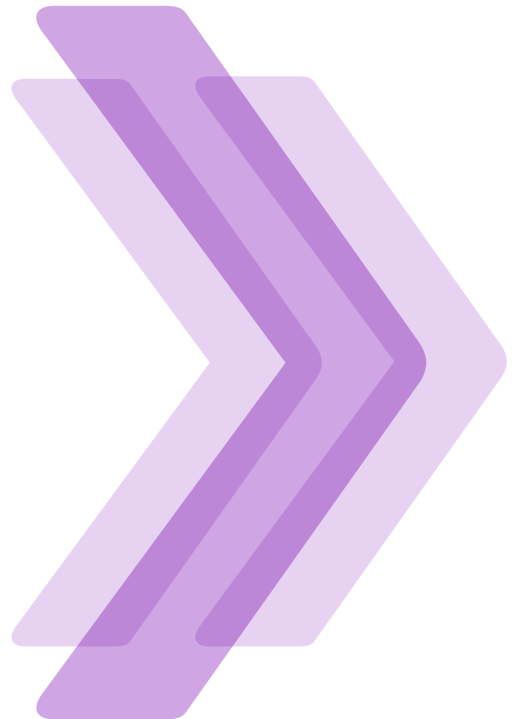


Trustees' annual report and accounts

**For the year ended
31 December 2017**



May 2018

Contents

Message from the Chair and Chief Executive	2
Objectives and activities	6
Achievements and performance	9
Plans for 2018	44
Financial review	46
How the Fund is constituted and governed	52
Reference and administrative details	61
Statement of Trustees' responsibilities	65
Auditor's report and accounts	67
Independent Auditor's Report to the Trustees of The King's Fund	68
Consolidated statement of financial activities	72
Balance sheets	73
Consolidated cashflow statement	74
Notes to the accounts	75

Message from the Chair and Chief Executive

Our work in 2017 combined analysis of the growing pressures on the NHS and social care with advocacy of the changes we believe will help in tackling these pressures. We worked with the Health Foundation and Nuffield Trust to assess the additional funding needed and to make the case for more fundamental reforms, drawing on the work of the [Barker Commission](#). The government's decision to find extra resources for the NHS in the Autumn Budget was welcome but [fell well short](#) of what we [argued](#) is needed to sustain the NHS and social care.

We have continued to work with national bodies and NHS organisations in the development of new care models. We focused particularly on sustainability and transformation partnerships (STPs) and the 10 areas identified as integrated care systems. In this work we bring together expertise from across the Fund to provide practical support to leaders at a local level who are seeking to integrate care and improve population health. We work in all parts of England as well as London, where we were commissioned by the Mayor to carry out an assessment, with the Nuffield Trust, of [London's five STPs](#).

We responded to the government's decision to call a [general election](#) by preparing a range of analysis and content for our website to help inform the election debate. We also analysed the impact of Brexit on the NHS and social care, highlighting risks in relation to the workforce and other issues. The new government's decision to publish a Green Paper on social care provides an opportunity for the Fund to influence thinking in this area. We are doing so by engaging with the civil servants working on the green paper and the advisers appointed by the government to support this work.

Our [website](#) continues to be an important source of information about the Fund's activities; we undertook a [major project](#) during 2017 to make the website easier to navigate and to ensure it represents the full range of our work. We updated our [alternative guide to the NHS](#) – our most viewed piece of digital content – and produced a variety of blogs, briefings and reports as part of our commitment to be a trusted source of information on what is happening in the NHS and social care. Our programme of [events](#) in London and further afield plays a vital part in bringing people together to share learning and in disseminating our work, supplemented by webinars to enable us to reach a wider audience.

We have extended our support to voluntary and community sector leaders. The **GSK IMPACT Awards** celebrated their 20th anniversary, and our experience in supporting award-winning leaders enabled us to launch the **Cascading Leadership programme**, in partnership with Comic Relief and the Big Lottery Fund. The programme enables GSK Impact Award winners to share their learning and skills with health and social care charities with support from the Fund's leadership and organisational development team.

Our team works with NHS organisations and others across England to develop leaders, organisations and systems with an increasing emphasis on **organisational development** 'in place'. Examples include major projects in **Cambridge University Hospitals NHS Foundation Trust** and Walsall Healthcare NHS Trust as well as support for STPs and integrated care systems. We also work with national bodies, including NHS Improvement and the Care Quality Commission, on issues relating to leadership and cultural change.

We were heartened by the results of our biennial stakeholder perception research, which provided positive feedback from senior stakeholders on the work of the Fund while giving us some helpful insight into how we can improve our work. Our staff survey was also very encouraging about how our colleagues feel about working at the Fund. Our results place us in the top 11 per cent of the 275 organisations covered by the company we use to carry out the survey.

The financial health of The King's Fund is strong and is underpinned by our investment assets the value of which grew to £161.0 million at the end of 2017 (2016: £154.7 million). Our activities are funded from the returns on the investment assets together with the earned income from charitable activities and trading activities. Our expenditure in 2017 grew to £15.9 million (2016: £15.3 million). Full details on the finances are given in the accounts and accompanying notes.

We welcomed Simon Fraser to the Board of Trustees in March 2017 and in July he was appointed as Treasurer, taking the place of Strone Macpherson, who has served in this role with distinction for nine years. We were also fortunate to be joined by Dr Jane Collins and Rt Hon Jacqui Smith in 2017, alongside our other new trustees, Dominic Dodd and Paul Johnson, who joined us in December 2016. Changes to the membership of the **General Advisory Council** helped ensure access to counsel and guidance from diverse sources.

Our work programme in 2018 builds on these achievements. We shall be playing our part in the celebrations of the 70th anniversary of the NHS with work on the changing relationship between the public and the NHS. We shall also continue to speak truth to power and work with leaders across the NHS and social care to support the development of improved ways of working.

Sir Christopher Kelly, Chair

Professor Chris Ham, Chief Executive

Our year in numbers



Research and analysis

31

Publications

135

Blogs

99

Articles



Developing individuals, teams and organisations

746

Programme/network participants

96%

Programme places filled

57

Organisations worked with



Promoting understanding

2,980,672

Visits to the website

115,819

Twitter followers

104,622

NHS animation views



Bringing people together

48

Conferences and events

4,200

Conference delegates

21

Corporate partners
and supporters

Objectives and activities

Our vision, mission and values

Our vision is that the best possible health and care is available to all, and our mission describes how we will achieve this:

- through our research and policy analysis
- through the work we do with individuals, organisations and communities – building their capability, supporting them to adopt best practice and share learning
- by bringing people together through events and networks to discuss and learn from evidence from the United Kingdom and across the world
- by promoting greater understanding of health and care policy and practice – helping people to make sense of a complex and rapidly changing environment.

Our values underpin the work we do:

- we are committed to maintaining our independence
- we are collaborative and supportive
- we are positive and engaged
- we strive for excellence
- we act with integrity.

Our strategic goals and priorities

Our **2016–2019 strategic plan** sets out four goals that show how we seek to improve care and seven priority areas that we will focus on between 2016 and 2019. We identified these by talking to stakeholders, looking at the health and care environment and considering how our skills and knowledge can deliver the most impact.



In developing the goals and priorities in our strategic plan, three themes emerged that matter to our staff and stakeholders and make a difference to both what we do and how we work: diversity and inequalities; patient, service user and individual involvement; and innovation. Our aim is to assess how these themes are addressed in our work programme and how the Fund itself can model best practice.

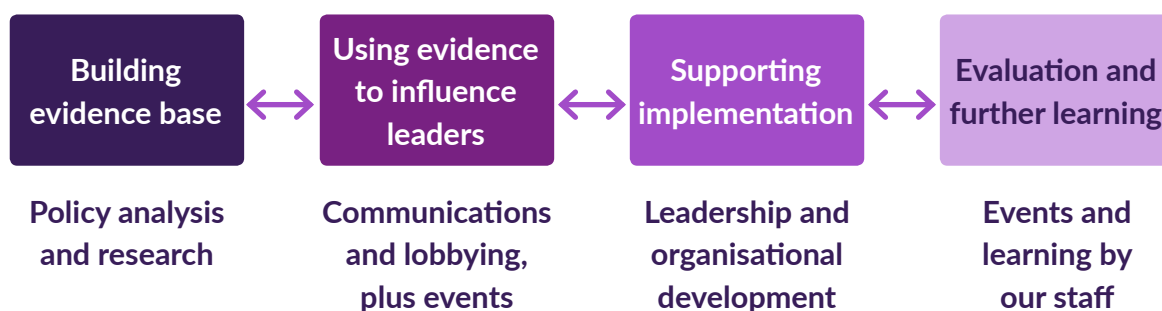
Steered by the priorities in the 2016–19 strategic plan, our 2017 operational plan set out our objectives for the year. The overarching theme of our work programme was sustaining and transforming health and care, against the challenging backdrop of increasing financial and service pressures.

How we measure our external impact

Although it is challenging for an organisation that is 'one removed' from direct patient care and policy-making to measure our impact, we can use several valuable proxies. For example, to establish whether we reach our intended audience we review data on the number of visitors to our website, how widely our materials are downloaded and shared, attendance at events and on leadership programmes, levels of media coverage, the number of people who subscribe to regular communications from the Fund.

At a strategic level, our external priorities include examples of the changes we would like to see, to help build a clear picture of what we are working towards. In addition, three key considerations have shaped the Fund's approach to measuring external impact.

- **It takes time to achieve impact in much of our work.** We know we make the most impact when we work on issues over a number of years, particularly when we are seeking to bring about major change. Reflecting this, the impact stories in this report are taken from the period covered by our 2016–19 strategic plan.
- **Our impact is rarely related to a single intervention.** Rather it results from the cumulative effects of a linked and extended programmes of work that we have aligned our expertise across the Fund to deliver, using the model below. For this reason we aim to make programmes and not projects or individual outputs the main unit of analysis for impact assessment.



- **Our work is designed to influence the climate and framing of debate rather than a specific policy position.** This means that some of the changes we want to see cannot be detected in a government policy document or a ministerial speech. Although this is difficult to capture, we are developing our capability to gather soft intelligence as evidence of more subtle and intangible changes.

Achievements and performance

Our achievements against our priorities and goals are described in this section. We outline our plans for 2018 on pages 44 to 45.

Goals **1** and **2**: Health and care systems

To meet the needs of a changing population, health and care systems need to work differently to develop new models of care that deliver more integrated and population-based care. We are seeing progress with the new care models described in the *NHS five year forward view* – sustainability and transformation plans and integrated care systems – but much more needs to be done to make this vision a reality.

The changes we want to see

- Widespread redesign of services to better join up care (including physical and mental health services) based on the best evidence and examples from the United Kingdom and internationally.
- A shift in debate and policy towards population health.
- Policy and regulatory barriers to more joined-up and effective systems of care to be addressed.
- An increase in the number of leaders with the skills and capability to lead in a collaborative way across systems of care.

How did we do against our plans for 2017?

Planned

Support primary and acute care system (PACS) and acute care collaborative (ACC) networks via the contracts with NHS England

Delivered

We were commissioned by NHS England to provide **support** to the primary and acute care systems (PACS) and acute care collaborations (ACC) vanguards for a third year, and to work more closely with the multispecialty community providers (MCP) network. The groups have shared learning across a range of issues, including leadership, governance, clinical engagement and culture change.

We have also been commissioned by NHS England to provide tailored on-site support to the 10 areas selected to lead the development of integrated care systems.

We have brought international leaders to the Fund to share their learning on integrated care: our International Visiting Fellow, **Don Berwick**, has continued to support the development of new care models, and we've heard from experienced leaders from **Canterbury** in New Zealand and the **Montefiore** health system in the United States, in **reports** and at **conferences** and online events. In addition, we are supporting the development of integrated care by working with leaders from around the country through five **learning networks**.

We have also worked in several areas to support the implementation of new care models, for example in Salford, Bedford, East Berks, Bucks, Warwickshire, Liverpool, Morecambe Bay, North Central London, Greater Manchester, City and Hackney, and Northumberland.

Follow up our November 2016 STP report and develop our organisational development offer for STPs and new care models

In February 2017, we published ***Delivering sustainability and transformation plans: from ambitious proposals to credible plans***. Our analysis of the development of STPs has contributed to debate at a national level and influenced how they are being implemented at a local level – read more in the impact story on page 12.

Planned

Delivered

Publish a report on mental health in the vanguards in partnership with the Royal College of Psychiatrists

Look at the organisation of clinical care at the NHS front line

Publish a vision for the future of community health services

We worked with STP leaders from Frimley Health; Bedford, Luton and Milton Keynes; North East London. Our **approach** is to work in partnership with leaders 'in place' providing tailored support and an appropriate level of challenge to provoke new ways of working.

We held several events to support the implementation of STPs, including an **online webinar**, a conference in **Manchester** and events on **new models of care**.

We were commissioned by the Mayor of London to assess London's five STPs, publishing an independent **report** in September.

We published ***Mental health and new models of care: lessons from the vanguards***.

We've also shared learning and ideas about mental health in our **integrating physical and mental health care learning network**, bringing senior clinicians and managers from across the country together to help them work collectively to overcome common challenges and learn from best practice.

We published a **report** looking at the reality of caring for acutely ill medical patients at the NHS front line. The report comprised a series of essays by frontline clinicians, managers, quality improvement champions and patients and was launched at a **stakeholder event** exploring these issues.

Building on **earlier work**, we carried out research and analysis to understand the challenges facing community services and how they need to change to respond. We published a **report** in January 2018.

In October, we held a **conference** to look at how we can make the best possible use of community health services to meet the changing needs of the population.

OUR IMPACT HEALTH AND CARE SYSTEMS

Integrating care: from policy to practice

The issue

To respond to the needs of a growing and ageing population and the huge pressures facing the NHS, health and care systems need to work differently by providing more care closer to people's homes and breaking down barriers between services. This means co-ordinating services to provide **integrated care** for patients, especially the growing number with multiple long-term conditions.

What did we do?

We have spent many years making the case for integrated care. Building on this work, we sought to move the debate on to **population health**, publishing reports that argued that NHS organisations should collaborate and work with other partners to improve the health of their local populations. Following the government's introduction of sustainability and transformation plans (STPs) – which brought together NHS organisations and local authorities to develop plans for health and care services in their areas – our high-profile reports and national conferences analysed how the plans were being developed and implemented. We have also been

at the forefront of work to develop new models of care, publishing several reports and holding numerous events to share learning.

Throughout this time, we have supported leaders to implement integrated care locally, working with them to ensure implementation is informed by evidence and good practice. In 2015, we were commissioned by NHS England to run communities of practice to support the vanguard sites developing new models of care. Building on the success of this work, we were asked to support the first wave of integrated



care systems (ICSs), working closely with them as they moved from 'shadow' form to become fully operational in April 2018. At the same time, our Leadership and Organisational Development team has run several learning networks and been commissioned directly to support a number of local areas and organisations looking to develop integrated care.

What was the impact?

Our work to influence national policy has played an important part in the move away from competition and market-based approaches to reform towards collaboration and developing local systems of care. By the time the NHS five year forward view was published in 2014, integrated care was firmly ingrained in national policy and was central to the new care models developed in 50 'vanguard' areas around the country.

Our work shaped the development of STPs. Much of our thinking was reflected in NHS England's update to the Forward View in March 2017, which announced the development ICSs, a practical manifestation of the approach we have advocated and supported.

Our in-depth knowledge of integrated care has fed into our work to support leaders as they seek to join up health and care services. We have worked with leaders in more than 50 places across England – including vanguard areas, the leading ICSs, and sustainability and transformation partnerships – to have a direct impact on implementation.

Thank you very much for facilitating the day with the Nottingham and Nottinghamshire [ICS] Leadership team...The feedback we have received has been very positive and I think it helped enormously in understanding the developing national picture, our common purpose and building trust.

David Pearson CBE, Deputy Chief Executive Nottinghamshire County Council and ICS/STP lead for Nottingham and Nottinghamshire

Building trust: integrating health and social care in Salford



The issue

Health care commissioners and providers in Salford have been at the forefront of moves to break down barriers between services and provide more joined-up care for patients with multiple and complex needs. In July 2016, they launched a new Integrated Adult Health and Care Commissioning Joint Committee; representatives from the local authority and the clinical commissioning group (CCG) came together in a single body responsible for overseeing the funding and delivery of all health and care services for adults. The Committee brought together elected politicians, GPs, officers from the local council and managers from the CCG. Incorporating such a wide range of experiences and perspectives meant the Committee needed to work in new ways across professional boundaries, building trust and developing new relationships.

What did we do?

We were asked to support the newly established Committee with a nine-month organisational development (OD) programme. While there were some existing relationships between council officers and CCG managers, the councillors and GPs had no history of working together. A key objective, therefore, was to develop and strengthen relationships.

We started – as we do in many of our OD programmes – with interviews and research to understand the particular issues facing the group, and this guided how we worked with them. The data revealed many shared values and commitments but also highlighted differing perspectives and assumptions. By surfacing these, they could be openly discussed in facilitated development sessions, using a range of different tools and approaches to support constructive conversations.

The development sessions covered a range of issues such as system leadership capabilities, priority-setting and developing a shared understanding of strategic commissioning. The programme was flexible, which meant we could respond to needs as they emerged, whether that was to share learning between GPs and councillors, or work on real issues they were facing as a group, such as the impact of proposed service cuts.

What was the impact?

Our work helped the Committee move from being a group of disparate individuals with a common aim to one with open and constructive ways of working to help them achieve shared goals. It revealed many complex issues and difficult tensions. The value we brought was not to 'resolve' these issues – indeed some of them may not be resolvable – but to bring them to the surface so that they could be discussed rather than left as unspoken obstacles to progress.

One of the signs of the programme's success was the willingness of participants to take the skills they learned in the development sessions and apply them during their day-to-day work, for example, applying a set of principles to work with that were reviewed at the end of every meeting. They also invited us to observe their meetings and to offer feedback based on our work with them.

Our recent work with The King's Fund has been instrumental in helping us to be honest with ourselves and our system colleagues. It has provided a safe space to share genuine concerns and demonstrate through individual conversations that we are all truly working for the benefit of the people of Salford. The respectful and considered but persistent challenge from [the Fund] helped us on our road to building trust and agreeing shared ambitions for integrated care amongst committee members.

CCG Chief Officer

Goals **1** and **2**: NHS and social care funding and productivity

Changing health and care needs, rising demand for services and a prolonged funding squeeze have left health and social care services facing unprecedented financial and operational pressures. Our aim is to lead the debate on health and social care funding, report on how the NHS is performing and identify how productivity can be improved.

The changes we want to see

- Political (cross-party) support for a long-term solution to health and social care funding.
- Adequate short- and medium-term funding in place across health and social care to both sustain services and facilitate transformation of care.
- Improvements in productivity at team and service level which draw on the best UK and international evidence of what works.
- Increased clinical engagement and leadership around better care for better value.

How did we do against our plans for 2017?

Planned

Continue to lead the debate on health and social care funding

Provide agenda-setting analysis of NHS finances and performance and investigate the impact of financial pressures on access to care

Delivered

Our work with the Nuffield Trust and the Health Foundation is established as the most authoritative analysis of health and social care funding, and our **joint briefing** had a significant impact on the debate around the Autumn Budget.

We published a **briefing** on the use of hospital beds, which was widely covered in the media, and an **article** on NHS funding.

Our **quarterly monitoring reports** and other commentary and analysis continue to lead the debate on NHS finances and performance.

We published a high-profile **report** on the impact of financial pressures on access to care across four different parts of the health system: genito-urinary medicine (GUM), district nursing, elective hip replacement and neonatal services.

Planned

Publish more on how the NHS can improve productivity and deliver better-value care

Delivered

Our report on **Getting it Right First Time** raised the profile of this initiative, which is tackling variations in care.

We held a **roundtable event** in June and carried out a series of interviews to inform our **research**. A report will be published in Spring 2018.

We also published a **report** on the findings of an evidence review in relation to estates strategy, commissioned by the Department of Health to support the work of Sir Robert Naylor's **review** of NHS estates and property, and ran a **conference** on maximising the value of the NHS estate and back-office systems.

OUR IMPACT

NHS AND SOCIAL CARE FUNDING AND PRODUCTIVITY

Separating fact and fiction: health and social care funding

The issue

NHS and social care funding are never far from the media and political spotlight. In a highly charged political environment in which competing claims are made by politicians and conflicting views reported by the media, it is vital that the debate about health and social care spending is informed by robust independent analysis.

What did we do?

In 2015, we began working in partnership with the Nuffield Trust and the Health Foundation to inform the debate around major statements of government spending such as the Budget and Spending Reviews. By working together, we aimed to provide a single, authoritative and independent analysis of health and social care funding.

nuffieldtrust



In December 2015, we jointly published an assessment of what the government's Spending Review meant for the NHS and social care. This challenged the government's claim that it had provided the NHS with a real-terms funding increase of £8 billion a year by 2020 and showed that, once cuts to certain budgets were factored in, the increase in health funding was closer to £4 billion a year.

We joined forces again to update our analysis ahead of the Autumn Statement in November 2016. This time, we warned that, unless additional funding was provided, spending cuts would result in a £1.9 billion funding gap in social care in 2018/19.

Ahead of the 2017 Autumn Budget, we published **new analysis** showing that a £4 billion increase in NHS funding was needed to prevent standards of care from deteriorating.

What was the impact?

Media and politicians increasingly regard this work as the most authoritative analysis of health and social care funding. In its report on the outcome of the 2015 Spending Review, the Health Select Committee endorsed our assessment of how much funding had been provided to the NHS and criticised the government's presentation of the figures.

Our analysis of the social care funding gap was regularly quoted around the 2016 Autumn Statement, which saw the government announce significant additional funding for social care.

In 2017, our analysis ahead of the Budget was cited by Simon Stevens, Chief Executive of NHS England, in a **high-profile call** for more funding for the NHS. Our estimate that £4 billion in additional funding was required was widely quoted in the media and in parliament as the definitive assessment of how much money the NHS needed.

We will carry on working in this way with the Nuffield Trust and the Health Foundation to ensure the debate about health and social care funding is informed by rigorous independent analysis.

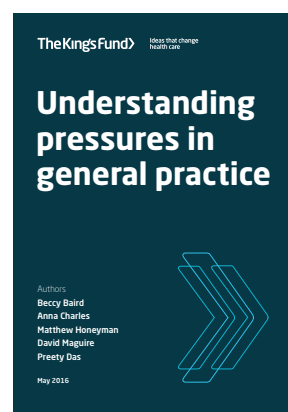
Shining a light: general practice under pressure

The issue

General practice has been under growing pressure in recent years. GPs are facing an increase in the volume and intensity of their work, while large numbers are retiring and leaving the profession and patients are finding it more difficult to access appointments. This has led to a feeling of crisis but understanding the reasons behind this was hampered by a systemic lack of data and analysis.

What did we do?

To form a clearer picture of what was happening, we undertook a major research project leading to our May 2016 publication, *Understanding pressures in general practice*. This combined more than 60 interviews with practice staff, a workload survey of 50 practices and a survey of more than 300 GPs in training, with new data on activity in general practice, sourced through an agreement with one of our **corporate supporters**, TPP. This enabled us to analyse 30 million patient contacts from 177 practices, making the report the most comprehensive assessment of the pressures on general practice published to date.



The report was the Fund's first major publication on general practice since 2011. We are building on it by **researching** new models for delivering GP services that could alleviate the pressure on practices and improve services for patients. This work is exploring a range of different service models from the UK and abroad and will culminate in a report to be published in June 2018. We are continuing to monitor the pressures on general practice through our ongoing data agreement with TPP.

What was the impact?

Our report generated widespread coverage in the media. It remains the most comprehensive assessment of demand and activity in general practice and has played an important role in building understanding of the 'crisis' in general practice.

The report led to extensive engagement with national policy-makers. This included helping the Cabinet Office design its work programme on primary care; membership of NHS England's oversight group on a new GP contract; working with NHS England as it develops the revised GP patient survey. We have also supported NHS England and the Department of Health and Social Care to develop processes for monitoring workload in general practice.

Goals **1** and **2**: Communities and population health

Alongside developing new models of care, a stronger focus is needed on preventing ill-health and promoting the health and wellbeing of local populations. Building on a growing body of work, we develop the evidence base and tools for policy-makers and community bodies (voluntary organisations, local authorities, housing associations and others) to use to support a focus on the health of local populations. In 2017 we increased the resources devoted to this goal, in response to feedback from our stakeholder perception research. The consequence has been a significant increase in our publications and broader efforts, most of which have reached fruition in late 2017 and early 2018. This means we will look to track the impact of 2017's investment in 2018.

The changes we want to see

Health and care systems at all levels will focus on population health with a core focus of reducing inequalities. This will mean that:

- central government will assess the impact of relevant policies across departments on health and health inequalities and adapt their implementation in response
- local policy and practice will be evidence based and an increasing proportion of resources will be directed towards cost-effective prevention delivered through integrated models of care that include services beyond traditional health and social care
- the contribution that individuals, communities and volunteers make to population health will be fully recognised, supported and, where appropriate, integrated with public services to help deliver health and wellbeing.

How did we do against our plans for 2017?

Planned

Publish a report on the future of HIV services

Publish a report reviewing the existing structures and performance of the public health system in England, and how this needs to change to be fit for future challenges

Bring together learning on cities and population health with a focus on what London can learn from other cities

Continue with the GSK IMPACT Awards programme and undertake new work to mark its 20th anniversary

Delivered

We published a **report** in April, exploring the challenges and opportunities facing HIV services in four areas in England and making recommendations on future development. The report was launched at a free **conference**, which focused on what practical actions to progress the recommendations.

We continued our research on this **project**, with a report due to published in 2018.

In a separate piece of work, we looked at the benefits of social prescribing and shared best practice at an **event** in May, and published **website content** to explain how it works and fits in with wider health and care policy.

We continued our research on this **project**, with a report due to published in 2018.

The **GSK IMPACT awards** celebrate excellence in charities that improve health and wellbeing in their communities. In May, we announced the overall winner, PAC-UK, a charity supporting children and families affected by adoption.

We marked the 20th anniversary of the awards by publishing ***Building resilience and sustainability – tips for charity leaders***.

Following a very positive evaluation, we increased our impact on voluntary sector leadership by rolling out the **Cascading Leadership** programme in partnership with Comic Relief and the Big Lottery Fund.

Planned

Take forward our work on how people with multiple unhealthy behaviours impact on local service provision, looking at how local services are adapting to confront this increasing challenge

Build on our previous work on volunteering by examining the scale, scope and value of volunteering in primary care

Delivered

We worked on this project in 2017, publishing a [report](#) in March 2018.

Our [paper](#), published in February 2018, explores ways in which volunteers are involved with, and are contributing to, general practice. Our [work](#) on relationships between commissioners and the voluntary, community and social enterprise sector was also published in February 2018.

OUR IMPACT

COMMUNITIES AND POPULATION HEALTH

Sharing learning: leadership in the voluntary and community sector

The issue

The voluntary and community sector (VCS) plays a vital role in the health and care system, with more than 36,000 VCS organisations providing health and care services throughout the UK.

Historically very little time or funding has been devoted to leadership development in the VCS sector. Many of its leaders say they feel isolated in their role and unable to access leadership development opportunities. With the VCS under pressure from cuts in funding and facing significant challenges, **national reviews** have emphasised the importance of building leadership capability in the sector.

What did we do?

The King's Fund has a long track record of supporting leadership development for VCS leaders. For **20 years**, we have run the **GSK Impact Awards** in partnership with, and funded by, GSK. The Awards provide funding and leadership development for charities doing ground-breaking work to improve people's health. Since 2012, we have hosted a **leadership network** for award winners, involving more than 70 VCS organisations. The network enables members to explore the challenges they are facing, share their experiences and provide peer support.



Celebrating 20 years of the
GSK IMPACT Awards
in partnership with The King's Fund

In 2016, we extended the reach of this work by piloting the **Cascading Leadership programme** in partnership with GSK and Comic Relief; this enabled high-performing GSK IMPACT Award winners to share their learning and skills with other charities working in health and social care. Following a positive **external evaluation**, we rolled the programme out in 2017 with £250,000 worth of support from Comic Relief and the Big Lottery Fund. There were 80 places available on the free-to-attend programme, with participants benefiting from leadership development and support worth up to an estimated £3,000.

What was the impact?

Over the past 20 years, 197 charities have won a GSK IMPACT Award, benefiting from funding, national recognition and leadership development. For many winners, while

the money is welcome, it is the access to the leadership support and the Network that is **most valued**. This has been a catalyst for many of the charities to grow and develop their services.

Some people apply for a GSK IMPACT Award to get access to the Network and that gives you an indication just how rare it is to get this quality of training. The Network really makes the difference in keeping and growing the standards we achieved to gain an Award, especially when training is so often the first thing to go when organisations have difficult funding decisions to make.

Network member

The Cascading Leadership programme will extend this impact to even more charities. The external evaluation of the pilot concluded: 'Without exception, [the 30 charity participants] view Cascading Leadership as a success in terms of the benefits they have gained both individually and organisationally.' When we opened the programme for applications to the 80 initial places, we had more than 1,000 expressions of interest, underlining the need for this kind of support. We are evaluating the impact of the current programme and will use this to further develop the support that the Fund provides for VCS leaders.

Assessing HIV services: shaping future policy and services

The issue

The impact of HIV on people's lives is changing. Advances in treatment mean that many people with HIV are now able to live long, healthy lives. At the same time, prevention continues to be important but is complex as the at-risk population groups are diverse and need different approaches.

Alongside the changing nature of HIV infection, reforms implemented by the Health and Social Care Act 2012 have made the arrangements for planning and overseeing HIV services complex, with responsibilities divided across many organisations. HIV services need to change, but the fragmented responsibilities mean that it is now harder to plan and agree change across local health systems.

What did we do?

We carried out a major independent assessment¹ of the state of HIV services in England, with the aim of making recommendations about how services need to change to meet the needs of more than 100,000 people living with HIV in the UK. This culminated in a **report**, launched at a major conference in April 2017 where more than 180 delegates discussed our findings and shared ideas for practical actions for planning HIV services in the future.

The report built on previous work to involve patients in our research. **Involving people living with HIV** in designing the research and shaping the recommendations gave us a real insight into the challenges of being at the centre of a very complex health and care system and how services could develop to ensure the best possible quality of life for people living with HIV.

What was the impact?

This project helped us to enhance our **approach** to involving patients in our work, by showcasing the value that they can add and ensuring that we have a rigorous framework of supporting policies and processes.

The research itself made a significant impact in the understanding of HIV as a long-term condition that increasingly affects people living into older age, as well as younger people, and the need to engage primary care and social care in HIV services as well as specialists. Influenced by the report, NHS England is taking forward recommendations



1. This project was funded by a grant from the M-A-C AIDS Fund, a charity established to support people living with HIV/AIDS worldwide. The King's Fund was entirely responsible for independent research, analysis and reporting of the project.

to trial new service models and to reduce stigma about HIV in the NHS – an area of continuing concern that had no clear lead responsibility. The report has been drawn on widely in local service development, especially in London, where we highlighted an exceptionally complex distribution of responsibilities, and in national initiatives, for example, in relation to workforce planning.

The conference brought people together to share learning and ideas, and take action:

I have to say I think this event genuinely shifted something in various hearts and minds...you have achieved something no one else in the field could have... some consensus on what we can do next! I think what has happened today could be monumentally significant.

Director of Public Health

Goals **1** and **2**: Culture and leadership

Health and care leaders are facing significant challenges and a period of considerable change. Through our open programmes, learning networks and organisational development work, we support local leaders in addressing the challenges they are facing and develop their leadership capabilities. We also aim to provide thought leadership and develop practice by producing research and analysis on leadership issues.

The changes we want to see

- Increasing numbers of clinical leaders able and supported to take on senior roles.
- Increasing numbers of leaders able to lead across systems of care by understanding and adopting a relational approach to leadership.
- Improvements in organisations' performance and outcomes related to leadership, evidenced by a greater number of organisations scoring highly against the Care Quality Commission 'well-led' framework.
- A strong evidence base for patient leadership and increasing recognition, within the health and care system, of its value.

How did we do against our plans for 2017?

2017 was a year of transition for our Leadership and Organisational Development work; we implemented a new strategy to reposition our offer around organisational development; recruited a number of new members of staff to develop our organisational capability and deliver the new strategy; reviewed and developed our portfolio of **open programmes**.

Planned

Deliver our annual leadership summit

Work with local leaders to support them in delivering change

Delivered

Our **seventh annual leadership summit** focused on collaboration and working across organisational boundaries. Just ahead of the summit, we published a **paper** on how compassionate leadership results in innovation

More than 700 health and care professionals participated in our **open programmes and learning networks**, a significant increase on the previous year.

We developed a new programme – **Building your authority** – to help emerging leaders influence beyond their roles.

We also developed a new **learning network** for people working at the interface between care homes, housing, health and social care, bringing together partners from these areas to work collaboratively; the first network will run in 2018.

Alongside our open programmes, we were commissioned by a wide range of organisations to develop leadership programme in place. For example:

- Imperial College Healthcare NHS Trust: we delivered its 12-month strategic leadership programme for senior leaders
- London North West Healthcare NHS Trust: we delivered a bespoke strategic leadership programme drawn from our open programme knowledge and experience.

Planned

Delivered

Research clinical engagement in organisations going through high levels of change

Drawing on our research and organisational development work in this area, we published a **report** in May offering guidance on leading new systems of care.

Develop leadership strategy tools (with NHS Improvement)

We started a **project** to understand the personal experiences of those involved with transformational change. The research phase included a literature review and interviews in four provider organisations that have demonstrated excellence in leading and implementing a transformational change initiative. A report will be published in Spring 2018.

Provide OD support to organisations in transition

We are continuing to influence leadership in NHS providers through our **work with NHS Improvement** to deliver online tools to support organisations in developing their leadership culture.

Develop our offer for supporting local areas to work more collaboratively with patients and the public

In 2017, we were commissioned by a range of organisations to provide bespoke organisational development. For example, we started work with **Cambridge University Hospitals NHS Foundation Trust** on a leadership development programme to support the trust on its ambitious long-term improvement strategy. We also worked with Walsall Healthcare NHS Trust – you can read more about this on page 33.

We also developed a **programme** for OD professionals working in the NHS, helping them to support cultural and behavioural change in their organisation.

We have continued to build our reputation around patient leadership, running our **Leading collaboratively with patients and communities** programme as well as carrying out in-house consultancy work to support NHS organisations to work collaboratively with patients.

We held a **conference** in November, in partnership with NHS Clinical Commissioners and National Voices, for people leading local health care service redesigns to share best practice on public engagement.

Planned

Do further work on quality improvement to improve the safety, experience and effectiveness of care

Delivered

In October, we co-authored a **report** with the Health Foundation on making the case for quality improvement, sharing lessons for NHS boards and leaders. An **event** in November was a further opportunity to share good practice around leading, implementing and embedding quality improvement initiatives.

We published a **report** specifically looking at quality improvement in mental health, offering insights for others.

A number of events in 2017 focused on quality improvement, including two popular **online events** with **International Visiting Fellow Don Berwick**.

Achievements under goal 1 were mainly delivered by teams who work in the 'research and analysis' category as set out in note 9 to the accounts. Achievements under goal 2 were mainly delivered by teams who work in the 'developing individuals, teams and organisations' category as set out in note 9 to the accounts.

OUR IMPACT **CULTURE AND LEADERSHIP**

Fulfilling potential: the Athena programme for women



The issue

Although women make up more than three-quarters of the NHS workforce, they remain under-represented in leadership roles. Global, national and NHS data all show that women face several barriers to progress including organisational cultures, unconscious bias, work-life balance and personal expectations. This needs to change: having women at the top of organisations has been shown to improve culture and boost organisational performance. Recognising this, the NHS has **committed** to a target of 50 per cent women on boards by 2020.

What did we do?

For more than 20 years, our **Athena** programme has supported women to fulfil their potential as leaders. It provides a safe space that enables women to share and discuss the challenges they face and help them recognise and navigate the conscious and unconscious assumptions they and others may have about their potential.

The programme is divided into four three-day modules that take place over nine months. The approach to learning is practical and is based on learning through experience and working with real-life situations. Participants look critically at how they

work – with their team, their organisation and the wider system. Learning is supported in a range of ways including one-to-one coaching, peer-to-peer support and action learning sets, where small groups address complicated issues by meeting regularly and working through problems collectively.

What was the impact?

The programme has supported and developed more than 400 women over the past 20 years. In our evaluation of the programme, participants tell us that they think and behave differently as leaders because of the programme: they are more confident; they have greater self-awareness of their strengths and contributions; they take a much more strategic approach to their roles and are more resilient in a system that places high demands on its leaders. Our long-term follow up indicates that the majority of participants have progressed into senior positions and that they often directly attribute this progression to coming on the Athena programme.

I came away feeling much more confident about stepping into my own authority – and being OK with that – and feeling that I could be the expert. People told me after the programme that I was much more decisive and proactive and, as my career has progressed, I've held on to that learning.

Athena participant

Working in partnership: Walsall Healthcare NHS Trust



The issue

Walsall Healthcare NHS Trust was placed in special measures by the Care Quality Commission (CQC) in 2016, after it was rated as 'inadequate' on the safety and effectiveness of its services and the quality of its leadership.

Working in collaboration with NHS Improvement, the trust board committed to developing a comprehensive improvement strategy, restructuring its leadership and developing a culture to support innovation and quality improvement. The board identified the need for organisational development (OD) to help make this happen.

What did we do?

The trust commissioned us to deliver an OD programme to support the new clinically led divisional leadership teams – each of which comprises a clinician, nurse and operational manager – and 75 senior leaders from within those divisions. The aim of the programme was to help embed the new leadership structure and develop leaders' skills and abilities, enabling them to lead service improvements and innovations.

Our **approach** is to work alongside the people dealing with the challenges facing an organisation, enabling them to implement change. When we started working with the trust, it was facing huge financial constraints, staff were working under enormous pressure and regulatory scrutiny was intense. In the face of this, leaders were focused on managing immediate priorities, with people working in silos and

little communication between teams. The challenge was to help leaders get past the immediate pressures, build their confidence and improve relationships as a prerequisite to transforming the culture of the organisation.

Working with the OD team at the trust, we co-designed the programme and co-ordinated the work alongside programme participants. Leaders took part in facilitated workshops and worked through complex problems, testing ideas for change and improvement and clarifying roles and responsibilities. This enabled leaders to surface and understand the issues and then work through solutions together, developing more open and effective relationships.

What was the impact?

Our work with the trust in Walsall typifies our OD work: it was challenging; there was no guarantee of success; it took time to deliver results. The environment was one of constant upheaval and flux so we needed to continuously adjust our approach to meet the needs and readiness of participants to engage with the programme and, due to the pressures at the trust, not all participants were able to complete it. However, our work played an important part in helping the trust begin its improvement journey. Feedback from participants was positive, with 97 per cent agreeing that the programme improved their understanding of relationships and influence within their peer group, and 76 per cent agreeing that their learning had made a positive difference to how they lead.

Bobbie Petford, Organisational Development Practitioner at the trust, worked with the Fund's organisational development specialists on the programme.

The King's Fund's approach – which focused on relationships and experiential learning – was very different to most other development our colleagues had experienced before. It was therefore initially quite challenging for some but proved highly effective. What worked well was the combination of co-creation, honesty, modelling and practical application. The change brought about by the programme is continuing to grow.

Following on from the programme, the trust has continued to build its learning culture, setting up a Quality Improvement Faculty and continuing to support leaders with coaching and mentoring. In 2017, the CQC found considerable improvement in many areas, noting the positive impact of the new leadership structure, increased visibility of senior leaders and clearer lines of accountability. The trust moved from an overall rating of 'inadequate' to 'requires improvement'.

Goal 3: Provide valued information and insight

Helping our audiences to understand the complexity of the health and care system is a key part of our role and our sense-making material – briefings, animations and other digital content – is increasingly popular.

Our ambition for this area of our work

- We want to be the most trusted source of commentary, analysis and explanation on health and social care.
- Politicians, policy-makers and health and social care leaders will actively seek our advice and expertise to inform their work on emerging issues and areas of policy
- We will improve understanding of the health and care system and how it works – those working to deliver care, including clinicians, health and social care professionals and patient leaders will value and share our sense-making content
- Our events will be the number one source of policy insight, inspiration and transferable learning for people in the health and care sector.

How did we do against our plans for 2017?

Planned

Deliver our new website

Deliver a new package of bulletins and information products

Delivered

Our new website was delivered on time and on budget in August 2017.

We reviewed our email newsletters and have implemented a number of changes as a result.

We launched a new digital health digest, a fortnightly email and our sixth specialist newsletter.

Our information centre continues to be a valued resource centre and online resource. The number of people using our information enquiries service has increased, and we're seeing more questions from members of the public about how the health and care system works.

Planned

Develop our capability for data visualisation and making more use of data telling the story of 'the new NHS' as it unfolds and as the NHS five year forward view is implemented, continuing to publish content that helps our audiences make sense of what's happening in health and social care

Continue to run our popular events programme and to reach out to audiences outside London through our events programme and by hosting more online events

Delivered

We published a wide range of explainers and other **sense-making content** in 2017, including content on **NHS funding, A&E, sustainability and transformation plans, social prescribing** and a series of videos explaining **social care**.

We updated our NHS animation to reflect changes in the NHS – read more in the impact story on page 38.

We ran an extensive range of events in 2017, including conferences, an **international congress on digital health and care**, lectures, seminars, and workshops, welcoming more than 4,200 delegates to the Fund.

Our annual conference remains one of our most popular events. In 2017, it ran over two days, with a focus on improving population health and prioritising prevention on day one and improving the efficiency and quality of care on day two.

We hosted seven online events, with an average of more than 400 viewers per event.

We ran two events outside of London in 2017: one in Manchester on **implementing sustainability and transformation plans**, and another in Leeds on **sharing health and care records**.

In October, we held our first ever **Ideas that change health care festival**. An innovative event for the Fund, the festival shared ideas to inspire and challenge the future of health care, covering a diverse range of topics such as artificial intelligence, genomic medicine, and the power of collaboration.

Planned

Deliver a limited range of activity to celebrate the Fund's 120th anniversary

Provide an independent analysis of health and social care issues in the run-up to the 2017 general election

Explore the relationship between the public and the NHS and how it has changed as the service approaches its 70th anniversary

Delivered

We marked the 120th anniversary through a series of **blogs and stories** on the website.

We published a wide range of **content** to inform the debate. Our **NHS in a nutshell** on NHS funding was the most popular piece of election content, and our views on funding were widely quoted in the media.

In 2017, we kicked off a **project** to explore the relationship between the NHS and the public with an **analysis** of polling on public attitudes to the service and a number of blogs. This project will continue into 2018.

Achievements under goal 3 were mainly delivered by teams who work in the categories 'Research and analysis', 'Promoting understanding' and 'Bringing people together' as set out in note 9 to the accounts.

The animation proved hugely popular, underlining the need for engaging content that provides a simple explanation of complex health policy and systems. Building on its success, we launched two further alternative guides, on **urgent and emergency care** and **mental health**. In 2017, we updated the **NHS animation** to reflect changes, such as NHS England's *NHS five year forward view* and its focus on new models of care, and the introduction of sustainability and transformation partnerships.

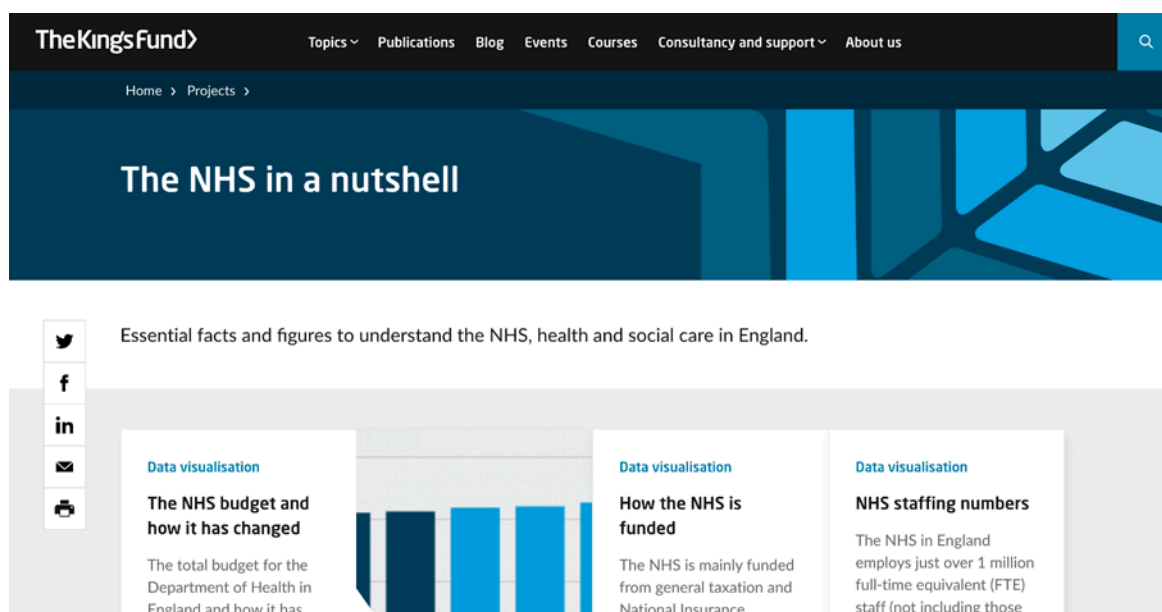
What was the impact?

The NHS animation has been our most popular piece of digital content. The updated version brought the highest ever number of visits to the website in October 2017 (316,267) and continues to get thousands of views each week. It is being used in staff induction and training sessions across the country and has been shared within NHS trusts and national bodies (eg, NHS England, NHS Providers, Royal College of Nursing) and embedded in the websites of many NHS organisations. It has also proved popular with patients and the public.

Absolutely excellent in every way. Clear, succinct, does not use jargon... As a lay person who finds it very difficult to understand and keep up with the changing structure of our health care system I am enormously grateful to The King's Fund for this video.

Website comment

Extending our reach: digital innovations



The issue

The health and care landscape is complicated, fragmented and constantly changing. The Fund aims to make sense of this complexity and be a valued and sought-after source of commentary, explanation and information, reaching out to a wide audience, including clinicians, managers, leaders, patients and policy-makers.

What did we do?

Our website enables us to share our analysis and ideas and engage with our audiences. Data tells us that content that **explains** the complexity of the health and care sectors accounts for almost 40 per cent of traffic to our site so we have focused on developing content which meets that need. For example, our popular **The NHS in a nutshell** series provides essential facts and figures on the NHS, and our explainer articles cover topics – ranging from **integrated care systems** to **social prescribing** – in more depth.

Social media has become an increasingly important channel for us in recent years, helping us to share our content more widely and reach out to a broader range of people. For example, Twitter enabled us to reach new groups of clinicians; we talked about our **research on district nursing** in a Twitter chat with the **WeDistrictNurses** community, reaching frontline nursing staff and nursing students. Our content that explains the health and care system has also helped us to extend our reach – for example, we saw a significant increase in social media followers on Twitter and Facebook following the update to our **alternative guide to the NHS**.

Building on this work to engage digitally with people who work in and around health care, we have expanded our events programme – which brought more than 4,200 people to the Fund in 2017 – to include **online events**. These have enabled us to reach more people from a wider geographical area on topics ranging from integrated care to housing and health. We have also launched a new series of podcasts and are developing an online course that will provide an introduction to the NHS on an open access online platform.

What was the impact?

In our most recent website survey, 98 per cent of people said our website was good or very good as a reliable source of independent information and insight on health and social care policy.

I find the depth of information as always very thorough, timely and relevant.

Without a doubt the best website on health and social care...

Our focus on digital communications has seen our website visits increase every year, from 231,198 average visits per month in 2016 to 248,389 average visits per month in 2017. This year-on-year growth compares very well with industry benchmarks. We have seen our social media presence grow in that time too, with Twitter followers increasing from 99,011 to 115,819.

Our online events have also enabled us to reach more people; on average, 800 people register for each event and we are reaching groups who don't traditionally come to our events.

Really enjoyed the session... It's a great way to stay in touch with current thinking especially when we are so far from London up here in Cumbria – much more cost-effective way in the current financial climate to learn.

Online event participant

Planned

Delivered

Value and recognise difference and 'prepare the ground' for more innovative ways of working

- Each of the seven themes of our survey: engagement; personal learning; management experience; wellbeing; resources; wider Fund; and change experience, was further broken down in to 51 factors in total, with improvements experienced across 47 of these.
 - The areas that didn't improve have been identified as priorities for action during 2018 and beyond, as outlined in the section on "plans for 2018"
-

We began work to increase the diversity of our workforce including looking at our recruitment practice and introducing evidence-based mindfulness as a strategy for reducing unconscious bias and promoting inclusion.

We delivered Striving for excellence – a new programme to help colleagues refresh and develop key skills that are essential to how we deliver our work, with topics including managing projects, budgeting, time management and negotiation.

Improve systems and processes to support quality, performance and customer service

Established internal resources and new processes so that we can work with our staff to continuously improve our business system and ways of working.

Implemented a new approach to internal audit, which focuses on commissioning value-added consultancy support and advice to ensure compliance and recommend improvements to internal controls and processes.

Manage income and costs to ensure financial sustainability

We continued our work to effectively manage the Fund's income and costs, including securing all necessary approvals for Dean's Mews, a new development of residential properties adjoining our building in Cavendish Square, which will be let to provide a long-term income stream. Construction is now in progress.

These achievements were mainly delivered by teams who work in the categories 'Other support departments', 'Other trading activities' and 'Facilities' as set out in note 9 to the accounts, working with other teams across the Fund.

Plans for 2018

Goals **1** and **2**: influence national policy and turn policy into practice

Health and care systems

We will build on our position as the leading authority on 'the new NHS' by continuing to analyse, explain and support the development of new models of care, STPs and integrated care. We will carry on working with integrated care systems. We will continue to bring an international dimension to this work, bringing together policy-makers, leaders and practitioners to share learning, which will inform our work to support and develop leaders. We will also continue to highlight national-level changes needed to support the integration of care locally and the move to place-based systems of care.

Funding and productivity

We will continue to position the Fund at the forefront of the debate on NHS and social care finances and performance, ensuring that we are in a strong position to analyse and comment on what is shaping up to be a very difficult year for health and care. This will include reviewing our quarterly monitoring report; continuing to work in partnership with the Health Foundation and Nuffield Trust to analyse NHS and social care funding pressures; a joint report with the Health Foundation on the long-term funding models for social care; seeking to influence the social care Green Paper; and producing more responsive analysis of financial and operational pressures. Alongside this, we will also be looking at how to improve productivity and other solutions to the pressures facing services focusing on practical actions trusts can take as well as a focus on digital technology.

Communities and population health

The increase in resources for this goal has already led to a series of publications in early 2018 including (amongst others) those on volunteering in general practice, approaches to commissioning of the voluntary, community and social enterprise sector, and case studies on local areas' innovations to tackle multiple unhealthy behaviours. In addition, we have now taken on a major project with NHS England on Healthy New Towns and are working with the Health Foundation on the problems seen with mortality in older people. The publication of our vision for public health will be an

opportunity to re-launch our work in this area, and we will continue to make the case for a broad-based, cross-government approach to public and population health.

Culture and leadership

We will continue to provide organisational development support to the NHS, making the most of our unique combination of OD expertise and in-depth policy knowledge. We will also continue to build our reputation as an OD consultancy outside the mainstream health and care system, developing our offer beyond the NHS to support health and wellbeing. We will influence the debate on culture and leadership by raising the profile of our work in this area, as well as championing the next generation of leaders.

Goal 3: be a valued source of information and insight

We will continue our work to make sense of the health and care system, share knowledge, debate ideas and discuss good practice. On our website, we will extend our successful programme of explainers and other sense-making content, launch a news series of podcasts and develop an online course; implement a new approach to data visualisation; and experiment with new ways of engaging our audiences. We will also continue to extend the reach of our events programme and build on the success of our festival of ideas.

Our **project** exploring the relationship between the public and the NHS will mark the 70th anniversary of the NHS. The celebrations will also provide an opportunity to engage our audiences by delving into our archive and looking to the future.

Goal 4: be a high-performing organisation

We will develop, deliver and communicate actions arising from the 2017 staff survey, including developing management capability and consistency and supporting staff to manage workload. We will also continue to deliver our ongoing internal organisational development programme, including raising awareness of, and support for, mental health in the workplace; improve our systems and processes to support performance and manage our income and costs to meet financial targets that support delivery of our external-facing charitable objectives.

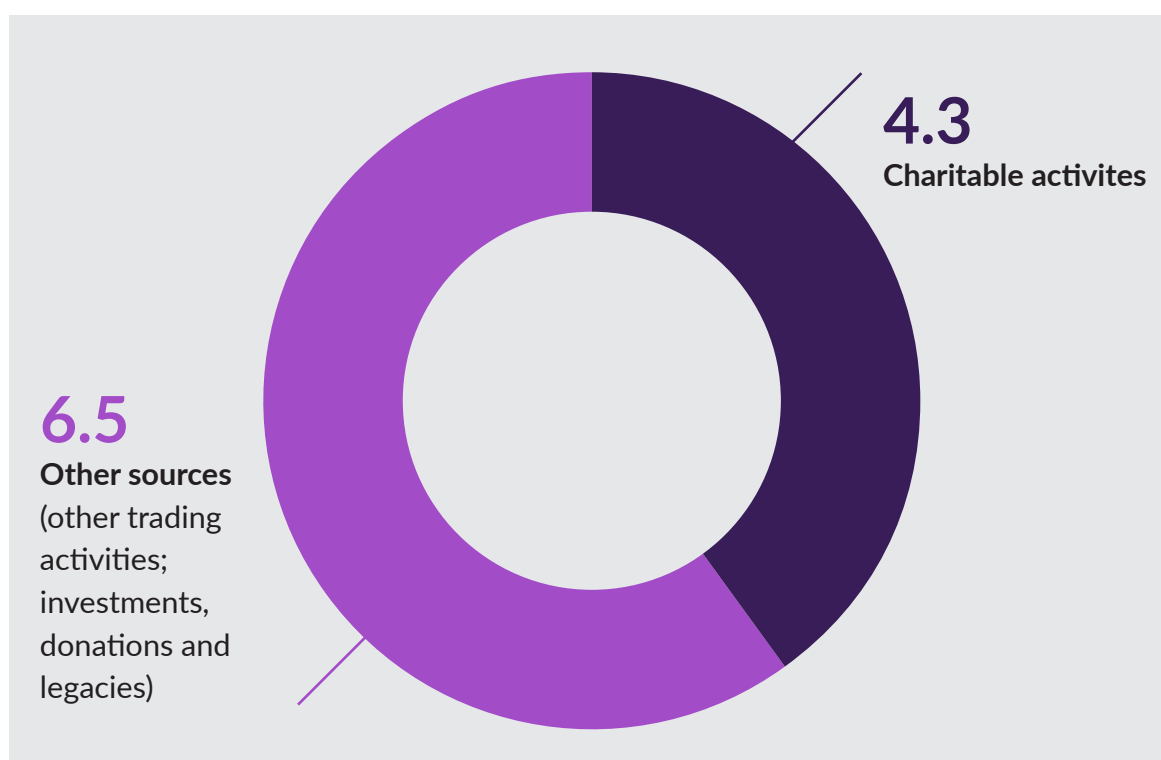
Financial review

Review of income and expenditure for the year ended 31 December 2017

Total income for the year amounted to £10.8 million (£10.8 million in 2016), of which £4.3 million (£4.5 million in 2016) was generated from charitable activities and £6.5 million (£6.3 million in 2016) was derived from other sources, namely investments, donations and legacies and other trading activities.

Income from charitable activities fell by £0.2 million between 2016 and 2017 mainly due to a growth of commissioned work for leadership programmes which fell outside our charitable objectives and therefore are now included in other trading activities. Income from other sources correspondingly increased by £0.2 million.

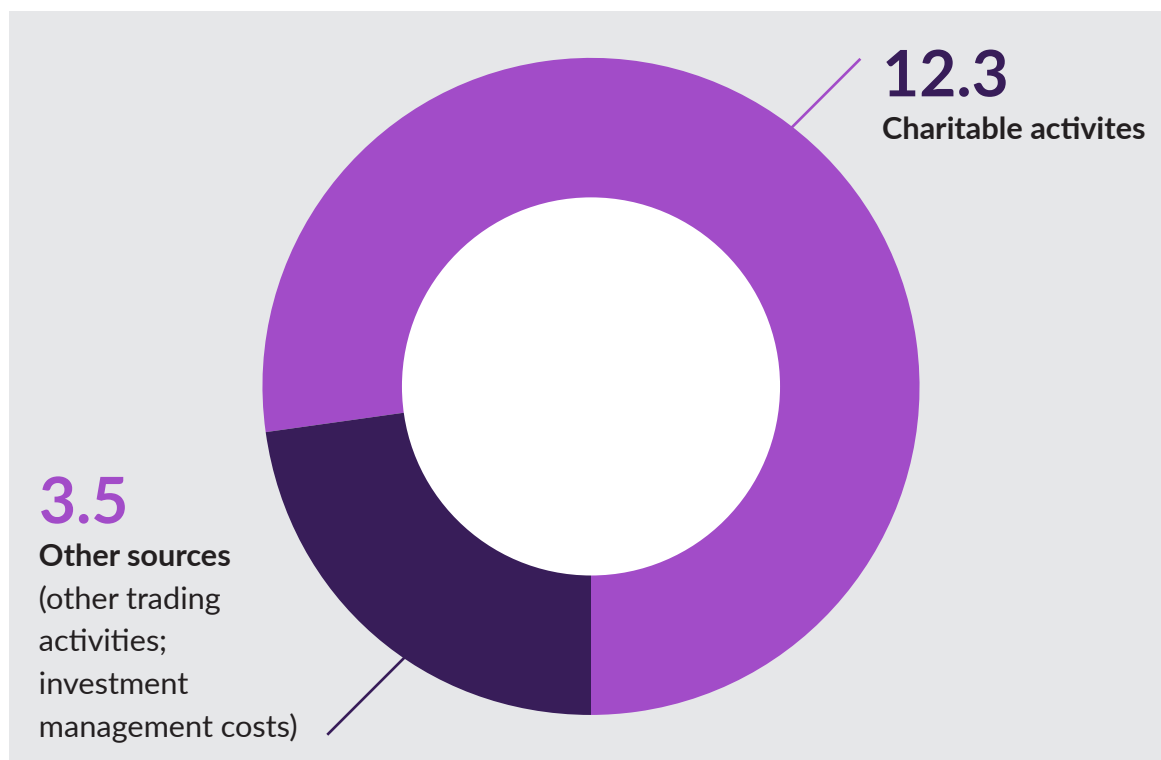
2017 income (in £ millions)



Total expenditure of the Fund in 2017 was £15.9 million (£15.3 million in 2016). Expenditure on charitable activities was £12.3 million (£11.7 million in 2016). Expenditure increased in all categories, due to increased support costs as the actuarial

adjusted pension costs increased by £0.3 million and depreciation increased by £0.1 million. Expenditure on other trading activities was £3.1 million (£3.0 million in 2016); the increase is associated with the additional income.

2017 expenditure (in £ millions)



The average number of staff employed by the Fund during the year was 133, a decrease of 1 from 2016. Total staff costs during the year were £8.8 million, an increase of 4 per cent compared with 2016. Further analysis is shown in note 9 to the accounts.

The Fund's operating deficit for the year was £5.1 million, increased from the £4.5 million operating deficit in 2016 as a result of the increased expenditure. Operating deficits are in line with the financial strategy set out below, ie, they are covered by an amount withdrawn each year from the investment capital. Withdrawals from investment capital were slightly above the budget in 2016, but within the agreed 5 per cent allowable variation, which are set with a view to maintaining the long-term value of the investment capital in real terms.

Net gains on investments during the year were £9.9 million, compared with £18.8 million in 2016. Further details on investment performance are set out below.

Net assets at 31 December 2017

The Fund's consolidated net assets at 31 December 2017 were £208.2 million. This represents an increase of £8.3 million (4 per cent) compared with the net assets at 31 December 2016. The increase is due to the Fund's net income during 2017 of £4.8 million (comprising the operating deficit of £5.1 million and net gains on investments of £9.9 million) and an actuarial gain of £3.5 million on the defined benefit pension scheme.

Net assets at 31 December 2017 comprise fixed assets of £217.6 million, net current liabilities of £0.0 million and a defined benefit pension scheme liability of £9.4 million. Fixed assets comprise tangible fixed assets of £56.0 million, intangible fixed assets of £0.5 million and fixed asset investments of £161.0 million.

During the year, the book value of tangible fixed assets decreased by £0.7 million due to depreciation of £1.0 million exceeding capital expenditure of £0.3 million. The main item of capital spend during the year was the renovation of part of the No. 11 Cavendish Square conference rooms including the Edwards and Maynard theatres and the ground floor toilets.

The intangible fixed assets book value remained level in line with 2016 and relate to: expenditure on the Fund's enterprise resource planning project, part of the Fund's internal change programme encompassing new systems, business processes and organisational development; expenditure on the development of a new website, which was launched in 2017.

The value of fixed asset investments has increased during the year by £6.3 million. This is due to £3.6 million of capital being withdrawn during the year to cover the Fund's cashflow needs, offset by net valuation gains of £9.9 million as set out in note 13 to the accounts.

Investment performance

The Trustees have agreed a strategic asset allocation, and corresponding long-term return target, for the Fund's investments held in publicly quoted equity and bonds. The allocation is reviewed regularly.

The strategic allocation and the actual allocation at the end of the financial year are shown overleaf.

Asset class	Strategic allocation %	Minimum %	Maximum %	Actual allocation % 2017	Actual allocation % 2016
UK equities	23			22.2	23.0
Global ex UK equities	37.5			42.8	34.3
Emerging market equities	12.5			13.1	11.9
Total equities	73	58	78	78.1	69.2
Inflation-linked bonds	13.5	7	17	8.2	11.5
Nominal gilts and cash	13.5	8	22	8.6	8.8
Opportunistic		0	20	5.1	10.5
TOTAL	100			100	100

As at 31 December 2017 the actual allocation percentage in total equities was temporarily above the maximum strategic allocation (78.1 per cent compared with 78.0 per cent). This was a passive breach due to the strong equity market performance and in January 2018 the level of equities reduced to within the strategic range.

The value of the Fund's total investments at 31 December 2017, comprising publicly quoted equity and bonds, private equity and property, was £161.0 million (£154.7 million in 2016). These investments produced income, net of investment management fees, of £1.8 million during the year and this income, together with £3.6 million of investment capital, was withdrawn during the year to cover the Fund's cashflow needs. After allowing for these withdrawals, the investments generated a total return of £11.7 million (7.6 per cent) and a real return, after adjusting for inflation, of 3.5 per cent.

During the year, work started to develop the properties at 7–10 Dean's Mews, adjacent to the Fund's offices in Cavendish Square, into four three-bedroom residential properties. At the year end, £3.8 million of the Fund's investments was set aside to finance this development. It is intended to hold the properties as long-term investments, primarily to generate an annual income for the Fund.

Donations and legacies

The Fund gratefully acknowledges donations and/or legacies received from the following during the past year: Her Majesty The Queen, D & KL Welbourne, D Emmerson and anonymous donors.

Financial strategy and reserves

The Fund's financial strategy is guided by its policies on expenditure, reserves and investments. The Fund's policy on expenditure is to ensure that it has sufficient resources to meet its charitable objectives over the medium term. The Fund generates money from a variety of activities that support or are complementary to its core purpose and make best use of its assets. As the money the Fund generates is insufficient to cover its total expenditure, a proportion is drawn from investment capital. In agreeing the level of resources, Trustees are mindful of their responsibility for the stewardship of the Fund's long-term mission. Trustees take a risk-based approach, which aims to balance the Fund's ambition in meeting its charitable objectives, its ability to generate income and its capacity to spend from investments, now and in the future.

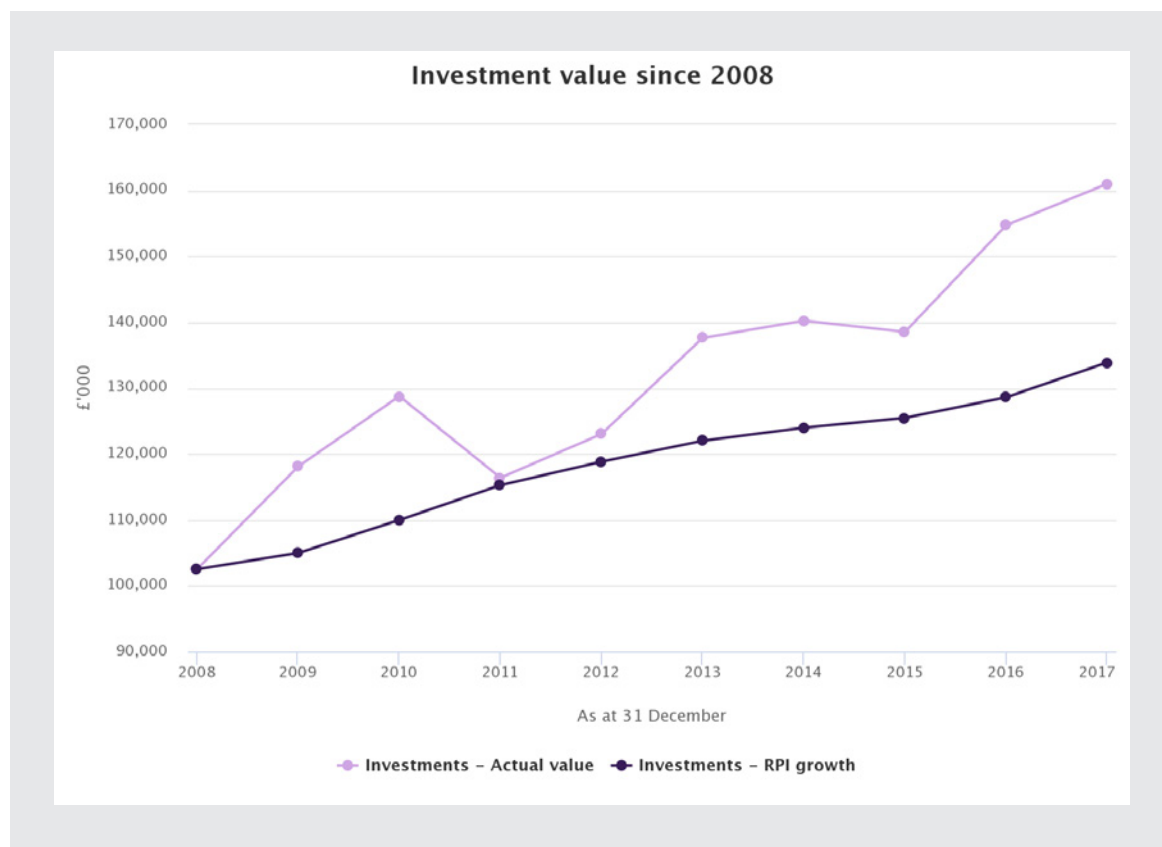
The Fund's total reserves at 31 December 2017 were £208.2 million. As set out in note 18 to the accounts, £125.2 million of this represents the expendable endowment (all of which is included in fixed asset investments) and the remaining £83.0 million represents unrestricted funds, £56.6 million of which could only be realised by disposing of fixed assets that are currently used by the Fund in its activities.

The Fund's policy on reserves is based on recognising the long-term nature of its work and the continuing need for financial support. The expendable endowment, restricted funds and the unrestricted reserves are managed as a pooled investment with the intention of providing financial support today and for the foreseeable future. After taking into account the reserves set aside to match the £9.4 million deficit on the defined benefit pension scheme, the Trustees consider reserves to be at an appropriate level.

The Fund's policy on investments is to take a long-term approach, investing globally across a range of assets with the intention of preserving its value in real terms after allowing for expenditure. The Fund does not invest directly in tobacco or tobacco-related stocks.

The Fund's investment strategy is to manage the portfolio based on a total return, ie, income and capital combined. The Fund has an asset allocation that is geared towards equities because of their higher expected returns in the long term, while maintaining an appropriate level of liquidity to meet expenditure commitments in the near future. The reference date for the purpose of assessing the real value of the investments is 1 January 2009. Trustees review the amount that they spend from investments periodically, balancing the expected demand for resources with the likelihood of future investment returns. The Trustees recognise that each year the Fund will need to withdraw the investment income and some of the investment capital to bridge the gap between its annual income and expenditure, and they set the budget accordingly.

Between 1 January 2009 (the reference date) and 31 December 2017, after income and capital withdrawals the value of the Fund's investments has increased in real terms (above the retail prices index) by £27.1 million so that investment performance has more than achieved the investment objectives set by the Trustees.



How the Fund is constituted and governed

Our charitable objects

As a registered charity, The King's Fund is incorporated by Royal Charter and is governed by the provisions and byelaws of the charter. The charter sets out the charitable objects of the Fund, which 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.

Working for the public benefit

Our vision that the best possible health and care is available to all ensures that we work for the benefit of the public. We aim to deliver our vision and mission through a strategic plan and annual operational plans, which are approved by the Fund's Trustees. In approving these plans, the Trustees are mindful of the Charity Commission's general guidance on public benefit and their duty to ensure the Fund is carrying out its purpose in relation to this. In particular, the Trustees consider how activities will contribute to the aims and objectives they have set.

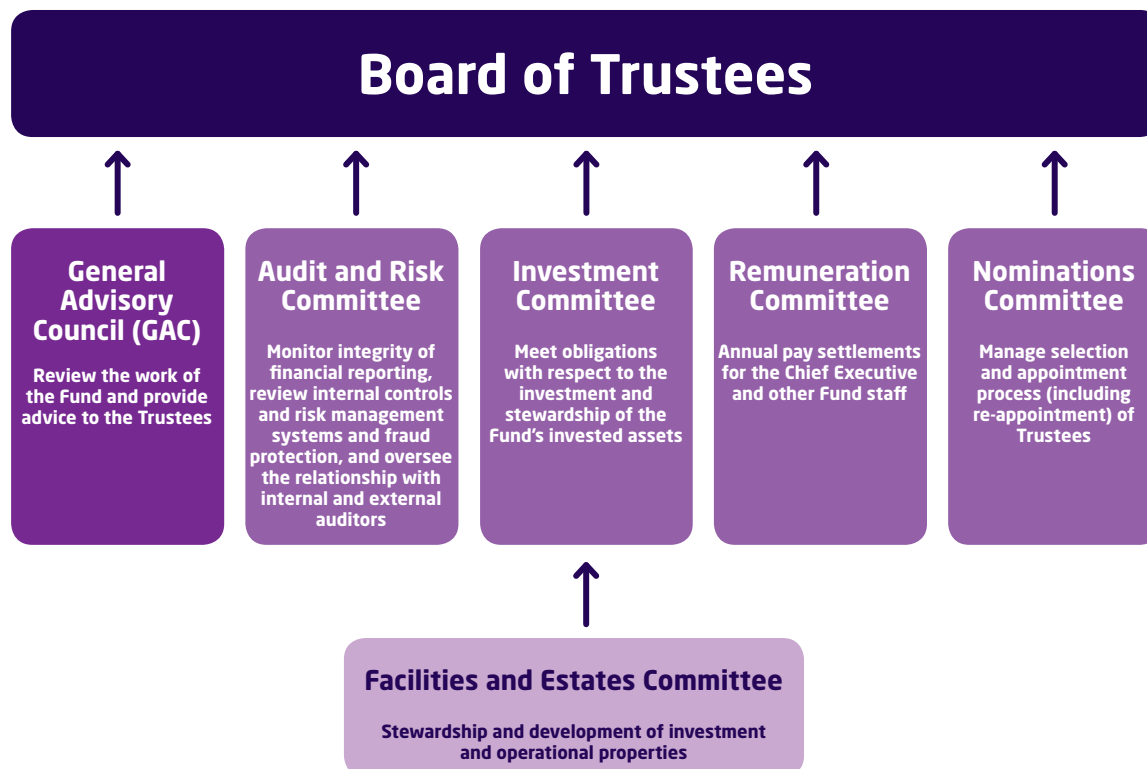
Governing body and committees

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

The Trustees have established a General Advisory Council (GAC) in accordance with Byelaw 42 to the Royal Charter. The GAC meets twice a year to review the work of the Fund and provide advice to the Trustees. The members of the GAC are appointed by the President for a period of up to three years.

Details of the current members of the GAC, and those who served during the year, are set out on pages 62–3.

The Board of Trustees has established a number of standing committees to support it in its work, as outlined below.



Trading subsidiary

KEHF Ltd is a wholly owned trading subsidiary of The King's Fund. The principal activities of the company include those that are not the primary purpose of or within the Fund's charitable objectives, including the letting of conference facilities owned by The King's Fund and related catering services as well as sponsorship for some of the Fund's events. 100 per cent of the taxable profits of KEHF Ltd are paid to The King's Fund, under the gift aid scheme. A list of Directors, who are appointed by The King's Fund, is included on page 63. Details are included on page 86 of the financial statements.

Recruitment and appointment of Trustees

Trustees are appointed for an initial term of three years and may be re-appointed for a second term and, exceptionally, a third term. Appointment as a Trustee is open to any suitably qualified member of the public. Newly appointed Trustees are provided with an induction programme, which sets out the activities of the Fund and their responsibilities as a Trustee. The Chair of Trustees meets with each Trustee annually to review performance in the past year and to discuss the year ahead.

To replace the skills and experience of the Trustees who left in 2016, three new trustees were appointed at the start of 2017. To diversify and strengthen the Board further, a recruitment consultant was engaged to reach as wide a pool of candidates as possible. The consultant interviewed candidates and drew up a shortlist for the Nominations Committee to consider. Members of the Nominations Committee met the candidates and made a recommendation to the Board of Trustees regarding the appointments.

Details of the Fund's current Trustees, and those who served during the year, are set out on page 61.

Board review / evaluation

The Board has begun to review its performance annually at an awayday when Trustees reflect upon how well they are fulfilling their duties. They also seek to use the principles of leadership, integrity, decision-making, board effectiveness, diversity, openness and accountability as included in the Charity Governance Code to ensure high standards of governance and to support continuous improvement.

An external review of Board effectiveness completed in April 2016 concluded that the Board was 'high performing' and 'well supported by a professional senior team' and made several recommendations to enable the Board to build on its excellent foundations; the Trustees have noted progress against these recommendations during 2017.

Organisational structure and how decisions are made

The Trustees appoint a Chief Executive, who is responsible for the management of the Fund on a day-to-day basis and provides information to enable the Board to fulfil its governance responsibilities effectively. A governance framework for the Chief Executive is set by the Board of Trustees and sets out the authority delegated to the Chief Executive by the Board of Trustees.

The Chief Executive, in conjunction with the senior management team, develops strategy, plans, programmes and policies for the Fund, which the Board approves.

Senior management team

The senior management team works within the framework set by the strategic plan and the annual operational plan, which sets out the detailed work programme in different areas of activity. It monitors, reviews and takes action to ensure performance against strategic goals and on issues escalated by the Planning Committee and Operations Committee.

Details of the current members of the senior management team, and those who served during the year, are set out on page 63.

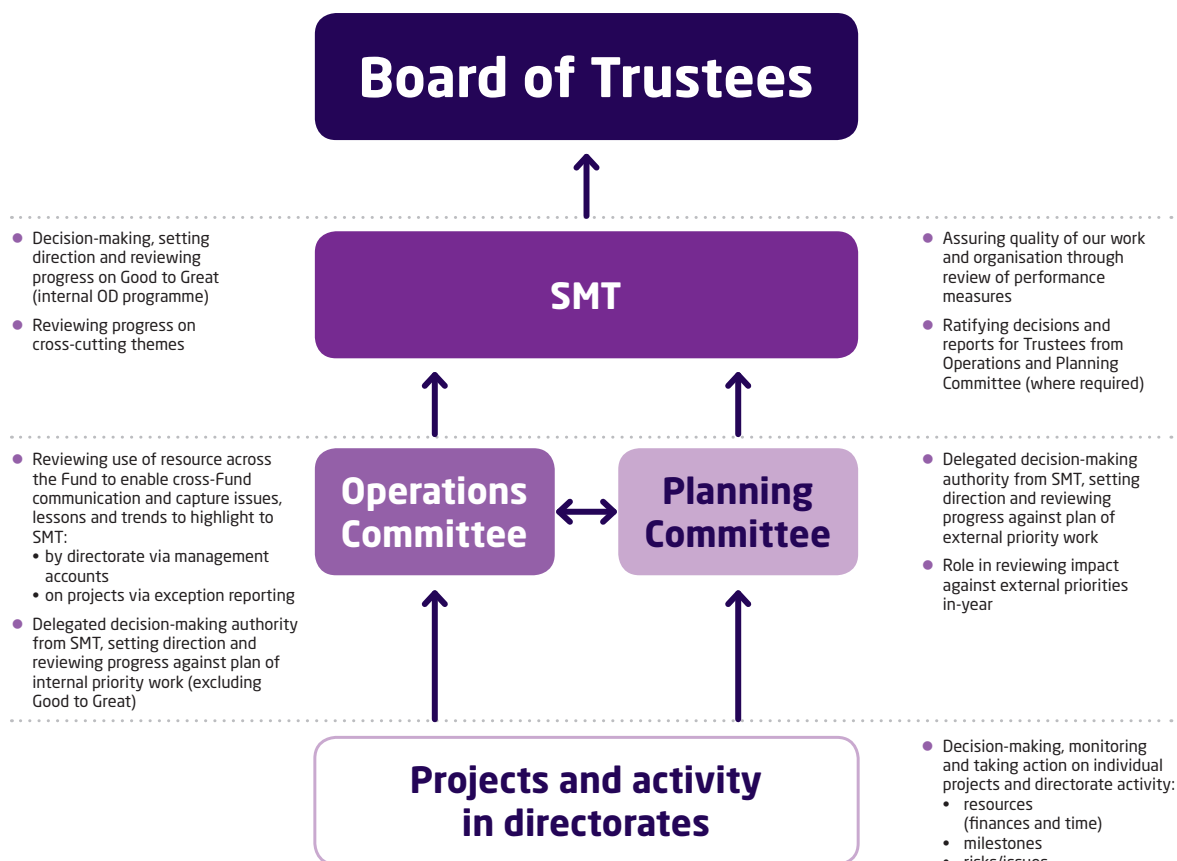
Planning Committee

The Planning Committee supports the management and reporting of impact by reviewing progress towards the changes the organisation wants to see against each external priority. It reviews the external context in which the Fund works and discusses our public positioning and response to significant external developments. It also oversees the Fund's external work programme relating to strategic goals 1, 2 and 3.

Operations Committee

The Operations Committee supports the management and reporting of performance and risk for the organisation by reviewing use of resources, performance measures and the corporate risk register in line with agreed timetables. It also oversees the Fund's internal work programme relating to strategic goal 4.

The respective internal roles involved in managing and reporting on performance and impact are outlined in the governance map below.



Managing key corporate risks

The amount and type of risk that the Fund is willing to take in order to meet its strategic objectives is determined by the Trustees and reviewed annually. The main purpose of defining this is to underpin decision-making about the kind of opportunities we take on. It also helps to highlight areas to challenge and determine how much effort is required to mitigate key risks in the Fund's risk register.

The key risks to the Fund are those that affect the organisation as a whole; they may be influenced by factors in the external environment as well as planning considerations for the coming year. The Trustees are satisfied with the procedures that are in place to review the risks and with the controls and action plans to mitigate the Fund's exposure to those risks.

In managing risk, the Fund applies a process that categorises each risk by considering its cause, likelihood, impact and mitigations. Based on this we determine whether further action needs to be taken. Risks are grouped according to whether their impact will be on our reputation, our capability to deliver or our financial sustainability as outlined below.

Reputational

Risk	Management of risk
The Fund misjudges its tone and position over the year. This could result in the position of the Fund being weakened and loss of influence and audience share compared to competitor organisations.	<p>The Chief Executive is accountable for all public statements relating to matters of major significance.</p> <p>This is supported via robust discussion and challenge with directors and Trustees and supplemented by intelligence gathered from conversations with national bodies, local service leaders, and competitor / partner organisations.</p> <p>In addition, the Fund regularly reviews web statistics, data from initial impact assessment of outputs, market research and perception research.</p>
The Fund's suffers a perceived loss of independence, credibility or quality. This could result in damage to the Fund's brand, loss of influence and income-generating potential.	<p>The Fund keeps up to date with legal and regulatory requirements and recommended practice for charities, making disclosures on its website around income sources, decision-making and maintaining its independence.</p> <p>Policies, contracts and agreements are used to set out the Fund's position and protect its intellectual property, address ethical issues, retain editorial independence and recognise the origin of funding. The charity tries to ensure all staff and Trustees understand and adhere to the values, ethics and culture of the organisation. There are also policies and procedures in place to cover areas such as conflicts of interest and whistleblowing.</p> <p>Policies and procedures in place to ensure the quality of the Fund's outputs include publication approval and review; quality assurance of analytical work; moderation policy for website comments.</p>

Capability to deliver

Risk	Management of risk
Data and information in the Fund's business system is lost, stolen or subject to unauthorised access. This could result in loss of knowledge causing difficulty in delivering work, heavy fines due to non-compliance with Data Protection Act and EC Directives and reputational damage (if publicised).	<p>The Business Information Manager is responsible for supporting the Fund to comply with regulatory and other requirements for managing business information and developing / maintaining information standards in line with best practice.</p> <p>IT infrastructure is designed to maximise resilience and policies and processes are in place to ensure appropriate use and security of data.</p>
The Fund cannot efficiently and effectively deliver 'the changes we want to see' (as set out in our strategic plan) and/or does not deliver our 2017 commitments (as set out in our operational plan). This could result in the Fund not optimally delivering on its charitable objectives and / or a lack of spare capacity, over-commitment of staff and an inability to rise to new challenges during the year.	<p>Strategic priorities are set out in the operational plan, which is updated annually. New and ongoing projects are assessed in-year against strategic and emerging priorities.</p> <p>Progress against plan is reviewed by sponsoring directors and the senior management team. Impact is reviewed and reported annually to Trustees.</p> <p>Resources, key roles and processes are established centrally to support the Fund to maintain a focus on continuous improvement and effective systems and processes.</p>

Financial sustainability

Risk	Management of risk
The Fund is unable to use or access its building to its full potential. This could result in staff being unable to come into work, reputational risk to the Fund as a venue, and ultimately loss of venue income.	<p>Business continuity plan is in place to ensure that the Fund can continue operating after a major incident, even if the building is inaccessible for a prolonged period. Mitigations include access to alternative premises that can accommodate clients at short notice and facility for staff to continue working off-site, eg, by using cloud-based apps (such as Office 365).</p> <p>Robust management systems are in place to ensure the Fund's premises licence is not revoked.</p>
Individuals suffer serious injury or fatality on the premises. This could result in vulnerability to legal/civil prosecution by injured individuals or statutory bodies and significant compensation claims	<p>The Chief Executive is accountable, supported by the Director of HR and a Health and Safety Committee which delivers a management plan, approved by the Trustees.</p> <p>Qualified (IOSH accredited) health and safety staff are in place.</p>
The Fund is not able to deliver on its agreed budget. This could result in needing to draw down more than the approved budgeted amount from the endowment and the Fund having to scale back its charitable activities in the future due to lack of financial resources.	<p>Spending limits and annual budgets are agreed by Trustees.</p> <p>Year-to-date financial results and regular re-forecasts are prepared and reviewed.</p> <p>Investment plans to grow future income are regularly considered, and capital is allocated as part of the annual budget process.</p>

Risk	Management of risk
The Fund's endowment could lose value in real terms. This could result in the Fund having to scale back its charitable activities in the future due to lack of financial resources.	<p>The strength of the covenant between the Fund and its pension trustees means there is a high level of confidence in the Fund's ability to cover potential pension deficits. The defined benefit pension scheme is closed to new joiners, and the number of active members reduces each year.</p> <p>The Fund's investments are actively managed to meet planned future expenditure, and investment performance is visible for monthly review by Trustees and senior management.</p> <p>Investment returns and the Fund's spending guideline were reviewed in 2016, so that the amount drawn down is sustainable in current (post-Brexit) environment.</p>

Maintaining our independence

Our independence is important to us. We recognise that to make the impact we seek in health and social care there must be confidence in the objectivity of our research and analysis and the freedom to determine our own priorities.

We protect this independence in a number of ways, as the following examples illustrate.

Our funding

As a charitable foundation, The King's Fund has an expendable endowment, which together with other funds held for investment, provides the Fund with a valuable source of income. We also obtain funds by withdrawing a portion of the investment capital each year, in line with our financial strategy. The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

These sources of funds are not adequate to fund all our activities but guarantee a consistent and completely unrestricted stream of funding. The sources of our other income are set out in the Consolidated Statement of Financial Activities and include charitable activities, trading activities, and donations and legacies. The sources of our income from charitable and trading activities are also very diverse: no single organisation contributes a sufficient proportion of income to create a reliance or significant risk to the organisation were it to be withdrawn. This provides further reassurance that our objectivity can be maintained.

Further details of how we are funded can be found on our [website](#).

How we set policy

Our reputation and influence depend in part on the quality and independence of our published work. A description of the arrangements put in place to assure quality and independence can be found on our [website](#). This information details the roles of our

Board of Trustees and executive team and the nature of internal and external review at the Fund.

Our partnerships

We maintain partnerships with a range of organisations through our **Corporate Partners and Supporters scheme**. In order to ensure that these relationships (which provide less than 5 per cent of our total income) do not have any impact on our independence, we have a robust **ethical collaboration policy** in place.

Conflicts of interest policy

Trustees are required to recognise and deal appropriately with conflicts of interest. We recognise that even the perception that there is a conflict of interest could damage our reputation. Trustees, members of Fund committees established by the Board of Trustees, members of the board of KEHF Ltd; senior members of staff (the senior management team) and any other people as requested by the Trustees complete register of interests declaration forms annually. All interests, rather than just those which the person completing the declaration considers relevant, should be declared. This avoids the exclusion of any interests which others may perceive to be potential conflicts.

The Fund's Register of Interests is reported to the Audit and Risk Committee and to the Board of Trustees annually and is made available to the Fund's auditors.

Remuneration policy

The King's Fund believes that to attract and retain the calibre of staff we need to deliver our charitable objectives our remuneration policy should provide salaries that are competitive in our sector; be considered fair, equitable and transparent; allow for pay progression over time and deliver arrangements that are sustainable within the available resources.

The Fund operates an incremental pay scale for most of its staff, underpinned by a factors-based job evaluation system. The scale comprises grades from 1 to 8c, each with a minimum and maximum point and normally five incremental points in between.

Salaries are reviewed annually, and the Fund has the option to increase scale points by an agreed percentage. Any such increase takes effect from the following 1 January.

The Board of Trustees has delegated responsibility for determining matters of pay and pay-related benefits to its Remuneration Committee. The Committee meets routinely in the winter to agree the following year's percentage increase and arrangements

for executive pay. In agreeing the pay award, the committee considers indicators in the wider economy, what levels of award have been made by organisations the Fund compares itself with and affordability.

Reference and administrative details

Registered office

The King's Fund
11–13 Cavendish Square
London
W1G 0AN

Charity number

1126980

Patron

Her Majesty The Queen

President

His Royal Highness The Prince of Wales

Board of Trustees

Sir Christopher Kelly (Chair)
Dame Ruth Carnall
Dr Jane Collins [joined 1 February 2017]
Dominic Dodd
Sir Sam Everington [left 14 September 2017]
Simon Fraser (Treasurer from 25 July 2017) [joined 14 March 2017]
Paul Johnson
Strone Macpherson (Treasurer until 25 July 2017) [left 31 December 2017]
Dr Aseem Malhotra
Sir Jonathan Michael
Rt Hon Jacqui Smith [joined 1 February 2017]

Composition of Trustee Committees

Investment Committee

Mary-Anne Daly
Dominic Dodd [joined 28 February 2018]
Simon Fraser [Chair from 25 July 2017]
Paul Johnson [joined 28 February 2018]
Sir Christopher Kelly

Strone Macpherson (Chair) [left July 2017]

Max Ward

Remuneration Committee

Dame Ruth Carnall (Chair)

Simon Fraser [joined 1 January 2018]

Sir Christopher Kelly

Strone Macpherson [left 31 December 2017]

Sir Jonathan Michael

Nominations Committee

Dame Ruth Carnall

Simon Fraser [joined 1 January 2018]

Sir Christopher Kelly (Chair)

Strone Macpherson [left 31 December 2017]

Sir Jonathan Michael

Audit and Risk Committee

Dr Jane Collins [joined February 2017]

Dominic Dodd

Sir Jonathan Michael (Chair)

Facilities and Estates Committee

(sub-committee of the Investment Committee)

Strone Macpherson [Chair until 31 December 2017, member from 1 January 2018]

Robin Chute

Simon Fraser [joined on 25 July 2017, Chair from 1 January 2018]

Sir Christopher Kelly

John Stephen

General Advisory Council

Dr Kamran Abbasi – Editor, *Journal of the Royal Society of Medicine*

Lord Victor Adebawale CBE – Chief Executive, Turning Point

Dr Steve Alder – Neurologist, Re:Cognition Health

Dr Samantha Barrell CBE – Chief Operating Officer, Francis Crick Institute

The Lord Michael Bichard KCB – House of Lords [to 31 December 2017]

Kay Boycott – Chief Executive, Asthma UK

Emma Colyer MBE – Chief Executive, Body and Soul

Professor Yvonne Doyle CB – Regional Director, Public Health England

Hannah Farrar – Partner, Carnall Farrar

Professor Julian Forder – Principal Research Fellow, Personal Social Services Research Unit, University of Kent [to 31 December 2017]

Ceinwen Giles – Director, Shine Cancer Support
Dr Nick Harding OBE – Chair, Sandwell and West Birmingham CCG
Paul Jenkins OBE – Chief Executive, Tavistock and Portman NHS Foundation Trust
Dr Nikita Kanani MBE – Deputy Medical Director of Primary Care, NHS England
Dr Partha Kar – Consultant Endocrinologist, Portsmouth Hospitals NHS Trust
Sir Ron Kerr CBE – Executive Vice Chair, Guy's and St Thomas' NHS Foundation Trust
Lord Bob Kerslake – House of Lords [from 1 January 2018]
Dr Arvind Madan – Chief Executive Officer, Hurley Group
Professor Nicholas Mays – Professor of Health Policy, London School of Hygiene and Tropical Medicine [from 1 January 2018]
Jenny Owen CBE – Non-Executive Director, Royal Free NHS Foundation Trust
Ben Page – Chief Executive, Ipsos MORI
Dr Niti Pall – Medical Director, KPMG's Global Health Practice
Sarah Pickup OBE – Deputy Chief Executive, Local Government Association
Amanda Pritchard – Chief Executive, Guy's and St Thomas' NHS Foundation Trust [from 1 January 2018]
Charlotte Ramsden – Strategic Director for Children and Adult Services, Salford City Council
Jan Sobieraj – Chief Executive, United Lincolnshire Hospitals NHS Trust [to 31 December 2017]
Dr Emma Stanton MBE – Chief Executive, Beacon UK
Jeremy Taylor – Chief Executive, National Voices

KEHF Ltd Board of Directors

Simon Fraser [joined 20 July 2017]
Professor Chris Ham CBE
Strone Macpherson [left 21 July 2017]
Sir Jonathan Michael
Matthew Tolchard

Senior Management Team

Chief Executive – Professor Chris Ham CBE
Director of Policy – Richard Murray
Director of Finance and Operations – Richard Scanlon [left March 2018]
Director of Leadership and Organisational Development – Marcus Powell [left April 2018]
Director of Communications and Information – Patrick South
Commercial Director – Jonathan Morris [left April 2017]
Director of HR – Shirley Collier

Key advisers

Bankers

National Westminster Bank Plc
1 Cavendish Square
London W1A 4NU

Solicitors

Farrer & Co LLP
66 Lincoln's Inn Fields
London WC2A 3LH

Actuaries

Buck Consultants Limited (trading as Conduent)
160 Queen Victoria Street
London EC4V 4AN

Auditor

Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Investment Manager - Investment Portfolio

Stonehage Fleming Investment Management Limited
15 Suffolk Street
London SW1Y 4HG

Investment Advisers

Cambridge Associates Limited
80 Victoria Street
London SW1E 5JL

Investment Manager - Investment Property

Savills plc
33 Margaret Street
London W1G 0JD

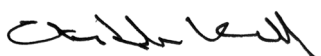
Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and Accounts in accordance with applicable law and regulations.

Under charity law the Trustees must not approve the accounts 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 accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts 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 accounts 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

Date: 15.5.18

AUDITOR'S REPORT AND ACCOUNTS

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

Opinion

We have audited the financial statements of The King's Fund for the year ended 31 December 2017, which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2017 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
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements

section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going-concern basis of accounting in the preparation of the financial statements is not appropriate
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going-concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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



Crowe Clark Whitehill LLP

Statutory Auditor

London

Date: *25 May 2018*

Crowe Clark Whitehill LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Consolidated statement of financial activities

for the year ended 31 December 2017

	Notes	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	Total 2017 £000	Total 2016 £000
Income and endowments from:						
Donations and legacies		22	-	-	22	1
Charitable activities:						
Research and analysis		596	357	-	953	859
Developing individuals, teams and organisations		2,540	72	-	2,612	2,687
Promoting understanding		73	-	-	73	106
Bringing people together		687	-	-	687	864
Other trading activities	4	3,969	-	-	3,969	3,899
Investments	5	2,301	-	-	2,301	2,259
Other		139	-	-	139	79
Total		10,327	429	-	10,756	10,754
Expenditure on:						
Charitable activities:	6					
Research and analysis		4,353	353	-	4,706	4,576
Developing individuals, teams and organisations		4,191	72	-	4,263	4,008
Promoting understanding		2,574	-	-	2,574	2,438
Bringing people together		720	-	-	720	686
Other trading activities	7	3,067	-	-	3,067	2,977
Investment management costs	8	189	-	354	543	586
Total		15,094	425	354	15,873	15,271
Operating gain/(deficit)		(4,767)	4	(354)	(5,117)	(4,517)
Net gains on investments		2,572	-	7,351	9,923	18,767
Net income/(expenditure)		(2,195)	4	6,997	4,806	14,250
Actuarial gain/(loss) on defined benefit pension scheme		3,495	-	-	3,495	(6,483)
Net movement in funds		1,300	4	6,997	8,301	7,767
Reconciliation of funds:						
Total funds brought forward	18	81,692	-	118,191	199,883	192,116
Total funds carried forward	18	82,992	4	125,188	208,184	199,883

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

The notes on pages 75 to 94 form part of these financial statements. For the comparative analysis see note 22.

Balance sheets

as at 31 December 2016

	Note	Consolidated 2017 £000	Consolidated 2016 £000	Charity 2017 £000	Charity 2016 £000
Fixed assets:					
Tangible assets	11	56,029	56,747	56,029	56,747
Intangible assets	12	533	552	533	552
Investments	13	161,008	154,704	161,058	154,754
Total fixed assets		217,570	212,003	217,620	212,053
Current assets:					
Debtors	15	2,101	2,193	1,793	1,997
Cash at bank and in hand		731	965	309	422
Total current assets		2,832	3,158	2,102	2,419
Current liabilities:					
Creditors: Amounts falling due within one year	16	(2,856)	(2,718)	(2,180)	(2,032)
Net current assets		(24)	440	(78)	387
Net assets excluding pension liability		217,546	212,443	217,542	212,440
Defined benefit pension scheme liability	17	(9,362)	(12,560)	(9,362)	(12,560)
Total net assets		208,184	199,883	208,180	199,880
The funds of the charity:					
Expendable endowment funds	18	125,188	118,191	125,185	119,054
Restricted funds	18	4	-	4	-
Unrestricted funds		92,354	94,252	92,353	93,386
Pension reserve		(9,362)	(12,560)	(9,362)	(12,560)
Total unrestricted funds	18	82,992	81,692	82,991	80,826
Total charity funds	18	208,184	199,883	208,180	199,880

Approved on behalf of the Board of Trustees and authorised for issue on 15 May 2018.

Simon Fraser
Treasurer



The notes on pages 75 to 94 form part of these financial statements.

Consolidated cashflow statement

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Net cash (used in) operating activities	A	(5,127)	(4,599)
Cash flows from investing activities:			
Dividends, interest and rents from investments		2,300	2,259
Investment management fees		(543)	(586)
Purchase of tangible fixed assets		(335)	(187)
Purchase of intangible fixed assets		(148)	(143)
Net proceeds from sale of investments		3,619	2,588
Net cash provided by investing activities		4,893	3,931
Change in cash and cash equivalents in the reporting period	B	(234)	(668)
A. Reconciliation of net income/(expenditure) to net cash flow from operating activities			
		2017 £000	2016 £000
Net income/(expenditure) for the reporting period		4,806	14,250
Adjustments for:			
Investment income		(2,301)	(2,259)
Net gain on investments		(9,923)	(18,767)
Investment management fees		543	586
Depreciation and amortisation charges		1,198	1,115
Loss on disposal of fixed assets		22	-
Other finance cost of the pension scheme		319	213
Current service cost less contributions to the pension scheme		(22)	(180)
Decrease/(increase) in debtors		92	574
Increase/(decrease) in creditors		139	(131)
Net cash (used in) operating activities		(5,127)	(4,599)
B. Movement of cash and cash equivalents			
	At 1 January 2017 £000	Movement £000	At 31 December 2017 £000
Cash at bank and in hand	965	(234)	731

Notes to the accounts

for the year ended 31 December 2017

1. Charity information

The charity (registered number 1126980) is incorporated by Royal Charter and is governed by the provisions and byelaws of the charter; any revocation, alteration or additions to the byelaws must be approved by the Privy Council.

The charity has a wholly owned subsidiary trading company, KEHF Limited (company registration number 2754697).

The address of the registered office of both The King's Fund and KEHF Limited is 11-13 Cavendish Square, London, W1G 0AN.

2. Accounting policies

The principal accounting policies adopted and critical areas of judgements are as follows:

Basis of preparation

The accounts have been prepared to give a 'true and fair view' and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The King's Fund meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The accounts of The King's Fund and KEHF Limited are consolidated, on a line-by-line basis, to produce the Consolidated Accounts. No separate Statement of Financial Activities has been presented for The King's Fund but the charity's total income and net movement in funds in the year are set out in note 14.

The charity has taken advantage of the exemptions in FRS 102 from the requirements to present a charity only Cash Flow Statement and certain disclosures about the charity's financial instruments.

2. Accounting policies (continued)

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 and that there are no material uncertainties that call into doubt the charity's ability to continue. The accounts have, therefore, been prepared on the basis that the charity is a going concern.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, which are described below, Trustees are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period and future periods if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the accounts recognised in the financial statements are summarised below.

- Pension liabilities: The charity recognises the liability to its defined benefit pension scheme, which involves a number of estimations as disclosed in note 17.
- Valuation of investment properties: The charity's Basing investment properties are stated at their fair values. These are estimated based on an external valuation as at 31 December 2017 as disclosed in note 13. The Dean's Mews investment property is stated at actual cost less an allowance for the forecasted fair value when works are completed.
- Private equity investments are valued at the most recent investment manager valuations.
- Income recognition: When accounting for project income in line with the percentage completion basis set out below, the percentage of completion of a project is estimated using the actual costs incurred, including time spent, as a proportion of total planned costs.

- Valuation of freehold land and buildings: The Fund has chosen to use the fair value of its freehold land and buildings as its deemed cost at 1 January 2014. The estimated fair value has been based on a professional valuation at 31 December 2015 with appropriate adjustments made to arrive at the corresponding 1 January 2014 value.

Other accounting policies

Donations and legacies

Donations and legacies are recognised in the Statement of Financial Activities when they become receivable, that is when 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 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 recognition

Project income is recognised on a percentage completion basis in relation to actual costs spent at the Balance Sheet date as a proportion of total planned costs over the life of the project. Projected losses on projects are provided as soon as they can be reasonably foreseen.

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.

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 set out in note 6.

2. Accounting policies (continued)

Pension costs

The King's Fund Staff Pension and Life Assurance Plan (the Plan) is a defined benefit scheme. The current service costs of the Plan, together with the net interest on the net defined benefit liability (calculated at the discount rate), 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 on the face of the Balance Sheet.

The NHS Pension Scheme is a multi-employer defined benefit scheme. 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.

Intangible assets

Intangible assets relate to the enterprise resource planning project. Once brought into use, they are amortised on a straight line basis over the anticipated life of the benefits arising from the completed project. The anticipated life has been taken as 5 years.

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	3 to 30 years
Mechanical installations	5 to 30 years
Lifts	30 years

2. Accounting policies (continued)

Furniture, fittings and equipment:

Catering equipment	3 to 20 years
Furniture and fittings	5 to 20 years
ICT hardware and software	2 to 5 years
Office equipment	3 to 10 years
Freehold buildings	50 years

The expected useful economic life of each major item of plant and machinery is determined by an independent consulting quantity surveyor.

Freehold land is not depreciated.

Financial instruments

The King's Fund has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at the present value of future cash flows (amortised cost). Financial assets held at amortised cost comprise cash at bank and in hand, together with trade debtors and other debtors and accrued income. Financial liabilities held at amortised cost comprise trade debtors and other creditors and accruals.

Investments, including bonds and cash held as part of an investment portfolio, are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure. Investments in subsidiary undertakings are held at cost less impairment.

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. The capital sum may be spent at the discretion of the trustees.

Restricted funds: Funds received in relation to a restricted grant that can only be used for that purpose.

Unrestricted funds: Unrestricted funds include the net book value of the tangible fixed assets, the intangible fixed assets of the charity, investments and net current assets, less the pension reserve. The split between these categories is shown in note 18. The

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

3. Taxation

No corporation tax 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. No corporation tax is payable by the subsidiary company, KEHF Limited, as it is expected that each year an amount equal to its taxable profits will be paid to The King's Fund under the Gift Aid scheme.

4. Income from other trading activities

	2017 £000	2016 £000
Income from other trading activities comprises:		
External conference and catering services, including sponsorship	3,238	3,349
Income from tenants	430	450
Income from non-charitable consultancy	301	100
	<u>3,969</u>	<u>3,899</u>

5. Income from investments

	2017 £000	2016 £000
Income from securities and cash assets:		
Equities	1,555	1,448
Bonds	448	565
Cash	9	4
Investment properties	289	242
	<u>2,301</u>	<u>2,259</u>

6. Expenditure on charitable activities

	Research and analysis £000	Developing individuals, teams and organisations £000	Promoting understanding £000	Bringing people together £000	Total 2017 £000	Total 2016 £000
Direct expenditure	2,433	2,503	1,181	386	6,503	6,418
Support departments (6a)	<u>2,273</u>	<u>1,760</u>	<u>1,393</u>	<u>334</u>	<u>5,760</u>	<u>5,290</u>
Total expenditure	<u>4,706</u>	<u>4,263</u>	<u>2,574</u>	<u>720</u>	<u>12,263</u>	<u>11,708</u>

6a. Support departments

	Research and analysis	Developing individuals, teams and organisations	Promoting understanding	Bringing people together	Total 2017	Total 2016
	£000	£000	£000	£000	£000	£000
Facilities (1)	645	499	395	104	1,643	1,672
Communications (2)	202	157	124	-	483	580
Other support (3)	1,426	1,104	874	230	3,634	3,038
Total cost of support departments	<u>2,273</u>	<u>1,760</u>	<u>1,393</u>	<u>334</u>	<u>5,760</u>	<u>5,290</u>

- (1) Facilities costs have been apportioned based on average headcount of the various departments during the year.
 (2) Communication costs have been apportioned based on average headcount of the various departments during the year.
 (3) Other support departments include: Chief Executive's Office, Finance, HR, Operations and Information Technology. Depreciation is also included within this category. The amount paid by the trading subsidiary via a management charge is excluded and has been allocated to expenditure on other trading activities. Remaining costs have been apportioned based on average headcount of the various departments during the year.

7. Expenditure on other trading activities

	2017	2016
	£000	£000
Expenditure on other trading activities comprises:		
External conference and catering services, including sponsorship	2,886	2,937
Cost associated with tenants	25	1
Cost associated with non-charitable consultancy	156	39
	<u>3,067</u>	<u>2,977</u>

8. Investment management costs

	2017	2016
	£000	£000
Expenditure on investment management costs comprises:		
Fees paid to managers, custodians, administrators and advisers for the discharge of their duties in connection with the investment portfolio and properties	490	480
Property repairs and maintenance	53	106
Other	1	-
	<u>549</u>	<u>586</u>

9. Employees

	2017 £000	2016 £000
Wages and salaries	7,219	6,941
Social security costs (including apprenticeship levy)	771	786
Pension costs	821	774
Total emoluments	<u>8,811</u>	<u>8,501</u>

Included in the above pension costs is £435,000 (2016: £291,000) relating to the current employer service costs of the defined benefit pension scheme and £101,000 relating to settlement agreement payments (2016: £38,000).

The total for wages and salaries includes expenditure on temporary and seconded staff of £83,000 (2016: £206,000).

Average number of staff:	2017	2016
Research and analysis	31	31
Developing individuals, teams and organisations	24	23
Promoting understanding	19	19
Bringing people together	5	5
Other trading activities	14	14
Facilities	10	11
Communications	7	9
Other support departments	23	22
Total	<u>133</u>	<u>134</u>

The number of employees with remuneration (employee benefits excluding employer pension costs) exceeding £60,000 were:

	2017	2016
£60,000 - £69,999	7	9
£70,000 - £79,999	4	3
£80,000 - £89,999	6	3
£90,000 - £99,999	5	5
£100,000 - £109,999	1	3
£110,000 - £119,999	3	-
£120,000 - £129,999	1	2
£130,000 - £139,999	1	1
£140,000 - £149,999	1	1
£230,000 - £239,999	-	1
£240,000 - £249,999	1	-

9. Employees (continued)

Contributions were made to The King's Fund Staff Pension and Life Assurance Plan, which is a defined benefit scheme, for 5 (2016: 8) higher-paid employees and to the NHS Pension Scheme, which is also a defined benefit scheme, for 5 (2016: 5) higher-paid employees. Contributions totalling £178,000 (2016: £123,000) were made to The King's Fund Group Personal Pension Plan, which is a defined contribution scheme, for 16 (2016: 11) higher-paid employees.

The total employee benefits, including employer pension costs, received by the Chief Executive in 2017 were £240,383 (2016: £231,035).

The key management personnel of the charity comprise the Trustees and the senior management team. None of the Trustees have been paid any remuneration, been reimbursed for any expenses incurred or received any other benefits from an employment with the charity or a related entity. The total employee benefits, including employer pension costs and national insurance, received by the key management personnel in 2017 were £1,053,000 (2016: £1,243,000).

10. Resources expended on governance

		2017 £000	2016 £000
Auditor's remuneration	- external audit fees (charity)	23	22
	- external audit fees (KEHF Limited)	4	4
Meeting costs		4	4
		31	30

Fees totalling £14,565 (2016: £5,670) were payable to the auditors for taxation and internal audit services.

11. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Furniture, fittings and equipment £000	Total assets 2017 £000
Cost				
At 1 January	55,350	4,883	3,599	63,832
Additions	-	130	205	335
Disposals	-	(189)	(602)	(791)
At 31 December	<u>55,350</u>	<u>4,824</u>	<u>3,202</u>	63,376
Depreciation				
At 1 January	1,468	2,963	2,654	7,085
Charge for the year	483	270	278	1,031
Disposals	-	(167)	(602)	(769)
At 31 December	<u>1,951</u>	<u>3,066</u>	<u>2,330</u>	7,347
Net Book Value At 31 December	<u>53,399</u>	<u>1,758</u>	<u>872</u>	56,029
Previous year	<u>53,882</u>	<u>1,920</u>	<u>945</u>	56,747

Freehold land and buildings represent the Fund's offices at 11–13 Cavendish Square, London W1G 0AN. When adopting FRS 102, the Fund has chosen to use the fair value of the freehold land and buildings as its deemed cost as at 1 January 2014. Within the above total, the amount attributable to the freehold land is £33,600,000 based on the valuation completed by Savills plc.

12. Intangible fixed assets

	2017 £000	2016 £000
Cost		
At 1 January	723	580
Additions	148	143
At 31 December	<u>871</u>	<u>723</u>
Amortisation		
At 1 January	171	67
Charge for the year	167	104
At 31 December	<u>338</u>	<u>171</u>
Net Book Value At 31 December	<u>533</u>	<u>552</u>

Intangible assets relate to costs expended on the Fund's enterprise resource planning project, website and helpdesk software.

13. Fixed asset investments

		2017 Total £000	2016 Total £000
Securities:	Equities	99,021	86,914
	Index Linked bonds	10,383	13,944
	Fixed Interest bonds	10,198	10,171
	Private Equity funds	5,404	5,956
Cash and cash equivalents		11,850	16,421
Investment properties		24,152	21,298
Consolidated total		161,008	154,704
Shareholding in subsidiary company		50	50
Charity total		161,058	154,754

Within the total securities, £119,602,000 is classified as Level 1 as defined by IFRS 7, that is 'the investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date'. The remaining £5,404,000 is classified as Level 3, that is 'the investment is measured using unobservable inputs at the reporting date'. The Level 3 amount comprises two Private Equity 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.

In respect of the above Private Equity Funds, the managers have confirmed that all future commitments to both funds have been waived and have therefore deemed the shares to be fully paid. The funds will continue to return cash to investors prior to their final closure in 2019 and 2023 respectively.

The Fund instructed the investment manager to increase the holding in cash and cash equivalents to allow for the payments that will be necessary to cover the development of 7-10 Dean's Mews over the next 15 months.

The Fund has freehold interest in two investment properties. The Old Basing Estate is a mixed agricultural estate extending to approximately 981 acres and has been included at fair value of £14,951,000 (2016: £13,010,000) based on a valuation by Savills as at 31 December 2017. In 2015 the Fund purchased a freehold interest in properties at 7-10 Dean's Mews which adjoin the Fund's offices at 11-13 Cavendish Square. In 2016 planning permission was granted to redevelop the properties. These properties have been included at Fair Value, which is estimated to be their purchase cost plus development costs incurred to date less an allowance for the expected market value after development of £9,201,000 (2016: £8,288,000).

13. Fixed asset investments (continued)

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

	2017 £000	2016 £000
Opening balance at 1 January	154,704	138,525
Net monies (disinvested)	(3,619)	(2,588)
Increase on revaluation	9,923	18,767
	161,008	154,704
Shareholding in subsidiary company	50	50
Closing balance at 31 December	161,058	154,754

14. 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 the shares and is therefore the sole member of the company. The company has four directors comprising two King's Fund trustees and two King's Fund employees.

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. In addition, KEHF Limited manages sponsorship arrangements, including with partners and supporters, and consulting activities that are outside the charitable objects.

In the year to 31 December, the company had income of £3,639,000 (2016: £3,525,000) and incurred expenditure of £2,781,000 (2016: £2,675,000) thereby generating an operating profit of £858,000 (2016: £851,000). The directors have made donations in the year of £857,910 to The King's Fund through Gift Aid. The resultant accumulated surplus of KEHF Limited at 31 December 2017 is £4,000.

Excluding KEHF Limited's results, the charity's total income in 2017 was £9,134,000 (2016: £9,301,000) and the charity's net increase in funds was £8,300,000 (2016: net increase of £7,767,000).

15. Debtors

	Consolidated 2017 £000	Consolidated 2016 £000	Charity 2017 £000	Charity 2016 £000
Trade debtors	999	1,408	635	953
Amounts owed by KEHF Limited	-	-	89	140
Prepayments	197	142	195	138
Other debtors and accrued income	905	643	874	643
Donations from KEHF Limited	-	-	-	123
	2,101	2,193	1,793	1,997

16. Current liabilities: amounts falling due within one year

	Consolidated 2017 £000	Consolidated 2016 £000	Charity 2017 £000	Charity 2016 £000
Trade creditors	659	565	494	387
Amounts owed to KEHF Limited	-	-	3	6
Deferred income - see analysis below	1,239	1,286	745	830
Taxation and social security	349	290	349	290
Other creditors and accruals	610	577	589	519
	2,856	2,718	2,180	2,032
	Balance at 1 January 2017 £000	Released during the year £000	Additional deferrals £000	Balance at 31 December 2017 £000
Deferred income analysis				
Programme fees received in advance	830	(830)	745	745
Charity total	830	(830)	745	745
Other deferred income including KEHF Limited	456	(456)	494	494
Consolidated total	1,286	(1,286)	1,239	1,239

17. 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.

	2017 £000	2016 £000
The amounts recognised in the Balance Sheet are as follows:		
Fair value of Plan assets	57,631	53,505
Present value of Plan liabilities	(66,993)	(66,065)
Net Plan liability	(9,362)	(12,560)
The movement in defined benefit obligations over the year was as follows:		
Present value of obligations at start of year	66,065	52,541
Current employer service cost	436	291
Employee contributions	101	120
Interest costs	1,698	1,913
Actuarial (gains)/losses	255	12,897
Benefits paid	(1,562)	(1,697)
Closing value of the Plan liability	66,993	66,065
The movement in the fair value of assets over the year was as follows:		
Opening fair value of Plan assets	53,505	46,497
Return on Plan assets in excess of/ (lower than) interest income	3,751	6,415
Interest income on Plan assets	1,378	1,700
Employee contributions	101	120
Employer contributions	458	470
Benefits paid	(1,562)	(1,697)
Closing fair value of Plan assets	57,631	53,505

17. Pension schemes (continued)

Employer contributions in 2017 included £322,000 (2016: £315,000) in respect of past service costs. In addition, the Plan has pension liabilities which are insured with a value of approximately £175,000 (2016: £210,000). 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.

	2017 £000	2016 £000
Total income/(expense) recognised in the Statement of Financial Activities:		
Current employer service cost	(436)	(291)
Net interest on the net defined benefit obligation	(319)	(213)
Return on Plan assets excluding interest income	3,751	6,415
Experience (losses) on defined benefit obligations	-	-
Actuarial gains/(losses) arising from change in assumptions	(255)	(12,897)
Total income/(expense) recognised in the Statement of Financial Activities	2,741	(6,986)
Proportion of total Plan assets by asset class:		
Equities (including property)	64%	61%
Bonds	27%	28%
Index-linked	9%	10%
Cash and equivalents	0%	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.

	2017 £000	2016 £000
Actual return on Plan assets	5,129	8,115
The principal actuarial assumptions used at the balance sheet date:		
Discount rate	2.50%	2.60%
Rate of increase in salaries	3.15%	3.30%
General price inflation	2.15%	2.30%
Rate of increase in pension payments:		
Service prior to 1 April 2000	4.20%	4.25%
Service after 1 April 2000	3.05%	3.15%

17. Pension schemes (continued)

The King's Fund expects contributions of £467,000 to be made to the Plan in the year ending 31 December 2018 (excluding contributions made by employees). This sum includes payments of £331,000 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 8 years and 11 months from the most recent formal valuation date of 1 April 2015.

NHS Pension Scheme

The Fund contributes to the NHS Pension Scheme, a defined benefit scheme, for 11 (2016: 12) eligible members of staff as at 31 December. In 2017 the Fund contributed £117,000 (2016: £97,000) to the scheme. The employer's contribution rate is set by the Government Actuary at 14.3%.

The King's Fund Group Personal Pension Scheme

The Fund contributes to the Group Personal Pension Scheme, a defined contribution scheme established in 2008, for 91 (2016: 84) members of staff as at 31 December. The Fund contributed £451,000 (2016: £372,000) to the scheme. The employer's contribution rates are double each individual employee's contribution rate within the range from 6% to 12% of pensionable salary.

	2017	2016
	£000	£000
The pension charges for the period are shown below:		
The King's Fund Staff Pension and Life Assurance Plan	136	305
NHS Pension Scheme	117	97
The King's Fund Group Personal Pension Scheme	451	372
Total charges	704	774

18. Split of assets between funds

	Expendable Endowment £000	Restricted Funds £000	Unrestricted Funds £000	Total funds 2017 £000	Total funds 2016 £000
Tangible assets	-	-	56,029	56,029	56,752
Intangible assets	-	-	533	533	547
Investments: securities	115,157	-	21,699	136,856	133,406
Investments: property	10,031	-	14,121	24,152	21,298
Net current assets/(liabilities)	-	4	(28)	(24)	440
Pension fund reserve	-	-	(9,362)	(9,362)	(12,560)
Total funds	125,188	4	82,992	208,184	199,883

19. Movements in funds

	At the start of the year £000	Incoming resources and gains £000	Outgoing resources and losses £000	Transfers £000	At the end of the year £000
Restricted funds					
Department of Health and Social Care with University of York	-	246	(242)	-	4
Department of Health and Social Care with University of Manchester	-	99	(99)	-	-
Comic Relief and Big Lottery	-	72	(72)	-	-
Other	-	12	(12)	-	-
Total restricted funds	-	429	(425)	-	4

There were two projects funded by the Department of Health and Social Care through the National Institute of Health Research. The first is run jointly with the University of York and provides a fast-response research and analytical facility to the Department. In 2017 a number of pieces of work were undertaken, including research into domiciliary care in England, new services for people with multiple unhealthy behaviours, and approaches to the commissioning of the voluntary and community sector. The second project funded by the Department is in partnership with the University of Manchester and this undertook research into the effects of the Care Quality Commission's new inspection and rating system on provider performance.

The Comic Relief and Big Lottery Fund grant is to develop and deliver the Cascading Leadership programme for voluntary and community sector leaders in health and care. The project started in 2017 and will be completed in 2018. In total £168,000 of funding had been received by 31 December 2017 (£118,000 from the Big Lottery and

£50,000 from Comic Relief); the additional income will be recognised in the accounts as the work is delivered in 2018.

20. Related party transactions

There have been no related party transactions that require disclosure other than transactions with the subsidiary company, KEHF Limited, as set out below.

- In 2017 the charity charged KEHF Limited management fees totalling £354,000 (2016: £355,000). This is calculated as a percentage of external income.
- In 2017 the charity charged KEHF Limited licence fees totalling £718,000 (2016: £791,000). This is calculated as a percentage of room hire income from external conference and catering services.
- In 2017 KEHF Limited charged the charity administration fees totalling £83,000 (2016: £76,000). This is calculated as a percentage of internal room hire costs.

21. Operating leases

21a. Lessor

The future minimum lease payments under non-cancellable operating leases for each of the following periods are set out below:

	2017 £000	2016 £000
Not later than one year	544	600
Later than one year and not later than five years	699	480
Later than five years	47	7
Total	<u>1,290</u>	<u>1,087</u>

Operating lease commitments relate to the minimum future rental income for both investment and non-investment properties.

21b. Lessee

The future minimum lease payments under non-cancellable operating leases for each of the following periods are set out below:

	2017 £000	2016 £000
Not later than one year	14	59
Later than one year and not later than five years	-	14
Total	14	73

Operating lease commitments relate to the minimum future rental expenditure for photocopiers.

22. Comparative statements

22a. Comparative split of assets between funds

	Expendable Endowment £000	Unrestricted Funds £000	Total funds 2016 £000
Tangible assets	-	56,752	56,752
Intangible assets	-	547	547
Investments: securities	110,766	22,640	133,406
Investments: property	8,288	13,010	21,298
Net current assets	-	440	440
Pension fund reserve	-	(12,560)	(12,560)
Total funds	119,054	80,829	199,883

22b. Comparative consolidated statement of financial activities

	Unrestricted funds £000	Endowed funds £000	Total 2016 £000
Income and endowments from:			
Donations and legacies	1	-	1
Charitable activities:			
Research and analysis	859	-	859
Developing individuals, teams and organisations	2,687	-	2,687
Promoting understanding	106	-	106
Bringing people together	864	-	864
Other trading activities	3,899	-	3,899
Investments	2,259	-	2,259
Other	79	-	79
Total	10,754	-	10,754
Expenditure on:			
Charitable activities:			
Research and analysis	4,576	-	4,576
Developing individuals, teams and organisations	4,008	-	4,008
Promoting understanding	2,438	-	2,438
Bringing people together	686	-	686
Other trading activities	2,977	-	2,977
Investment management costs	218	368	586
Total	14,903	368	15,271
Operating (deficit)	(4,149)	(368)	(4,517)
Net gains on investments	3,306	15,461	18,767
Net income/(expenditure)	(843)	15,093	14,250
Actuarial gain/ (loss) on defined benefit pension scheme	(6,483)	-	(6,483)
Net movement in funds	(7,326)	15,093	7,767
Reconciliation of funds			
Total funds brought forward	89,018	103,098	192,116
Total funds carried forward	81,692	118,191	199,883

