

# Trustees' Report and Financial Statements

Year ended  
31 December 2010



# **Trustees' Report and Financial Statements**

**Year ended  
31 December 2010**

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](http://www.kingsfund.org.uk)

© The King's Fund 2011

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:

F P Gargent  
Director of Finance and ICT  
The King's Fund  
11–13 Cavendish Square  
London W1G 0AN

Email: [publications@kingsfund.org.uk](mailto:publications@kingsfund.org.uk)

Online: [http://www.kingsfund.org.uk/about\\_us](http://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	1
Objectives and outcomes 2010	2
Plans for 2011	4
Financial strategy and reserves	6
Financial review 2010	7
Statement of trustees' responsibilities	8

## Auditor's Report and Financial Statements

Independent Auditor's Report to the Trustees of The King's Fund	13
Consolidated Statement of Financial Activities	14
Balance Sheets	15
Consolidated Cashflow Statement	16
Notes to the Financial Statements	17

## Legal and Administrative Information

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



## **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 principal office, trustees, chief executive and senior staff, and principal advisers are shown below 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 2010, 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 reappointed 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 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 four 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 four meetings is designated the Annual General Meeting, at which the Trustees' Report and Consolidated Financial Statements for the preceding year are considered and approved. Two further meetings are held with the Chief Executive alone to consider policy direction and issues of wider strategy.

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

- Audit Committee, to oversee the preparation and independent audit of the Fund's 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.

## **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.

## Objectives and outcomes 2010

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]

The Fund's ambition is that its policy and research activity will have a growing and measurable impact on both policy-makers and service providers. The Fund will continue to create ideas and insight through its own research, evaluation, inquiry, analysis and reflection. The Fund will also seek to build on the constant exchange of experience and expertise focusing on key areas of interest.

During 2010 the Fund aimed to:

- Conduct a series of high-impact projects on topics of relevance to the key audiences on the Fund.  
*We published seventeen major policy reports which were well received and began a range of projects which will report during 2011.*
- Conclude a major inquiry into the quality of general practice to report in 2010.  
*Work on the inquiry was mainly completed in 2010 and the formal launch took place in March 2011.*
- Maximise the influence of our work by diversifying our product range, for example using newer forms of communication such as blogs, interactive forums, podcasts and follow up conferences.  
*We published 54 blogs and extended our range of audio and video content.*
- Devise and implement a general election strategy.  
*We were a key voice in the election debate, with products including a bespoke section of the website; a comprehensive audit of the government's health record; analysis of the manifesto pledges of the 3 main parties; responsive material during the election campaign; and a hustings event involving senior health figures from each of the main parties.*
- Run a series of road shows in partnership with others for medical students around the country to engage the next generation of doctors and develop thinking around professionalism.  
*We ran 7 road shows with medical students in partnership with GMC, Royal College of Physicians, NHS Institute, Liverpool University, and the Student BMJ.*

### **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*]

The Fund will continue to build closer relationships with more customers and to ensure that the various services it provides are appropriate and relevant to those it seeks to influence and support. In particular, the Fund aims to widen its reach and increase its relevance with senior managers and clinicians by developing products suited to their needs and best reflecting the Fund's strengths.

During 2010 the Fund aimed to:

- Review the way in which we produce and disseminate information with a view to creating a Fund-wide strategy which takes into account changing technology and the central role of the web.  
*Our new strategy takes into account the need to produce more blogs, audio and video content and writing specifically for a web audience. We held our first webinars and expanded the range of audio visual content with a 116% increase in downloads of this content. On average we had nearly 32,000 unique visitors to the website every month, a 35% increase on 2009. 92% of web users rated the site as 'good' or 'very good'.*
- Maintain our current media and parliamentary profiles and use them to demonstrate the value of our independent expertise.

*Our positive parliamentary mentions increased by 40% on 2009; we held briefing events for politicians in partnership with other Foundations; we gave evidence to a wide range of parliamentary committees.*

- Deliver an expanding programme of paid for events, which will enhance our reputation for high quality engagement and innovative programmes with more attendees and increasing net contribution to the Fund.

*We held 19 paid for events and attracted more than 2,000 delegates, both significant increases on the previous year.*

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

During 2010 the Fund aimed to:

- Review and refresh the programme portfolio, ensuring that it offers programmes that meet the needs of NHS leaders, and enhance our open programmes through further integration with other areas of the Fund.

*We refreshed our portfolio with 86% uptake on our in house programmes, working closely with policy colleagues.*

- Build new relationships through contracts with individual NHS organisations, primarily through increasing our organisational development activity.

*We undertook 44 commissioned programmes, receiving 35 requests for new commissions, and took on 10 new commissions.*

- Build on our new clinical leadership activity with the addition of a new in house programme and ensure its effective marketing.

*Our range of clinical leadership programmes attracted 181 participants.*

- Develop a communications strategy to raise the profile of our leadership work and establish the Fund's voice in the debate on NHS leadership.

*We made a new marketing appointment dedicated to leadership work and launched the Commission on Leadership and Management in the NHS to raise the Fund's profile in thought leadership in this area.*

### **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*]**

We will work across the organisation to bring together the appropriate mix of skills in organisational development as well as leadership, analytics and policy intelligence, fundraising, and communications to tackle major health care challenges.

During 2010 the Fund aimed to:

- Consolidate and integrate existing programmes into an integrated and identifiable Health Care Improvement Directorate.

*We formed a directorate of Health Care Improvement which brought together a number of successful existing programmes, namely The Point of Care, Enhancing the Healing Environment, the Safer Births Programme and the GSK Impact awards. A total of 89 organisations are participating in our improvement programmes.*

- Begin to establish the Fund as a thought leader in Health Care Improvement by publishing, seminars, conference speaking and webinars.

*We published journal articles and took up national and international speaking engagements to talk about our work on health care improvement, and delivered a number of seminars - 6 as webinars.*

- Devise and launch at least one new major development improvement programme in a key area linked to the Fund's themes or other key NHS priorities. This will include recruiting partner support where appropriate.

*We did not launch a new major improvement programme during 2010. The programme of work on health care improvement is now being considered as part of the Fund's Strategic Review.*

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

With the appointment of a new Director and establishment of a Commercial Directorate we built on our commercial skills including maximising the impact of our new building. We increased the net contribution of our venue services operation to the Fund and saw high levels of customer satisfaction.

The Fund's financial strategy is designed to ensure the long-term viability of the Fund and to support its activities. To increase its impact and reach, and to ensure the Fund protects its endowment, there are plans to raise additional income from a variety of sources.

The Fund aims to be a very good employer, attracting and retaining the highest quality talent to deliver its mission. The Fund will continue to improve its use of external advisers and associates to provide a more flexible pool of expertise to supplement internal skills.

During 2010 the Fund aimed to:

- Support completion of the review/reorganisation of Investment Committee activities.  
*Review completed and new arrangements put in place effective April 2010.*
- Undertake an internal audit of financial systems and implement recommendations.  
*Audit completed and recommendations are being implemented in line with an agreed timetable.*
- Improve website content for venue services operations including a separate site for No.11 Cavendish Square.  
*Website improvements made and dedicated site for No 11 Cavendish Square launched.*
- Rerun the 2008 staff satisfaction survey and act on its findings.  
*Survey was rerun - we will implement actions arising from the findings during 2011.*
- Market the Friends' scheme, significantly increasing the number of members and ensure that our facilities, especially the Friends' lounge, are more widely used. We will also investigate the feasibility of introducing a 'smart' card to enable members to pay for goods and services and access the lounge.  
*Marketing took place but the Friends' scheme and Friends' lounge will be reassessed as part of the Strategic Review in 2011.*

**Plans for 2011****To be the most influential, independent source of health care policy ideas and analysis in England**

Changes in the political landscape offer both opportunities and threats. Through the media we will position the Fund at the heart of debate during a period of radical reform, extending the range, depth and impact of coverage and focusing our media activity on where we want to make most impact. We will influence developing national policy through close relationships with government and key policy makers. We will improve our horizon scanning, working across the organisation to integrate intelligence from monitoring, stakeholder management, and research and improve the way in which we communicate emerging information internally.

During 2011 we will:

- Publish the findings from the Inquiry into the Quality of General Practice.
- Publish the findings of the Commission on Leadership and Management in the NHS and launch at inaugural annual King's Fund Leadership Conference.
- Publish at least twelve major reports on topics including maternity workforce; integrating health and social care; cancer variation; accountability; market-based reforms; and employee ownership.
- Establish the first international visiting fellowship.
- Implement a public affairs programme focussed on ensuring that policy development and parliamentary debate around NHS reform proposals and funding of long-term care are informed by our contribution.

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

In order to capitalise on the Fund's current positioning and reputation we need to improve products and services based on what we know works, building on data from products research carried out in 2010 and information from our customer relationship management system to analyse behavioural patterns to target future communication. In particular we will consolidate our interaction with social networking sites such as LinkedIn, Facebook and Twitter and support staff in making the most of social media.

During 2011 we will:

- 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.
- Hold a series of live webinars and live stream selected high profile events at the Fund with the first series of 6 webinars delivered and evaluated by July 2011.
- Improve take up of Fund publications by libraries and placement on university reading lists.
- Explore the development of a case studies library to support improvement and information sharing across NHS.
- Formulate a social media strategy.
- 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.

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

The upcoming changes in NHS structures, combined with reductions in public spending, will require us to refocus our Leadership work. There are new commissioners of programmes and new markets. In order to meet our income target, we will strengthen our infrastructure to respond to changing market needs building new relationships, market testing and analysis, and developing our skills and pool of associates to deliver the new interventions. We will expand our presence as a thought leader in the area of leadership.

During 2011 we will:

- Deliver organisational development interventions to boards plus executive, clinical and operational teams.
- Deliver support to organisations in transition through organisational development interventions and open programmes.
- 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.
- Implement a specialist doctor programme building on the Diabetes Specialist Programme.
- Implement an additional open programme targeted at nurses, specialist registrars, public health and social care leaders.
- Implement a stronger emphasis on evaluation and impact of our programmes through a strong programme management approach.

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

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 will both build on the Fund's policy work and take best practice from external sources. Our improvement programmes will combine a collaborative improvement approach with individual and team leadership development.

During 2011 we will:

- Implement an enhanced and expanded Point of Care programme including:
  - supporting 8 more Trusts to establish Schwartz rounds;
  - completion of series one of the hospital pathways programme;
  - launch of series two of the hospital pathways programme; and

- publication of an experience based design toolkit.
- Make formal partnerships with the NHS, funders and an academic institution.
- Continue delivery of Enhancing the Healing Environment programmes including:
  - DH commissioned environments of care at end of life programme (20 Trusts);
  - HM Prisons commissioned offender health programme (10 Prisons); and
  - DH commissioned dementia care programme (10 Trusts).
- Develop a new business model and marketing plan for the Enhancing the Healing Environment programme for 2012 onwards.

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

The Venue industry in general continues to recover from the credit crunch and is adapting to likely cuts in public spending. Our two venue brands The King's Fund and No.11 Cavendish Square mean we are well placed to achieve challenging financial targets in 2011. We will generate new net income through partnerships with private sector organisations in health care, while maintaining the Fund's vision and values. We will be working on a project to correctly value our key assets and carry out a review of the Corporate Partner offer. We aim to be a very good employer, ensuring that the Fund attracts and, where appropriate, retains the highest quality talent to deliver its mission.

During 2011 we will:

- Re tender the catering contract.
- 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.
- 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.
- Develop facilities by installing WiFi, enhancing the look and feel, and implementing the recommendations of the space review.
- Undertake an internal audit of performance management processes.

### **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 £39.4 million (£36.1 million in 2009), after providing a reserve £0.9 million (£1.9 million in 2009) to match the calculated deficit on the King Edward's Hospital Fund for London 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 2010**

### **Consolidated income and expenditure**

Total income for the year amounted to £14.1 million (£13.8 million in 2009), of which £9.4 million (£9.1 million in 2009) was generated from charitable activities and £4.7 million (£4.7 million in 2009) was derived from the investment portfolio, other activities and other incoming resources.

*Income arising from the charitable activities* rose by £0.3 million, mainly as a result of a small increase in income from Leadership programmes, within *Developing leaders*, and larger growth in *Improvement interventions* arising from expansion of Enhancing the Healing Environment and similar programmes.

*Incoming resources from generated funds* were slightly down on 2009. Income from *External conference and catering services* rose by more than 40 per cent largely due to the increased usage of the new facilities that came on stream during 2009. This growth was offset by a much lower level of *Donations and legacies* which had benefited from two large bequests in 2009, and a small drop in *Investment income*.

Total expenditure of the Fund was £17.3 million (£17.6 million in 2009). *Resources expended on generating funds* was similar to last year with the increased costs in *External conferences and catering* resulting from higher activity levels being offset by a small reduction in *Investment management fees*, arising from changes to the management of the Fund's investments - see further below.

*Resources expended on charitable activities* were, in total, almost the same as last year. Within this total, however, increases are reported for *Information and support* and *Improvement intervention*, the latter reflecting the increased income reported above, and reductions in *Ideas and analysis* (policy research and analysis) and *Developing leaders* (Leadership programmes), the latter being a significant change.

The average number of staff employed by the Fund during the year was 129 compared with 128 in 2009. Further analysis is shown in Note 8 to the Financial Statements.

The outcome for the year, namely expenditure exceeding income by £3.2 million (£3.8 million in 2009) 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 - no. 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. The fortunes of the company turned around in the year and it generated an operating profit of £181,000 (loss of £27,000 in 2009). The directors of the company have proposed a Gift Aid donation to the Fund of £138,644 representing the taxable profit in the year.

### **Tangible assets held for the use of the Fund**

The 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 value of those assets was £20.0 million (£20.6 million in 2009) as shown in Note 10 to the Financial Statements.

### **Investment policy and performance**

During the first quarter of 2010, the Investment Committee completed its review of investment management arrangements. The key conclusions of the review were that the portfolio was not sufficiently diversified and that a cycle of quarterly Committee meetings was not suited to active management of the portfolio on a day to day basis. It was determined that the appointment of a discretionary manager of managers would address both of these issues.

Following a thorough search and appraisal process, the Committee recommended that FF&P Asset Management Limited (FF&P) be appointed 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 Board of Trustees accepted this recommendation on 8 March 2010 and an Investment Management Agreement with FF&P was concluded on 30 April 2010.

Under these new arrangements, the Committee has approved a Strategic Asset Allocation and corresponding long term return target. FF&P are expected to operate within these parameters. This will allow for greater exploration of tactical opportunities and priorities in terms of asset classes/sub-classes. Coincidentally three long standing members each chose to stand down, for different personal reasons, prior to the appointment of FF&P and these changes have resulted in a smaller Committee of five members who will look to take this revised agenda forward. A list of the current members of the Committee, all of whom have agreed to serve a five year term, is shown at the end of this Report.

FF&P maintain a "Main Fund" which has been constructed and is managed to align with the revised Strategic Allocation set by the Investment Committee, see below, and their performance is measured against a blended benchmark derived from this allocation. FF&P also maintain a watching brief on behalf of the Fund over the two private equity funds of funds holdings but, given the fixed commitments to these investments, they are unable to effect any change.

At 31 December 2010, the total value of the investment assets of the Fund was £128.8 million (£118.1 million in 2009). Adjusting for withdrawals used to finance the activities of the Fund, investment assets rose by 13.1% (increase of 18.7% in 2009). Given the comprehensive restructuring of the portfolio that took place on the appointment of FF&P it is difficult to attribute this growth to specific asset classes or individual holdings.

In the eight month period since FF&P assumed managerial responsibility they report a positive return of 6.1% on the portfolio which is slightly below the blended benchmark of 7.3%. Much of this gap can, however, be attributed to the costs of the transition and the mismatch between the asset allocation of the portfolio and that of the blended benchmark prior to 30 September 2010. It is noted that performance in Q4, the first full period following the transition, shows a portfolio return of 6.4% against a benchmark of 6.0%.

Asset Class	Strategic Allocation	Minimum	Maximum	Actual Allocation 2010	Actual Allocation 2009
UK Equities	22%			21.3%	36.5%
Global ex UK Equities	33%			33.7%	} 48.6%
Emerging Market Equities	12%			13.3%	
<b>Equities</b>	<b>67%</b>	<b>57%</b>	<b>69%</b>	<b>68.3%</b>	<b>85.1%</b>
Property	12%	7%	15%	5.8%	3.5%
Inflation-linked Bonds	12%	7%	15%	10.5%	0.0%
Fixed Income	7%	0%	15%	6.9%	0.0%
Cash	2%	0%	15%	8.5%	11.4%
<b>TOTAL</b>	<b>100%</b>			<b>100.0%</b>	<b>100.0%</b>

The portfolio was underweight in property, despite additional investment, at the year end because it had not been possible to identify further suitable closed-ended investments on attractive valuations, thus explaining the excess cash holding at the year end.

### Retiring committee members

The Fund is pleased to acknowledge the valuable contributions, over many years, of Michael Dobson, Michael McLintock and Gary Steinberg to the work of the Investment Committee. It is pleasing to note that each has offered to maintain an association with the Fund to allow for their considerable combined experience to be drawn upon as and when required.

### Donations and legacies

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

Her Majesty the Queen, A N Heilbron, H S Warren Smith, 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; and
- 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 1993. 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  
17 May 2011





**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 2010 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 18.

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 44 of the Charities Act 1993. 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 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 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.

We read all the 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 charity's affairs as at 31 December 2010 and of its 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 1993.

### **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 1993 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; 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  
Date 18 May 2011

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 2010

	Notes	Un-restricted funds £000	Expend-able endowment £000	2010 Total funds £000	2009 Total Funds £000
<b>INCOMING RESOURCES</b>					
<i>Incoming resources from generated funds</i>					
Donations and legacies		6	–	6	576
External conference & catering services		2,110	–	2,110	1,478
Tenancies		230	–	230	299
Investment income	4	2,251	–	2,251	2,374
		<b>4,597</b>	<b>–</b>	<b>4,597</b>	<b>4,727</b>
<i>Incoming resources from charitable activities</i>					
Ideas and analysis		666	–	666	1,027
Information and support		618	–	618	599
Developing leaders		6,621	–	6,621	6,460
Improvement interventions		1,478	–	1,478	984
		<b>9,383</b>	<b>–</b>	<b>9,383</b>	<b>9,070</b>
<i>Other incoming resources</i>	5	<b>114</b>	<b>–</b>	<b>114</b>	<b>–</b>
<b>Total incoming resources</b>		<b>14,094</b>	<b>–</b>	<b>14,094</b>	<b>13,797</b>
<b>RESOURCES EXPENDED</b>					
<i>Resources expended on generating funds</i>					
External conference & catering services		1,593	–	1,593	1,289
Tenancies		324	–	324	320
Investment management costs	6	1,049	–	1,049	1,325
		<b>2,966</b>	<b>–</b>	<b>2,966</b>	<b>2,934</b>
<i>Resources expended on charitable activities</i>					
Ideas and analysis		2,929	–	2,929	3,208
Information and support		1,469	–	1,469	1,235
Developing leaders		6,921	–	6,921	7,519
Improvement interventions		2,966	–	2,966	2,238
	7/8	<b>14,285</b>	<b>–</b>	<b>14,285</b>	<b>14,200</b>
<i>Resources expended on governance</i>	9	<b>29</b>	<b>–</b>	<b>29</b>	<b>37</b>
<i>Other outgoing resources</i>	5	<b>–</b>	<b>–</b>	<b>–</b>	<b>475</b>
<b>Total resources expended</b>		<b>17,280</b>	<b>–</b>	<b>17,280</b>	<b>17,646</b>
<b>Net outgoing resources</b>		<b>(3,186)</b>	<b>–</b>	<b>(3,186)</b>	<b>(3,849)</b>
Net gains/(losses) on investment assets		4,887	11,083	15,970	18,951
Actuarial gain / (loss) on pension scheme		577	–	577	2,828
<b>Net movement in funds</b>		<b>2,278</b>	<b>11,083</b>	<b>13,361</b>	<b>17,930</b>
Balances brought forward at 1 January		57,205	75,139	132,344	114,414
<b>Balances carried forward at 31 December</b>		<b>59,483</b>	<b>86,222</b>	<b>145,705</b>	<b>132,344</b>

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

**BALANCE SHEETS**

As at 31 December 2010

	<i>Notes</i>	CONSOLIDATED		CHARITY	
		2010 £000	2009 £000	2010 £000	2009 £000
<b>FIXED ASSETS</b>					
Tangible assets	10	20,029	20,591	20,006	20,587
Investments	11/12	128,766	118,088	128,816	118,138
<b>Total Fixed Assets</b>		<b>148,795</b>	<b>138,679</b>	<b>148,822</b>	<b>138,725</b>
<b>CURRENT ASSETS</b>					
Debtors	13	3,467	3,332	3,191	3,005
Cash at bank and in hand		544	252	409	225
<b>Total Current Assets</b>		<b>4,011</b>	<b>3,584</b>	<b>3,600</b>	<b>3,230</b>
<b>CURRENT LIABILITIES</b>					
<i>Amounts falling due within one year</i>	14				
Creditors		(5,880)	(7,150)	(5,513)	(6,816)
Grants		(293)	(723)	(293)	(723)
<b>Total Current Liabilities</b>		<b>(6,173)</b>	<b>(7,873)</b>	<b>(5,806)</b>	<b>(7,539)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(2,162)</b>	<b>(4,289)</b>	<b>(2,206)</b>	<b>(4,309)</b>
<b>LONG TERM LIABILITIES</b>					
<i>Amounts falling due after one year</i>	15				
Grants		–	(160)	–	(160)
<b>Total assets excluding pension liability</b>		<b>146,633</b>	<b>134,230</b>	<b>146,616</b>	<b>134,256</b>
Pension scheme liability	16	(928)	(1,886)	(928)	(1,886)
<b>Total assets including pension liability</b>		<b>145,705</b>	<b>132,344</b>	<b>145,688</b>	<b>132,370</b>
<b>FUNDS</b>	17				
<b>Expendable endowment</b>		<b>86,222</b>	<b>75,139</b>	<b>86,222</b>	<b>75,139</b>
Designated fund for tangible own use assets		20,029	20,591	20,006	20,587
Pension fund reserve		(928)	(1,886)	(928)	(1,886)
Unrestricted funds		40,382	38,500	40,388	38,530
<b>Total unrestricted funds</b>		<b>59,483</b>	<b>57,205</b>	<b>59,466</b>	<b>57,231</b>
<b>Total funds</b>		<b>145,705</b>	<b>132,344</b>	<b>145,688</b>	<b>132,370</b>

Approved by the Board of Trustees at a meeting on 16 May 2011.

Strone Macpherson  
Treasurer  
17 May 2011

**CONSOLIDATED CASHFLOW STATEMENT**

For the year ended 31 December 2010

	<i>Notes</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Net cash outflow from operating activities</b>	<i>A</i>	(6,842)	(3,764)
<i>Returns on investment</i>			
Dividends and interest received		2,053	2,187
Investment property income received		198	187
<b>Net cash inflow from investing activities</b>		2,251	2,374
<i>Capital expenditure and financial investment</i>			
Payments to acquire tangible fixed assets		(410)	(2,103)
Net sale / (purchase) of securities		1,736	4,537
<b>Net cash inflow from capital expenditure &amp; financial investment</b>		1,326	2,434
<i>Management of liquid resources</i>			
<b>Reduction / (increase) in cash deposits held as investments</b>	<i>B</i>	3,557	(1,172)
<b>Increase (decrease in cash in the year)</b>	<i>B</i>	<b>292</b>	<b>(128)</b>

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

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
Net outgoing resources	(3,186)	(3,849)
Investment income	(2,251)	(2,374)
Depreciation charged on tangible assets	925	937
Loss on disposal of fixed assets	47	–
Current service cost less contributions to the pension scheme	212	9
Contributions to past service cost of the pension scheme	(480)	(480)
Other finance income from the pension scheme	(114)	–
Other finance expenditure to the pension scheme	–	475
Increase in debtors	(135)	(323)
Increase / (decrease) in short term creditors	(1,700)	2,272
Decrease in long term creditors	(160)	(431)
<b>Net cash outflow from operating activities</b>	<b>(6,842)</b>	<b>(3,764)</b>

**Note B : Analysis of changes in net funds**

	<b>At 1</b> <b>January</b> <b>2010</b> <b>£000</b>	<b>Movement</b> <b>£000</b>	<b>At 31</b> <b>December</b> <b>2010</b> <b>£000</b>
Cash at bank and in hand	252	292	544
Cash deposits held as investments	12,012	(3,557)	8,454
<b>Total net funds</b>	<b>12,264</b>	<b>(3,265)</b>	<b>8,998</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 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 1993, 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' Annual Report on page 7.

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 the Charities 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 Edward's Hospital Fund for London 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 .....	10 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**

	2010 £000	2009 £000
Income from securities and cash assets		
Equities	1,282	1,619
Bonds	395	–
Property funds	287	265
Cash	89	303
Income from investment properties	198	187
	<b>2,251</b>	<b>2,374</b>

**5 Other incoming/outgoing resources**

	2010 £000	2009 £000
Interest on the Plan liabilities <i>cf Note 16 below</i>	(1,940)	(1,897)
Expected return on the Plan assets <i>cf Note 16 below</i>	2,054	1,422
Other income from / (expenditure to): The King Edward's Hospital Fund for London Staff Pension & Life Assurance Plan	114	(475)

**6 Investment management fees**

The cost of investment management includes a performance fee of £847,000 (£1,060,000 in 2009) payable to Marathon Asset Management Ltd, in accordance with their management contract.

**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	2010 Total £000	2009 Total £000
Direct expenditure						
Staff related expenditure	1,393	554	1,583	712	4,242	3,868
Grants (7a)	–	–	–	91	91	108
Other costs	440	247	2,982	1,100	4,769	4,660
Sub Total	1,833	801	4,565	1,903	9,102	8,636
Support departments (7b)	1,096	668	2,356	1,063	5,183	5,564
<b>Total resources expended</b>	<b>2,929</b>	<b>1,469</b>	<b>6,921</b>	<b>2,966</b>	<b>14,285</b>	<b>14,200</b>

**7a Analysis of grants**

	2010 £000	2009 £000
Partners for Health awards	–	13
Lapsed Partners for Health awards - prior year awards	(194)	–
Enhancing the Healing Environment national programme - see below	285	95
	<b>91</b>	<b>108</b>

*Enhancing the Healing Environment National Programmes - Prisons Programme*

HM Prison Abell House	15	HM Prison Verne	15
HM Prison Castington	30	HM Prison Whatton	15
HM Prison Deerbolt	15	HM Prison Whitemoor	15
HM Prison Forest Bank	15		
HM Prison Glen Parva	15	Gloucestershire PCT	15
HM Prison Hull	15	South Gloucester PCT	15
HM Prison Moorland	15	South Staffordshire PCT	15
HM Prison Risley	30	Wandsworth PCT	15
HM Prison Swansea	15	Worcester PCT	15
<b>Total EHE National Programmes</b>			<b>285</b>

7b Support departments	‡	Ideas and analysis £000	Information and support £000	Developing leaders £000	Improvement interventions £000	<b>2010 Total £000</b>	<b>2009 Total £000</b>
Building services incl. depreciation	1	87	103	85	24	<b>299</b>	251
Conference and catering services	2	143	186	114	138	<b>581</b>	653
Communications	3	191	84	476	200	<b>951</b>	870
Other support functions	4	675	295	1,681	701	<b>3,352</b>	3,790
<b>Total costs of support departments</b>		<b>1,096</b>	<b>668</b>	<b>2,356</b>	<b>1,063</b>	<b>5,183</b>	<b>5,564</b>

‡ Distribution methods:

- i Pro rata to the relative floor area occupied by staff offices and related functions, eg conference rooms.
- ii Pro rata to recorded internal usage.
- iii Pro rata to the estimated usage of the various departments including Marketing.
- iv 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 Staffing

	<b>2010 £000</b>	<b>2009 £000</b>
Wages and salaries	<b>6,174</b>	5,837
Social security costs	<b>564</b>	508
Pension costs	<b>641</b>	700
<b>Total emoluments</b>	<b>7,379</b>	<b>7,045</b>

The total for Wages and salaries includes expenditure on temporary and seconded staff of £607,000 (£425,000 in 2009).

	2010	2009
Average number of staff		
Ideas and analysis	23	28
Information and support	16	16
Developing leaders	22	26
Improvement interventions	10	7
Support departments including external conference services	58	51
<b>TOTALS</b>	<b>129</b>	<b>128</b>

  

	2010	2009
The numbers of staff with remuneration exceeding £60,000 were:		
£60,000 – £69,999	8	6
£70,000 – £79,999	2	3
£80,000 – £89,999	3	3
£90,000 – £99,999	3	3
£100,000 – £109,999	3	2
£110,000 – £119,999	2	2
£140,000 – £149,999	1	–
£180,000 – £189,999	–	1

Contributions were made to three defined benefit schemes: The King Edward's Hospital Fund for London Staff Pension and Life Assurance Plan for 11 (11 in 2009) higher-paid staff members; the NHS Pension Scheme for 4 (6 in 2009) higher-paid staff members and the University Superannuation Scheme for 1 (none in 2009) higher-paid staff member. Contributions totalling £57,976 (£9,708 in 2009) were made to The King's Fund Group Personal Pension Scheme, which is a defined contribution scheme, for 6 (1 in 2009) higher-paid staff members.

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

	2010 £000	2009 £000
Auditors' remuneration		
- external audit fees	22	22
- external audit fees (KEHF Limited)	6	6
- other services	–	–
Legal fees - review of constitution	–	4
Other professional fees	–	2
Trustees - reimbursement of expenses incurred	1	3
	<b>29</b>	<b>37</b>

£691 was reimbursed to one trustee in 2010 in respect of travel and subsistence expenses (£3,321 to two trustees in 2009). 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	<b>2010 Total assets £000</b>	<b>2009 Total Assets £000</b>
<b>Cost</b>					
At 1 January	15,990	5,050	4,546	<b>25,586</b>	23,698
Additions	1	80	329	<b>410</b>	2,103
Disposals	–	–	(1,087)	<b>(1,087)</b>	(215)
At 31 December	<b>15,991</b>	<b>5,130</b>	<b>3,788</b>	<b>24,909</b>	<b>25,586</b>
<b>Depreciation</b>					
At 1 January	160	2,142	2,693	<b>4,995</b>	4,273
Charge for the year	161	230	534	<b>925</b>	937
Disposals	–	–	(1,040)	<b>(1,040)</b>	(215)
At 31 December	<b>321</b>	<b>2,372</b>	<b>2,187</b>	<b>4,880</b>	<b>4,995</b>
<b>Net Book Value</b>					
At 31 December	<b>15,670</b>	<b>2,758</b>	<b>1,601</b>	<b>20,029</b>	<b>20,591</b>
Previous Year	15,830	2,908	1,853	<b>20,591</b>	

Following the completion of the recent development of the charity's facilities, the trustees have reviewed the future estimated life of the freehold buildings. Based on this the trustees have revised the estimated future life of the buildings to 50 years and the costs of the buildings, excluding the amounts attributable to the freehold land (£7,977,000), are being depreciated over this period commencing in 2009.

**11 Investments at market value**

	Held in the UK £000	Outside the UK £000	<b>2010 Total £000</b>	<b>2009 Total £000</b>
Securities:				
Equities	60,881	17,692	<b>78,573</b>	90,543
Index Linked bonds	12,015	–	<b>12,015</b>	–
Fixed Interest bonds	–	7,946	<b>7,946</b>	–
Property funds	6,588	–	<b>6,588</b>	3,789
Private Equity funds	6,238	–	<b>6,238</b>	4,695
Cash	8,555	1,200	<b>9,755</b>	12,012
Investment properties	7,651	–	<b>7,651</b>	7,049
<b>Consolidated Total</b>	<b>101,928</b>	<b>26,838</b>	<b>128,766</b>	<b>118,088</b>
Shareholding in subsidiary company	50	–	<b>50</b>	50
<b>Charity Total</b>	<b>101,978</b>	<b>26,838</b>	<b>128,816</b>	<b>118,138</b>

Within the Consolidated Total of £128,766,000, the majority of investments are 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, £10,202,000 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 €6,300,000 (approximately £5,400,000). The expectation is that the commitment to one fund (£3,000,000) will not be called whereas the balance (£3,300,000) will be called prior to the final closure of the fund in March 2023.

The investment properties were valued by Smiths Gore as at 31 December 2010.

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1 January	<b>118,088</b>	102,503
Net monies disinvested	<b>(5,292)</b>	(3,366)
Increase/(decrease) on revaluation	<b>15,970</b>	18,951
Consolidated closing balance at 31 December	<b>128,766</b>	<b>118,088</b>
Shareholding in subsidiary company	<b>50</b>	50
Charity closing balance at 31 December	<b>128,816</b>	<b>118,138</b>

## 12 Subsidiary company

The authorised share capital of KEHF Limited, a company registered in England no. 2754697, 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 five Directors of which the Chairman is the Treasurer, and a trustee, of The King's Fund, three others hold directorships as employees of The King's Fund, and the fifth 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 2010, the company had fixed assets valued at £23,346 (£4,411 in 2009) and the value of its net current assets was £43,593 (£19,889 in 2009) matching the value of the shareholders funds.

In the year to the same date, the company had income of £2,179,000 (£1,527,000 in 2009) and expended £1,998,000 (£1,554,000 in 2009) thereby generating an operating profit of £181,000 (loss of £27,000 in 2008). The Directors have proposed that a sum equivalent to the taxable profit, less losses brought forward, 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 £17,000 (deficit of £267,000 in 2009).

## 13 Debtors

	<b>CONSOLIDATED</b>		<b>CHARITY</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade debtors	<b>2,454</b>	1,759	<b>1,830</b>	1,119
Amounts owed by KEHF Limited	<b>-</b>	-	<b>212</b>	254
Prepayments and accrued income	<b>730</b>	771	<b>727</b>	770
Amounts owed by the Plan	<b>233</b>	181	<b>233</b>	181
Legacies due but not received	<b>-</b>	573	<b>-</b>	573
Other debtors	<b>50</b>	48	<b>50</b>	48
Donations from KEHF Limited	<b>-</b>	-	<b>139</b>	-
Loan to KEHF Limited	<b>-</b>	-	<b>-</b>	60
	<b>3,467</b>	<b>3,332</b>	<b>3,191</b>	<b>3,005</b>

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

	CONSOLIDATED		CHARITY	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade creditors	1,364	1,106	1,162	698
Amounts owed to KEHF Limited	–	–	5	3
Deferred income - see analysis below	3,115	3,517	3,111	3,587
Taxation and social security	276	220	274	220
Other creditors and accruals	1,125	2,307	961	2,308
	<b>5,880</b>	<b>7,150</b>	<b>5,513</b>	<b>6,816</b>
Grants payable	293	723	293	723
	<b>6,173</b>	<b>7,873</b>	<b>5,806</b>	<b>7,539</b>

  

	Balance at 1 January 2010 £000	Released in 2010 £000	Additional deferrals £000	Balance at 31 December 2010 £000
Deferred income analysis				
Consultancy fees received in advance	1,047	459	770	1,358
EHE distributions received in advance	700	340	200	560
Programme fees received in advance	1,766	1,641	1,046	1,171
Other deferred income	–	–	22	22
Deposits including KEHF Limited	4	–	–	4
	<b>3,517</b>	<b>2,440</b>	<b>2,038</b>	<b>3,115</b>

**15 Long term liabilities : amounts falling due after one year**

	CONSOLIDATED		CHARITY	
	2010 £000	2009 £000	2010 £000	2009 £000
Grants payable	–	160	–	160
	<b>–</b>	<b>160</b>	<b>–</b>	<b>160</b>

**16 Pension schemes*****The King Edward's Hospital Fund for London Staff Pension and Life Assurance Plan***

The King Edward's Hospital Fund for London 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.

	2010 £000	2009 £000
The amounts recognised in the Balance sheet are as follows:		
Fair value of Plan assets	35,451	31,953
Present value of Plan liabilities	(36,379)	(33,839)
<b>Net Plan liability</b>	<b>(928)</b>	<b>(1,886)</b>

	2010 £000	2009 £000
Changes in the present value of the Plan liability are as follows:		
Opening value of the Plan liability	33,839	31,259
Current service cost	583	488
Employee contributions	147	191
Interest costs	1,940	1,897
Actuarial losses	1,323	1,467
Benefits paid	(1,453)	(1,463)
<b>Closing value of the Plan liability</b>	<b>36,379</b>	<b>33,839</b>
Changes in the fair value of Plan assets are as follows:		
Opening fair value of Plan assets	31,953	26,548
Expected return	2,054	1,422
Employee contributions	147	191
Employers' contributions	850	959
Actuarial gains/(losses)	1,900	4,296
Benefits paid	(1,453)	(1,463)
<b>Closing fair value of Plan assets</b>	<b>35,451</b>	<b>31,953</b>

Employers' contributions included £480,000 (£480,000 in 2009) in respect of past service costs.

In addition, the Plan has pension liabilities which are insured with a value of approximately £678,000 (£741,000 in 2009). 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.

	2010 £000	2009 £000
Total expense recognised in the Statement of Financial Activities:		
Current service cost	583	488
Interest on the Plan liabilities	1,940	1,897
Expected return on the Plan assets	(2,054)	(1,422)
<b>Total amount charged within net outgoing resources</b>	<b>469</b>	<b>963</b>
Actuarial gain	(577)	(2,829)
<b>Total amount credited to the Statement of Financial Activities</b>	<b>(108)</b>	<b>(1,866)</b>
Proportion of total Plan assets by asset class:		
Equities (including property)	58%	52%
Bonds	30%	32%
Index-linked	10%	9%
Other	2%	6%
Cash	–	1%

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.

	2010 £000	2009 £000
<b>Actual return on Plan assets</b>	<b>3,955</b>	<b>5,718</b>



The principal actuarial assumptions used at the balance sheet date		2010	2009
Discount rate		5.50%	5.75%
Rate of increase in salaries	- first two (three in 2009) years	2.50%	2.45%
	- thereafter	3.50%	3.70%
General price inflation		3.50%	3.45%
Rate of increase in pension payments:			
Service prior to 1 April 2000		4.30%	4.30%
Service after 1 April 2000		3.25%	3.25%
Expected return on Plan assets		6.45%	6.47%

The King's Fund expects contributions of £965,000 to be made to the Plan in the year ending 31 December 2011. This sum includes monthly payments of £41,000 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.

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
History of Plan experience					
Present value of the Plan liabilities	36,379	33,839	31,259	33,793	36,224
Fair value of the Plan assets	35,451	31,953	26,548	30,439	28,831
<b>Deficit in the Plan</b>	<b>(928)</b>	<b>(1,886)</b>	<b>(4,711)</b>	<b>(3,354)</b>	<b>(7,393)</b>
Experience adjustments on Plan liabilities	(1,323)	(1,467)	3,429	3,924	(3,086)
Experience adjustments on Plan assets	1,900	4,296	(6,098)	(2,605)	938

#### NHS Pension Scheme

In addition to the Plan, The King's Fund also contributes to the NHS Pension Scheme, a defined benefit scheme, for 13 (17 in 2009) members of staff as at the Balance Sheet date who are eligible to belong to this scheme. In 2010 The King's Fund contributed £97,721 (£111,601 in 2009) 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 scheme, a defined contribution scheme established in 2008, for 25 (25 in 2009) members of staff as at the Balance Sheet date. The King's Fund contributed £117,867 (£68,482 in 2009) to the scheme. The employer's contribution rates are twice that of each individual member and are within the range from 6% to 12%.

The pension charges for the period are show below:	2010 £000	2009 £000
King Edward's Hospital Fund for London Staff Pension and Life Assurance Plan	402	520
NHS Pension Scheme	98	112
King's Fund Group Personal Pension Plan	118	68
<b>Total charges</b>	<b>618</b>	<b>700</b>

## 17 Split of assets between funds

	Expendable endowment £000	Unrestric- ted Funds £000	2010 Total funds £000	2009 Total funds £000
Tangible assets	–	20,029	20,029	20,591
Investments : Securities	86,222	34,893	121,115	111,039
Investments : Property	–	7,651	7,651	7,049
Net current liabilities	–	(2,162)	(2,162)	(4,289)
Long term liabilities	–	–	–	(160)
Pension fund reserve	–	(928)	(928)	(1,886)
<b>Total funds</b>	<b>86,222</b>	<b>59,483</b>	<b>145,705</b>	<b>132,344</b>

**18 Related party transactions**

All Trustees and Senior Staff have submitted declarations stating that they had no related party transactions in 2010.



**Legal  
and  
Administrative Information**



## **Board of Trustees of The King's Fund**

Sir Cyril Chantler (Chair) [until 30 September 2010]  
Sir Christopher Kelly (Chair) [from 1 October 2010]  
Mr Strone Macpherson (Treasurer)  
Dr Penny Dash (Vice-chair)  
Dame Jacqueline Docherty

Ms Jude Goffe  
Professor Julian Le Grand  
Mr Simon Stevens  
Mr David Wootton

## **Sub-Committees**

### **Investment Committee**

Mr Strone Macpherson (Chair)  
Sir John Bradfield CBE  
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 Committee**

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

## **Senior Management Team**

**Chief Executive:** Professor Chris Ham

**Director of Policy:** Anna Dixon

**Director of Finance and ICT:** Frank Gargent

**Director of Leadership:** Kate Lobley [from 1 December 2010]

**Director of Health Care Improvement:** Mark Jennings [to 31 December 2010]

**Director of Communications:** Rebecca Gray

**Commercial Director:** Jonathan Morris

**Head of Personnel:** Shirley Collier

## **Principal Office**

The principal office of The King's Fund is:

11–13 Cavendish Square

London

W1G 0AN

Telephone : 020 7307 2400

Facsimile : 020 7307 2801

WebSite : [www.kingsfund.org.uk](http://www.kingsfund.org.uk)

**Professional Advisers****Bankers****National Westminster Bank Plc**

1 Cavendish Square  
London W1A 4NU

**Quantity Surveyors****Burke Hunter Adams LLP**

40 Rivington Street  
London EC2A 3LX

**Auditors****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

**Investment Advisers****Cambridge Associates Ltd**

80 Victoria Street  
London SW1E 5JL

**Insurance Brokers****James Hallam Ltd**

Meridien House  
69-71 Clarendon Road  
Watford WD17 1DS

**Investment Property****Smiths Gore**

Eastgate House, Eastgate Street  
Winchester SO23 8DZ

**Solicitors****Farrer & Co LLP**

66 Lincoln's Inn Fields  
London WC2A 3LH

**Custodians****JPMorgan Chase Bank**

Chaseside  
Bournemouth BH7 7DA

**Actuaries****Buck Consultants Ltd**

160 Queen Victoria Street  
London EC4V 4AN

**Cash****Royal London Cash Management Ltd**

55 Gracechurch Street  
London EC3V 0RL