- Implemented a new HRIS online platform which enables easier reporting and capturing of data.
- Launch of a new L&D philosophy and L&D training offering.
- Refresh and modernisation of all our People policies making them attractive, inclusive and best in class for our sector.

People Plans for 2022/23

As the organisation continues to evolve, support staff moving into the new Nesta entities, ensuring all relevant processes and procedures are implemented to ensure a smooth transition. Creating a collaborative culture across the Group.

Following the launch of a new appraisal system and completion of an organisation wide benchmarking exercise, we will be continuing to review our pay and benefit offerings including a review of our flexible benefits scheme and implementation of Private Medical Insurance.

We will be further enhancing our appraisal process and introducing a more varied offering for feedback including the launch of a 360 appraisal feedback system across the board.

Pay at Nesta

At Nesta transparency is fundamental to all aspects of our work and we take the same approach to employee remuneration. In line with recommendations from the National Council for Voluntary Organisations inquiry into executive pay, we have detailed our approach to pay; outlined how our pay levels are defined, and we have listed the cumulative salary total of our Executive team. All pay bands are visible and available to our employees and we engage openly via internal collaboration tools on all pay related questions.

Our People Committee is responsible for agreeing salary levels of all executive posts upon appointment, any ex gratia or non contractual one off payments and annual pay awards for all staff. The People Committee meets at least four times a year and also supports the People team via correspondence when required.

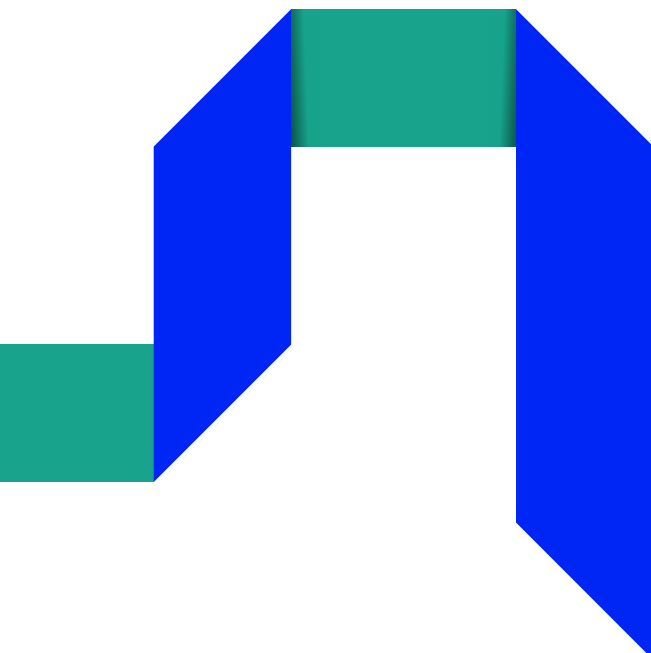
The cumulative total for Executive salaries is disclosed in Note 8d of the accounts. Our Executive pay band has been set to ensure we attract and retain the talent we require to successfully run a complex organisation, deliver on our strategy and maintain our standing as a global leader in innovation.

Nesta is proud to be an Accredited Real Living Wage employer and funder. We ensure any work experience or interning within the organisation is also fully paid. 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 four per cent was made in April 2022 to reflect the economic impact of the raising cost of living (April 2021: one per cent)

Individual pay awards are in the form of a salary increase within the appropriate pay band or promotion to the next pay band and are approved by Executive Directors who meet with the People team to review and agree any proposed increases. This year, following the benchmarking exercise, salary bands and individual pay have been reviewed and adjusted to reflect market value.

All increases fall within the annual remuneration review budget set aside for salaries which is signed off by the People Committee (a total of 7 per cent in 2021/22). Given emphasis on equity, diversity and inclusion we attempted to ensure that above inflation awards and promotions across the organisation were proportional and representative across the protected characteristics of ethnicity and gender in this financial year.

Nesta provides a mixed portfolio of financial and non-financial rewards and benefits for our employees to ensure we 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, annual report and 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

As far as the trustees are aware, 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 strategic report are approved by the Board of Trustees and authorised for issue on 7 December 2022, and signed on its behalf by:

DocuSigned by:

Ed Richards

3B5FA773123646B...

Ed Richards

Chair of the Board of Trustees of Nesta

13 December 2022 | 3:09 PM GMT

6. Independent Auditor's Report to the members and trustees of Nesta

Opinion on the financial statements

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2022 and of the Group's incoming resources and application of resources 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.

We have audited the financial statements of Nesta ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 March 2022 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic report and the Directors' Report, which are included in the Trustees' Report, have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- Proper and adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or

- The Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of the Responsibilities of the Trustees, 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, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Charity and the sector in which it operates, we identified the principal laws and regulations that directly affect the financial statements to be the Companies Act 2006, Charities Act 2011 and Charities and Trustee Investment (Scotland) Act 2005. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition, the Charity is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Assessing the design and implementation of the control environment to identify any areas of material weakness to focus the design of our testing;
- Reviewing, and considering the impact on our audit, of items included in the Group's fraud and theft register;
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the valuation of unlisted investments and investment property; and
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management or with unusual accounts combinations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

Fiona Condron

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Fiona Condron,

Senior Statutory Auditor

For and on behalf of BDO LLP, statutory auditor
Gatwick, UK

Date: **13 December 2022**

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

7. Financial statements

Consolidated statement of financial activities for the year ended 31 March 2022

	Notes to the accounts	Unrestricted funds	Restricted funds	Expendable endowment	Total funds	Total funds
		2022 £'000	2022 £'000	2022 £'000	2022 £'000	2021 £'000
Income and endowments from:						
Investment income	2	302	-	7,033	7,335	7,884
Charitable activities	3	3,001	1,277	-	4,278	16,887
Other trading activities	4	9,650	39	-	9,689	4,499
Other income	5	4,874	-	-	4,874	6,654
Total income		17,827	1,316	7,033	26,176	35,924
Less share of joint venture's turnover		(4,562)	-	-	(4,562)	(6,330)
Total group income		13,265	1,316	7,033	21,614	29,594
Expenditure on:						
Raising funds						
Trading activities	6a	7,529	15	-	7,544	1,942
Investment management costs	6b	111	-	748	859	842
Total expenditure on raising funds		7,640	15	748	8,403	2,784
Charitable activities						
A Fairer Start		1,490	-	20	1,510	-
A Healthy Life		1,330	-	18	1,348	-
A Sustainable Future		1,254	-	17	1,271	-
Central Programmes and Devolved Nations		1,380	-	19	1,399	564
Committed Programme Delivery		1,877	3,902	78	5,856	18,808
Enterprises		7,076	6,777	186	14,039	13,008
Investments in furtherance of the charity's objectives		3,214	-	43	3,257	(832)
Practices		3,849	619	60	4,528	2,756
Total expenditure on charitable activities		21,469	11,298	441	33,208	34,304
Total expenditure		29,109	11,313	1,189	41,611	37,088
Net (expenditure)/income before investment gains		(15,845)	(9,997)	5,844	(19,997)	(7,494)
Net gains on Investments for financial return	11	-	-	26,005	26,005	88,672
Net (expenditure)/income		(15,845)	(9,997)	31,849	6,008	81,178
Share of (losses)/profits in joint venture	12b	(283)	-	-	(283)	279
Transfers between funds		36,655	2,285	(38,940)	-	-
Net income/(expenditure) before other recognised gains/(losses)		20,527	(7,712)	(7,091)	5,724	81,457
Other recognised gains/(losses)						
Foreign exchange gains/(losses)		28	-	122	150	(55)
Net movement in funds for the year		20,555	(7,712)	(6,969)	5,874	81,402
Reconciliation of funds						
Total funds brought forward	23	22,031	24,518	458,587	505,136	423,734
Total funds carried forward		42,586	16,806	451,618	511,010	505,136

A summary income and expenditure account is presented in Note 18 in compliance with the Companies Act 2006.

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 54 to 85 form part 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 2022

Company number: 07706036

	Notes to the accounts	Group 2022 £'000	Parent Charity 2022 £'000	Group 2021 £'000	Parent Charity 2021 £'000
Fixed assets					
Intangible fixed assets	9	10,563	-	-	-
Tangible assets	10	25,425	683	25,199	521
Investments:					
Investments – quoted and unquoted	11	430,908	-	428,596	-
Programme-related investments	12a	20,655	17,094	19,008	15,817
Programme-related investment in joint venture – share of net assets/costs	12b	745	1,000	2,012	6,000
Mixed motive investment	12c	-	21,673	-	-
Total fixed assets		488,296	40,450	474,815	22,338
Current assets					
Debtors	13	20,835	11,979	22,008	22,794
Bank and cash		24,034	12,629	24,004	9,434
Total current assets		44,869	24,608	46,012	32,228
Current liabilities					
Creditors – amounts falling due within one year	14	(14,159)	(11,344)	(7,107)	(10,852)
Net current assets		30,710	13,264	38,905	21,376
Total assets less current liabilities					
Creditors – amounts falling due after more than one year	14	(7,996)	(246)	(8,584)	(743)
Net assets		511,010	53,468	505,136	42,971
Charitable funds					
Expendable endowment funds	16a	451,618	-	458,587	-
General funds	16a	42,840	37,027	20,019	18,813
Total charitable unrestricted funds		494,458	37,027	478,606	18,813
Restricted funds	16b	16,806	16,441	24,518	24,158
Total charitable funds		511,264	53,468	503,124	42,971
Funds retained within non-charitable joint ventures	16a	(254)	-	2,012	-
Total funds		511,010	53,468	505,136	42,971

Total net surplus for the year of Nesta, the parent charity, was £10,497,000 (2021: £14,871,000).

The notes on pages 54 to 85 form a part of these accounts.

Approved by the Board of Trustees and authorised for issue on 7 December 2022 and signed on its behalf by Edward Richards, Chair of the Board of Trustees.

DocuSigned by:

Ed Richards

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Ed Richards,
Chair of the Board of Trustees of Nesta

13 December 2022 | 3:09 PM GMT

Consolidated cash flow statement for the year ended 31 March 2022

	Note	Group 2022 £'000	Group 2021 £'000
Cash flows from operating activities			
Net cash used in operating activities	(a)	(16,456)	(23,292)
Cash flows from investing activities			
Net cash inflows from investing activities	(b)	16,348	26,940
Cash flows from financing activities			
Net cash (outflows) from financing activities	(c)	(12)	(13)
Change in cash and cash equivalents in the reporting period		(120)	3,635
Cash and cash equivalents at the beginning of the reporting period		24,004	20,424
Change in cash and cash equivalents due to exchange rate movements		150	(55)
Cash and cash equivalents at the end of the reporting period		24,034	24,004
Cash flow statement notes			
(a) Reconciliation of net income to net cash flow from operating activities			
Net income for the reporting period (as per consolidated statement of financial activities)		6,008	81,178
Depreciation charges		1,858	674
Amortisation charges		332	-
Unrealised and realised (gains) from investments		(26,005)	(88,671)
Revaluation of investments		179	(3,175)
Dividends, interest and rents from investments		(7,334)	(7,811)
Bank interest		-	(73)
Interest paid and bank charges		12	13
Investment management fees		859	842
Decrease/ (increase) in debtors		1,173	(3,472)
Increase/ (decrease) in creditors		6,462	(2,797)
		(16,456)	(23,292)
(b) Cash flows from investing activities			
Dividends, interest and rents from investments		7,334	7,811
Bank interest		-	73
Investment management fees		(859)	(842)
Purchase of property, plant and equipment		(2,084)	(144)
Purchase of quoted investments		(43,203)	(77,400)
Purchase of unquoted investments		(553)	(586)
Purchase of programme-related investments		(4,751)	(4,737)
Acquired goodwill from purchase of subsidiary		(10,895)	-
Proceeds from sale or maturity of quoted investments		60,139	95,545
Proceeds from sale or maturity of unquoted investments		7,350	6,499
Acquisition of subsidiary investments		(40)	-
Movement in net assets of joint ventures		985	-
Proceeds from sale of programme-related investments		2,925	721
		16,348	26,940
(c) Cash flows from financing activities			
Interest paid and bank charges		(12)	(13)
		(12)	(13)

Analysis of changes in net debt

	At start of year £'000	Cashflows £'000	Foreign exchange movements £'000	At end of year £'000
Bank and cash	24,004	(120)	150	24,034
	24,004	(120)	150	24,034

Included in cash and cash equivalents of £24.0 million (2021: £24.0 million) is a balance of £11.1 million (2021: £6.3 million) which is restricted for use for specific projects.

1. Accounting policies

a. Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain financial assets as specified below. 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 and Republic of Ireland; (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) (second edition – October 2019)' issued by the Charity Commission; and (iii) Companies Act 2006.

b. Going concern

The trustees have not identified any material uncertainty in respect of using the going concern basis in the preparation of the accounts. The trustees are not aware of a specific or general event which would change the Group's status as a going concern.

As Nesta is able to draw down cash from Nesta Trust ('the Trust') as required within the approved funding envelope, as well as the Group's strong net asset position, 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.

c. Basis of consolidation

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

The Trust holds investment assets previously held by the NESTA which was abolished on 1 April 2012. The assets of the Trust provide income and capital to be applied by Nesta as sole Trustee to further the objects of the Trust. As the sole Trustee of the Trust, Nesta is considered to control the Trust which operationally means Nesta is responsible for the Trust's investment policy. It is for this reason that the accounts of the Trust have been consolidated with the accounts of Nesta.

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 15.

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 12b.

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.

When a joint venture becomes a subsidiary in the period, it is accounted for as a subsidiary from the date that control commences to the date that it ceases.

No separate statement of financial activities has been presented for Nesta as permitted by section 408 of the Companies Act 2006.

d. 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 an annual transfer to Nesta to deliver its charitable aims as detailed in the reserves policy.

e. Income

Income is recognised in the consolidated 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 Group 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 fully met. Where performance related conditions have only been partially met, income is recognised to that extent with the balance deferred until conditions have been satisfied.

Where there is a repayment of income that has been previously recognised or not all income has been drawn down at the end of a project, this is recognised as negative income in the relevant period.

Investment income includes interest and dividends from investment assets, deposits and a joint venture, with any associated tax credits or recoverable taxation included in the Consolidated statement of financial activities on an accruals basis.

Income from trading activities is generated on non-primary purpose trading activities of the trading subsidiaries Nesta Enterprises Limited and Behavioural Insights Limited ("BIT", subsidiary acquired during the year). This 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.

f. Expenditure

Expenditure is accounted for on an accruals basis.

Expenditure on raising funds includes both trading activities and investment management expenditure. Trading expenditure is incurred on non-primary purpose trading activities of the trading subsidiaries Nesta Enterprises Limited and Behavioural Insights Limited ("BIT", subsidiary acquired during the year). Investment management costs consist of 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.

The categories defined by the trustees for the purposes of organisational management are – A Fairer Start, A Healthy Life, A Sustainable Future, Central Programmes and Devolved Nations, Committed Programme Delivery, Enterprises, Investments and Practices. In 2021, A Fairer Start, A Healthy Life, A Sustainable Future, Central Programmes and Devolved Nation were all included under the heading "Missions".

Grants payable are recognised as expenditure in the consolidated statement of financial activities on the date when a grant agreement is signed or equivalent obligation created less any awards cancelled or refunded, where there are no performance related obligations that are required to be fulfilled under the terms of the grants. Grants awarded but not yet paid are recorded as a liability in the consolidated 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 20).

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.

Redundancy and termination payments are recognised when there is a demonstrable commitment that cannot be realistically withdrawn.

g. Support costs – allocation

Support costs are allocated to each area of programme activity on bases appropriate to the activity concerned. These drivers include ratio of direct costs and headcount.

h. Intangible fixed assets and amortisation

Goodwill included in intangible assets represents the excess of the cost of Behavioural Insights Limited (BIT) over the fair value of the Group's share of the net identifiable assets of BIT at the date of acquisition, 10 December 2021. Further detail is included in Note 9.

Goodwill on acquisitions of joint ventures and associates is included in the related equity accounted investment value (Note 9).

Amortisation is calculated on a straight-line basis. As the useful life of goodwill cannot be reliably estimated, it is being written off over a period of ten years as determined by the trustees.

i. 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 assets	over the remaining life of the lease
• Plant and machinery	seven to eighteen years
• 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

j. 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 the Nesta Trust are classed as an expendable endowment.

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 except where we are unable to obtain a reliable estimate of market value. Unrealised changes in value 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.

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.

An estimated value of unquoted investments in early-stage companies is established by using valuation guidelines produced by the British Private Equity & 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. Valuation – investment property:

Physical investment property assets are revalued by an independent external property valuer. The proportion of the investment property that is leased to the charity is accounted for as a leasehold asset in the consolidated accounts. Investments in an investment property fund are valued at the market values, being the externally reported bid prices at the balance sheet date.

IV. Treatment – unquoted investments

Investments, loans or contributions to funds to date are recognised in full in the balance sheet. Undrawn commitments are disclosed by way of Note 20.

Unrealised changes in value between accounting periods are reflected in the Consolidated 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.

k. 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.

l. Investment assets – joint venture

Joint ventures are held at cost, less any provision for diminution in value, or uplift based on current available external information. Any change in value is charged to the statement of financial activities under charitable activities for Nesta single entity and eliminated on consolidation.

m. Investment assets – mixed motive

Mixed motive investments are held at cost, less any provision for diminution in value, with fair value being reviewed annually. Any diminution or impairment in value is charged to the statement of financial activities as an investment impairment as a gain/ (loss) on investment.

n. 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.

An estimated value of unquoted investments in early-stage companies is established by using valuation guidelines produced by the 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.

The investment property 58 Victoria Embankment was revalued at the year end by an independent qualified property valuer.

Investment assets are valued on an asset by asset basis, and in each case a prudent approach is taken.

Amortisation is calculated on a straight-line basis. As the useful life of goodwill cannot be reliably estimated, it is being written off over a period of ten years as chosen by the trustees.

o. 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 debt 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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).

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use in the next financial year. The provision is measured at the salary cost payable for the period of absence.

p. Pension costs

The Group operates 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.

q. 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 for Nesta and Nesta Trust.

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

Tax arises in the accounts of BIT, and is included within expenditure from trading activities in the statement of financial activities. Current tax, including UK corporate tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

BIT deferred tax and corporation tax arising is included within "Other tax and social security" in Creditors in the Group balance sheet. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they were recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

r. 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 Consolidated statement of financial activities.

On consolidation of BIT, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date.

s. 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.

t. Related party transactions

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 Audit and Risk Committee.

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

u. Financial instruments

The Group has only basic financial instruments. These comprise fixed asset investments measured at fair value through profit or loss along with other financial assets which comprise of cash, group debtors and other debtors and financial liabilities which comprise of trade creditors and other creditors, measured at amortised cost.

2. Investment income

	Group 2022 £'000	Group 2021 £'000
Quoted investments:		
Interest and dividends receivable	6,965	7,000
Total income from quoted investments	6,965	7,000
Unquoted investments:		
Interest and dividends receivable	370	811
Total income from unquoted investments	370	811
Bank interest	-	73
Total investment income	7,335	7,884

3. Income from charitable activities

	Funding from government bodies	Funding from non-government bodies	Other charitable activity income	Group total	Funding from government bodies	Funding from non-government bodies	Other charitable activity income	Group total
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2021 £'000	2021 £'000	2021* £'000	2021 £'000
Committed programme delivery	Note 3a (1,485)	140	390	(955)	202	4	91	297
Enterprises	(50)	755	3,293	3,998	10,973	3,000	1,417	15,390
Investments	-	-	196	196	-	-	228	228
Practices	-	255	279	534	-	176	138	314
Other	350	58	97	505	-	195	463	658
Total income from charitable activities	(1,185)	1,208	4,255	4,278	11,175	3,375	2,337	16,887

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

3a. Restricted funding from government bodies

	Group 2022 £'000	Group 2021 £'000
Arts and Humanities Research Council	-	269
Arts Council of Wales	225	438
British Council	-	2
Creative England	-	24
Department for Business, Energy and Industrial Strategy (BEIS)	-	(155)
Department for Digital Culture Media and Sport (DCMS)	-	2
Department for Education	(706)	-
Economic and Social Research Council	-	13
Government of Canada	-	10,964
Improvement Service	32	-
Innovate UK	-	150
Intellectual Property Office	-	17
UKHIIH Collective Crisis Intelligence	350	-
Welsh Government	(1,086)	(549)
Total restricted funding from government bodies	(1,185)	11,175

Funding from government bodies includes a £1.1m repayment for a project, and is a reversal of income that has previously been reported. Also included is £0.7m reversal for grants where the funding was not fully drawn down.

4. Income from other trading activities

	Group 2022 £'000	Group 2021 £'000
Rental income	1,787	1,691
<i>Income from trading</i>		
Consultancy	368	1,921
Challenge prizes	–	827
Venue hire and other	7	60
Trading subsidiary income – Behavioural Insights Limited	7,527	–
Total income from other trading activities	9,689	4,499

2021 figure of £4,499k includes £1,599k restricted funds.

5. Other income

	Group 2022 £'000	Group 2021 £'000
Impact fund management fees	307	324
Events and workshops fees	5	–
Share of income from joint ventures	4,562	6,330
Total other income	4,874	6,654

Share of income from joint venture above is Nesta's share of Behavioural Insights Limited's income to the point when it became a subsidiary on 10 December 2021.

6. Expenditure on raising funds

6a. Trading activities

	Group 2022 £'000	Group 2021 £'000
Trading activities expenditure – subsidiaries held throughout the year	154	1,942
Trading activities expenditure – Behavioural Insights Limited (from becoming a subsidiary on 10 December 2021)	7,390	–
Total trading activity expenditure	7,544	1,942

6b. Investment management costs

	Group 2022 £'000	Group 2021 £'000
Investment manager fees	794	777
Custodian fees	65	65
Total investment management costs	859	842

The investment management costs are the direct fees paid to intermediaries.

7. Charitable activities

	Grant making	Non-grant direct cost	Allocated support costs	Group total	Grant making	Non-grant direct cost	Allocated support costs	Group total
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2021 £'000	2021 £'000	2021 £'000	2021 £'000
	Note 7b		Note 7a		Note 7b			
A Fairer Start	150	792	568	1,510	-	-	-	-
A Healthy Life	-	856	492	1,348	-	-	-	-
A Sustainable Future	20	737	514	1,271	-	-	-	-
Central Programmes and Devolved Nations	-	783	616	1,399	-	458	106	564
Committed Programme Delivery	455	3,227	2,174	5,856	5,171	8,372	5,265	18,808
Enterprises	3,761	5,546	4,732	14,039	3,386	4,455	5,167	13,008
Investments	-	1,991	1,266	3,257	-	(1,655)	823	(832)
Other	100	2,544	1,884	4,528	168	1,557	1,031	2,756
Total charitable activities	4,486	16,476	12,246	33,208	8,725	13,187	12,392	34,304

The year to 31 March 2022 was the first full year of Nesta's mission work.

Therefore expenditure against the three missions (A Fairer Start, A Healthy Life, A Sustainable Future) can be seen above with zero comparative. Previously these three missions and Central Programmes and Devolved Nations above were combined and disclosed as 'Missions'.

Prior year negative expenditure above arises from revaluations of programme related investments.

7a. Support costs

Support costs have been allocated to charitable activity areas as follows:

	Support staff costs	Premises, technology and other costs	Governance	Group total	Support staff costs	Premises, technology and other costs	Governance	Group total
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2021 £'000	2021 £'000	2021 £'000	2021 £'000
A Fairer Start	294	253	21	568	-	-	-	-
A Healthy Life	243	230	19	492	-	-	-	-
A Sustainable Future	294	203	17	514	-	-	-	-
Central Programmes and Devolved Nations	389	210	17	616	3	95	8	106
Committed Programme Delivery	1,104	989	81	2,174	2,212	2,802	251	5,265
Enterprises	2,026	2,501	205	4,732	3,399	1,622	146	5,167
Investments	700	523	43	1,266	506	291	26	823
Practices	1,116	710	58	1,884	642	357	32	1,031
Total support costs	6,166	5,619	461	12,246	6,762	5,167	463	12,392

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

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

Support staff costs	Allocated based on headcount
Other support costs	Allocated on the ratio of direct costs of each area

7b. Grants

Included in the cost of charitable activities are grants payable. 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 2022 £'000	External/Nesta funded	Programme
Hastee	200	Nesta funded	Rapid Recovery Challenge
Udrafter Ltd	200	Nesta funded	Rapid Recovery Challenge
Udrafter Ltd	150	Nesta funded	Rapid Recovery Challenge
Incomemax	150	External	Rapid Recovery Challenge
Beam	150	Nesta funded	Rapid Recovery Challenge
Turn2us	150	Nesta funded	Rapid Recovery Challenge
Hastee	150	Nesta funded	Rapid Recovery Challenge
Evenbreak	150	External	Rapid Recovery Challenge
RAMTSILO	100	External	Afri-Plastics Challenge
TakaTaka Solutions	100	External	Afri-Plastics Challenge
Watamu Marine Association	100	External	Afri-Plastics Challenge
Chaint Afrique Academy	100	External	Afri-Plastics Challenge
Chanja Datti Ltd	100	External	Afri-Plastics Challenge
Mental and Environmental Development Initiative for Children (MEDIC)	100	External	Afri-Plastics Challenge
Megagas Alternative Energy Enterprise	100	External	Afri-Plastics Challenge
Full Development Agency (FDA)	100	External	Afri-Plastics Challenge
Green Industry Plast – Togo (GIP-TOGO)	100	External	Afri-Plastics Challenge
RECYPLAST	100	External	Afri-Plastics Challenge
Greenhill Recycling	100	External	Afri-Plastics Challenge
CareMe Bioplastics	100	External	Afri-Plastics Challenge
eTrash2Cash (eT2C) Company Nigeria	100	External	Afri-Plastics Challenge
Nelplast Eco Ghana Limited	100	External	Afri-Plastics Challenge
Planet 3R	100	External	Afri-Plastics Challenge
Fast Familiar (FanSHEN)	100	Nesta funded	Centre for Collective Intelligence Design
University of Sussex	60	External	PEC – Core Work
Leeds City Council	50	Nesta funded	AFS Innovation Partnership: Leeds City Council
Stockport Metropolitan Borough Council	50	Nesta funded	AFS Innovation Partnership: GMCA & Stockport MBC
City of York Council	50	Nesta funded	AFS Innovation Partnership: City of York Council
Work Advance Ltd	50	External	PEC – External Research Commissioning
Grants below £50,000 (number of grants to institutions 83)	1,368		
Grants cancelled in the year	(42)		
Total grants	4,486		

7b. Grants 2021

Recipient	Grants to institutions 2021 £'000	External/Nesta funded	Programme
Flintshire County Council	1,150	External	Y Lab – Innovate to Save
Saffron Interactive	250	External	Career Tech Challenge Fund
CENTURY Tech	250	External	Career Tech Challenge Fund
Sopra Steria	250	External	Career Tech Challenge Fund
Coventry University	248	External	Career Tech Challenge Fund
My Kinda Future	241	External	Career Tech Challenge Fund
Open University	239	External	Career Tech Challenge Fund
City of Glasgow College	205	External	Career Tech Challenge Fund
Digital Mums	200	External	Career Tech Challenge Fund
Nesta Italia	181	Nesta funded	Business Development
Wizenoze	146	External	Career Tech Challenge Fund
Turn2us	125	External	Rapid Recovery Challenge
Prosper 4 Group Limited	125	External	Rapid Recovery Challenge
Incomemax	125	External	Rapid Recovery Challenge
Evenbreak	125	External	Rapid Recovery Challenge
City & Guilds	125	External	Rapid Recovery Challenge
UK Youth	125	External	Rapid Recovery Challenge
Hastee	125	External	Rapid Recovery Challenge
Sort Holdings Ltd	125	External	Rapid Recovery Challenge
Capital Enterprise	125	External	Rapid Recovery Challenge
NestEgg	125	Nesta funded	Rapid Recovery Challenge
Udrafter Ltd	125	Nesta funded	Rapid Recovery Challenge
Policy in Practice	125	Nesta funded	Rapid Recovery Challenge
Money Dashboard	125	Nesta funded	Rapid Recovery Challenge
Beam	125	Nesta funded	Rapid Recovery Challenge
ACH Group	120	External	CareerTech Challenge Prize
Schools Partnership Tutors	100	External	National Tutoring Programme
Education Datalab	100	External	National Tutoring Programme
Manning's Tutors Ltd	99	External	National Tutoring Programme
The Brilliant Club	92	External	National Tutoring Programme
Learning with Parents	85	External	EdTech Innovation Fund
Sumdog	85	External	EdTech Innovation Fund
Do It Now Now	85	External	Rapid Recovery Challenge
The Big Issue	85	External	Rapid Recovery Challenge
Bradford Moor PASS	84	Nesta funded	Neighbourhood Challenge
Would You Rather Be Ltd	80	External	CareerTech Challenge Prize
pobble	70	External	EdTech Innovation Fund
Texthelp	70	External	EdTech Innovation Fund
MEI	70	External	EdTech Innovation Fund
Youth Federation	60	External	Rapid Recovery Challenge
The RCJ & Islington Citizens Advice Bureau	50	External	Legal Access Challenge
Access Social Care	50	External	Legal Access Challenge
TalentED Education	50	External	National Tutoring Programme
Economic Modelling UK Ltd	50	External	CareerTech Challenge Prize

7b. Grants 2021 (continued)

Recipient	Grants to institutions 2021 £'000	External/Nesta funded	Programme
CareerEar	50	External	CareerTech Challenge Prize
Mifuture	50	External	CareerTech Challenge Prize
Avora Ltd	50	External	CareerTech Challenge Prize
Grofar Ltd	50	External	CareerTech Challenge Prize
Adhunter Limited	50	External	CareerTech Challenge Prize
Sort Holdings Ltd	50	External	CareerTech Challenge Prize
Stay Nimble	50	External	CareerTech Challenge Prize
DMH and Associates Ltd	50	External	CareerTech Challenge Prize
Would You Rather Be Ltd	50	External	CareerTech Challenge Prize
Attain Oxford	50	External	CareerTech Challenge Prize
Twelve Two Limited	50	External	CareerTech Challenge Prize
ACH Group	50	External	CareerTech Challenge Prize
Yuno Technologies	50	External	CareerTech Challenge Prize
Nerds with Words Ltd	50	External	CareerTech Challenge Prize
Learnisa Ltd	50	External	CareerTech Challenge Prize
FUTUREFITAI (UK) LTD	50	External	CareerTech Challenge Prize
Devon County Council	50	External	CareerTech Challenge Prize
PDMS	50	External	CareerTech Challenge Prize
Grants below £50,000 (number of grants to institutions 199)	1,638		
Grants cancelled in the year	(408)		
Total grants	8,725		

7c. Auditor's fees

	Group 2022 £'000	Group 2021 £'000
External audit	111	77
Internal audit	73	63
Other assurance services	27	4
Tax advisory services	55	23
Total auditor fees	266	167

External audit fees incurred for Nesta, the parent charity, were £50,450 (2021: £39,850) excluding VAT.

External audit fees and tax advisory services were payable to external auditors.

The 2022 fees above include £57k (2021: £nil) relating to post acquisition costs of Behavioural Insights Limited, a subsidiary acquired during the year on 10 December 2021.

8. Employees for parent and Group

8a. Staff costs

	Group 2022 £'000	Group 2021 £'000
Salaries and emoluments of directly employed staff	17,791	13,965
Social security costs	1,923	1,528
Pension costs	1,696	1,413
Agency/temporary staff costs	87	260
Other staff costs*	346	710
Total	21,843	17,876

*During the year, there were redundancy payments totalling £227,258 (2021: £647,503) as a result of restructuring.

Included above for 2022 is £5.0m (2021: £nil) relating to post acquisition staff costs of Behavioural Insights Limited, a subsidiary acquired during the year on 10 December 2021.

8b. Staff numbers

The following shows average headcount staff numbers during the year.

	Group 2022	Group 2021
A Fairer Start	8	–
A Healthy Life	7	–
A Sustainable Future	8	–
Central Programmes and Devolved Nations	11	–
Committed Programme Delivery	31	62
Enterprises	57	96
Investments	20	14
Practices	31	18
Support	94	87
Trading	256	–
Total	523	277

The average full time equivalent for 2022 is 498 (2021: 265).

Behavioural Insights Limited counts for 247 of this full time equivalent figure for 2022 post acquisition, and 256 Trading headcount above (2021: nil).

8c. Higher earners

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

	Group 2022	Group 2021
£60,000 – £69,999	21	31
£70,000 – £79,999	13	9
£80,000 – £89,999	7	7
£90,000 – £99,999	8	8
£100,000 – £109,999	4	8
£110,000 – £119,999	4	1
£120,000 – £129,999	1	1
£130,000 – £139,999	-	1
£140,000 – £149,999	1	-
£150,000 – £159,999	-	-
£160,000 – £169,999	-	1
£170,000 – £179,999	-	-
£180,000 – £189,999	-	-
£190,000 – £199,999	1	-
£200,000 – £209,999	-	-
£210,000 – £219,999	1	1

Of staff with remuneration over £60,000, 58 (2021: 64) are members of Nesta's defined contribution pension scheme. Employer contributions to the scheme related to staff in these salary ranges during the year were £522k (2021: £523k).

8d. Key management personnel

The annual salaries (including benefits, termination payments and any bonuses) of the Executive team as at 31 March 2022 totalled £1,166k (2021: £1,235k). The Executive Team are considered to be key management personnel.

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 contributions made by the employee. Employer pension contributions for executives amounted to £115k (2021: £123k) for the year. Employer National Insurance contributions were £122k (2021: £129k).

8e. Pensions

Defined contribution schemes are offered across the Group. The Group's total contributions made in respect of the year, for all schemes, totalled £1,693k (2021: £1,413k), including outstanding contributions of £229k (2021: £131k) at the balance sheet date.

8f. Trustee remuneration

None of the trustees received remuneration for performance of their role as trustees during the year. Travel expenses of £nil (2021: £nil) were reimbursed during the year.

9. Business combinations

9a. In year acquisition

On 10 December 2021, Nesta acquired the remaining 70% of the ordinary share capital of Behavioural Insights Limited ("BIT", United Kingdom company number 08567792), having previously held 30% and held as a joint venture.

Total consideration of £15.6m includes £15.2m paid in cash and £0.4m to be paid as a deferred consideration (held within accruals).

The goodwill of £10.9m arising from the acquisition is attributable to the expertise, experience and customer relationships of BIT.

Amortisation is calculated on a straight-line basis. The carrying value of goodwill will be subject to periodic impairment reviews, and is being written off over a period of ten years as chosen by the trustees.

The following amounts of assets and liabilities were recognised at the acquisition date, which represents 70% of BIT's balance sheet.

	£'000
Assets	11,077
Liabilities	(6,448)
Net assets at acquisition date	4,629

9b. Intangible fixed assets

	Goodwill £'000
Cost arising from new business combinations	
Opening balance at 1 April 2021	-
Purchase of BIT	10,895
Closing balance at 31 March 2022	10,895
Amortisation	
Opening balance	-
Amortisation	332
	332
Net book value 2022	10,563
Net book value 2021	-

10. Tangible fixed assets

Group fixed assets

	Leasehold asset	Plant and machinery	Computer hardware	Computer software	Fixtures and fittings	Group total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Opening balance	23,243	3,405	1,050	365	554	28,617
Additions	-	-	458	-	39	497
Transfer as part of acquisition	574	-	574	327	112	1,587
	23,817	3,405	2,082	692	705	30,701
Depreciation						
Opening balance	785	1,185	884	145	419	3,418
Charge for the year	157	238	166	73	96	730
Transfer as part of acquisition	489	-	382	158	99	1,128
	1,431	1,423	1,432	376	614	5,276
Net book value 2022	22,386	1,982	650	316	91	25,425
Net book value 2021	22,458	2,220	166	220	135	25,199

Transfer as part of acquisition cost and depreciation above relate to Behavioural Insights Limited, which became a subsidiary on 10 December 2021.

Parent charity fixed assets

	Computer hardware	Computer software	Fixtures and fittings	Parent charity total
	£'000	£'000	£'000	£'000
Cost				
Opening balance	1,050	365	554	1,969
Additions	458	-	39	497
	1,508	365	593	2,466
Depreciation				
Opening balance	884	145	419	1,448
Charge for the year	166	73	96	335
	1,050	218	515	1,783
Net book value 2022	458	147	78	683
Net book value 2021	166	220	135	521

11. Investments

Category	Market/fair value at 1 April 2021	Additions at cost	Maturities, proceeds and disposals at market value	Net gains and losses	Acquisition of subsidiary investments*	Group total market/fair value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments						
Quoted investments:						
Global equities	271,477	38,810	(55,800)	23,165	-	277,652
Fixed income	42,860	129	-	(2,622)	-	40,367
Bonds	42,112	4,325	(4,339)	(2,854)	-	39,244
Total quoted investments	356,449	43,264	(60,139)	17,689	-	357,263
Unquoted investments:						
Managed funds						
Private equity funds	5,618	308	(3,575)	2,724	-	5,075
Mixed motive investments						
Investment in early-stage companies	13,824	245	(1,130)	1,234	-	14,173
Investment in early-stage funds	4,514	-	(2,645)	879	-	2,748
Total unquoted investments	23,956	553	(7,350)	4,837	-	21,996
Investment properties	48,191	(61)	-	3,479	-	51,609
Other investments	-	-	-	-	40	40
Total investments	428,596	43,756	(67,489)	26,005	40	430,908

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

*On 10 December 2021, Nesta acquired the remaining 70% of Behavioural Insights Limited (BIT), having already owned 30% prior to this date. £40k investments were included in the net assets acquired.

As at 31 March 2022, total cash and investment assets held by the Nesta Trust totalled £466 million (2021: £468 million). Refer also to the Investment Review on [pages 36 to 37](#) of this report for more detail of the investments.

The above table has been adjusted for consolidation in relation to the investment property; 51.3 per cent of the property represents investment property to the Group. The remaining 48.7% is used by the Group and included within leasehold asset in Note 10.

The valuation of the investment property (58 Victoria Embankment) remains unchanged at £60.5m. The valuation is reviewed at each year end by an independent qualified property valuer. Investment properties above also includes a fund with a market value of £20.6 million at the year end (2021: £17.2 million).

11. Investments (continued)

Investment assets consist of the following

	Market/fair value at 31 March 2022 £'000	Market/fair value at 31 March 2021 £'000	Percentage of 2022 portfolio £'000	Percentage of 2021 portfolio £'000
UK quoted – Equities	37,412	39,100	9%	9%
UK quoted – Fixed Income & Bonds	39,244	42,112	9%	10%
Overseas quoted – Equities	240,443	232,377	56%	54%
Overseas quoted – Fixed Income & Bonds	40,367	42,860	9%	10%
UK unquoted	16,758	18,338	4%	4%
Overseas unquoted	5,075	5,618	1%	1%
UK investment property	51,609	48,191	12%	11%
	430,908	428,596	100%	100%

Total gains and losses on investment assets above impacting the consolidated statement of financial activities are summarised as follows:

	Group total gains March 2022 £'000	Group total gains March 2021 £'000
Quoted investments	17,689	88,014
Unquoted investments	8,316	657
	26,005	88,671

12 Programme-related and mixed motive investments – Group and charity

12a Programme-related investments – Group and charity

	Group total value 1 April 2021 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Group total value 31 March 2022 £'000
<i>Investment type</i>					
Equity	12,341	3,722	(1,094)	(274)	14,695
Unsecured loans	6,667	1,029	(1,831)	95	5,960
	19,008	4,751	(2,925)	(179)	20,655

	Parent charity total value 1 April 2021 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Parent charity total value 31 March 2022 £'000
<i>Investment type</i>					
Equity	840	74	-	-	914
Unsecured loans	14,977	2,803	(1,320)	(280)	16,180
	15,817	2,877	(1,320)	(280)	17,094



12b Programme-related investments in joint venture – Group and charity

Organisation name	Country of registration	Class of ownership	Joint venture interest	Year end date	Nature of business	Group share of net assets 2022 £'000	Group share of net assets 2021 £'000	
Behavioural Insights Limited	UK	Ordinary	30% (increased to 100% subsidiary during the year)	31-Mar	A social purpose consultancy company	-	2,012	Programme related investment in joint venture to mixed motive subsidiary during the year
FFN JV Limited	UK	Preference	45%	31-Dec	Investing in technology start-ups	-	-	Acquired during the year
Share of net assets of joint venture						313	-	
Goodwill on acquisition of joint venture						432	-	
						745	2,012	

	Group share of (loss) in joint venture 2022 £'000	Group share of profit in joint venture 2021 £'000
Share of loss of FFN JV Limited	(236)	-
Amortisation of goodwill on acquisition of FFN JV Limited	(19)	-
Share of loss of FFN JV Limited per statement of financial activities	(255)	-
Share of (loss)/profit of Behavioural Insights Limited up to 10 December 2021	(29)	279
	(283)	279

	Parent charity total value 1 April 2021 £'000	Additions £'000	Transfer to mixed motive investment in subsidiary £'000	Parent charity total value 31 March 2022 £'000
Equity	6,000	1,000	(6,000)	1,000
Total	6,000	1,000	(6,000)	1,000

The joint venture brought forward represents a 30% interest in Behavioural Insights Limited ("BIT"), a social purpose consultancy company registered in the UK, which itself has several subsidiaries. Behavioural Insights Ltd has a year end date of 31 March. This became a 100% mixed motive subsidiary during the year, as represented by the above transfer (see Note 12c).

The addition of £1m relates to an investment in FFN JV Limited for a 50% controlling interest.

12c Mixed motive investments

	Parent charity total value 1 April 2021 £'000	Additions £'000	Transfer from PRI investment in joint venture £'000	Parent charity total value 31 March 2022 £'000
Equity	-	15,673	6,000	21,673
Total	-	15,673	6,000	21,673

See Note 12b above.

The purchase cost of BIT of £15.7 million, which includes £0.4 million deferred consideration and £0.2 million acquisition costs, is included with the £6 million valuation from 31 March 2021 of the 30% already held of BIT to give a mixed motive investment of £21.7 million as at 31 March 2022.

13. Debtors

	Group 2022 £'000	Parent 2022 £'000	Group 2021 £'000	Parent 2021 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	6,284	1,219	1,436	1,337
Amounts due from subsidiaries	(-)	774	-	556
Accrued income	6,696	6,991	10,917	11,640
Prepayments	4,086	1,207	396	1,078
Other debtors	1,284	76	1,151	75
Deferred tax asset*	773	-	-	-
Total debtors falling due within one year	19,123	10,267	13,900	14,686
<i>Amounts falling due after more than one year:</i>				
Accrued income	1,712	1,712	8,108	8,108
Total debtors falling due after more than one year	1,712	1,712	8,108	8,108
Total debtors	20,835	11,979	22,008	22,794

*Deferred tax asset above arises is Behavioural Insights Limited, a trading subsidiary acquired during the year.

14. Creditors

	Group 2022 £'000	Parent 2022 £'000	Group 2021 £'000	Parent 2021 £'000
<i>Amounts falling due within one year:</i>				
Trade creditors	1,072	519	593	493
Amounts due to subsidiaries	-	-	-	1
Amounts due to joint ventures	-	-	3	3
Accruals	3,233	5,719	1,407	5,356
Deferred income	4,202	841	1,412	1,507
Grant creditors	3,325	3,326	2,921	2,862
Other tax and social security	1,805	566	457	320
Other creditors	522	373	314	310
Total creditors falling due within one year	14,159	11,344	7,107	10,852
<i>Amounts falling due after more than one year:</i>				
Grant creditors	246	246	743	743
Trade and other payables	7,386	-	7,841	-
Accruals	188	-	-	-
Provisions for liabilities	176	-	-	-
Total creditors falling due after more than one year	7,996	246	8,584	743
Total creditors	22,155	11,590	15,691	11,595

	Group 2022 £'000	Parent 2022 £'000	Group 2021 £'000	Parent 2021 £'000
<i>Analysis of deferred income</i>				
At 1 April	1,412	1,507	1,178	1,374
Prior year deferred income released during the year	(1,412)	(1,507)	(1,178)	(1,374)
Income deferred in the year	4,202	841	1,412	1,507
At 31 March	4,202	841	1,412	1,507

Nesta leads a consortium of UK-wide universities via the Creative Industries Policy and Evidence Centre (PEC). The PEC aims to provide independent research and authoritative recommendations that will aid the development of policies for the UK's creative industries, contributing to their continued success. The PEC is part of the Creative Industries Clusters Programme led by the Arts and Humanities Research Council (AHRC) and funded through the Industrial Strategy Challenge Fund. During the year, Nesta administered £853k (2021: £721k) of income and expenditure on behalf of PEC which is not recognised within Nesta's statement of financial activities due to Nesta handling these funds as an agent. As at the balance sheet date, Nesta held funds totalling £171k (2021: £nil) on behalf of the consortium which is included within restricted deferred income.

15. Subsidiaries

Organisation name	Country of registration and registered charity/company number	Class of ownership	Parent interest	Nature of business
The Nesta Trust	United Kingdom charity number 1144683	Sole corporate Trustee		A charitable trust that holds investment assets
Nesta Enterprises Limited	United Kingdom company number 08580327	Ordinary	100%	A charitable trading company
Nesta GP Limited	United Kingdom company number 08231985	Ordinary	100%	General partner in the Nesta Impact Investments 1 Limited Partnership Fund
Nesta PRI Limited	United Kingdom company number 08232090	Ordinary	100%	Limited partner in the Nesta Impact Investments 1 Limited Partnership Fund
Cultural Impact Development Loans Limited	United Kingdom company number 11388464	Ordinary	100%	Financial support for arts organisations
Nesta Partners Limited	United Kingdom company number 06618114	Ordinary	100%	Partner in Nesta Investment Management LLP and Nesta Arts Impact LLP
Behavioural Insights Limited	United Kingdom company number 08567792	Ordinary	100%	A social purpose consultancy company
<i>Subsidiaries</i>		<i>Country of incorporation</i>		
Behavioural Insights Trustee Company Ltd		United Kingdom		
Behavioural Insights (US) Inc.		United States of America		
Behavioural Insights (Singapore) Pte Ltd		Singapore		
Behavioural Insights (Australia) Pty Ltd		Australia		
Behavioural Insights (New Zealand) Limited		New Zealand		
Behavioural Insights (Canada) Ltd		Canada		
Behavioural Insights (France) SAS		France		
NII GP2 Limited	United Kingdom company number 10710378	Ordinary	100%	(Dormant) General partner
Nesta Investment Management LLP	United Kingdom company number OC338038	Limited Liability Partnership		Investment manager funds
Nesta Arts Impact LLP	United Kingdom company number OC396102	Limited Liability Partnership		Financial support for arts organisations
Nesta Arts & Culture Impact LLP	United Kingdom company number OC423779	Limited Liability Partnership		Financial support for arts and culture organisations
NII2 Special Partner LLP	United Kingdom company number OC416761	Limited Liability Partnership		(Dormant) Special partner
Nesta US Inc	United States	Sole member	100%	To engage in charitable and educational activities within the meaning of Section 501 (c)(3) of the Internal Revenue Code 1986

All of the above entities have a year end date of 31 March.

15. Subsidiaries (continued)

The results of the subsidiary entities consolidated are as follows:

	Nesta Trust	Nesta Enterprises Limited	Nesta GP Limited	Nesta PRI Limited	Cultural Impact Development Loans Limited	Nesta Partners Limited	Behavioural Insights Team Limited	Nesta Investment Management LLP	Nesta Arts Impact LLP	Nesta Arts & Culture Impact LLP	Nesta US Inc	2022 Total	2021 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Profit and Loss for the year ended 31 March 2022 /since date of acquisition													
Income	9,537	372	307	-	190	25	7,527	767	183	103	-	19,012	13,997
Expenditure	(38,471)	(372)	(307)	-	(250)	(25)	(7,390)	(126)	(130)	(466)	(168)	(47,705)	(32,859)
Other gains/(losses)	26,008	-	-	325	12	(599)	28	(817)	89	-	-	25,046	91,479
Partner share/ Profit/(loss) for the year	(2,926)	-	-	325	(48)	(599)	165	(176)	142	(363)	(168)	(3,647)	72,617
Assets	469,557	559	71	3,878	794	10,480	13,413	532	3,877	2,240	301	505,702	495,417
Liabilities	(993)	(559)	(71)	(6,292)	(883)	(9,485)	(6,635)	(21)	(4,749)	(2,880)	-	(32,918)	(25,249)
Net assets/(liabilities)	468,564	-	-	(2,414)	(89)	995	6,777	511	(872)	(640)	301	472,784	470,168
Opening net reserves/(liabilities)	471,490	-	-	(2,739)	(41)	1,594	6,612	687	(1,014)	(278)	469	476,876	397,551
Closing net reserves/(liabilities)	468,564	-	-	(2,414)	(89)	995	6,777	511	(872)	(640)	301	473,133	470,168

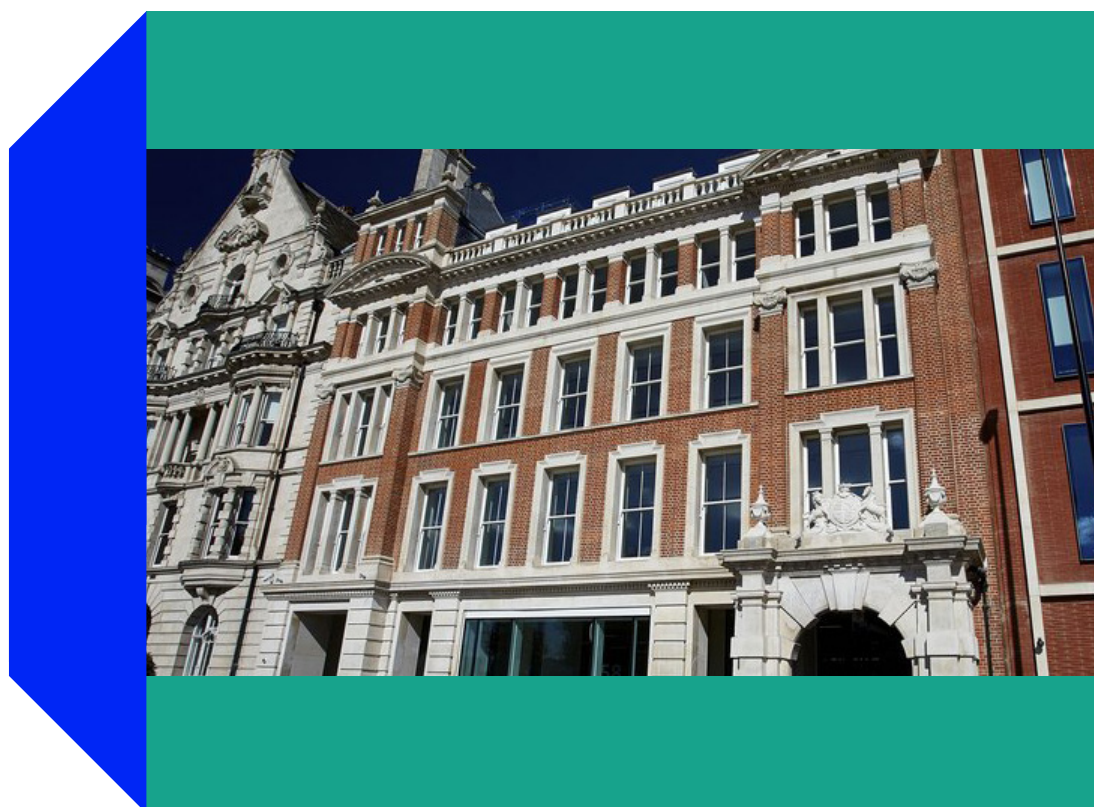
16. Funds

16a. Unrestricted and endowment funds

	General funds £'000	Funds retained within non charitable joint ventures £'000	Endowment funds £'000	Total £'000
Balance at 1 April 2021	20,019	2,012	458,587	480,618
Net (expenditure)/income before investment (losses)/gains	(15,845)	-	5,844	(10,001)
Unrealised gains on investments	-	-	26,005	26,005
Share of operating loss in joint venture FFN JV Limited	-	(254)	-	(254)
Share of operating loss in joint venture Behavioural Insights Limited to the point of becoming a subsidiary	-	(29)	-	(29)
Joint venture to subsidiary – Behavioural Insights Limited	1,983	(1,983)	-	-
Transfers to restricted funds*	(2,285)	-	-	(2,285)
Transfers from endowment to general funds**	38,940	-	(38,940)	-
Foreign exchange gains	28	-	122	150
Balance at 31 March 2022	42,840	(254)	451,618	494,204

* 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 an annual transfer to Nesta to deliver its charitable aims as detailed in the reserves policy.



16b Restricted funds

Funder	Programme	Balance 1 April 2021 £'000	Income £'000	Expenditure £'000	Transfer from/ (to) general fund £'000	Balance 31 March 2022 £'000
Amazon	Amazon Longitude Explorer Prize	-	340	(161)	(179)	-
Arts Council of England	Economic Value of Culture	141	-	(12)	-	129
Arts Council of Wales	Digital Innovation Fund for the Arts in Wales	239	225	(328)	57	193
Austrian Research Promotion Agency	Innovation Growth Lab	75	1	(96)	60	41
Cardiff University	Y Lab – Innovate to Save	1,097	(1,088)	-	(9)	-
CERN – European Organisation for Nuclear Research	Attract Next	-	-	-	105	105
Department for Education	EdTech Innovation Fund	396	(356)	(401)	362	-
Department for Education	Career Tech Challenge Fund	301	(250)	(243)	192	-
Department for Education	Career Tech Challenge Fund	111	(82)	(2)	(27)	-
Dream Oval Foundation	DreamOval Foundation – GSTEP	-	136	(57)	(79)	-
ENISA Spain	Innovation Growth Lab	49	1	(62)	39	26
European Commission	TalTech Twinning	166	-	(27)	(7)	132
European Commission	NGI Forward	458	-	(174)	(32)	253
European Commission	Apps for Europe	73	-	(91)	19	-
European Commission	Pro-Ethics	103	-	(5)	(1)	96
European Commission	EURITO	91	-	(52)	44	83
Google.org	FutureFit	432	-	(250)	(65)	118
Government of Canada	Afri-Plastics Challenge (Ocean Plastics)	10,964	-	(3,119)	(174)	7,671
Greater London Authority	Innovation Growth Lab	75	1	(96)	60	41
Improvement Service	People Powered Results	-	842	(1,012)	169	-
Innovate UK	Innovation Growth Lab	60	1	(77)	48	33
Innovate UK (UKRI)	Longitude	5,000	-	(306)	306	5,000
Innovation Norway	Innovation Growth Lab	75	1	(96)	60	41
Institute of Energy and Sustainable Development	Innovation Growth Lab	50	1	(63)	40	27
JPMorgan Chase Foundation	Rapid Recovery Challenge	421	-	(1,637)	1,216	-
Kauffman Foundation	Kauffman Foundation translational research	514	2	(18)	(88)	410
National Lottery Community Fund	Accelerating Ideas	-	-	(68)	68	-
Scottish Government	Healthier Lives Data Fund	159	-	(165)	6	-
The Arts and Humanities Research Council (AHRC)	Policy and Evidence Centre – Core	1,647	903	(1,934)	245	861
UK Humanitarian Innovation Hub	UKHIH Collective Crisis Intelligence	-	350	(277)	(15)	58
University College London	CAPE – Capabilities in Academic Policy Engagement	-	256	(71)	(15)	170
University of Helsinki	Nordforsk COLDIGIT	193	-	(33)	(3)	157
Welsh European Funding Office	Y Lab – WEFO Skills and Capacity Building	1,469	-	(325)	-	1,144
All values < £50k		159	32	(61)	(117)	13
		24,518	1,316	(11,313)	2,285	16,806

Negative income relates to variations in 2022 of grant income that was previously recorded which reduced the original grant value, and reversal of balances that haven't been drawn down.

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 the 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. A transfer to the general fund represents the portion of funding that Nesta is able to retain to cover overheads.

17. Analysis of net assets between funds

	Unrestricted funds 2022 £'000	Restricted funds 2022 £'000	Expendable endowment 2022 £'000	Group total funds 2022 £'000
Fund balances are represented by:				
Intangible assets	10,563	-	-	10,563
Tangible fixed assets	1,057	-	24,368	25,425
Investment assets	21,400	-	430,908	452,308
Current and long-term assets	31,721	16,806	(3,658)	44,869
Current and long-term liabilities	(22,155)	-	-	(22,155)
Total	42,586	16,806	451,618	511,010

	Unrestricted funds 2021 £'000	Restricted funds 2021 £'000	Expendable endowment 2021 £'000	Group total funds 2021 £'000
Fund balances are represented by:				
Tangible fixed assets	521	-	24,678	25,199
Investment assets	21,020	-	428,596	449,616
Current and long-term assets	16,181	24,518	5,313	46,012
Current and long-term liabilities	(15,691)	-	-	(15,691)
Total	22,031	24,518	458,587	505,136

18. 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.

	Group 2022 £'000	Group 2021 £'000
Gross income:		
Income	48,712	52,262
Income of non-charitable subsidiaries	9,370	4,102
	58,082	56,364
Less: share of joint venture turnover	(4,562)	(6,330)
	53,520	50,034
Gross expenditure:		
Expenditure	39,360	35,219
Depreciation of fixed assets	730	674
Amortisation of intangible assets	332	-
	40,422	35,893
Share of (loss)/profit in joint ventures	(283)	279
Foreign exchange gains	28	-
Net income for the year	12,843	14,420
Reconciliation to consolidated statement of financial activities		
Net income for the year	12,843	14,420
Movement on endowment funds	(6,969)	66,982
Net income	5,874	81,402

19. Contingent liabilities

There were no contingent liabilities at the balance sheet date (2021: nil).

20. 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 the balance sheet date, are shown as commitments below.

	Parent charity and Group total at 1 April 2021 £'000	Additions £'000	De-committed £'000	Drawdowns £'000	Parent charity and Group total at 31 March 2022 £'000	Funded from
Investments, loans, contributions to funds:						
Private equity secondaries	5,789	-	(2,738)	(308)	2,743	Endowment fund
Investments in early-stage funds	9	-	(5)	(4)	-	Endowment fund
Parent charity:						
Programme-related investments	8,563	-	-	(2,508)	6,055	General fund
Grant agreements not yet signed by Nesta	1,512	198	(1,382)	(130)	198	Restricted and general fund
Total	15,873	198	(4,125)	(2,950)	8,996	

21. Operating lease commitments

At 31 March 2022 the Group was committed to total payments during the next year in respect of operating leases which expire within the following periods.

	Group 2022 £'000	Group 2021 £'000
Expire within one year	857	5
Expire within two to five years	128	-
Expire in more than five years	-	-
Total	985	5

At 31 March 2022 the Nesta parent charity had entered into agreements with organisations to lease part of 58 Victoria Embankment. The rental payments due to the parent charity are:

	Parent 2022 £'000	Parent 2021 £'000
Expire within one year	1,326	1,598
Expire within two to five years	5,024	6,393
Expire in more than five years	591	2,040
Total	6,941	10,031

22. Related party transactions

The Nesta Trust ('the Trust') was established by a Trust Deed dated 22 September 2011. The Trust holds investment assets previously held by the NESTA which was abolished on 1 April 2012. The assets of the Trust provide income and capital to be applied by Nesta as sole Trustee to further the objects of the Trust. As the sole Trustee of the Trust, Nesta is considered to control the Trust which operationally means Nesta is responsible for the Trust's investment policy.

The Trust is a registered charitable trust which is classified by the Office of National Statistics as within the public sector boundary. 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.

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

Entity	Connection	Opening net (creditor)/debtor £'000	Receivable/(payable) by charity £'000	Cash paid by/(received by) charity £'000	Closing net (creditor)/debtor £'000	Notes
Nesta Trust	Subsidiary undertaking	-	(3,355)	3,366	11	Nesta recharged the Trust for salary costs totalling £120,522 (2021: £19,920). Nesta charged Nesta Trust £2,959,970 (2021: £4,511,009) in relation to PRI Investments. Nesta refunded Nesta Trust £1,536,088 (2021: £69,643) in relation to PRI Investments. Nesta Trust has transferred £35,980,737 (2021: £23,625,000) to its Trustee Nesta in support of its charitable objects. Nesta Trust charged Nesta £2,505,535 (2021: £2,505,535) for rental of 58 Victoria Embankment.
Nesta Enterprises Limited	Subsidiary undertaking	(86)	1,121	(488)	547	Nesta recharged Nesta Enterprises Limited for salary costs totalling £nil (2021: £98,464). Nesta Enterprises Limited accrued rental expense to Nesta of £185,820 (2021: £520,538) for their share of 58 Victoria Embankment. This lease was surrendered during the year. Nesta Enterprises Limited gift aided its profits to Nesta £541,402 (2021: £350,280).
Nesta Arts Impact LLP	Subsidiary undertaking	23	38	(57)	4	Nesta charged Nesta Arts Impact LLP loan interest expense totalling £30,000 (2021: £30,082). Nesta charged Nesta Arts Impact LLP management fees totalling £61,513 (2021: £64,278).
Cultural Impact Development Loans Limited	Subsidiary undertaking	42	119	(124)	37	Nesta charged Cultural Impact Development Loans Limited management fees totalling £118,848 (2021: £179,385).
Nesta Investment Management LLP	Subsidiary undertaking	7	14	(21)	-	Nesta received distributions from Nesta Investment Management LLP of £566,814 for prior year profit (2021: £249,745) and an interim distribution of £250,000 against this year's profit.
Nesta Partners Limited	Subsidiary undertaking	-	17	13	30	Nesta Partners Limited gift aided its profits to Nesta £24,629 (2021: £nil).
Behavioural Insights Limited	Subsidiary undertaking	-	196	(171)	25	Behavioural Insights Limited dividend for the year ended 31 March 2021, £348,600, was paid post year end. This was previously a joint venture and became a subsidiary during the year.

No amounts were written off in the year, and certain letters of support were given in respect of the amounts due at the balance sheet date.

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, combined non-contractual payments of £124k were committed to Trevor Richards and Corinna Alstromer, who were members of Nesta's Senior Leadership Team, as part of a compensation package. Ex-gratia payments totalling £163k (2021: £103k) were made in the year to other departing staff as part of compensation packages.

23. Comparative consolidated statement of financial activities

	Unrestricted funds 2021 £'000	Restricted funds 2021 £'000	Expendable endowment 2021 £'000	Total funds 2021 £'000
Income and endowments from:				
Investment income	187	-	7,697	7,884
Charitable activities	1,899	14,988	-	16,887
Other trading activities	2,900	1,599	-	4,499
Other income	6,654	-	-	6,654
Total income	11,640	16,587	7,697	35,924
Less share of joint ventures' turnover	(6,330)	-	-	(6,330)
Total Group income	5,310	16,587	7,697	29,594
Expenditure on:				
Raising funds				
Trading activities	721	1,221	-	1,942
Investment management costs	9	-	833	842
Total expenditure on raising funds	730	1,221	833	2,784
Charitable activities				
Committed Programme Delivery	9,503	9,106	199	18,808
Investments	7,762	5,108	138	13,008
Mission	(823)	-	(9)	(832)
Practices	558	-	6	564
Enterprises	2,236	491	29	2,756
Total expenditure on charitable activities	19,236	14,705	363	34,304
Total expenditure	19,966	15,926	1,196	37,088
Net (expenditure)/income before investment (losses)/gains	(14,656)	661	6,501	(7,494)
Net gains on Investments	-	-	88,672	88,672
Net (expenditure)/income	(14,656)	661	95,173	81,178
Net interest in joint venture	279	-	-	279
Transfers between funds	26,975	1,161	(28,136)	-
Net income before other recognised gains	12,598	1,822	67,037	81,457
Other recognised (losses)				
Foreign exchange (losses)	-	-	(55)	(55)
Net movement in funds for the year	12,598	1,822	66,982	81,402
Reconciliation of funds				
Total funds bought forward	9,433	22,696	391,605	423,734
Total funds carried forward	22,031	24,518	458,587	505,136

24. Comparative funds

24a. Comparative unrestricted funds

	General funds 2021 £'000	Endowment funds 2021 £'000	Funds retained within non-charitable subsidiaries or joint ventures 2021 £'000	Total funds 2021 £'000
Balance at 1 April 2020	7,700	391,605	1,733	401,038
Net (expenditure) / income	(14,656)	6,446	-	(8,210)
Transfers to restricted funds	(1,161)	-	-	(1,161)
Transfers from endowment to general funds	28,136	(28,136)	-	-
Unrealised gains on investments	-	88,672	-	88,672
Share of operating profit in joint venture	-	-	279	279
Balance at 31 March 2021	20,019	458,587	2,012	480,618

24b. Comparative restricted funds

Funder	Programme	Balance 1 April 2020 £'000	Income £'000)	Expenditure £'000	Transfer from/ (to) general fund £'000	Balance 31 March 2021 £'000
AHRC	Policy and Evidence Centre – Core	2,099	1,076	(1,511)	(17)	1,647
Argidius Foundation	Innovation Growth Lab	118	-	(118)	-	-
Arts Council of England	Economic Value of Culture	209	-	(68)	-	141
Arts Council of Wales (Scaling Fund)	Digital Innovation Fund for the Arts in Wales	34	450	(355)	110	239
Austrian Research Promotion Agency	Innovation Growth Lab	-	75	-	-	75
BEIS	Innovation Growth Lab	50	-	(50)	-	-
Big Lottery Fund	Rethinking Parks	50	-	(76)	26	-
Big Lottery Fund	Accelerating Ideas Fund	7	-	(126)	119	-
Cardiff University	Innovate to Save	3,933	(2,018)	(824)	6	1,097
Climate Works	Cool Roofs	-	194	(203)	9	-
DCMS	Longitude Explorer 19/20	488	(155)	(288)	(45)	-
DCMS	Future News Fund	140	-	(186)	46	-
Department for Education	Career Tech Grant Programme	2,645	-	(2,550)	206	301
Department for Education	Ed Tech	2,057	37	(1,878)	179	396
Department for Education	Career Tech Prizes	1,764	-	(1,603)	(51)	111
Economic & Social Research Council	Nordforsk COLDIGIT	-	195	(3)	-	193
ENISA Spain	Innovation Growth Lab	51	-	(2)	-	49
ESRC	ESRC Management Practices	54	-	(13)	(11)	30
European Commission	NGI Forward	1,022	-	(515)	(49)	458
European Commission	EURITO	301	-	(172)	(38)	91
European Commission	Pro-Ethics	142	-	(31)	(8)	103
European Commission	TalTech Twinning	-	176	(8)	(2)	166
Google.org	FutureFit	1,301	-	(762)	(107)	432
Government of Canada	Ocean Plastics	-	10,964	-	-	10,964
Greater London Authority	GLA Crowdfund London Evaluation	-	75	(65)	(9)	-
Greater London Authority	Innovation Growth Lab	-	75	-	-	75
IESD	Innovation Growth Lab	75	-	(25)	-	50
Innovate UK	Audience of the Future	91	-	(29)	11	73
Innovate UK	Innovation Growth Lab	50	75	(65)	-	60
Innovation Norway	Innovation Growth Lab	-	75	-	-	75
JP Morgan	JP Morgan Chase	209	-	(109)	(68)	32
JP Morgan	Rapid Recovery	-	2,097	(2,433)	757	421
Kauffman Foundation	Kauffman Foundation translational research	352	162	-	-	514
NASA	NASA SBIR Experimentation	-	62	(8)	(5)	50
Open Banking Limited	Open Up II	-	1,404	(1,018)	(387)	-
Scottish Government	Digital Health Scotland	253	-	(105)	12	159
The Solicitors Regulation Authority	SRA Testbed	-	129	(117)	(12)	-
The Technology Strategy Board	Longitude	5,000	-	(330)	330	5,000
University of Sussex	International Workstream	10	(10)	(67)	67	-
Welsh European Funding Office	WEFO Skills and Capacity Building	-	1,469	(40)	40	1,469
All values < £50k		191	(21)	(174)	52	47
		22,696	16,587	(15,926)	1,161	24,518

8. Reference and administrative details

Trustees and Main Board Committee Members

Trustees

Ed Richards (Chair)
(appointed 01 April 2022)

Sir John Gieve (Chair)
(resigned 31 March 2022)

Judith Gibbons

Imran Khan

Anthony Lilley

Moira Wallace
(resigned 18 October 2022)

Heider Ridha

Christina McComb

Sarah Hunter

Jimmy Wales

Ian Gomes

Joanna Killian
(resigned 30 July 2021)

Catherine Brien
(appointed 01 October 2022)

Jeremy King
(appointed 01 October 2022)

Liz Ditchburn
(appointed 01 October 2022)

Seun Akindele
(appointed 01 October 2022)

Audit and Risk Committee

Ian Gomes (Chair)

Christina McComb

Judith Gibbons

James Sinclair-Taylor (Protector)

Tony Thomas (Non-trustee member)

Trust Investment Committee

Christina McComb (Chair)

Ian Gomes

Ed Richards

James Sinclair-Taylor (Protector)

Sally Bridgeland (Non-Trustee member)

Venture Investment Committee

Anthony Lilley (Chair)

Heider Ridha

Ed Richards

James Sinclair-Taylor (Protector)

People Committee

Judith Gibbons (Chair)

Ed Richards

Imran Khan

Challenges Committee

Ravi Gurumurthy (Chair)

Judith Gibbons

Sarah Hunter

Jimmy Wales

Protector of the Nesta Trust

James Sinclair Taylor

Executive Team

Ravi Gurumurthy	Chief Executive
Trevor Richards (left 22 April 2022)	Chief Finance Officer
Susan McDonald (from 22 April 2022)	Interim Executive Director of Finance
Lisa Barclay	Executive Director of Investments
Vicki Sellick (left 19 April 2022)	Chief Partnerships Officer
Samuel Hanes (left 27 September 2021)	Chief Operating Officer
Sean Croghan (from 27 September 2021)	Interim Chief Operating Officer
Matthew Seden	Chief Strategy Officer
Ksenia Zheltoukhova (left 24 September 2021)	Acting Chief Scientist
Jenny Gibson (from 06 September 2021)	Chief Scientist
Elsbeth Kirkman (maternity leave)	Chief Programme Officer (secondment)
David Brown (interim maternity cover)	Interim Chief Programmes Officer
Corinna Alstromer (left 05 November 2021)	General Counsel & Company Secretary (maternity leave)
Jacqueline Lewis	General Counsel & Company Secretary (initially maternity cover)
Tatham Crawford-Lennox (from 14 February 2022)	Executive Director of People and Organisational Development
Ella White (from 14 February 2022)	Executive Director of Communications

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, EC2A 1AG
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