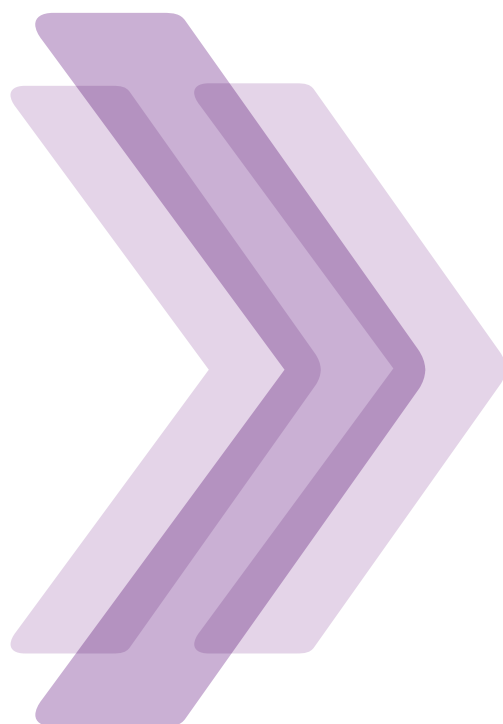


Trustees' annual report and accounts

**For the year ended
31 December 2016**



May 2017

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Reference and administrative details

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 [joined 6 December 2016]
Sir Sam Everington
Simon Fraser [joined 14 March 2017]
Sir Thomas Hughes-Hallett [left May 2016]
Paul Johnson [joined 6 December 2016]
Professor Sir Julian Le Grand [left December 2016]
Strone Macpherson (Treasurer)
Dr Aseem Malhotra
Sir Jonathan Michael
Michelle Mitchell OBE [left February 2016]
Rt Hon Jacqui Smith [joined 1 February 2017]

General Advisory Council

Dr Kamran Abbasi – Editor, *Journal of the Royal Society of Medicine*
Lord Victor Adebawale CBE – Chief Executive, Turning Point
Dr Steve Allder – Neurologist, Re:Cognition Health
Dr Samantha Barrell CBE – Chief Executive, Taunton and Somerset NHS Foundation Trust
The Lord Michael Bichard KCB – House of Lords
Kay Boycott – Chief Executive, Asthma UK [joined January 2017]

Dr Mark Britnell – Partner and Head of Health UK and Europe, KPMG [left December 2016]
Dr Jane Collins – Chief Executive, Marie Curie [left December 2016]
Emma Colyer MBE – Chief Executive, Body and Soul
Sir Liam Donaldson – Chair in Health Policy, Imperial College London [left December 2016]
Professor Yvonne Doyle – Regional Director, Public Health England [joined January 2017]
Hannah Farrar – Partner, Carnall Farrar [joined January 2017]
Professor Steve Field CBE – Chief Inspector of General Practice, CQC [left December 2016]
Professor Julian Forder – Principal Research Fellow, Personal Social Services Research Unit, University of Kent
Ceinwen Giles – Trustee, Shine Cancer Support and Point of Care Foundation
Dr Nick Harding OBE – Chair, Sandwell and West Birmingham CCG [joined January 2017]
Paul Jenkins OBE – Chief Executive, Tavistock and Portman NHS Foundation Trust
Dr Nikita Kanani – Chief Clinical Officer, NHS Bexley CCG
Sir Ron Kerr CBE – Executive Vice Chair, Guy's and St Thomas' NHS Foundation Trust
Dr Partha Kar – Clinical Director of Diabetes, Portsmouth Hospitals NHS Trust
Dr Arvind Madan – Chief Executive Officer, Hurley Group
Jenny Owen CBE – Non-Executive Director, Royal Free NHS Foundation Trust
Ben Page – Chief Executive, Ipsos MORI
Dr Niti Pall – Chair and Clinical Lead, Pathfinder Healthcare Developments CIC
Sarah Pickup OBE – Deputy Chief Executive, Local Government Association
Charlotte Ramsden – Strategic Director for Children and Adult Services, Salford City Council [joined January 2017]
Jan Sobieraj – Chief Executive, United Lincolnshire Hospitals NHS Trust
Dr Emma Stanton – Chief Executive, Beacon UK
Jeremy Taylor – Chief Executive, National Voices

Senior Management Team

Chief Executive – Professor Chris Ham CBE
Director of Policy – Richard Murray
Director of Finance and Operations – Richard Scanlon
Acting Director of Leadership – Vijaya Nath [from April 2015 to March 2016]
Director of Leadership and Organisational Development – Marcus Powell [from March 2016]

Director of Communications and Information – Patrick South [from March 2016]

Commercial Director – Jonathan Morris [left April 2017]

Director of HR – Shirley Collier

Registered office

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

Charity number

1126980

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
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

Message from the Chair and Chief Executive

With increasing pressures being felt across the NHS and social care, 2016 was a challenging year for the health and care system, played out in an uncertain political and economic context. The EU referendum campaign and consequences of Brexit dominated the agenda, while the continuing squeeze on health and social care funding had an increasing impact on patients and service users. We analysed the nature of this impact, highlighted areas in which new models of care were developing, and made the case for a new settlement that ensures the sustainability of health and care services for future generations.

During the year, we published major reports on [general practice](#), [district nursing](#) and [social care](#), the last of these in association with the Nuffield Trust. Together with the Health Foundation and the Nuffield Trust, we analysed the state of NHS and social care funding ahead of the [2016 Autumn Statement](#) and drew attention to the urgent need to provide additional resources for social care in particular. Our views were, and continue to be, widely cited by politicians, journalists and commentators.

In other work, we argued that [sustainability and transformation plans](#) (STPs) offered a real opportunity to realise the vision set out in the *NHS five year forward view*. These ambitious five-year plans for the future of health and care services in 44 areas of England aim to bring NHS organisations, local authorities and other partners together to transform care for local populations. We analysed the opportunities and challenges they presented and [supported STP leaders](#) and those working in vanguard organisations to deliver new care models.

[Developing and equipping leaders](#) for the future continues to be an important part of our work. In March 2016, we were joined by a new Director of Leadership and Organisational Development, Marcus Powell, who has worked with colleagues to strengthen the support we provide to organisations and systems of care alongside our open programmes. Our leadership and organisational development team has also worked with national bodies such as the Care Quality Commission and NHS Improvement to support improvements in leadership.

During 2016, we have continued to focus on patient leadership, publishing a [report](#) on building collaborative relationships between professionals and patients, holding a [conference](#) in partnership with National Voices to showcase best practice and

delivering our **collaborative leadership programme**. We were pleased to welcome **Mark Doughty** as a Senior Consultant in 2016, strengthening our expertise in this area.

The **GSK IMPACT awards**, which are funded by GSK and managed by The King's Fund, continues to recognise and reward charities that are doing excellent work to improve people's health. In 2016, we ran a successful pilot of the **Cascading Leadership programme**, run in partnership with GSK and Comic Relief, enabling winners to share their learning and skills with the wider voluntary and community sector.

Across all of our work, making sure our message is heard is vital. In a year when political and media focus was often on the EU referendum and its result, we have continued to increase the number of visitors to our website and achieved growing levels of interest and coverage from the media and parliament.

Within the Fund, we have completed our business change programme, which has delivered significant improvements to our systems and processes. We have also continued to focus on a wide range of organisational development initiatives, supporting us in our ambition to develop as a high-performing organisation.

During 2016 we saw a number of changes to our **Board of Trustees**. We would like to record our thanks to Sir Thomas Hughes-Hallett, Professor Sir Julian Le Grand and Michelle Mitchell OBE, who left the Board during the year. We welcomed two new Trustees in December 2016: Dominic Dodd, Chairman of the Royal Free London NHS Foundation Trust and Paul Johnson, Director of the Institute for Fiscal Studies. We welcomed three further Trustees in early 2017: Jane Collins, Chief Executive of Marie Curie and previously a member of our General Advisory Council; Jacqui Smith, Chair of the University Hospitals Birmingham NHS Foundation Trust; and Simon Fraser, a member of the Fund's Investment Committee since 2015.

We would also like to record our thanks to those who left our **General Advisory Council** in 2016: Dr Mark Britnell, Sir Liam Donaldson and Steve Field CBE. We welcomed five new members to the Council in January 2017: Kay Boycott (Chief Executive, Asthma UK); Professor Yvonne Doyle (Regional Director, Public Health England); Hannah Farrar (Partner, Carnall Farrar); Dr Nick Harding OBE (Chair, Sandwell and West Birmingham CCG); and Charlotte Ramsden (Strategic Director for Children and Adult Services, Salford City Council).

We look forward to working with our new colleagues as we seek to improve health and care in England over the coming years.

Sir Christopher Kelly, Chair

Professor Chris Ham, Chief Executive

TRUSTEES' ANNUAL REPORT

The Trustees of The King's Fund are pleased to present their annual report for the year ended 31 December 2016.

Objectives and activities

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, upon 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.

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.

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. In approving these plans, the Trustees are mindful of the Charity Commission's general guidance on public benefit. In particular, the Trustees consider how activities will contribute to the aims and objectives they have set. The major elements of these plans, and our achievements against them during 2016, are set out in this report.

Our 2016-19 strategic goals and priorities

Developed in 2015, the **2016-2019 strategic plan** sets out four corporate goals that show how we seek to improve care and four areas of policy and practice that we will prioritise between 2016 and 2019. We identified these priorities by talking to stakeholders, looking at the health and care environment and considering how our particular skills and knowledge can deliver the most impact.

- **Goal 1:** We will have influenced (for the better) the policies of government and national bodies.
- **Goal 2:** We will work with organisations and communities at a local level to turn policies into practice and our work with leaders will build capability for improvement.

Our work to achieve these two goals will focus on four areas of policy and practice:

- health and care systems
 - NHS and social care funding and productivity
 - communities and population health
 - culture and leadership.
- **Goal 3:** We will support all who are involved in improving health and social care by being a valued and sought-after source of commentary, explanation and information.
 - **Goal 4:** We will work towards becoming a high-performing organisation. Our work to achieve this goal will focus on three internal-facing priorities:
 - people and culture
 - quality, performance and customer service
 - managing our resources.

These goals and priorities are supplemented by three themes, which are important to our staff and stakeholders and make a difference to what we do and how we work; these will be visible in our work both externally and internally:

- diversity and inequalities
- patient, service user and individual involvement
- innovation.



Our annual operational plan

Steered by these priorities, our 2016 operational plan set out our objectives for the year. The overarching theme of our work programme during the year was sustaining and transforming health and care, against the challenging backdrop of increasing financial and service pressures. We focused on analysing these pressures, leading the debate on health and social care funding, supporting new models of care and developing a new strategy for our leadership and organisational development work. More detail on what we have delivered in each of these areas is provided in the following sections of this report.

Achievements and performance

Goals 1 and 2

The first two goals in our strategic plan describe our ambition to influence health and care policy and impact on practice at service level:

- **goal 1: we will have influenced (for the better) the policies of government and national bodies**
- **goal 2: we will work with organisations and communities at a local level to turn policies into practice and our work with leaders will build capability for improvement.**

The King's Fund has a longstanding reputation for influencing health policy. We are passionate about improving health and care and recognise the importance of helping to shape national policy to achieve change. Our credibility is built on the strength of our analysis but also on our independence.

We attempt to influence policy-making to improve health and care by undertaking these activities:

- publishing policy analysis and research
- generating and sharing evidence from the United Kingdom and across the world about what works
- engaging directly with the government, politicians and national bodies
- bringing together policy-makers, leaders and practitioners to discuss and debate policy.

Alongside national influence, we want to have an impact on practice at service level – to make a tangible difference to the quality and experience of care for patients, service users and carers. We find the best ways to inform local implementation is by listening to those in the systems and communities with whom we are working. We do this by:

- working with individuals, teams and organisations in health and social care through our development programmes and organisational development work
- establishing learning networks and facilitating discussion to share knowledge and support good practice

- producing evidence, tools and policy recommendations that can be put into practice locally
- hosting events that bring together people to discuss key issues and share good practice.

Our work to achieve these two goals focuses on four areas of policy and practice:

- health and care systems
- NHS and social care funding and productivity
- communities and population health
- culture and leadership.

Details of our achievements in each of these areas is described on pages 14 to 28. 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.

How we measure our external impact

We review our delivery of the operational plan throughout the year, considering the impact and reach of our external-facing work. We are increasing our use of data to support this, including developing performance reports from our new business system and processes.

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 a number of valuable proxies. For example, we look at whether we are able to reach our intended audience. Data reviewed includes 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; and the number of people who subscribe to regular communications from the Fund.

The impact we have achieved is described under each of our goals.

Our 2016–19 strategic plan outlines the changes we want to see in each priority area. Our work in 2016 was guided by our ambition to make these changes happen.

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* and the move to sustainability and transformation plans, but there remains much more to do to make this vision a reality. Our aim is build the evidence, make the case for change and then work with system leaders and practitioners to ensure that change is driven by evidence and best practice.

Health and care systems - 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.

Widespread redesign of services is happening through the 50 vanguards established to take forward the plans set out in the *NHS five year forward view*. In 2015, we were commissioned by NHS England to **provide support** to the primary and acute care system (PACS) and acute care collaborative (ACC) vanguards, and to the new care models programme as a whole. In 2016, we continued to provide this support and to work with Don Berwick, international visiting fellow; our work is having an impact both in the vanguards themselves and through our interactions with the new care models team in NHS England and other national bodies.

This has been augmented by our work in several other areas of England where we have **supported local leaders** in redesigning services – for example, in Salford, Bedford, Berkshire, Buckinghamshire, Warwickshire, Liverpool, Cumbria, Morecambe Bay, north central London and Northumbria.

Working in these and other localities has given us a deep insight into the challenges and opportunities offered by these new ways of working. In October 2016, our **report** on new care models analysed the experience in some of the most advanced primary and acute care system and multispecialty community providers (MCPs), identifying the lessons for governance and new organisational forms from this experience.

Also in October, our **conference** on emerging new models in primary care provided a place to learn and share good practice and, in December, we held a **conference** on enhanced health in care homes.

The Fund has led the way in making the case for integrating physical and mental health care, identified by the mental health taskforce as one of three key priorities in The five year forward view for mental health. In March 2016, we published a **report** and held a **conference** to explore in greater detail what this should involve, and we also established **learning networks** to support local areas integrating physical and mental health services.

During 2016, we saw NHS organisations coming together with local authorities and other partners in 44 areas of England to develop sustainability and transformation plans (STPs) – ambitious, five-year plans for the future of health and care services in local areas. We analysed how these plans have been developed in four parts of the country, publishing a high-profile **report** in November. Several events in 2016 also spoke to this theme: one in March focused on accelerating progress in **establishing place-based systems of care**; our **integrated care summit** in October assessed different approaches to improving population health, and two conferences at the end of the year – one in **London** and one in **Leeds** – enabled STP leads to share progress and look ahead to the implementation phase.

Building on our work with those developing new models of care, we have worked with **STP leaders** from Frimley Health, Bedford, Luton and Milton Keynes, Somerset, north central London, north east London, and Merseyside and Cheshire. Firmly rooting our support in our knowledge of health policy and health services research, we help leaders to develop new ways of working to meet the challenges of working together across organisational boundaries.

We have also run a number of open programmes and learning networks to support leaders to develop the skills needed to lead collaboratively across systems of care – for example, our **building collaborative leadership programme** and a **learning network** for senior health and care leaders actively involved in leading and developing accountable care organisations.

Effective clinical engagement is also key to transform services. In the final report of a **four-year research project** with the Nuffield Trust to assess the development of clinical commissioning groups, we looked at **GP involvement in commissioning**, highlighting findings relevant to all organisations involved in planning and designing services.

Despite these positive developments, policy and regulatory barriers to integrating care remain. In our **analysis** of progress made in implementing the *NHS five year*

forward view, we concluded that more work is needed to address regulatory barriers, develop new forms of governance, and make more funding available to support transformation.

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.

Funding and productivity - 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.

In 2016, we continued to highlight the increasing pressures in the NHS and social care, calling on the government to provide more funding or set out the consequences of not doing so. We joined forces with the Nuffield Trust and the Health Foundation to present a **single view** of the NHS funding position and challenge the government's presentation of the funding provided in the 2015 Spending Review. This analysis was endorsed by the Health Select Committee in its report on the Spending Review and has been widely quoted in the media and in parliament. We **updated it** ahead of the 2016 Autumn Statement, and it continues to be regularly cited by politicians, journalists and commentators.

We partnered with the Nuffield Trust again in September, assessing the state of social care services for older people in England. This resulted in a hard-hitting report – ***Social care for older people: home truths*** – which underlined the huge pressures on the social care system. This was our most viewed report in 2016, securing widespread media coverage and helping to shape the debate that has since led to funding increases and a long-term review of social care funding.

We also published other reports that highlighted the impact of funding constraints

on the health and care system. In May, we published a high-profile **report** based on the most comprehensive analysis of demand and activity in general practice for many years. In September, **Understanding quality in district nursing services** highlighted the growing gap between demand and capacity in district nursing services and recommended a new framework for measuring quality in community services.

We also made a significant **contribution** to the House of Lords Select Committee on the long-term sustainability of the NHS. Our written and oral evidence provided our view on the key factors in the sustainability of the NHS, including resourcing, workforce models of service delivery and integration, prevention, public engagement and digitisation.

Throughout the year, we continued to publish our **quarterly monitoring reports**, highlighting finance and performance issues in the NHS. In our **November report**, we published data from general practice for the first time, enabling us to track demand and activity in GP services. We also published briefings on **deficits in the NHS** and on demand and activity in hospitals, highlighting the underlying drivers of the financial and operational pressures facing hospitals.

This work kept us at the forefront of the debate on NHS funding and was widely quoted in the media and in parliament. For example, our briefing on deficits was discussed at Prime Minister's question time.

As well as highlighting the pressures facing health and care, we have sought to provide solutions. In April we published an **agenda for action** outlining what is needed to ensure that the NHS can be sustained and transformed.

We have also continued to highlight the significant opportunities for the NHS to get better value from its budget. In June, delegates at our **conference** heard how leading organisations and teams are already making change happen and gained vital insight into some of the methods being used to improve services at the front line of the NHS.

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.

Communities and population health - the changes we want to see

Health and care systems at all levels will focus on population health with a core focus of inequality reduction. 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.

Building on our work over recent years to promote integrated care, we have had an important role in moving the debate towards population-based care, with the language of improving population health apparent in many of the STPs published in 2016. This has been picked up by Professor Lord Ara Darzi as part of the World Innovation Summit for Health (WISH) initiative, a global health care community dedicated to capturing and disseminating the best evidence-based ideas and practices. The Fund was commissioned to write a [paper](#) to be presented to health ministers from several countries at a WISH symposium in Doha in November, enabling our work to reach a wider, international audience.

We have also continued to reinforce the importance of the link between housing and health. In March 2016, we explored how to drive integration between housing and health in an online [event](#). This was followed up by a further online [event](#) in October exploring the benefits that the housing sector can bring to health economies. In September 2016, we published a [report](#) based on work commissioned by the National

Housing Federation from The King's Fund and the New NHS Alliance. This made the economic case to the health sector for closer working between the housing and health sectors, and it was drawn on by NHS England in a [guide](#) on health and housing for clinical commissioning groups. The [National Housing Federation](#) published two further reports drawn from the research project: one on the NHS and health sector's approach to evidence in decision-making; and another on how the housing sector can make a stronger business case to health.

In May, we published [Gardens and health: implications for policy and practice](#), commissioned by the National Gardens Scheme. The report called on national and local health bodies to make more of the diverse health benefits of gardening, as part of the broader link between green space and a range of mental and physical health benefits. It included case studies across the NHS and local authorities where this was happening, including innovative social prescribing schemes linked to general practice, and generated interest from a wide range of stakeholders.

A number of events in 2016 supported our work on population health and reducing inequalities. For example, we held a [conference](#) on the role of the NHS in tackling health inequalities, and an online [event](#) explored how to use population health models to deliver whole-system preventive care. Other relevant events are covered elsewhere in the report, including our [integrated care summit](#), which focused on population health, and a [conference](#) on how to involve and co-produce with communities in the design of care.

The [GSK IMPACT awards](#) are funded by GSK and managed by The King's Fund and is one of our flagship projects, recognising and rewarding charities that are doing excellent work to improve people's health. All award winners benefit from £30,000 donation, two places on a unique training and development programme, and an invitation to join the GSK IMPACT Awards Development Network. The network connects past award winners, supporting these charities to develop their leaders, share their expertise and build recognition of their significant contribution to the health and social care system; it now has around 120 members representing more than 70 award-winning charities.

Building on the success on the network, we developed the [Cascading Leadership programme](#) in partnership with GSK and Comic Relief. This programme enables high-performing GSK IMPACT Award winners to share their learning and skills with the wider voluntary and community sector. After a small pilot in Scotland in 2015, we ran a larger pilot in the UK in 2016, matching 15 consultant organisations from the GSK IMPACT Awards Network with 15 organisations in contact with Comic Relief who benefited from the support. An external evaluation on this pilot demonstrated very positive results and states 'without exception (participants) view

Cascading Leadership as a success in terms of the benefits they have gained both individually and organisationally'.

Culture and leadership

Health and care leaders are facing significant challenges and a period of considerable change. We work with local leaders to help them address the challenges they are facing and develop their leadership capabilities.

In 2016 we were joined by a new Director of Leadership and Organisational Development, Marcus Powell, and carried out a review of our programmes and offers. Our new strategy acknowledges that, while programmes focused on developing individual leadership skills still have an important role to play, the challenges facing today's leaders require an approach focused on whole organisations or systems of care.

Because of the change to our strategy, we spent much of 2016 strengthening our **organisational development** capability. At the same time, we continued to work with a wide variety of individuals, teams and organisations to enable them to deliver change and develop their leadership skills.

We ran 12 **open programmes** covering a broad range of skills, levels and specialisms; they remain popular and operated at between 90 and 100 per cent capacity this year. Approximately 420 health and care professionals participated in these development programmes in 2016. Feedback data collected completed during the latter half of the year show that 97 per cent of participants rated their experience as 'good or above'. We launched a new programme in 2016; 'Release your potential' is a programme for new leaders, supporting those who are new to leadership roles or keen to move into a leadership role. We also established four learning networks, bringing people together to help them collectively overcome common challenges and learn from best practice.

In 2016 we were directly commissioned by 49 organisations to provide bespoke leadership and organisational development. For example, we were recommissioned by Health Education East of England with a new **Quality Improvement Fellowship** programme to build skills and knowledge in improvement science among clinicians. We've run four cohorts of the programme since 2012, supporting the development of 70 quality improvement fellows and we were recommissioned for a fifth in 2016. We have also supported local leaders to redesign services to deliver the vision set out in the *NHS five year forward view* (see page 14).

Our sixth annual **leadership summit** in May focused on cultures for quality and continuous improvement in patient care. Coinciding with the summit, we published

a **case study** based on our work with Oxleas NHS Foundation. The case study, which was co-produced with the trust, looks at how to use an action learning approach to develop quality improvement strategies. Earlier in the year, we published **Improving quality in the English NHS: a strategy for action**, providing 10 design principles to guide the development of quality improvement strategies.

Also in May, we published a report from Nick Timmins – Senior Fellow at the Fund – on the realities of leadership in today's NHS. **The chief executive's tale: views from the front line of the NHS** is based on interviews with 12 departing chief executives about the highs and lows of the job and was launched at an event with senior stakeholders.

We continued to focus on supporting leaders to develop collaborative relationships, and a number of our programmes and learning networks reflect this theme, for example our **collaborative leadership programme** and **accountable care organisations learning network**. We also offered support to help develop collaborative relationships among health and care professionals, patients, carers and community partners – you can read more about this on pages 27–28.

As well as supporting organisations and individuals, we have worked with national bodies. For example, we contributed to NHS Improvement's national improvement and leadership strategy and worked with the Care Quality Commission on the Practical Leadership Assessment Tool.

Goal 3

Goal 3: We will support all who are involved in improving health and social care by being a valued and sought-after source of commentary, explanation and information.

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

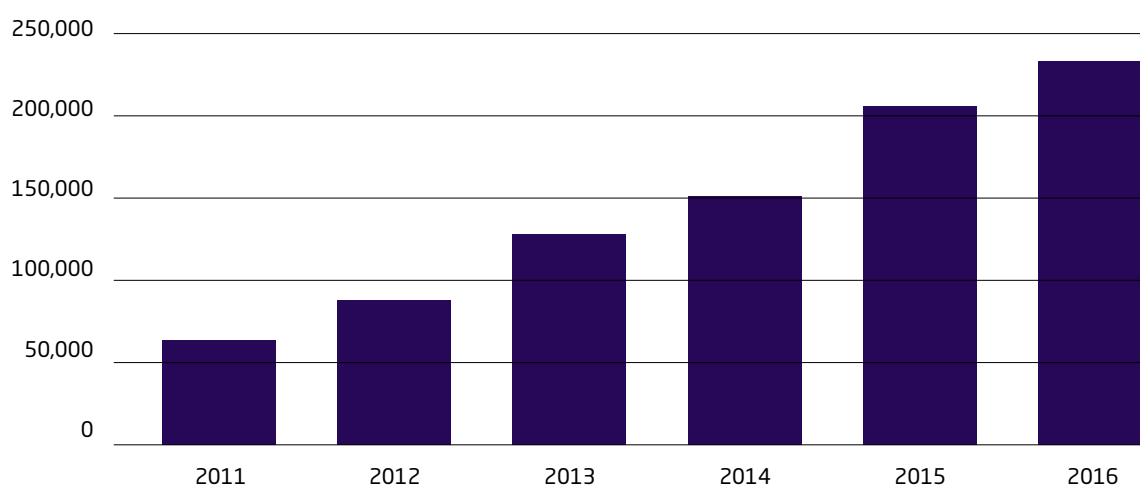
Goal 3: Supporting all who are involved in improving health and social care by being a valued and sought-after source of commentary, explanation and information - the changes we want to see

- 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.

Details of our achievements under goal 3 are described below. These 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.

More people than ever are accessing our content online. In 2016, there was an average of 231,200 visits a month to the site, an increase of 13.6 per cent on the year before.

Average visits per month to kingsfund.org.uk



The table below shows our most popular website content published during 2016.

| Content | Unique page views in 2016 |
|--|---------------------------|
| <i>The digital revolution: eight technologies that will change health and care</i> | 70,714 |
| <i>Five big issues for health and social care after the Brexit vote</i> | 48,120 |
| <i>What's going on in A&E? The key questions answered</i> | 47,763 |
| <i>The NHS budget and how it has changed</i> | 45,724 |
| <i>International comparisons of health care spending by % of GDP</i> (This page was unpublished in January 2017 as the data it was based on had been updated and the information it presented was no longer accurate) | 38,908 |
| <i>How the NHS is funded</i> | 33,159 |
| <i>Improving quality in the English NHS</i> | 29,122 |
| <i>Sustainability and transformation plans (STPs) explained</i> | 24,941 |
| <i>Bringing together physical and mental health</i> | 24,606 |
| <i>How does NHS spending compare with health spending internationally?</i> | 17,282 |

Six of the ten most popular pieces of content published in 2016 fell into the sense-making category, with *The digital revolution* and *Five big issues for health and social care after the Brexit vote* proving particularly popular. Sense-making content produced before 2016 continued to be popular – for example, the [Alternative guide to the NHS](#) (2013) and *The NHS budget and how it has changed* (2015) were both in our top ten viewed web pages in 2016.

As well as making sense of what's happening now, we sought to take a longer-term view and encourage new thinking through our [NHS if...](#) collection of essays. The essays explored hypothetical scenarios and their impact on the future of health and care under three themes – the NHS and society; medicine, data and technology; and how the NHS works. We also launched an essay-writing competition, promoted in partnership with the *British Medical Journal*, receiving 94 essays on a wide range of subjects.

Our media coverage remains high: we were mentioned 932 times across print, broadcast and online media in 2016, compared to 930 in 2014 (we benchmarked against data for 2014 as 2015 was an exceptional year due to the general election). Our reputation for independent and evidenced-based analysis means that we are regularly sought out by parliamentarians, and the Fund was mentioned 116 times in parliament, up from 68 times in 2015 and 50 in 2014. This was partly because the NHS rose up the political agenda but also because of the impact of our reports on social care and sustainability and transformation plans. We are also called on

by national bodies to provide insight, analysis and explanation. For example, in 2016, we provided significant input into NHS Improvement's national improvement and leadership framework and were asked to give **evidence** to a number of select committee inquiries.

The number of people we reach via social media and marketing emails also increased in 2016:

- our Twitter following grew by 17 per cent; Twitter continues to be a key social media channel for the Fund, accounting for 9.6 per cent of all website visits
- we saw an increase in newsletter subscribers of 37 per cent, with a larger percentage of email recipients opening emails.

Our events team ran an extensive range of events in 2016, including conferences, an international congress, lectures, seminars, and workshops. We welcomed 4,531 attendees at our 25 events, which is an average of 181 delegates per event, with 10 per cent (455) coming to more than one event, and 88 per cent giving positive feedback. Our **annual conference** was our most popular event, with a sell-out 420 registrations. In 2016 we began a series of online events, which have been very popular; more than 1,000 people signed up to a webinar in December with international visiting fellow Don Berwick. We are also seeking to increase our profile outside London and held a conference in Leeds on STPs.

Our **information centre** continues to be a valued resource centre and online resource, with increasing numbers of people accessing our services. Each month, more than 100 people access our information enquiry service to ask questions, check references or facts on health and social care, an increase from 2015. We also saw an increase in the number of people who subscribe to the **alerts and bulletins** produced by our Information and Knowledge Services (IKS) team, with each bulletin seeing an increase in subscribers of approximately 20 per cent.

As well as managing the information centre, our IKS team have been working on a joint project with Health Education England as part of its Knowledge for Healthcare programme, and promoting their services at events with Public Health England and NHS libraries in the London area. The team also continued work on the project to digitise a huge range of The King's Fund's publications and documents from 1898 onwards. This **archive** continues to attract interest from individuals and organisations who are interested in the longevity of the Fund's work spanning more than 100 years, as well as from organisations who are keen to preserve their own heritage digitally.

Goal 4

Goal 4: We will work towards becoming a high-performing organisation.

In addition to our external-facing work, we have continued to build on and improve the way we work as an organisation – how efficient and effective we are in using and managing resources, and the culture we create for those who work for us and in partnership with us. We are focused on:

- supporting our people – attracting the best, developing staff to achieve their potential, creating a positive culture and demonstrating effective leadership
- achieving high standards of performance, quality and customer service, underpinned by effective systems and processes; developing our understanding of how we assess and evidence our own impact
- managing our resources and building a sustainable future – supplementing our endowment by generating income, particularly from our commercial venue, No 11 Cavendish Square.

Details of our achievements under goal 4 are described below. These 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.

Supporting our people

The King's Fund remains a popular place to work; we have low staff turnover (10 per cent at the end of 2016) and high application rates, with more than 580 applications to work at the Fund in 2016.

Work on our organisational development programme continued in 2016, supporting us in our ambition to be a high-performing organisation. Building on work completed in 2015, we focused on our values in 2016, redesigning our job descriptions and our approach to recruitment to ensure that our values are integral to both.

In 2015, we developed a new approach to learning and development, in response to feedback from staff. As a result, we saw an increase in learning and development opportunities in 2016 – in particular for work-based learning – as well as a rise in demand, showing that we are developing as a learning organisation.

Our work to embed continual feedback in our culture continues. We piloted a new 360° feedback process with our senior management team, ahead of inviting a wider group to help develop the tool in 2017.

At the end of 2015, we ran a staff satisfaction survey. The results showed many positives such as pride in our work, care for wellbeing and strong management relationships. There were areas for improvement too, and we focused on these in 2016. For example, teams took action to focus on celebrating success and supporting colleagues, and we supported conversations in teams about effective workload management. We run staff satisfaction surveys every two years, with the next one due in 2017.

Performance, quality and customer service

Our internal change programme, encompassing new systems and business processes, was completed in 2016. As a result of this programme, we have integrated business systems that support us in our drive to be a high-performing organisation, giving us improved ways of managing our work and reporting on it.

During the final year of the programme in 2016, we focused on improving our document management; developing our approach to customer relationship management; further integration of the core business system with function-specific applications; further development of collaboration tools; and the continued delivery of key network infrastructure projects, including moving key IT services to the cloud. With the close of the programme, we have set up processes and procedures and allocated resources to ensure we continue our efforts to improve how we manage and report on our work.

Managing our resources

Our funding comes from a diverse range of sources, supporting our objectivity and independence. Around 40% per cent of our total expenditure is covered by income and capital from our endowment and other investments. Although this does not fund all our activities, it guarantees a consistent and completely unrestricted stream of funding to support our charitable objectives.

The remainder of our expenditure is covered by income generated mainly from our leadership and organisational development services; research and analysis projects; paid-for events; corporate partnerships; and our commercial venue, No 11 Cavendish Square. These activities help us maximise income generation, supporting us to deliver our charitable objectives. Highlights from these areas of activity in 2016 include:

- an extensive events programme including The King's Fund annual conference, a two-day international digital health congress, and our annual leadership summit (more details on page 20)

- hosting approximately 45,900 guests at more than 1,260 meetings, conferences and events at our commercial venue, No. 11 Cavendish Square; approximately 70 per cent of bookings were repeat business, and in every quarter average ratings for the venue from organisers and participants were between 3.6 and 3.8 out of 4.0
- continuing to develop and grow our **Corporate Partners and Supporters programmes**, delivering more value for members and the Fund. The programmes have their own calendar of events, as well as supporting the objectives of other teams; most notably sponsorship for conferences. We launched a new **programme** for digital health small and medium-sized enterprises (SMEs) in October 2016, widening our group of partner organisations who provide further income and expertise to support the goals of the Fund.

We delivered a number of capital expenditure projects in 2016 including installing mobile phone signal boosters and new AV around our building. We have also made good progress on developing a new website, which will be launched in the summer of 2017.

Looking to the longer term, we obtained planning permission from Westminster Council to develop four properties at 7–10 Dean's Mews which are adjacent to the Fund's headquarters building. We purchased these properties in 2015 and plan to develop them into residential houses to provide a future stream of income to support our charitable aims.

Cross-cutting themes

In developing our 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. Our aim is to assess how these themes are addressed in our work programme and how the Fund itself can keep up with and model best practice:

- patient, service user and individual involvement
- diversity and inequalities
- innovation.

In 2016, we mainly focused on expanding and developing how we **involve patients and service users**, strengthening our expertise in this area with the appointment of Mark Doughty as a Senior Consultant in August. In November, we partnered with National Voices to hold a **conference** to bring together national leaders and local innovations from across the country to showcase how to involve and co-produce with patients. We have also run the 2016/17 cohort of our **programme** that focuses

on collaborative leadership with patients and communities, welcoming pairs of clinicians/managers and patient/service user leaders to the Fund to work together on a shared challenge. This approach to working in partnership with patients and the community has also been commissioned by Barts Health NHS Trust, South West Leadership Academy and West London Mental Health NHS Trust.

We published two publications related to this theme during the year: *Patients as partners* and a *report* on user feedback in maternity services, describing the challenges and highlighting good practice.

We are committed to listening to and working with people with lived experience of our health care system. As part of a project to *review HIV services* in England to develop policy and planning recommendations for the next five to ten years, we involved people with lived experiences in the design and undertaking of our research, seeking their influence on how services may need to change.

Financial review

Review of income and expenditure for the year ended 31 December 2016

Total income for the year amounted to £10.8 million (£11.4 million in 2015), of which £4.5 million (£4.9 million in 2015) was generated from charitable activities and £6.3 million (£6.5 million in 2015) was derived from other sources, namely investments, donations and legacies and other trading activities.

Income from charitable activities fell by £0.4 million between 2015 and 2016 mainly due to a reduction in commissioned work for leadership programmes within the activity of 'Developing individuals, teams and organisations' and the reclassification of sponsorship income previously within 'Bringing people together' which is now included in other trading activities.

Income from other sources decreased by £0.2 million. This was due to donations and legacies decreasing by £0.5 million and investment income decreasing by £0.1 million, offset by income from other trading activities increasing by £0.4 million.

Total expenditure of the Fund in 2016 was £15.3 million (£15.4 million in 2015).

Expenditure on charitable activities was £11.7 million, (£12.0 million in 2015). Expenditure decreased in all categories, in line with income, with the exception of 'Research and analysis', the costs of which increased due to more costs being allocated based on higher staff numbers.

Expenditure on other trading activities was £3.0 million, consistent with 2015 despite the increased income.

The average number of staff employed by the Fund during the year was 134, an increase of 4 from 2015. Total staff costs during the year were £8.5 million, an increase of 1.5 per cent compared with 2015. Further analysis is shown in note 9 to the accounts.

The Fund's operating deficit for the year was £4.5 million, increased from the £4.0 million operating deficit in 2015 as a result of the decreased income. 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 are in line with budgets, 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 £18.8 million, compared with £2.4 million in 2015. Further details on investment performance are set out below.

Net assets at 31 December 2016

The Fund's consolidated net assets at 31 December 2016 were £199.9 million. This represents an increase of £7.8 million (4 per cent) compared with the net assets at 31 December 2015. The increase is due to the Fund's net income during 2016 of £14.3 million (comprising the operating deficit of £4.5 million and net gains on investments of £18.8 million) and an actuarial loss of £6.5 million on the defined benefit pension scheme.

Net assets at 31 December 2016 comprise fixed assets of £212.0 million, net current assets of £0.4 million and a defined benefit pension scheme liability of £12.5 million. Fixed assets comprise tangible fixed assets of £56.7 million, intangible fixed assets of £0.6 million and fixed asset investments of £154.7 million.

During the year, the book value of tangible fixed assets decreased by £0.8 million due to depreciation of £1.0 million exceeding capital expenditure of £0.2 million. The main item of capital spend during the year was the renovation of the courtyard garden, an addition to the No. 11 Cavendish Square portfolio of conference and banqueting space.

The intangible fixed assets relate to (i) 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; and (ii) expenditure on the development of a new website which will be launched in 2017.

The value of fixed asset investments has increased during the year by £16.2 million. This is due to £2.6 million of capital being withdrawn during the year to cover the Fund's cashflow needs, offset by net valuation gains of £18.8 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 below.

| Asset class | Strategic allocation % | Minimum % | Maximum % | Actual allocation % 2016 | Actual allocation % 2015 |
|--------------------------|------------------------|-----------|-----------|--------------------------|--------------------------|
| UK equities | 23 | | | 23.0 | 22.1 |
| Global ex UK equities | 37.5 | | | 34.3 | 45.0 |
| Emerging market equities | 12.5 | | | 11.9 | 3.2 |
| Total equities | 73 | 58 | 78 | 69.2 | 70.3 |
| Inflation-linked bonds | 13.5 | 7 | 17 | 11.5 | 12.6 |
| Nominal gilts and cash | 13.5 | 8 | 22 | 8.8 | 7.6 |
| Opportunistic | | 0 | 20 | 10.5 | 9.5 |
| TOTAL | 100 | | | 100 | 100 |

As at 31 December 2015 the actual allocation percentage in nominal gilts and cash was temporarily below the minimum strategic allocation (7.6 per cent compared with 8.0 per cent). This was due to a timing difference between the purchase of quoted equities and the receipt of cash from private equity funds on 22 December 2015 and was rectified when the cash was received on 15 January 2016.

The value of the Fund's total investments at 31 December 2016, comprising publicly quoted equity and bonds, private equity and property, was £154.7 million (£138.5 million in 2015). These investments produced income, net of investment management fees, of £1.7 million during the year and this income, together with £2.6 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 £20.5 million (14.8 per cent) and a real return, after adjusting for inflation, of 12.3 per cent. This is well above the 3.1 per cent needed in 2016 to preserve the value of the investments in real terms (which is the Fund's long-term objective as set out in the Financial strategy and reserves section below).

During the year the Fund obtained planning permission 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 £5.6 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, G E Pearson, 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 2016 were £199.9 million. As set out in note 18 to the accounts, £119.1 million of this represents the expendable endowment (all of which is included in fixed asset investments) and the remaining £80.8 million represents unrestricted funds, £57.3 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 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 £12.5 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 2016, after income and capital withdrawals the value of the Fund's investments has increased in real terms (above the retail prices index) by £26.1 million so that investment performance has more than achieved the investment objectives set by the Trustees.

Future plans

Our work in 2016 was the first year of operation under our 2016-19 strategic plan. Our work in 2017 will continue to be guided by the goals and priorities which are set out in the plan, with the aim of bringing about the changes we want to see.

Goals 1 and 2

- **We will have influenced (for the better) the policies of government and national bodies.**
- **We will work with organisations and communities at a local level to turn policies into practice, and our work with leaders will build capability for improvement.**

We outline below what we plan to achieve in 2017 under these goals.

Health and care systems

We will continue to influence national policy and work with local leaders to support the development of new models of care and STPs, through working on:

- supporting primary and acute care system (PACS) and acute care collaborative (ACC) networks via the contracts with NHS England
- STPs by following up our November 2016 report and developing our organisational development offer to support the development of STPs and new care models
- mental health in the vanguards in partnership with the Royal College of Psychiatrists
- the organisation of clinical care at the NHS front line
- a vision for the future of community health services
- an NHS compact with patients and the public.

Funding and productivity of health and social care

We will continue to lead the debate about health and social care funding and expand our work on productivity through working on:

- maintaining and enhancing the scope of our quarterly monitoring report on the finances and performance of the NHS
- publishing a major report on access to care, highlighting the impact of financial pressure issues on four very different areas of care: genito-urinary medicine (GUM), district nursing, elective hip replacement and neonatal services
- publishing more on productivity, first, through joint work with the Nuffield Trust on the track record and scope for better consultant productivity and second, on the experience with recent initiatives to raise productivity in orthopaedics
- initiating a project on practical approaches to delivering better value hospital services, which will identify the barriers and enablers to delivering change on the front line
- continuing to work with the Nuffield Trust and The Health Foundation to co-ordinate our messages on health and social care funding, especially ahead of the 2017 autumn budget.

Communities and population health

We will continue to expand a programme of work that puts communities and population health at the heart of the Fund's agenda by:

- completing and publishing reports on the future of HIV services and on volunteering in general practice
- publishing 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
- bringing together learning on cities and population health with a focus on what London can learn from other cities
- continuing with the GSK Awards programme and undertaking new work to mark its 20th anniversary
- taking 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.

Culture and leadership

We will implement our new L&OD strategy and support NHS leaders during a period of significant change through:

- working with local leaders to support them in delivering change
- researching clinical engagement in organisations going through high levels of change
- developing leadership strategy tools (with NHS Improvement)
- providing OD support to organisations in transition
- developing our offer for supporting local areas to work more collaboratively with patients and the public.

Goal 3: We will support all who are involved in improving health and social care by being a valued and sought-after source of commentary, explanation and information.

We will continue to improve our digital communications and lead the way in making sense of the health and social care system for our audiences through:

- delivering our new website
- developing our capability for data visualisation and making more use of data
- telling the story of the 'new NHS' as it unfolds and as the Forward View is implemented
- continuing to publish content that helps our audiences make sense of what's happening in health and social care, for example, explaining funding models for health care
- delivering a new package of bulletins and information products
- continuing to reach out to audiences outside London through our events programme and by hosting more online events
- delivering a limited range of activity to celebrate the Fund's 120th anniversary.

Goal 4: We will work towards becoming a high-performing organisation

Our work to achieve this goal will focus on three internal-facing priorities: people and culture; quality, performance and customer service; and managing our resources in line with our strategic plan. Highlights of work planned under each of these priorities are detailed below.

People and culture

- Further develop our approach to managing internal change and seek opportunities to test this out.
- Develop an internal leadership strategy for the organisation.
- Run the staff survey, enhancing this to develop a better understanding of the Fund's culture.
- Develop and extend our work on 360° feedback.
- Linked to our cross-cutting theme on inclusion and diversity, work to value and recognise difference.

Quality, performance and customer service

- Set the direction for supporting functions; for example, by setting and starting to deliver a strategy to ensure relevant business information (eg, valuable documents, key external contacts) is treated as a valuable corporate asset in line with best practice.
- Build on opportunities to improve internal customer service, for example, by selecting and starting to implement new IT service desk software.
- Improve and extend our new business system and ways of working and continue to embed these across the Fund, for example, by improving the management of key external contacts across the Fund.

Managing our resources

- Ensure we all have a role to play in managing the Fund's income and cost, for example, by delivering a realistic budget in a challenging environment, and delivering capital expenditure projects such as refurbishments.
- Remain competitive by continuously improving and developing our income-generating products and services, for example, by refreshing and enhancing our offer to develop individuals, teams and organisations.

Structure, governance and management

The Fund is registered with the Charity Commission for England and Wales, registration number 1126980. The Fund's registered address is set out on page 4.

The Fund was incorporated by Royal Charter on 4 November 2008 and is governed by the provisions and byelaws of the charter; any revocation, alteration or additions to the provisions or byelaws must be approved by the Privy Council. The Fund's patron is Her Majesty The Queen, and the Fund's President is His Royal Highness The Prince of Wales.

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

The byelaws provide for a minimum of four and a maximum of twelve 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.

Details of the Fund's current Trustees, and those who served during the year, are set out on page 2.

Michelle Mitchell resigned in February 2016 when she was appointed to the Board of NHS England. Sir Tom Hughes-Hallett resigned in May 2016 to concentrate on his other commitments and Professor Sir Julian Le Grand came to the end of his third three-year term in December 2016.

To replace the skills and experience of the Trustees who left in 2016 and to diversify and strengthen the Board further, we appointed two new Trustees in December 2016 (Dominic Dodd and Paul Johnson) and an additional three at the start of 2017 (Dr Jane Collins, who was previously a member of the Fund's General Advisory

Council, The Rt Hon Jacqui Smith, and Simon Fraser, who has been a member of the Fund's Investment Committee since July 2015).

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 2–3.

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 Board of Trustees has established a number of standing committees to support it in its work.

- **Audit and Risk Committee:** assists the Trustees in monitoring the integrity of the Fund's financial reporting, reviewing internal controls and risk management systems and fraud protection, and overseeing the relationship with the Fund's internal and external auditors.
- **Investment Committee:** assists the Trustees in meeting their obligations with respect to the investment and stewardship of the Fund's invested assets.
- **Facilities and Estates Committee:** assists the Trustees in the stewardship and development of the Fund's investment and operational properties. The Facilities and Estates Committee reports to the Investment Committee.
- **Remuneration Committee:** assists the Trustees with the annual pay settlements for the Chief Executive and other Fund staff.
- **Nominations Committee:** assists the Trustees in managing the process for the selection and appointment (including re-appointment) of Trustees.

Organisational structure and how decisions are made

The Trustees appoint a Chief Executive, to whom they delegate the responsibility for realising the Fund's strategies and objectives and for the day-to-day management of the Fund. The Chief Executive acts within a governance framework approved by the Trustees. The Chief Executive is supported by a senior management team.

Senior management team

The senior management team works within the framework set by the strategic plan and the annual operational plans and produces detailed work programmes in different areas of activity. It monitors, reviews and takes action on 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 pages 3–4.

Planning Committee

The Planning Committee supports the management and reporting of impact and progress towards the changes the organisation wants to see, 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.

Composition of Trustee Committees

Investment Committee

Mary-Anne Daly
Simon Fraser
Sir Christopher Kelly
Strone Macpherson (Chair)
Max Ward

Remuneration Committee

Dame Ruth Carnall (Chair)
Sir Christopher Kelly
Strone Macpherson
Sir Jonathan Michael

Nominations Committee

Dame Ruth Carnall
Sir Christopher Kelly (Chair)
Strone Macpherson
Sir Jonathan Michael

Audit and Risk Committee

Dr Jane Collins [joined February 2017]
 Dominic Dodd [joined December 2016]
 Sir Thomas Hughes-Hallett (Chair) [left May 2016]
 Strone Macpherson [left January 2017]
 Sir Jonathan Michael (Chair) [joined May 2016]
 Michelle Mitchell [left February 2016]

Facilities and Estates Committee (sub-committee of the Investment Committee)

Strone Macpherson (Chair)
 Robin Chute
 Sir Christopher Kelly
 John Stephen

Attendance at Board and Committee meetings during 2016

Trustees had the following attendance records at Board and Committee meetings in 2016 (attended/total number of meetings in the year during their tenure as a Trustee):

| Trustee | Board of Trustees | Audit and Risk | Investment | Facilities and Estates | Remuneration | Nominations |
|---------------------------|-------------------|----------------|------------|------------------------|--------------|-------------|
| Sir Christopher Kelly | 6/6 | | 4/4 | 4/4 | 1/1 | 2/2 |
| Dame Ruth Carnall | 5/6 | | | | 1/1 | 2/2 |
| Dominic Dodd | 1/1 | | | | | |
| Sir Sam Everington | 3/6 | | | | | |
| Sir Thomas Hughes-Hallett | 2/2 | 1/2 | | | | |
| Sir Julian Le Grand | 5/6 | | | | | |
| Strone Macpherson | 6/6 | 4/4 | 4/4 | 4/4 | 1/1 | 2/2 |
| Dr Aseem Malhotra | 3/6 | | | | | |
| Sir Jonathan Michael | 5/6 | 2/2 | | | 1/1 | 2/2 |
| Michelle Mitchell | 1/1 | 1/1 | | | | |

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 worth £119.1 million at 31 December 2016. This endowment, together with other funds held for investment, provides the Fund with a valuable source of income (£1.7 million in 2016). We also obtain funds by withdrawing a portion of the investment capital each year, in line with our financial strategy.

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. These include a variety of sources including charitable activities, trading activities, and donations and legacies.

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

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 five per cent of our total income) do not have any impact on our independence, we have a robust [ethical collaboration policy](#) in place.

Managing risk

The Fund's risk appetite is the amount and type of risk that the Fund is willing to take in order to meet its strategic objectives. It 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, and 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 in place 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 financial sustainability or our capability as outlined below.

| Consequence | Risk | Nature of risk | Management of risk |
|--------------|--|--|---|
| Reputational | Failure of our core project work to achieve the intended external impact | Lack of focus around our agreed priorities may result in the Fund delivering work that is not relevant, timely or impactful and that we lose influence and audience share in relation to competitor organisations. | 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. Initial impact assessments, market research and perception research are carried out and reviewed regularly with stakeholders. |
| | Failure to maintain the Fund's reputation for independence and objectivity | Consultancy and commercial work, comments in the media or inaccuracy of published research may damage our reputation or be seen to compromise our ethics and independence. | Standard contracts and agreement used to protect KF IPR, address ethical issues, retain editorial independence and recognise the origin of funding. Policies and procedures in place including publication approval and review; quality assurance of analytical work; moderation policy for website comments. |
| Financial | Failure to meet our income and expenditure targets | If we are unable to generate sufficient income to fund the delivery of our core work programme and support the Fund's internal programmes, we may need to withdraw additional capital from the investments. | Spending limits and annual budgets are agreed by Trustees. Year-to-date financial results and regular re-forecasts are prepared and reviewed. Investment plans to grow future income are regularly considered and capital is allocated as part of the annual budget process. The Fund's investments are actively managed to meet planned future expenditure. |
| | | | |
| Capability | Failure to manage our work programme effectively | A high volume of work and failure to align our expertise and resources effectively may result in project slippage or staff being put under undue pressure to work over their capacity to deliver. | Progress against plan is reviewed by sponsoring directors and the senior management team. Outputs are aligned with events in the external environment. |
| | Failure to work effectively and efficiently in cross-functional teams | If we do not invest in and develop our people, systems and the ways that we work together then we will be unable to work effectively, efficiently and in cross-functional teams to deliver high-quality outputs. | We are currently implementing a major change programme to improve our culture, the way that we do things and how we work together. This is supported by us establishing mechanisms for continuously improving our business system and associated processes and information. |

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 other committees of the Fund, members of the Board of Directors of all companies in which the Fund holds a majority of the shares, and any other people as requested by the Trustees are required to complete a Register of Interests Statement within one month of his/her appointment and at the end of each financial year. All relevant interests, as well as any actual and potential conflicts of interest, should be included in the register and members should update the register with each new appointment or change of office.

The Fund's Register of Interests is kept by the Chief Executive. It is available to the Trustees, members of the Audit and Risk Committee and the Fund's auditors.

Remuneration policy

The King's Fund believes that in order 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
- deliver arrangements that are sustainable within the available resources.

The Fund operates an incremental pay scale for the majority 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.

The Fund has the facility, where necessary, to pay an additional market-related supplement to salaries in order to secure a particularly valuable candidate or to respond to industry-specific pay pressures. A supporting case is made by the Director of HR and relevant Director and the final decision rests with the Chief Executive. Supplements are used very sparingly.

In determining the starting salary for new employees we take account of the skills and experience they bring to the role, the salary they are currently earning and the salaries of existing staff at the Fund at the same level. Wherever possible, we tend to appoint towards the lower end of the pay scale in order to allow for progression

over time. Staff are entitled to progress to the next point on their scale unless they are already at the top, are subject to a disciplinary warning or joined the Fund on 1 October or later in the preceding year.

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 Chief Executive and directors are appointed on a spot salary. The same principles apply in determining starting salaries but in addition we seek information and advice on the market for the level of role and the particular field. Once appointed, directors are entitled to receive the same percentage increase to their spot salary as applied to scale points, subject to satisfactory performance. Any further increases, consolidated or non-consolidated, are on the recommendation of the Chief Executive and are linked to corporate contribution and performance.

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. Ad hoc meetings are called for issues that arise outside this cycle.

The Fund's Director of HR compiles a report that considers:

- indicators in the wider economy
- what levels of award have been made by organisations the Fund compares itself with
- affordability, and the effect on staff morale of any agreed increase or pay freeze.

In particular, information is provided on the levels of inflation (both retrospective and prospective, based on the Retail Prices Index); average earnings growth in the public and private sectors; and rates of pay increases in sectors from which we regularly recruit (health, local government and higher education) and in comparable charitable organisations.

As part of the annual pay review process, we look at where on the incremental scale new staff have been appointed during the course of the year in order to monitor the competitiveness of our pay arrangements. A concentration of appointments at the top end of scales could suggest we were in danger of falling behind.

The Chief Executive and the Director of HR will make a recommendation to the Remuneration Committee on the annual pay increase. Separate submissions on executive pay, other than his own, are made by the Chief Executive. The Committee considers the information presented and decides on the following year's pay, including any increase for the Chief Executive.

The Fund awards a limited number of modest, performance-related bonuses each year, linked to annual appraisals. Directors make recommendations for those staff who have performed exceptionally well; the Chief Executive has responsibility for reviewing recommendations to ensure consistency. Bonuses are not consolidated into basic pay. Details of bonuses paid are reported to the Remuneration Committee.

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 judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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.

The accounts were approved by the Board of Trustees on 18 May 2017 and were signed on its behalf by Sir Christopher Kelly, the Chair.

AUDITOR'S REPORT AND ACCOUNTS

Independent auditor's report

We have audited the financial statements of The King's Fund for the year ended 31 December 2016, which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cashflow Statement and the related notes numbered 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charity's trustees as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

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

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

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

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 December 2016 and of the group's incoming resources and application of resources for the year then ended
- have been properly prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

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

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements
- 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.

Crowe Clark Whitehill LLP

Statutory Auditor

London

7 June 2017

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

Consolidated statement of financial activities

for the year ended 31 December 2016

| | Notes | Unrestricted funds £000 | Endowed funds £000 | 2016 Total £000 | 2015 Total £000 |
|--|-------|----------------------------|-----------------------|-----------------------|-----------------------|
| Income and endowments from: | | | | | |
| Donations and legacies | | 1 | - | 1 | 485 |
| Charitable activities: | | | | | |
| Research and analysis | | 859 | - | 859 | 924 |
| Developing individuals, teams and organisations | | 2,687 | - | 2,687 | 2,846 |
| Promoting understanding | | 106 | - | 106 | 115 |
| Bringing people together | | 864 | - | 864 | 984 |
| Other trading activities | 4 | 3,899 | - | 3,899 | 3,569 |
| Investments | 5 | 2,259 | - | 2,259 | 2,384 |
| Other | | 79 | - | 79 | 128 |
| Total | | 10,754 | - | 10,754 | 11,435 |
| Expenditure on: | | | | | |
| Charitable activities: | 6 | | | | |
| Research and analysis | | 4,576 | - | 4,576 | 4,384 |
| Developing individuals, teams and organisations | | 4,008 | - | 4,008 | 4,233 |
| Promoting understanding | | 2,438 | - | 2,438 | 2,574 |
| Bringing people together | | 686 | - | 686 | 762 |
| Other trading activities | 7 | 2,977 | - | 2,977 | 2,992 |
| Investment management costs | 8 | 218 | 368 | 586 | 497 |
| Total | | 14,903 | 368 | 15,271 | 15,442 |
| Operating (deficit) | | (4,149) | (368) | (4,517) | (4,007) |
| Net gains on investments | | 3,306 | 15,461 | 18,767 | 2,372 |
| Net income/(expenditure) | | (843) | 15,093 | 14,250 | (1,635) |
| Actuarial (loss) on defined benefit pension scheme | | (6,483) | - | (6,483) | (46) |
| Net movement in funds | | (7,326) | 15,093 | 7,767 | (1,681) |
| Total funds brought forward | 18 | 89,018 | 103,098 | 192,116 | 193,797 |
| Total funds carried forward | 18 | 81,692 | 118,191 | 199,883 | 192,116 |

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

The notes on pages 54 to 72 form part of these financial statements. For the comparative analysis see note 22.

Balance sheets

as at 31 December 2016

| | Note | Consolidated 2016 £000 | Consolidated 2015 £000 | Charity 2016 £000 | Charity 2015 £000 |
|--|------|------------------------------|------------------------------|-------------------------|-------------------------|
| Fixed assets: | | | | | |
| Tangible assets | 11 | 56,747 | 57,571 | 56,747 | 57,571 |
| Intangible assets | 12 | 552 | 513 | 552 | 513 |
| Investments | 13 | 154,704 | 138,525 | 154,754 | 138,575 |
| Total fixed assets | | 212,003 | 196,609 | 212,053 | 196,659 |
| Current assets: | | | | | |
| Debtors | 15 | 2,193 | 2,767 | 1,997 | 2,710 |
| Cash at bank and in hand | | 965 | 1,633 | 422 | 1,263 |
| Total current assets | | 3,158 | 4,400 | 2,419 | 3,973 |
| Current liabilities: | | | | | |
| Creditors: Amounts falling due within one year | 16 | (2,718) | (2,849) | (2,032) | (2,475) |
| Net current assets | | 440 | 1,551 | 387 | 1,498 |
| Net assets excluding pension liability | | 212,443 | 198,160 | 212,440 | 198,157 |
| Defined benefit pension scheme liability | 17 | (12,560) | (6,044) | (12,560) | (6,044) |
| Total net assets | | 199,883 | 192,116 | 199,880 | 192,113 |
| The funds of the charity: | | | | | |
| Expendable endowment funds | 18 | 118,191 | 103,098 | 119,054 | 103,098 |
| Unrestricted funds | | 94,252 | 95,062 | 93,386 | 95,059 |
| Pension reserve | | (12,560) | (6,044) | (12,560) | (6,044) |
| Total unrestricted funds | 18 | 81,692 | 89,018 | 80,826 | 89,015 |
| Total charity funds | 18 | 199,883 | 192,116 | 199,880 | 192,113 |

Approved on behalf of the Board of Trustees.

Strone Macpherson
Treasurer
18 May 2017

The notes on pages 54 to 72 form part of these financial statements.

Consolidated cashflow statement

for the year ended 31 December 2016

| | Notes | 2016 £000 | 2015 £000 |
|---|---------------------------------|--|-----------------------------------|
| Net cash (used in) operating activities | A | (4,599) | (5,223) |
| Cash flows from investing activities: | | | |
| Dividends, interest and rents from investments | | 2,259 | 2,384 |
| Investment management fees | | (586) | (497) |
| Purchase of tangible fixed assets | | (187) | (470) |
| Purchase of intangible fixed assets | | (143) | (324) |
| Net proceeds from sale of investments | | 2,588 | 4,070 |
| Net cash provided by investing activities | | 3,931 | 5,163 |
| Change in cash and cash equivalents in the reporting period | B | (668) | (60) |
| A. Reconciliation of net income/(expenditure) to net cash flow from operating activities | | | |
| | | 2016 £000 | 2015 £000 |
| Net income/(expenditure) for the reporting period | | 14,250 | (1,635) |
| Adjustments for: | | | |
| Investment income | | (2,259) | (2,384) |
| Net gain on investments | | (18,767) | (2,372) |
| Investment management fees | | 586 | 497 |
| Depreciation and amortisation charges | | 1,115 | 1,092 |
| Loss on disposal of fixed assets | | - | 87 |
| Other finance cost of the pension scheme | | 213 | 199 |
| Current service cost less contributions to the pension scheme | | (180) | (165) |
| Decrease/(increase) in debtors | | 574 | (757) |
| Increase/(decrease) in creditors | | (131) | 215 |
| Net cash (used in) operating activities | | (4,599) | (5,223) |
| B. Movement of cash and cash equivalents | | | |
| | At 1 January 2016 £000 | Movement £000 | At 31 December 2016 £000 |
| Cash at bank and in hand | 1,633 | (668) | 965 |

Notes to the accounts

for the year ended 31 December 2016

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 a valuation by management at the 31 December 2016 as disclosed in note 13. The Deans Mews investment property is stated at actual cost as an estimate of their fair value.
- 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.

2. Accounting policies (continued)

- Valuation of freehold land and buildings: the Fund has adopted the fair value of freehold land and buildings at 1 January 2014 as their deemed cost of transition to FRS102 in 2015. The deemed cost of these assets is depreciated over the remaining useful life as noted in the policy below.

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.

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

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Income from other trading activities comprises: | | |
| External conference and catering services, including sponsorship | 3,349 | 3,115 |
| Income from tenants | 450 | 454 |
| Income from overseas consultancy | 100 | - |
| | <u>3,899</u> | <u>3,569</u> |

5. Income from investments

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Income from securities and cash assets: | | |
| Equities | 1,448 | 1,360 |
| Bonds | 565 | 680 |
| Cash | 4 | 10 |
| Investment properties | 242 | 334 |
| | <u>2,259</u> | <u>2,384</u> |

6. Expenditure on charitable activities

| | Research and analysis £000 | Developing individuals, teams and organisations £000 | Promoting understanding £000 | Bringing people together £000 | Total 2016 £000 | Total 2015 £000 |
|--------------------------|-------------------------------------|--|------------------------------------|--|-----------------------|-----------------------|
| Direct expenditure | 2,458 | 2,436 | 1,140 | 384 | 6,418 | 6,316 |
| Support departments (6a) | <u>2,118</u> | <u>1,572</u> | <u>1,298</u> | <u>302</u> | <u>5,290</u> | <u>5,637</u> |
| Total expenditure | <u>4,576</u> | <u>4,008</u> | <u>2,438</u> | <u>686</u> | <u>11,708</u> | <u>11,953</u> |

6a. Support departments

| | | | | | | |
|-----------------------------------|--------------|--------------|--------------|------------|--------------|-------|
| Facilities (1) | 665 | 493 | 407 | 107 | 1,672 | 1,674 |
| Communications (2) | 246 | 183 | 151 | - | 580 | 606 |
| Other support (3) | <u>1,207</u> | <u>896</u> | <u>740</u> | <u>195</u> | 3,038 | 3,357 |
| Total cost of support departments | <u>2,118</u> | <u>1,572</u> | <u>1,298</u> | <u>302</u> | 5,290 | 5,637 |

- (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

| | 2016 | 2015 |
|--|------------------|----------|
| | £000 | £000 |
| Expenditure on other trading activities comprises: | | |
| External conference and catering services, including sponsorship | 2,937 | 2,976 |
| Cost associated with tenants | 1 | 16 |
| Cost associated with overseas consultancy | <u>39</u> | <u>-</u> |
| | 2,977 | 2,992 |

8. Investment management costs

| | 2016 | 2015 |
|---|-------------|----------|
| | £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 | 480 | 436 |
| Property repairs and maintenance | 106 | 60 |
| Other | <u>-</u> | <u>1</u> |
| | 586 | 497 |

9. Employees

| | 2016 £000 | 2015 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 6,941 | 6,928 |
| Social security costs | 786 | 686 |
| Pension costs | 774 | 760 |
| Total emoluments | 8,501 | 8,374 |

Included in the above pension costs is £291,000 (2015: £319,000) relating to the current employer service costs of the defined benefit pension scheme and £38,000 relating to redundancy payments, which were paid during the year (2015: £16,000).

The total for wages and salaries includes expenditure on temporary and seconded staff of £206,000 (2015: £375,000).

| Average number of staff: | 2016 | 2015 |
|---|------|------|
| Research and analysis | 31 | 28 |
| Developing individuals, teams and organisations | 23 | 23 |
| Promoting understanding | 19 | 18 |
| Bringing people together | 5 | 6 |
| Other trading activities | 14 | 12 |
| Facilities | 11 | 11 |
| Communications | 9 | 11 |
| Other support departments | 22 | 21 |
| Total | 134 | 130 |

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

| | 2016 | 2015 |
|---------------------|------|------|
| £60,000 - £69,999 | 9 | 7 |
| £70,000 - £79,999 | 3 | 3 |
| £80,000 - £89,999 | 3 | 3 |
| £90,000 - £99,999 | 5 | 3 |
| £100,000 - £109,999 | 3 | 2 |
| £110,000 - £119,999 | - | 3 |
| £120,000 - £129,999 | 2 | 2 |
| £130,000 - £139,999 | 1 | - |
| £140,000 - £149,999 | 1 | - |
| £210,000 - £219,999 | - | 1 |
| £230,000 - £239,999 | 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 8 (2015: 6) higher-paid employees and to the NHS Pension Scheme, which is also a defined benefit scheme, for 5 (2015: 3) higher-paid employees. Contributions totalling £123,000 (2015: £123,000) were made to The King's Fund Group Personal Pension Plan, which is a defined contribution scheme, for 11 (2015: 13) higher-paid employees.

The total employee benefits, including employer pension costs, received by the Chief Executive in 2016 were £231,035 (2015: £217,216).

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 2016 were £1,243,000 (2015: £1,170,000).

10. Resources expended on governance

| | | 2016 £000 | 2015 £000 |
|------------------------|--------------------------------------|--------------|--------------|
| Auditor's remuneration | - external audit fees (Charity) | 22 | 22 |
| | - external audit fees (KEHF Limited) | 4 | 4 |
| Meeting costs | | 4 | 4 |
| | | 30 | 30 |

Fees totalling £5,670 (2015: £12,159) were payable to the auditors for taxation services.

11. Tangible fixed assets

| | Freehold land and buildings £000 | Plant and machinery £000 | Furniture, fittings and equipment £000 | 2016 Total assets £000 |
|--|---|--------------------------------|---|---|
| Cost | | | | |
| At 1 January | 55,350 | 5,527 | 4,565 | 65,442 |
| Additions | - | 37 | 150 | 187 |
| Disposals | - | (681) | (1,116) | (1,797) |
| At 31 December | <u>55,350</u> | <u>4,883</u> | <u>3,599</u> | 63,832 |
| Depreciation | | | | |
| At 1 January | 988 | 3,419 | 3,464 | 7,871 |
| Charge for the year | 480 | 225 | 306 | 1,011 |
| Disposals | - | (681) | (1,116) | (1,797) |
| At 31 December | <u>1,468</u> | <u>2,963</u> | <u>2,654</u> | 7,085 |
| Net Book Value At 31 December | 53,882 | 1,920 | 945 | 56,747 |
| Previous year | <u>54,362</u> | <u>2,108</u> | <u>1,101</u> | 57,571 |

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

| | 2016 £000 | 2015 £000 |
|--|----------------------|--------------|
| Cost | | |
| At 1 January | 580 | 256 |
| Additions | 143 | 324 |
| At 31 December | <u>723</u> | <u>580</u> |
| Amortisation | | |
| At 1 January | 67 | - |
| Charge for the year | 104 | 67 |
| At 31 December | <u>171</u> | <u>67</u> |
| Net Book Value At 31 December | 552 | <u>513</u> |

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

13. Fixed asset investments

| | 2016 Total £000 | 2015 Total £000 |
|------------------------------------|--------------------------------|-----------------------|
| Securities: | | |
| Equities | 86,914 | 82,431 |
| Index Linked bonds | 13,944 | 13,984 |
| Fixed Interest bonds | 10,171 | 9,183 |
| Private Equity funds | 5,956 | 6,378 |
| Cash and cash equivalents | 16,421 | 5,600 |
| Investment properties | 21,298 | 20,949 |
| Consolidated total | 154,704 | 138,525 |
| Shareholding in subsidiary company | 50 | 50 |
| Charity total | 154,754 | 138,575 |

Within the total securities, £111,029,000 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 £5,956,000 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 18 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 £13,010,000 (2015: £13,119,000) based on a valuation by management as at 31 December 2016. 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 of £8,288,000 (2015: £7,830,000).

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:

| | 2016 £000 | 2015 £000 |
|------------------------------------|----------------------|--------------|
| Opening balance at 1 January | 138,525 | 140,223 |
| Net monies (disinvested) | (2,588) | (4,070) |
| Increase on revaluation | 18,767 | 2,372 |
| | 154,704 | 138,525 |
| Shareholding in subsidiary company | 50 | 50 |
| | 154,754 | 138,575 |

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, one King's Fund employee and one independent director.

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 £3,525,000 (2015: £3,317,000) and incurred expenditure of £2,675,000 (2015: £2,730,000) thereby generating a profit of £851,000 (2015: £589,000). The directors have proposed that a sum of £851,236 be donated to The King's Fund through Gift Aid. The resultant accumulated surplus of KEHF Limited at 31 December 2016 is £4,000.

Excluding KEHF Limited's results, the Charity's total income in 2016 was £9,301,000 (2015: £9,871,000) and the Charity's net increase in funds was £7,767,000 (2015: net reduction of £1,681,000).

15. Debtors

| | Consolidated 2016 £000 | Consolidated 2015 £000 | Charity 2016 £000 | Charity 2015 £000 |
|----------------------------------|---------------------------------------|------------------------------|----------------------------------|-------------------------|
| Trade debtors | 1,408 | 1,892 | 953 | 1,414 |
| Amounts owed by KEHF Limited | - | - | 140 | 199 |
| Prepayments | 142 | 229 | 138 | 231 |
| Other debtors and accrued income | 643 | 646 | 643 | 777 |
| Donations from KEHF Limited | - | - | 123 | 89 |
| | 2,193 | 2,767 | 1,997 | 2,710 |

16. Current liabilities: amounts falling due within one year

| | Consolidated 2016 £000 | Consolidated 2015 £000 | Charity 2016 £000 | Charity 2015 £000 |
|--------------------------------------|---------------------------------------|------------------------------|----------------------------------|-------------------------|
| Trade creditors | 565 | 941 | 387 | 723 |
| Amounts owed to KEHF Limited | - | - | 20 | 6 |
| Deferred income - see analysis below | 1,286 | 1,068 | 830 | 837 |
| Taxation and social security | 290 | 556 | 290 | 556 |
| Other creditors and accruals | 577 | 284 | 505 | 353 |
| | 2,718 | 2,849 | 2,032 | 2,475 |

| | Balance at 1 January 2016 £000 | Released during the year £000 | Additional deferrals £000 | Balance at 31 December 2016 £000 |
|--|---|-------------------------------------|---------------------------------|---|
| Deferred income analysis | | | | |
| Programme fees received in advance | 837 | (837) | 830 | 830 |
| Charity Total | 837 | (837) | 830 | 830 |
| Other deferred income including KEHF Limited | 231 | (231) | 456 | 456 |
| Consolidated Total | 1,068 | (1,068) | 1,286 | 1,286 |

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.

| | 2016 | 2015 |
|---|-----------------|----------|
| | £000 | £000 |
| The amounts recognised in the Balance Sheet are as follows: | | |
| Fair value of plan assets | 53,505 | 46,497 |
| Present value of plan liabilities | (66,065) | (52,541) |
| Net Plan liability | (12,560) | (6,044) |
| | 2016 | 2015 |
| | £000 | £000 |
| The movement in defined benefit obligations over the year was as follows: | | |
| Present value of obligations at start of year | 52,541 | 52,220 |
| Current employer service cost | 291 | 319 |
| Employee contributions | 120 | 131 |
| Interest costs | 1,913 | 1,802 |
| Actuarial (gains)/losses | 12,897 | (430) |
| Benefits paid | (1,697) | (1,501) |
| Closing value of the plan liability | 66,065 | 52,541 |
| | 2016 | 2015 |
| | £000 | £000 |
| The movement in the fair value of assets over the year was as follows: | | |
| Opening fair value of plan assets | 46,497 | 46,256 |
| Return on plan assets in excess of/ (lower than) interest income | 6,415 | (476) |
| Interest income on planned assets | 1,700 | 1,603 |
| Employee contributions | 120 | 131 |
| Employer contributions | 470 | 484 |
| Benefits paid | (1,697) | (1,501) |
| Closing fair value of plan assets | 53,505 | 46,497 |

17. Pension schemes (continued)

Employer contributions in 2016 included £315,000 (2015: £307,000) in respect of past service costs. In addition, the Plan has pension liabilities which are insured with a value of approximately £210,000 (2015: £235,000). 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.

| | 2016 £000 | 2015 £000 |
|--|----------------------------|--------------|
| Total (expense) recognised in the Statement of Financial Activities: | | |
| Current employer service cost | (291) | (319) |
| Net interest on the net defined benefit obligation | (213) | (199) |
| Return on Plan assets excluding interest income | 6,415 | (476) |
| Experience (losses) on defined benefit obligations | - | (1,391) |
| Actuarial gains/(losses) arising from change in assumptions | (12,897) | 1,821 |
| Total (expense) recognised in the Statement of Financial Activities | (6,986) | (564) |
| Proportion of total Plan assets by asset class: | | |
| Equities (including property) | 61% | 62% |
| Bonds | 28% | 28% |
| Index-linked | 10% | 10% |
| Cash and equivalents | 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.

| | 2016 £000 | 2015 £000 |
|---|----------------------------|--------------|
| Actual return on Plan assets | 8,115 | 1,127 |
| The principal actuarial assumptions used at the balance sheet date: | | |
| Discount rate | 2.60% | 3.70% |
| Rate of increase in salaries | 3.30% | 3.15% |
| General price inflation | 2.30% | 2.15% |
| Rate of increase in pension payments: | | |
| Service prior to 1 April 2000 | 4.25% | 4.20% |
| Service after 1 April 2000 | 3.15% | 3.05% |

17. Pension schemes (continued)

The King's Fund expects contributions of £470,000 to be made to the Plan in the year ending 31 December 2017 (excluding contributions made by employees). This sum includes payments of £323,000 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 12 (2015: 10) eligible members of staff as at the 31 December. In 2016 The Fund contributed £97,000 (2015: £89,000) 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 84 (2015: 89) members of staff as at 31 December. The Fund contributed £372,000 (2015: £352,000) 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.

| | 2016 | 2015 |
|---|-------------|------|
| | £000 | £000 |
| The pension charges for the period are shown below: | | |
| The King's Fund Staff Pension and Life Assurance Plan | 305 | 319 |
| NHS Pension Scheme | 97 | 89 |
| The King's Fund Group Personal Pension Scheme | 372 | 352 |
| Total charges | 774 | 760 |

18. Consolidated split of assets between funds

| | Expendable Endowment £000 | Unrestricted Funds £000 | Total funds 2016 £000 | Total funds 2015 £000 |
|-------------------------|---------------------------------|-------------------------------|--------------------------------------|-----------------------------|
| Tangible assets | - | 56,752 | 56,752 | 57,571 |
| Intangible assets | - | 547 | 547 | 513 |
| Investments: Securities | 110,766 | 22,640 | 133,406 | 117,576 |
| Investments: Property | 8,288 | 13,010 | 21,298 | 20,949 |
| Net current assets | - | 440 | 440 | 1,551 |
| Pension fund reserve | - | (12,560) | (12,560) | (6,044) |
| Total funds | 119,054 | 80,829 | 199,883 | 192,116 |

In 2015 the expendable endowment of £103,098,000 was all held in investments: securities (£95,268,000) and investments: property (£7,830,000).

19. 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 2016 the Charity charged KEHF Limited management fees totalling £355,000 (2015: £318,000). This is calculated as a percentage of external income.
- In 2016 the Charity charged KEHF Limited licence fees totalling £791,000 (2015: £777,000). This is calculated as a percentage of room hire income from external conference and catering services.
- In 2016 KEHF Limited charged the Charity administration fees totalling £76,000 (2015: £74,000). This is calculated as a percentage of internal room hire costs.

20. Operating leases

20a. Lessor

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

| | 2016 £000 | 2015 £000 |
|---|----------------------|--------------|
| Not later than one year | 600 | 645 |
| Later than one year and not later than five years | 480 | 603 |
| Later than five years | 7 | 5 |
| Total | 1,087 | 1,253 |

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

20b. Lessee

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

| | 2016 £000 | 2015 £000 |
|---|----------------------|--------------|
| Not later than one year | 59 | 79 |
| Later than one year and not later than five years | 14 | 73 |
| Total | 73 | 152 |

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

21. Capital commitments

The King's Fund had capital commitments of £61,000 relating to the new website and £82,000 relating to the improvement works to meeting room facilities as at 31 December 2016.

22. Comparative consolidated statement of financial activities

| | Notes | Unrestricted funds £000 | Endowed funds £000 | 2015 Total £000 |
|--|-------|-------------------------------|--------------------------|-----------------------|
| Income and endowments from: | | | | |
| Donations and legacies | | 485 | - | 485 |
| Charitable activities: | | | | |
| Research and analysis | | 924 | - | 924 |
| Developing individuals, teams and organisations | | 2,846 | - | 2,846 |
| Promoting understanding | | 115 | - | 115 |
| Bringing people together | | 984 | - | 984 |
| Other trading activities | 4 | 3,569 | - | 3,569 |
| Investments | 5 | 2,384 | - | 2,384 |
| Other | | 128 | - | 128 |
| Total | | 11,435 | - | 11,435 |
| Expenditure on: | | | | |
| Charitable activities: | 6 | | | |
| Research and analysis | | 4,384 | - | 4,384 |
| Developing individuals, teams and organisations | | 4,233 | - | 4,233 |
| Promoting understanding | | 2,574 | - | 2,574 |
| Bringing people together | | 762 | - | 762 |
| Other trading activities | 7 | 2,992 | - | 2,992 |
| Investment management costs | 8 | 114 | 383 | 497 |
| Total | | 15,059 | 383 | 15,442 |
| Operating (deficit) | | (3,624) | (383) | (4,007) |
| Net gains on investments | | 1,027 | 1,345 | 2,372 |
| Net income/(expenditure) | | (2,597) | 962 | (1,635) |
| Actuarial (loss) on defined benefit pension scheme | | (46) | - | (46) |
| Net movement in funds | | (2,643) | 962 | (1,681) |
| Reconciliation of funds: | | | | |
| Total funds brought forward | 18 | 91,661 | 102,136 | 193,797 |
| Total funds carried forward | 18 | 89,018 | 103,098 | 192,116 |