

Trustees' Report and Financial Statements

**Year ended
31 December 2012**

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TRUSTEES' REPORT

Introduction

The King's Fund ('the Fund') is an independent charity working to improve health and health care in England. We help to shape policy and practice through research and analysis; develop individuals, teams and organisations; promote understanding of the health and social care system; and bring people together to learn, share knowledge and debate. Our vision is that the best possible care is available to all.

We are registered with the Charity Commission for England and Wales, registration number 1126980. Details of the trustees and their record of attendance at meetings, the Chief Executive and Senior Management Team, principal office, and professional advisers are shown in the Legal and Administrative Information section.

The trustees present the annual report and financial statements of the charity for the year ended 31 December 2012. These have been prepared in accordance with the provisions of the current Statement of Recommended Practice (SORP 2005) Accounting and Reporting by Charities and relevant accounting standards.

Structure, governance and management

The King's Fund was incorporated by Royal Charter on 4 November 2008 and is governed by the provisions and byelaws of the charter; any revocation, alteration or additions to the byelaws must be approved by the Privy Council.

The objects of the Fund are the promotion of health and the alleviation of sickness for the benefit of the public, by working with and for health care organisations, provided that such work will confer benefit, whether directly or indirectly, on health care in London. In this context, 'health care organisations' means those organisations involved in the commissioning, monitoring, or supply and provision of health care.

Her Majesty the Queen is Patron of the Fund and His Royal Highness The Prince of Wales is its President. The byelaws provide for a minimum of four and a maximum of twelve trustees, who are also ex-officio members of the Fund. Trustees are appointed for an initial term of three years and may be re-appointed for a second term and, exceptionally, a third term. Appointment as a trustee is open to any suitably qualified member of the public. Newly appointed trustees are provided with an induction programme, which sets out the activities of the Fund and their responsibilities as a trustee. The Chair of Trustees meets with each trustee on an annual basis to review performance in the past year and to discuss the year ahead.

The trustees have established a General Advisory Council (GAC) in accordance with Byelaw 42 to the Royal Charter. The GAC meets twice a year to provide advice to the trustees and Chief Executive. The members of the GAC, appointed by the President for a period of up to three years, are shown in the Legal and Administrative Information section.

The trustees have appointed a Chief Executive, to whom they have delegated the responsibility for realising the Fund's strategies and objectives and for the day-to-day management of the Fund. The Chief Executive acts within a governance framework approved by the trustees. He is supported by a Senior Management Team.

The Board of Trustees meets seven times a year with the Chief Executive and the Senior Management Team to handle business that has not been formally delegated to the Chief Executive and to consider other matters related to the operations of the Fund. One of the seven meetings is designated the Annual General Meeting, at which the Trustees' Report and Financial Statements for the preceding year are considered and approved.

The Board of Trustees has established a number of standing sub-committees to support it in its work:

- Audit and Risk Committee, to oversee the preparation and independent audit of the Fund's Consolidated Financial Statements, and to review the procedures for the identification and management of risks to which the Fund is exposed
- Investment Committee, to be responsible for the strategic direction of investment of the Fund's endowment and oversight of its investment managers
- Remuneration Committee, to approve annual pay settlements for the Chief Executive and other Fund staff
- Nominations Committee, to manage the process for the selection and appointment (including re-appointment) of trustees.

The trustees have identified and considered the major strategic, operational and financial risks to which the Fund is exposed and they are satisfied with the procedures that have been established to review these risks and with the action plans adopted to mitigate exposure to them. A key element of the risk mitigation process is the work performed under the annual internal audit plan, which Grant Thornton UK LLP prepares and delivers (based on a three-year rolling programme derived from the risk register). The annual plan and all internal audit reports are submitted to the Audit and Risk Committee for review and approval.

Public benefit

In line with our objects, we seek to promote health and alleviate sickness, and so provide public benefit, by working with and for health care organisations in a variety of different ways, always with the ultimate objective of helping those organisations to become more effective and/or more efficient in delivering health care to the public. Any personal benefit derived from the Fund's activities is merely incidental to its aims in working with health care organisations.

The Fund's annual operational plans are set in the context of our medium-term strategic corporate objectives. The major elements of these plans and our achievements against these during the year are set out below. In approving the Fund's operational plans, the trustees are mindful of the Charity Commission's general guidance on public benefit.

Our vision, mission and values

The King's Fund is an independent charity working to improve health and health care in England. Our vision is that the best possible health care is available to all.

Our mission sets out how we will achieve this vision:

- by working to improve the way health care, and related social care, in England is organised, funded and delivered
- by supporting individuals, teams and organisations to improve health and health care.

In the way we work internally and externally, we seek to demonstrate the following values:

- we are committed to improving care and the experience of care for patients, service users and their families
- we will act with integrity, and will value and protect our independence
- our work will be relevant and challenging
- we will strive for excellence in everything we do – reflecting on what we have done and learning in order to improve
- we will work collaboratively within the Fund and with our partners.

Objectives and outcomes in 2012

Our work in 2012 was the first year operating under our 2012–14 strategic plan. Developed in 2011, this plan set out the following priority areas and goals for this three-year period.

Improving the patient's experience and the quality of care

The goal: that the NHS achieves measurable improvement in the experience of care and outcomes for patients.

Supporting the NHS to improve productivity and efficiency

The goal: that the NHS achieves sufficient productivity improvements over the next three years to be able to maintain and improve services.

Shaping the future of the health, public health and social care system

The goal: that the policy, legislative, regulatory and financial framework for health and social care in England enable the delivery of the best possible care.

Improving and integrating care for older people and people with long-term conditions

The goal: that people with complex health and social care needs get better quality co-ordinated care that meets their needs.

Preventing illness and improving health and wellbeing in communities

The goal: that the public health system achieves measurable progress to improve health and reduce health inequalities.

The first year of the plan's operation was one of significant transition for the Fund due to a number of factors:

- challenging financial prospects, reflecting the changes in the broader health economy in which we operate
- a fundamental review of our leadership activity during the year
- implementing the findings of a strategic review of our management structure and systems, commissioned in 2011.

While this context to our year's work proved challenging, the reviews will help us to ensure that our systems and processes are robust and that how we operate is responsive to the changing external environment. Despite these pressures, 2012 was a successful year for the Fund; in a time of great change for the health and social care system we offered insightful analysis, promoted understanding and helped to develop people and teams working within the health care sector. Our main achievements are set out below.

Cross-Fund programmes

Alongside the priority areas outlined above, a clear conclusion of the 2011 strategic review was that the Fund needed to focus its efforts on bringing together expertise in different directorates in a number of cross-cutting programmes. The first programme in 2012 focused on integrated care, as part of the priority on improving and integrating care for older people. The objective of the programme is to promote the widespread adoption of effective models of co-ordinated and integrated care that better meet the needs of frail older people with complex health and social care needs in England.

In 2012, the integrated care programme successfully built up a body of research and policy analysis and we used this to influence the national policy agenda. During the year we:

- produced a paper with the Nuffield Trust for the Department of Health and NHS Future Forum
- held three conferences:
 - one in May 2012 to launch the programme, with Dr Ken Kizer, Director, Institute for Population Health Improvement, UC Davis Health System, and Distinguished Professor, University of California Davis, and former Under Secretary for Health, US Department of Veteran Affairs.
 - two in September – Norman Lamb, the Care and Support Minister, spoke at the first, and the second included contributions from a range of international experts
- concluded the Whole Systems Demonstrator Action Network (WSDAN) project, looking at evidence to support the adoption of new technologies in the management of long-term conditions
- supported Frontier Economics in producing a report examining how Monitor's future role can support integration as well as competition
- published a paper on behalf of the Richmond Group of charities focusing on five key priorities for action to improve care for people with long-term conditions.

During 2012, we also started work to:

- deliver a Whole System Leadership programme in health and social care 'systems'
- deliver a learning network for senior leaders across six communities who are actively engaged in acute and community service integration
- work with Advancing Quality Alliance (AQuA) to support eight communities in the north-west of England with their plans to deliver integrated care
- conduct a two-year research project looking at primary-based care co-ordination for people with chronic and medically complex conditions
- draft a report for the Commonwealth Fund describing international case studies of health and social care solutions from Europe and the United Kingdom
- evaluate Lambeth and Southwark Integrated Care Pilot, working with Picker, HSMC, RAND Europe, the London School of Economics and Political Science and the University of Cambridge; this is an action research project looking at four key issues: patient/carer experience; outcome; costs; and how change was secured
- draft a paper setting out how Scotland, Wales, and Northern Ireland are improving integration of care for frail older people and people with complex needs.

The second cross-Fund programme we ran during 2012 was Time to Think Differently (part of the priority on shaping the future of the health, public and social care system). The programme aims to stimulate, inform and influence debate about the future of health and social care, including future funding and new models of care. It is innovative both in the scale of cross-Fund working and the level of engagement it has sought and generated. During 2012, we:

- published [*Transforming the delivery of health and social care: the case for fundamental change*](#)
- held a launch event for the programme, with leading figures from the three main political parties: Stephen Dorrell, Paul Burstow and Liz Kendall

- held two deliberative events, jointly with Ipsos MORI, to gauge public opinion on the future of health and social care
- held four seminars on: innovation; the future of the health and social care workforce; shared decision-making and self care; and the future of the estate
- launched a website with analysis of future trends, blogs from leading external figures, infographics and other content
- launched engagement work through the website, press work, social media and a range of other communications activities
- installed new exhibition panels in the café based on key facts from the trends material and the programme's branding
- held a corporate partner event on leading innovation with Chris Trimble, a leading global writer and speaker on reverse innovation.

Goals across our four functions

In the 2011 Trustees' Report and Financial Statements, we set out a number of directorate-level goals to drive the achievement of our priority areas and programmes. Our progress against these is set out below. We have represented them under the headings for our four core functions as set out in our strategic plan.

Research and Analysis

➤ We will continue to develop our international networks through the European Health Policy Group, as the European Observatory National Lead Institution and through hosting international visitors.

- In September 2012, we hosted a two-day meeting of the [European Health Policy Group](#), considering the impact of the global recession on health care systems.
- In November 2012, we hosted a launch event for three reports about the health systems in Scotland, Northern Ireland and Wales, produced by the European Observatory on Health Systems and Policies. The event provided an opportunity for policy-makers and the report's authors to discuss the main similarities and differences in health policies between the four countries.
- We hosted three international visiting fellows during 2012.
 - [Dennis Kodner](#), Professor of Medicine at McGill University Faculty of Medicine in Canada and health systems consultant with a global practice specialising in care integration. During his fellowship with The King's Fund, Dennis has been co-directing a study funded by the US-based Aetna Foundation on care co-ordination models for people with chronic complex conditions in the United Kingdom and the implications for the US health care system.
 - [Al Mulley](#), Director of the Dartmouth Center for Health Care Delivery Science at Dartmouth College and Professor of Medicine at Dartmouth Medical School, United States. Al Mulley's work with us has focused on how we can transform the delivery of health services through innovations that produce better value for patients, looking at evidence from the United Kingdom and the United States. In May 2012, he authored [Patients' preferences matter: stop the silent misdiagnosis](#), arguing that we need to aspire to the same standards of excellence in diagnosing patients' preferences for their care as we do in diagnosing disease.
 - [Richard Bohmer](#), Professor of Management Practice at Harvard Business School, United States, and a New Zealand-trained physician. During his fellowship with the Fund, Richard has been working on a variety of projects including: contributing to the work of the Commission on Leadership and Management in the NHS, supporting us with our thought leadership work and looking at how the delivery of health services can be transformed to produce better value for patients.

➤ We will maintain our reputation as thought leaders in health and social care by hosting up to six high-level policy seminars, contributing to debate through editorials, blogs (about 50) and comment in the media.

- In 2012, we hosted a number of policy seminars, including those outlined above as part of the Time to Think Differently programme.
- We held a seminar, in November 2012, to explore how we can deliver more sustainable, effective and affordable models of health and social care.
- We held a number of seminars on integrated care, including one on Monitor's role and one focused on London.
- We held two seminars on implementing the '[lean](#)' methodology.
- Spokespeople from The King's Fund authored 70 comment and editorial pieces in a range of national and trade media. This compares to 34 in 2011. We published 76 [blogs](#) on The King's Fund website.

➤ We will work on at least five larger projects with at least one in each of the areas of the strategic priorities. In addition, we will undertake at least five smaller pieces of research and analysis in key areas of interest to the health and social care

system. This will include publication of at least one major report in addition to four data briefings and around twelve other policy publications.

In addition to work completed on the cross-Fund programmes described above, we worked on the following larger projects.

- **Improving the patient's experience and the quality of care**
 - We worked with 11 trusts to deliver the Patient and family-centred care programme, in partnership with the Health Foundation. The programme uses tried and tested techniques to improve both processes of care and staff-patient interactions.
 - We delivered Schwartz Center Rounds® in a number of hospitals and hospices trusts in 2012. The Rounds support staff to provide compassionate care.
- **Supporting the NHS to improve productivity and efficiency**
 - We completed regular surveys of finance directors on financial and service challenges as part of our [Quarterly monitoring reports](#). The fourth report was published in January 2012, the fifth in May and the sixth in December.
 - In January, we published a paper, [Service-line management: can it improve quality and efficiency?](#)
 - In August, we published [Older people and emergency bed use: exploring variation](#), which explores factors that might be driving the significant variation in use of hospital beds by patients over 65 admitted as an emergency.
- **Shaping the future of the health, public health and social care system**
 - In April 2012, we published a research report on the development of [health and wellbeing boards](#).
 - Following a commission from the Department of Health, we undertook a research project to explore the future of volunteering in the context of the Health and Social Care Act and wider system changes. [Volunteering in health and care: securing a sustainable future](#) was published in March 2013.
 - We started work to look at the fitness for purpose of the current resource allocation system (public health and more broadly) and resources for non-health policy leads in local authorities on their contribution to health improvement and health inequality reduction. This will be completed in 2013.
 - We completed a project on patient and public involvement in revalidation, working with MORI, for the Department of Health.
 - In May, we published a discussion paper on practicalities and controversies related to [rationing in the NHS](#).
 - In July, [Never Again?: the story of the Health and Social Care Act 2012](#), was published jointly by the Institute for Government and The King's Fund. Written by Nick Timmins, it explains why and how the Act became law.
 - We published a paper on [NHS payment systems](#) in November.
 - At our annual conference in November, we launched [Health policy under the coalition government: a mid-term assessment](#).
 - We ran a number of events related to this strategic priority including: development of [health and wellbeing boards](#); the [future of social care](#); [progressing health care in London](#); and a [joint conference with Monitor](#) for non-executive directors, with a focus on the Health and Social Care Act.
- **Improving and integrating care for older people and people with long-term conditions**
 - We started work on a project funded by the AETNA Foundation to compare UK-based models of successful care co-ordination programmes for people with complex chronic conditions. We appointed an expert panel and selected five case study sites that are currently delivering effective care co-ordination programmes. Using a range of research methods, we will establish key care co-ordination lessons and markers for success. The case study sites' work will be presented at an event in June 2013, and a report on the project will be published later in the year.
- **Preventing illness and improving health and wellbeing in communities**
 - In August, we published a report by David Buck and Francesca Frosini, [Clustering of unhealthy behaviours over time: implications for policy and practice](#).
 - Other pieces of research and analysis on key areas of interest to the health and social care system included:
 - a joint research project with the Nuffield Trust evaluating early progress being made by [clinical commissioning groups](#), with particular focus on the relationships they are forging with national and local stakeholders, including constituent practices
 - a report looking at what is needed to improve [quality of care provided by GPs in London](#), commissioned by NHS London and jointly prepared with Imperial College London
 - delivery of a consultancy project funded by Guy's and St Thomas' Charity looking at health futures in Lambeth and Southwark 2025–30

- an analysis of results of the [British Social Attitudes survey](#) on health care
- data briefings on:
 - [ambulatory care-sensitive conditions](#), in April 2012
 - [GP services in England](#), looking at the association between quality of care and the experience of patients, in November.

➤ **We will continue to seek to publish our work in leading peer review journals (10); subject our work to ethical standards and rigorous quality assurance processes.**

- We published our work in 11 peer review journals in 2012, including: the *International Journal of Integrated Care*; the *Journal of the Royal Society of Medicine*; and the *Journal of Health Services Research & Policy*.

Developing individuals, teams and organisations

- **We will undertake a review of the leadership development directorate to remain fit for purpose and responsive to market needs, maintaining and growing our reputation for high-quality, innovative and relevant leadership development interventions.**
 - The review was wide ranging and outputs have included:
 - a new team structure, including the appointment of three Assistant Directors
 - a review of our open programmes, with a new suite launched in April 2013
 - revised business development processes.
- **We will implement a business transition work programme to manage the transition to the new model of working while ensuring business continuity.**
 - The transition workplan was implemented and progress was reported to trustees on a quarterly basis. As we move towards 'business as usual', updates on progress will be provided to trustees as part of standard reporting processes.
- **We will continue to develop our work on medical leadership to support our aspiration to become THE centre for medical leadership within three years.**
 - We will progress this in 2013. This will include a medical stakeholder event to help us develop content for a programme for medical leads.
- **We will continue to develop our links with academic partners both nationally and internationally and will have a defined relationship with at least one academic partner.**
 - We will progress this in 2013. In March 2013, we advertised for two joint appointments with City University – Professor of Health Policy and Professor of Health Management and Leadership – to support our thought leadership work.
- **We will grow our expertise and contribution to thought leadership through publication of a major report based on our leadership review and its supporting work programme and through public speaking, having a presence on the national and international leadership development stage.**
 - In 2012, we used our leadership review to examine the concept of leadership for engagement in health care. The review encompassed engagement and relationship-building across a range of dimensions within the NHS, including leaders engaging staff, the public and patients; and NHS leaders engaging partner organisations in developing leadership across systems of care.
 - The report based on this review, [Leadership and engagement for improvement in the NHS: together we can](#), was published at the second annual leadership and management summit in May 2012.
 - The summit was attended by 245 delegates, with more than 300 people attending the three expert lectures were held in the build-up to the summit.
 - The report has been downloaded more than 10,000 times since publication and more than 1,200 hard copies have been distributed at conferences, including NHS Confederation Annual Conference, and on leadership development programmes.

Promoting Understanding

Our work to promote understanding of health and social care encompasses the work of our communications team and our Information and Library Service.

- **We will deliver a new marketing strategy combining traditional marketing with increased PR to better position the Fund to deliver its business strategy for Leadership which will result in at least four pieces of high-quality media coverage in addition to coverage of the leadership review.**
 - We delivered good media coverage around the leadership review – as well as a media partnership with the *Guardian Healthcare Network*, the report was covered in the *Health Service Journal*, the *British Medical Journal*, *Local Government Chronicle*, *Healthcare Manager*, *HR magazine*, *Daily Express*, Channel 4 News website and *London Evening Standard*. It was also covered in nearly 200 other regional and specialist publications. There were also a small number of additional pieces of leadership-based coverage during the year.
 - In light of the implementation of our internal review of the leadership function, the marketing and PR strategy was put on hold for 2012 and will be carried forward into 2013.
- **We will improve the experience of transactions on our website in the following four areas: publication sales, events, leadership programme bookings and joining the Friends' scheme.**
 - A revamped website was launched in September 2012. Following feedback, we changed the structure of the homepage, making it easier for people to see what was new, increased the audio/video content, made the forms easier to use and updated the topic pages to help users to find relevant content for their areas of interest.
 - We established, in parallel with the new website and a customer relationship system, new systems for customers to book events and make publication purchases. This has significantly improved the speed and overall experience for those making transactions via the site.
- **We will deliver a communications and information strategy for the integrated care programme which supports the Fund to achieve the necessary engagement, dissemination and influence.**
 - An initial plan was developed in 2012 and will be further expanded in 2013 as the work programme evolves.
 - The Fund's reputation and visibility on integrated care built over 2012 through events, publications media coverage and external engagement at meetings and conferences.
- **We will use our public and parliamentary profile, to influence the health reforms after the passage of the Health and Social Care Bill, around a small number of key issues on which the Fund wishes to have further influence on policy development and implementation.**
 - Large parts of our work programme – for example, our work on integrated care, health and wellbeing boards and clinical commissioning groups – are aimed at influencing the post-reform agenda and supporting the system to implement the changes.
 - We have also worked to influence the implementation of specific aspects of the reforms. For example, our work in response to the draft Mandate, which included an editorial in the *British Medical Journal*, helped secure significant changes in the published version.
 - We have maintained our profile at Westminster and continued to influence the parliamentary debate by:
 - holding three events in partnership with the Nuffield Trust in parliament, looking at the challenges ahead for health and social care; the future of hospital services and the implications of reconfiguration; and the challenges facing primary and community services as patients' needs change
 - running a series of breakfast events looking at quality and regulation, commissioning, and NHS providers.
- **We will develop options for summary materials and investigate how we could make use of new technologies – for example, ebooks - to extend the range of ways people can access our material and to increase the level of engagement with our reports.**
 - We completed a survey on how people access our material and this demonstrated that there was limited benefit in creating paid for ebooks at this point. We have instead focused on how to optimise our reports for tablet devices.

- To help increase engagement with our publications, we have:
 - developed the summary text for publications on the website to include more detail of the content, to make it easier for search engines (and so users) to find the content
 - extended our use of a range of rich media (eg, prezi, audio slideshows and video material) to highlight and summarise the findings and conclusions of our work
 - used infographics (both online and in our venue) to engage audiences in our work.
- **We will maintain a constant flow of high-quality publications without overwhelming our audiences, around 26 publications in 2012.**
- We produced 25 [publications](#) during 2012. Our formal publications are increasingly supplemented with additional online materials including audio visual content, slide sets, articles, reading lists and blogs.

Engagement and social media

We achieved high levels of engagement with audiences in 2012, indicators of which can be drawn from data on our digital communications. We achieved average monthly web visits of 90,699, up from 74,241 for the same period in 2011 and 47,589 in 2010. Time to Think Differently has had a very positive impact on the number of visits, and this has been sustained since launch. We are taking advantage of the rapid expansion in use of social media; the number of people following our corporate Twitter account rose to 22,666 by the end of 2012.

Although we have increased the regularity of our regular email updates, as well as introducing new bulletins on specific areas of interest such as integrated care, both our open rates and our 'click through rates' – ie, the number of people who not only open the email but click through to the information behind it on our website – are at good levels, indicating continuing engagement with our content.

Information and Library Services

The Information and Library Services team continued to adapt their services to better meet internal and external demands. The team is now providing media monitoring services to the Fund (as an alternative to external contractors) and is doing so at lower cost and to a higher standard than our external suppliers; plans are in place for this to extend to parliamentary monitoring in 2013. The number of literature search requests both for internal project teams and external clients (on a commercial basis), and requests to develop new external facing products such as specialist bulletins and alerts is growing steadily.

Bringing people together

Our work under this function incorporates much of the work carried out by our commercial directorate. Specifically it includes the work of the teams responsible for events, venue management and corporate partnerships.

- **We will make best use of the Fund's facilities including re-launching the Friends' Lounge as the Garden Room to generate extra revenue.**
 - We re-launched the Friends' Lounge as the Garden Room in March 2012, generating an income of £98,000.
- **We will continue to market the venue as the natural choice for health sector events and will build on the success we have had in targeting specific industries in the private sector.**
 - We offer reduced tariffs to health and social care organisations and highlighted the added benefits of using our venue for events (such as the library and information service). We targeted the retail industry during 2012 and hosted events for Debenhams, Elizabeth Arden, Lakeland and New Look, among others. We hosted 13 Christmas parties in 2012; this was an increase of four on the previous year, partly due to our targeted marketing campaigns.
- **We will update and improve the No.11 Cavendish Square website and maximise social media marketing.**
 - We introduced improvements to the site following work to understand how our customers were using the site. We developed both the homepage and navigation across the site to better respond to customer requirements.
 - We developed our social media presence, establishing profiles on Facebook and LinkedIn during 2012.

- **We will increase the number of paid-for events to 19 in 2012 including the leadership summit and annual conference as flagship events.**
 - In 2012, we focused on increasing our flagship events to five (integrated care summit, leadership summit, annual conference, patient experience conference and telehealth congress) and growing our existing paid-for events. In total, we produced 17 paid-for conferences in 2012 which generated more than half a million pounds in annual revenue and a contribution of £200,000. Six of our paid-for conferences, including the annual conference, were oversubscribed in 2012.
 - Feedback on our flagship events is positive: almost all delegates surveyed said they would attend a future King's Fund conference based on their experience of the annual conference and more than 90 per cent of delegates who attended our flagship events agreed that attending the conference was a valuable use of their time.
- **We will run the second telehealth congress as a dual event with both physical and virtual elements. We will increase the number of participants in the event for 2012.**
 - At the 2012 telehealth congress, 1,367 people registered as virtual delegates for the event and 18 exhibitors paid for virtual stands. We won an award at the annual industry conference awards for our development of the event into a dual physical/virtual event.
- **We will increase the number of corporate partners and supporters we have and engage more of the partnership organisations in other types of support.**
 - We increased the number of partners from three to four and corporate supporters from six to eight. Our income from our corporate partnership schemes was £312,000 in 2012, a 33 per cent year-on-year increase in income from 2011/12. The support our partners have provided has included sponsorship of our conferences, hiring our venue space, contributing expert speakers for our leadership development programmes and hosting study visits to their sites.
- **We will explore the feasibility of establishing an NHS/charities partnership programme.**
 - The marketing team did work in 2012 to explore the potential for a formal membership scheme and cross-Fund packages of support for provider organisations. This work is now feeding into work between leadership and policy to develop an agreed 'menu' of support that organisations can get from the Fund.

Supporting departments

The work described above is supported by a number of teams at the Fund including HR, Information and Communications Technology, Facilities, and Finance. Highlights from these areas in 2012 include:

- a review of our induction programme for new staff
- running a staff satisfaction survey – the results were the best for overall satisfaction levels since we first surveyed staff in 2008
- strengthening internal communications
- developing our financial management processes
- a review of the Fund's approach to information management
- exploring the use of technical solutions that facilitate mobile working.

Plans for 2013

Our 2013 operational plan sets out our goals for this year, within the context of our three-year strategic plan.

Drawing on our experience of cross-Fund working to date, and the ambition contained in the strategic plan to prioritise this, we have made a distinction in the 2013 operational plan between three cross-Fund programmes and four non-programme priorities.

The activities we carry out to achieve our goals for all of our programmes and priorities will include some combination of publications, events, online engagement, information resources and development support.

Cross-Fund programmes

1. Shaping the future system: Time to Think Differently

In 2012 we began to engage people from across health and social care in understanding the scale of future challenges to health and health care and considering the implications of these challenges.

In 2013 we will continue to generate debate about the future and move the programme into a second phase where we will, working with others, generate and develop ideas about what models of care and funding can meet future needs.

2. Improving and integrating care for older people and people with long-term conditions

Our focus for this programme in 2013 is the implementation of integrated care. We believe the case for better integrated care has been made and the task now is to support its delivery.

Over the year we will develop new learning networks and development programmes that support those who are both commissioning and delivering services to develop more integrated care, including working with individual leaders, teams and at a whole health system level. We will work to position the Fund as the place to go for information on integrated care through developing resources that highlight examples of good practice and provide practical advice that those driving integration can draw on. We will also continue to build the national and international evidence-base for integrated care, and to influence national policy to ensure that our statutory, regulatory and financial frameworks enable, not prevent, better integrated care.

3. Contributing to the theory and practice of leadership in the NHS

The Fund has contributed significantly to the development of leaders in the NHS over many years through our learning and development programmes.

During 2013 we will increase our research activity and published work in this area, further establishing the Fund as a source of knowledge and expertise on leadership and management in health. In 2013 this will include specific work on medical leadership.

We will use our 2013 leadership summit and report to examine the challenges for leadership presented by the Francis report and to identify what changes need to take place within the NHS to develop the right culture of care at every level.

Non-programme priorities

1. Improving the patient's experience and the quality of care

The Fund is committed to increasing our impact in improving patient experience. In 2013 much of this work will relate to our existing programmes. These include:

- the Patient and family-centred care programme (in conjunction with the Health Foundation)
- the Enhancing the Healing Environment programme, which will be smaller in 2013 and will focus its work on dementia care
- the Schwartz Rounds, for which we have committed to finding a sustainable organisational base from which to continue this work outside of the Fund this year.

We will also improve the range of resources we provide, including revising existing toolkits and undertaking research on the impact of the Patient and family-centred care approach.

We will also examine how the Fund currently involves patients and relatives in its work and will develop proposals on how we might amplify the voice of patients more directly into our work.

2. Shaping the future system: Reform and performance

We will use published reports and briefings, comment and analysis via the media and other channels, stakeholder engagement and influencing activity to have impact in the following areas:

- commissioning, in particular the development of clinical commissioning groups, NHS England and health and wellbeing boards

- regulation and accountability – engaging in the development of the approaches taken by Monitor, NHS England and Care Quality Commission
- provider development, in particular looking at reconfiguration and future organisational forms in both primary care and the acute sector
- social care – we will continue to influence debate and decision-making on the long-term funding of social care
- information, transparency and measurement – continuing our work on patient-reported outcome measures and further work to influence the way NHS performance is measured.

3. Supporting the NHS to improve productivity and efficiency

In 2013 we will carry out work to look in detail at the implementation of the Quality, Innovation, Productivity and Prevention (QIPP) programme. We will also carry out further research to support NHS organisations in their efforts to reduce unnecessary variation in cost of care.

The Fund's quarterly monitoring report (QMR) on NHS performance is now in its second year. In 2013 we will further develop the QMR and will review the measures used to take an overview of NHS performance.

4. Preventing illness and improving health and wellbeing in communities

Building on the success of our work on multiple behaviours and poor health in 2012, we will translate this work into understanding of the impact of multiple behaviours within local communities.

Given the new responsibility for public health assumed by local government in April 2013, we will develop practical resources for local authorities on the impact they can have on their local populations' health across the range of their services.

Financial strategy and reserves

The Fund's investment strategy is to manage its investments to achieve over the medium to long term a total return – that is, income and capital growth combined – that maintains the real value of those investments after allowing for expenditure, and to do so without taking excessive risks. The reference date for the purpose of assessing the real value of the investments is 1 January 2009.

The real value of investments is calculated after allowing for changes in the purchasing power of sterling as measured by movements in the Retail Prices Index (RPI). The trustees believe that this is a reasonable measure of the impact of price changes on the Fund's purchasing power, but they keep this under review.

The Fund's spending policy is to limit annual net cash outgoings, excluding items of extraordinary capital expenditure, which are judged on their merits, to an amount that the trustees believe to be sustainable in the medium term and that preserves the real purchasing power of the investments through time. The trustees review the spending limit periodically. The trustees recognise that each year the Fund will need to draw from the investment capital to bridge the gap between income, both from investments and activities, and expenditure and set the budget accordingly. The reporting requirements of the SORP necessarily show this gap as net outgoing resources in the year.

The level of free reserves, which are the unrestricted funds less investment in fixed assets for the charity's own use, has been appraised in the light of future modelling of the financial strategy. The trustees, in their adoption of the development plan, accepted that these reserves, which amount to £32.8 million (£31.3 million in 2011), after providing a reserve of £4.4 million (£4.7 million in 2011) to match the calculated deficit on The King's Fund Staff Pension and Life Assurance Plan, are at an appropriate level.

The Fund's planning process, including financial projections, takes into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. The Fund has a reasonable expectation that its resources are adequate to continue in operational existence for the foreseeable future. The Fund also believes that there are no material uncertainties that call into doubt the charity's ability to continue. The financial statements have, therefore, been prepared on the basis that the charity is a going concern.

Financial review 2012

Consolidated income and expenditure

Total income for the year amounted to £15.2 million (£12.9 million in 2011), of which £9.1 million (£7.6 million in 2011) was generated from charitable activities and £6.1 million (£5.3 million in 2011) was derived from the investment portfolio, other activities and other incoming resources.

Income arising from charitable activities rose by £1.5 million, as The Fund was successful in bidding for more commissions of leadership programmes.

Incoming resources from generated funds were up on 2011. Income from *External conference and catering services* was £0.7 million higher, despite very challenging conditions for venues.

Total expenditure of the Fund was £17.0 million (£15.7 million in 2011). *Resources expended on generating funds* were marginally higher than last year.

Resources expended on charitable activities were £1.3 million higher than last year. *Developing Individuals, Teams and Organisations* incurred additional costs in delivering its increased Income.

The average number of staff employed by the Fund during the year was 128 compared with 123 in 2011. Further analysis is shown in Note 8 to the Financial Statements.

The outcome for the year, namely expenditure exceeding income by £1.8 million (£2.8 million in 2011), was in line with the financial strategy set out above, that is to say that it was met by unrestricted funds, and was within the budget approved by the trustees at the outset of the year.

KEHF Limited, a company registered in England (number 2754697), is wholly owned by The King's Fund and provides conference, catering and ancillary services to external hirers of the conference suites at Cavendish Square. Despite the challenging market conditions, the company generated an operating profit of £438,000 (£91,000 in 2011). The directors of the company have agreed to make a Gift Aid donation to the Fund of £438,000 representing the taxable profit in the year.

Tangible assets held for the use of the Fund

The book value of the tangible assets held by the Fund for its own use decreased in the year as the depreciation charged on existing and new assets exceeded capital expenditure in the year. At the year end the book value of those assets was £19.1 million (£19.6 million in 2011) as shown in Note 10 to the Financial Statements. The trustees are in receipt of an independent report on The Fund's headquarters buildings at 11–13 Cavendish Square, London W1 which indicates a market value significantly greater than this book value.

Investment policy and performance

The Investment Committee has a Strategic Asset Allocation and corresponding long-term return target covering all of the Fund's investments except the private equity holdings and the directly held property at Basing. FF&P Asset Management Limited (FF&PAM) are expected to manage, on a discretionary basis, within these parameters. A list of the current members of the Investment Committee, all of whom have agreed to serve a five year term, is shown below in the Legal and Administrative Information section.

FF&PAM maintain a 'Main Fund' which has been constructed and is managed to align with the Strategic Allocation, see below, and its performance is measured against a blended benchmark derived from this allocation.

Asset Class	Strategic Allocation	Minimum	Maximum	Actual Allocation 2012	Actual Allocation 2011
<i>UK Equities</i>	22%			18.6%	19.0%
<i>Global ex UK Equities</i>	36%			35.0%	31.8%
<i>Emerging Market Equities</i>	12%			17.5%	10.4%
Equities	70%	55%	75%	71.1%	61.2%
Property	6%	0%	10%	0.0%	6.9%
Inflation-linked Bonds	12%	7%	15%	8.5%	10.4%
Nominal Gilts and Cash	12%	8%	20%	8.5%	21.5%
Opportunistic		0%	12%	11.9%	0.0%
TOTAL	100%			100.0%	100.0%

At 31 December 2012, the total value of the investment assets of the Fund was £123.1 million (£116.4 million in 2011). Adjusting for withdrawals used to finance the activities of the Fund, investment assets rose by 8.5% in the year (fell by 5.8% in 2011).

FF&PAM reported a return of 10.7% for 2012, exceeding the blended benchmark of 9.7%. Returns in Q4 were particularly good, benefiting from the relative exposure to smaller capitalisation stock, whilst the absence of property investments in the FF&PAM portfolio prevented The Fund from sharing in their relatively strong performance. (Given the investment in the Basing estate as well as recognising the likely market value of the Fund's headquarters buildings in Cavendish Square, the Committee agreed in March 2012 that the minimum and maximum allocations to property within the portfolio should be reduced to 0% and 10% respectively with a strategic allocation of 6%.)

FF&PAM also maintain a watching brief on behalf of the Fund over the investments in two private equity funds of funds but, given the fixed commitments to these investments, they are unable to effect any change. The total value of these funds at 31 December 2012 was £8.3 million (after a capital distribution of £485,000 from one fund, in the year) and reflected growth (including the distribution) of 14%.

The annual independent valuation of the Fund's investment properties at Basing showed a year-on-year increase of 6.9%.

Donations and legacies

The Treasurer gratefully acknowledges donations and/or legacies received from the following during the past year:

Her Majesty the Queen, Albert Reckitt Charitable Trust, D & K L Welbourn, and anonymous donors.

Statement of trustees' responsibilities

The trustees are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and regulations.

Charity 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 charity 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 charity and the group, and of their net outgoing resources for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the charity will continue to operate.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Sir Christopher Kelly
Chair
14 May 2013

AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

Independent Auditor's Report to the Trustees of The King's Fund

We have audited the financial statements of The King's Fund for the year ended 31 December 2012 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 December 2012 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 Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept by the parent charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Crowe Clark Whitehill LLP
Statutory Auditor

London
14 May 2013

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2012

	Notes	Unrestricted funds £000	Expendable endowment £000	2012 Total funds £000	2011 Total funds £000
INCOMING RESOURCES					
<i>Incoming resources from generated funds</i>					
Donations and legacies		4	–	4	26
External conference & catering services		2,876	–	2,876	2,124
Tenancies		287	–	287	230
Investment income	4	2,744	–	2,744	2,684
		5,911	–	5,911	5,064
<i>Incoming resources from charitable activities</i>					
Research analysis		808	–	808	815
Developing individuals, teams and organisations		7,286	–	7,286	5,931
Promoting understanding		183	–	183	295
Bringing people together		820	–	820	525
		9,097	–	9,097	7,566
<i>Other incoming resources</i>	5	203	–	203	282
Total incoming resources		15,211	–	15,211	12,912
RESOURCES EXPENDED					
<i>Resources expended on generating funds</i>					
External conference & catering services		1,582	–	1,582	1,537
Tenancies		277	–	277	286
Investment management costs	6	456	–	456	465
		2,315	–	2,315	2,288
<i>Resources expended on charitable activities</i>					
Research analysis		3,923	–	3,923	3,886
Developing individuals, teams and organisations		8,973	–	8,973	7,693
Promoting understanding		1,065	–	1,065	1,088
Bringing people together		704	–	704	693
	7/8	14,665	–	14,665	13,360
<i>Resources expended on governance</i>	9	32	–	32	31
Total resources expended		17,012	–	17,012	15,679
Net outgoing resources		(1,801)	–	(1,801)	(2,767)
Net gains / (losses) on investment assets		2,879	7,026	9,905	(7,294)
Actuarial gain / (loss) on pension scheme		(172)	–	(172)	(4,394)
Net movement in funds		906	7,026	7,932	(14,455)
Balances brought forward at 1 January		50,946	80,304	131,250	145,705
Balances carried forward at 31 December		51,852	87,330	139,182	131,250

All of the operations represented by the information above are continuing.

BALANCE SHEETS

As at 31 December 2012

	<i>Notes</i>	CONSOLIDATED		CHARITY	
		2012 £000	2011 £000	2012 £000	2011 £000
FIXED ASSETS					
Tangible assets	10	19,069	19,606	19,069	19,595
Investments	11/12	123,033	116,378	123,083	116,428
Total Fixed Assets		142,102	135,984	142,152	136,023
CURRENT ASSETS					
Debtors	13	3,139	3,032	3,378	2,990
Cash at bank and in hand		1,813	644	1,167	501
Total Current Assets		4,952	3,676	4,545	3,491
CURRENT LIABILITIES					
<i>Amounts falling due within one year</i>	14				
Creditors		(3,496)	(3,620)	(3,145)	(3,480)
Grants		–	(94)	–	(94)
Total Current Liabilities		(3,496)	(3,714)	(3,145)	(3,574)
NET CURRENT LIABILITIES		1,456	(38)	1,400	(83)
Net assets excluding pension plan liability		143,558	135,946	143,552	135,940
Pension plan liability	15	(4,376)	(4,696)	(4,376)	(4,696)
Net assets including pension plan liability		139,182	131,250	139,176	131,244
FUNDS	16				
Expendable endowment		87,330	80,304	87,330	80,304
Designated fund for tangible own use assets		19,069	19,606	19,069	19,595
Pension plan reserve		(4,376)	(4,696)	(4,376)	(4,696)
Unrestricted funds		37,159	36,036	37,153	36,041
Total unrestricted funds		51,852	50,946	51,846	50,940
Total funds		139,182	131,250	139,176	131,244

Approved by the Board of Trustees at a meeting on 14 May 2013.

Strone Macpherson
Treasurer
14 May 2013

CONSOLIDATED CASHFLOW STATEMENT

	<i>Notes</i>	2012 £000	2011 £000
Net cash outflow from operating activities	<i>A</i>	(4,713)	(7,295)
<i>Returns on investment</i>			
Dividends and interest received		2,541	2,493
Investment property income received		203	191
Net cash inflow from investing activities		2744	2,684
<i>Capital expenditure and financial investment</i>			
Payments to acquire tangible fixed assets		(112)	(382)
Net sale / (purchase) of securities		3,250	(3,361)
Net cash inflow / (outflow) from capital expenditure & financial investment		3,138	(3,743)
<i>Management of liquid resources</i>			
Reduction / (increase) in cash deposits held as investments	<i>B</i>	–	8,454
Increase in cash in the year	<i>B</i>	1,169	100

NOTES TO THE CASHFLOW STATEMENT

Note A : Reconciliation of net outgoing resources to net cash outflow from operating activities

	2012 £000	2011 £000
Net outgoing resources	(1,801)	(2,767)
Investment income	(2,744)	(2,684)
Depreciation charged on tangible assets	649	805
Loss on disposal of fixed assets	–	–
Current service cost less contributions to the pension scheme	216	149
Contributions to past service cost of the pension scheme	(504)	(492)
Other finance income from the pension scheme	(204)	(282)
Decrease / (increase) in debtors	(106)	435
Decrease in short term creditors	(219)	(2,459)
Decrease in long term creditors	–	–
Net cash outflow from operating activities	(4,713)	(7,295)

Note B : Analysis of changes in net funds

	At 1 January 2012 £000	Movement £000	At 31 December 2012 £000
Cash at bank and in hand	644	1,169	1,813
Cash deposits held as investments	–	–	–
Total net funds	644	1,169	1,813

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1 Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and investment properties and in accordance with the Charities Act 2011, the Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2005) and applicable accounting standards. The financial statements have been prepared on a going-concern basis as discussed in the Trustees' Report on page 9.

The consolidated financial statements for both years incorporate the results of the wholly owned subsidiary company, KEHF Limited, registration number 2754697, made up to 31 December each year.

No separate Statement of Financial Activities has been presented for the Charity alone as permitted by paragraph 397 of SORP 2005.

2 Accounting policies

Donations and legacies

Donations and legacies are recognised in the Statement of Financial Activities when they become receivable, that is, where it is reasonably certain that they will be received and where the value can be measured with sufficient reliability.

Grants receivable

Grants receivable are recognised in the Statement of Financial Activities in full in the year in which they become receivable, that is when the conditions for receipt have been met.

Investment income

Income from investments and securities held in segregated portfolios is accounted for when dividends and interest are receivable and includes recoverable taxation. Income received, but not distributed, by pooled funds is included as part of the net gains/losses on investment assets in the Statement of Financial Activities.

Other income

All other income is included in the Statement of Financial Activities when The King's Fund is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Grants payable

Grants payable are included in the Statement of Financial Activities in the period in which the conditions attached to the award have been met. Any grants where conditions have been met but the grant has not yet been paid are accounted for as creditors on the Balance Sheet. Where grants have been approved in principle but conditions attached to the award have not yet been met they are included in the notes to the accounts as a contingent liability.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

The costs of certain support departments are allocated to the principal activities on the basis of a direct relationship with those activities, eg through measures of floor area, head count, rooms used, etc. The balance of these costs are allocated to the activities in proportion to their relative outputs measured by reference to direct expenditure and, where relevant, the income that they generate.

Pension Costs

The King's Fund Staff Pension and Life Assurance Scheme (the Plan) is a defined benefits scheme. The current service costs of the Plan, together with the scheme interest cost less the expected return on the scheme assets for the year, are charged to the Statement of Financial Activities within staff costs. The actuarial gains and losses on the Plan are recognised immediately as other recognised gains and losses.

The assets of the Plan are measured at fair value at the Balance Sheet date. Liabilities are measured on an actuarial basis at the Balance Sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the Balance Sheet.

The NHS Pension Scheme is a multi-employer defined benefits scheme and therefore contributions have been accounted for, in the period to which they relate, as if it were a defined contribution scheme.

The King's Fund Group Personal Pension Plan is a defined contribution scheme and contributions have been accounted for in the period to which they relate.

Tangible assets

Tangible assets costing more than £5,000, including any incidental expenses of acquisition, are capitalised and recorded at cost.

Depreciation is calculated so as to write off the cost of the tangible assets on a straight line basis over the expected useful economic lives of the assets concerned which are taken as:

Plant and machinery:-

Electrical installations 5 to 30 years

Mechanical installations 5 to 30 years

Lifts 30 years

Furniture, fittings and equipment:-

Catering equipment 5 to 20 years

Furniture and fittings 5 to 20 years

ICT hardware and software 3 years

Office equipment 3 years

Freehold buildings 50 years

The expected useful economic life of each item of plant and machinery is determined by the independent consulting quantity surveyors retained by The King's Fund.

Freehold land is not depreciated.

Investments

Most investments are valued at mid-market prices at the Balance Sheet date. The private equity investments are held in funds of funds. No readily identifiable market price is available for these unquoted funds and therefore they are included at the most recent valuations provided by the manager. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

Investment properties are stated at their estimated value on an open market basis at the Balance Sheet date. Valuations are updated annually by the professional advisers retained by The King's Fund.

Foreign currencies

Transactions denominated in foreign currencies during the year are translated at prevailing rates. Assets and liabilities are translated at rates applying at the Balance Sheet date. All differences are taken to the Statement of Financial Activities.

Funds

Expendable endowment: The Expendable Endowment is maintained to generate income for the benefit of The King's Fund although the capital sum may be spent at the discretion of the Trustees.

Designated fund for tangible own use assets: This unrestricted fund represents the value of the tangible fixed assets of The King's Fund, ie its premises at 11-13 Cavendish Square, London W1G 0AN, together with the depreciated plant and machinery, office equipment and computers in those premises.

Unrestricted funds: The King's Fund has the power to spend its unrestricted funds within its objects as it sees fit.

3 Taxation

No taxation is payable by The King's Fund as it is able to make use of the tax exemptions on income and capital gains available to charities, or by the subsidiary company as it is expected that each year it will donate an amount equal to its taxable profits to The King's Fund under the Gift Aid scheme.

4 Investment income

	2012 £000	2011 £000
Income from securities and cash assets		
Equities	1,434	1,140
Bonds	916	821
Property funds	166	438
Cash	25	94
Income from investment properties	203	191
	2,744	2,684

5 Other incoming resources

	2012 £000	2011 £000
Other income from The King's Fund Staff Pension and Life Assurance Plan	203	282
	203	282

6 Investment management fees

The cost of investment management is the total of those fees paid to managers, custodians, administrators and advisers for the discharge of their duties in connection with the investment portfolio and property. It does not include fees charged within pooled funds.

7 Analysis of resources expended on charitable activities

The basis of analysis of charitable activities has been redefined in 2012 to reflect the four core functions that underpin the objectives contained in the Strategic Plan (the comparative figures for 2011 have been revised accordingly). This revised analysis of charitable activities is reflected in the SOFA and in the further details of the resources expended below.

	Research analysis £000	Developing individuals, teams and organisations £000	Promoting understanding £000	Bringing people together £000	2012 Total £000	2011 Total £000
Direct expenditure						
Staff-related expenditure	1,659	1,997	463	184	4,303	3,923
Grants (7a)	–	140	–	–	140	315
Other costs	790	3,559	172	96	4,617	3,421
Sub Total	2,449	5,696	635	280	9,060	7,659
Support departments (7b)	1,474	3,277	430	424	5,605	5,701
Total resources expended	3,923	8,973	1,065	704	14,665	13,360

7a Analysis of grants	2012 £000	2011 £000
Enhancing the Healing Environment - Prisons Programme - see below	140	315
	140	315

Enhancing the Healing Environment - Prisons Programme (£000)

HM Prison Bedford	10	HM Prison Warren Hill	10
HM Prison Exeter (Devon PCT)	20	HM Prison Whatton	10
HM Prison Forest Bank	10	HM Prison Whitemoor	10
HM Prison/YOI Hindley	10	HM Prison Wormwood Scrubs	10
HM Prison Long Lartin	10	Oxfordshire PCT	10
HM Prison/YOI Manchester	10	South Gloucester PCT	10
HM Prison Risley	10		
Total EHE Prisons Programme			140

7b Support departments	‡	Research analysis £000	Developing individuals, teams and organisations £000	Promoting understanding £000	Bringing people together £000	2012 Total £000	2011 Total £000
Building services incl. depreciation	1	73	88	72	20	253	251
Conference and catering services	2	114	197	25	256	592	618
Communications	3	238	553	62	27	880	785
Other support functions	4	1,049	2,439	271	121	3,880	4,047
Total costs of support departments		1,474	3,277	430	424	5,605	5,701

‡ Distribution methods:

- 1 Pro rata to the relative floor area occupied by staff offices and related functions, eg conference rooms.
- 2 Pro rata to recorded internal usage.
- 3 Pro rata to the estimated usage of the various departments including Marketing.
- 4 Costs apportioned using direct expenditure and, where appropriate income generated, as measures of output. Other support functions include: Chief Executive's Office, Finance, Personnel, Information & Communications Technology, and Facilities Management.

8 Employees

	2012 £000	2011 £000
Wages and salaries	6,865	5,992
Social security costs	657	581
Pension costs	612	590
Total emoluments	8,134	7,163

The total for wages and salaries includes expenditure on temporary and seconded staff of £400,000 (£478,000 in 2011). During the year £377,000 (2011 £30,000) was incurred in respect of restructuring.

	2012	2011
Average number of staff		
Research analysis	27	28
Developing individuals, teams and organisations	27	25
Promoting understanding	10	10
Bringing people together	4	3
Support departments including external conference services	60	57
TOTALS	128	123

	2012	2011
The numbers of employees with remuneration exceeding £60,000 were:		
£60,000 – £69,999	6	10
£70,000 – £79,999	5	1
£80,000 – £89,999	5	6
£90,000 – £99,999	1	2
£100,000 – £109,999	4	3
£110,000 – £119,999	2	3
£190,000 – £199,999	1	1

Contributions were made to The King's Fund Staff Pension and Life Assurance Plan, which is a defined benefit scheme, for 10 (11 in 2011) higher-paid employees and to the NHS Pension Scheme, which is also a defined benefit scheme, for 4 (5 in 2011) higher-paid employees. Contributions totalling £84,164 (£146,160 in 2011) were made to The King's Fund Group Personal Pension Plan, which is a defined contribution scheme, for 8 (8 in 2011) higher-paid employees.

The above data include the post of Chief Executive which has been filled since 6 April 2010 under a contractual secondment arrangement with the University of Birmingham.

9 Resources expended on governance

	2012 £000	2011 £000
Auditors' remuneration		
- external audit fees	26	25
- external audit fees (KEHF Limited)	6	6
	32	31

10 Consolidated and charity tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Furniture, fittings and equipment £000	2012 Total assets £000	2011 Total Assets £000
Cost					
At 1 January	15,990	5,384	3,817	25,191	24,909
Additions	–	77	34	111	382
Disposals	–	–	–	–	(100)
At 31 December	15,990	5,461	3,851	25,302	25,191
Depreciation					
At 1 January	481	2,591	2,513	5,585	4,880
Charge for the year	160	230	258	648	805
Disposals	–	–	–	–	(100)
At 31 December	641	2,821	2,771	6,233	5,585
Net Book Value					
At 31 December	15,349	2,640	1,080	19,069	19,606
Previous Year	15,509	2,793	1,304	19,606	

The freehold land and buildings, ie 11–13 Cavendish Square, London W1, are held at cost. Within the above total, the amount attributable to the freehold land is £7,977,000. Depreciation is calculated on an estimated life of the buildings of 50 years. The trustees are in receipt of an independent report on the freehold land and buildings, which indicates a market value significantly greater than book value. The consolidated total for furniture, fittings and equipment includes catering equipment purchased by KEHF Limited, the Net Book Value of which was nil at 31 December 2012 (£11,673 in 2011).

11 Investments at market value

	Held in the UK £000	Held outside the UK £000	2012 Total £000	2011 Total £000
Securities:				
Equities	38,378	37,005	75,383	61,460
Index Linked bonds	–	12,575	12,575	10,404
Fixed Interest bonds	12,727	–	12,727	13,546
Property funds	–	–	–	6,921
Private Equity funds	–	8,262	8,262	7,669
Cash	5,162	–	5,162	8,030
Investment properties	8,924	–	8,924	8,348
Consolidated Total	65,191	57,842	123,033	116,378
Shareholding in subsidiary company	50	–	50	50
Charity Total	65,241	57,842	123,083	116,428

Within the Consolidated Total, £105,847,000 is classified as Level 1 as defined by IFRS7, ie 'the investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date'. The remainder, £8,262,000, is classified as Level 3, ie 'the investment is measured using unobservable inputs at the reporting date'. This sum comprises the two Private Equity Funds of Funds.

As at 31 December 2012 the uncalled commitments to the two Private Equity funds were €3,600,000 (approximately £2,918,000).

50% of one fund has been called and 25% was officially waived in 2012, so the remaining uncalled commitment is 25% or €1,500,000. No further calls are expected from this fund and this uncalled commitment is expected to be officially waived in 2013.

65% of the other fund has been called, so the remaining uncalled commitment is 35% or €2,100,000. It is estimated that there will only be a further 5-10% call (€300k-€600k), which is expected to take place in 2013. There is no expectation for the resulting uncalled commitment of 25%-30% (€1,500,000 - €1,800,000) to be called although there is no visibility on when this will be officially waived.

The investment properties were valued by Smiths Gore as at 31 December 2012.

A reconciliation of the movement in the market value of the investments of The King's Fund during the year is as follows:

	2012 £000	2011 £000
Opening balance at 1 January	116,378	128,766
Net monies disinvested	(3,250)	(5,094)
Increase/(decrease) on revaluation	9,905	(7,294)
Consolidated closing balance at 31 December	123,033	116,378
Shareholding in subsidiary company	50	50
Charity closing balance at 31 December	123,083	116,428

12 Subsidiary company

KEHF Limited, a company registered in England number 2754697, began trading on 2 August 2007 having previously been reported as a dormant company.

The authorised share capital of the company is 50,000 shares of £1 each. The King's Fund owns all of those shares and is therefore the sole member of the company. The company has four Directors of which the Chairman is the Treasurer, and a trustee, of The King's Fund, two others hold directorships as employees of The King's Fund, and the fourth is an independent person.

The activities undertaken by the company comprise the letting of conference space within the premises of The King's Fund to third parties along with the provision of catering and other related services.

At the 31 December 2012, the company had fixed assets valued at nil (£11,673 in 2011) and the value of its net current assets was £56,173 (£55,266 in 2011) matching the value of the shareholders funds.

In the year to the same date, the company had income of £2,922,000 (£2,175,000 in 2011) and expended £2,484,000 (£2,084,000 in 2011) thereby generating an operating profit of £438,000 (£91,000 in 2011). The Directors have proposed that a sum equivalent to the taxable profit be donated to The King's Fund, through Gift Aid. An accrual of this amount has therefore been recorded and the resultant accumulated surplus at the year end is £6,000 (surplus of £6,000 in 2011).

13 Debtors

	CONSOLIDATED		CHARITY	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade debtors	2,305	2,163	1,973	1,849
Amounts owed by KEHF Limited	–	–	239	172
Prepayments and accrued income	787	713	681	711
Amounts owed by the Plan	–	106	–	106
Other debtors	47	50	47	50
Donations from KEHF Limited	–	–	438	102
	3,139	3,032	3,378	2,990

14 Current liabilities : amounts falling due in less than one year

	CONSOLIDATED		CHARITY	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade creditors	611	506	450	407
Amounts owed to KEHF Limited	–	–	3	5
Deferred income - see analysis below	1,967	2,086	1,787	2,047
Taxation and social security	423	344	423	343
Other creditors and accruals	495	684	482	678
	3,496	3,620	3,145	3,480
Grants payable	–	94	–	94
	3,496	3,714	3,145	3,574

	Balance at 1 January 2012 £000	Released in 2012 £000	Additional deferrals £000	Balance at 31 December 2012 £000
Deferred income analysis				
Consultancy fees received in advance	866	866	416	416
EHE distributions received in advance	200	140	60	120
Programme fees received in advance	922	922	1,251	1,251
Grants received in advance	59	59	–	–
Charity Total	2,047	1,987	1,727	1,787
Deposits including KEHF Limited	39	39	107	107
Other deferred income including KEHF Limited	–	–	73	73
Consolidated Total	2,086	2,026	1,907	1,967

15 Pension schemes***The King's Fund Staff Pension and Life Assurance Plan***

The King's Fund Staff Pension and Life Assurance Plan (the Plan) is a defined benefit scheme. The Plan was open to all employees of The King's Fund who were not members of another scheme until it was closed to new members on 28 February 2008.

	2012 £000	2011 £000
The amounts recognised in the Balance sheet are as follows:		
Fair value of Plan assets	38,928	36,150
Present value of Plan liabilities	(43,304)	(40,846)
Net Plan liability	(4,376)	(4,696)

	2012 £000	2011 £000
Changes in the present value of the Plan liability are as follows:		
Opening value of the Plan liability	40,846	36,379
Current service cost	512	458
Employee contributions	125	130
Interest costs	1,994	1,990
Actuarial losses	1,253	3,256
Benefits paid	(1,426)	(1,367)
Closing value of the Plan liability	43,304	40,846

	2012 £000	2011 £000
Changes in the fair value of Plan assets are as follows:		
Opening fair value of Plan assets	36,150	35,451
Expected return	2,197	2,272
Employee contributions	125	130
Employers' contributions	801	801
Actuarial gains/(losses)	1,081	(1,137)
Benefits paid	(1,426)	(1,367)
Closing fair value of Plan assets	38,928	36,150

Employers' contributions included £504,000 (£492,000 in 2011) in respect of past service costs.

In addition, the Plan has pension liabilities which are insured with a value of approximately £444,000 (£644,000 in 2011). The value of these liabilities has been excluded from both the assets and the liabilities since the liability is matched directly by an asset of equal value.

	2012 £000	2011 £000
Total expense recognised in the Statement of Financial Activities:		
Current service cost	512	458
Interest on the Plan liabilities	1,990	1,990
Expected return on the Plan assets	(2,197)	(2,272)
Total amount charged within net outgoing resources	309	176
Actuarial loss	(172)	(4,394)
Total amount credited to the Statement of Financial Activities	137	(4,218)

	2012	2011
Proportion of total Plan assets by asset class:		
Equities (including property)	59%	55%
Bonds	31%	32%
Index-linked	10%	12%
Other	0%	1%
Cash	–	–

The overall expected rate of return on the Plan assets is determined by applying each asset type's expected long-term rate of return to that asset type's market value and calculating a weighted average rate of return over all asset types.

	2012 £000	2011 £000
Actual return on Plan assets	3,279	1,134

The Plan rules allow for indexation in line with the Consumer Prices Index (CPI) for increases to deferred pensions before retirement. Accordingly the assumed indexation rate for deferred pensions has been amended from RPI to CPI this year. The impact of this change, a reduction in Plan liabilities of £1.4 million, is reflected within the actuarial losses in the valuation of the defined benefit obligation.

	2012	2011
The principal actuarial assumptions used at the balance sheet date		
Discount rate	4.55%	4.90%
Rate of increase in salaries	3.10%	3.25%
General price inflation	2.30%	2.05%
Rate of increase in pension payments:		
Service prior to 1 April 2000	4.20%	4.25%
Service after 1 April 2000	3.00%	3.15%
Expected return on Plan assets	6.08%	6.12%

The King's Fund expects contributions of £765,000 to be made to the Plan in the year ending 31 December 2013. This sum includes monthly payments of £43,076 in respect of past service costs. The payments in respect of past service costs have been calculated to eliminate the Plan deficit over a period of ten years.

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
History of Plan experience					
Present value of the Plan liabilities	43,304	40,846	36,379	33,839	31,259
Fair value of the Plan assets	38,928	36,150	35,451	31,953	26,548
Deficit in the Plan	(4,376)	(4,696)	(928)	(1,886)	(4,711)
Experience adjustments on Plan liabilities	383	(3,256)	(1,323)	(1,467)	3,429
Experience adjustments on Plan assets	1,081	(1,137)	1,900	4,296	(6,098)

NHS Pension Scheme

In addition to the Plan, The King's Fund also contributes to the NHS Pension Scheme, a defined benefit scheme, for 8 (14 in 2011) members of staff as at the Balance Sheet date who are eligible to belong to this scheme. In 2012 The King's Fund contributed £92,606 (£94,310 in 2011) to the scheme. The employer's contribution rate is set by the Government Actuary at 14%.

The King's Fund Group Personal Pension Scheme

Furthermore, The King's Fund contributes to the Group Personal Pension Plan, a defined contribution scheme established in 2008, for 39 (32 in 2011) members of staff as at the Balance Sheet date. The King's Fund contributed £178,715 (£139,102 in 2011) to the scheme. The employer's contribution rates are twice that of each individual employee within the range from 6% to 12%.

The pension charges for the period are show below:

	2012 £000	2011 £000
Pension charges:		
The King's Fund Staff Pension and Life Assurance Plan	341	357
NHS Pension Scheme	92	94
The King's Fund Group Personal Pension Plan	179	139
Total charges	612	590

16 Split of assets between funds

	Expendable endowment £000	Unrestric- ted Funds £000	2012 Total funds £000	2011 Total funds £000
Tangible assets	–	19,069	19,069	19,606
Investments : Securities	87,804	26,305	114,109	108,030
Investments : Property	–	8,924	8,924	8,348
Net current liabilities	–	1456	1,456	(38)
Pension fund reserve	–	(4,376)	(4,376)	(4,696)
Total funds	87,804	51,378	139,182	131,250

17 Related party transactions

All trustees and senior staff have submitted declarations stating that they had no related party transactions in 2012.

**Legal
and
Administrative Information**

Board of Trustees of The King's Fund

Sir Christopher Kelly (Chair)
 Mr Strone Macpherson (Treasurer)
 Dr Penny Dash (Vice-chair)
 Dame Jacqueline Docherty
 Ms Jude Goffe [until 31 December 2012]

Sir Thomas Hughes-Hallett [from 26 March 2012]
 Professor Julian Le Grand
 Sir Jonathan Michael [from 26 March 2012]
 Sir David Wootton

Sub-Committees

Investment Committee

Mr Strone Macpherson (Chair)
 Sir John Bradfield
 Ms Mary-Ann Daly
 Ms Jude Goffe [until 31 December 2012]
 Mr Max Ward
 Sir Christopher Kelly [from 6 December 2012]

Remuneration Committee

Dr Penny Dash (Chair)
 Sir Christopher Kelly
 Mr Strone Macpherson
 Sir David Wootton

Nominations Committee

Sir Christopher Kelly (Chair)
 Dr Penny Dash
 Mr Strone Macpherson
 Sir David Wootton

Audit and Risk Committee

Sir David Wootton (Chair)
 Ms Jude Goffe [until 31 December 2012]
 Mr Strone Macpherson
 Sir Thomas Hughes Hallett [from 4 February 2013]

Attendance at meetings during 2012

	Board of Trustees	Investment Committee	Audit Committee	Remuneration Committee	Nominations Committee
Trustee	6 meetings	4 meetings	3 meetings	2 meetings	1 meeting
Sir Christopher Kelly	6			2	1
Mr Strone Macpherson	5	4	3	2	1
Dr Penny Dash	4			2	1
Dame Jacqueline Docherty	6				
Ms Jude Goffe	6	3	3		
Professor Julian Le Grand	3				
Sir Jonathan Michael	4				
Sir Thomas Hughes-Hallett	3				
Sir David Wootton	1		3	2	1

Senior Management Team

Chief Executive: Professor Chris Ham

Director of Policy: Anna Dixon

Interim Director, Operations and Finance: Stephen Park [from 6 February 2012 until 12 March 2013]. Paul Hackwell [from 5 March 2013]

Director of Leadership: Nicola Hartley

Director of Communications and Information: Rebecca Gray

Commercial Director: Jonathan Morris

Head of HR: Shirley Collier

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Chief Executive

Turning Point

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Medical Director

Plymouth Hospitals NHS Trust

Dr Sam Barrell

Chief Clinical Officer (Designate)

South Devon and Torbay CCG

The Lord Michael Bichard KCB

House of Lords

Dr Mark Britnell

Chairman and Partner

Global Health Practice.

KPMG

Ms Elisabeth Buggins CBE DL

Chair

Birmingham Women's NHS Foundation Trust

Ms Jane Collins

Chief Executive

Marie Curie Cancer Centre

Dr Michael Dixon OBE

Chair

NHS Alliance

Sir Liam Donaldson

Chair in Health Policy

Imperial College London

Mr Mike Farrar, CBE

Chief Executive

NHS Confederation

Professor Steve Field CBE FRCGP FFPH FRCP

Deputy National Medical Director - Health Inequalities

Chairman - National Inclusion Health Board and GP

Professor Julien Forder

Principal Research Fellow

London School of Economics

Mr Jonathan Hope

Consultant

Patient-centred Change

Mr Paul Jenkins

Chief Executive

Rethink

Dr Andrew Jones

Medical Director

Corporate Wellbeing, Nuffield Health

Mr Ron Kerr CBE

Chief Executive

Guy's & St Thomas' NHS Foundation Trust

Dr Yi Mien Koh

Chief Executive

Whittington Health

Dr Peter Lees

Founding Director

Faculty of Medical Leadership and Management

Ms Jenny Owen CBE

Non Executive Director

Royal Free NHS Foundation Trust

Mr Ben Page

Chief Executive

Ipsos MORI

Dr Niti Pall

Chair & Clinical Lead

Pathfinder Healthcare Developments CIC

Ms Sarah Pickup

Director, Health and Community Services

Hertfordshire County Council

Mr Jan Sobieraj

Managing Director

NHS Leadership Academy

Professor Tamar Thompson OBE

Independent Consultant

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