

Trustees' Report and Financial Statements

Year ended

31 December 2011



Trustees' Report and Financial Statements

**Year ended
31 December 2011**

The King's Fund is a charity that seeks to understand how the health system in England can be improved. Using that insight, we help to shape policy, transform services and bring about behaviour change. Our work includes research, analysis, leadership development and service improvement. We also offer a wide range of resources to help everyone working in health to share knowledge, learning and ideas.

Published by:
The King's Fund
11–13 Cavendish Square
London W1G 0AN
www.kingsfund.org.uk

© The King's Fund 2012

Charity registration number: 1126980

All rights reserved, including the right of reproduction in whole or in part in any form.

Further copies of this document are available from:

S Park
Interim Director, Operations and Finance
The King's Fund
11–13 Cavendish Square
London W1G 0AN
Email: publications@kingsfund.org.uk
Online: www.kingsfund.org.uk/about_us

Compiled by Phil Brown, Head of Finance

Typeset by Phil Brown

Printed and bound in Great Britain

CONTENTS

Trustees' Report

Introduction	1
Structure, governance and management	1
Public benefit	2
Objectives and outcomes 2011	2
Plans for 2012	7
Financial strategy and reserves	9
Financial review 2011	9
Statement of trustees' responsibilities	11

Auditor's Report and Financial statements

Independent Auditor's Report to the Trustees of The King's Fund	15
Consolidated Statement of Financial Activities	16
Balance Sheets	17
Consolidated Cashflow Statement	18
Notes to the Financial Statements	19

Legal and Administrative Information

Board of Trustees of The King's Fund	31
Senior Management Team	31
Principal Office	31
General Advisory Council	32
Professional Advisers	33

TRUSTEES' REPORT

Introduction

The King's Fund ('the Fund') is a charity 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 submit the Report and audited Consolidated Financial Statements of The King's Fund, for the year ended 31 December 2011, which 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 Fund was incorporated by Royal Charter on 4 November 2008 and is governed by the provisions thereof and its Byelaws; 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 introduces them to 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 will meet at least annually to review the work of the Fund and to provide advice to the Trustees. The members of the GAC, appointed by the President until 2012, 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 transact 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' Annual Report and Consolidated Financial Statements for the preceding year are considered and approved.

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

- 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

The Fund's objects are stated above. The Fund seeks 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 at large. 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 its medium-term strategic corporate objectives. The major elements of these plans and the Fund's 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.

In 2011 we developed a new strategic plan for 2012–2014 and also set out more clearly in a way that would make most sense to our stakeholders and staff, the vision, mission and values of the Fund as set out below:

Our vision

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

We contribute to achieving this vision in two ways:

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

Our values

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 2011

In December 2008 the Board of Trustees agreed a three-year strategy (2009–2011), which would deliver five key corporate objectives.

To be the most influential, independent source of health care policy ideas and analysis in England [cf *Ideas and Analysis* in the Financial Statements]

2011 saw the introduction of the government's proposed health care reforms in the form of the Health and Social Care Bill which provided both opportunities and risks for the Fund in our ambition to influence emerging health policy and legislation. We saw our role as being to provide objective, independent analysis of the proposals throughout what turned out to be a long and complex period of policy development, to help find ways to improve care and to build on lessons learnt from UK and international experience. Through the media we sought to position the Fund at the heart of debate, extending the range, depth and impact of coverage at key points of debate. We aimed to influence developing national policy through close relationships with government and key policy-makers. We improved our horizon scanning, working across the organisation to integrate intelligence from monitoring, stakeholder management, and research and improved the way in which we communicate emerging information internally.

During 2011 the Fund committed to:

- publish the findings from the Inquiry into the Quality of General Practice

This was published in March 2011 with significant media and professional interest and continues to inform debate on quality of primary care.

- publish the findings of the Commission on Leadership and Management in the NHS and launch it at the inaugural annual King's Fund Leadership Summit

This was published in May 2011. The findings were reported extensively and were well received by key stakeholders. The Secretary of State for Health spoke at our Summit.

- publish at least 12 major reports on topics including maternity workforce; integrating health and social care; cancer variation; accountability; market-based reforms; and employee ownership

We published fifteen major reports which were well received and began work on a range of projects which will report in 2012.

- establish the first international visiting fellowship.

We appointed nine visiting fellows in 2011, of which three are international visiting fellows:

- Professor Richard Bohmer – Professor of Management Practice at Harvard Business School*
- Professor Dennis Kodner – health systems consultant and Professor of Medicine in the Division of Geriatric Medicine at McGill University Faculty of Medicine in Canada*
- Professor Al Mulley – Director of the Dartmouth Center for Health Care Delivery Science at Dartmouth College and Professor of Medicine at Dartmouth Medical School*

These appointments have already delivered positive value to the Fund. Al Mulley has written a paper for the Fund looking at how the NHS can address practice variation and achieve greater value for money, Dennis Kodner is supporting our work with the Aetna Foundation on care coordination, and Richard Bohmer has worked closely with leadership and policy staff at the Fund to support the development of our internal strategy and has contributed papers on medical leadership to our review of leadership and management in the NHS.

- implement a public affairs programme focused on ensuring that policy development and parliamentary debate around NHS reform proposals and funding of long-term care are informed by our contribution

We have undertaken a wide ranging programme of work focused on the Health and Social Care Bill. This has included providing briefings to parliamentarians in both houses, all-party parliamentary groups and select committees of the House of Commons. We have also hosted parliamentary events, undertaken significant media work and published a number of reports relating to the reforms.

We have also continued our work to influence the debate on social care funding by contributing to the work of the Dilnot Commission and the Health Select Committee's work in this area, briefing parliamentarians and providing media comment. This work has had a positive impact. In a recent survey of MPs the Fund was identified as one of the most influential organisations on health policy.

To be the most reliable source of independent health care policy information, insight and support for the key audiences of the Fund [cf Information and support]

Using knowledge gained through research with Ipsos MORI about how our audiences use our information and communication outputs, we sought to improve the quality and impact of our hardcopy and online materials. We increasingly drew information from our customer relationship management system, to analyse how our 'customers' engage with our communications. We also wanted to increase the impact of our website in reaching new and larger audiences for our work and to consolidate our interaction with social networking sites such as LinkedIn, Facebook and Twitter, supporting staff in making the most of social media.

During 2011 the Fund aimed to:

- publish timely, robust and engaging health policy analysis on the web with the aim of securing at least 75% of visitors rating the site as a leading source of health policy analysis

The Fund published timely, robust and engaging health policy analysis on the web in 2011, however we did not request visitors to rate the site in 2011.

- hold a series of live webinars and live stream selected high profile events at the Fund with the first series of six webinars delivered and evaluated by July 2011

The Fund delivered two webinars in 2011. We recognised part way through the year that for our larger events, live streaming, where those outside of the building can watch and listen to speakers live, would be a more effective

mechanism for engaging people with the event content for appropriate conferences and seminar. In 2011 we live streamed the following events:

- ⇒ International Congress on Telehealth and Telecare
- ⇒ launch of The King's Fund Inquiry into General Practice
- ⇒ NHS Leadership and Management Summit
- ⇒ NHS Future Forum (launch of report)
- ⇒ Supporting independent living: Engaging health and social care in new technologies (run jointly with the Technology Strategy Board)
- ⇒ The King's Fund Annual Conference 2011

- improve take up of Fund publications by libraries and placement on university reading lists.

In 2011 the Fund published its first book: 'Understanding New Labour's market reforms of the English NHS'. We successfully made efforts to ensure that this was placed on university reading lists.

- explore the development of a case studies library to support improvement and information sharing across NHS

The development of a major library of case studies will require significant investment. We agreed that the proposal could be developed only if a funding partner could be identified but were not successful in identifying one in 2011.

- formulate a social media strategy.

A social media strategy was developed. The Fund escalated its social media presence significantly over the year building the number of followers on Twitter (our most effective channel) to 10,000 by end of 2011. We also launched our presence on LinkedIn and Facebook.

- increase the surplus on individual paid for events by a combination of higher delegate average spends, increased delegate numbers and increased sponsorship and exhibition revenue.

The Fund was successful in increasing the average spend on events, and increased the number of events that attracted more than 150 delegates from two in 2010 to six in 2011. The team also increased sponsorship and exhibition revenue by more than £100,000.

To be a centre of innovative high-impact development interventions supporting the changing nature of leadership in health care [cf *Developing leaders*]

2011 presented some significant challenges for the Leadership Development team. The government reforms and the subsequent 'pause' in strategic health authority activity and general reductions in public spending made it difficult to anticipate market trends and funding streams. Despite this the directorate delivered a positive financial contribution by demonstrating flexibility in design solutions, an ongoing ability to meet client needs and realistic pricing structures. New strategic partnerships were developed with other provider organisations and positive relationships were maintained and secured with existing and new clients respectively. We expanded our presence as a thought leader in the area of leadership.

During 2011 the Fund aimed to:

- deliver organisational development interventions to boards plus executive, clinical and operational teams

We successfully delivered our annual Board Leadership programme for non-executive directors in London and the South East. As part of this programme we offered a new intervention – board observations – and these were delivered to Barking, Havering and Redbridge University Hospitals NHS Trust; Barnet, Enfield and Haringey Mental Health NHS Trust; Camden and Islington NHS Foundation Trust; Hertfordshire Partnership NHS Foundation Trust; and Salisbury NHS Foundation Trust.

- deliver support to organisations in transition through organisational development interventions and open programmes

We delivered a leadership development programme for operational managers working in adult social care in the Royal Borough of Kensington and Chelsea as they prepared for an organisational merger with the boroughs of Westminster and Hammersmith and Fulham. As a result of the emerging health care reforms a number of our open and commissioned programmes were redesigned to support participants through change and transition.

- provide development for GP leadership through a whole system GP team programme and through programmes designed to develop commissioning skills, behaviours and knowledge with policy colleagues

We delivered two whole systems programmes in Hertfordshire and Frimley, bringing together leaders from across a health system to work together to address specific local challenges. These programmes brought together senior leaders from general practice primary care trusts, acute sector and local government and included managers and clinicians. We also developed our expertise and offer to support GPs in the new and emerging world of clinical commissioning, successfully securing two major national framework contracts, as part of a partnership alliance with PricewaterhouseCoopers, with the Department of Health and NHS London.

- implement a specialist doctor programme building on the Diabetes Specialist programme

It was decided not to prioritise this in 2011 and to focus instead on the new and emerging GP markets.

- implement an additional open programme targeted at nurses, specialist registrars, public health and social care leaders

Our Nurse Leadership at the Frontline open programme was successfully introduced in 2011. The Whole Systems programme, described above, targeted leaders beyond health care organisations.

- implement a stronger emphasis on evaluation and impact of our programmes through a strong programme management approach

Evaluation of Top Manager programme commissioned in 2010 was completed in 2011. Online post-programme evaluation using SurveyMonkey™ has been implemented across all programmes. Programme management has been enhanced with the appointment of an interim Business Manager and the clarification of business co-ordinator support roles.

To be a leading force in the application of ideas and interventions for frontline staff that achieve measurable improvements in health care [cf Improvement interventions]

The Fund aims to go beyond commentary and actively work with the NHS to develop, test and refine interventions to improve health care. Ideas for improvement interventions both built on the Fund's policy work and took best practice from external sources. Our improvement programmes combined a collaborative improvement approach with individual and team leadership development.

As part of our strategic review in 2011, we made a decision that while the Fund remains committed to health care improvement, this work should be integrated where possible into our policy and leadership teams and programmes.

During 2011 the Fund aimed to:

- implement an enhanced and expanded The Point of Care programme including:

- supporting eight more trusts to establish Schwartz™ Rounds

Schwartz™ Rounds are now running at ten hospitals and one hospice.

- completion of Series One of the hospital pathways programme

The hospital pathways programme celebrated its completion at a conference at The King's Fund in November 2011.

- launch of Series Two of the hospital pathways programme

The second programme (The Patient and Family Centred Care programme) was launched in partnership with The Health Foundation and is now recruiting teams from up to 12 NHS trusts to take part.

- publication of an experience based design toolkit

This was launched in August 2011 as an online toolkit. It has had positive feedback from across the sector.

- make formal partnerships with the NHS, funders and an academic institution

The Point of Care programme has established partnerships with The Health Foundation and the North West London CLAHRC

- continue delivery of Enhancing the Healing Environment programmes including
 - Completion of DH commissioned environments of care at end of life programme;
Completion of projects in 19 trusts and one HM prison; completion of University of Nottingham programme evaluation and production of a King's Fund publication.
 - HM prisons commissioned offender health programme (30 Prisons)
Offender Health commissioned an awards programme focusing on the needs of older and physically disabled prisoners to commence in 2012. We worked in 30 prisons in 2011.
 - Department of Health commissioned dementia care programme (22 Trusts)
The Department of Health commissioned a dementia care programme including the development of resource materials, evaluation and dissemination. In 2011 we worked with 22 NHS acute and mental health trusts.
 - Completion of Department of Health commissioned EHE Awards programme (two trusts)
Two projects at Hertfordshire Partnership and Pennine Care completed to time and budget.
- develop a new business model and marketing plan for the Enhancing the Healing Environment programme for 2012 onwards
Work was commissioned by the EHE team in mid 2011 for Hill & Knowlton to explore the market potential for an EHE programme less reliant on statutory funding as Department of Health funding is due to come to an end in spring 2012. This report contained useful findings that have guided the short to medium-term strategy of the programme. Following a review of likely business potential in the medium term EHE will continue to provide consultancy and short programmes. A longer term business plan has not yet been developed.

To be an organisation that is fit for purpose, sustainable and equitable

We sought to be a very good employer, ensuring that the Fund attracts and, where appropriate, retains and develops the highest quality talent to deliver its mission. We re-ran our staff satisfaction survey late in 2010 which reported, in early 2011, an overall satisfaction level of 73%. It was managed on our behalf by The Leadership Factor and this result put us in the top 21% of the 200 organisations they worked with. The survey reported that staff were particularly satisfied with the Fund's reputation and profile and their working relationships with their colleagues. We are working on addressing the recommendations for action which include improving our internal communications.

We carried out a review of the Corporate Partner offer and engaged our corporate partners and supporters in other types of support, such as sponsorship of our paid for events.

2011 was a difficult year for the venue industry, as cuts in public spending continued to affect the conference market that historically accounted for a large proportion of the Burdett Theatre and Maynard Suite bookings. The No.11 Cavendish Square brand allowed us to build upon our success in targeting private individuals and customers within the private sector.

During 2011 the Fund aimed to:

- undertake an internal audit of performance management processes
This review was completed in April 2011 and the recommendations have been implemented.
- re-tender the catering contract
The catering contract was re tendered in 2011, the new contract has more favourable terms for the Fund.
- continue to grow the number of summer and Christmas parties and increase the number of weddings as the venue is now licensed for weddings and civil ceremonies
We hosted one wedding in 2010, in 2011 we had eleven weddings in our venue and for 2012 we have set ourselves a target of fifteen. We hosted nine Christmas parties in 2011 and have set ourselves a target of fifteen in 2012.
- develop our environmental credentials by applying for the Green Business Tourism Award and the London-centric green business award scheme run by the Mayor of London's office
Preparatory work has been carried out and we hope to put in applications for both of these during 2012.

- develop facilities by installing Wi-Fi, enhancing the look and feel, and implementing the recommendations of the space review

A 10mbps SDSL Wi-Fi network has been active since early 2011 and is available for use by up to 200 venue guests throughout all event spaces. We have refurbished and upgraded toilets, the President's and Treasurer's Rooms and the Garden Room, as well as the policy directorate office space.

Plans for 2012

The operational plan for 2012 represents the first year of our new three-year strategy. The three-year strategy builds on a good base of performance for the Fund. A piece of perception research the Fund commissioned from Ipsos Mori at the start of 2011 indicated that key stakeholders were overwhelmingly positive about the Fund. Broadly stakeholders thought we should continue to 'do what we do' and that we have in general struck the right balance in the choices we have made in the work we do. This was further reinforced in a survey of MPs carried out by ComRes at the start of 2012 who viewed the Fund as having significant influence in policy debate and development and they thought that we were achieving our desired position of political neutrality.

The strategy and the review that lead up to its creation was not about fixing something that was broken but about setting our priorities for the next three years and getting even more value from the combined skills, expertise and resources available across the different parts of the Fund.

There are five strategic themes around which we will focus the bulk of our work over these three years:

- improving the patient's experience and the quality of care

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

- supporting the NHS to improve productivity and efficiency

Our 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

Our goal: that the policy, legislative, regulatory and financial frameworks 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

Our 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

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

Cross-Fund programmes

One of the clearest conclusions of the strategic review was that the Fund needs to re-double its efforts to bring together expertise in different directorates in a number of cross-cutting programmes. The first programme in 2012 will focus on integrated care, as part of the priority on improving and integrating care for older people.

Directorate level goals

Policy

- 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.
- 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.
- 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 on 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.

- 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.

Leadership

- We will undertake a review of the 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.
- We will implement a business transition work programme to manage the transition to the new model of working while ensuring business continuity.
- 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 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 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.

Communications and Information & Library Services

- 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 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.
- 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.
- 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.
- We will develop options for summary materials and investigate how we could make use of new technologies – for example, e-books – to extend the range of ways people can access our material and to increase the level of engagement with our reports.
- We will maintain a constant flow of high-quality publications without overwhelming our audiences, around 26 publications in 2012.

Commercial Services

- 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 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 will update and improve the No.11 Cavendish Square website and maximise social media marketing.
- We will increase the number of paid-for events to 19 in 2012 including the Leadership Summit and Annual Conference as flagship events.
- 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.
- 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 will explore the feasibility of establishing an NHS/charities partnership programme.

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 its real purchasing power 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 £31.3 million (£39.4 million in 2010), after providing a reserve of £4.7 million (£0.9 million in 2010) 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 2011

Consolidated income and expenditure

Total income for the year amounted to £12.9 million (£14.1 million in 2010), of which £7.6 million (£9.4 million in 2010) was generated from charitable activities and £5.3 million (£4.7 million in 2010) was derived from the investment portfolio, other activities and other incoming resources.

Income arising from charitable activities fell by £1.8 million, as pressures on public expenditure reduced commissions of leadership programmes and research projects.

Incoming resources from generated funds were up on 2010. Income from *External conference and catering services* was largely stable, despite very challenging conditions experienced by all comparable venues. The main change was an increase of £0.4 million in *Investment income*.

Total expenditure of the Fund was £15.7 million (£17.3 million in 2010). *Resources expended on generating funds* was considerably lower than last year largely due to a drop in *Investment management fees* from the high level in 2010 which included a performance related payment to one manager.

Resources expended on charitable activities were also lower than last year. The reductions in costs in three of the four areas mirrored the lower income levels. The only area showing increased expenditure was *Information and support* which also generated slightly increased income in the year.

The average number of staff employed by the Fund during the year was 123 compared with 129 in 2010. Further analysis is shown in Note 8 to the Financial Statements.

The outcome for the year, namely expenditure exceeding income by £2.8 million (£3.2 million in 2010), was in line with the financial strategy set out above, that is to say that it was met by planned drawings from investment capital, 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 £91,000 (£181,000 in 2010). The directors of the company have agreed to make a Gift Aid donation to the Fund of £101,481 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 £19.6 million (£20.0 million in 2010) as shown in Note 10 to the Financial Statements. The trustees are in receipt of an independent report on 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

2011 was the first full year of the new investment management arrangements adopted by the Fund in 2010. This adoption resulted in the appointment of FF&P Asset Management Limited (FF&PAM) to manage, on a discretionary basis, all of the Fund's investments except the private equity holdings and the directly held property at Basing.

The Investment Committee approved a Strategic Asset Allocation and corresponding long term return target; FF&PAM are expected to operate 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 2011	Actual Allocation 2010
<i>UK Equities</i>	22%			19.0%	21.3%
<i>Global ex UK Equities</i>	33%			31.8%	33.7%
<i>Emerging Market Equities</i>	12%			10.4%	13.3%
Equities	67%	57%	69%	61.2%	68.3%
Property	12%	7%	15%	6.9%	5.8%
Inflation-linked Bonds	12%	7%	15%	10.4%	10.5%
Fixed Income	7%	0%	15%	13.5%	6.9%
Cash	2%	0%	15%	8.0%	8.5%
TOTAL	100%			100.0%	100.0%

At 31 December 2011, the total value of the investment assets of the Fund was £116.4 million (£128.8 million in 2010). Adjusting for withdrawals used to finance the activities of the Fund, investment assets fell by 5.8% in the year (increase of 13.1% in 2010).

FF&PAM reported a return of -5.4% for 2011, considerably below the blended benchmark of -1.5%. Returns in Q4 were particularly disappointing when movements in the benchmark were primarily driven by mega-cap stocks which are underweight in a portfolio comprising a broad range of investment management styles.

The Investment Committee agreed that the holdings in the two open ended property funds, representing 3.8% of the portfolio, should be sold and these transactions were completed early in 2012. 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%.

Performance in the first two months of 2012 showed a marked upturn. FF&PAM report that the unaudited performance of the portfolio was +6.2% against the benchmark of +5.8% in that period.

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. Two calls of €600,000 were paid on the newer of the two funds during the year. The total value of these funds at 31 December 2011 was £7.7 million and this included growth, over and above the calls, of 6.3%. One of the funds returned its first distribution in Q1 2012.

The annual valuation of the Fund's investment properties at Basing showed a year on year increase of 9.1%.

Donations and legacies

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

Her Majesty the Queen, the Bawden Fund, R W Church, Communicate Research Limited, Ethel Davies, MA Consulting, D & K L Welbourne, 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
15 May 2012

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 2011 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 2011 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
16 May 2012

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 2011

	Notes	Unrestricted funds £000	Expendable endowment £000	2011 Total funds £000	2010 Total Funds £000
INCOMING RESOURCES					
<i>Incoming resources from generated funds</i>					
Donations and legacies		26	–	26	6
External conference & catering services		2,124	–	2,124	2,110
Tenancies		230	–	230	230
Investment income	4	2,684	–	2,684	2,251
		5,064	–	5,064	4,597
<i>Incoming resources from charitable activities</i>					
Ideas and analysis		579	–	579	666
Information and support		782	–	782	618
Developing leaders		5,047	–	5,047	6,621
Improvement interventions		1,158	–	1,158	1,478
		7,566	–	7,566	9,383
<i>Other incoming resources</i>	5	282	–	282	114
Total incoming resources		12,912	–	12,912	14,094
RESOURCES EXPENDED					
<i>Resources expended on generating funds</i>					
External conference & catering services		1,537	–	1,537	1,593
Tenancies		286	–	286	324
Investment management costs	6	465	–	465	1,049
		2,288	–	2,288	2,966
<i>Resources expended on charitable activities</i>					
Ideas and analysis		2,696	–	2,696	2,929
Information and support		1,699	–	1,699	1,469
Developing leaders		6,548	–	6,548	6,921
Improvement interventions		2,417	–	2,417	2,966
	7/8	13,360	–	13,360	14,285
<i>Resources expended on governance</i>	9	31	–	31	29
Total resources expended		15,679	–	15,679	17,280
Net outgoing resources		(2,767)	–	(2,767)	(3,186)
Net gains / (losses) on investment assets		(1,376)	(5,918)	(7,294)	15,970
Actuarial gain / (loss) on pension scheme		(4,394)	–	(4,394)	577
Net movement in funds		(8,537)	(5,918)	(14,455)	13,361
Balances brought forward at 1 January		59,483	86,222	145,705	132,344
Balances carried forward at 31 December		50,946	80,304	131,250	145,705

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

BALANCE SHEETS

As at 31 December 2011

	<i>Notes</i>	CONSOLIDATED		CHARITY	
		2011 £000	2010 £000	2011 £000	2010 £000
FIXED ASSETS					
Tangible assets	10	19,606	20,029	19,595	20,006
Investments	11/12	116,378	128,766	116,428	128,816
Total Fixed Assets		135,984	148,795	136,023	148,822
CURRENT ASSETS					
Debtors	13	3,032	3,467	2,990	3,191
Cash at bank and in hand		644	544	501	409
Total Current Assets		3,676	4,011	3,491	3,600
CURRENT LIABILITIES					
<i>Amounts falling due within one year</i>	14				
Creditors		(3,620)	(5,880)	(3,480)	(5,513)
Grants		(94)	(293)	(94)	(293)
Total Current Liabilities		(3,714)	(6,173)	(3,574)	(5,806)
NET CURRENT LIABILITIES		(38)	(2,162)	(83)	(2,206)
Net assets excluding pension plan liability		135,946	146,633	135,940	146,616
Pension plan liability	15	(4,696)	(928)	(4,696)	(928)
Net assets including pension plan liability		131,250	145,705	131,244	145,688
FUNDS	16				
Expendable endowment		80,304	86,222	80,304	86,222
Designated fund for tangible own use assets		19,606	20,029	19,595	20,006
Pension plan reserve		(4,696)	(928)	(4,696)	(928)
Unrestricted funds		36,036	40,382	36,041	40,388
Total unrestricted funds		50,946	59,483	50,940	59,466
Total funds		131,250	145,705	131,244	145,688

Approved by the Board of Trustees at a meeting on 15 May 2012.

Strone Macpherson
Treasurer
15 May 2012

CONSOLIDATED CASHFLOW STATEMENT

	<i>Notes</i>	2011 £000	2010 £000
Net cash outflow from operating activities	<i>A</i>	(7,295)	(6,842)
<i>Returns on investment</i>			
Dividends and interest received		2,493	2,053
Investment property income received		191	198
Net cash inflow from investing activities		2,684	2,251
<i>Capital expenditure and financial investment</i>			
Payments to acquire tangible fixed assets		(382)	(410)
Net sale / (purchase) of securities		(3,361)	1,736
Net cash inflow / (outflow) from capital expenditure & financial investment		(3,743)	1,326
<i>Management of liquid resources</i>			
Reduction / (increase) in cash deposits held as investments	<i>B</i>	8,454	3,557
Increase in cash in the year	<i>B</i>	100	292

NOTES TO THE CASHFLOW STATEMENT**Note A : Reconciliation of net outgoing resources to net cash outflow from operating activities**

	2011 £000	2010 £000
Net outgoing resources	(2,767)	(3,186)
Investment income	(2,684)	(2,251)
Depreciation charged on tangible assets	805	925
Loss on disposal of fixed assets	–	47
Current service cost less contributions to the pension scheme	149	212
Contributions to past service cost of the pension scheme	(492)	(480)
Other finance income from the pension scheme	(282)	(114)
Decrease / (increase) in debtors	435	(135)
Decrease in short term creditors	(2,459)	(1,700)
Decrease in long term creditors	–	(160)
Net cash outflow from operating activities	(7,295)	(6,842)

Note B : Analysis of changes in net funds

	At 1 January 2011 £000	Movement £000	At 31 December 2011 £000
Cash at bank and in hand	544	100	644
Cash deposits held as investments	8,454	(8,454)	–
Total net funds	8,998	(8,354)	644

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

	2011 £000	2010 £000
Income from securities and cash assets		
Equities	1,140	1,282
Bonds	821	395
Property funds	438	287
Cash	94	89
Income from investment properties	191	198
	2,684	2,251

5 Other incoming resources

	2011 £000	2010 £000
Other income from The King's Fund Staff Pension & Life Assurance Plan	282	114
	282	114

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. The total for 2010 included a performance fee of £847,000 payable to Marathon Asset Management Ltd, in accordance with their management contract which was terminated during that year.

7 Analysis of resources expended on charitable activities

	Ideas and analysis £000	Inform- ation and support £000	Developing leaders £000	Improve- ment inter- ventions £000	2011 Total £000	2010 Total £000
Direct expenditure						
Staff related expenditure	1,371	538	1,621	393	3,923	4,242
Grants (7a)	–	–	–	315	315	91
Other costs	180	342	2,161	738	3,421	4,769
Sub Total	1,551	880	3,782	1,446	7,659	9,102
Support departments (7b)	1,145	819	2,766	971	5,701	5,183
Total resources expended	2,696	1,699	6,548	2,417	13,360	14,285

7a Analysis of grants	2011 £000	2010 £000
Lapsed Partners for Health awards - prior year awards	–	(194)
Enhancing the Healing Environment prisons programme - see below	315	285
	315	91

Enhancing the Healing Environment - Prisons Programme (£000)

HM Prison Abell House	15	HM Prison Ranby	15
HM Prison Bedford	10	HM Prison Swansea	15
HM Prison Deerbolt	15	HM Prison The Mount	15
HM Prison Exeter (Devon PCT)	10	HM Prison Warren Hill	10
HM Prison Forest Bank	15	HM Prison Whatton	15
HM Prison Glen Parva	15	HM Prison Whitemoor	15
HM Prison/YOI Hindley	10	Birmingham Community Healthcare NHS Trust	10
HM Prison Hull	15	Gloucestershire PCT	15
HM Prison Lincoln	10	Isle of Wight PCT	10
HM Prison Long Lartin	10	South Gloucester PCT	15
HM Prison/YOI Manchester	10	Staffordshire & Stoke-on-Trent NHS Trust	15
HM Prison/YOI Moorland	15	Wandsworth PCT	15

Total EHE Prisons Programme 315

7b Support departments	‡	Ideas and analysis £000	Inform- ation and support £000	Developing leaders £000	Improve- ment inter- ventions £000	2011 Total £000	2010 Total £000
Building services incl. depreciation	1	73	87	71	20	251	299
Conference and catering services	2	94	177	309	38	618	581
Communications	3	159	90	388	148	785	951
Other support functions	4	819	465	1,998	765	4,047	3,352
Total costs of support departments		1,145	819	2,766	971	5,701	5,183

‡ 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

	2011 £000	2010 £000
Wages and salaries	5,992	6,214
Social security costs	581	547
Pension costs	590	618
Total emoluments	7,163	7,379

The total for Wages and salaries includes expenditure on temporary and seconded staff of £478,000 (£466,000 in 2010).

	2011	2010
Average number of staff		
Ideas and analysis	23	23
Information and support	14	16
Developing leaders	23	22
Improvement interventions	7	10
Support departments including external conference services	56	58
TOTALS	123	129

	2011	2010
The numbers of employees with remuneration exceeding £60,000 were:		
£60,000 – £69,999	10	8
£70,000 – £79,999	1	2
£80,000 – £89,999	6	3
£90,000 – £99,999	2	3
£100,000 – £109,999	3	3
£110,000 – £119,999	3	2
£140,000 – £149,999	–	1
£190,000 – £199,999	1	–

Contributions were made to The King's Fund Staff Pension and Life Assurance Plan, which is a defined benefit scheme, for 11 (11 in 2010) higher-paid employees and to the NHS Pension Scheme, which is also a defined benefit scheme, for 5 (4 in 2010) higher-paid employees. Contributions totalling £146,160 (£57,976 in 2010) were made to The King's Fund Group Personal Pension Plan, which is a defined contribution scheme, for 8 (6 in 2010) 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

	2011 £000	2010 £000
Auditors' remuneration - external audit fees	25	22
- external audit fees (KEHF Limited)	6	6
Trustees - reimbursement of expenses incurred	–	1
	31	29

There were no reimbursements paid to trustees in 2011 in respect of travel and subsistence expenses (£691 to one trustee in 2010). No trustee received nor waived any remuneration during the year.

10 Consolidated and charity tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Furniture, fittings and equipment £000	2011 Total assets £000	2010 Total Assets £000
Cost					
At 1 January	15,991	5,130	3,788	24,909	25,586
Additions	(1)	254	129	382	410
Disposals	–	–	(100)	(100)	(1,087)
At 31 December	15,990	5,384	3,817	25,191	24,909
Depreciation					
At 1 January	321	2,372	2,187	4,880	4,995
Charge for the year	160	219	426	805	925
Disposals	–	–	(100)	(100)	(1,040)
At 31 December	481	2,591	2,513	5,585	4,880
Net Book Value					
At 31 December	15,509	2,793	1,304	19,606	20,029
Previous Year	15,670	2,758	1,601	20,029	

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 and has been charged since 2009. 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 £11,673 at 31 December 2011 (£23,346 in 2010).

11 Investments at market value

	Held in the UK £000	Held outside the UK £000	2011 Total £000	2010 Total £000
Securities:				
Equities	48,964	12,496	61,460	78,573
Index Linked bonds	10,404		10,404	12,015
Fixed Interest bonds	7,038	6,508	13,546	7,946
Property funds	6,921		6,921	6,588
Private Equity funds	7,669		7,669	6,238
Cash	8,030		8,030	9,755
Investment properties	8,348		8,348	7,651
Consolidated Total	97,374	19,004	116,378	128,766
Shareholding in subsidiary company	50	–	50	50
Charity Total	97,424	19,004	116,428	128,816

Within the Consolidated Total, £104,634,000 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, £11,794,000, is classified as Level 3, ie 'the investment is measured using unobservable inputs at the reporting date'. This sum comprises the two Property Unit funds and the two Private Equity Funds of Funds.

At the year end the uncalled commitments to the above Private Equity funds were €2,400,000 (approximately £2,008,000). The uncalled commitments to one fund (€3,000,000) reported at 31 December 2010 have since been waived and it is estimated that most of the commitments to the other fund (€1,800,000) will not be called prior to its final closure in March 2023.

The investment properties were valued by Smiths Gore as at 31 December 2011.

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

	2011	2010
	£000	£000
Opening balance at 1 January	128,766	118,088
Net monies disinvested	(5,094)	(5,292)
Increase/(decrease) on revaluation	(7,294)	15,970
Consolidated closing balance at 31 December	116,378	128,766
Shareholding in subsidiary company	50	50
Charity closing balance at 31 December	116,428	128,816

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 2011, the company had fixed assets valued at £11,673 (£23,346 in 2010) and the value of its net current assets was £55,266 (£43,593 in 2010) matching the value of the shareholders funds.

In the year to the same date, the company had income of £2,175,000 (£2,179,000 in 2010) and expended £2,084,000 (£1,998,000 in 2010) thereby generating an operating profit of £91,000 (£181,000 in 2010). 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 £17,000 in 2010).

13 Debtors

	CONSOLIDATED		CHARITY	
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade debtors	2,163	2,454	1,849	1,830
Amounts owed by KEHF Limited	–	–	172	212
Prepayments and accrued income	713	730	711	727
Amounts owed by the Plan	106	233	106	233
Other debtors	50	50	50	50
Donations from KEHF Limited	–	–	102	139
	3,032	3,467	2,990	3,191

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

	CONSOLIDATED		CHARITY	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade creditors	506	1,364	407	1,162
Amounts owed to KEHF Limited	–	–	5	5
Deferred income - see analysis below	2,086	3,115	2,047	3,111
Taxation and social security	344	276	343	274
Other creditors and accruals	684	1,125	678	961
	3,620	5,880	3,480	5,513
Grants payable	94	293	94	293
	3,714	6,173	3,574	5,806

	Balance at 1 January 2011 £000	Released in 2011 £000	Additional deferrals £000	Balance at 31 December 2011 £000
Deferred income analysis				
Consultancy fees received in advance	1,358	1,088	596	866
EHE distributions received in advance	560	360	–	200
Programme fees received in advance	1,171	1,081	832	922
Grants received in advance	–	–	59	59
Other deferred income	22	22	–	0
Charity Total	3,111	2,551	1,487	2,047
Deposits including KEHF Limited	4	4	39	39
Consolidated Total	3,115	2,555	1,526	2,086

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.

	2011 £000	2010 £000
The amounts recognised in the Balance sheet are as follows:		
Fair value of Plan assets	36,150	35,451
Present value of Plan liabilities	(40,846)	(36,379)
Net Plan liability	(4,696)	(928)

	2011 £000	2010 £000
Changes in the present value of the Plan liability are as follows:		
Opening value of the Plan liability	36,379	33,839
Current service cost	458	583
Employee contributions	130	147
Interest costs	1,990	1,940
Actuarial losses	3,256	1,323
Benefits paid	(1,367)	(1,453)
Closing value of the Plan liability	40,846	36,379

	2011 £000	2010 £000
Changes in the fair value of Plan assets are as follows:		
Opening fair value of Plan assets	35,451	31,953
Expected return	2,272	2,054
Employee contributions	130	147
Employers' contributions	801	850
Actuarial gains/(losses)	(1,137)	1,900
Benefits paid	(1,367)	(1,453)
Closing fair value of Plan assets	36,150	35,451

Employers' contributions included £492,000 (£480,000 in 2010) in respect of past service costs.

In addition, the Plan has pension liabilities which are insured with a value of approximately £644,000 (£678,000 in 2010). 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.

	2011 £000	2010 £000
Total expense recognised in the Statement of Financial Activities:		
Current service cost	458	583
Interest on the Plan liabilities	1,990	1,940
Expected return on the Plan assets	(2,272)	(2,054)
Total amount charged within net outgoing resources	176	469
Actuarial loss	(4,394)	(578)
Total amount credited to the Statement of Financial Activities	(4,218)	(109)

	2011	2010
Proportion of total Plan assets by asset class:		
Equities (including property)	55%	58%
Bonds	32%	30%
Index-linked	12%	10%
Other	1%	2%
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.

	2011 £000	2010 £000
Actual return on Plan assets	1,134	3,955

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.

The principal actuarial assumptions used at the balance sheet date	2011	2010
Discount rate	4.90%	5.50%
Rate of increase in salaries		
- first year (two years in 2010)	2.25%	2.50%
- thereafter	3.25%	3.50%
General price inflation	2.05%	3.50%
Rate of increase in pension payments:		
Service prior to 1 April 2000	4.25%	4.30%
Service after 1 April 2000	3.15%	3.25%
Expected return on Plan assets	6.12%	6.45%

The King's Fund expects contributions of £820,000 to be made to the Plan in the year ending 31 December 2012. This sum includes monthly payments of £42,025 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.

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
History of Plan experience					
Present value of the Plan liabilities	40,846	36,379	33,839	31,259	33,793
Fair value of the Plan assets	36,150	35,451	31,953	26,548	30,439
Deficit in the Plan	(4,696)	(928)	(1,886)	(4,711)	(3,354)
Experience adjustments on Plan liabilities	(3,256)	(1,323)	(1,467)	3,429	3,924
Experience adjustments on Plan assets	(1,137)	1,900	4,296	(6,098)	(2,605)

NHS Pension Scheme

In addition to the Plan, The King's Fund also contributes to the NHS Pension Scheme, a defined benefit scheme, for 14 (13 in 2010) members of staff as at the Balance Sheet date who are eligible to belong to this scheme. In 2011 The King's Fund contributed £94,310 (£97,721 in 2010) 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 32 (25 in 2010) members of staff as at the Balance Sheet date. The King's Fund contributed £139,102 (£117,867 in 2010) 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:

	2011 £000	2010 £000
Pension charges:		
The King's Fund Staff Pension and Life Assurance Plan	357	402
NHS Pension Scheme	94	98
The King's Fund Group Personal Pension Plan	139	118
Total charges	590	618

16 Split of assets between funds

	Expendable endowment £000	Unrestric- ted Funds £000	2011 Total funds £000	2010 Total funds £000
Tangible assets	–	19,606	19,606	20,029
Investments : Securities	80,304	27,726	108,030	121,115
Investments : Property	–	8,348	8,348	7,651
Net current liabilities	–	(38)	(38)	(2,162)
Pension fund reserve	–	(4,696)	(4,696)	(928)
Total funds	80,304	50,946	131,250	145,705

17 Related party transactions

All trustees and senior staff have submitted declarations stating that they had no related party transactions in 2011.

**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

Mr Thomas Hughes-Hallett [from 26 March 2012]
Professor Julian Le Grand
Sir Jonathan Michael [from 26 March 2012]
Mr Simon Stevens [until 1 December 2011]
Mr David Wootton

Sub-Committees

Investment Committee

Mr Strone Macpherson (Chair)
Sir John Bradfield
Ms Mary-Ann Daly
Ms Jude Goffe
Mr Max Ward

Remuneration Committee

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

Nominations Committee

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

Audit and Risk Committee

Mr David Wootton (Chair)
Ms Jude Goffe
Mr Strone Macpherson

Attendance at meetings during 2011

	Board of Trustees	Investment Committee	Audit Committee	Remuneration Committee	Nominations Committee
Trustee	6 meetings	4 meetings	3 meetings	2 meetings	No meetings
Sir Christopher Kelly	6			2	
Mr Strone Macpherson	4	4	3	1	
Dr Penny Dash	5			2	
Dame Jacqueline Docherty	6				
Ms Jude Goffe	3	4	3		
Professor Julian Le Grand	6				
Mr Simon Stevens	4				
Mr David Wootton	5		3	2	

Senior Management Team

Chief Executive: Professor Chris Ham

Director of Policy: Anna Dixon

Director of Finance and ICT: Frank Gargent [to 31 January 2012]

Interim Director, Operations and Finance: Stephen Park [from 6 February 2012]

Director of Leadership: Kate Lobley [to 6 November 2011] / Nicola Hartley [from 7 November 2011]

Director of Communications: Rebecca Gray

Commercial Director: Jonathan Morris

Head of HR: Shirley Collier

Principal Office

The principal office of The King's Fund is:

11–13 Cavendish Square Telephone: 020 7307 2400

London Facsimile: 020 7307 2801

W1G 0AN Website: www.kingsfund.org.uk

General Advisory Council

Dr Steve Allder B Med Sc BM BS MRCP DM
Consultant Neurologist
Plymouth Hospitals NHS Trust

The Lord Michael Bichard KCB
House of Lords

Dr Mark Britnell
Partner and Head of Health UK and Europe
KPMG

Ms Elisabeth Buggins CBE DL
Chair
Birmingham Women's NHS Foundation Trust

Professor Paul Corrigan CBE
Independent Consultant

The Baroness Julia Cumberlege CBE DL
Cumberlege Connections Ltd

Dr Michael Dixon OBE
Chair
NHS Alliance

Sir Liam Donaldson
Chairman
National Patient Safety Agency

Mr Mike Farrar
Chief Executive
NHS Confederation

Professor Steve Field CBE
Chairman
NHS Future Forum

Professor Julien Forder
Principal Research Fellow
Personal Social Services Research Unit, University of Kent

Dame Barbara Hakin DBE MRCP MRCGP
Chief Executive
East Midlands Strategic Health Authority

Mr Tom Hughes-Hallett
Chief Executive
Marie Curie Cancer Care

Dr Andrew Jones
Medical Director
Nuffield Hospitals

Mr Ron Kerr CBE
Chief Executive
Guy's & St Thomas' NHS Foundation Trust

Professor Rudolf Klein
Professor of Social Policy Emeritus
University of Bath

Dr Peter Lees
Founding Director
Faculty of Medical Leadership and Management

Mr Malcolm Lowe-Lauri
Chief Executive
University Hospitals Leicester NHS Trust

Ms Jenny Owen
Formerly Deputy Chief Executive
Essex County Council

Mr Ben Page
Chief Executive
Ipsos MORI

Ms Laura Roberts
Head of Provider Leadership Development
Department of Health

Mr Jan Sobieraj
Director of Leadership
Department of Health

Professor Tamar Thompson OBE
Independent Healthcare Consultant

Ms Alwen Williams
Chief Executive
NHS East London and the City

Dame Jo Williams
Chair
Care Quality Commission

Professional Advisers

Bankers

National Westminster Bank Plc

1 Cavendish Square
London W1A 4NU

Actuaries

Buck Consultants Limited

160 Queen Victoria Street
London EC4V 4AN

Auditor

Crowe Clark Whitehill LLP

St Bride's House
10 Salisbury Square
London EC4Y 8EH

Investment Managers

Investment Portfolio

FF&P Asset Management Limited

15 Suffolk Street
London SW1Y 4HG

Custodian [to 28 February 2011]

Brown Brothers Harriman Investor Services Limited

Park House, 16-18 Finsbury Circus
London EC2M 7EB

Cash

Royal London Cash Management Limited

55 Gracechurch Street
London EC3V 0RL

Solicitors

Farrer & Co LLP

66 Lincoln's Inn Fields
London WC2A 3LH

Quantity Surveyors

Burke Hunter Adams LLP

40 Rivington Street
London EC2A 3LX

Insurance Brokers

James Hallam Limited

Meridien House
69–71 Clarendon Road
Watford WD17 1DS

Investment Property

Smiths Gore

Eastgate House, Eastgate Street
Winchester SO23 8DZ

Custodian [from 1 March 2011]

IM Wealth Services Limited

2nd Floor, 2 Multrees Walk
Edinburgh EH1 3DQ

Investment Advisers

Cambridge Associates Limited

80 Victoria Street
London SW1E 5JL

