THE HEALTH FOUNDATION

England & Wales · Charity number 286967

Details

Other names	PPP HEALTHCARE MEDICAL TRUST LIMITED, PPP MEDICAL TRUST LIMITED, THE PPP FOUNDATION
Status	Registered
Legal form	Charitable company
Company number	01714937
Registered	1983-05-12
Register	View on the Charity Commission register

Contact

Address	The Health Foundation Salisbury Square House 8 Salisbury Square London EC4Y 8AP
Phone	02072578000
Email	info@health.org.uk
Website	www.health.org.uk

Activities

Objects: THE OBJECTS FOR WHICH THE FOUNDATION IS ESTABLISHED ARE THE ADVANCEMENT OF HEALTH, INCLUDING PUBLIC HEALTH, WELL-BEING AND THE DELIVERY OF HEALTH AND SOCIAL CARE AND ANY OTHER OBJECTS AND PURPOSES WHICH ARE EXCLUSIVELY CHARITABLE ACCORDING TO THE LAWS OF ENGLAND AND WALES, IN PARTICULAR (WITHOUT LIMITATION) BY: PROMOTING PROJECTS TO IMPROVE HEALTH AND RESEARCH INTO HEALTH UTILISING AND MAKING AVAILABLE THE USEFUL RESULTS.

Activities: The Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK.

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Classification

- **How:** Makes Grants To Individuals, Makes Grants To Organisations, Provides Advocacy/advice/information, Sponsors Or Undertakes Research
- **What:** Education/training, The Advancement Of Health Or Saving Of Lives, Other Charitable Purposes
- **Who:** Other Charities Or Voluntary Bodies, The General Public/mankind

Geography

- Austria
- Northern Ireland
- Scotland
- United States
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£17,203,000	£67,284,000	£1,228,260,000	273
2023-12-31	£18,555,000	£62,717,000	£1,175,071	246
2022-12-31	£18,169,000	£80,409,000	£1,147,480,000	223
2021-12-31	£17,060,000	£53,371,000	£1,219,362,000	203
2020-12-31	£16,378,000	£57,409,000	£1,106,605,000	187

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Trustees

Name	Role	Appointed
David Smart		2019-05-16
Dr Ruth Hussey		2018-02-09
James Roland Sinker		2023-03-01
Karen Reid		2025-08-12
Katherine Blacklock		2021-03-12
Loraine Hawkins		2017-04-13
Paul John Najsarek		2023-03-01
Professor Dawn Edge		2021-03-12
Professor Kim Samantha Graham FRSE		2025-08-16
Rachel Wintour		2024-06-20
Sir David Behan		2025-07-09
Stian Westlake		2025-08-12

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THE HEALTH FOUNDATION

England & Wales - Charity number 286967

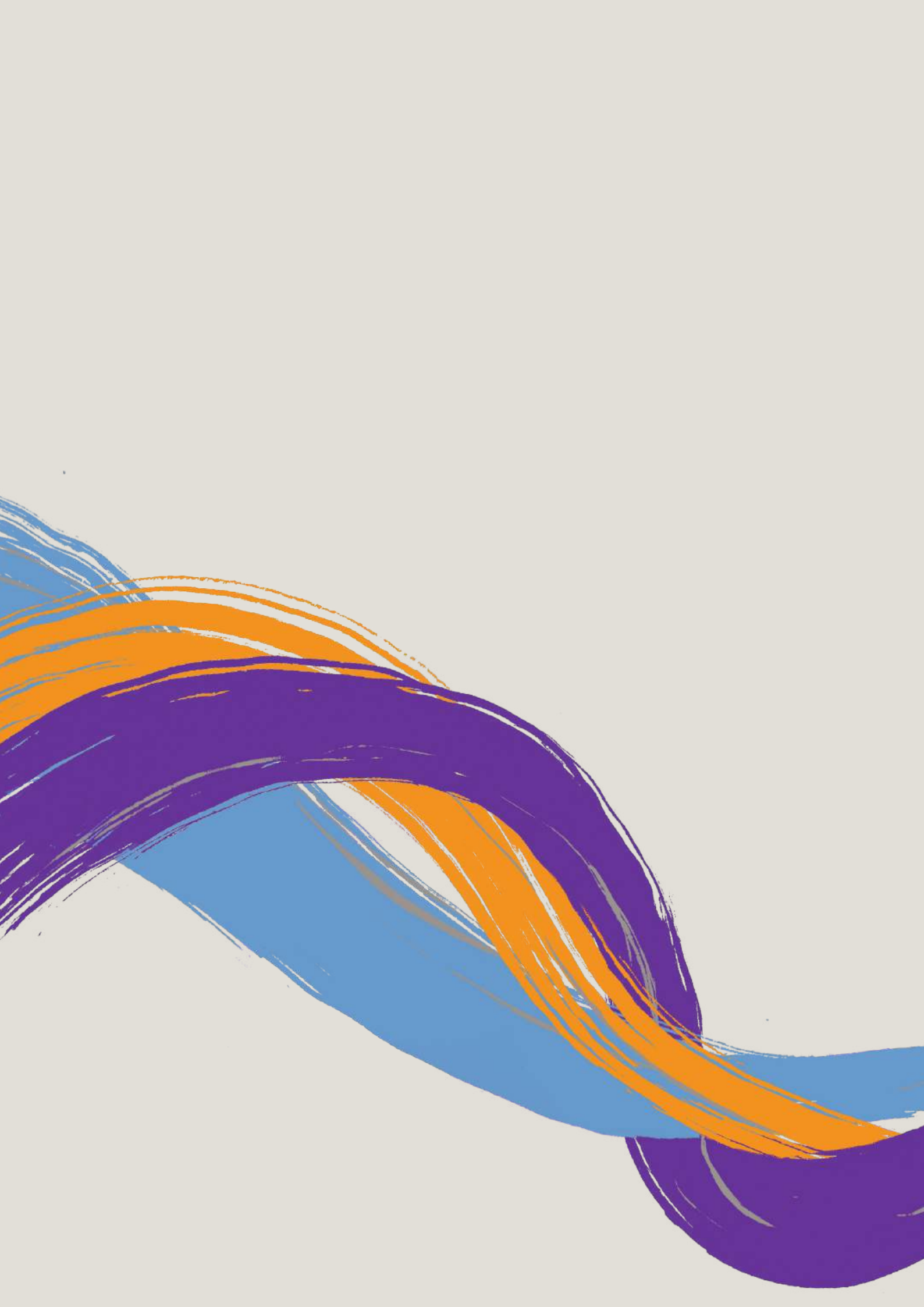
Accounts

Annual report and financial statements

For the year ended 31 December 2024



The Health Foundation



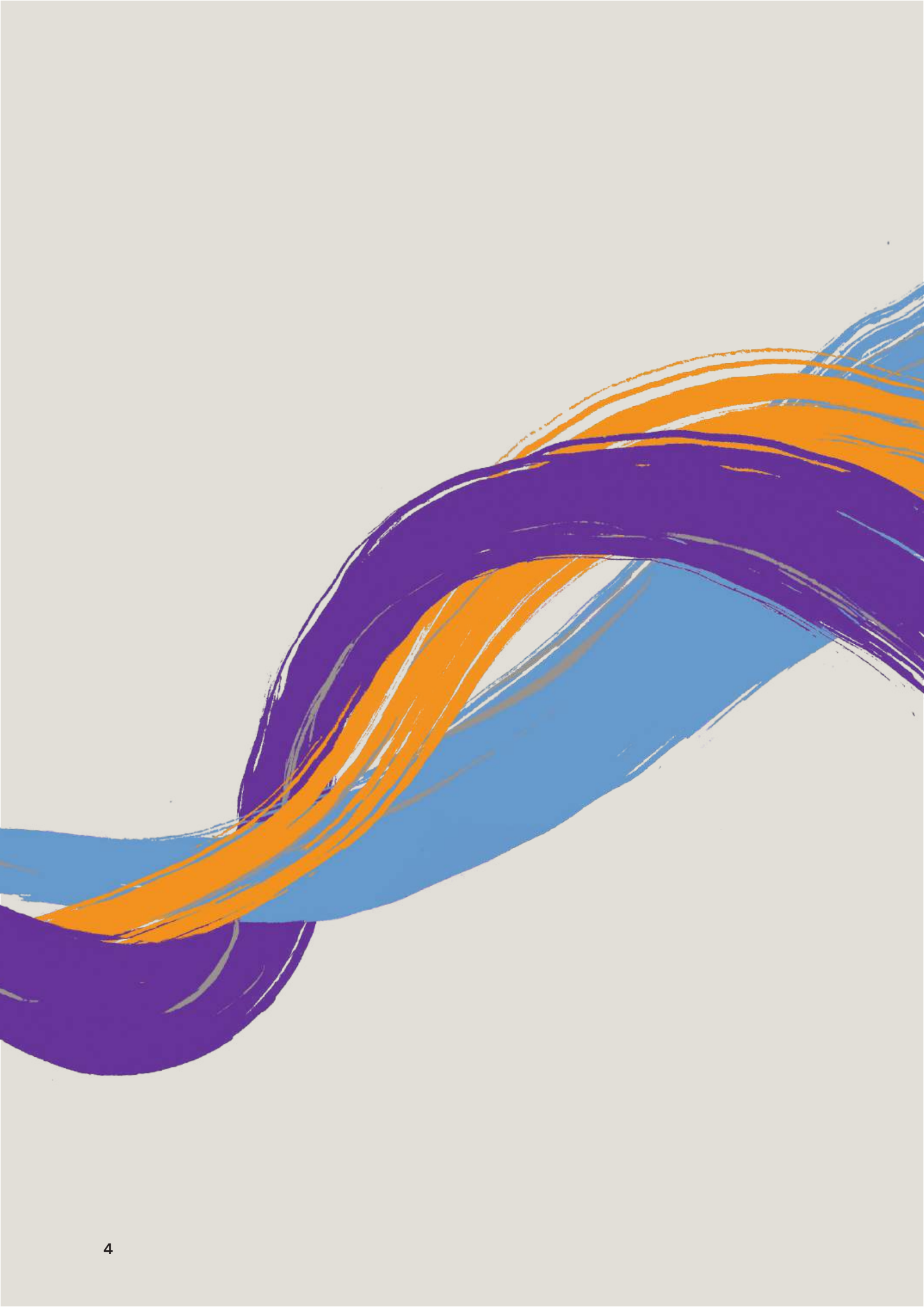
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Working to build a healthier UK

Introduction from the Chief Executive and Chair

Improving the nation's health has never been more vital. The headlines in 2024 gave us a flavour of why, with the NHS remaining under immense pressure and the limp state of the UK economy prominent in the news. There were, of course, lots of reasons for this but a few stats jumped out: namely the 20% of the working-age population economically inactive, and the record-high number of 2.7 million people who put this down to chronic illness.

At the same time, the year saw significant political change with Sir Keir Starmer becoming the first Labour Prime Minister since 2010. Cue promises of change and national renewal, alongside a health mission to build 'an NHS fit for the future' and 'a fairer Britain, where everyone lives well for longer'. Recognition of the priorities ahead, yes, but what of the solutions? Will Labour's mission-driven approach to government mean durable changes for the longer term? And what about the huge potential of technologies in health and care, including AI – what are the priorities, do these innovations work as intended and how fast can the NHS and the public take them up?

The Health Foundation is uniquely placed to help understand and find solutions in this challenging context, to make a real difference for the people of the UK. Our endowment gives us ambition, independence, stability and freedom to think longer term – significant assets in today's world. Our role in providing robust evidence and well-informed, independent analysis is essential as we take the opportunity to influence the decisions and priorities of the new government as well as other significant organisations and groups.

In 2024, we continued to be guided by our three strategic priorities:

- improving people's health and reducing inequalities
- supporting radical innovation and improvement in health and care services
- providing evidence and analysis to improve health and care policy.

In each of the three areas we undertook a range of activities, from grant-making, research and fellowships, to collaborating with stakeholders and working in partnership. The three areas bring together expertise from across the organisation, including analysis from our economists and data analysts.

Generating robust evidence and insight through our research and analysis remains central to our work. In 2024 we published several major outputs, allowing us to reach audiences, gain media traction and influence policy and practice. For example, our flagship report on projections of health inequalities across the population to 2040 received widespread media coverage and continues to be referenced by journalists, academics and policymakers. The report makes for sobering reading: on current trends, people in the 10% most deprived areas can expect to be diagnosed with major illness a decade earlier than people in the 10% least deprived areas over the next two decades. Ahead of the General Election, in June, we launched a series of four briefings looking at key aspects of the debate – from the need to move health prevention from rhetoric to reality, to projections of how much funding the NHS will need in the decade ahead. And we continued to build evidence on technology and AI in health care, including through our landmark event on the role of AI in shaping the future of the NHS.

In addition, we achieved impact through significant collaboration with other organisations. Health Equals continued to take its message to the public in 2024, bringing 27 member organisations together to deliver its highly successful Make Health Equal campaign. Our independent Commission for Healthier Working Lives published its interim report in October, seeking to build consensus on the actions needed by government and employers on growing challenge of working-age ill health. And both our Adopting Innovation and Common Ambition programmes ended in 2024, with learnings published from each of their evaluations.

Internally, we are developing the Foundation as an organisation – our people, operational and business processes, and our infrastructure. And across our external and internal priorities there are three vital cross-cutting themes. The first is environmental sustainability. Among other things we are using our responsible investment policy and our endowment to leverage more progress. The second is equity, diversity and inclusion – making this a focus across our external work, but also making progress internally to increase diversity

and develop a more inclusive culture. And the third is public participation – reaching out more to the communities and groups we ultimately are here to serve, to make sure their experience and perspective more fully influences the work we do.

Our achievements in 2024 are due to the hard work and commitment of staff, governors and the people we work with across health and care. Together, we look forward to making progress in 2025 and beyond – always for the benefit of the UK population and, in particular, the most vulnerable in society.



Dr Jennifer Dixon
Chief Executive



Sir Hugh Taylor
Chair

We announced on 25 June 2025 that Sir Hugh Taylor will be stepping down as Chair at the end of the month. I would like to thank him for the huge contribution he has made as Chair; the Foundation would not be where it is today without his advice and guidance. We have welcomed Sir David Behan to the board, and I look forward to working with him when he takes over as Chair in August 2025.

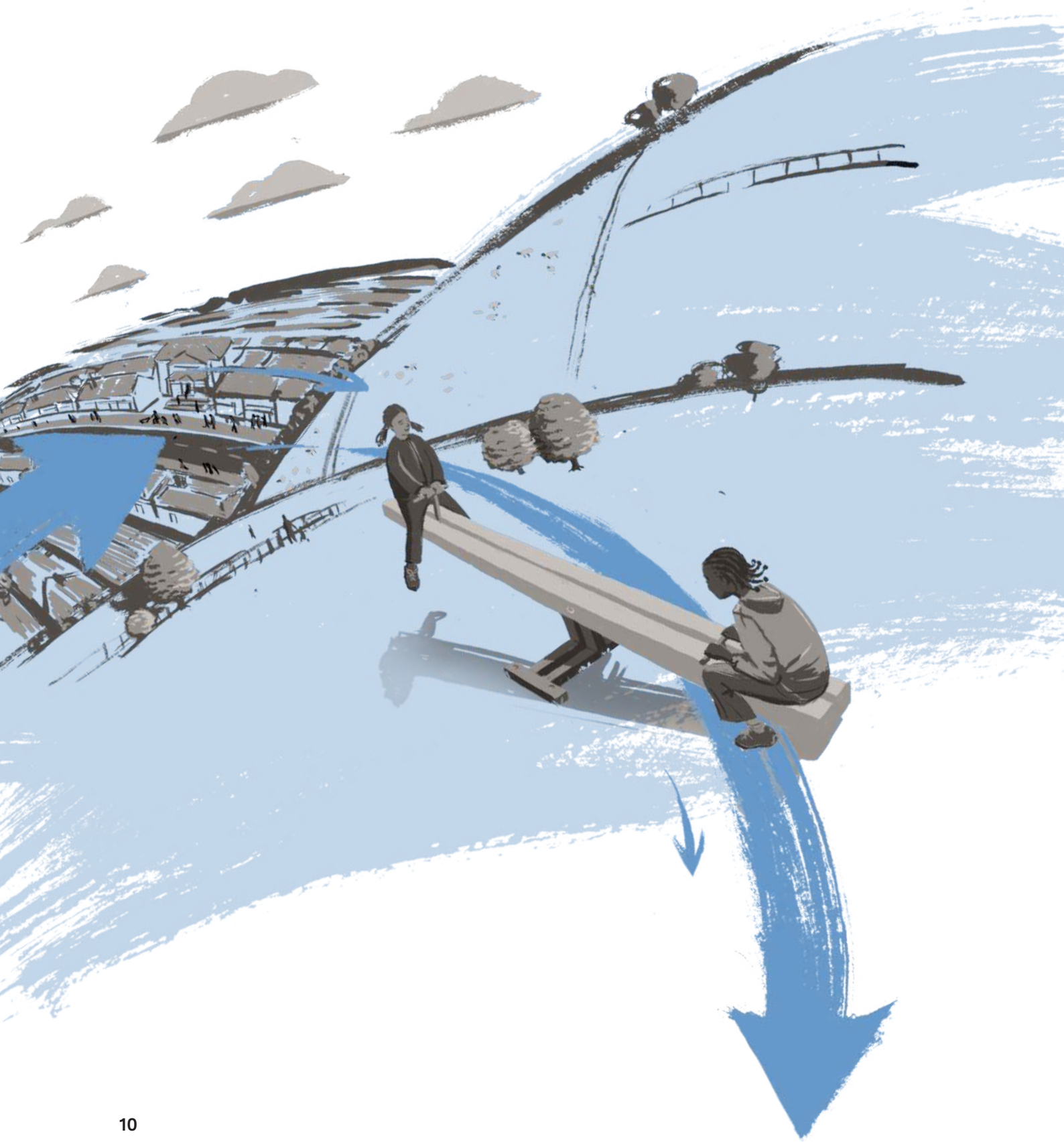
Dr Jennifer Dixon
Chief Executive



2024: Year in review



Improving people's health and reducing inequalities



Health is our most precious asset. It is shaped by the work we do, the income we earn, the education we receive and the places, communities and families we live in.

Improving health and reducing inequalities requires a whole-society approach – we cannot do this alone. We want decision makers across all parts of society to understand and fulfil their potential contribution to building a healthy nation.

Key highlights



Influencing government on a whole-government approach to health: Health at the heart of government set out the mechanisms required across government to rebuild the nation's health. These new ideas and a network of civil service contacts created a strong foundation for regular engagement, including brokering new relationships between the health mission and international experts, and sharing analysts our thinking on how to develop health targets with DHSC.



Supporting action to address the leading risk factors of ill health: We published a report detailing policies to support local government action on tobacco, alcohol and unhealthy food. The policy recommendations formed the basis of an expert-led session with all staff at the Office for Health Improvement and Disparities, and discussed at our webinar with the Chief Medical Officer.



Developing new approaches to improving health through economic activity: Practical learning from our Economies for Healthier Lives programme is supporting engagement with local, regional and central government. For example, the Glasgow City region developed a tool to assess the health impact of capital infrastructure spending in projects worth a combined £16bn.



Raising awareness of health inequalities with the public: The #MakeHealthEqual campaign highlighted how the building blocks of health shape health inequalities. It achieved high levels of awareness and engagement with the public, including 930,000 website visits, 47 million chances to see (impressions) #MakeHealthEqual on Health Equals channels.



Providing insight on health inequalities across the nation: Building on the success of the evidence hub, the local authority dashboard provides key indicators and analysis of health inequalities and determinants of health. It continues to have high levels of engagement and is being used by local government as a tool to understand health inequalities in their area.



Case study

Influencing government by highlighting patterns of inequalities

Our report, Health inequalities in 2040, is one of the first studies of its kind. The research unpacks patterns of inequalities in diagnosed illness by socioeconomic deprivation across England, and projects them almost two decades into the future.

The research projects that stark inequalities will persist up to 2040, with profound implications for people's quality of life, their ability to work and for the wider economy. The report also finds that health inequality is largely due to a small group of long-term conditions, with chronic pain, type 2 diabetes, and anxiety and depression projected to increase at a faster rate in the most deprived areas.

The report had strong media coverage and was featured on BBC Newsnight, the Today programme and BBC News. The work has also been extensively presented to senior stakeholders in government. It was mentioned in Wes Streeting's keynote speech on the future of health and medicine during the Royal College of Physicians annual conference and referenced in proposals in the Get Britain Working White Paper. Engagement has subsequently led to discussions and influencing with OHID, the DHSC Strategy Unit, NHS England and Local Government associations.

Supporting radical innovation and improvement in health and care services



Innovation and improvement are more important than ever to ensure that health and care services meet people's needs now and in the future.

We want to give policymakers, system leaders, service providers, health care staff, service users and the public the insights, practical resources and opportunities needed to support the far-reaching shifts needed in health and care over the coming decade.

Key highlights



Increasing awareness of tech attitudes and opportunities: Our long reads on technology and time for care and roundtable event had great engagement, building strong relationships with a range of professional bodies. We have received feedback that our research is influencing thinking at the highest levels, including NHS England and the Treasury.



Developing resources to strengthen improvement capability: THIS Institute's Cambridge Elements series on improving quality and safety in health care offers authoritative overviews of major improvement approaches, from supply chain management to leadership and governance. The series has already had over 100k downloads and has been commended as a resource by NHS England.



Supporting the wider ecosystem to tackle health inequalities: Q supported several NHS partners to tackle health inequalities and significantly improve wait times as part of broader transformational goals. 2023/24 Q Labs helped the Stockport NHS Foundation Trust team to reduce wait times in their pain management service from 240 days to 16 days, and found that patients, on average, reduced their opioid dose by 44%.



Building influence through IMPACT: IMPACT is a UK-wide centre for implementing evidence in adult social care. In 2024, it successfully made policy contributions to facilitate evidence-informed change. Examples include serving as a special adviser to the House of Lords Adult Social Care Committee; being appointed to a working group producing the forthcoming 10-Year Health Plan; and joining key strategic groups across the devolved nations. IMPACT highlights its value by often being the only research-based organisation contributing to these discussions with a view of health and care across the UK.



Supporting new collaboratives in communities: Common Ambition, a Health Foundation funding programme, ended in 2024. Through this programme, we were able to demonstrate the value of community driven change and generate insight on how to involve communities in improving services. In Bristol, work to build trust with the communities of Black and Caribbean heritage revealed that current HIV services did not feel safe. In response, Common Ambition Bristol set up a dedicated HIV testing clinic. This led to increased testing rates and treatment, a second clinic opening, and learning shared across the UK.



Case study

Leading the conversation on AI

The role of AI in health care was a key topic in policy debates during the year. We highlighted important issues to consider in developing a new AI strategy for the NHS and positioned the Foundation as a leader in the space. There were three main aspects to this.

- **Providing strategic advice and solutions**: Our long read on the priorities for a national AI health care strategy called for a coordinated approach to realise the benefits of AI at scale. It gained the most engagement of all general election content, helping to secure commitment from DHSC and NHS England that they will develop an AI strategy, which we are actively influencing.
- **Convening**: Our AI Summit was attended by over 1,300 people, including the Minister of State for Health. The aim was to amplify our call for a national AI in health care strategy and help position us as thought leaders on AI.
- **Analysing and understanding the issues**: The AI attitudes tracker, one of the largest of its kind in the world, received widespread media coverage and revealed new insights into public and staff sentiment on AI. Policymakers and leaders have told us these are helping to shape thinking on future policy around AI.

Providing evidence and analysis to improve health and care policy



We want to see policy decisions on health and social care informed by the best available evidence and analysis, to improve the health system now and for the future.

Key highlights



Leveraging our independence to explore solutions for general practice: Our Future of General Practice Symposium convened a wide range of experts to discuss the big questions facing general practice and collaborate to find solutions. Following the symposium, we provided briefings on themes with key policymakers, providing an important platform for ongoing influencing.



Using our experience and engagement to influence 10-Year Health Plan: We published major research on The public's views on the future of the NHS that gave unique insights into the public's views on the trade-offs and big reform questions facing any new government. Publishing just before the election was announced enhanced our impact, with briefings given to the main political parties, Department of Health and Social Care and NHS England. The Financial Times published the findings as an exclusive and almost 900 people watched our webinar live.



Increasing engagement through expert analysis: We published How much funding does the NHS need over the next decade ahead of the election, enabling us to better hold political parties to account when debating NHS funding. Our analysis contributed to evidence-informed debate and was covered twice on the Today programme, as well as in the Financial Times, The Times, Guardian, Politico, Mail and the Independent.



Using new and immersive engagement to build understanding: The NHS has a target to reach net zero by 2045 but achieving this will be challenging. To facilitate engagement, discussion and action, we created an immersive installation of a 2036 net-zero NHS showing the opportunities and trade-offs involved. More than 500 people from government, NHS England and elsewhere have engaged with the installation so far.



Informing national discussions and policy to improve the NHS waiting list: Our analysis into waiting list pledges generated significant reach, including coverage by BBC Newsnight (January), the Today programme (March) and in The Times. During the election, our insights on Labour's manifesto waiting list goal was covered on Radio 4's More or less programme and in the Guardian. This work has put us in a strong position to feed into policy discussions with stakeholders and lays the foundations for our 2025 work on waiting lists.



Case study

Developing the strength of networks to tackle complex challenges

Sciana Health Leaders Network has grown in size and strength over the past 2 years. There are now over 100 fellows from the UK, Germany and Switzerland with backgrounds in public health, health and care providers, academics, government, and more. The network aims to develop the collaborative leadership skills and policy knowledge to tackle the complex challenges facing health systems, including tech and AI, as well as reducing inequalities in health across Europe through a 2-year leadership programme.

In 2023, an evaluation found that Sciana was highly valued by fellows, particularly the residential meetings and wider network events, such as a summit at the OECD on digital transformation. Several UK fellows have moved into positions of influence, expanding the Health Foundation's network and reach.

Work to improve the Foundation

As well as adapting and improving what we do, we're also focusing on how we do it. The Health Foundation has grown in recent years and is now an organisation of 284 employees. We take our role as an independent charitable organisation seriously, and we're doing lots to improve our day-to-day activities.

Key highlights



Improving policies, processes and practices to support strategic decision making and ensure business behaviours are aligned to Sustainable Development Goals.



Ensuring long-term financial stability through the creation of our long-term financial sustainability plan, delivering our first full internal audit programme, resulting in a positive audit opinion for the Foundation for the first time for 2024, and reviewing financial policies.



Developing our capabilities as both an organisation and as a pool of talent, helping to allow us to operate more efficiently and effectively going forward.



Enabling a more factual discourse and evidence-based debate on health and care during the general election, generating new content and increasing engagement with our work.



Case study

Working cross-organisationally for the general election

We know from the impact of our external work and from internal surveys that we achieve more when we work together. An example of this was our internal collaboration to enable a more factual and evidence-based debate about issues in health and care during the 2024 general election. Months before the election was called we had set up a team from across the organisation – including policy experts, communications professionals, data analysts and more – to devise a programme of content. We also engaged externally with the main political parties' policy thinking and manifesto development, including a presentation to Wes Streeting and the Labour health team on our public polling and deliberative research.

The election was called earlier than expected. Therefore during the 6-week campaign period, we quickly reorganised our work around five key themes, set up new ways of working with representatives from across teams and significantly ramped up external activity.

By working together, we were able to meet regularly and work flexibly and at pace. One particularly impactful piece of work, the REAL Centre's NHS funding projections, secured widespread print, online and broadcast coverage and has been widely cited. We also produced an analysis of the main parties' manifestos and responded to key aspects of the public debate through our blogs, externally placed articles and media coverage that often exceeded benchmarks. During the period, we published 10 new pieces of long-form content and 20 blogs. These outputs drove a high volume of traffic to our website and helped build our brand and reputation for evidence-based insights.

Cross-cutting themes

We have made progress in our cross-cutting themes of equity, diversity and inclusion (EDI), environmental sustainability and public participation. We know these themes are very important to our staff and our stakeholders alike, and we are working to embed these in all our activities externally and internally.

Equality, diversity and inclusion

In 2024, we developed a 3-year EDI strategy that sets the direction for our work on EDI and priorities for action as an employer, a funder and a brand. It covers the range of our work at the Foundation – who we are, how we work and what we do – and identifies the changes we want to make to become more diverse, inclusive and equitable.

This has set the foundation for us to ensure that health equity is at the heart of what we do. The strategy is accompanied by a detailed action plan for year one that sets out how the strategy will be delivered, how progress will be measured and who will be responsible for overseeing progress across the whole strategy.

This builds on work of supporting staff networks, establishing a People Forum and links to our work on public participation.

Public participation

Public participation ensures our work remains relevant and responsive. In 2024, we created three new public participation roles to lead on different aspects of this work. They have created drop-in sessions for staff to connect different areas of work and share learning, and held training sessions.

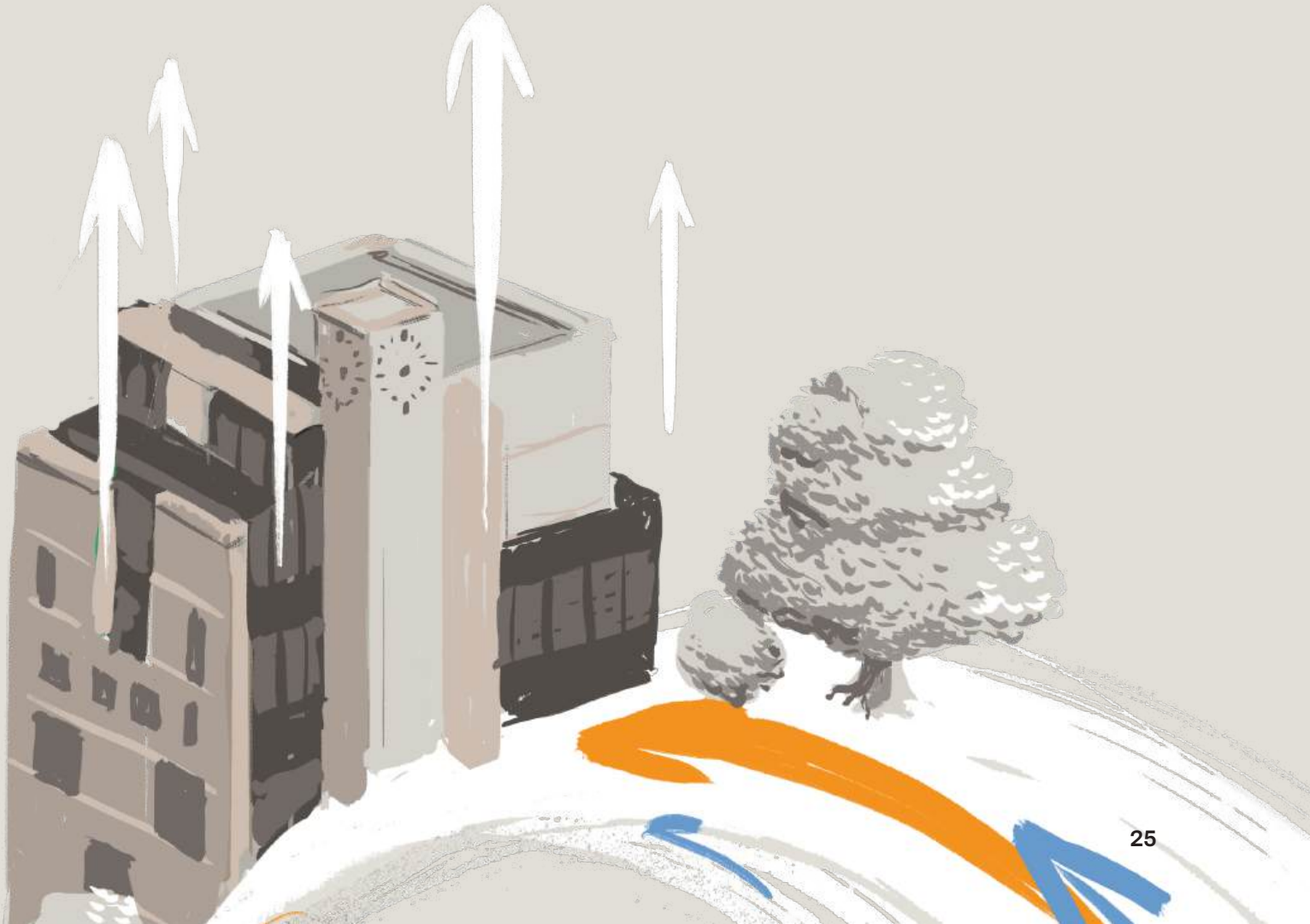
Our approach to public engagement and involvement has also been strengthened by our EDI strategy work, which builds on work to boost our focus on health inequalities in our research, analysis and funding.

Environmental stability

We have improved practices to increase endowment investments aligned to Sustainable Development Goal 3 on climate action (SDG 3) and Sustainable Development Goal 13 on good health and wellbeing (SDG 13), making £12m investment whose objectives meet these goals:

- £4m allocated to Kings Health Partners Fund I, a venture fund investing in UK companies across digital health, med-tech and enterprise software primarily in the UK.
- £8m allocated to JP Morgan Campbell Climate Solutions Fund II, sustainable forestry management to deliver forestry products and carbon sequestration at scale.

Almost two-thirds of actively managed public equity companies have committed targets or have targets approved by the Science-based Target Initiative against SDG 13, an increase of 23% by portfolio weight of companies with approved targets from 2023. Against SDG 3, a third of companies report business activities linked to positive outcomes, consistent with 2023.



Looking ahead to 2025



With ongoing pressures on health and care likely to dominate the policy agenda, as well as a challenging and uncertain economic context, we know making progress will be hard. In this context, we will develop and communicate work in areas where our expertise can help most – such as NHS productivity, working-age health and digital innovation – using our communications to maximise reach, profile and impact.

In the year ahead we will also be developing a new strategic plan covering 5 years from 2026. This will help to set our priorities for the longer term, including how we can be more impactful given our investment income. To help inform our thinking, we'll be in touch with many of you to understand your views about how we can have the most impact.



Improving health and reducing inequalities

Health is an asset to our society and our economy. We will continue to make this case through our in-house analysis, the Commission for Healthier Working Lives and our communications activities. We want our stakeholders to use our evidence and messaging to inform influencing activities and decision making.

- We will conclude our 18-month national Commission for Healthier Working Lives in the spring before beginning the action phase. The Commission will set out recommendations, principally for government and employers, on how to support people to stay in work rather than becoming economically inactive due to ill health.

- Our analysis of health inequalities and what to do about them will continue, including with our funded Scottish Health Equity Research Unit. We will make the case for ringfenced government health spending on prevention, and for prevention accounting at national and local level through partnerships with Demos, CIPFA and our work on risk factor policies.

- We will publish a joint report with the Runnymede Trust looking at how racism affects people's health. This will look at the large and unacceptable variations in people's experiences of three key building blocks of health – employment, wealth and the lived environment – and how these vary by ethnicity.

- We will share learnings from ShareAction's Long-term Investors in People's Health (LIPH) programme, supported by the Health Foundation. In recognition that most investors are overlooking health as an ESG (environmental, social and governance) issue, the programme aims to give investors the tools to improve health outcomes for workers, consumers and communities, by sharing best practice.

Radical innovation and improvement in health and care

2025 will see us further bedding in our focus on technology and innovation, while maintaining and strengthening our established reputation on improvement.

- AI, technology and digitisation have the potential to reshape health and social care, improve productivity and ease workforce pressures. As well as convening, events and thought leadership, we will publish research on the digital foundations required – including estimating the cost of digitising the NHS and social care – to bring services into the 21st century.

- We will continue to be a prominent voice and influence on improvement in the UK. Through Q, we will demonstrate new approaches to improvement across local care systems, including through our partnerships with the NHS Confederation and NHS Providers. And we will help to shape the 10-Year Health Plan for the NHS on technology and the role of quality improvement.

- We will be drawing on our assets, including our Improvement Analytics Unit, THIS Institute and Thiscovery digital research platform in Cambridge. We will be focusing on formative evaluation to help improve the use of technology as it is being tested, using quantitative and qualitative methods as well as a quality improvement methods to support progress.

- We will be developing our policy work on artificial intelligence – helping to think through what the most effective strategy will be for health care – as well as developing our offer (funding and in-house) to evaluate technologies robustly and rapidly.

- We are also developing several programmes around the use of technology and AI in health and care. In 2025, we will be launching a programme to support the spread of technology empowered service change, as well as expanding our support for AI in non-clinical settings.

Evidence and analysis to improve health and care policy

We will continue to work under the seven themes identified in our 2023–25 strategy: health system performance, NHS reform, social care, primary care, funding and finance, workforce, and efficiency. We have refined our objectives for 2025 and developed plans that build on and expand our work in these areas.

- With much focus on productivity within the health service, we will be launching a new commission on NHS productivity to provide in-depth analysis, recommendations and practical solutions for improvement.

- We will stay close to NHS reform and continue to produce analysis and advise policymakers, with both the NHS 10-year plan and 3-year Spending Review likely significant milestones in 2025. With this in mind, our work will help identify priorities for the new government, as well as modelling medium- to long-term demand and supply factors for the NHS.

- We will continue a variety of international comparative analyses on performance and system reforms, not least through our co-funding of the WHO Observatory on health systems covering the WHO European region.

- Our fifth REAL Challenge lecture, with keynote speaker Hetan Shah, Chief Executive of the British Academy, will warn of the risk of rushing to unleash technology. Shah will explore how policymakers can navigate the hype around AI and critically assess tech interventions to improve health and care.

- We will also build leadership capability in health and care by continuing to co-fund the Harkness Fellowship programme (US oriented) and the Sciana leaders programme (a network of leaders from Germany, Switzerland and the UK).

Work to improve the Foundation

During 2025, we will launch a Future Foundation programme to ensure that our operating model, people, culture, and systems and processes will deliver the requirements of the upcoming 5-year strategy.

We will also progress with our three cross-cutting themes.

- **Equity, diversity and inclusion:** During 2025 our focus turns to delivering the year one action plan to ensure we deliver against the strategy developed in 2024, and developing the action plan for year two so we become more diverse, inclusive and equitable.

- **Environmental sustainability:** We will continue our work to become a greener organisation that is fit for the future. This means continuing to change the way we invest our endowment, manage our office, procure goods and services, distribute our funding and more.

- **Public participation:** Public participation ensures our work remains relevant and responsive. In 2025, the public participation leads will be facilitating workshops with each directorate to clarify our collective understanding of public participation in the Foundation, discover what's already happening and showcase this, raise awareness of resources available to people, understand what more would be helpful and generate momentum for public participation work. These workshops will help shape the direction of the public participation leads' work and priorities for the remainder of 2025.

Financial review and statements

Legal and administrative information

Governors
Sir Hugh Taylor (Chair) (to 31 July 2025)
Sir David Behan (from 9 July 2025)*
Katie Blacklock
Dawn Edge
Ravi Gurumurthy
Eric Gregory (to 30 June 2025)
Loraine Hawkins
Ruth Hussey
Branwen Jeffreys (to 11 July 2024)
Paul Najsarek
Roland Sinker
David Smart
Rosalind Smyth (to 17 July 2025)
Rachel Sylvester (from 20 June 2024)

*Sir David Behan will succeed Hugh Taylor as Chair on 1 August 2025.

Charity number
286967

Company number
01714937

Registered office
8 Salisbury Square
London EC4Y 8AP

External Auditor
UHY Hacker Young
Quadrant House
4 Thomas More Square
London E1W 1YW

Solicitors
Bates Wells
10 Queen Street Place
London EC4R 1BE

Investment Fund Managers
See Appendix

Custodian and Performance Measurement
Northern Trust
50 Bank Street
Canary Wharf
London E14 5NT

Investment Advisers
Cambridge Associates Limited
62 Buckingham Gate
London SW1E 6AJ

Redington
6th Floor
1 Angel Court
London EC2R 7HJ

Charitable activities in 2024

Our charitable expenditure

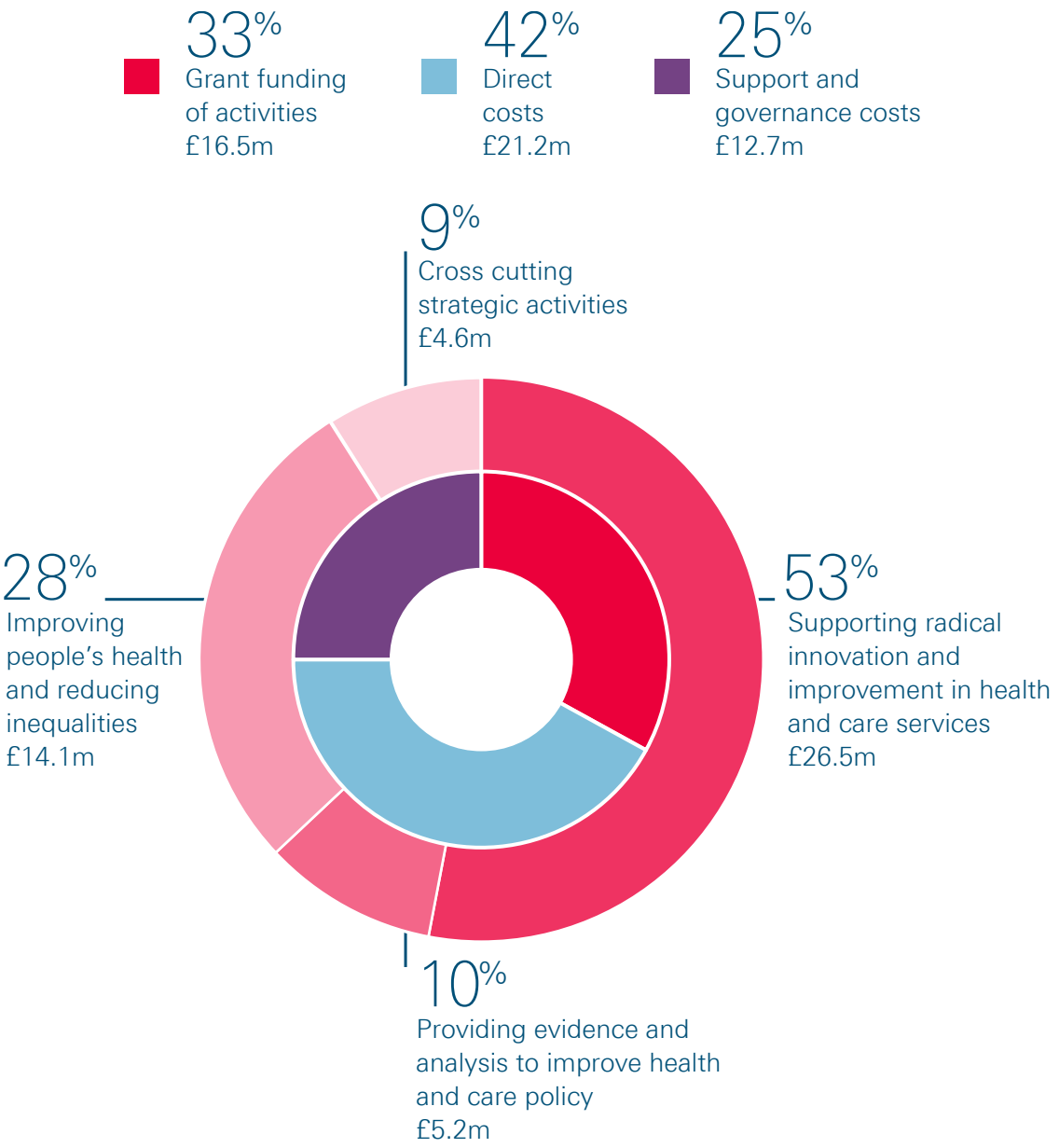
As well as adapting and improving what we do, we're also concentrating on how we do it. The Health Foundation has grown in recent years and is now an organisation of approximately 280 people. We take our role as an independent charitable organisation seriously, and we're doing lots to improve our day-to-day activities. During 2024, we continued with our organisational improvement programme to build the Foundation of the future across strategic planning, programme management, people, finance, grants and awards and supporting technology systems. This programme will continue to deliver benefits in 2025, where we look more closely at our target operating model and how our funding supports that.

Our charitable expenditure is made up of:

- Grants and donations of £16.5m, which includes a further £1.9m investment in Q, £1.8m in our campaign Health Equals, and £1.3m on our IMPACT programme.
- Direct costs of £21.2m, mainly our internal staff who manage our awards and influence change directly through our strategic priorities, listed in Figure 1.
- Support and governance costs of £12.7m, providing the infrastructure to deliver our charitable activities, including our secure data networks.

Our charitable expenditure of £50.4m is illustrated in the chart below; the outer circle shows the split by strategic priority, with the inner circle split as described above.

Figure 1: Charitable expenditure in 2024



2024 was the second year delivering our 3-year strategy. Charitable spend is allocated to our three strategic priorities. Our charitable expenditure of £50.4m compares to £47.8m in 2023, the key movements over £0.6m were:

- In our work on **supporting radical innovation and improvement in health and care services** grant spending was £2.8m more than prior year, including £1.7m on the new Tech For Better Care programme (new in 2024) and £0.7m more invested in the Networked Data Lab. In addition, there was £0.6m increased expenditure through THIS Labs subsidiary as it was operating for a full year and a proportional increase in cost allocation as grant spending in other areas decreased, increasing overall investment by £10.0m.
- In our work on **improving people's health and reducing inequalities** grant spending was £2.2m less than in 2023. In 2023 we awarded £0.9m to the Fraser of Allander Institute to build on work on inequalities in Scotland by setting up a Policy Research Unit and awarded £0.7m to Public Health Wales for Shaping Places for Healthier Lives. Overall, the investment was £5.7m less as the cost allocation was lower based on the reduced grant spend.
- In our work on **providing evidence and analysis to improve health and care policy** grant spending was £1.2m less driven by the 2023 recommitment of £0.8m to the Harkness Fellowship programme with The Commonwealth Fund. Overall, the investment was £2.5m less as the cost allocation was lower based on the reduced grant spend.
- In 2024 we invested £3.0m to deliver and support our work, mainly through a £2.6m investment in our staff team.

Further information can be found in note 7 to the accounts.

Our income used for charitable activities

Our charitable activities are mainly funded by our endowment. In 2024, we received £14.9m investment income and transferred £33.0m of capital from the endowment, in line with our expenditure policy.

We received restricted income of £1.7m (2023: £1.6m) primarily for Q, an initiative joint-funded with NHS Improvement. The Q initiative started in April 2015 and is part of our substantial long-term investments to develop and support initiatives designed to build improvement and innovation capability.

Our policies

Expenditure policy

The investment spending policy, outlined in our investments section, sets out the spending formula for the Foundation. This spending formula provides a guide for the annual budget that may be adjusted to consider the needs of the Foundation and its operational capacity. The Foundation's support and governance spend is set by reference to the total spend level to ensure it remains reasonable and proportionate.

Grant-making policy

The Foundation sets out specific entitlement criteria for each programme at its launch. These criteria vary from programme to programme and are made available on our website. Applications are assessed against these criteria and grants made considering funds available and the quality of applications.

The period for which grants are awarded depends on the programme, but typically last between 1 and 4 years, with the exception of THIS Institute. Grants are monitored regularly, and appropriate progress reports are required from recipients.

Reserves policy

The Foundation holds an expendable endowment fund, which was created following the sale of PPP Healthcare Group (PPP) to Guardian Royal Exchange Group in 1998. It is the Foundation's policy to operate as a perpetual body and, in line with this policy, the governors seek to manage the Foundation's business, and in particular its investment returns and expenditure, to maintain the real value of this expendable endowment fund while providing the necessary income to fund the Foundation's ongoing charitable activities.

Within the above overall policy, governors are at any time able to use endowment capital to fund charity expenditure. Accordingly, governors have determined that it is not necessary for the charity to hold reserves by way of separate unrestricted funds. Capital from the endowment equal to the excess of the Foundation's expenditure over its generated unrestricted income is applied as income each year such that at the year end the unrestricted fund balance is nil.

Our investments

Investment policy and strategy

The board of governors have recently reaffirmed their commitment to run the Foundation as a permanent institution so the endowment, while technically expendable, is treated as if in perpetuity to support the operations of the Foundation over the very long term. Therefore, apart for the need to retain a degree of near-term liquidity in order to fund the nearer term operations, the emphasis is on achieving a substantial long-term real rate of return of 4% over inflation, measured by the Consumer Price Index. The aim is for the real value of the endowment to be preserved over the long term allowing for 4% per annum distributions to fund operations.

At the beginning of 2025, a revised methodology used to calculate annual expenditure was approved by the governors on the recommendation of the Investment Committee. The exisitng method of calculating distributions did not allow for any inflationary increase in the operational expenditure of the Foundation and did not allow for sufficient long-term smoothing of the value of the endowment. The formula used by Yale University and adopted by many endowments over many decades was considered most appropriate to accomodate for these factors. Specifically, the Yale endowment spending policy as we are applying it in the Foundation is a weighted calculation of 30% of the endowment value 2 years prior and 70% of prior year spending, adjusted by prior year inflation. The methodology uses an agreed spending rate of 4% to provide the right balance between long-term sustainability and short-term needs of the Foundation.

The endowment has a structured investment process consisting of two primary features:

- **Statement of investment policy** is agreed by the board of governors; this includes investment objectives, constraints, and spending rate.
- **Investment strategy** is delegated to the Investment Committee, including strategic asset allocation, rebalancing, style and weighting within asset classes, and manager arrangements.

Nine investment beliefs developed by the governors were updated in March 2025. These provide a framework for accountability across all investment-related activities and decision making.

1. **Governance** We maintain a high level of governance to manage a large endowment, investing across a set of globally diversified assets.
2. **Investment objective** Our long-term return objective is set at CPI+4%, supporting the long-term sustainability of the endowment.
3. **Achieving risk-adjusted returns** Alongside monetary assets, we invest in liquid growth assets in the belief that over the long-term they will produce sufficient returns above inflation to meet our target return. Over the long-term an allocation to illiquid growth assets will be additive to those returns.
4. **Inflation dynamics** We recognise that inflation poses a significant risk to the endowment achieving the real return target over the long-term.
5. **Managing capital loss: risk tolerance and diversification** By embedding a risk tolerance of 20% 1-year 95 Value at Risk, we aim to manage short-term drawdown risk while pursuing long-term growth objectives.
6. **Liquidity requirements** We ensure that at least 2 years of operating budget is maintained in cash and high-quality short-dated bonds.
7. **Active management** Financial markets are not always efficient, presenting opportunities for skilled active investment managers to achieve returns that exceed those of the broader market.
8. **Responsible investment** Operating through a dual lens allows us to jointly consider financial return and responsible ownership.
9. **Investing for net positive outcomes** Long-term investments in strategies that demonstrate measurable and net positive outcomes across nature-based and health systems can generate risk-adjusted market returns and help us deliver impact against our sustainability goals.

The Investment Committee reviews performance and the invesment risk management framework, in addition to revieiwng the long-term investment strategy and monitoring progress on its implementation. We are long term investors and, as such, whilst we monitor the strategic asset allocation quarterly we do not carry out short-term tactical readjustments to asset class weightings.

The in-house investment team manage the endowment on a day-to-day basis, implementing strategic asset allocation and monitoring all performance, risk metrics and portfolio holdings. Redington is the investment advisor for the endowment and provide advice on strategic asset allocation, investments, and responsible investment practices. Cambridge Associates provides investment management services for the Victoria Fund and investment advice on alternative asset classes.

Our approach to responsible investment

The governors recognise that business activities that cannot be sustained environmentally or socially will naturally give rise to risks, and these may be financially material. However, companies that operate responsibly across environmental, social and governance factors produce superior long-term returns, benefiting both investors and society through sustainable practices. To ensure the long-term sustainability of the endowment's investments, and consistent with the duty to act in the best financial interests of the Foundation, the governors seek to avoid those risks and capitalise on long-term opportunities through a good understanding of how material sustainability issues impact the endowment.

Responsible investment approaches are integrated across all investment-related activities guided by two sustainability ambitions:

- To reach carbon net zero by 2035.
- Demonstrate improving real-world outcomes aligned with people's health.

Four responsible investment guiding principles have been developed, and updated in 2025, to provide the endowment's investment strategy with an overarching framework to strengthen responsible investing and stewardship credentials and seek to ensure the right balance between delivering the financial return target required to fund the Foundation, alignment with the Foundation's mission and values, and an understanding of the reputational risk associated with both actions and inactions.

- **Provide constructive challenge with an open mind** To work closely with those responsible for investing the endowment assets to ensure their ESG integration and stewardship practices align with the Foundation's expectations.

- **Independent** To maintain discretion over investment decisions and provide measured and relevant challenge where necessary to advisers and managers to maintain independence and act as a responsible asset owner.
- **Informed by evidence and experience** To operate under the Know What You Own principle by monitoring and evaluating investments on a regular basis, ensuring investment decisions are informed to deliver against long-term sustainable objectives.
- **Collaborate for impact** To influence through ownership and engagement rather than through exclusion (not owning specific sectors or companies). This means, where possible, investing and working alongside organisations to bring about positive change, as long as there is no conflict of interest within the field of public health and health care.

In practice, our approach to responsible investment involves the effective integration of environmental, social, governance (ESG) factors into decision-making, and stewardship activities, such as engagement, collaboration and voting practices. The objective is to promote long-term sustainable value creation through the oversight of managers and companies owned to guide better real-world sustainable business outcomes. We require all our investment managers to demonstrate leadership in ESG integration and reporting, and recommend they adopt at least one of the following guidelines; the UK Stewardship Code or the UN Principles of Responsible Investment.

We do not invest directly in tobacco stocks. We also closely monitor our investment in funds and should a stock appear that could be seen as a conflict of interest for the mission of the Foundation and, therefore, we would negatively screen these stocks from the endowment. However, where possible, we adopt a formal approach to positive engagement where conflict of interest might arise. Where there are issues related to reputational risk, these reside with the governors.

The Health Foundation is a member of the Charities Responsible Investment Network and maintains dialogue with investor coalitions such as Longterm Investors in People's Helath, Institutional Investors Group on Climate Change and Good Work Initiatives.

Investment returns

Our long-term goal for our endowment investments are set out in the Investment policy and strategy earlier in this report.

In 2024 the endowment returned 8.7%, outperforming the target performance of 6.5% (CPI+4%). During the year, public equity markets performed strongly led by the US, which continued to benefit from its high concentration of technology stocks. Private equity and venture capital lagged public equity markets, reversing some of the exceptional gains during the COVID-19 period. However, global markets have experienced a much more challenging environment during the first few months of 2025, as US tariffs have caused substantial market volatility. Recent IMF forecasts suggest global growth will be at least 0.5% lower this year, with risk to the downside and growth assets set to face a challenging period for returns.

Figure 2 shows the change in the value of the investments. In 2024, the value of the investments increased by £46m, from, £1,196m to £1,242m.

Strategic Asset Allocation

During 2024, the strategic asset allocation was reviewed according with the scheduled 3-year review cycle. Notably, the decision was taken to withdraw from hedge fund assets and increase allocations to 'near cash' assets (high quality UK gilts) and initiate an allocation to investing in alternative impact investment funds which clearly demonstrate net positive outcomes across society and nature-based systems. Implementation of these changes began towards the end of 2024. See Figure 3.

The flexibility exists to increase the liquidity (cash) buffer within the endowment to ensure that the spending needs of the Foundation can be met. As such, by the end of 2024 the total of cash and 'near cash' assets reached 2 years of expenditure.

Early in 2025 global financial markets experienced volatility following the announcement of US trade tariffs. Endowment public equity valuations were impacted during this period, however in line with expectations due to the diversified nature of the investments. By the end of April 2025 asset valuations had somewhat recovered. The Investment Committee held an extraordinary meeting in April to review the endowment valuation and

strategic asset allocation. The Investment Committee agreed to increase cash and 'near cash' assets to three years of expenditure to ensure the endowment maintains enough liquidity to fund the Foundation's plans for the foreseeable future. It remains appropriate for the endowment to tolerate periods of market volatility and maintain an allocation to growth assets, such as public equity and private equity strategies, to provide the required level of sustainable returns, CPI+4%.

Figure 2: Investment values as at 31 December 2024

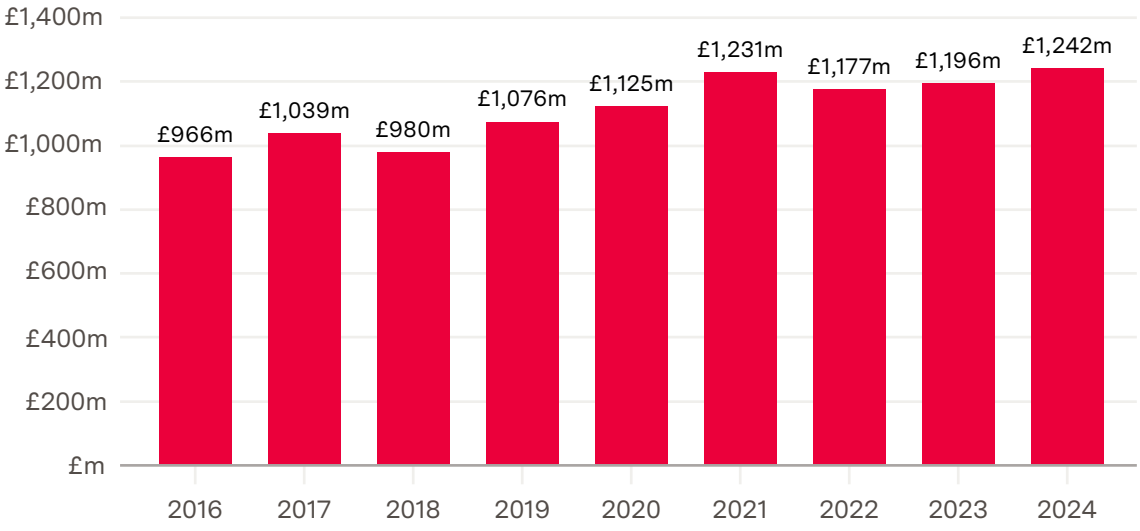
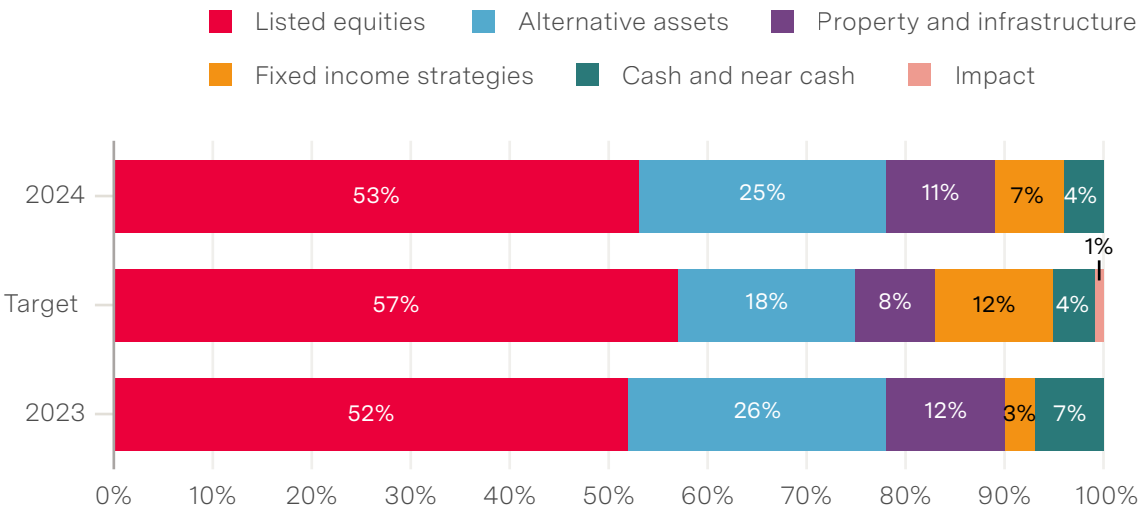


Figure 3: Comparison of the asset allocation 31 December 2024 to 2023 and target asset allocation*



*The Target Strategic Asset Allocation (SAA) was agreed end-2024 for implementation in 2025. The Target SAA acts as a guide to inform future investment allocations, where deviations from this target can occur due to adjustments in market valuations and revised allocations due to the market environment. The difference in the Alternative assets' allocation is due to a change in the future allocation, notably the removal of Hedge Funds.

The total cost of managing our investments was £16.9m (2023: £14.9m). The increase was driven by strong public equity performance and increased alternative asset performance fees, and further details can be found in note 6.

Subsidiary companies

At the end of 2024, the Foundation had three subsidiary undertakings Medtrust Innovations Limited (Medtrust), the Victoria Fund LP Incorporated (Victoria Fund) and THIS Labs Ltd (THIS Labs).

Medtrust is wholly owned by the Foundation as a mission-related investment engaged in the exploitation of intellectual property rights. In March 2011, Medtrust acquired 50% of the intellectual property rights of BMJ Quality & Safety, a journal published by the BMJ Publishing Group Limited. At 31 December 2024, Medtrust had fixed assets of £0.5m (2023: £0.5m). In the year, Medtrust generated an operating profit of £0.2m (2023: £0.1m).

The Victoria Fund was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner. As at 31 December 2024, the Victoria Fund had investment assets of £392m (2023: £433m) and the value of its net assets was £395m (2023: £437m). The net decrease in the value for 2024 was £42m (2023: £7m increase) was mainly due to the sale of hedge funds and transfers of cash to the charity totalling £63m, adjusting for this Victoria Fund made a £22m gain in 2024.

The Health Foundation set up a third subsidiary, THIS Labs which has been set up to enable improvement and innovation in the health and care sector through online collaboration with an initial investment of £4m to achieve these goals made in 2023. As at the end of the year the value of the net assets of THIS Labs was £1.4m (2023: £3.3m) as the team continue to invest in staffing and developing the platform to demonstrate its value in supporting collaborative approaches to research and consultation.

Streamlined energy and carbon reporting

The Health Foundation is reporting energy and carbon emissions in compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The conversion factors used in the report are taken from 2024 Government guidance on the Streamlined Energy and Carbon Reporting (SECR) regime.

The enegy the Foundation consumed reduced slightly to approximately 583,065 Kwh in 2024 (2023: 602,468 Kwh) and CO2 emissions increased to an estimated 131.63 tonnes (2023: 126.12 tonnes) due to increased travel. Our intensity ratio is 0.055 tonne per square metre of our office space (2023: 0.052 tonne per square metre).

Electricity and gas – office

During 2024, our office electric energy consumption equated to 446,772 Kwh (2023: 462,786 Kwh) or 91.56 tCO2e (2023: 89.49 tCO2e). The electricity consumption has decreased slightly in 2024 while the emmission has slightly increased due to the increase in emmission conversion factors, while our office gas energy consumption remained relatively stable at 136,293 Kwh (2023: 139,682 Kwh) or 24.88 tCO2e (2023: 25.50 tCO2e). Electricity costs are partly metered and partly apportioned while gas costs form part of the service charge, apportioned by the landlord on the floor space occupied by the Foundation, which equates to 2,415 square metres.

Travel

During 2024 all types of travel continued to increase as travel habits continue to change after the pandemic, therefore travel journeys paid for directly by the Foundation equated to 143,970 miles (2023: 108,971 miles) or 15.19 tCO2e (2023: 11.13 tCO2e). Travel to and from Foundation events by external participants and attendees are not included in these calculations for both years.

Commitments and reporting

Environmental sustainability is a cross-cutting priority within the Foundation's 2023–25 strategy, and we are committed to understanding and reducing our environmental impact. We have set the target of making our endowment net zero by 2035, with the interim target of halving the carbon emissions of the endowment by 2028. In 2024, we developed a long-term carbon reduction strategy and action plan for the rest of our operations, beyond the endowment.

2024 carbon reporting figures	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Health Foundation office – gas		136,293	24.88
Health Foundation office – electricity		446,772	91.56
Scope 3			
Employee mileage personal cars	300		0.05
Travel – taxis	1,530		0.23
Travel – public transport	87,540		4.57
Travel – air	54,600		10.34
Total gross emissions in tonnes CO_2e	**143,970**	**583,065**	**131.63**
Intensity ratio: tonnes CO_2e per sqm			0.055

2023 carbon reporting figures	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Health Foundation office – gas		139,682	25.50
Health Foundation office – electricity		462,786	89.49
Scope 3			
Employee mileage personal cars	2,417		0.64
Travel – taxis	202		0.05
Travel – public transport	70,372		3.65
Travel – air	35,980		6.79
Total gross emissions in tonnes CO_2e	**108,971**	**602,468**	**126.12**
Intensity ratio: tonnes CO_2e per sqm			0.052

Stakeholder engagement – s.172 statement

The Health Foundation's board recognises the critical importance of its relationships with our key stakeholders to achieve its mission of building a healthier UK. To achieve our mission we need build and maintain collaborative relationships with a wide range of stakeholders.

We conduct regular perceptions surveys of our core stakeholders, which feeds into the development and delivery of our strategy plan (planned 2025).

National government, policymakers

We build evidence by conducting, commissioning and mobilising the highest quality research and analysis. We use this evidence – and our independence – to shape policy and practice by influencing and working with people working within national, regional and local government.

Examples from 2024: Ahead of the General Election, in June, we launched a series of four briefings looking at key aspects of the debate – from the need to move health prevention from rhetoric to reality, to projections of how much funding the NHS will need in the decade ahead, enabling us to better hold political parties to account. We highlighted important issues to consider in developing a new AI strategy for the NHS and positioned the Foundation as a leader in the space. Our report, *Health inequalities in 2040*, led to discussions and influencing with OHID, the DHSC Strategy Unit, NHS England and Local Government Association.

People working across the health, care and wider system

We encourage long-term thinking and work with stakeholders including health and care organisations, other public services, investors, businesses and communities. We use our evidence, insights to promote improvements to health and other public services. We encourage and spread innovation and support new initiatives where a large-scale, long-term focus is needed to make a difference and lead networks for service improvement and learning.

Examples from 2024: the Foundation's Q Community, made up of thousands of people across the UK and Ireland, is continuing collaborating to improve the safety and quality of health and care. Practical learning from teams from our Economies for Healthier Lives programme is supporting engagement with local, regional and central government.

Our beneficiaries

The Foundation's beneficiaries include the public, people working across the health and care system, researchers and academics and organisations receiving grants. To maximise the impact of our work we share our evidence across employs various communication channels such as webinars, podcasts, publications, blogs, newsletters, and social media. We aim to maximise the effectiveness of supported programmes and projects by managing our awards. We build skills, knowledge and capability by supporting people and organisations, including through, partnerships, fellowship programmes, networks and events.

Examples from 2024: We support Health Equals and their public-facing #MakeHealthEqual campaign highlighted how the building blocks shape health inequalities. Common Ambition, a Health Foundation funding programme demonstrated the value of community driven change and generate insight on how to involve communities in improving health services. 2023/24 Q Labs helped the Stockport NHS Foundation Trust team to reduce wait times in their pain management service.

Our employees

Our employees' skills, experience and understanding of our strategy are key for delivering our mission. We aim to create an inclusive and diverse organisation with high employee satisfaction and motivation and where people are supported to develop and grow.

We have in place approaches wellbeing, health and safety, support for staff-led peer networks, a people forum, an EDI strategy and action plan and comprehensive learning and development programmes.

Examples from 2024: we saw significant expansion of our learning and development opportunities, a suite of EDI initiatives, and enhancements to recruitment approaches. We also help colleagues understand our strategy and organisational development work through our regular staff meetings, intranet and our annual 'colleagues conference', which featured a range of speakers from across our work and organisation to bring our strategy to life.

Our partners and other advocates

Through sharing what we learn and collaborating with others, we aim to make a difference and contribute to a healthier population. We engage with others working in health and on the wider determinants of health, meeting regularly across levels of seniority to share ideas and working together on pieces of work to maximise impact.

Examples from 2024: Our independent Commission for Healthier Working Lives published its interim report in October, seeking to build consensus on the actions needed by government and employers on growing challenge of working-age ill health The Sciana Network is supported by a partnership between the Health Foundation (UK), Careum Stiftung (Switzerland) and the Robert Bosch Stiftung (Germany) in collaboration with Salzburg Global Seminar. Over 100 fellows – including from public health, health and care, universities, government – have explored the big issues facing our health today and in the future. IMPACT is a UK-wide centre for implementing evidence in adult social care. In 2024, it successfully made policy contributions to facilitate evidence-informed change.

Suppliers

The Foundation's suppliers, including investment managers, are expected to operate ethically and provide value for money. As an accredited living wage employer, the Foundation aims to ensures contracted staff earn at least the real living wage.

Highlights for 2024: We continued to engage with our investment managers particularly on ethical and social reporting and management, the Foundation developed new templates to support its focus on equity, diversity, inclusion, and sustainability through suppliers.

Risk management

The Foundation set out its approach to managing risk, including roles and responsibilities, in its risk management policy. The Audit Committee and the board of governors regularly review key risks owned by members of the senior leadership team.

The Audit Committee gives direction and reviews the implementation of the risk management process supported by an internal audit plan. Detailed below were the most important risks for 2024.

Key risk	Nature of risk	Management of risk
Investment risk	Failure to provide adequate funding for the Foundation's planned activities due to a major correction in market value and/or insufficient liquidity.	The Investment Committee ensures that the Foundation's investments are suitably diversified, supported by an internal team, external advisers and external benchmarking. The committee ensures there is enough continuing liquidity to meet the Foundation's cash requirements, in the event of a sudden market correction. In the last year this has been enhanced by a new requirement in the most recently completed Strategic Asset Allocation that 2 years' expenditure be retained in a liquidity buffer invested in cash or short term high quality bonds. In 2024 public equity markets performed strongly led by the US, which continued to benefit from its high technology exposure. Private equity and venture lagged reversing some of the exceptional gains during the COVID-19 period. In April 2025, however, the US has experienced a much more challenging environment as President Trump's tariffs have caused substantial volatility. Recent IMF forecasts suggest global growth will be at least 0.5% lower this year with risk to the downside. The endowment has the flexibiity to increase its defensive liquidity buffer and had already built this up above 2 years and is currently close to 3 years' expenditure. Nevertheless, it remains appropriate for a long-term fund such as this to tolerate such volatility in seeking a higher sustainable return of CPI plus 4%.
Strategic	The Foundation fails to address important or emerging issues or achieve a desired level of impact.	The board reviews our ambition, impact and progress. This includes balancing short term reactive work with longer term initiatives. In 2024, we balanced continuing to implement our 2023–2025 strategy, with short-term policy influencing work ahead of the general election. Board oversight continues with quarterly oversight of yearly business planning and impact reporting of prior year outcome. Each board meeting has an informal strategy session and initiatives with strategic importance have a board member sponsor who attends the annual review of their initiave. As we continue our work on the current strategy and engaging the new government, 2025 will also see the development of our strategy to 2030.

Key risk	Nature of risk	Management of risk
Quality	Our work lacks sufficient rigour, accuracy, quality and objectivity.	We have clear governance frameworks for awards, contracts and research with a quality assurance process for the release of all published material. In 2024 we designed quality frameworks with clear responsibilities for both internal and externally commissioned work, which will be embedded during 2025.
People risk	Failure to attract, develop and retain the people we need to deliver the Foundation's strategy.	The Remuneration and Governance Committee determines the framework for the overall reward strategy applicable to all Foundation staff. In 2024, our EDI strategy was developed with oversight from the CEO and approved by the board. Delivery of the strategy is supported by an action plan and delivery group. Delivery of other aspects of the People Plan continued, though due to the long term nature of some initiatives, impact will take time to measure. The timing and delivery of the People Plan will, necessarily, continue to take into account other changes across the organistion (see change management risk below).
Change management	The Future Foundation change programme fails to deliver the planned benefits, resulting in failure to materialise opportunities to align to its strategy and improve operational efficiency.	In 2024, process improvement work was coordinated by the Head of Organisational Change. The extent and nature of wider change that the Foundation requires was articulated with initial scoping. In 2025, a Change Programme Director has been appointed and, together with a bolstered team, will oversee the initial stages of programme delivery. Stability of the overall change agenda, as well as monitoring for change fatigue, will be important for successful delivery.

An important part of risk management is our internal audit strategy. Through this ensures all risks on our corporate risk register are covered in a 3–4-year cycle. For the first time we have received a 'moderate' internal audit annual report opinion, the second highest rating. This reflects that, whilst there is further work to be done, in the main we are now operating in an environment where there are appropriate procedures and controls in place to mitigate the key risks, accepting that there are ongoing opportunities to improve their efficiency and effectiveness.

This aligns with the conclusions of recent work on our assurance map, which provides an overview of the key assurance mechanisms in place across the Foundation. The conclusion of the second full review of the map was that 'the Foundation has made significant improvements to its assurance structures in comparison to those observed during the last assurance mapping exercise in 2022.'

Trustees' report

Structure, governance and management

The Health Foundation is a registered charity and a company limited by guarantee. It is governed by its memorandum and articles of association adopted on 24 July 1996 and last amended on 15 July 2021. The Foundation's endowment was first established in 1998.

The board is responsible for the overall governance of the Foundation. All governors are members and directors of the company, and trustees of the registered charity. Governors are appointed for a term of 5 years and may be appointed for a second term of up to 4 years. The current governors and any past governors who served during the year are listed in the table below, together with the names of independent members of committees.

Name	Member/ governor	Audit Committee	Investment Committee	Programme related investments committee (from November 2023)	Remuneration and Governance Committee
Hugh Taylor	Chair (until end July 2025)		✓		✓
David Behan	✓ (appointed July 2025)				
Katie Blacklock	✓	✓	✓ Chair (from October 2024)		
Dawn Edge	✓				✓
Eric Gregory	✓ (until end June 2025)	Chair		Chair	✓
Loraine Hawkins	✓				✓
Ruth Hussey	Vice Chair				Chair
Ravi Gurumurthy	✓			✓	
Branwen Jeffreys	✓ (until July 2024)				
Paul Najsarek	✓	✓			
Roland Sinker	✓				
David Smart*	✓		✓ Chair (until October 2024)		
Rosalind Smyth	✓ (until July 2025)				
Rachel Sylvester	✓ (appointed June 2024)				

*David Smart has been engaged by the Foundation as a paid Investment Consultant since 31 October 2024. Arrangements are in line with the Foundation's Policy on Payments to Governors Providing Contracted Services (last reviewed by the board in July 2024) and follows the Charity Commission's guidance on payments for trustees.

The following served as independent members of committees during 2024.

Name	Audit Committee	Investment Committee
Ingeborg Dybdal Øie (until February 2024)		✓
Robert Beveridge (stepped down June 2025)	✓	
Mark Chaloner		✓
Andrew Milligan		✓

The board regularly reviews the skills and experience of the governors to ensure they are relevant to the Foundation's mission and provide balance to the board.

The board meets at least four times a year and approves strategic, business plans and budgets and reviews operational and investment performance.

All new governors receive a comprehensive induction. Refresher sessions on relevant topics are arranged for governors periodically and the board reviews its governor training and development policy every 2 years. The articles of association set a minimum number of trustees at 5 and a maximum at 15.

Organisational structure and how decisions are made

The board of governors has set down a schedule of matters which it cannot delegate in line with the Charity Commission guidance on matters reserved for board decision. These include:

- board appointments
- the appointment and terms of reference of any committee of the board and any matters expressly reserved for the decision of the board by any such terms of reference
- approval of annual financial statements and annual business plan and budget
- changes to the Foundation's investment strategy and spending policy

In addition, the following are established as committees of the board of the Foundation in accordance with the articles of association. Each operates in

accordance with terms of reference, which ensures the committee is properly constituted with an appropriate membership of governors and experienced independent members as needed and a clear set of responsibilities and authorities.

- **The Audit Committee** assists the board in meeting its responsibilities in financial reporting and internal control. It provides a channel of communication between the Foundation's external and internal auditors and the board. It provides direction and reviews the implementation of the Foundation's risk management strategy and system of internal controls.
- **The Investment Committee** assists the board with developing investment policies agreed by the board. The committee sets and regularly reviews a long-term investment strategy to meet the Foundation's investment objectives. The chief executive and the chief investment officer are members of this committee.
- **The Programme Related Investments Committee** assists the board in meeting its responsibilities in overseeing the Foundation's investments in Medtrust and THIS Labs, together with any future programme related investment proposals.
- **The Remuneration and Governance Committee** assists the board in monitoring and advising on the size and composition of the board of governors; their selection, recruitment induction and training; and manages reviews of board performance, as requested by the board. The committee approves the framework and policy determining the overall reward strategy applicable to all Foundation staff and for the chief executive and senior leaders.

The Foundation has three subsidiary companies:

- **Medtrust Innovations Ltd**, company registration number 03910581, a wholly own subsidiary company of the Health Foundation that together with BMJ Publishing Group co-owns the BMJ Quality and Safety Journal, a publication providing insights and information with the aim of improving the quality of health care. In 2024 the board of Medtrust Innovations Ltd comprised: Eric Gregory, Chair, Nick Bateson and Malte Gerhold. The board meets twice a year. The chair reports to the Health Foundation board of governors on a regular basis.

- **Victoria Fund LP Incorporated**, registered as a Guernsey incorporated limited partnership under The Limited Partnerships (Guernsey) Law, 1995 as amended was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner.
- **THIS Labs Ltd**, company registration number 14506058, the Health Foundation has a 70% share in THIS Labs Ltd. In addition to the share capital, in April 2025 the Foundation invested £1.5m in a convertible loan note issued by THIS Labs. Malte Gerhold, Director of Innovation and Improvement, is a Director of THIS Labs Ltd and reports on the progress of the company to the Health Foundation's programme related investment committee. This committee oversees the Health Foundation's investment on behalf of the Foundation and reports to the Health Foundation board of governors on a regular basis.

The board of governors delegates the exercise of certain powers in connection with the management and administration of the Foundation to the leadership team managed by the chief executive.

Senior leadership

The chief executive is responsible for the day-to-day management of the Foundation's affairs and for implementing policies agreed by the board of governors. The chief executive is assisted by a group of senior leaders who are listed below. Although the senior executive team are called directors, they are not the 'legal' directors of the charitable company.

Chief Executive	Jennifer Dixon
Chief Operating Officer	Nick Bateson*
Chief Investment Officer	Aidan Kearney (until May 2024) Jenny Rodgers (April to September 2024)
Director of Communications	Patrick South
Director of Health	Jo Bibby
Director of Innovation and Improvement	Malte Gerhold
Director of Policy	Hugh Alderwick
Director of Research and the REAL Centre	Anita Charlesworth (until September 2024)
Director of Data Analytics (until August 2024) Director of Research and Analysis (from September 2024)	Charles Tallack

*The Chief Investment Officer role has been covered by Nick Bateson with David Smart stepping down as Chair of Investment committee and acting as a consultant.

The charity's registered office and list of key advisers can be found in legal and administrative information (page 33).

Principal activities and development

The Health Foundation is an independent charitable organisation working to build a healthier UK. It achieves this through supporting people and organisations. Further information on the charity's activities and developments are included in the Strategic report.

Statement of governors' responsibilities

The governors are responsible for the preparation of the annual report, including the strategic report and governors' report, and the financial statements in accordance with applicable law and UK Generally Accepted Accounting Practice. Company law requires the governors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the governors are required to:

- ensure that the most suitable accounting policies are established and applied consistently
- make judgements and estimates that are reasonable and prudent
- state whether the applicable accounting standards and statement of recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Foundation will continue in operation.

The governors have overall responsibility for ensuring that the Foundation has appropriate systems and controls, financial and otherwise. They are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets

of the Foundation and for their proper application as required by charity law, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Foundation is operating efficiently and effectively
- all assets are safeguarded against unauthorised use or disposition and are properly applied
- proper records are maintained, and financial information used within the Foundation, or for publication, is reliable
- the Foundation complies with relevant laws and regulations.

Each of the governors has confirmed that as far as they are aware, there is no relevant audit information of which the Foundation's auditors are unaware. The governors have each taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

Processes are in place to ensure that management information is prepared and reviewed regularly by both the directors' team and the board of governors. Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency.

The systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss. They include:

- a strategic plan, annual business plan and budget approved by the governors
- regular consideration by the governors of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews
- delegation of day-to-day management authority and segregation of duties
- identification and management of risks
- a programme of independent controls.

Declarations and conflicts of interest policy

The Foundation has drawn up and implemented a declarations of interest policy that explains the nature of potential conflicts of interest. It requires governors, independent members of committees, employees and other defined categories of individual with whom the Foundation works from time to time, to declare all interests relevant to the Foundation's work and provides a framework for managing situations when conflicts arise.

Governors, independent members of committees and senior employees are also required to notify the chief executive or chief operating officer of any association with a body or organisation which is or might become an applicant for funds from the Foundation. A register is kept and those interests declared by governors and members of the directors' team are reviewed regularly by the directors and produced for inspection at all board meetings.

Details of transactions with related parties are set out in note 25 of the financial statements. The Foundation has a comprehensive whistle-blowing policy.

None of the governors has any beneficial interest in the company. All the governors are members of the company and guarantee to contribute £1 in the event of a winding up.

This Trustees' report, including Strategic report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the governors on 17 July 2025 in their capacities as trustees of the charity and directors of the company. This included their approval of the Trustees' and strategic reports contained within it. The Trustees' report is signed as authorised on their behalf by:

Sir Hugh Taylor, Chair
17 July 2025

Independent auditor's report to the members of the Health Foundation

Opinion

We have audited the financial statements of The Health Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2024, which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2024 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent charitable company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on pp 56–57, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for

such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the group, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Charities Act 2011, FRS 102 and the Charities SORP 2019. We evaluated management's incentives and opportunities for fraudulent

manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related posting manual journal entries to manipulate financial results, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to investment valuations and the grants payable.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with management their policies and procedures regarding compliance with laws and regulations;
- Review of the financial statement disclosures to underlying supporting documentation;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Substantively testing of income and testing of current year and post year end journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud;
- Review of legal and professional nominal account to identify any potential undisclosed claims or litigations;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Wright
(Senior Statutory Auditor)

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor
4 Thomas More Square
London E1W 1YW

23 July 2025

Financial statements

Consolidated statement of financial activities for the year ended 31 December 2024

	Notes	Unrestricted fund £'000	Restricted fund £'000	Non Controlling Interest (NCI) fund £'000	Expendable Endowment fund £'000	Total 2024 £'000	Total 2023 £'000
Income:							
Charitable activities	3	615	1,724	–	–	2,339	2,017
Investment income	4	14,864	–	–	–	14,864	16,538
Capital applied to income	5	33,016	–	–	(33,016)	–	–
Total income		**48,495**	**1,724**	–	**(33,016)**	**17,203**	**18,555**
Expenditure:							
Fund management	6	–	–	–	16,857	16,857	14,905
Charitable activities	7	48,495	1,932	–	–	50,427	47,812
Total resources expended		**48,495**	**1,932**	–	**16,857**	**67,284**	**62,717**
Operating (deficit)/surplus		–	(208)	–	(49,873)	(50,081)	(44,162)
Net gain/(loss) on investments	11				103,821	103,821	71,640
Net (expenditure)/ income for the year before NCI		–	(208)	–	53,948	53,740	27,478
NCI income/ (expenditure) for the year		–	–	(551)	–	(551)	113
Net income/ (expenditure) for the year		–	(208)	(551)	53,948	53,189	27,591
Fund balances as at 1 January		–	658	113	1,174,300	1,175,071	1,147,480
Fund balances as at 31 December		–	450	(438)	1,228,248	1,228,260	1,175,071

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure is derived from continuing activities. For the full comparatives see note 28.

Consolidated balance sheet as at 31 December 2024

	Notes	£'000	2024 £'000	£'000	2023 £'000
Fixed assets:					
Intangible fixed assets	12		539		1,111
Tangible fixed assets	13		2,256		2,740
Investments	14		1,242,010		1,196,475
Programme-related investment	14		526		526
Total fixed assets			**1,245,331**		**1,200,852**
Current assets:					
Debtors	16	1,355		1,476	
Cash and short-term deposits		5,033		7,422	
Total current assets		**6,388**		**8,898**	
Current liabilities:					
Amounts falling due within one year	17	(13,695)		(18,816)	
Net current liabilities			**(7,307)**		**(9,918)**
Total assets less current liabilities			**1,238,024**		**1,190,934**
Creditors: amounts falling due after more than one year	18		(9,066)		(15,234)
Provisions for liabilities	20		(698)		(629)
Net assets			1,228,260		1,175,071
Capital funds					
Endowment funds general			1,228,248		1,174,299
Income funds					
Unrestricted fund			–		–
Restricted funds			450		658
Total funds before NCI			**1,228,698**		**1,174,957**
Non Controlling Interest (NCI) funds					
NCI fund			(438)		114
Total funds			1,228,260		1,175,071

The accounts were approved by the governors, and authorised for issue on 17 July 2025 and signed by:

Sir Hugh Taylor
Trustee

Katie Blacklock
Trustee

Company Registration No. 01714937

Charity balance sheet as at 31 December 2024

	Notes	£'000	2024 £'000	£'000	2023 £'000
Fixed assets:					
Intangible fixed assets	12		134		659
Tangible fixed assets	13		2,235		2,713
Investments	14		847,295		760,352
Programme-related investment	14		396,663		439,917
Total fixed assets			**1,246,327**		**1,203,641**
Current assets:					
Debtors	16	1,109		1,239	
Cash and short-term deposits		4,035		4,632	
Total current assets		**5,144**		**5,871**	
Current liabilities:					
Amounts falling due within one year	17	(13,618)		(18,709)	
Net current liabilities			**(8,474)**		**(12,838)**
Total assets less current liabilities			**1,237,853**		**1,190,803**
Creditors: amounts falling due after more than one year	18		(9,066)		(15,234)
Provisions for liabilities	20		(698)		(629)
Net assets			1,228,089		1,174,940
Capital funds					
Endowment funds general			1,227,639		1,174,282
Income funds					
Unrestricted fund			–		–
Restricted funds			450		658
Total funds			1,228,089		1,174,940

The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net income for the year is £53,149k (2023: net income £27,701k).

The accounts were approved by the governors, and authorised for issue on 17 July 2025 and signed by:

Sir Hugh Taylor
Trustee

Katie Blacklock
Trustee

Company Registration No. 01714937

Consolidated statement of cash flows for the year ended 31 December 2024

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Cash flows from operating activities:					
Cash absorbed by operations	27		(58,524)		(51,586)
Investment activities:					
Cost of developing intangible assets		–		(475)	
Purchase of tangible fixed assets		(161)		(160)	
Investment proceeds re-invested		(14,246)		(15,848)	
Withdrawals from investments		72,535		68,030	
Investment management fees		(16,857)		(14,905)	
Investment income		14,864		16,538	
Net cash generated from investing activities			**56,135**		**53,180**
Net (decrease)/increase in cash and cash equivalents			(2,389)		1,594
Cash and cash equivalents at beginning of year			7,422		5,828
Cash and cash equivalents at end of year			5,033		7,422

Notes to the financial statements for the year ended 31 December 2024

Charity information

The Health Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is 8 Salisbury Square, London EC4Y 8AP.

The liability of the governors in their capacity as members of the company is limited. Each member guarantees any deficiency in the Foundation to a maximum of £1.

1.0 Accounting policies

1.1 Accounting convention

These accounts have been prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities, the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice. The Foundation is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the Foundation. Monetary amounts in these financial statements are rounded to the nearest £'000.

The accounts have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis for consolidation

The financial statements consolidate the charity and its wholly owned subsidiary entities, The Victoria Fund LP Incorporated, Medtrust Innovations Limited and THIS Labs Ltd.

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net income for the year is £53,149k (2023: net income £27,701k).

1.3 Going concern

At the time of approving the financial statements, the governors have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. This expectation includes an assessment of the ongoing impact of political and economic challenges facing global markets. There is market uncertainty which may lead to some volatility. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future. Under our normal internal governance procedures, we conducted a Strategic Asset Allocation review in 2024 and continue to monitor this in light of ongoing uncertainties. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Charitable funds

The Foundation maintains three types of funds: unrestricted funds, restricted funds and expendable endowment funds. Income and expenditure on these funds are shown separately in the statement of the financial activities.

Unrestricted funds are available for use at the discretion of the governors in furtherance of their charitable objectives unless the funds have been designated for other purposes. The income is made up of investment income, other incoming resources and any capital applied as income.

Restricted funds are subject to specific conditions as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Expendable endowment funds represent capital gifted for the long-term benefit of the Foundation. Any income arising from the Endowment fund assets is added to the unrestricted fund. The trustees may also, at their discretion, determine to apply part or all of the endowment capital as income at which time the relevant amounts are transferred to the unrestricted fund.

1.5 Incoming resources

Income is recognised 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 on investments in the statement of financial activities.

1.6 Resources expended

Expenditure is recognised on an accruals basis. Irrecoverable VAT is included within the expense items to which it relates.

Expenditure on raising funds represents amounts paid to the Foundation's external investment advisers and custodian, and an apportionment of internal support costs based on time spent. They are charged to the endowment fund, as the primary role of the investment managers and the custodian is to safeguard the investment assets of the Foundation.

Charitable activities comprise all costs incurred in the pursuit of charitable objects. These are:

- Grants including programme costs where an actual/constructive obligation exists, notwithstanding that they may be paid in future accounting periods. However, where conditions attach to the grant such that it is a performance-related grant then this is charged as the conditions are satisfied and are expensed as the related activity is performed.
- Salary costs that can be directly attributed to strategic, programme and policy work. It also includes the cost pertaining to support staff.
- Overheads such as the rent and running costs of the office space. These costs are allocated to charitable strategic priorities based on the relevant proportions of the direct costs of the charitable activities.
- Governance costs comprise all costs attributable to ensuring the public accountability of the Foundation and its compliance with regulation and good practice. These costs include costs related to statutory and internal audit together with an apportionment of support costs based on time spent.
- Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in

which the contributions are paid. Provision is made for the discounted expected future costs of unfunded pension benefit commitments at each balance sheet date, based on actuarial advice.

1.7 Intangible fixed assets other than goodwill

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over the term of the project life. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Tangible fixed assets with a value over £5,000 are capitalised. Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Fixtures and fittings – 5 years
- Computers – 3 years
- Office building modifications – 10 years (included in fixtures and fittings category in the notes)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

1.9 Fixed asset investments

Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

Quoted investments are listed shares, bonds and units and are stated at fair value on the basis equivalent to market value using the bid price. Asset sales and purchases are recognised at the date of trade.

Unquoted investments are stated at fair value based on professional valuations at the balance sheet date or nearest available date to it. For hedge funds, the valuations are provided by third-party hedge fund administrators. In the case of private equity funds, there is no readily identifiable market price. These funds are included at the most recent valuations by their respective managers. Investments made shortly before the balance sheet date are held at cost where the managers have yet to provide a valuation.

A subsidiary is an entity controlled by the Foundation. Control is the power to govern the financial and operating policies of the entity to obtain benefits from its activities. Subsidiaries are included in the Foundation's balance sheet at their net asset value which represents the fair value of their underlying investments and other net assets. Investments in subsidiary undertakings are held at cost less any impairment.

Unrealised gains and losses are recognised at the year-end as the difference between the historical cost and the market value of the investment assets. Realised gains and losses are recognised during the year at the time the investment is sold, and include any fees incurred at source. All unrealised and realised gains and losses on investments are included within the statement of financial activities.

1.10 Impairment of fixed assets

Impairment of tangible and intangible fixed assets are reviewed annually and any impairment is recognised as an expense in the year that it occurs.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Foundation has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Foundation's balance sheet when the Foundation becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within 1 year are not amortised.

Basic financial liabilities

Basic financial liabilities, including trade creditors and grants payable are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within 1 year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within 1 year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the Foundation's contractual obligations expire or are discharged or cancelled.

1.13 Provisions and grants

Provisions and grants are recognised when the Foundation has a legal or constructive present obligation as a result of a past event, it is probable that the Foundation will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision or grant is measured at present value the unwinding of the discount is recognised as a finance cost or grant expense in net income/(expenditure) in the period it arises.

1.14 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Foundation is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in net income/expenditure for the period.

1.18 Exemptions

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net income for the year is £53,149k (2023: net income £27,701k).

2.0 Critical accounting estimates and judgements

In the application of the Foundation's accounting policies, the governors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Investment valuation

The Foundation's investments are stated at market value. Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are

subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred. Valuations are obtained from the investment managers. The governors do not believe that there is any inherent uncertainty in the presentation of these amounts, and that in their judgement, market value and fair value may be regarded as identical for the purposes of these accounts.

3.0 Charitable activities

	Share of profit in *BMJ Quality & Safety* £'000	THIS Labs Ltd £'000	Other income £'000	Total 2024 £'000	Total 2023 £'000
Other income*	280	175	1,884	2,339	2,017
Analysis by funds:					
Unrestricted funds	280	175	160	615	
Restricted funds	–	–	1,724	1,724	
	280	**175**	**1,884**	**2,339**	
For year ended 31 December 2023:					
Unrestricted funds	419	46	–		465
Restricted funds	–	–	1,552		1,552
	419	46	1,552		2,017

*In 2024, we received restricted income of £1,724k (2023: £1,297k) mainly from NHS England for Q, a jointly funded initiative.

4.0 Investments

	2024 £'000	2023 £'000
Income from listed investments	9,521	8,338
Fixed interest income	2,009	2,285
Property fund income	3,463	5,915
Alternatives income	(129)	–
	14,864	16,538

The reduction in alternatives income was a result of a slowed exit environment after a period of high interest rates.

5.0 Capital applied to income

	Unrestricted funds £'000	Endowment funds general £'000	Total 2024 £'000	Total 2023 £'000
Released from endowment funds	33,016	(33,016)	–	–
For the year ended 31 December 2023	29,242	(29,242)	–	–

6.0 Fund management

	2024 £'000	2023 £'000
Cost of fund management:		
Investment advisory costs	344	316
Staff and operating costs	666	441
Custodian fees	78	85
Investment managers' fees	15,769	14,063
	16,857	14,905

The investment managers' fees of £15,769k (2023: £14,063k) includes: management fees of £9,464k (2023: £9,459k), incurred on the endowment value of £1,242,010k (2023: £1,196,475k) and performance fees of £5,261k (2023: £3,539k), the increase is driven by a large performance fee relating to a private equity distribution in 2024.

The cost of raising funds is 1.3% (2023: 1.2%).

7.0 Expenditure on charitable activities

	Effective innovation and improvement in health and care £'000	Better health and care policy making £'000	Improving health and reducing inequalities £'000	Cross-cutting strategic activities £'000	Total 2024 £'000	Total 2023 £'000
Grant funding of activities (see note 29)	8,470	1,765	4,782	1,480	16,497	16,847
Direct costs*	11,516	2,087	5,655	1,995	21,253	19,068
Share of support costs*	6,138	1,279	3,465	1,073	11,955	11,476
Share of governance costs*	371	77	209	65	722	421
	26,495	5,208	14,111	4,613	50,427	47,812
*See note 8						
Analysis by fund:						
Unrestricted funds	24,563	5,208	14,111	4,613	48,495	46,245
Restricted funds	1,932	–	–	–	1,932	1,567
	26,495	5,208	14,111	4,613	50,427	47,812

2024 was the middle year of our 3 year strategy and the above table reflects the three strategic priorities for 2023–5.

For the year ended 31 December 2023

	Effective innovation and improvement in health and care £'000	Better health and care policy making £'000	Improving health and reducing inequalities £'000	Cross-cutting strategic activities £'000	Total £'000
Unrestricted funds	14,930	10,895	16,595	3,825	46,245
Restricted funds	1,567	–	–	–	1,567
	16,497	10,895	16,595	3,825	47,812

8.0 Direct, support and governance costs

	Direct costs £'000	Support costs £'000	Governance costs £'000	2024 £'000	2023 £'000
Staff costs	15,843	3,929	460	20,232	17,607
Depreciation	–	1,163	–	1,163	1,268
Property costs	–	1,794	–	1,794	1,705
Technology costs	211	1,962	–	2,173	2,677
Other direct/ support costs	5,199	2,965	–	8,164	7,394
Audit fees	–	–	71	71	54
Legal and professional	–	142	54	196	190
Internal audit	–	–	93	93	53
Other governance costs	–	–	44	44	17
	21,253	11,955	722	33,930	30,965

Direct costs of charitable activities are mainly to further the Foundation's objectives by organising conference and events, carrying out direct and commissioned work in-house, scoping, developing, and managing grant programmes, and publishing and disseminating reports on research findings.

Support costs have been allocated to charitable activities in the year.

Governance costs include payments to auditors of £71k (2023: £54k) for audit fees and £8k (2023: £7k) for non-audit services.

9.0 Governors

David Smart has acted as an investment consultant to the Investment team from October 2024, temporarily stepping down from his role as Investment Committee Chair. Interim Investment Committee Chair is Katie Blacklock. David was recompensed £60k in 2024.

None of other the governors (or any persons connected with them) received any remuneration or benefits from the Foundation during the year.

Trustees' expenses received totalled £63k (2023: £2k), including the investment consultant fees paid to David Smart.

10.0 Employment costs

	2024 £'000	2023 £'000
Wages and salaries	17,123	14,854
Social security costs	1,938	1,692
Other pension costs	1,617	1,358
Other costs	9	88
Total employment costs*	20,687	17,992

*Total employment costs during the year were £20,687k (2023: £17,992k). This includes salary costs relating to management of the endowment of £455k (2023: £384k).

The average number of employees during the year was 273 (2023: 246), which equated to a full time equivalent of 254 (2023: 231).

In 2024 we invested in our staff team to deliver and support our work increasing staffing numbers and costs.

The number of employees whose annual remuneration was £60,000 or more were:

	2024	2023
£60,001–£70,000	46	34
£70,001–£80,000	29	21
£80,001–£90,000	16	19
£90,001–£100,000	10	9
£100,001–£110,000	8	6
£110,001–£120,000	7	3
£120,001–£130,000	4	2
£130,001–£140,000	1	–
£140,001–£150,000	1	2
£150,001–£160,000	1	1
£160,001–£170,000	1	1
£180,001–£190,000	1	1
£170,001–£180,000	1	1
£190,001–£200,000	–	1
£200,001–£210,000	1	1
£210,001–£220,000	1	–
£270,001–£280,000	–	1
£280,001–£290,000	1	–

The calculation for annual remuneration includes salary, NI and Employers Pension contribution.

11.0 Net gain/(loss) on investments

	2024 £'000	2023 £'000
Revaluation of investments	103,821	71,640

Net revaluation of investments comprises:

- A gain in our listed investments of £95,650k (2023: gain of £65,495k), with global equity markets positive momentum in part due to low interest rates making borrowing cheaper and perceived productivity gains from AI.
- An increase in the value of unquoted investments of £8,171k (2023: increase of £6,145k), as market optimism returned, alongside cheaper financing.

12.0 Intangible fixed assets

Group	Software £'000	Q Project £'000	Total £'000
Cost:			
At 1 January 2024	2,895	2,186	5,081
Write offs	(1,298)	–	(1,298)
At 31 December 2024	1,597	2,186	3,783
Amortisation and impairment:			
At 1 January 2024	1,785	2,186	3,971
Amortisation charge in the year	225	–	225
Write offs	(952)	–	(952)
At 31 December 2024	1,058	2,186	3,244
Carrying amount:			
At 31 December 2024	539	–	539
At 31 December 2023	1,111	–	1,111

Software relates to (i) our key office applications, including finance and grant management systems, and Microsoft Office 365 applications; (ii) our secure data environment.

The write offs were for an old grant system that is no longer used by the Foundation (£523k) which was fully depreciated and to write off the data analytics platform that is being replaced (£775k) which included a write down of £346k as it was not yet fully depreciated.

12.0 Intangible fixed assets (continued)

The Q Initiative identifies and connects people skilled in improvement across the UK, through online and events-based capabilities that promote knowledge-sharing, development, and other improvement activities. The infrastructure work was completed in January 2019 with a useful life of 5 years and is still in use.

Charity	Software £'000	Q Project £'000	Total £'000
Cost:			
At 1 January 2024	2,421	2,186	4,607
Write offs	(1,298)	–	(1,298)
At 31 December 2024	1,123	2,186	3,309
Amortisation and impairment:			
At 1 January 2024	1,762	2,186	3,948
Amortisation charge in the year	179	–	179
Write offs	(952)	–	(952)
At 31 December 2024	989	2,186	3,175
Carrying amount:			
At 31 December 2024	134	–	134
At 31 December 2023	659	–	659

13.0 Tangible fixed assets

Group	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost:			
At 1 January 2024	5,382	1,031	6,413
Additions	23	138	161
Write offs	–	(360)	(360)
At 31 December 2024	5,405	809	6,214
Depreciation and impairment:			
At 1 January 2024	2,755	918	3,673
Depreciation charge in the year	555	90	645
Write offs	–	(360)	(360)
At 31 December 2024	3,310	648	3,958
Carrying amount:			
At 31 December 2024	2,095	161	2,256
At 31 December 2023	2,627	113	2,740

Charity	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost:			
At 1 January 2024	5,382	999	6,381
Additions	23	138	161
Write offs	–	(360)	(360)
At 31 December 2024	5,405	777	6,182
Depreciation and impairment:			
At 1 January 2024	2,755	913	3,668
Depreciation charge in the year	555	84	639
Write offs	–	(360)	(360)
At 31 December 2024	3,310	637	3,947
Carrying amount:			
At 31 December 2024	2,095	140	2,235
At 31 December 2023	2,627	86	2,713

14.0 Fixed assets investments

	Investments		
Group	Portfolio £'000	Other £'000	Total £'000
Valuation:			
At 1 January 2024	1,196,475	526	1,197,001
Valuation changes	103,821	–	103,821
Income (excluding bank interest)	14,212	–	14,212
Investment management costs included in the fund	(14,379)	–	(14,379)
Net withdrawals from portfolio	(58,119)	–	(58,119)
At 31 December 2024	1,242,010	526	1,242,536
Cost:			
At 31 December 2024	1,139,632	526	1,140,158
At 31 December 2023	1,031,967	526	1,032,493

	Notes	2024 £'000	2023 £'000
Other investments comprise:			
Programme-related investments	26	526	526
Investments at fair value comprise:			
Property and infrastructure funds		130,466	145,980
Equities		661,774	621,159
Fixed interest		92,675	38,284
Alternatives		312,450	311,249
Impact		2,599	–
Cash		42,046	79,803
		1,242,010	1,196,475

14.0 Fixed assets investments (continued)

	Investments		
Charity	Portfolio £'000	Other £'000	Total £'000
Valuation:			
At 1 January 2024	760,352	439,917	1,200,269
Valuation changes	73,808	28,167	101,975
Income	10,448	3,764	14,212
Investment management costs included in the fund	(2,444)	(11,935)	(14,379)
Net investments/(withdrawals) from portfolio	5,131	(63,250)	(58,119)
At 31 December 2024	847,295	396,663	1,243,958
Cost:			
At 31 December 2024	839,893	300,265	1,140,158
At 31 December 2023	695,393	337,100	1,032,493

	Notes	2024 £'000	2023 £'000
Other investments comprise:			
Investment in subsidiaries		396,136	439,391
Programme-related investments		526	526
Investment in subsidiaries	26	396,662	439,917
Investments at fair value comprise:			
Property funds		63,876	79,120
Equities		661,774	621,159
Fixed interest		92,675	38,284
Alternatives		2,161	821
Cash		26,809	20,968
		847,295	760,352

A currency hedging programme was in place during the year to manage foreign currency exchange risk. At 31 December 2024, the group had open foreign exchange forward contracts, to mitigate any currency risk between USD and Sterling on the hedge fund mandate in the Victoria Fund. These contracts have been revalued at the applicable year-end revaluation rate, and the resulting unrealised gains/(losses) are included within the overall value of the investments above.

14.0 Fixed assets investments (continued)

At 31 December 2024, the Victoria Fund held contracts to buy £225,604k and $41,024k at fixed rates (2023: £257,945k and $69,149k). The unrealised loss associated with these forward currency contracts totalled £4,051k as at 31 December 2024 (2023: £1,471k gain).

The Victoria Fund's underlying hedge fund investments provide varying degrees of liquidity based on their own redemption terms, which typically begin with an initial lock-up period. These investments are made on an ongoing basis. As a result, the Victoria Fund may not be able to liquidate all its investments quickly. As investment lock-up periods ease in future periods, more short-term liquidity is expected.

The following table illustrates the expected liquidity of assets and liabilities held as at 31 December 2024:

	Less than 6 months £'000	6–12 months £'000	More than 12 months £'000	Long-term lock up* £'000
Total non-current assets	–	–	–	300,980
Total current assets	98,426	–	–	
Total current liabilities	(4,515)	–	–	

*This relates to underlying funds in the Victoria Fund, whose redemptions have been locked up and private equity funds which have no redemption opportunities.

At the balance sheet date, the Foundation had total unfunded investment commitments of £139,274k (2023: £137,444k) for private equity and infrastructure from total commitments of £451,509k (2023: £422,977k). These commitments form part of the planned asset allocation and will be met from within the existing endowment investments.

In 2024 for the first time the charity invested directly in alternative assets outside of the Victoria Fund for the impact investment allocation. In September 2024 £4m was committed to Meridian Health Ventures Fund I Limited Partnership with an initial capital call of £2.5m. This venture fund invests in UK companies across digital health, med-tech and enterprise software primarily in the UK, seeking to improve patient outcomes as well as the lives of healthcare workers in the UK and beyond. In December 2024 $10m was committed JP Morgan Campbell global forestry and climate solutions fund II.

15.0 Financial instruments

Group	2024 £'000	2023 £'000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	5,297	7,851
Instruments measured at fair value through profit or loss	1,242,010	1,196,475
Carrying amount of financial liabilities:		
Measured at amortised cost	22,761	34,051

Charity	2024 £'000	2023 £'000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	4,053	4,824
Instruments measured at fair value through profit or loss	847,295	760,352
Carrying amount of financial liabilities:		
Measured at amortised cost	27,717	41,365

16.0 Debtors: Amounts falling due within 1 year

	Group		Charity	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Other debtors	264	429	4	177
Prepayments and accrued income	1,091	1,047	1,091	1,047
Amounts due from subsidiaries	–	–	14	15
	1,355	1,476	1,109	1,239

17.0 Creditors: Amounts falling due within 1 year

	Group		Charity	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Trade creditors	617	942	540	834
Grants payable	9,806	13,856	9,806	13,856
Other creditors	1,419	1,861	1,419	1,863
Accruals and deferred income	1,853	2,157	1,853	2,156
	13,695	18,816	13,618	18,709

18.0 Creditors: Amounts falling due after more than 1 year

	Group		Charity	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Grants payable – in 2 to 5 years	9,066	15,234	9,066	15,234

19.0 Grants payable

	2024 £'000	2023 £'000
As at 1 January	29,090	36,588
Grants committed in the year	16,127	17,081
Paid during the year	(26,809)	(23,446)
Discounting applied to grants payable in more than a year	464	(1,133)
As at 31 December	18,872	29,090
Split into:		
Grants payable – due within 1 year (note 17)	9,806	13,856
Grants payable – in 2 to 5 years (note 18)	9,066	15,234
As at 31 December	18,872	29,090

20.0 Provisions for liabilities

	2024 £'000	2023 £'000
Pension obligations	411	438
Dilapidations	287	191
	698	629

Movement on provisions:

	Pension obligations £'000	Dilapidations £'000	Total £'000
At 1 January 2024	438	191	629
Increase/(decrease) in the year	–	96	96
Payment in the year	(27)	–	(27)
At 31 December 2024	411	287	698

21.0 Retirement benefit schemes

a) AEGON Group Personal Pension Plan

The Health Foundation offers all current employees the opportunity to join the defined contribution Group Personal Pension Plan provided by AEGON. Contributions in the year were £1,590k (2023: £1,332k). There was £6k in outstanding contributions at 31 December 2024 (2023: £202k).

b) Other retirement benefits

The Foundation has an unfunded future commitment to a former employee. The contractual commitment (as defined in the contractual arrangement) is to pay a pension equivalent to 1/60th of their pensionable salary for each year of pensionable service less any amounts of pension paid to the same members under The Pensions Trust Growth Plan. The potential pension liability at 31 December 2024, based on advice from an actuary, is estimated to be £411k (2023: £438k). This provision will be reviewed in 2026.

22.0 Analysis of net assets between funds

Group	Unrestricted fund £'000	Restricted fund £'000	Non Controlling Interest fund £'000	Expendable Endowment fund £'000	Total £'000
Fund balances at 31 December 2024 are represented by:					
Intangible fixed assets	539	–	–	–	539
Tangible assets	2,256	–	–	–	2,256
Programme related	526	–	–	–	526
Investments	13,819	–	–	1,228,191	1,242,010
Current (liabilities)/ assets	(7,376)	450	(438)	57	(7,307)
Long term liabilities	(9,066)	–	–	–	(9,066)
Provisions	(698)	–	–	–	(698)
	–	450	(438)	1,228,248	1,228,260

Charity	Unrestricted fund £'000	Restricted fund £'000	Non Controlling Interest fund £'000	Expendable Endowment fund £'000	Total £'000
Fund balances at 31 December 2024 are represented by:					
Intangible fixed assets	134	–	–	–	134
Tangible assets	2,235	–	–	–	2,235
Investments	16,376	–	–	830,919	847,295
Investment in subsidiary	–	–	–	396,663	396,663
Current (liabilities)/ assets	(8,981)	450	–	57	(8,474)
Long term liabilities	(9,066)	–	–	–	(9,066)
Provisions	(698)	–	–	–	(698)
	–	450	–	1,227,639	1,228,089

23.0 Capital commitments

The Foundation has a number of contracts that have been entered into, but which are not disclosed as liabilities as they are severable. They cover technical support for our award holders, evaluation and operational services. They are recognised on a cash basis as and when the expenditure is incurred. These amounted to £12,715k at 31 December 2024 (2023: £16,225k).

24.0 Financial commitments

At 31 December 2024, the company had a property lease for its office premises that expires in September 2028. The future minimum lease payments are as follows:

	Land and buildings		Machinery	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Expiry date:				
Within 1 year	1,650	1,655	23	23
Between 2 and 5 years	4,539	6,189	–	23
Over 5 years	–	–	–	–

25.0 Related party transactions

David Smart has been engaged by the Foundation as a paid Investment Consultant since 31 October 2024. Arrangements are in line with the Foundation's Policy on Payments to Governors Providing Contracted Services (last reviewed by the board in July 2024) and follows the Charity Commission's guidance on payments for trustees.

Due to the specialist nature of the projects funded, circumstances may occasionally arise where governors, committee members or staff are associated with organisations which apply for grants. In such cases, the Foundation has clear policies and procedures to ensure that the governor, committee member or member of staff is not involved in the assessment or approval of the grant. All such transactions are undertaken on an arm's-length basis in accordance with the normal grant assessment and arrangements. Details of governors and senior management who have interests in organisations to which the Foundation has made awards or contracted within 2024 are noted in the table below.

25.0 Related party transactions (continued)

Board member/ senior management	Role in associated organisation	Associated organisation
Paul Najsarek	Board member (until September 2024)	What Works Centre for Wellbeing
Hugh Taylor	Trustee	Cicely Saunders International
Loraine Hawkins	Board member	Centre for Health Economics and Policy Innovation, Imperial College
Rosalind Smyth	Trustee	Academy of Medical Sciences University of Nottingham University of Cambridge
Ruth Hussey	Trustee	NHS Cheshire and Merseyside ICB Public Health Wales NHS Trust
Mark Chaloner	Investment Committee member	British Red Cross

During the year, Victoria Fund LP Incorporated, a subsidiary of the Foundation, received no investment contributions from the charity (2023, £0). Medtrust Innovations Limited, a subsidiary of the Foundation, donated its profit of £168k (2023: £130k) to the Foundation. In 2024 THF entered into a working relationship with THIS Labs outside of the investment made in 2023, the contract value of which was £18k, and was completed in the year.

Remuneration of key management personnel

Key management personnel are considered to be the chief executive officer and others as set out in the senior management section of the governors' annual report. Total remuneration of this group in the year, was as follows:

	2024 £'000	2023 £'000
Key management personnel	1,652	1,564

26.0 Subsidiaries

The Foundation had three subsidiary undertakings and the details at 31 December 2024 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Medtrust Innovations Limited	England and Wales	Intellectual property	Ordinary	100.00
The Victoria Fund LP Incorporated	Guernsey	Investment fund vehicle	–	–
THISLabs Limited	England and Wales	Business and domestic software development	Ordinary A	70.17

Medtrust Innovations Limited (Medtrust)

Medtrust is wholly owned by the Foundation and is a company registered in England and Wales. It is engaged in the exploitation of intellectual property rights with the same registered office as the Foundation: 8 Salisbury Square, London, EC4Y 8AP.

In March 2011, the Foundation purchased 524,998 ordinary shares of Medtrust at £1 each to finance an investment to acquire 50% of the intellectual property rights of BMJ Quality & Safety, a journal published by the BMJ Publishing Group Limited. This social motive investment is held at cost in the charity balance sheet. Medtrust undertakes an impairment review each year

At 31 December 2024, Medtrust had fixed assets of £526k (2023: £526k) and net current assets of £168k (2023: £145k). The shareholders' funds include called-up share capital of £526k (2023: £526k) and reserves of £168k (2023: £130k).

During the year, Medtrust had an operating profit of £168k (2023: £130k). The sum equivalent to its taxable profits will be donated to the Foundation, as provided for in Medtrust's Articles of Association.

26.0 Subsidiaries (continued)

The Victoria Fund LP Incorporated (Victoria Fund)

The Victoria Fund was formed in February 2010 and is a limited partnership, number 1275, registered in Guernsey. It is a vehicle to invest in a combination of hedge funds, private equity and private infrastructure, with a registered office of Oak House, Hirzel Street, St. Peter Port, Guernsey, GY1 2NP. The limited partner is the Health Foundation and the general partner is Brook Street Limited, a Cayman Islands exempt limited company. Brook Street has delegated its powers to an investment manager, Cambridge Associates Limited.

The Health Foundation as the limited partner is entitled to all investment returns less a priority share by the general partner (Brook Street Limited) from the Victoria Fund and, for consolidation purposes, it is treated as a wholly owned subsidiary of the Foundation.

As at 31 December 2024, the Victoria Fund had net investment assets of £388,411k (2023: £433,464k) and the value of its net assets was £394,891k (2023: £436,631k). Net profit in the year was £22,537k (2023: £6,823k).

THIS Labs Ltd (THIS Labs)

THIS Labs is a private limited company and a 70.12% owned subsidiary of the Health Foundation, incorporated in November 2022 and began trading in May 2023. THIS Labs was created to drive innovation and improved approaches to engagement in research and consultation projects. The registered office is Burnham House, Splash Lane, Wyton, PE28 2AF.

At 31 December 2024, THIS Labs had fixed assets of £423k (2023: £477k) and net current assets of £997k (2023: £2,782k). The shareholders' funds include called-up share capital of £1k (2023: £1k) and reserves of £1,420k (2023: £3,259k).

In 2024 THIS Labs had an operating loss of £1,839k (2023: loss of £1,221k).

26.0 Subsidiaries (continued)

The original investment in THIS Labs by the non-controlling interest had a asset value of £0.5m for 29.83% of the company. This included the intellectual property associated with the proprietary software. Due to the accumulated losses to date, the non-controlling interest's share of those losses is a deficit of £438k (2023: £113k asset), which has been shown within equity in the Foundation accounts. The non-controlling interest deficit is not a cause for concern as it was expected as part of the start up phase of that company. In April 2025 the Foundation invested a further £1.5m as a Convertible Loan Note into THIS Labs and no further investment is anticipated.

27.0 Cash used by operations – Group

	2024 £'000	2023 £'000
Surplus for the year	53,189	27,591
Adjustments for:		
Investment income recognised in profit or loss	(14,864)	(16,538)
Cost of raising funds	16,857	14,905
Fair value (gains) and losses on investments	(103,821)	(71,640)
Depreciation, amortisation and impairment of fixed assets	1,214	1,295
Movements in working capital:		
Decrease/(increase) in debtors	121	(119)
Decrease in creditors	(11,289)	(7,156)
Increase in provisions	69	75
Cash absorbed by operations	(58,524)	(51,587)

28.0 Comparative consolidated statement of financial activities for the year ended 31 December 2023

	Notes	Unrestricted fund £'000	Restricted fund £'000	Non controlling Interest (NCI) fund £'000	Expendable Endowment fund £'000	Total 2023 £'000
Income:						
Charitable activities	3	465	1,552	–	–	2,017
Investments	4	16,538	–	–	–	16,538
Capital applied to income	5	29,242	–	–	(29,242)	–
Total income		**46,245**	**1,552**	–	**(29,242)**	**18,555**
Expenditure:						
Fund management	6	–	–	–	14,905	14,905
Charitable activities	7	46,245	1,567	–	–	47,812
Total resources expended		**46,245**	**1,567**		**14,905**	**62,717**
Operating profit/ (deficit)		–	(15)	–	(44,147)	(44,162)
Net gain on investments	11	–	–	–	71,640	71,640
Net income/ (expenditure) for the year before NCI		–	(15)	–	27,493	27,478
NCI income/ (expenditure) for the year		–	–	113	–	113
Net income/ (expenditure) for the year		–	(15)	113	27,493	27,591
Fund balances as at 1 January 2023		–	673	–	1,146,807	1,147,480
Fund balances as at 31 December 2023		–	658	113	1,174,300	1,175,071

29.0 Grant funding

The Foundation funded £16,497k of grants in 2024 (2023: £16,847k). These grants range from small one-off awards to multi-year demonstration projects and fellowships. Integral to all our award making is direct support from the Foundation, as well as expertise from technical providers and consultants. This support is organised and paid for by the Foundation, delivered directly to the award holders and can be in the form of technical development and assistance, learning events and coaching. Within this grant funding the Foundation also funds research and external evaluations to ensure programmes are evidence-based and offer value for money.

Grants made to organisations and individuals are analysed by strategic objective in the table below.

Lead recipient for strategic priority: Supporting radical innovation and improvement in health and care services	Total £
Sutton Primary Care Networks CiC	437,200
NHS Lanarkshire	435,900
University of Cambridge	366,300
NHS Bristol North Somerset and South Gloucestershire ICB	333,200
University of Birmingham	291,000
NHS Cambridgeshire and Peterborough ICB	194,500
NHS Elect	116,200
The improvement coalition CIC	100,000
The Centre for Sustainable Healthcare	88,000
Sheffield Health and Social Care NHS Foundation Trust	79,900
Solent NHS Trust	79,600
NHS Norfolk & Waveney Integrated Care Board	75,000
Aneurin Bevan University Health Board	62,500
SDSmyhealthcare	62,400
Stockport NHS Foundation Trust	62,300
University College Hospital (UCH)	62,000
Care City Innovation CIC	60,000
Rowcroft – Torbay & South Devon Hospice	57,800
Shared Lives Plus	57,500
Midlands and Lancashire Commissioning Support Unit	50,000
The Strategy Unit Midlands and Lancashire CSU	50,000
Your Healthcare CIC	49,800
Health Service Executive Ireland	40,000
Buckinghamshire Healthcare NHS Trust	40,000
Rotherham Doncaster and South Humber NHS Foundation Trust	40,000

29.0 Grant funding (continued)

Lead recipient for strategic priority: Supporting radical innovation and improvement in health and care services (continued)	Total £
Southern Health & Social Care Trust	40,000
NHS Gloucestershire ICB	40,000
University of the Highlands and Islands	40,000
Safety and Improvement in Healthcare CIC	39,900
Social Finance UK	39,900
Cardiff and Vale Regional Partnership Board/Cardiff and Vale University Health Board	39,900
Locala Health and Wellbeing	39,800
South Doc Services Ltd	39,500
Cwm Taf Morgannwg University Health Board	39,300
Staffordshire University	37,900
Arch Health CIC	35,000
Heart n Soul	30,000
University Hospitals Bristol and Weston NHS Foundation Trust	30,000
South Doc Services MyHealthcare Federation	27,000
NHS Dorset ICB	25,000
Health Innovation North East and North Cumbria	25,000
Health Innovation Manchester	24,900
NHS South West London ICB	24,800
Health Innovation Kent Surrey Sussex	23,600
Learning and Development Centre – Sentinel Limited	20,000
Improvement Academy	20,000
Royal Cornwall Hospitals NHS Trust	19,900
Yorkshire & Humber Improvement Academy	19,800
Health Innovation Network	19,700
University College London	10,700
King's College London	9,900
Judy Walker Associates Ltd	6,600
Chelsea and Westminster Hospital NHS Foundation Trust	(200)
Surrey and Borders Partnership NHS Trust	(200)
Professional Record Standards Body (The PRSB)	(400)
Institute for Healthcare Improvement (IHI)	(400)
NHS Providers	(500)
Nottinghamshire Healthcare NHS Foundation Trust	(800)
Cornwall Partnership NHS Foundation Trust	(1,200)
Powys County Council	(2,700)
Association of Directors of Public Health	(3,000)
Hexitime CIC	(4,000)

29.0 Grant funding (continued)

Lead recipient for strategic priority: Supporting radical innovation and improvement in health and care services (continued)	Total £
University of Surrey	(6,200)
The King's Fund	(7,400)
North East and North Cumbria Integrated Care System	(11,500)
St George's University Hospitals NHS Foundation Trust	(14,900)
NHS England	(34,000)
Manchester University NHS Foundation Trust	(35,700)
Sheffield Teaching Hospitals NHS Foundation Trust	(130,400)
Cambridge and Peterborough Foundation Trust	(194,500)
Total	**3,611,200**

Lead recipient for strategic priority: Improving people's health and reducing inequalities	Total £
Institute for Fiscal Studies (IFS)	174,600
Citizens Advice	163,500
Global Action Plan	139,800
Office for National Statistics	129,800
Forward Institute	100,000
Resolution Foundation	74,200
Living Wage Foundation	53,000
Crisis UK	43,000
Demos	40,100
Centre for Mental Health	40,100
What Works Centre for Wellbeing	30,000
IPPR	29,400
Fraser of Allander Institute University of Strathclyde	26,000
University Hospitals of Leicester NHS Trust	25,000
Glasgow City Council	25,000
Havant Borough Council	25,000
Food Foundation	21,600
Learning and Work Institute	13,800
University Hospitals Bristol and Weston NHS Foundation Trust	9,500
Imperial College London	(13,700)
University of York	(18,500)
Leeds City Council	(44,000)
Total	**1,087,200**

29.0 Grant funding (continued)

Lead recipient for strategic priority: Providing evidence and analysis to improve health and care policy	Total £
The University of Manchester	67,600
Organisation for Economic Co-operation and Development (OECD)	50,700
Carers Trust	40,000
UKHACC	16,000
Brown University School of Public Health	3,700
University of Sheffield	(4,600)
University College London	(5,800)
Staffordshire University	(38,000)
The Commonwealth Fund	(68,000)
Total	**61,600**

Lead recipient for strategic priority: Cross cutting strategic activities	Total £
Centre for Health Communication Research (CHCR) Enterprises Limited	96,000
Queen Mary University of London	73,600
Total	**169,600**
Services provided by third parties to support award holders and further the work of the Foundation	10,867,900
Grants and donations awarded to charities by governors	235,000
Movement in discounting of grants payable in more than a year	464,500
Total Grants	**16,497,000**

Appendix: Investment Fund Managers

Aikya Investment Management
Pinnacle Investment Management
Nova North, Suite 6.12
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United Kingdom

Axiom Investors
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United States of America

BlackRock Investment Management Ltd
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United Kingdom

Impax Asset Management Ireland Limited
The Lennox Building
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Dublin 2, D02 FK02
Ireland

Legal & General Investment Management
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Ninety One
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London, EC2V 5HA
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Ownership Capital
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The Netherlands

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Luxembourg

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United States of America

Electron Capital Partners
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United States of America

Engine Ventures
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United States of America

Equilibrium Capital
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General Atlantic
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United States of America

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Lexington Capital Partners
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Peak Rock Capital
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ROW Asset Management LLC
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United States of America

Scale Venture Partners
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United States of America

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United States of America

Star America Infrastructure Partners
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United States of America

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United States of America

Stonepeak Infrastructure Partners
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SV7 Impact Medicine Fund
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United States of America

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Hong Kong

Thoma Bravo
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United States of America

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United States of America

Verdane Capital
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Norway

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United States of America

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United Kingdom

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Jupiter, FL 33477
United States of America

The Health Foundation is an independent charitable organisation working to build a healthier UK.

Health is our most precious asset. Good health enables us to live happy, fulfilling lives, fuels our prosperity and helps build a stronger society. Yet good health remains out of reach for too many people in the UK and services are struggling to provide access to timely, high-quality care. It doesn't have to be like this. Our mission is to help build a healthier UK by:

- Improving people's health and reducing inequalities
- Supporting radical innovation and improvement in health and care services
- Providing evidence and analysis to improve health and care policy.

We'll achieve this by producing research and analysis, shaping policy and practice, building skills, knowledge and capacity, and acting as a catalyst for change.

Everyone has a stake and a part to play in improving our health. By working together, we can build a healthier UK.

Keep up to date

TheHealthFoundation

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Registered charity number: 286967
Registered company number: 01714937
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THE HEALTH FOUNDATION

England & Wales - Charity number 286967

Accounts

Annual report

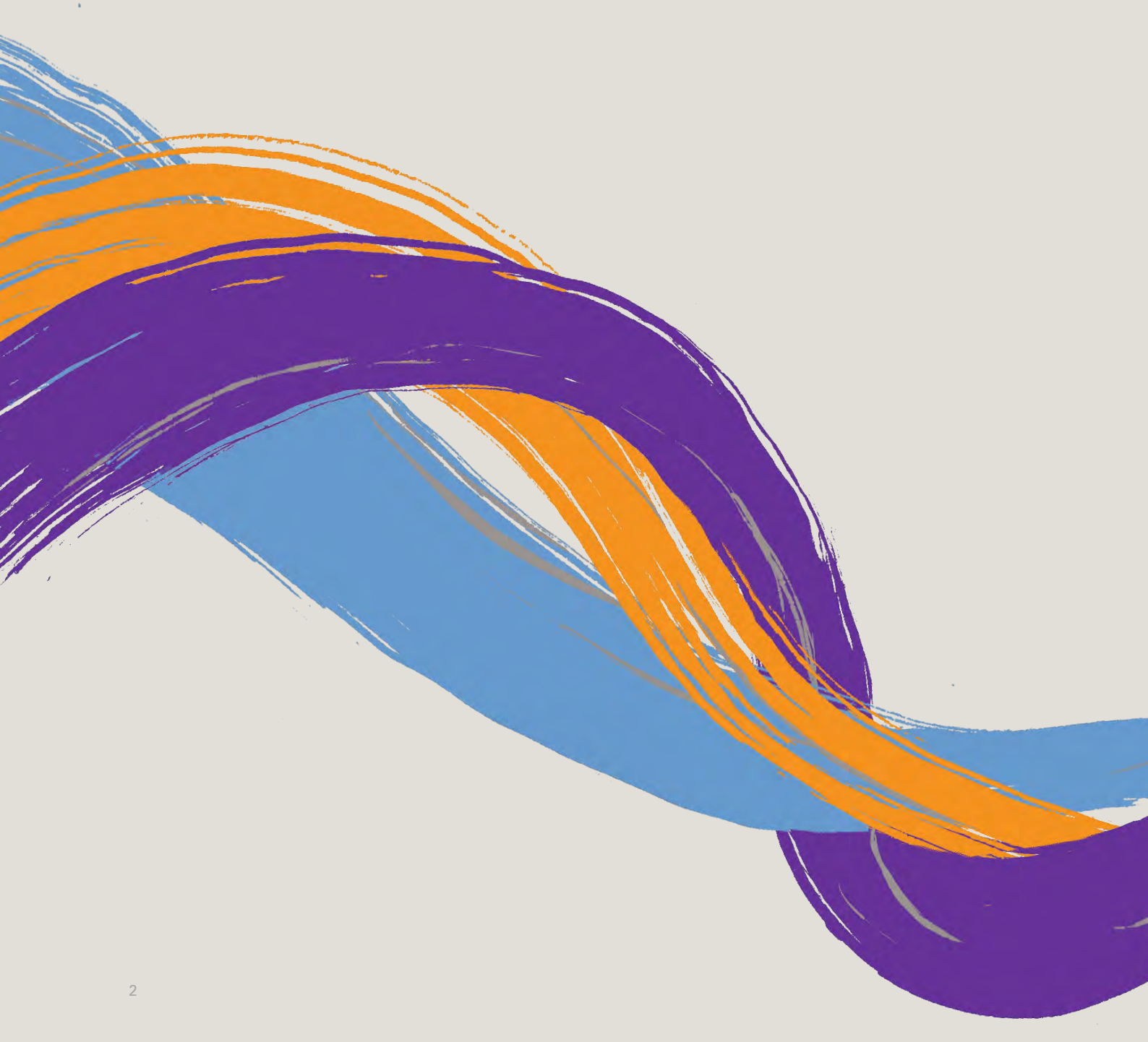
July 2023

Annual report and financial statements

For the year ended 31 December 2023

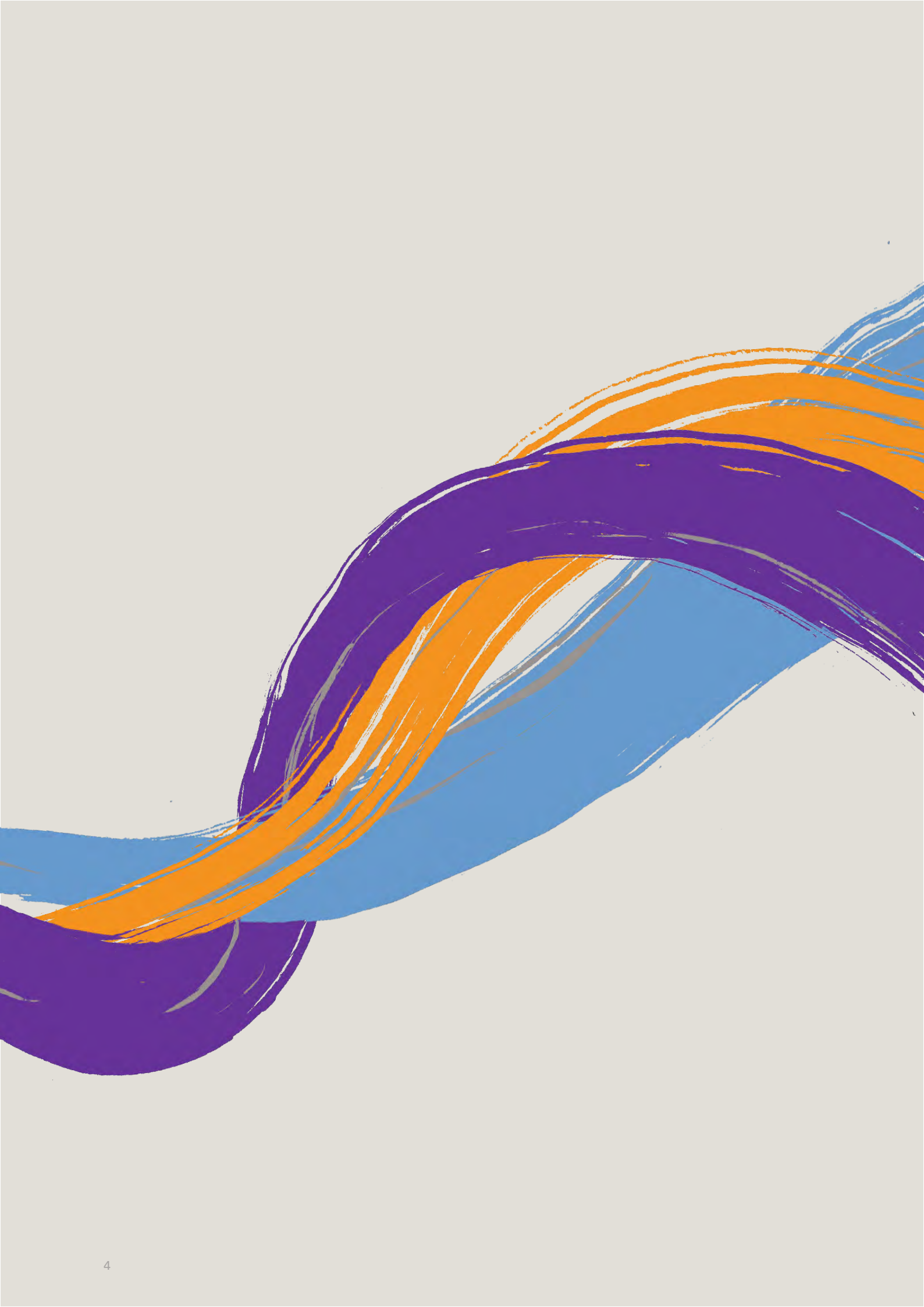


The Health Foundation



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Working to build a healthier UK

Introduction from the Chief Executive and Chair

Work to improve health and care has never been more vital. The NHS is under strain with long waiting lists and unprecedented strike action, life expectancy is stalling, health inequalities are widening. The economy is struggling, putting pressure on the public services so vital to the nation's health. At the same time, there are positive signs for the future. There is a growing recognition that the country's prosperity crucially depends on our health and vice versa, and of the legitimate role of the state and public investment in shaping this agenda. And there is huge potential for human gain from the use of technologies now and in the future.

The Health Foundation is uniquely placed to help understand and find solutions in this challenging context, to make a real difference to health and care for the people of the UK. Our endowment gives us ambition, independence, stability and the freedom also to focus on the medium to long term – all very significant assets in today's changing world. Our role in providing robust evidence and well informed independent analysis is as essential as ever and we have the opportunity to influence the decisions and priorities of the new government.

In 2023 we began work on our renewed our strategy, guided by three core priorities:

- improving people's health and reducing inequalities
- supporting radical innovation and improvement in health and care services
- providing evidence and analysis to improve health and care policy.

In each of the three areas we have undertaken a range of activities, from grant making, research and fellowships, to collaborating with stakeholders and working in partnership. The three areas bring together expertise from across the organisation, including analysis from our economists in the REAL Centre and analysts in data analytics.

Generating robust and insightful evidence through our research and analysis remains central to our work. In 2023 we published several major outputs bringing together our internal expertise, which allowed us to reach wide-ranging audiences, gain media traction and influence policy and practice. For example, our flagship report on projections of ill health in 2040 received widespread media coverage and continues to be referenced by journalists, academic and policymakers. Our annual REAL Challenge Lecture and associated publication from Professor Dame Diane Coyle, explored health care productivity, and were well received, informing debate and policy on the subject. We launched a series of briefings looking at how local government can take action to tackle the leading risk factors for ill health, and what support it needs from national government. And we began building evidence on technology and AI in health care, including the launch of our inaugural annual survey on public attitudes to health technology and use of health data, which was covered in The Times and influenced the work of the NHS England Virtual Wards Programme.

In addition to all our reports, events and webinars and other activities, we achieved impact through more significant collaboration with other organisations in 2023. Health Equals was launched, bringing together a wide range of organisations and experts to deliver campaigns to improve people's health and improve our understanding of what makes people healthy. Our independent Commission for Healthier Working Lives also began work to better understand the decline in working-age health. And the Young People's Future Health programme concluded, with outputs published from the five policy posts embedded in partner organisations on the experience of young people and their transition to adulthood and how to improve it.

Internally, we are developing the Foundation as an organisation – our people, operational and business processes, and our infrastructure. And across our external and internal priorities there are three vital cross-cutting themes. The first is environmental sustainability. Among other things we are using our responsible investment policy and our endowment to leverage more progress. The second is equity, diversity and inclusion – making this a focus across our external work, but also making progress internally to increase diversity and develop a more inclusive culture. And the third is public participation – reaching out more to the communities and groups we ultimately are here to serve, to make sure their experience and perspective more fully influences the work we do.

Our achievements in 2023 are due to the hard work and commitment of staff, governors and the people we work with across health and care. We are very grateful for their support, in what has continued to be a challenging environment. We look forward to making progress in 2024 and beyond – always for the benefit of the UK population and, in particular, the most vulnerable in society.



Dr Jennifer Dixon
Chief Executive



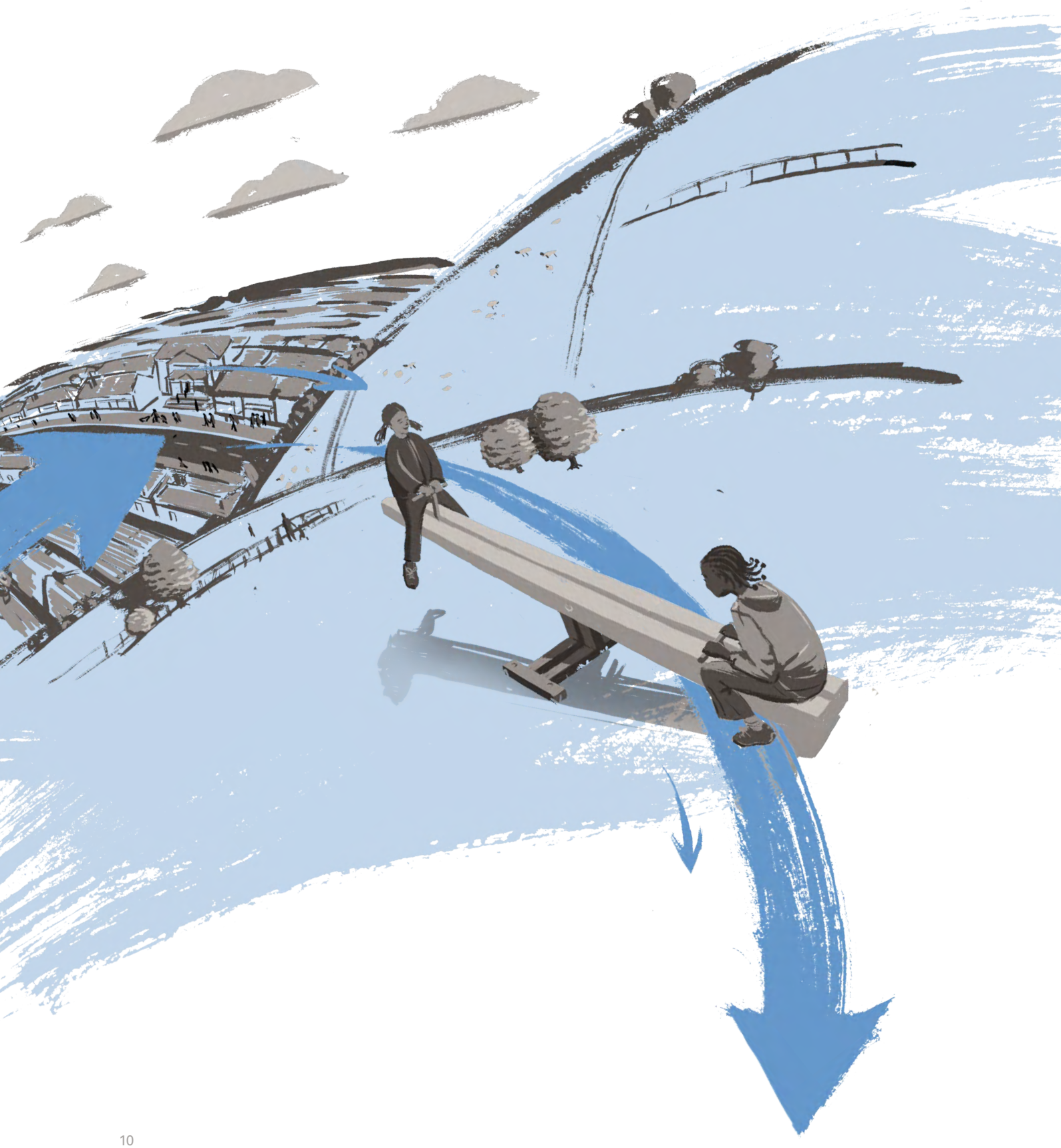
Sir Hugh Taylor
Chair



2023: Year in review



Improving people's health and reducing inequalities



Health is our most precious asset. It is shaped by the work we do, the income we earn, the education we receive and the places, communities and families we live in. The context of the pandemic, the cost-of-living crisis and rising demand for services makes improving – or even sustaining – healthy life expectancy a real challenge.

Improving health and reducing inequalities requires a whole-society approach – we cannot do this alone. Our ambition is to create more favourable conditions that enable others to act. We want decision makers across all parts of society to understand and fulfil their potential contribution to building a healthy nation.

Key highlights

Raising awareness within government of the role health plays in determining economic outcomes: Our expertise on health and work is increasingly recognised by government, providing opportunities for us to emphasise the importance of health and its contribution to the economy. We have fed our analyses into the Work and Health Unit in government, met regularly with the Chief Medical Advisor at the Department of Work and Pensions, provided expert evidence to the Economic Affairs Committee in parliament and worked closely with the Office for Budget Responsibility.

Increasing public engagement to act on the wider determinants of health: Health Equals began its work campaigning to improve the health of the UK. It launched two campaigns in 2023: #LivesCutShort, which highlighted how where you live affects health outcomes, and Get Well Soon Britain, which called for urgent action on the building blocks of health, featuring also in debates at the Labour and Conservative party conferences.



Influencing the government to take a whole-government approach to tackling the wider determinants: We published research on the role of targets in tackling health inequalities and convened with stakeholders to discuss findings and inform policy. The report, along with other work, generated high engagement on our website and key stakeholders, and led to meetings with government and cross-party groups.



Using evidence from our Young People's Future Health programme to influence action: As the programme concluded, we published the final outputs from five policy posts funded through the Young People's Future Health and held an event to bring them together with policymakers, to highlight implications of the programme's findings for young people's mental health to encourage action.



Building an informed understanding of the determinants of health to inform policy: We continued to publish work in this area, including adding new areas to the Evidence Hub which has become a trusted form of evidence and is often referenced externally. For example it was referenced at a parliamentary Health Select Committee on housing and prevention.



Case study

Encouraging more local areas and public health bodies to adapt how they talk about the building blocks of health

In July 2022, we published a toolkit to set out how people can frame communications to increase understanding and support for action on the building blocks of health. In 2023, the toolkit was promoted at a number of events reaching diverse audiences, including the Solace Summit for local authority leadership, the South East Public Health Conference, and a celebration event for health inequalities work in Luton that was attended by more than 80 representatives from local organisations and council departments.

The breadth of events promoting the toolkit has fuelled widespread pick up of the approach and a number of vocal advocates, particularly in the public health community, who have helped further spread the work. From our contact with councils and (non-systematic) internet searches, we have identified that the 'building blocks of health' metaphor recommended in our toolkit is used by at least 45 councils in England; more than 15 NHS integrated care partnerships or trusts; Labour's Health Mission; as well as some of the NIHR Health Determinants Research Collaborations. In addition, Dr Xand van Tulleken have used the framing recommendations to talk about stress on BBC morning television.

Feedback on the toolkit has been consistently highly positive, with numerous anecdotal reports of impact in building understanding about the need for action on the wider determinants of health in local areas. Anecdotally, public health and other directors in local authorities report that using the approach has been 'game changing' in securing engagement across the council and in NHS integrated care partnerships. In 2024, we are embarking upon more formal evaluation with test sites, as well as funding work to enable us to understand shifts in mindsets about health over the longer term.

Supporting radical innovation and improvement in health and care services



Innovation and improvement are more important than ever to ensure that health and care services meet people's needs now and in the future. By 'radical innovation and improvement' we mean the deep-seated and far-reaching shifts needed in health and care over the coming decade, and the application of new and cutting-edge methods and approaches to drive change in services.

We want to give policymakers, system leaders, service providers, health care staff, service users and the public the insights, practical resources and opportunities needed to support these changes. We achieved impact through in-house insight, analysis and data analytics as well as funded programmes, commissioned research and strategic initiatives.

Key highlights



Using our funding programmes to enable the generation and adoption of innovation and improvement on the front line: Across our four Common Ambition partnerships, we have engaged more than 500 people to improve health care in their communities. The partnerships have generated valuable insight on building strong learning communities to support health care improvement. We have updated our programmes to match developments in health and care (such as the implementation of integrated care systems), and used learning from existing programmes to inform newer initiatives, such as the Tech for Better Care programme.



Using our reputation and thought leadership to influence system level change through partnerships: We directly influenced national health care improvement policy through our work on the launch of NHS IMPACT – the new single, shared NHS improvement approach for England. We did this through key publications – such as our five principles, which had more than 5,000 views on our website – and strategic roundtables convened by the Q community. We also had influence through our partnership with NHS Confederation and Q, with Sir Chris Ham's report on improving health and care at scale being shared with ICS leaders at the 2023 NHS Confederation conference.



Shaping debate on emerging topics in health and care: We continued to build up our knowledge, reputation and influence on health technology and AI, through publications and events. We published a number of outputs, including our inaugural tracker survey on public attitudes to health technology and use of health data on what it will take to reach net zero care. Alongside this, we commissioned research with the Ada Lovelace Institute looking at influences on digital exclusion and recommendations to address health inequalities through AI and data.



Informing new approaches to care in different settings: In 2023 the IMPACT Centre collaborated with NHS NIHR (National Institute for Health Research) to support evidence from social care to be implemented in practice. We also published work on the power of linking data sets on unpaid carers, which was well received by the Department of Health and Social Care, NHS England, The Tony Blair Institute and the UK Health Security Agency. Our Tech for Better Care programme also expanded our innovation footprint across a range of care settings.



Facilitating staff engagement and networking in innovation and improvement practices: Q's continued growth has allowed us to enhance our national reputation and influence on health are improvement. We also launched THISLabs, in partnership with THIS Institute, to generate new collaborations and support innovation and improvement in health care.



Case study

Realising influence and impact through long-term investment in healthcare improvement and innovation

Last year, Vin Diwakar, Sciana member and former Health Foundation Patient Safety Clinical Associate, was made NHS England Director of Service Transformation and Amar Shah, Q Advisory Board and Health Foundation co-author, became the first ever National Clinical Director for Improvement. Over one quarter of the members of the National Improvement Board, established in 2023, have close, sustained connections to the Foundation. These include the Chair, David Fillingham (Q member and co-author of Flow, 2016) and Ailsa Brotherton and George Findlay (GenerationQ fellows).

The appointments within NHS England and to the NHS National Improvement Board have demonstrated how our fellowships, funded programmes and the Q community have, over the past 10–15 years, fostered the development of a cohort of improvement leaders in England and across the UK. This network, supported by our insights and analysis, is providing a channel through which the Health Foundation can influence national improvement policy at the highest levels, including in relation to topics such as workforce transformation and digital innovation.

These developments have demonstrated the value of our focused, sustained investment in connecting leaders and of maintaining engagement with our network and past portfolio of work to understand our longer-term, cumulative impact. We will maintain this focus as our remit expands to influence the implementation and use of technology and AI within healthcare systems and services.

Providing evidence and analysis to improve health and care policy



Policy decisions on health and social care are often only loosely related to evidence or rigorous analysis, frequently fail to incorporate a long-term perspective, and can have complex effects that aren't well understood. Our work helps to change that.

Pressures on health and care services in the UK are extreme and the policy context is uncertain. We want to see policy decisions on health and social care informed by the best available evidence and analysis, to improve our health system now and for the future. Our work focuses on analysing and informing national policies affecting the NHS and social care in the UK, as well as how policy is interpreted and implemented in different local contexts.

In 2023, our work had wide reach and impact, gaining national media coverage, engaging key policymakers and stakeholders, and directly supporting policy development.

Key highlights



Using the REAL Centre's reputation for robust and independent analysis to inform policy decisions: In response to the Long Term Workforce Plan, Health Education England approached the REAL Centre, as experts on workforce modelling, to conduct an independent assessment of NHS England's modelling approach, and received significant media response. Anita Charlesworth also attended a roundtable with the Prime Minister and was invited to the launch press conference at No.10 in recognition of our seminal work on NHS workforce analysis and modelling over a period of 6 years.



Encouraging consideration of productivity as a key strategic issue for the long-term stability of the NHS: We funded the Institute for Government to assess why NHS hospitals are not delivering higher activity despite higher spending and funding in recent years, and in November, Diane Coyle delivered the REAL Challenge Lecture, exploring key drivers of UK health care productivity. 547 people attended (online and in person) and nearly 800 viewed the recording after 3 weeks.



Understanding what might happen to the NHS waiting list: To understand the scale of the challenge so that it could inform public debate and policy, our analysis – which included an interactive calculator – explored what would happen under different scenarios and increased understanding of the causes of the growing wait list. The findings generated strong media coverage and responses from key stakeholders.



Contributing to the debate about the NHS on its 75th anniversary: We used our analysis to contribute to the debate about the future of the NHS, including our public polling, which was featured in an exclusive Guardian front page and in other newspapers, and a joint letter with The King's Fund and the Nuffield Trust, which was referenced in a House of Lords Debate.



Analysis of the Commonwealth Fund's international survey of GPs: Our analysis of the Commonwealth Fund's international survey of GPs found that UK GPs are among the most stressed and least satisfied of their peers, but also highlighted areas where UK GPs were performing well. These findings resonated with our stakeholders and were covered in more than 300 regional and online outlets.



Case study

Using the Health Foundation's role as an independent expert body to act as a thought leader and convene audiences across all strategic priorities

In 2023, we delivered a higher volume of robust analysis of NHS performance in response to high salience issues to provide timely insights for policy and raise awareness of key issues. Three main outputs contributed to this aim:

- 'Why are delayed discharges from hospital increasing? Seeing the bigger picture' Delayed discharges contribute to longer waits for hospital care and negatively impact patients. Our analysis exploring the recent increase was our top performing output in 2023 with 2.3k unique views. Key stakeholders welcomed the findings, including Liz Kendall, Shadow Minister for Social Care, and Ben Dyson, responsible for the Department of Health and Social Care's hospital discharge programme.
- 'Longer hospital stays and fewer admissions'. Policymakers want to increase the number of patients seen in NHS hospitals, but hospital admissions have been falling. Our analysis exploring the drivers of this trend had strong influence in the NHS, and also the media , including exclusive reporting from Sky News and The Times as well as an interview with Charles Tallack on Sky News Breakfast. The Royal College of Physicians responded, and we had further engagement from the Liberal Democrats and Royal College of Emergency Medicine.
- 'Waiting for NHS hospital care: the role of the independent sector in delivering orthopaedic and ophthalmic care'. Reducing the elective care backlog is a major priority for the NHS and our analysis explored the role of the independent sector in delivering elective care. Charles Tallack's Twitter thread had over 40k impressions, and the analysis featured in The Guardian.

Work to improve the Foundation

As well as adapting and improving what we do, we're also focusing on how we do it. The Health Foundation has grown in recent years and is now an organisation of approximately 250 people. We take our role as an independent charitable organisation seriously, and we're doing lots to improve our day-to-day activities. During 2023, we launched a programme of work to improve our strategic planning, programme management, people, finance, grants and awards and supporting technology systems, to build the Foundation of the future. This programme will continue to deliver benefits in 2024 and will support wider changes and developments across the Foundation.



Gathering staff feedback

In 2023, we ran our first full staff engagement survey since 2019. 88% of staff responded, which has allowed us to understand how our people are thinking and feeling about the Foundation. Overall, our engagement score was 56% (two points lower than benchmark for non-profits) indicating that we have a way to go to ensure all colleagues feel engaged. In full 56% of staff responded positively, 20% responded negatively and 24% were neutral. Key areas of focus that came out of the survey were around leadership, workload, reward and recognition, and management. These have informed both organisational level and directorate level priorities and there are a number of plans to place to address these in 2024.

Working cross-organisationally

We know from the impact of our external work from internal surveys that we achieve more when we work together. Health in 2040 is one example of how we can harness our collective skills to achieve impact. The final report drew on expertise from the REAL Centre, the healthy lives team and the communications department, and was produced in partnership with the University of Liverpool to produce a high quality output that achieved significant and long lasting impact.

Health in 2040 is the first output from a five-year collaboration with the University of Liverpool. Focusing on ageing and multimorbidity, it sets out the next 20 years of growing pressure on the health, care and wider public systems of the projected demographic change and health trends. It generated well over a thousand mentions in the media and our subsequent webinar and podcast were also successful, as were our ecomms and social media efforts, having higher than average responses.

The key findings from the report continue to be referenced extensively by journalists, academics and policymakers across Whitehall.



Cross-cutting themes

We have made progress in our cross-cutting themes of equality, diversity and inclusion (EDI), environmental sustainability and public participation across our strategic priorities. We know these themes are very important to our staff and our stakeholders alike, and we are working to embed these in all our activities externally and internally.

Equality, diversity and inclusion

The Health Foundation is committed to becoming a more equitable, diverse and inclusive organisation. In 2023, we appointed a new EDI Lead to take forward this work, nominated one of our governors to act as Board champion for EDI and set up an internal programme board to oversee progress. We developed an EDI workplan and have made progress against a number of the actions it identified. For example, we have reported internally on our gender pay gap (and will report externally on this in future years), set targets for the diversity of our event speakers, podcast guests and bloggers, and piloted EDI awareness-raising workshops, with a view to rolling these out across the Foundation in 2024. The REAL Centre has also continued its work to promote diversity in the economics profession. While this work shows we are making progress, we recognise that it is only a starting point and that we have a long way to go to meet our EDI commitment.

Public participation

Public participation ensures our work is relevant and responsive to what our end users need. In 2023, we signed up to the national Shared Commitment to Public Involvement in Research. This builds on the previous impact of our Inclusion Panel, which ended in December, to move to a new model of public participation in funded research. We have used this commitment on the Tech for Better Care evaluation, where embedded public involvement has already brought benefits in ensuring lived experience informed the selection of evaluators and the evaluation design.

Our Young People's Future Health programme involved young people to ensure that analysis was shaped and informed by their experience, resulting in some partner organisations involving young people in their work for the first time. We then developed practical lessons for engaging young people in policy work that were shared through an event co-hosted with NPC, attended by around 80 people, as well as the accompanying report and toolkit.

Environmental stability

At the end of 2023 the endowment's value was £1.2 bn, a total return of 6% for the year. In addition, £55 million (drawdowns and income) was distributed to the Foundation. In terms of our impact against Sustainable Development Goals:

- SDG 13, Climate Action: almost two thirds of public equity companies we invest in published commitments to or were reporting against science-backed climate targets. In addition, over a third of public equity companies are now operating a main business activity to tackle global decarbonisation efforts.
- SDG 3, Health and Wellbeing: all our public equity investment managers can now evidence the integration of health into their investment decision-making and engagement activities. Across their portfolios a third of companies operate a main business activity which delivers positive population health impact through the delivery of products and services.

Looking ahead



We know 2024 will present many challenges to the delivery of our mission to build a healthier UK. Political instability, a deeply challenging economic context, unprecedented challenges faced by the health and care system, and depleted public services will make progress hard.

We will continue to be responsive to urgent challenges. AI has taken on greater significance, and we want to provide strategic direction for how AI should be developed and implemented to transform care.

Ongoing pressures on NHS care will likely dominate the policy agenda, and we will develop and communicate work in areas where our expertise can help – such as NHS productivity, the health and care workforce and local government funding – using our communications to maximise reach, profile and impact. We will continue to influence and achieve change across different levels of the system, from national to local, and reach newer audiences such as business, investors and local government.



Improving health and reducing inequalities

We will continue to make the case for health to be viewed as an asset to society and the economy through our in-house analysis, the Commission for Healthier Working Lives and our communication activities. We want our stakeholders to use our evidence and messaging to inform influencing activities and decision-making.

- Through in-house and commissioned analysis, we will provide regular commentary on trends in health and their determinants. Our work in Scotland will bring fresh independent commentary and challenge to galvanise action.

- We will continue to make the case for a whole-government approach to health with an emphasis on the mechanisms required. We want to see our proposals being taken forward by the new government.

- We will design and deliver a new programme to boost the practical insight and know-how for local leaders seeking to deliver place-based activities to improve health. We want to see growing engagement with our work from leaders across local government and for their role in health recognised and supported through central government policy.

- We will generate outputs from our Long-term investors in People's Health and Economies for Healthy Lives programmes. Along with our Commission for Healthier Working Lives, we want to see business, investors and employers understanding their role in health and becoming more open to changes in commercial practices.

- Health Equals will continue to use creative campaigning approaches to raise the awareness of health inequalities. We will run a headline campaign and at least two spotlight campaigns. We want to see visible engagement from the public and policy makers in our messages.

Radical innovation and improvement in health and care

2024 will see a continuation of many things started 2023, further bedding in the focus on technology and innovation, while maintaining our work and strengthening our established reputation on improvement.

- In 2024, we will further explore the use of AI, technology and data analytics to reshape health and social care, improve productivity and ease workforce pressures. As well as research, convening, events and thought leadership, we will design a new programme to support the implementation of high-potential service changes; develop an evaluation offer drawing on assets such as IAU, THIS Institute, and ThisLabs/ Thiscovery; and continue evaluation work that is helping to shape major NHS England service transformations.

- Building on our considerable experience in embedding innovation, we will be developing a new funding offer for strengthening regional innovation infrastructure, as well as using research to draw out lessons for policymakers and practitioners.

- We will continue to be a prominent voice and influence on improvement in the UK. As part of this, next year Q will roll out a new learning and development offer for integrated care systems in partnership with the NHS Confederation.

- 2024 will also see a focus on influencing the next administration on issues such as technology and new models of care. For example, we will publish commissioned research on the investment required for NHS digitisation and will draw out lessons for policymakers for designing service transformation programmes.

- We will continue to evolve how we deliver our work. For example, we will be developing more agile funding mechanisms for small innovation grants that can help catalyse change.

Evidence and analysis to improve health and care policy

We will continue to work under the seven themes identified in our 2023–25 strategy: health system performance, NHS reform, social care, primary care, funding and finance, workforce, and efficiency. We have refined our objectives for 2024 and developed plans that build on and expand our work in these areas.

- On health system performance, we will continue our ongoing analysis of pressures in the NHS and public perceptions of health and care, plus new in-depth international comparisons on health system resilience and integrated care.
- Our work on NHS reform will help identify priorities for the new government, including through deliberative research with the public on options for long-term reform.
- New work on primary care will look at the impact of new care models being developed in the NHS and long-term policy questions facing general practice in the future.
- The REAL Centre will be producing new projections of NHS and social care funding, as well as workforce projections on social care and nurses.
- We will build on work we scoped in 2023 on efficiency and productivity through major new work on measurement of productivity and identifying drivers of efficiency.

Work to improve the Foundation

Equity, diversity and inclusion: Building on our current workplan, we will set out an ambitious programme of work to make progress towards our goal of becoming a more diverse, inclusive and equitable organisation. During 2024, we will engage all staff in building their individual knowledge and developing a shared understanding of EDI across the Foundation; embed structures for managing EDI across the organisation, develop flourishing staff networks with all directorates making a distinctive contribution; and track progress against a clear vision and targets.

Environmental sustainability: We will continue our work to become a greener organisation that is fit for the future. This means changing the way we invest our endowment, manage our office, procure goods and services, give out our funding and more. To achieve this goal will require a carbon reduction plan, which is currently in development and due to be finalised in 2024.

Public participation: We want our public participation practice to be purposeful, proportional and consistent, reflecting the range of perspectives that exist in society and forming (where relevant) collaborative and reciprocal relationships with people and communities. Our desired outcomes are that: staff have a shared understanding of the case and opportunities; public participation appears more prominently in our internal and external comms; staff are motivated and have the skills and confidence to deliver the activity needed; processes are in place to enable us to demonstrate impact &value; development of our networks and partnerships to help us do it well; greater understanding of the diversity of 'public' in our activities; and grant holders feel encouraged and supported.

Financial review and statements

Legal and administrative information

Governors
Sir Hugh Taylor (Chair)
Sir David Dalton (stepped down 13 July 2023)
Eric Gregory
Loraine Hawkins
Ruth Hussey
Branwen Jeffreys (stepping down 11 July 2024)
David Smart
Rosalind Smyth
Katie Blacklock
Dawn Edge
Ravi Gurumurthy
Paul Najsarek (appointed 1 March 2023)
Roland Sinker (appointed 1 March 2023)
Rachel Sylvester (appointed 20 June 2024)

Charity number
286967

Company number
01714937

Registered office
8 Salisbury Square
London EC4Y 8AP

External Auditor
UHY Hacker Young
Quadrant House
4 Thomas More Square
London E1W 1YW

Solicitors
BDB Pitmans
One Bartholomew Close
London EC1A 7BL

Bates Wells
10 Queen Street Place
London EC4R 1BE

Investment Fund Managers
See Appendix

Custodian and Performance Measurement
Northern Trust
50 Bank Street
Canary Wharf
London E14 5NT

Investment Advisers
Cambridge Associates Limited
62 Buckingham Gate
London SW1E 6AJ

Redington
6th Floor
1 Angel Court
London EC2R 7HJ

Charitable activities in 2023

Our charitable expenditure

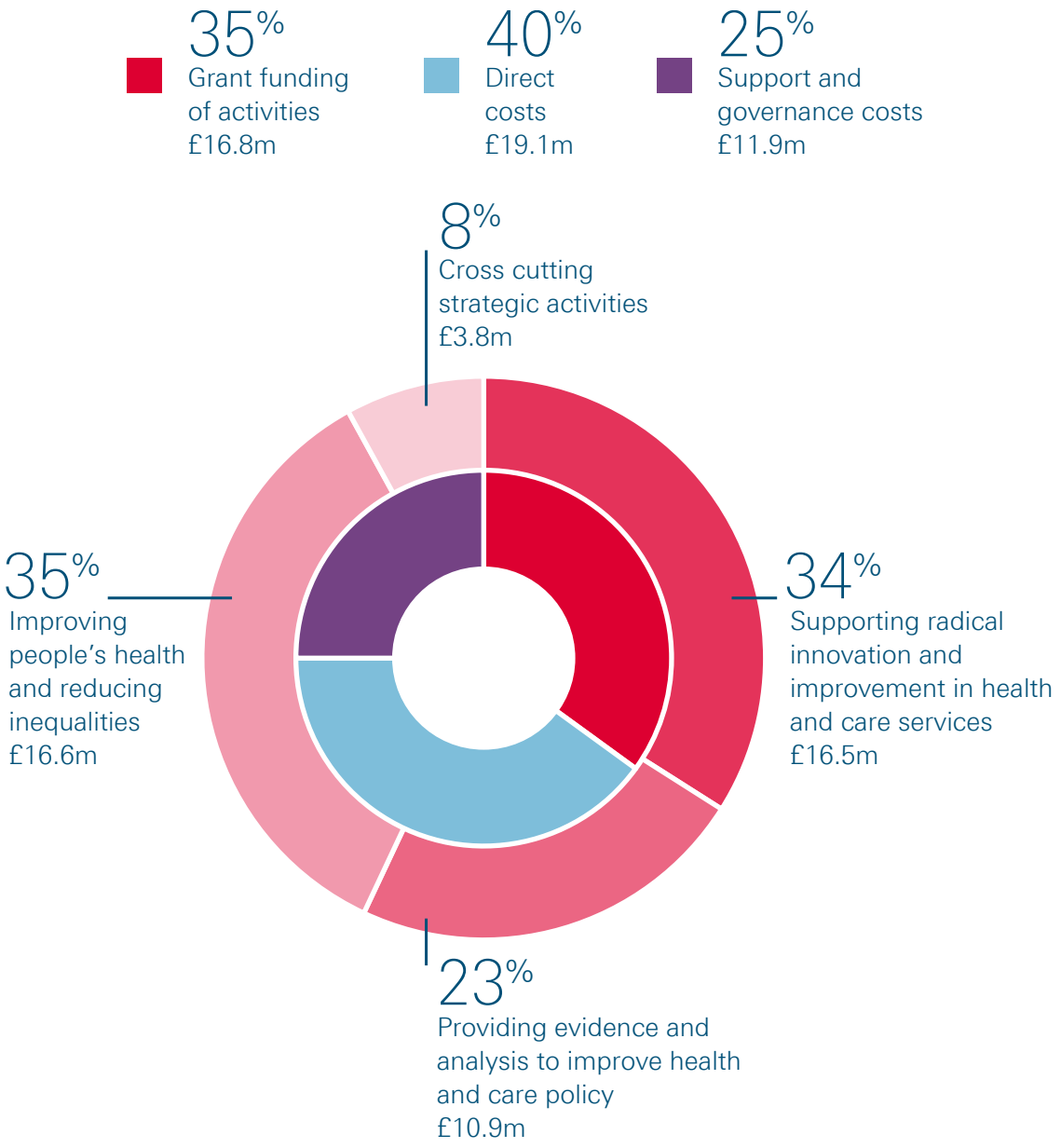
As well as adapting and improving what we do, we're also concentrating on how we do it. The Health Foundation has grown in recent years and is now an organisation of approximately 250 people. We take our role as an independent charitable organisation seriously, and we're doing lots to improve our day-to-day activities. During 2023, we launched a programme of work to improve our strategic planning, programme management, people, finance, grants and awards and supporting technology systems, to build the Foundation of the future. This programme will continue to deliver benefits in 2024 and will support wider changes and developments across the Foundation.

Our charitable expenditure is made up of:

- Grants and donations of £16.8m, including further £1.8m investment in Q, £1.3m contribution to the UK Prevention Research Partnership and £1.2m invested in our work around 'Health inequalities in Scotland.'
- Direct costs of £19.1m, mainly our internal staff who manage our awards and influence change directly through our strategic priorities, listed in Figure 1.
- Support and governance costs of £11.9m, providing the infrastructure to deliver our charitable activities, including our secure data networks.

Our charitable expenditure of £47.8m is illustrated in Figure 1; the outer circle showing the split by strategic priority and the inner circle split as per above.

Figure 1: Charitable expenditure in 2023



In 2023 we set out a new strategy, with three key strategic priorities, charitable spend is allocated using these strategic priorities. Our charitable expenditure of £47.8m compares to £66.0m in 2022, the key movements over £0.5m were:

- Decrease in overall grant funding and donations driven by the £22.8m funding for THIS Institute committed in 2022 for 2023–7, £1.2m decreased investment in our REAL Centre Research Units and the end of the programme of work on Emotional Support for Young People Research (2022: £0.6m)
- In our work on **improving people's health and reducing inequalities** we have increased our investment in our programmes of work; Health and inequalities across Scotland with an award to the Fraser of Allander Institute to build on work on inequalities in Scotland by setting up a Policy Research Unit (£0.9m increase) and Shaping Places for Healthier Lives with a large award to Public Health Wales (£0.7m increase) and a new investment in year in Health Equals (£0.6m)
- In our work on **providing evidence and analysis to improve health and care policy** we recommitted to the Harkness Fellowship programme with The Commonwealth Fund (£0.6m increase)
- In our work on **supporting radical innovation and improvement in health and care services** we invested £0.5m more than prior year in UK Centre for Evidence Implementation in Adult Social Care/IMPACT via Economic and Social Research Council
- In 2023 we invested in our staff team to deliver and support our work increasing direct, support and governance costs (£2.7m increase)

Further information can be found in note 7 to the accounts.

Our income used for charitable activities

Our charitable activities are mainly funded by our endowment. In 2023, we received £16.5m investment income and transferred £29.2m of capital from the endowment, in line with our expenditure policy.

We received restricted income of £1.6m (2022: £1.3m) primarily for Q, an initiative joint-funded with NHS Improvement. The Q initiative started in April 2015 and is part of our substantial long-term investments to develop and support initiatives designed to build improvement and innovation capability.

Our policies

Expenditure policy

The investment spending policy, outlined in our investments section, sets out the spending formula for the Foundation. This spending formula provides a guide for the annual budget that may be adjusted to consider the needs of the Foundation and its operational capacity. The Foundation's support and governance spend is set by reference to the total spend level to ensure it remains reasonable and proportionate.

Grant-making policy

The Foundation sets out specific entitlement criteria for each programme at its launch. These criteria vary from programme to programme and are made available on our website. Applications are assessed against these criteria and grants made considering funds available and the quality of applications.

The period for which grants are awarded depends on the programme, but typically last between 1 and 4 years, with the exception of THIS Institute. Grants are monitored regularly, and appropriate progress reports are required from recipients.

Reserves policy

The Foundation holds an expendable endowment fund, which was created following the sale of PPP Healthcare Group (PPP) to Guardian Royal Exchange Group in 1998. It is the Foundation's policy to operate as a perpetual body and, in line with this policy, the governors seek to manage the Foundation's business, and in particular its investment returns and expenditure, to maintain the real value of this expendable endowment fund while providing the necessary income to fund the Foundation's ongoing charitable activities.

Within the above overall policy, governors are at any time able to use endowment capital to fund charity expenditure. Accordingly, governors have determined that it is not necessary for the charity to hold reserves by way of separate unrestricted funds. Capital from the endowment equal to the excess of the Foundation's expenditure over its generated unrestricted income is applied as income each year such that at the year end the unrestricted fund balance is nil.

Our investments

Investment policy and strategy

The governors have decided that the Foundation should operate as a perpetual endowment and seek to maintain the real value of the endowment. We aim to invest the Foundation's assets to maximise returns while balancing risk through a diversified asset portfolio.

The Foundation has a structured investment process with the following primary features:

- **Investment policy** is agreed by the board of governors; this includes investment objectives, constraints and spending rate.
- **Investment strategy** is delegated to the Investment Committee, including strategic and tactical asset allocation, rebalancing, styles and weighting within asset classes, and manager arrangements.

The governors' primary objectives are:

- **Time horizon**: the endowment shall be invested for the long-term with an investment horizon of 10 years and multiple economic and market cycles.
- **Return target**: the objective is to fund our charitable expenditure while maintaining the real value of our investments. CPI is used as a proxy measure for inflation.
- **Spending policy**: the governors believe that the return target is consistent with sustaining a spending rate of 4% over a trailing 3-year average of endowment value.
- **Risk target**: a long-run volatility range of 13–15% and an equity beta in the region of 0.70–0.75. The governors wish to limit the possibility of a 20% fall in endowment value over 1 year but acknowledge that this possibility cannot be eliminated. The probability of this event is of the order of 20% or one in five.

The main features of the Foundation's investment strategy are to:

- manage the portfolio on a total return basis
- focus on 'return-generating' asset classes, which can reasonably be expected to generate attractive real returns over the long term
- have only limited exposure to 'risk-reducing' asset classes, because of their lower expected returns
- reduce risk by diversification, but accept that seeking high returns incurs volatility
- use active managers where it is reasonable to expect that the performance benefits will outweigh the additional costs.

Our approach to responsible investment

We recognise the importance of being a responsible investor and have developed four guiding principles based on the values of the Foundation, which act as an overarching framework to strengthen the endowment's investment strategy and stewardship credentials. The four responsible investment guiding principles are:

Principle 1 Work with, and challenge, existing and future investment managers to ensure their environmental, social and governance (ESG) integration and engagement policies align with the Foundation's framework.

Principle 2 Exercise the right as a responsible asset owner through measured and relevant engagement in relation to the mission of the Foundation.

Principle 3 An ambition to be Net Zero by 2035 and report impact against UN Sustainable Development Goals 3 and 13 via robust oversight procedures and processes.

Principle 4 Emphasise positive engagement over exclusion, as long as there is no conflict of interest in the field of public health and health care.

We oversee the practical application and governance of the four guiding principles in accordance with the endowment's ESG policy through engagement with the selected investment managers and investment

consultant. In addition, we require all our investment managers to have an ESG policy in place and recommend they adopt at least one of the following guidelines – the UK Stewardship Code or the UN Principles of Responsible Investment.

We do not invest directly in tobacco stocks. We also closely monitor our investment in pooled funds and if we identify any inadvertent exposure to tobacco stocks, we engage with the relevant investment manager with the aim of establishing new funds. There are certain stocks that could be seen as a conflict of interest for the mission of the Foundation and, therefore, we would negatively screen these stocks from the endowment. However, where possible, we adopt a formal approach to positive engagement where conflict of interest might arise. Where there are issues related to reputational risk, these reside with the board of governors.

The Health Foundation is a member of the Charities Responsible Investment Network, facilitated by ShareAction and maintains dialogue with investor coalitions such as Institutional Investors Group on Climate Change and Healthy Markets and Good Work Initiatives. We intend that this will strengthen our approach to responsible investing where we want to use our investment portfolio to encourage businesses to behave responsibly.

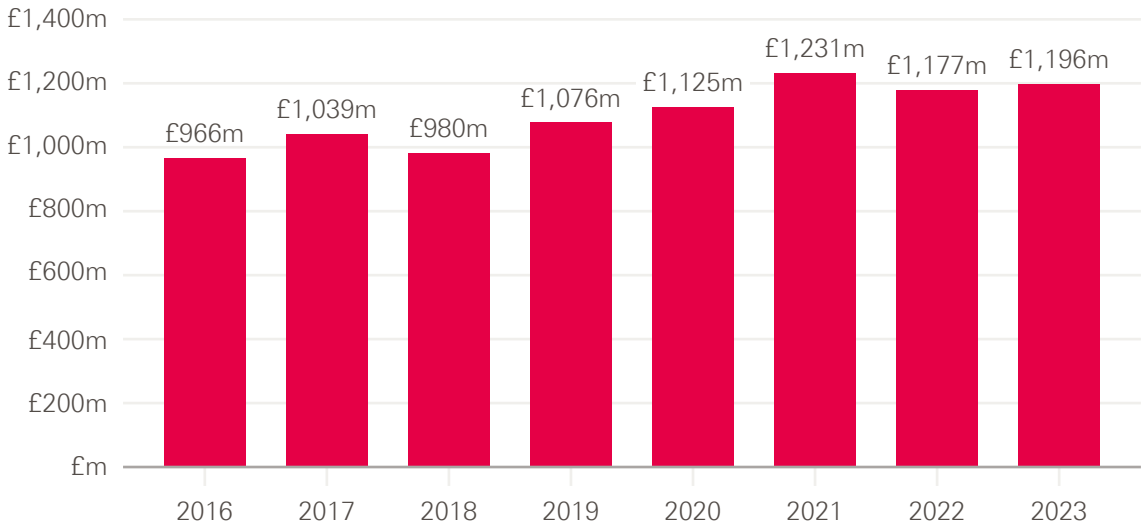
Investment returns

Our long-term goals for the management of our endowment investments are set out in the Investment policy and strategy earlier in this report.

In 2023 the Endowment Fund returned 6%, which was less than the target performance of 8% (CPI plus 4%), but a satisfactory outcome in terms of the absolute return. Although public equity markets performed strongly during 2023, the overall Fund return was lower due to contribution from investments in private assets. Looking forward it is expected that a normalisation of inflation and monetary policy will lead to more normal outcomes in financial markets and that the Fund will achieve its target return once again. Strategic Asset Allocation will be reviewed in 2024 to ensure that the Fund is invested to achieve the optimum risk return trade off. Risk is managed within a rigorous framework and monitored quarterly by the Investment Committee.

Figure 2 shows the change in the value of the investments. In 2023, the value of the investments increased by £19m, from £1,177m to £1,196m.

Figure 2: Investment values as at 31 December 2023

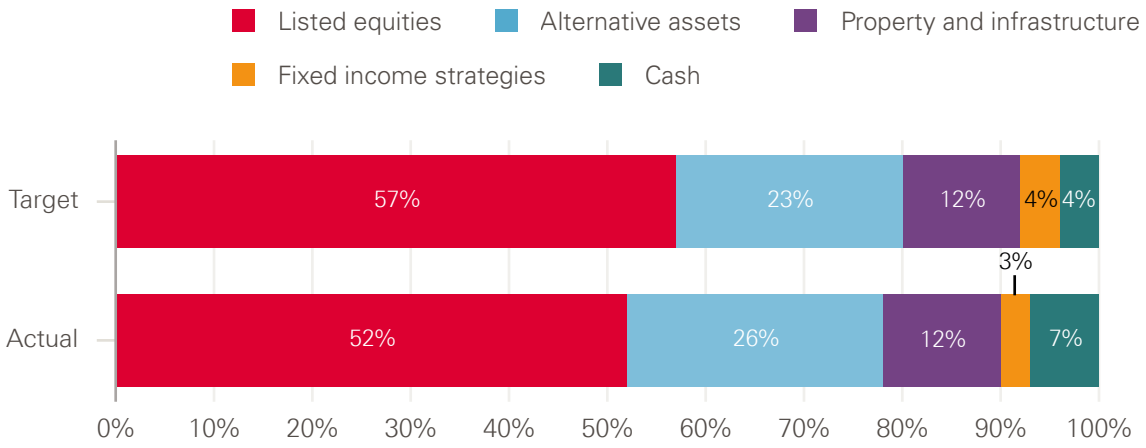


The structure of the investments is focused on global investing via a range of asset classes. The investments look to maximise returns while balancing acceptable levels of risk through a diversified asset portfolio. Following a review of the existing public equity investment managers in 2021, a new suite of public equity investment managers was agreed to reflect our responsible investment guiding principles more appropriately. The portfolio successfully transitioned to the suite of new investment managers in the first half of 2022.

The Investment Committee meets quarterly and sets and regularly reviews the long-term investment strategy and progress on its implementation. Redington act as our investment advisor for the endowment and provide advice on strategic asset allocation, investments, and responsible investment practices. Cambridge Associates provides investment management services for the Victoria Fund and investment advice on private investments and hedge funds.

Figure 3 shows the target strategic asset allocation together with the actual asset allocation at the end of 2023. The allocation to listed equities is slightly underweight, while the allocation to alternative assets and cash are slightly overweight compared to the target allocations. We are long term investors and, as such, whilst we monitor the strategic asset allocation quarterly we do not carry out short-term tactical readjustments to asset class weightings.

Figure 3: Asset allocation at 31 December 2023



We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future, having carried out 'stress-tests' at appropriate intervals.

The total cost of managing our investments was £14.9m (2022: £14.4m). The increase is mainly due higher fees from private infrastructure in 2023. Further details can be found in note 6.

Subsidiary companies

At the end of 2023, the Foundation had three subsidiary undertakings Medtrust Innovations Limited (Medtrust), the Victoria Fund LP Incorporated (Victoria Fund) and from May 2023 THIS Labs Ltd (THIS Labs).

Medtrust is wholly owned by the Foundation as a mission-related investment engaged in the exploitation of intellectual property rights. In March 2011, Medtrust acquired 50% of the intellectual property rights of BMJ Quality & Safety, a journal published by the BMJ Publishing Group Limited. At 31 December 2023, Medtrust had fixed assets of £0.5m (2022: £0.5m). In the year, Medtrust generated an operating profit of £0.1m (2022: £0.2m).

The Victoria Fund was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner. As at 31 December 2023, the Victoria Fund had investment assets of £433m (2022: £411m) and the value of its net assets was £437m (2022: £442m). The net increase in the value for 2023 was £7m (2022: £54m). Private investment assets were impacted by strong

inflationary headwinds in 2023, after a strong period of outperformance in 2022.

In early 2023, The Health Foundation set up a third subsidiary, THIS Labs which has been set up to enable improvement and innovation in the health and care sector through online collaboration with an initial investment of £4m to achieve these goals. As at the end of the year the value of the net assets of THIS Labs was £3.3m as the team invested in staffing and developing the platform to demonstrate its value in supporting collaborative approaches to research and consultation.

Streamlined energy and carbon reporting

The Health Foundation is reporting energy and carbon emissions in compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The conversion factors used in the report are taken from 2022 Government guidance on the Streamlined Energy and Carbon Reporting (SECR) regime.

Office use continued to increase in 2023 post Covid, as a result the office energy consumption increased. The Foundation consumed approximately 602,468 Kwh of energy in 2023 (2022: 555,381 Kwh) and CO2 emissions are estimated at 118.05 tonnes (2022: 113.13 tonnes). Our intensity ratio is 0.049 tonne per square metre of our office space (2022: 0.047 tonne per square metre).

Electricity and gas – office

During 2023, our office electric energy consumption equated to 462,786 Kwh (2022: 456,663 Kwh) or 89.49 tCO2e (2022: 88.31 tCO2e). The electricity consumption has increased slightly in 2023 with increased use of the building, however due to the increase in office use and the relatively cold winter, our office gas energy consumption equated to 139,682 Kwh (2022: 98,718 Kwh) or 25.50 tCO2e (2022: 18.02 tCO2e). Electricity costs are partly metered and partly apportioned while gas costs form part of the service charge, apportioned by the landlord on the floor space occupied by the Foundation, which equates to 2,415 square metres.

Travel

During 2023, travel journeys paid for directly by the Foundation equated to 108,971 miles (2022: 84,539 miles) or 11.13 tCO2e (2022: 6.80 tCO2e). Travel in 2023 returned to normal levels with staff travelling more freely for work. Travel to and from Foundation events by external participants and attendees are not included in these calculations for both years.

Commitments and reporting

Environmental sustainability is a cross-cutting priority within the Foundation's 2022–25 strategy, and we are committed to understanding and reducing our environmental impact. We have set the target of making our endowment net zero by 2035, with the interim target of halving the carbon emissions of the endowment by 2028. In 2023, we began developing a long-term carbon reduction strategy and action plan for the rest of our operations, beyond the endowment. To help us do this, in early 2023 we worked with carbon reporting experts to review our overall approach to sustainability, understand our carbon footprint in more detail, set further targets and identify the tools and capabilities we will need to monitor and reduce our environmental impact in the future.

We also published developed guidance to help our grant applicants and grant holders consider and minimise the footprint of their projects.

2023 carbon reporting figures	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Health Foundation office – gas		139,682	25.50
Health Foundation office – electricity		462,786	89.49
Scope 3			
Employee mileage personal cars	2,417		0.64
Travel – taxis	202		0.05
Travel – public transport	70,372		3.65
Travel – air	35,980		6.79
Total gross emissions in tonnes CO_2e	**108,971**	**602,468**	**126.12**
Intensity ratio: tonnes CO_2e per sqm			0.052

2022 carbon reporting figures (restated to include own office electrity)	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Health Foundation office – gas		98,718	18.02
Health Foundation office – electricity		456,663	88.31
Scope 3			
Employee mileage personal cars	2,779		0.76
Travel – taxis	720		0.20
Travel – public transport	49,367		0.41
Travel – air	31,673		5.43
Total gross emissions in tonnes CO_2e	**84,539**	**555,381**	**113.13**
Intensity ratio: tonnes CO_2e per sqm			0.047

Stakeholder engagement – s.172 statement

The board recognises that the Health Foundation's relationship with its stakeholders is critical to its success. The table below sets out our main stakeholder groups, the key considerations of each group and how we engage with them.

Stakeholder	Key consideration	How we engage	Key activities in 2023
Beneficiaries, including: members of the public; those who benefit from the grants we award; health and care workers; policymakers; charities that received donations from us.	Improving the lives of the people and communities that the Foundation's grants support in its work to improve health, health care and social care in the UK. Maximising the impact of our work. Sharing information about the work of the Foundation.	Individual governors have strategic oversight of key programmes of work, working closely with teams across the Foundation and the organisations we partner with. Via our grant holders, including their reporting to us. Through our webinars, podcasts publications, blogs, newsletters and long reads, which are all available to anyone, free of charge. We have an active social media presence. We have well-defined communications strategies around our strategic aims and targeting our key audiences.	The board approved further awards including work on inequalities in Scotland, campaigns raising awareness of health inequalities, funding to support technology innovation in social care. The board discussed progress across our work on our three strategic priorities. We held a mixture of online and in-person events which increased the reach and public participation in our work.

Stakeholder	Key consideration	How we engage	Key activities in 2023
Partners: we work closely with a wide range of partners to deliver our strategy.	Maximising the impact of our work. We work with a wide range of stakeholders to deliver our mission to build better health and health care – from national and local government, to the health and care sector, the public health sector, and the third sector. Ensuring the effectiveness of the programmes and projects that the Foundation supports with grants or contracts and/or staff time. Building and maintaining networks of people engaged in improving the quality of health, health care and social care in the UK. Sharing information about the work of the Foundation.	We engage with our grant holders via ongoing management of their awards, with support for applicants to enable them to maximise the effectiveness of the projects that we are funding. We cooperate actively with other key organisations in our field to influence policy and practice. We work with other key organisations in some of our major areas of activity and engage with them closely in ongoing management and direction. We have over 5,600 members in our Q Community in Q1 2024, supporting service improvement and learning. We have an alumni programme for previous award-holders in our fellowship programmes. We have a wide variety of useful, practical resources on our website available at no charge, aimed at people and organisations working in health, health care and social care. We create opportunities for award-holders to meet with governors at board meetings.	Much of our work is carried out with partners through our funded programmes. Examples of board engagement include overseeing funding for our externally funded vehicles, including THIS Labs and THIS Institute.

Stakeholder	Key consideration	How we engage	Key activities in 2023
Employees: including secondees, interns, fellows, longer term temporary staff.	Ensuring that employees enjoy working at the Foundation and are motivated to help deliver our mission. Providing opportunities to develop and grow at the Foundation. Working to improve health and wellbeing of all who work at the Foundation. Working to improve diversity and inclusion at the Foundation.	Regular staff surveys with follow-up of actions, shared with the remuneration and governance committee and board. Systematic and comprehensive approach to health and safety and wellbeing overseen by a staff team, reported annually to the board. Support for staff-led diversity groups. Learning and development programme for all staff, both corporate and individual.	The people plan for 2023 outlined a number of key people-related activities, to include on Equity, Diversity and Inclusion, Learning and Development, and refreshing our Engagement Surveys. There were a number of achievements made in accordance with the plan during 2023. These included: A new People Forum and an Inclusion Programme Board both launched in May of 2023, our Your Say Engagement Survey was launched in September and received an 88% participation rate, with action plans created following on from the results, and launch in quarter 4 of a project to review and update our Progression and Reward approaches.
Suppliers: including the Foundation's invesmtent managers.	That our key suppliers are operating ethically as well as providing value for money.	As an accredited living wage employer, ensure that our contracted staff earn at least the real living wage. Regular contact with our public equity investment managers to ensure that they remain properly engaged on ethical and social governance.	We continued to engage with our investment managers particularly on ethical and social reporting and management. We have also developed new templates to support our EDI and sustainability focus through our suppliers.

Risk management

The Foundation set out its approach to managing risk, including roles and responsibilities, in its risk management policy. The Audit Committee and the board of governors regularly review key risks owned by executive directors.

The Audit Committee gives direction and reviews the implementation of the risk management process supported by an internal audit plan. Detailed below were the most important risks for 2023.

Key risk	Nature of risk	Management of risk
Investment risk	Failure to provide adequate funding for the Foundation's planned activities due to a major correction in market value and/or insufficient liquidity.	The Investment Committee ensures that the Foundation's investments are suitably diversified, supported by an internal team, external advisers and external benchmarking. The committee ensures there is enough continuing liquidity to meet the Foundation's cash requirements, in the event of a sudden market correction. In 2023 risk assets performed poorly initially as investors worried about recession risk due to tighter monetary policy and the realization that rates would stay higher for longer than previously anticipated. Events in the Middle East caused further weakness in markets, before the 'everything rally' finally took place towards the end of the year in response to lower inflation numbers. The endowment portfolio benefited from diversification and lack of exposure to some of the more volatile parts of the global market and ended the year up by 6%. The fund continues to take appropriate levels of risk to achieve its long-term goals.
Strategic	The Foundation fails to address important or emerging issues or achieve a desired level of impact.	The board reviews our ambition, impact and progress. This includes balancing short term reactive work with longer term initiatives. In 2023, we began to implement our refreshed strategy for 2023–2025, recognising the scale of the challenge to health and care. We also reviewed our Impact strategy. Cross-team strategic priority boards were established to foster matrix working and oversee progress against yearly business plans. 2024, with a general election on the horizon, there will focus on both our short-term policy influencing work with our longer-term research, analysis and innovation and improvement programmes.
Quality	Our work lacks sufficient rigour, accuracy, quality and objectivity.	We have clear governance frameworks for awards, contracts and research with a quality assurance process for the release of all published material. In 2023, we embedded our formalised processes and guidance on quality assurance and refreshed our award and contract agreements as part of a wider multi-year quality process improvement programme.

Key risk	Nature of risk	Management of risk
People risk	Failure to attract, develop and retain the people we need to deliver the Foundation's strategy.	The Remuneration and Governance Committee determines the framework for the overall reward strategy applicable to all Foundation staff. In 2023, we welcomed our new EDI and L&D leads and appointed a permanent Chief People Officer. In Q3 we ran an organisation-wide engagement survey. We were pleased to receive a response rate of over 85% and have used the responses to prioritise our People Plan for 2024. In 2024 there is further focus on EDI, with an EDI survey and workshops, as well as improvement in our learning & development programmes and developing our progression and reward programme.
Cyber and data security	The Foundation's defences are inadequate, rendering it vulnerable to a cyber-attack or the loss/compromise of data.	The directors support a comprehensive risk management strategy focusing on technological defences, robust policies, and fostering security awareness among employees. We continuously invest in cybersecurity technologies, including next-generation firewalls, endpoint security, and network security solutions. Our infrastructure undergoes regular assessments, including external penetration testing. We have stringent data protection policies. We also align with ISO27001 standards for our data science research activities. All employees undergo mandatory cybersecurity training, emphasising data security, phishing recognition, and best practices. Strict access controls ensure employees only access necessary information, minimising risks associated to user error. We align our efforts with the five core functions of the NIST Framework: Identify, Protect, Detect, Respond, and Recover, ensuring a systematic approach to managing cybersecurity risks.
Business disruption	The Foundation loses operational effectiveness, due to disruption caused by an internal or external event.	We remain committed to protecting our organisation against potential disruptions. We recognise that the landscape of threats is diverse and ever evolving. Our proactive stance in 2023 and 2024 involves a comprehensive review and enhancement of our business continuity and disaster recovery strategies. This includes not only revisiting these plans but also conducting rigorous internal audits to ensure their effectiveness.

In 2024, the Audit Committee and board of governors approved a revised approach to risk management. This included reference to the risks related to organisational change, which will be an increasing focus for the Foundation as the year evolves.

Trustees' report

Structure, governance and management

The Health Foundation is a registered charity and a company limited by guarantee. It is governed by its memorandum and articles of association adopted on 24 July 1996 and last amended on 15 July 2021. The Foundation's endowment was first established in 1998.

The board is responsible for the overall governance of the Foundation. All governors are members and directors of the company, and trustees of the registered charity. Governors are appointed for a term of 5 years and may be appointed for a second term of up to 4 years. The current governors and any past governors who served during the year are listed in the table below, together with the names of independent members of committees.

Name	Member/ governor	Audit Committee	Investment Committee	Programme related investments committee (from November 2023)	Remuneration and Governance Committee
Hugh Taylor	Chair		✓		✓
David Dalton	✓	✓			
Ruth Hussey	✓				Chair
Branwen Jeffreys	✓				
Rosalind Smyth	✓				✓
Loraine Hawkins	✓				✓
Eric Gregory	✓	Chair		Chair	✓
David Smart	✓		Chair		
Katie Blacklock	✓	✓	✓		
Ravi Gurumurthy	✓			✓	
Dawn Edge	✓				✓
Paul Najsarek	✓ (appointed March 2023)				
Roland Sinker	✓ (appointed March 2023)				
Rachel Sylvester	✓ (appointed June 2024)				

The following served as independent members of committees during 2023.

Name	Audit Committee	Investment Committee
Ingeborg Dybdal Øie (stepped down February 2024)		✓
Robert Beveridge	✓	
Mark Chaloner		✓
Andrew Milligan		✓

The board regularly reviews the skills and experience of the governors to ensure they are relevant to the Foundation's mission and provide balance to the board.

The board meets at least four times a year and approves strategic, business plans and budgets and reviews operational and investment performance.

All new governors receive a comprehensive induction. Refresher sessions on relevant topics are arranged for governors periodically and the board reviewed its governor training and development policy in 2023. The articles of association set a minimum number of trustees at 5 and a maximum at 15.

Organisational structure and how decisions are made

The board of governors has set down a schedule of matters specifically reserved to it for decision. These include:

- board appointments
- the appointment and terms of reference of any committee of the board and any matters expressly reserved for the decision of the board by any such terms of reference
- approval of annual financial statements and annual business plan and budget
- changes to the Foundation's investment strategy and spending policy.

In addition, the following committees are established as committees of the board of the Foundation in accordance with the articles of association. Each operates in accordance with terms of reference, which ensures the committee is properly constituted with an appropriate membership of governors, experienced independent members (in the case of the Audit and Investment Committees) and a clear set of responsibilities and authorities.

- **The Remuneration and Governance Committee** assists the board in monitoring and advising on the size and composition of the board of governors; their selection, recruitment induction and training; and manages reviews of board performance, as requested by the board. The committee approves the framework and policy determining the overall reward strategy applicable to all Foundation staff and for the chief executive and senior leaders.
- **The Audit Committee** assists the board in meeting its responsibilities in respect of financial reporting and internal control. It provides a channel of communication between the Foundation's external and internal auditors and the board. It provides direction and reviews the implementation of the Foundation's risk management strategy and system of internal controls.
- **The Investment Committee** assists the board with developing investment policies agreed by the board. The committee sets and regularly reviews a long-term investment strategy to meet the Foundation's investment objectives. The chief executive and the chief investment officer are members of this committee.
- **The Programme Related Investments Committee** assists the board in meeting its responsibilities in respect of the oversight of the Foundation's investments in Medtrust and THIS Labs, together with any future programme related investment proposals.

The Foundation has three subsidiary companies:

- **Medtrust Innovations Ltd**, company registration number 03910581 a wholly own subsidiary company of the Health Foundation which, together with BMJ Publishing Group co-owns BMJ Quality and Safety Journal, a publication which provides insights and information with the aim of improving the quality of healthcare. In 2023 the board of Medtrust Innovations Ltd comprised: Eric Gregory, Chair, Nick Bateson and Malte Gerhold. The board meets twice a year. The chair reports to the Health Foundation board of governors on a regular basis.
- **Victoria Fund LP Incorporated**, registered as a Guernsey incorporated limited partnership under The Limited Partnerships (Guernsey) Law, 1995 as amended was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner.

- **THIS Labs Ltd**, company registration number 14506058, The Health Foundation has a 70% share in THIS Labs Ltd. Malte Gerhold was appointed as a Director of THIS Labs Ltd on 20 March 2023 and reports on the progress of the company to the Health Foundation's programme-related investment committee (whose inaugural meeting was held November 2023). This committee oversees the Health Foundation's investment on behalf of the Foundation and reports to the Health Foundation board of governors on a regular basis.

The board of governors delegates the exercise of certain powers in connection with the management and administration of the Foundation to the leadership team managed by the chief executive.

Senior leadership

The chief executive is responsible for the day-to-day management of the Foundation's affairs and for implementing policies agreed by the board of governors. The chief executive is assisted by a group of senior leaders who are listed below. Although the senior executive team are called directors, they are not the 'legal' directors of the charitable company.

Jennifer Dixon	Chief Executive
Jo Bibby	Director of Health
Aidan Kearney	Chief Investment Officer (to May 2024)
Jenny Rodgers	Chief Investment Officer (from May 2024)
Anita Charlesworth	Director of Research and the REAL Centre
Malte Gerhold	Director of Improvement and Innovation
Hugh Alderwick	Director of Policy
Charles Tallack	Director of Data Analytics
Nick Bateson	Chief Operating Officer
Patrick South	Director of Communications

The charity's registered office and list of key advisers can be found in legal and administrative information (page 33).

Principal activities and development

The Health Foundation is an independent charitable organisation working to build a healthier UK. It achieves this through supporting people and organisations. Further information on the charity's activities and developments are included in the Strategic report.

Statement of governors' responsibilities

The governors are responsible for the preparation of the annual report, including the strategic report and governors' report, and the financial statements in accordance with applicable law and UK Generally Accepted Accounting Practice. Company law requires the governors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the governors are required to:

- ensure that the most suitable accounting policies are established and applied consistently
- make judgements and estimates that are reasonable and prudent
- state whether the applicable accounting standards and statement of recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Foundation will continue in operation.

The governors have overall responsibility for ensuring that the Foundation has appropriate systems and controls, financial and otherwise. They are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Foundation and for their proper application as required by charity law, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Foundation is operating efficiently and effectively
- all assets are safeguarded against unauthorised use or disposition and are properly applied
- proper records are maintained, and financial information used within the Foundation, or for publication, is reliable
- the Foundation complies with relevant laws and regulations.

Each of the governors has confirmed that as far as they are aware, there is no relevant audit information of which the Foundation's auditors are unaware. The governors have each taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

Processes are in place to ensure that management information is prepared and reviewed regularly by both the directors' team and the board of governors. Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency.

The systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss. They include:

- a strategic plan, annual business plan and budget approved by the governors
- regular consideration by the governors of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews
- delegation of day-to-day management authority and segregation of duties
- identification and management of risks
- a programme of independent controls

Declarations and conflicts of interest policy

The Foundation has drawn up and implemented a declarations of interest policy that explains the nature of potential conflicts of interest. It requires governors, independent members of committees, employees and other defined categories of individual with whom the Foundation works from time to time, to declare all interests relevant to the Foundation's work and provides a framework for managing situations when conflicts arise.

Governors, independent members of committees and employees are also required to notify the Chief Executive or Chief Operating Officer of any association with a body or organisation which is or might become an applicant for funds from the Foundation. A register is kept and those interests declared by governors and members of the directors' team are reviewed regularly by the directors and produced for inspection at all board meetings.

Details of transactions with related parties are set out in note 25 of the financial statements. The Foundation has a comprehensive whistle-blowing policy.

None of the governors has any beneficial interest in the company. All the governors are members of the company and guarantee to contribute £1 in the event of a winding up.

This Trustees' report, including Strategic report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the governors on 11 July 2024 in their capacities as trustees of the charity and directors of the company. This included their approval of the Trustees' and strategic reports contained within it. The Trustees' report is signed as authorised on their behalf by:

Signed

Sir Hugh Taylor, Chair
11 July 2024

Independent auditor's report to the members of the Health Foundation

Opinion

We have audited the financial statements of The Health Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2023 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on pages 56–7 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the group, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Charities Act 2011, FRS 102 and the Charities SORP 2019. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related posting manual journal entries to manipulate financial results, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to investment valuations and the grants payable.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with management their policies and procedures regarding compliance with laws and regulations;
- Review of the financial statement disclosures to underlying supporting documentation;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Substantively testing of income and testing of current year and post year end journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud;
- Review of legal and professional nominal account to identify any potential undisclosed claims or litigations;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Wright
(Senior Statutory Auditor)

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor
4 Thomas More Square
London E1W 1YW

Financial statements

Consolidated statement of financial activities for the year ended 31 December 2023

	Notes	Unrestricted fund £'000	Restricted fund £'000	Non Controlling Interest (NCI) fund £'000	Expendable Endowment Fund £'000	Total 2023 £'000	Total 2022 £'000
Income:							
Charitable activities	3	465	1,552	–	–	2,017	1,774
Investments	4	16,538	–	–	–	16,538	16,395
Capital applied to income	5	29,242	–	–	(29,242)	–	–
Total income		**46,245**	**1,552**	–	**(29,242)**	**18,555**	**18,169**
Expenditure:							
Fund management	6	–	–	–	14,905	14,905	14,400
Charitable activities	7	46,245	1,567	–	–	47,812	66,009
Total resources expended		**46,245**	**1,567**	–	**14,905**	**62,717**	**80,409**
Operating surplus/ (deficit)		–	(15)	–	(44,147)	(44,162)	(62,240)
Net gain/ (loss) on investments	11	–	–	–	71,640	71,640	(9,642)
Net income/ (expenditure) for the year before NCI		–	(15)	–	27,493	27,478	(71,882)
NCI income/ (expenditure) for the year		–	–	113	–	113	–
Net income/ (expenditure) for the year		–	(15)	113	27,493	27,591	(71,882)
Fund balances as at 1 January 2023		–	673	–	1,146,807	1,147,480	1,219,362
Fund balances as at 31 December 2023		–	658	113	1,174,300	1,175,071	1,147,480

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure is derived from continuing activities. For the full comparatives see note 28.

Consolidated balance sheet as at 31 December 2023

	Notes	£'000	2023 £'000	£'000	2022 £'000
Fixed assets:					
Intangible fixed assets	12		1,111		1,278
Tangible fixed assets	13		2,740		3,232
Investments	14		1,196,475		1,177,019
Programme-related investment	14		526		526
Total fixed assets:			**1,200,852**		**1,182,055**
Current assets:					
Debtors	16	1,476		1,357	
Cash and short-term deposits		7,422		5,828	
Total current assets		**8,898**		**7,185**	
Current liabilities:					
Amounts falling due within one year	17	(18,816)		(21,697)	
Net current liabilities:			**(9,918)**		**(14,512)**
Total assets less current liabilities:			**1,190,934**		**1,167,543**
Creditors: amounts falling due after more than one year	18		(15,234)		(19,509)
Provisions for liabilities	20		(629)		(554)
Net assets			1,175,071		1,147,480
Capital funds					
Endowment funds general			1,174,299		1,146,807
Income funds					
Unrestricted fund			–		–
Restricted funds			658		673
Total funds before NCI			1,174,957		1,147,480
Non Controlling Interest (NCI) funds					
NCI fund			114		–
Total funds			1,175,071		1,147,480

The accounts were approved by the governors, and authorised for issue on 11 July 2024 and signed by:

Sir Hugh Taylor
Trustee

Eric Gregory
Trustee

Company Registration No. 01714937

Charity balance sheet as at 31 December 2023

	Notes	£'000	2023 £'000	£'000	2022 £'000
Fixed assets:					
Intangible fixed assets	12		659		1,278
Tangible fixed assets	13		2,713		3,232
Investments	14		760,352		735,050
Programme-related investment	14		439,917		442,495
Total fixed assets:			**1,203,641**		**1,182,055**
Current assets:					
Debtors	16	1,239		1,116	
Cash and short-term deposits		4,632		5,828	
Total current assets		**5,871**		**6,944**	
Current liabilities:					
Amounts falling due within one year	17	(18,709)		(21,697)	
Net current liabilities:			**(12,838)**		**(14,753)**
Total assets less current liabilities			**1,190,803**		**1,167,302**
Creditors: amounts falling due after more than one year	18		(15,234)		(19,509)
Provisions for liabilities	20		(629)		(554)
Net assets			1,174,940		1,147,239
Capital funds					
Endowment funds general			1,174,282		1,146,566
Income funds					
Unrestricted fund			–		–
Restricted funds			658		673
Total funds			1,174,940		1,147,239

The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net income for the year is £27,701k (2022: net expenditure £71,887k).

The accounts were approved by the governors, and authorised for issue on 11 July 2024 and signed by:

Sir Hugh Taylor
Trustee

Eric Gregory
Trustee

Company Registration No. 01714937

Consolidated statement of cash flows for the year ended 31 December 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities:					
Cash absorbed by operations	27		(51,586)		(45,624)
Investment activities:					
Cost of developing intangible assets		(475)		(334)	
Purchase of tangible fixed assets		(160)		(76)	
Investment proceeds re-invested		(15,848)		(16,170)	
Withdrawals from investments		68,030		60,247	
Investment management fees		(14,905)		(14,400)	
Investment income		16,538		16,395	
Net cash generated from investing activities			**53,180**		**45,662**
Net increase/(decrease) in cash and cash equivalents			1,594		38
Cash and cash equivalents at beginning of year			5,828		5,790
Cash and cash equivalents at end of year			7,422		5,828

Notes to the financial statements for the year ended 31 December 2023

Charity information

The Health Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is 8 Salisbury Square, London EC4Y 8AP.

The liability of the governors in their capacity as members of the company is limited. Each member guarantees any deficiency in the Foundation to a maximum of £1.

1.0 Accounting policies

1.1 Accounting convention

These accounts have been prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities, the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice. The Foundation is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the Foundation. Monetary amounts in these financial statements are rounded to the nearest £'000.

The accounts have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis for consolidation

The financial statements consolidate the charity and its wholly owned subsidiary entities, The Victoria Fund LP Incorporated, Medtrust Innovations Limited and THIS Labs Ltd.

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net income for the year is £27,701k (2022: net expenditure £71,887k).

1.3 Going concern

At the time of approving the financial statements, the governors have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. This expectation includes an assessment of the ongoing impact of political and economic challenges facing global markets. There is market uncertainty which may lead to some volatility. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future. Under our normal internal governance procedures, we conducted a Strategic Asset Allocation review in 2021 and continue to monitor this in-light of ongoing uncertainties. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Charitable funds

The Foundation maintains three types of funds: unrestricted funds, restricted funds and expendable endowment funds. Income and expenditure on these funds are shown separately in the statement of the financial activities.

Unrestricted funds are available for use at the discretion of the governors in furtherance of their charitable objectives unless the funds have been designated for other purposes. The income is made up of investment income, other incoming resources and any capital applied as income.

Restricted funds are subject to specific conditions as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Expendable endowment funds represent capital gifted for the long-term benefit of the Foundation. Any income arising from the Endowment fund assets is added to the unrestricted fund. The trustees may also, at their discretion, determine to apply part or all of the endowment capital as income at which time the relevant amounts are transferred to the unrestricted fund.

1.5 Incoming resources

Income is recognised 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 on investments in the statement of financial activities.

1.6 Resources expended

Expenditure is recognised on an accruals basis. Irrecoverable VAT is included within the expense items to which it relates.

Expenditure on raising funds represents amounts paid to the Foundation's external investment advisers and custodian, and an apportionment of internal support costs based on time spent. They are charged to the endowment fund, as the primary role of the investment managers and the custodian is to safeguard the investment assets of the Foundation.

Charitable activities comprise all costs incurred in the pursuit of charitable objects. These are:

- Grants including programme costs where an actual/constructive obligation exists, notwithstanding that they may be paid in future accounting periods. However, where conditions attach to the grant such that it is a performance-related grant then this is charged as the conditions are satisfied and are expensed as the related activity is performed.
- Salary costs that can be directly attributed to strategic, programme and policy work. It also includes the cost pertaining to support staff.
- Overheads such as the rent and running costs of the office space. These costs are allocated to charitable strategic priorities based on the relevant proportions of the direct costs of the charitable activities.
- Governance costs comprise all costs attributable to ensuring the public accountability of the Foundation and its compliance with regulation and good practice. These costs include costs related to statutory and internal audit together with an apportionment of support costs based on time spent.
- Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid. Provision is made for the discounted expected future costs of unfunded pension benefit commitments at each balance sheet date, based on actuarial advice.

1.7 Intangible fixed assets other than goodwill

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over the term of the project life. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Tangible fixed assets with a value over £5,000 are capitalised. Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Fixtures and fittings – 5 years
- Computers – 3 years
- Office building modifications – 10 years (included in fixtures and fittings category in the notes)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

1.9 Fixed asset investments

Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

Quoted investments are listed shares, bonds and units and are stated at fair value on the basis equivalent to market value using the bid price. Asset sales and purchases are recognised at the date of trade.

Unquoted investments are stated at fair value based on professional valuations at the balance sheet date or nearest available date to it. For hedge funds, the valuations are provided by third-party hedge fund administrators.

In the case of private equity funds, there is no readily identifiable market price. These funds are included at the most recent valuations by their respective managers. Investments made shortly before the balance sheet date are held at cost where the managers have yet to provide a valuation.

A subsidiary is an entity controlled by the Foundation. Control is the power to govern the financial and operating policies of the entity to obtain benefits from its activities. Subsidiaries are included in the Foundation's balance sheet at their net asset value which represents the fair value of their underlying investments and other net assets. Investments in subsidiary undertakings are held at cost less any impairment.

Unrealised gains and losses are recognised at the year-end as the difference between the historical cost and the market value of the investment assets. Realised gains and losses are recognised during the year at the time the investment is sold, and include any fees incurred at source. All unrealised and realised gains and losses on investments are included within the statement of financial activities.

1.10 Impairment of fixed assets

Impairment of tangible and intangible fixed assets are reviewed annually and any impairment is recognised as an expense in the year that it occurs.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Foundation has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Foundation's balance sheet when the Foundation becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off

the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within 1 year are not amortised.

Basic financial liabilities
Basic financial liabilities, including trade creditors and grants payable are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within 1 year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within 1 year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the Foundation's contractual obligations expire or are discharged or cancelled.

1.13 Provisions and grants
Provisions and grants are recognised when the Foundation has a legal or constructive present obligation as a result of a past event, it is probable that the Foundation will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision or grant is measured at present value the unwinding of the discount is recognised as a finance cost or grant expense in net income/(expenditure) in the period it arises.

1.14 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Foundation is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in net income/expenditure for the period.

1.18 Exemptions

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net income for the year is £27,701k (2022: net expenditure £71,887k).

2.0 Critical accounting estimates and judgements

In the application of the Foundation's accounting policies, the governors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Investment valuation

The Foundation's investments are stated at market value. Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred. Valuations are obtained from the investment managers. The governors do not believe that there is any inherent uncertainty in the presentation of these amounts, and that in their judgement, market value and fair value may be regarded as identical for the purposes of these accounts.

3.0 Charitable activities

	Share of profit in *BMJ Quality & Safety* £'000	THIS Labs Ltd £'000	Other income £'000	Total 2023 £'000	Total 2022 £'000
Other income*	419	46	1,552	2,017	1,774
Analysis by funds:					
Unrestricted funds	419	46	–	465	
Restricted funds	–	–	1,552	1,552	
	419	46	1,552	2,017	
For year ended 31 December 2022:					
Unrestricted funds	427	–	–		427
Restricted funds	–	–	1,347		1,347
	427	–	1,347		1,774

*In 2023, we received restricted income of £1,297k (2022: £1,194k) from NHS England mainly for Q, a jointly funded initiative.

4.0 Investments

	2023 £'000	2022 £'000
Income from listed investments	8,338	9,679
Fixed interest income	2,285	2,610
Property fund income	5,915	4,106
	16,538	16,395

5.0 Capital applied to income

	Unrestricted funds £'000	Endowment funds general £'000	Total 2023 £'000	Total 2022 £'000
Released from endowment funds	29,242	(29,242)	–	–
For the year ended 31 December 2022	47,697	(47,697)	–	–

6.0 Fund management

	2023 £'000	2022 £'000
Cost of fund management:		
Investment advisory costs	316	253
Staff costs	441	371
Custodian fees	85	103
Transition fees	–	511
Investment managers' fees	14,063	13,162
	14,905	14,400

Investment management fees

The investment managers' fees of £14,905k (2022: £14,400k) includes: management fees of £9,459k (2022: £9,567k), incurred on the endowment value of £1,196,475k (2022: £1,177,019k) and performance fees of £3,539k (2022: £2,592k). Note the increase in performance fees is due to the fees for private infrastructure in 2023.

The cost of raising funds is 1.2% (2022: 1.2%).

7.0 Expenditure on charitable activities

	Effective innovation and improvement in health and care £'000	Better health and care policy making £'000	Improving health and reducing inequalities £'000	Cross-cutting strategic activities £'000	Total 2023 £'000	Total 2022 £'000
Grant funding of activities (see note 28)	5,634	3,935	5,993	1,285	16,847	37,004
Direct costs*	6,884	4,182	6,369	1,633	19,068	15,982
Share of support costs*	3,838	2,680	4,083	875	11,476	12,904
Share of governance costs*	141	98	150	32	421	119
	16,497	10,895	16,595	3,825	47,812	66,009
*See note 8						
Analysis by fund:						
Unrestricted funds	14,930	10,895	16,595	3,825	46,245	64,519
Restricted funds	1,567	–	–	–	1,567	1,490
	16,497	10,895	16,595	3,825	47,812	66,009

2023 was the start of the new 3 year strategy and the above table reflects the three strategic priorities for 2023–5.

The decrease in funding mainly relates to funding in 2022 of £22,781k to THIS Institute for years 5–10 of the award.

For the year ended 31 December 2022

	Improving health and care services £'000	Promoting healthy lives for all £'000	Others £'000	Total £'000
Unrestricted funds	51,502	10,473	2,544	64,519
Restricted funds	1,490	–	–	1,490
	52,992	10,473	2,544	66,009

8.0 Support and direct costs

	Direct costs £'000	Support costs £'000	Governance costs £'000	2023 £'000	2022 £'000
Staff costs	14,402	2,968	237	17,607	14,939
Depreciation	–	1,268	–	1,268	2,687
Property costs	–	1,705	–	1,705	1,699
Technology costs	198	2,479	–	2,677	3,007
Other direct/ support costs	4,467	2,927	–	7,394	6,508
Audit fees	–	–	54	54	55
Legal and professional	1	129	60	190	51
Internal audit	–	–	53	53	32
Other governance costs	–	–	17	17	27
	19,068	11,476	421	30,965	29,005

Direct costs of charitable activities are mainly to further the Foundation's objectives by organising conference and events, carrying out direct and commissioned work in-house, scoping, developing, and managing grant programmes, and publishing and disseminating reports on research findings.

Support costs have been allocated to charitable activities in the year.

Governance costs include payments to auditors of £54k (2022: £49k) for audit fees and £7k (2022: £7k) for non-audit services.

9.0 Governors

None of the governors (or any persons connected with them) received any remuneration or benefits from the Foundation during the year. Trustees' expenses received totalled £2k (2022: £3k).

10.0 Employment costs

	2023 £'000	2022 £'000
Wages and salaries	14,854	12,673
Social security costs	1,692	1,513
Other pension costs	1,358	1,072
Other costs	88	24
Total employment costs*	17,992	15,282

*Total employment costs during the year were £17,992k (2022: £15,282k). This includes salary costs relating to management of the endowment of £384k (2022: £343k).

The average number of employees during the year was 246 (2022: 223), which equated to a full time equivalent of 231 (2022: 211).

In 2023 we invested in our staff team to deliver and support our work increasing staffing costs and staffing numbers by 9%.

The number of employees whose annual remuneration was £60,000 or more were:

	2023	2022
£60,001–£70,000	34	33
£70,001–£80,000	21	15
£80,001–£90,000	19	11
£90,001–£100,000	9	5
£100,001–£110,000	6	4
£110,001–£120,000	3	4
£120,001–£130,000	2	–
£130,001–£140,000	–	2
£140,001–£150,000	2	–
£150,001–£160,000	1	1
£160,001–£170,000	1	1
£170,001–£180,000	1	1
£190,001–£200,000	1	1
£200,001–£210,000	1	–
£260,001–£270,000	–	1
£270,001–£280,000	1	–

The calculation for annual remuneration includes salary, NI and Employers Pension contribution.

11.0 Net gain/(loss) on investments

	2023 £'000	2022 £'000
Revaluation of investments	71,640	(9,642)

Net revaluation of investments comprises:

- A gain in our quoted investments of £65,495k (2022: loss of £66,542k), as the market recovered from the equity prices in 2022.
- An increase in the value of unquoted investments of £6,145k (2022: increase of £56,900k), reflecting the continued performance of the portfolio.

12.0 Intangible fixed assets

Group and Charity	Software £'000	Q Project £'000	Total £'000
Cost:			
At 1 January 2023	2,421	2,186	4,606
Additions	475	–	475
At 31 December 2023	2,896	2,186	5,081
Amortisation and impairment:			
At 1 January 2023	1,580	1,748	3,328
Amortisation charge in the year	205	437	643
At 31 December 2023	1,785	2,186	3,971
Carrying amount:			
At 31 December 2023	1,111	–	1,111
At 31 December 2022	841	437	1,278

Software relates to (i) our key office applications, including finance and grant management systems, and Microsoft Office 365 applications; (ii) our secure data environment.

The additions of £475k were through THIS Labs Limited capitalisation of the software transferred across from THIS Institute on creation of the company.

The Q Initiative identifies and connects people skilled in improvement across the UK, through online and events-based capabilities that promote knowledge-sharing, development, and other improvement activities. The infrastructure work was completed in January 2019 with a useful life of 5 years and is still in use.

13.0 Tangible fixed assets

Group and Charity	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost:			
At 1 January 2023	5,363	891	6,253
Additions	20	140	160
At 31 December 2022	5,383	1,031	6,413
Depreciation and impairment:			
At 1 January 2023	2,130	891	3,021
Depreciation charge in the year	625	27	652
At 31 December 2023	2,755	918	3,673
Carrying amount:			
At 31 December 2023	2,627	113	2,740
At 31 December 2022	3,232	–	3,232

14.0 Fixed assets investments

Group	Portfolio £'000	Other £'000	Total £'000
Valuation:			
At 1 January 2023	1,177,019	526	1,177,545
Valuation changes	71,639	–	71,639
Income (excluding bank interest)	15,848	–	15,848
Investment management costs included in the fund	(12,826)	–	(12,826)
Net withdrawals from portfolio	(55,205)	–	(55,205)
At 31 December 2023	1,196,475	526	1,197,001
Cost:			
At 31 December 2023	1,031,967	526	1,032,493
At 31 December 2022	969,116	526	969,642

	Notes	2023 £'000	2022 £'000
Other investments comprise:			
Programme-related investments	26	526	526
Investments at fair value comprise:			
Property and infrastructure funds		145,980	138,168
Equities		621,159	602,968
Fixed interest		38,284	16,966
Alternatives		311,249	368,627
Cash		79,803	50,290
		1,196,475	1,177,019

14.0 Fixed assets investments (continued)

Charity	Investments		
	Portfolio £'000	Other £'000	Total £'000
Valuation:			
At 1 January 2023	735,050	442,495	1,177,545
Valuation changes	63,345	11,562	74,907
Income	11,494	4,354	15,848
Investment management costs included in the fund	(2,327)	(10,499)	(12,826)
Net withdrawals from portfolio	(47,210)	(7,995)	(55,205)
At 31 December 2023	760,352	439,917	1,200,269
Cost:			
At 31 December 2023	695,393	337,100	1,032,493
At 31 December 2022	719,450	250,192	969,642

Other investments comprise:	Notes	2023 £'000	2022 £'000
Investment in subsidiaries		439,391	441,969
Programme-related investments		526	526
Investment in subsidiaries	26	439,917	442,495
Investments at fair value comprise:			
Property funds		79,120	85,056
Equities		621,159	602,968
Fixed interest		38,284	16,966
Alternatives		821	742
Cash		20,968	29,318
		760,352	735,050

A currency hedging programme was in place during the year to manage foreign currency exchange risk. At 31 December 2023, the group had open foreign exchange forward contracts, to mitigate any currency risk between USD and Sterling on the hedge fund mandate in the Victoria Fund. These contracts have been revalued at the applicable year-end revaluation rate, and the resulting unrealised gains/(losses) are included within the overall value of the investments above.

At 31 December 2023, the Victoria Fund held contracts to buy £257,945k and $69,149k at fixed rates (2022: $243,031k and £323,279k). The unrealised gain associated with these forward currency contracts totalled (£1,471k) as at 31 December 2023 (2022: £16,814k).

14.0 Fixed assets investments (continued)

The Victoria Fund's underlying hedge fund investments provide varying degrees of liquidity based on their own redemption terms, which typically begin with an initial lock-up period. These investments are made on an ongoing basis. As a result, the Victoria Fund may not be able to liquidate all its investments quickly. As investment lock-up periods ease in future periods, more short-term liquidity is expected.

The following table illustrates the expected liquidity of assets and liabilities held as at 31 December 2023:

	Less than 6 months £'000	6–12 months £'000	More than 12 months £'000	Long-term lock up* £'000
Total non-current assets	–	–	–	290,737
Total current assets	147,439	–	–	–
Total current liabilities	(1,546)	–	–	–

*This relates to underlying funds in the Victoria Fund, whose redemptions have been locked up and private equity funds which have no redemption opportunities.

At the balance sheet date, the Foundation had total unfunded investment commitments of £137,444k (2022: £144,623k) for private equity and infrastructure from total commitments of £422,977k (2022: £400,755k). These commitments form part of the planned asset allocation and will be met from within the existing investments.

15.0 Financial instruments

Group	2023 £'000	2022 £'000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	7,851	6,303
Instruments measured at fair value through profit or loss	1,196,475	1,177,019
Carrying amount of financial liabilities:		
Measured at amortised cost	34,051	41,206

Charity	2023 £'000	2022 £'000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	4,824	6,061
Instruments measured at fair value through profit or loss	760,352	735,050
Carrying amount of financial liabilities:		
Measured at amortised cost	41,365	40,689

16.0 Debtors: Amounts falling due within 1 year

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Other debtors	429	477	177	222
Prepayments and accrued income	1,047	880	1,047	880
Amounts due from subsidiaries	–	–	15	14
	1,476	1,357	1,239	1,116

17.0 Creditors: Amounts falling due within 1 year

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade creditors	942	736	834	736
Grants payable	13,856	17,079	13,856	17,079
Other creditors	1,861	2,151	1,863	2,151
Accruals and deferred income	2,157	1,731	2,156	1,731
	18,816	21,697	18,709	21,697

18.0 Creditors: Amounts falling due after more than 1 year

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Grants payable – in 2 to 5 years	15,234	19,509	15,234	19,509

19.0 Grants payable

	2023 £'000	2022 £'000
As at 1 January	36,588	20,205
Grants committed in the year	17,081	39,015
Paid during the year	(23,446)	(20,790)
Discounting applied to grants payable in more than a year	(1,133)	(1,842)
As at 31 December	29,090	36,588
Split into:		
Grants payable – due within 1 year (note 17)	13,856	17,079
Grants payable – in 2 to 5 years (note 18)	15,234	19,509
As at 31 December	29,090	36,588

20.0 Provisions for liabilities

	2023 £'000	2022 £'000
Pension obligations	438	464
Dilapidations	191	90
	629	554

Movement on provisions:

	Pension obligations £'000	Dilapidations £'000	Total £'000
At 1 January 2023	464	90	554
Increase/(decrease) in the year	–	101	101
Payment in the year	(26)	–	(26)
At 31 December 2023	438	191	629

21.0 Retirement benefit schemes

a) AEGON Group Personal Pension Plan

The Health Foundation offers all current employees the opportunity to join the defined contribution Group Personal Pension Plan provided by AEGON. Contributions in the year were £1,332k (2022: £1,031k). There was £202k in outstanding contributions at 31 December 2023 (2022: £165k).

b) Other retirement benefits

The Foundation has an unfunded future commitment to a former employee. The contractual commitment (as defined in the contractual arrangement) is to pay a pension equivalent to 1/60th of their pensionable salary for each year of pensionable service less any amounts of pension paid to the same members under The Pensions Trust Growth Plan. The potential pension liability at 31 December 2023, based on advice from an actuary, is estimated to be £438k, (2022: £464k). This provision will be reviewed in 2026.

22.0 Analysis of net assets between funds

Group	Unrestricted fund £'000	Restricted fund £'000	Non Controlling Interest fund £'000	Expendable Endowment fund £'000	Total £'000
Fund balances at 31 December 2023 are represented by:					
Intangible fixed assets	1,111	–	–	–	1,111
Tangible assets	2,740	–	–	–	2,740
Programme related	526	–	–	–	526
Investments	21,702	–	–	1,174,773	1,196,475
Current (liabilities)/ assets	(10,216)	658	113	(473)	(9,918)
Long term liabilities	(15,234)	–	–	–	(15,234)
Provisions	(629)	–	–	–	(629)
	–	658	113	1,174,300	1,175,071

Charity	Unrestricted fund £'000	Restricted fund £'000	Non Controlling Interest fund £'000	Expendable Endowment fund £'000	Total £'000
Fund balances at 31 December 2023 are represented by:					
Intangible fixed assets	659	–	–	–	659
Tangible assets	2,713	–	–	–	2,713
Investments	25,627	–	–	734,725	760,352
Investment in subsidiary	–	–	–	439,917	439,917
Current (liabilities)/ assets	(13,136)	658	–	(360)	(12,838)
Long term liabilities	(15,234)	–	–	–	(15,234)
Provisions	(629)	–	–	–	(629)
	–	658	–	1,174,282	1,174,940

23.0 Capital commitments

The Foundation has a number of contracts that have been entered into, but which are not disclosed as liabilities as they are severable. They cover technical support for our award holders, evaluation and operational services. They are recognised on a cash basis as and when the expenditure is incurred. These amounted to £16,225k at 31 December 2023 (2022: £15,105k).

24.0 Financial commitments

At 31 December 2023, the company had a property lease for its office premises that expires in September 2028. The future minimum lease payments are as follows:

	Land and buildings		Machinery	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Expiry date:				
Within 1 year	1,655	1,650	23	32
Between 2 and 5 years	6,189	6,605	23	48
Over 5 years	–	1,236	–	–

25.0 Related party transactions

Due to the specialist nature of the projects funded, circumstances may occasionally arise where governors, committee members or staff are associated with organisations which apply for grants. In such cases, the Foundation has clear policies and procedures to ensure that the governor, committee member or member of staff is not involved in the assessment or approval of the grant. All such transactions are undertaken on an arm's length basis in accordance with the normal grant assessment and arrangements. Details of governors and senior management who have interests in organisations to which the Foundation has made awards or contracted within 2023 are noted in the table below.

Board member/ senior management	Role in associated organisation	Associated organisation
David Smart	Trustee	BEAT
Paul Najsarek	Board Member	What Works Centre for Wellbeing
Dr Ruth Hussey	Honorary Fellowship	Bangor University
Dr Jennifer Dixon	Honorary Doctor of Science	University of Bristol
Rosalind Smyth	Vice Dean (Research) of the Faculty of Population Health Sciences	UCL
Anita Charlesworth	Council member	Royal Economic Society

During the year, Victoria Fund LP Incorporated, a subsidiary of the Foundation, received no investment contributions from the charity (2022, £0). Medtrust Innovations Limited, a subsidiary of the Foundation, donated its profit of £130k (2022: £240k) to the Foundation. The Foundation invested £4m in THIS Labs Ltd a new subsidiary of the Foundation for 4.23m shares.

25.0 Related party transactions (continued)

Remuneration of key management personnel

Key management personnel are considered to be the chief executive officer and others as set out in the senior management section of the governors' annual report. Total remuneration of this group in the year, was as follows:

	2023 £'000	2022 £'000
Key management personnel	1,564	1,232

26.0 Subsidiaries

The Foundation had three subsidiary undertakings and the details at 31 December 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Medtrust Innovations Limited	England and Wales	Intellectual property	Ordinary	100.00
The Victoria Fund LP Incorporated	Guernsey	Investment fund vehicle	–	–
THISLabs Limited	England and Wales	Business and domestic software development	Ordinary A	70.17

Medtrust Innovations Limited (Medtrust)

Medtrust is wholly owned by the Foundation and is a company registered in England and Wales. It is engaged in the exploitation of intellectual property rights.

In March 2011, the Foundation purchased 524,998 ordinary shares of Medtrust at £1 each to finance an investment to acquire 50% of the intellectual property rights of BMJ Quality & Safety, a journal published by the BMJ Publishing Group Limited. This social motive investment is held at cost in the charity balance sheet. Medtrust undertakes an impairment review each year.

At 31 December 2023, Medtrust had fixed assets of £526k (2022: £526k) and current assets of £145k (2022: £255k). The shareholders' funds include called-up share capital of £526k (2022: £526k) and reserves of £130k (2022: £241k).

26.0 Subsidiaries (continued)

During the year, Medtrust had an operating profit of £130k (2022: £240k). The sum equivalent to its taxable profits will be donated to the Foundation, as provided for in Medtrust's Articles of Association.

The Victoria Fund LP Incorporated (Victoria Fund)

The Victoria Fund was formed in February 2010 and is a limited partnership, number 1275, registered in Guernsey. It is a vehicle to invest in a combination of hedge funds, private equity and private infrastructure. The limited partner is the Health Foundation and the general partner is Brook Street Limited, a Cayman Islands exempt limited company. Brook Street has delegated its powers to an investment manager, Cambridge Associates Limited.

The Health Foundation as the limited partner is entitled to all investment returns less a priority share by the general partner (Brook Street Limited) from the Victoria Fund and, for consolidation purposes, it is treated as a wholly owned subsidiary of the Foundation.

As at 31 December 2023, the Victoria Fund had net investment assets of £433,464k (2022: £411,460k) and the value of its net assets was £436,631k (2022: 442,297k). Net profit in the year was £6,823k (2022: £53,572k).

THIS Labs Ltd (THIS Labs)

THIS Labs was created in May 2023 and is a private limited company 70.12% owned by The Health Foundation. THIS Labs was created to drive innovation and improved approaches to engagement in research and consultation projects. As the Health Foundation owns 70.12% there is a non-controlling interest and the funds held on their behalf were £114k (2022: £0) which have been shown within equity.

At 31 December 2023, THIS Labs had fixed assets of £477k (2022: -) and current assets of £2,798k (2022: -). The shareholders' funds include called-up share capital of £1k (2022: -) and reserves of £3,267k (2022: -).

During the 8 months of operating in 2023, THIS Labs had an operating loss of £1,213k (2022: -).

27.0 Cash used by operations – Group

	2023 £'000	2022 £'000
Surplus/(deficit) for the year	27,591	(71,882)
Adjustments for:		
Investment income recognised in profit or loss	(16,538)	(16,395)
Cost of raising funds	14,905	14,400
Fair value (gains) and losses on investments	(71,640)	9,642
Depreciation, amortisation and impairment of fixed assets	1,295	2,687
Movements in working capital:		
Decrease/(increase) in debtors	(119)	14
(Decrease)/increase in creditors	(7,156)	15,984
Increase/(decrease) in provisions	75	(74)
Cash absorbed by operations	(51,586)	(45,624)

28.0 Comparative consolidated statement of financial activities for the year ended 31 December 2022

	Notes	Unrestricted fund £'000	Restricted fund £'000	Expendable Endowment fund £'000	Total 2022 £'000
Income:					
Charitable activities	3	427	1,347	–	1,774
Investments	4	16,395	–	–	16,395
Capital applied to income	5	47,697	–	(47,697)	–
Total income		**64,519**	**1,347**	**(47,697)**	**18,169**
Expenditure:					
Fund management	6	–	–	14,400	14,400
Charitable activities	7	64,519	1,490	–	66,009
Total resources expended		**64,519**	**1,490**	**14,400**	**80,409**
Operating profit/ (deficit)		–	(143)	(62,097)	(62,240)
Net gain/(loss) on investments	11	–	–	(9,642)	(9,642)
Net income/ (expenditure) for the year		–	(143)	(71,739)	(71,882)
Fund balances as at 1 January 2022		–	816	1,218,546	1,219,362
Fund balances as at 31 December 2022		–	673	1,146,807	1,147,480

29.0 Grant funding

The Foundation funded £16,847k of grants in 2023 (2022: £37,004k). These grants range from small one-off awards to multi-year demonstration projects and fellowships. Integral to all our award making is direct support from the Foundation, as well as expertise from technical providers and consultants. This support is organised and paid for by the Foundation, delivered directly to the award holders and can be in the form of technical development and assistance, learning events and coaching. Within this grant funding the Foundation also funds research and external evaluations to ensure programmes are evidence-based and offer value for money.

Grants made to organisations and individuals are analysed by strategic objective in the table below.

Lead recipient for strategic priority: Supporting radical innovation and improvement in health and care services	Total £
Public Health Wales	498,500
Lancashire Teaching Hospitals NHS Foundation Trust	97,700
University College London Hospitals NHS Foundation Trust	75,000
Stockport NHS Foundation Trust	72,500
NHS Providers	70,100
The King's Fund	61,000
Professional Record Standards Body	60,100
Croydon Health Services NHS Trust	52,100
Health Innovation West of England	51,100
Midlands and Lancashire Commissioning Support Unit	50,000
Harvard Medical School	50,000
St George's University Hospitals NHS Foundation Trust	44,600
Healthcare Quality Improvement Partnership (HQIP)	40,000
Northern Health and Social Care Trust	40,000
North Bristol NHS Trust	40,000
King's College Hospital NHS Foundation Trust	40,000
University Hospitals Plymouth NHS Trust	40,000
BGSC Limited	40,000
Wellbeing and Health Action Movement (WHAM)	40,000
Cwm Taf Morgannwg University Health Board	40,000
Norfolk and Waveney Health and Care Partnership	40,000
North and South Gloucester Primary Care Network	40,000
Deaflink North East	40,000
London Ambulance Service NHS Trust	39,900
NHS Somerset ICB	39,900
Heart n Soul	39,900
Improvement Academy	39,800
Lewisham and Greenwich NHS Trust	39,100

29.0 Grant funding (continued)

Lead recipient for strategic priority: Supporting radical innovation and improvement in health and care services (continued)	Total £
NHS Greater Glasgow and Clyde	38,900
Aneurin Bevan University Health Board	35,000
South Doc Services MyHealthcare Federation	34,200
NHS England	34,000
Your Healthcare CIC	30,000
Sutton Primary Care Networks CiC	30,000
Powys County Council	30,000
Care City Innovation CIC	30,000
Care Providers' Voice	30,000
NHS Lanarkshire	29,800
Derbyshire Community Health Services NHS Foundation Trust	29,800
NHS BNSSG ICB	29,500
Shared Lives Plus	29,200
Guy's & St Thomas' NHS Foundation Trust	29,100
St Rocco's Hospice	27,800
Rowcroft – Torbay & South Devon Hospice	26,600
Open Innovations	25,000
Bangor University	25,000
Chelsea and Westminster Hospital NHS Foundation Trust	24,900
Cheshire & Merseyside CCGs	20,000
NHS Hertfordshire and West Essex ICB	20,000
Innovation Agency: Health Innovation Network for the North West Coast	20,000
Community Hospitals Association Ltd	19,800
Health and Social Care Alliance Scotland (the ALLIANCE)	19,700
Social Finance UK	19,600
COPE Scotland	19,500
Macmillan Cancer Support	19,100
The Brigstowe Project	18,200
The Strategy Unit Midlands and Lancashire CSU	15,700
NHS Education for Scotland	15,000
One Health Tech	11,500
Surrey Heartlands	11,000
University of Roehampton	10,000
Arch Health CIC	7,600
Coventry and Warwickshire Partnership NHS Trust	7,300
Health Innovation Network (AHSN)/DigitalHealth.London	5,100
King's College Hospital NHS Foundation Trust	900
Total	**2,650,100**

29.0 Grant funding (continued)

Lead recipient for strategic priority: Improving people's health and reducing inequalities	Total £
Fraser of Allander Institute University of Strathclyde	1,189,200
BBC Children in Need	400,000
Association of Directors of Public Health (ADPH)	399,500
Office for National Statistics	162,500
Global Action Plan	137,900
FrameWorks UK	125,100
Chartered Institute of Public Finance and Accountancy (CIPFA)	109,000
Centre for Mental Health	68,100
Crisis	67,200
Learning and Work Institute	61,200
University of Bristol	55,900
New Philanthropy Capital	42,200
University of Sheffield	24,000
Nuffield Foundation	12,500
What Works Centre for Wellbeing	10,000
Association for Young People's Health	4,000
Total	**2,868,300**

Lead recipient for strategic priority: Providing evidence and analysis to improve health and care policy	Total £
The Commonwealth Fund	840,000
Brown University School of Public Health	350,000
Organisation for Economic Co-operation and Development (OECD)	185,000
University of Surrey	181,500
Royal Economic Society	150,000
Health Economic Research Centre University of Oxford	118,900
Centre for Health Economics University of York	108,200
The University of York	70,000
Institute for Fiscal Studies	52,200
Institute for Government (IFG)	30,000
Nuffield Trust	11,700
Total	**2,097,500**

Lead recipient for strategic priority: Cross cutting strategic activities	Total £
Health Services Research UK	49,500
Services provided by third parties to support award holders and further the work of the Foundation	8,268,500
Grants and donations awarded to charities by governors	205,000
Movement in discounting of grants payable in more than a year	708,100
Total Grants	**16,847,000**

Appendix: Investment Fund Managers

Aikya Investment Management
Pinnacle Investment Management
Nova North, Suite 6.12
11 Bressenden Place
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Axiom Investors
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BlackRock Investment Management Ltd
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Impax Asset Management Ireland Limited
The Lennox Building
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Legal & General Investment Management
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Scale Venture Partners
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Spring Lane Capital
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Star America Infrastructure Partners
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StepStone Group LP
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Registered company number: 1714937
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THE HEALTH FOUNDATION

England & Wales - Charity number 286967

Accounts

The Health Foundation

Annual report and financial statements

For the year ended 31 December 2022

Working to build a healthier UK

Introduction from the Chief Executive and Chair

We live in challenging times. The Health Foundation, with our mission to build a healthier UK, is in a position to help. Our significant endowment and independence are very strong assets. They allow us to plan coherent short- and long-term programmes of work, take some creative risks, and work with others to combine forces on issues. They also allow us to build up a very rich picture of what is happening in the health and care arena, to be able to frame challenges and opportunities accurately and credibly influence policymakers and other important stakeholders on their strategies to address them. Our 2022 annual report shares some of the highlights from our recent work and looks ahead to our plans for 2023.

The external context we work in is very difficult, with the health and care system facing unprecedented pressures, our health and wellbeing fraying and deep inequalities in the health of our richest and poorest communities. Looking ahead, while economic and demographic trends over the next 20 years are also projected to be very challenging, the huge promise of technology and innovation offers an opportunity to transform services and deliver a step change in our health.

At the end of 2022, we launched our new strategy covering 2023–25. It is an evolution rather than a revolution of our previous work, and is squarely aimed at these challenges and opportunities. The strategy at the same time aims to strengthen the valuable knowledge, capability, productive partnerships, reputation and trust that we've successfully built over recent years. Going forward we have three strategic priorities

- improving people's health and reducing inequalities
- supporting radical innovation and improvement in health and care services, and
- providing evidence and analysis to improve health and care policy.

In each area, we have an ambitious and innovative portfolio of work, in-house and externally commissioned. See the *Looking ahead* section of this report for a sense of what these priorities will mean for our work.

In 2022 we organised our work through five external facing strategic priority areas. Within each we made contributions through: research and analysis; grants for new centres; large programmes and projects on the ground; building capacity through supporting fellowships and networks and using influence as investors via our endowment to make change.

Our research and analysis remains a central strand of our work, generating robust and insightful evidence to influence policy and practice. Several major outputs allowed us to reach wider audiences and gain media traction. For example our independent analysis of health inequalities in Scotland, our BMJ series on quality improvement in care which reached over 1 million people, the REAL Centre's annual lecture by economist Andy Haldane on the links between health and wealth, and our influence on local health planning of mental health services following analysis by the Networked Data Lab. Meanwhile as we approached our 25th year, we also took time to reflect on the Foundation's own origins and evolution through the publication of our short history.

Internally, our priority to develop our organisation – called Better Health Foundation – is ensuring we have a well-supported workforce, efficient business processes, resilient infrastructure and a strong focus on our role as a modern and socially responsible Foundation. 2022 saw the Foundation further develop this agenda with respect to our people, operational and business processes and our infrastructure. Work will continue in 2023 and beyond through our programme of organisational improvement.

Over the next strategic period our external and internal priorities are supported by three vital cross-cutting themes. The first is equity, diversity and inclusion – making this a much stronger focus externally as well as internally, for example in developing a more inclusive culture and approach to our work. The second is environmental sustainability: among other things we are using our responsible investment policy and our endowment to leverage more progress in reducing carbon among investors and businesses. And the third is public participation – reaching out more to the communities and groups we are ultimately here to serve, to make sure their experience and perspective more fully influences the work we do.

The breadth and combination of activities carried out and funded by the Health Foundation, some in collaboration with partner organisations, are, we believe, unusual for a Foundation.

Our impact in 2022 is due to the hard work and commitment of staff, governors and the people we work with across health and care. We are very grateful for their support, in what have continued to be challenging circumstances. We look forward to making progress in 2023 and beyond – always for the benefit of the UK population and, in particular, the most vulnerable in society.

Dr Jennifer Dixon Chief Executive

Sir Hugh Taylor Chair

2022: Year in review

Promote healthy lives for all

Good health is vital for a thriving country – allowing people to play an active role in their families, communities and at work.

Within only 5 years, we have become established as a respected source of evidence and insight on improving health and reducing health inequalities. We are also successfully establishing our profile and reach beyond the Health Foundation's core NHS audiences to local authorities, business and investors. With strong political engagement we are well positioned and connected to influence national policies to improve health across all parties.

Key highlights

- **Understanding what drives health inequalities**: New analysis on international comparisons of life expectancy for our evidence hub reached a wide audience, for example making the front page of *The Guardian*. As a trusted source of evidence, content has been referenced by influential stakeholders such as the Chief Medical Officer and in parliamentary debates.

- **Influencing national policies**: We used our relationships with policymakers to host a housing and health roundtable to inform the Office for Health Improvement and Disparities' work and ongoing work on levelling up and the new Major Conditions Strategy. The Shadow Health team have regularly sought our advice on policy matters. Our work with Public First on health inequalities in red wall seats is influencing policy.

- **Supporting local areas to promote action on health**: Our report and accompanying toolkit, published with Frameworks on framing communications about health, was one of our most popular reads of 2022. It has received positive feedback from local public health leaders and received recognition from key national bodies such as OHID and WHO.

- **Exploring economic inactivity and health**: Our analysis on economic inactivity has had significant interest from media and senior stakeholders. We gave evidence to the Economic Affairs Committee's UK Labour force Inquiry, a shadow government roundtable and influenced CBI government policy calls on work, health and the role of business.

- **Health Equals**: Our campaign to highlight health inequalities in the UK launched its brand, website and social media channels in December 2022. This was received exceptionally well by stakeholders and members. The website achieved more than 5,000 unique page views in its first week, which is a high volume for a new initiative.

Case study: Health inequalities in Scotland

In 2022, the Health Foundation carried out an independent review of health and health inequalities in Scotland. The review increased understanding of trends in health inequalities in Scotland and built support for policy action among influential senior stakeholders and politicians.

Activities included roundtable debates, senior stakeholder meetings and speaking at key conferences to reach across sectors as well as party conferences. The work was widely covered in the media, has been

mentioned during First Minister's Questions, including from Clare Baker MSP, and drawn interest from key influencers such as the Scotland Chief Medical Officer.

Our evidence was used by the Scottish Parliament Inquiry into health inequalities. The Chair of the Health, Social Care and Sport Committee (Gillian Martin, MSP) sponsored the launch event, which was attended by 16 MSPs. The work has increased brand awareness and laid the foundations to support policy action in 2023.

Supporting health care improvement

Through our health care improvement priority we supported the development, adoption and spread of innovation, and demonstrated how management and improvement approaches can drive up quality and productivity. We also sought to influence strategy for health system recovery from the COVID-19 pandemic.

Key highlights

- **Influencing national improvement approaches:** Using our relationships with key stakeholders through our Q community, and our credibility in quality improvement, we heavily influenced a high profile national review of improvement in the NHS. We were able to contribute learning from our funded work, such as the evaluation of the NHS partnership with Virginia Mason Institute, our fellowships and Q.

- **Building understanding of and evidence for quality improvement:** We brought quality improvement to a wider audience through our QI article series, in partnership with the BMJ, reaching over 1.1 million reads.

- **Influencing national health tech policy and programmes through our research:** Following publication of our research on health technology, such as on AI and learning health systems, we worked with NHS England to support the development of the Digital Health and Care Plan, including advocating for a section on digital inclusion and inequalities. We were also invited to join steering groups for national tech and innovation programmes.

- **Improving health care service delivery through our programmes:** We launched a new round of our Q Exchange programme and awarded further funding to successful projects from earlier rounds, including a project to develop a human factors network. Since the original award the network has expanded to cover the UK and has become a key enabler for using human factors methods in health care. Elsewhere, our Continuity of Care programme raised awareness of the value of seeing the same GP, with insights shared at the RCGP conference and through a select committee submission.

- **Building understanding of trust-wide approaches to improvement:** Building on our *Improvement journey* report, we launched a partnership with NHS Providers supporting members of NHS trust boards to develop greater awareness and understanding of organisation-wide approaches to improvement. Board members involved reported a stronger understanding of the enablers and barriers to improvement, and greater confidence to address longstanding strategic improvement challenges.

- **Building understanding of and evidence for quality improvement:** THIS Institute launched its Elements of Improving Quality and Safety in Healthcare series, which provides an evidence-based overview of improvement approaches. The series will be published as a book and made available through a shorter accessible online resource for health professionals. Commissioned by the Department for Health and Social care, in collaboration with the Royal College of Midwives and the Royal College of Obstetricians and Gynaecologists (RCOG), THIS led the development of a framework to reduce brain injury at birth, the resulting standardised guidelines will help address unwanted variation in outcomes. In recognition of their maternity work the Institute's Director, Mary Dixon-Woods, received an honorary fellowship from RCOG.

Case study: FREED (First Episode and Rapid Early Intervention for Eating Disorders)

Eating disorders are severe mental health conditions that can cause serious physical problems and usually start during adolescence or early adulthood. The first 3 years of illness offer a window for early, effective intervention to achieve a full recovery, but historically access to services has been poor.

Over the past decade, our sustained support and funding has enabled the development, evaluation and national spread of an innovative early intervention service for young people with eating disorders. South London and Maudsley NHS Foundation Trust designed FREED in 2014 to give young people rapid access to treatment that is tailored to their needs. FREED includes a rapid screening and assessment protocol, guided self-help interventions and psychological therapies for patients and carers, and an implementation toolkit for staff.

Evaluation of FREED at 30 sites indicates that the intervention has reduced waiting times for patients presenting with a first episode of an eating disorder, for both assessment and treatment. Compared with the 2017 average waiting times for adults with eating disorders, the time for assessment was reduced to 20–30 days (down from 70 days) and the time for treatment reduced to 45–65 days (down from 147 days).

Since the pandemic, FREED referrals have included more cases of anorexia, lower average weight and individuals are more likely to have more complex mental health needs. By creating a database of referral data across adopter sites, the FREED team have been able to respond quickly to this changing profile of service users and offer timely advice and support to adopters.

The model is now available in 53 out of 54 eligible mental health trusts in England, with over 3,000 people seen so far. Learning from the FREED experience has been shared with health systems worldwide, including the US, Canada and Germany.

Influencing health and social care policy

We produce a mix of research and analysis to inform national policy in England – including on NHS reform, social care, inequalities in general practice, health system performance and public attitudes. In 2022 our analysis received widespread media coverage and was used to influence national NHS bodies and government – including significant work to inform and assess the development of the Health and Care Act 2022.

We also collaborated with international partners to share policy lessons and strengthen networks between countries – including through our work with the World Health Organization's European Observatory on health systems and policies and the Commonwealth Fund in the US.

Key highlights

- **Exposing poverty among social care workers:** Our analysis on rates of poverty and deprivation among residential care workers in the UK illustrated the human costs of government inaction on pay and conditions for care workers. It attracted widespread national media coverage.

- **Exploring public attitudes to health and social care**: We produced a mix of reports from two rounds of public polling on attitudes to health and social care with Ipsos, which received strong national media coverage and helped inform debate on what the public think about NHS reform. We presented the findings to the National Quality Board, the BMA and other stakeholders.

- **Addressing leading health risk factors**: Our assessment of central government policies over the past decade to tackle the leading risk factors for ill health, such as smoking and alcohol use, was widely read. It provoked an op-ed by a former minister and secured widespread media coverage, and we presented the analysis to policymakers in central and local government.

- **Tackling inequalities in general practice**: We published research on policies to improve general practice in deprived areas in England since 1990. We presented our findings and recommendations to various national NHS bodies, the Department of Health and Social Care, shadow health ministers and MPs on the Health and Social Care Select Committee.

- **Co-funding international fellows**: The Harkness Fellowship in Healthcare Policy and Practice and the Sciana Health Leaders Network – both funded by the Health Foundation – were back to full strength after disruption from the pandemic. We co-funded four UK Harkness fellows for 2022–23, and six Sciana fellows, who met twice at Salzburg Global Seminar and shared lessons with European health leaders on how to respond to common challenges facing health systems internationally.

Case study: NHS reform

Our work informed the debate over the Health and Care Act 2022, the biggest major legislative change for the NHS in England in a decade.

When proposals for the legislation first emerged, we published our assessment of the reforms in the *BMJ* and submitted evidence to national NHS bodies. We responded to key developments in the media, held events to help people understand and scrutinise the proposals, and gave oral evidence at the Health and Social Care Select Committee's inquiry on the reforms.

As the legislation went through parliament, we worked with MPs, Lords and others to support

amendments to the Bill, for example, on health inequalities.

The Act was passed in July 2022 – and our analysis of the new NHS structures was widely read and shared. We held a roundtable with NHS England to help consider implementation of the reforms, with leaders from the NHS, local government and academia.

The sustainability of health and social care funding

In 2022 the REAL Centre continued to advocate for a longer term approach to planning and funding health and care services. We aimed to set the agenda for this approach through our flagship outputs of projections reports and an annual lecture.

We also responded to new developments and major questions facing policymakers, providing explainers and analysis that generated significant interest from the media and other stakeholders. We used our leverage as a funder to improve diversity in economics, and made a major investment in economic research through our two REAL Centre research units.

Key highlights

- **REAL Challenge annual lecture**: In November economist Andy Haldane delivered the REAL Challenge lecture highlighting the importance of health and health care for UK economic growth over the past century. Public engagement during and after the event was significant, with various media outlets linking the lecture to the debate about why labour force participation has decreased in the UK.

- **Discover Economics**: Discover Economics aims to improve representation in economics. Through our funding they engaged with universities and school-age pupils to encourage uptake of economics courses and careers. They have worked with careers advisors and leaders, and worked with international partners on the YES Young Economic Summit.

- **International comparisons**: Responding to the increasing demand for timely and accurate information about how UK spend on health care compares to other countries, we published analysis on Twitter and as a long read. This led to media interest, including an exclusive with the *Financial Times*, and was recently quoted at an NHS England board meeting.

- **2014 Care Act amendment**: We collaborated with the IFS to publish a briefing about the impact of a proposed government amendment to the 2014 Care Act.

Case study: Workforce analysis

Workforce shortages are the biggest challenge facing the NHS and social care in England. In 2022, the REAL Centre identified that the NHS and social care workforce would be a key area of interest. To influence policy decisions, including the content of the long-awaited NHS workforce plan, we planned a programme of analytical outputs throughout the year with our flagship workforce projections report at the centre. This allowed us to time publications around key announcements and in response to current events. This was highly successful; our data analysis on nurse pay was the most read in 2022.

Our GP projections were particularly well received; they are cited by key organisations as the standard figures, NHS England are using our methodology and are setting the agenda. This has positioned us as experts in the field, leading to a recent approach from the NHS to independently assess the workforce projections for the workforce plan.

Data analytics for better health

In 2022 we continued to influence national policy and local practice through our analysis, including new responsive work timed to influence decision making. We further influenced national policy and strategy on the use of data and analytics to improve health and care – including the government's data strategy and the Goldacre Review into the efficient and safe use of health data in research. And we made progress in our work to support better analytics across the Foundation – launching our Data Analytics Platform and strengthening our work on public and patient involvement and engagement.

Key highlights

- **Understanding the drivers of ambulance service performance**: Our analysis of the drivers of worsening ambulance waiting times, published in November 2022, received national media coverage and received excellent feedback from key stakeholders including senior staff at NHS England.
- **Influencing local service planning through the Networked Data Lab (NDL)**: The NDL's analysis on children and young people's mental health was widely read and secured widespread national media coverage. The analysis has also been used by local areas to inform service planning and delivery.
- **'Closing the gap' on evaluation**: The Improvement Analytics Unit further developed its capabilities and reputation as a leader in quantitative evaluation. We have increasingly been recognised and sought out for our expertise in evaluation design.
- **Securing a legacy for our work on social care analytics**: We have been working to strengthen social care analytics since 2020. In 2022, our engagement with care users was recognised by the House of Lords Adult Social Care Committee, while NHS England agreed to fund and maintain the community of practice we established.
- **Building international collaboration**: Our support for the ICCONIC collaboration – focusing on costs, outcomes and care for high-need, high-cost patients – has continued to grow. The collaboration has agreed longer term aims and will publish a second special issue in 2024.

Case study: Children and young people's mental health

The prevalence of mental health problems among children and young people has been rising over the past 20 years and was exacerbated by the pandemic. A key challenge to addressing and improving children and young people's mental health is the lack of nationally available data on what services are available and how they are used.

The Networked Data Lab (NDL) used unique linked datasets and local expertise to produce new insights on this topic. This work was well received by our key stakeholders and at a national level, our analysis fed into the Department of Health and Social Care's consultation on a 10-year mental health and wellbeing plan.

Across our five NDL partners, our work is directly informing service improvement. In Grampian, the children and young people's mental health services clinical team hired two additional consultants to fill gaps identified by the analysis. Furthermore, the Police Scotland Suicide Prevention team and the Youth Justice Management teams are drawing on the local analysis to identify high-risk groups. The Grampian team also received the University of Aberdeen's 2023 Principal's Prize for Research and Engagement on the work they did engaging with patients and the public on children and young people's mental health.

Work to improve the Foundation

We aim to be a modern, well-run, socially responsible and sustainable foundation. Our work to improve our organisation is to ensure we have a well-supported workforce, efficient business processes and resilient infrastructure.

In 2022 we continued to hone our approaches to cross-cutting initiatives of equity, diversity and inclusion, environmental sustainability and public participation through the 2023–2025 strategic planning process. We also continued to refine our hybrid work programme, grow our data infrastructure and strengthen our commitment to our people, with a particular focus on our benefits.

- **Hybrid working:** The hybrid working programme has been successful in implementing office changes to reflect different working preferences, supporting staff to work in a flexible manner, and providing virtual workspaces through the rollout of Microsoft Teams and new AV equipment. It has resulted in improved productivity and job satisfaction for our people while maintaining effective communication and collaboration within the Foundation. We are continuing to review our approach to hybrid working with further revisions planned for 2023.

- **Data analytics platform**: The DAP provides a new, state-of-the-art, secure environment for processing patient data that complies with ISO 27001 and NHS data and security standards. The platform launched in June 2022, with a successful migration of data from the old platform, full onboarding of analysts, and a managed service in place through SoftwareOne.

- **Equity, diversity and inclusion**: In 2022, the Health Foundation achieved a Bronze standard TIDEMARK from the Employers' Network for Equality and Inclusion, which measures (based on self evaluation) an organisation's approach and progress on EDI. To continue to develop EDI within the Health Foundation, we recruited a permanent role of EDI Lead in early 2023.

- **Environmental sustainability**: We created a new delivery team to lead our work to improve the operational sustainability of the Foundation. We developed guidance to help grant and contract applicants consider the sustainability of their proposals. Following the development of our responsible investment principles and the establishment of a net zero target for our endowment, the investment team selected new advisors and fund managers to help us in achieving our target.

- **Enhancing our benefits**: Following an employee survey carried out during 2021, we introduced a number of enhancements to our suite of benefits that have proved very popular. Changes included increasing the annual leave entitlement by 20%, increasing paternity pay from 2 weeks full pay to 26 weeks full pay and a new fitness benefit allowing employees to claim up to £60 per month.

Looking ahead

Going forward, we have three strategic priorities:

- improving people's health and reducing inequalities
- supporting radical innovation and improvement in health and care services, and
- providing evidence and analysis to improve health and care policy.

More detail is set out in our new strategy covering 2023–25. In each of the three areas we have a range of activities planned, from grant making, research and fellowships, to collaborating with stakeholders and working in partnership.

Improving people's health and reducing inequalities

Life expectancy improvements are stalling and going into reverse in some communities, particularly among those living in socioeconomically deprived areas. Much of this is avoidable. We will be continuing to explore how the circumstances in which we live shape our health.

Areas of work for 2023

- We will launch the first public-facing campaign of Health Equals – a campaigning initiative aimed at engaging the public in the wider issues that shape our health. The campaign will aim to raise public awareness of the difference that *where* you live can make to *how long* you live.

- We will launch the next phase of our work with Combined Authorities. Building on our Cities Health Inequalities project, this 3-year initiative will support metro mayors to consider how they can put health at the heart of their decisions on employment, transport, housing and other infrastructure.

- Work from the Health Foundation's REAL Centre will use innovative modelling techniques to project trends in ill health over the next two decades.

- Our Evidence Hub will be launching new analysis on the extent to which our surroundings are good for our health, including analysis of the density of fast food outlets and inequalities in access to green space.

- We will be returning to the LGA annual conference, including contributing to a panel session exploring whether the mismatch between levels of need and actual funding levels hinders action to tackle place-based inequality.

Supporting radical innovation and improvement in health care services

A combination of a (global) shortage of labour in the health and care workforce, and an increasing burden of ill health in the population largely due to ageing means that care must change radically and faster.

In 2023 we want to give policymakers, system leaders service providers, health care staff, service providers, health care staff, service users and the public the insights, practical resources and opportunities needed to support innovation and improvement.

Areas of work for 2023

- We will leverage our assets such as the Q Community, THIS Institute, the Impact Centre, the Flow Coaching Academy and BMJ Quality and Safety to support cross-system learning and improvement and build the evidence base for organisation and system-wide transformation.

- We will capitalise on the recent launch of NHS Impact, a shared national approach to quality improvement, including through a new partnership between our Q Community and NHS Confederation to explore how Integrated Care Systems can develop a shared improvement approach across their areas.

- We will launch a new £2.2m funding programme to explore how technology can enable new proactive and relational models of care at home and in the community, marking an expansion of our work beyond our historic focus on acute and primary care. In collaboration with NHS England, we will begin evaluating the use of virtual wards in several local health care providers to better understand the virtual ward patient population.

- We will work with THIS Institute to implement its new 5-year strategy, which will include Thiscovery, a digital citizen science platform, which was officially launched in May 2023.

- We will begin work on exploring the role Artificial Intelligence can play in improving health care.

Providing evidence and analysis to improve health and care policy

Policy decisions on health and social care are often only loosely related to evidence or rigorous analysis, sometimes fail to incorporate a long-term health perspective, and can have complex effects that are not well understood. We are here to change that.

We will focus on national policies affecting the NHS and social care in the UK, as well as how national policies are interpreted and implemented in different local contexts, such as in integrated care systems or local authority areas.

Areas of work for 2023

- Analysis looking at how the UK health system compares internationally – including comparisons of policy (eg funding models) and performance.
- New research on integrated care systems – including how they are developing and their approach to reducing health inequalities.
- Contributing to debate on how to improve primary care – including work on skill-mix and improving access to primary care with THIS Institute.
- Long-term projections for population health and multimorbidity from the REAL Centre, with a follow up report focusing on health inequalities. We will also hold the 4th annual REAL Centre lecture and continue our programme of analysis to inform workforce policy.
- A mix of work – including deliberative work with the public – to shape the narrative and priorities for NHS and social care ‘reform’ ahead of general election.

- Coordinated work across the Foundation to influence policy priorities for a new government.

Work to improve the Foundation

We are working to promote sustainability, equity, diversity and inclusion and public participation across our activities, including how we invest our endowment responsibly and in ways that will bring about change. We will continue to make progress on this in 2023 and beyond alongside improvements to our operating processes, which will be coordinated through our programme of organisational improvement.

Financial review and statements

Legal and administrative information

Governors	Sir Hugh Taylor (Chair) Sir David Dalton (stepped down 13 July 2023) Eric Gregory Loraine Hawkins Ruth Hussey Branwen Jeffreys David Smart Rosalind Smyth Katie Blacklock Dawn Edge Ravi Gurumurthy Paul Najsarek (appointed 1 March 2023) Roland Sinker (appointed 1 March 2023)
Charity number	286967
Company number	01714937
Registered office	8 Salisbury Square London EC4Y 8AP
External Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	BDB Pitmans One Bartholomew Close London EC1A 7BL Bates Wells 10 Queen Street Place London EC4R 1BE
Investment Fund Managers	See Appendix
Custodian and Performance Measurement	Northern Trust 50 Bank Street Canary Wharf London E14 5NT
Investment Advisers	Cambridge Associates Limited 62 Buckingham Gate London SW1E 6AJ Redington 6th Floor 1 Angel Court London EC2R 7HJ

Charitable activities in 2022

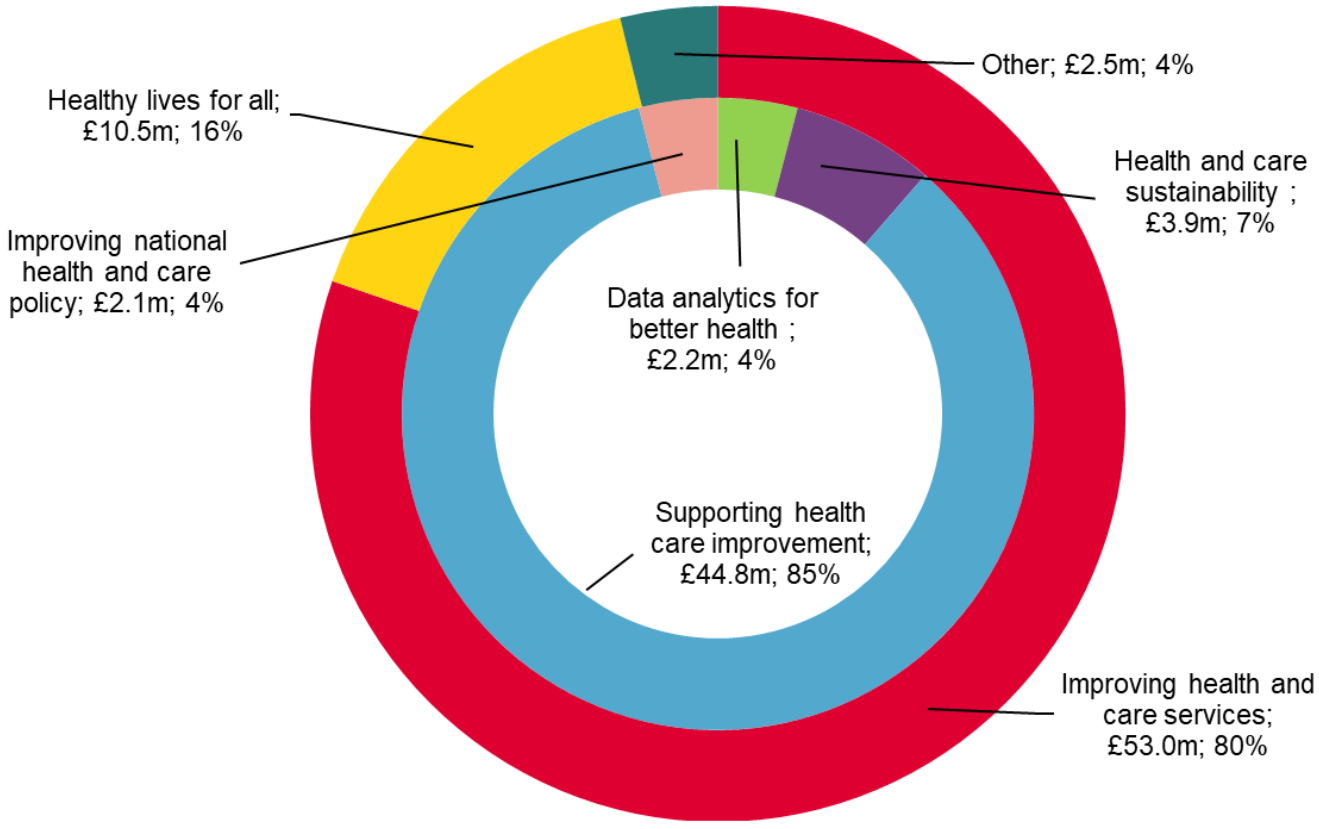
Our charitable expenditure

Our charitable expenditure is made up of:

- Grants and donations of £37.0m, including £22.8m awarded for the second phase of funding of THIS Institute, making a total 10-year commitment for THIS Institute of £42.5m, payable in arrears.
- Direct costs of £16.0m, mainly our internal staff who manage our awards and influence change directly through our strategic priorities, listed in figure 1 below.
- Support and governance costs of £13.0m, providing the infrastructure to deliver our charitable activities, including our secure data networks.

Our charitable expenditure of £66.0m by strategic priority, allocating direct and support costs as appropriate, is illustrated in the chart below.

Figure 1: Charitable expenditure in 2022



Our charitable expenditure of £66.0m compares to £40.3m in 2021. The key movements over £0.5m were:

- £22.8m further funding for THIS Institute committed in 2022, following a quinquennial review, as detailed above.
- Growth in expenditure for 'healthy lives for all' due to our increased investment in this area, £4.2m an increase of £1.2m compared to 2021. In 2022, our large awards were with ShareAction to develop policy, influencing and communication activity to get investors and asset managers to consider the impact their work has on population health in a similar way to ESG and climate change and with West Midlands Combined authority to be more effective in tackling health inequalities by providing capacity to ten Combined Authorities, building on the previously funded three-year Cities Health Inequalities project.
- New investments in the REAL Centre's economic research capacity £1.4m

Further information can be found in note 7 to the accounts.

Our income used for charitable activities

Our charitable activities are mainly funded by our endowment. In 2022, we received £16.4m investment income and transferred £47.7m of capital from the endowment, in line with our expenditure policy.

We received restricted income of £1.3m (2021: £1.2m) primarily for Q, an initiative joint-funded with NHS Improvement. The Q initiative started in April 2015 and is part of our substantial long-term investments to develop and support initiatives designed to build capability.

Our policies

Expenditure policy

The investment spending policy, outlined in our investments section, sets out the spending formula for the Foundation. This spending formula provides a guide for the annual budget that may be adjusted to consider the needs of the Foundation and its operational capacity. The Foundation's support and governance spend is set by reference to the total spend level to ensure it remains reasonable and proportionate.

Grant-making policy

The Foundation sets out specific entitlement criteria for each programme at its launch. These criteria vary from programme to programme and are made available on our website. Applications are assessed against these criteria and grants made considering funds available and the quality of applications. The period for which grants are awarded depends on the programme, but typically last between 1 and 4 years, with the exception of THIS Institute. Grants are monitored regularly, and appropriate progress reports are required from recipients.

Reserves policy

The Foundation holds an expendable endowment fund, which was created following the sale of PPP Healthcare Group (PPP) to Guardian Royal Exchange Group in 1998. It is the Foundation's policy to operate as a perpetual body and, in line with this policy, the governors seek to manage the Foundation's business, and in particular its investment returns and expenditure, to maintain the real value of this expendable endowment fund while providing the necessary income to fund the Foundation's ongoing charitable activities.

Within the above overall policy, governors are at any time able to use endowment capital to fund charity expenditure. Accordingly, governors have determined that it is not necessary for the charity to hold reserves by way of separate unrestricted funds. Capital from the endowment equal to the excess of the Foundation's expenditure over its generated unrestricted income is applied as income each year such that at the year end the unrestricted fund balance is nil.

Our investments

Investment policy and strategy

The governors have decided that the Foundation should operate as a perpetual endowment and seek to maintain the real value of the endowment. We aim to invest the Foundation's assets to maximise returns while balancing risk through a diversified asset portfolio.

The Foundation has a structured investment process with the following primary features:

- **Investment policy** is agreed by the board of governors; this includes investment objectives, constraints and spending rate.
- **Investment strategy** is delegated to the Investment Committee, including strategic and tactical asset allocation, rebalancing, styles and weighting within asset classes, and manager arrangements.

The governors' primary objectives are:

- **Time horizon**: the endowment shall be invested for the long-term with an investment horizon of 10 years and multiple economic and market cycles.
- **Return target**: the objective is to fund our charitable expenditure while maintaining the real value of our investments. As of January 2022, the total return target has is CPI+4% per annum with CPI as the revised proxy for inflation.
- **Spending** policy: the governors believe that the return target is consistent with sustaining a spending rate of 4% over a trailing 3-year average of endowment value.
- **Risk target**: a long-run volatility range of 13–15% and an equity beta in the region of 0.70–0.75. The governors wish to limit the possibility of a 20% fall in endowment value over 1 year but acknowledge that this possibility cannot be eliminated. The probability of this event is of the order of 20% or one in five.

The main features of the Foundation's investment strategy are to:

- manage the portfolio on a total return basis
- focus on 'return-generating' asset classes, which can reasonably be expected to generate attractive real returns over the long term
- have only limited exposure to 'risk-reducing' asset classes, because of their lower expected returns
- reduce risk by diversification, but accept that seeking high returns incurs volatility
- use active managers where it is reasonable to expect that the performance benefits will outweigh the additional costs.

Our approach to responsible investment

We recognise the importance of being a responsible investor and have developed four guiding principles based on the values of the Foundation, which act as an overarching framework to strengthen the endowment's investment strategy and stewardship credentials. The four responsible investment guiding principles are:

Principle 1 Work with, and challenge, existing and future investment managers to ensure their environmental, social and governance (ESG) integration and engagement policies align with the Foundation's framework.

Principle 2 Exercise the right as a responsible asset owner through measured and relevant engagement in relation to the mission of the Foundation.

Principle 3 An ambition to be Net Zero by 2035 and report impact against UN Sustainable Development Goals 3 and 13 via robust oversight procedures and processes.

Principle 4 Emphasise positive engagement over exclusion, as long as there is no conflict of interest in the field of public health and health care.

We oversee the practical application and governance of the four guiding principles in accordance with the endowment's ESG policy through engagement with the selected investment managers and investment

consultant. In addition, we require all our investment managers to have an ESG policy in place and recommend they adopt at least one of the following guidelines – the UK Stewardship Code or the UN Principles of Responsible Investment.

We do not invest directly in tobacco stocks. We also closely monitor our investment in pooled funds and if we identify any inadvertent exposure to tobacco stocks, we engage with the relevant investment manager with the aim of establishing new funds. There are certain stocks that could be seen as a conflict of interest for the mission of the Foundation and, therefore, we would negatively screen these stocks from the endowment. However, where possible, we adopt a formal approach to positive engagement where conflict of interest might arise. Where there are issues related to reputational risk, these reside with the board of governors.

The Health Foundation is a member of the Charities Responsible Investment Network, facilitated by ShareAction and maintains dialogue with investor coalitions such as Healthy Markets and Good Work. We intend that this will strengthen our approach to responsible investing where we want to use our investment portfolio to encourage businesses to behave responsibly.

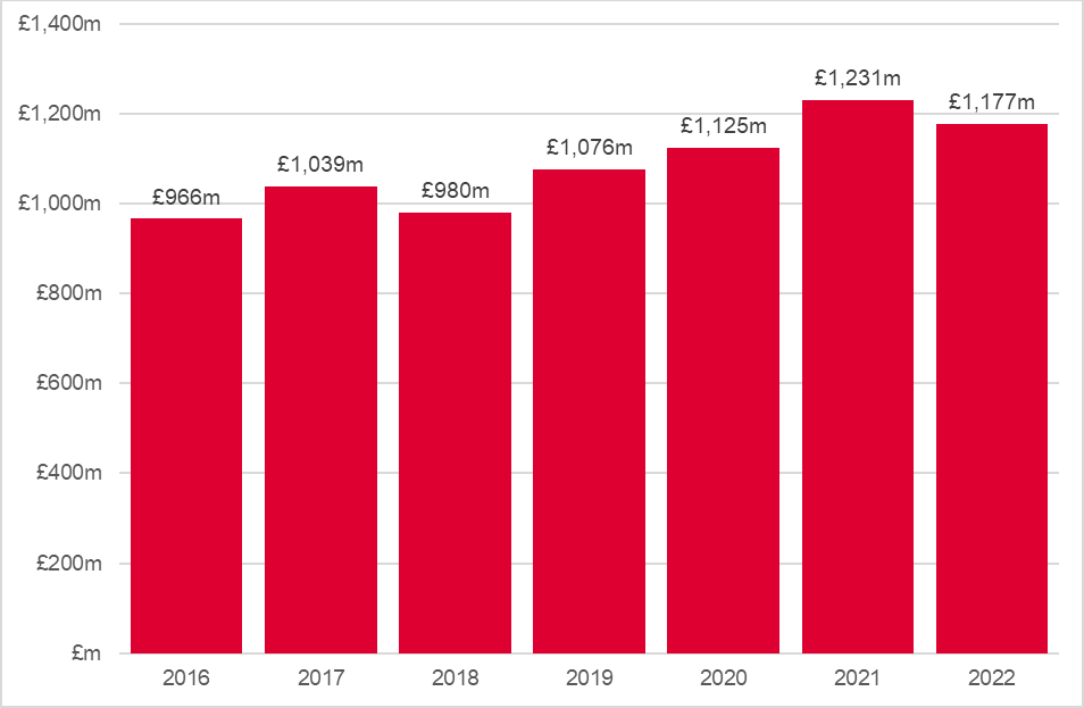
Investment returns

Our long-term goals for the management of our endowment investments are set out in the Investment policy and strategy earlier in this report.

2022 was, for many reasons, a volatile year and from a financial perspective high inflation dominated the macro agenda. The resilience of the diversified approach to the endowment portfolio held up well against these headwinds. For the year, the portfolio retreated just -0.6% against a policy benchmark down -8.0%. However, this still trailed the inflation driven return target which increased 15.0% for the year. We remain confident that the longer term active managed approach, overseen by an experienced investment committee, will continue to deliver the required return to meet the needs of the foundation.

Figure 2 shows the change in the value of the investments. In 2022, the value of the investments decreased by £54m, from £1,231m to £1,177m.

Figure 2: Investment values as at 31 December 2022

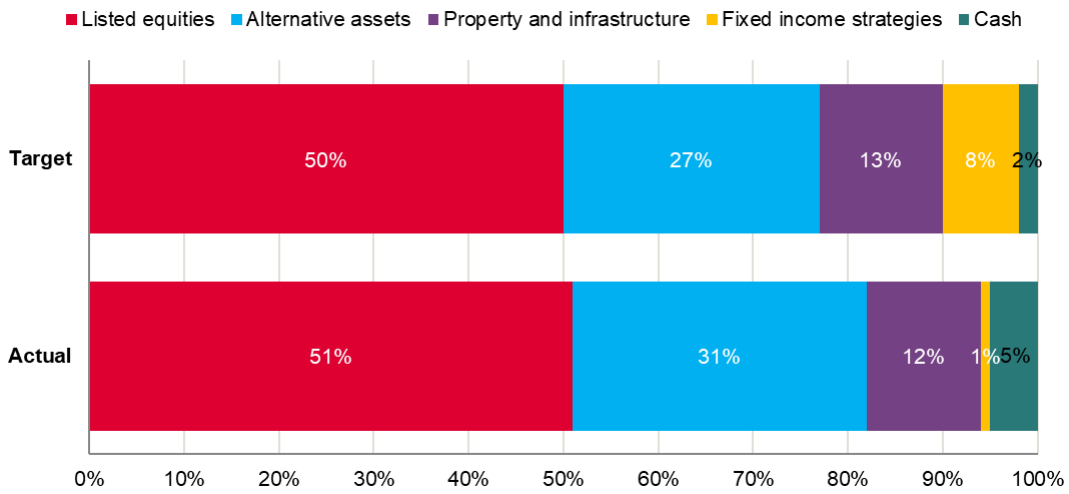


The structure of the investments is focused on global investing via a range of asset classes. The investments look to maximise returns while balancing acceptable levels of risk through a diversified asset portfolio. Following a review of the existing public equity investment managers in 2021, a new suite of public equity investment managers was agreed to reflect our responsible investment guiding principles more appropriately. The portfolio successfully transitioned to the suite of new investment managers in the first half of 2022.

The Investment Committee meets quarterly and sets and regularly reviews the long-term investment strategy and progress on its implementation. Redington act as our investment advisor for the endowment and provide advice on strategic asset allocation, investments, and responsible investment practices. Cambridge Associates provides investment management services for the Victoria Fund and investment advice on private investments and hedge funds.

Figure 3 shows the target strategic asset allocation together with the actual asset allocation at the end of 2022. The allocation for 2022 was overweight listed equities, alternative assets and cash, and underweight in property & infrastructure and fixed income strategies. Over time, we expect to slightly increase our allocation to fixed income as we look to re-allocate capital from listed equities.

Figure 3: Asset allocation at 31 December 2022



We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future, having carried out 'stress-tests' at appropriate intervals.

The total cost of managing our investments was £14.4m (2021: £13.0m). The increase is mainly due to the accounting for private infrastructure performance fees which would have been £1.0m if included in 2021. Further details can be found in note 6.

Subsidiary companies

At the end of 2022, the Foundation had two subsidiary undertakings Medtrust Innovations Limited (Medtrust) and the Victoria Fund LP Incorporated (Victoria Fund).

Medtrust is wholly owned by the Foundation as a mission-related investment engaged in the exploitation of intellectual property rights. In March 2011, Medtrust acquired 50% of the intellectual property rights of *BMJ Quality & Safety*, a journal published by the BMJ Publishing Group Limited. At 31 December 2022, Medtrust had fixed assets of £0.5m (2021: £0.5m). In the year, Medtrust generated an operating profit of £0.2m (2021(restated): £0.2m).

The Victoria Fund was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner. As at 31 December 2022, the Victoria Fund had fixed assets of £411m (2021: £397m) and the value of its net assets was £442m (2021: £401m). Net profit in the year was £54m (2021: £56m).

In early 2023, The Health Foundation set up a third subsidiary, THISLabs – which has been set up to enable improvement and innovation in the health and care sector through

online collaboration.

Streamlined energy and carbon reporting

The Health Foundation is reporting energy and carbon emissions in compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The conversion factors used in the report are taken from 2022 Government guidance on the Streamlined Energy and Carbon Reporting (SECR) regime.

During 2022 there were no government restrictions and therefore the office was open for the full year, unlike in 2021, as a result the office energy consumption increased. The Foundation consumed approximately 388,828 Kwh of energy in 2022 (2021: 172,571 Kwh) and CO2 emissions are estimated at 80.92 tonnes (2021: 36.67 tonnes). Our intensity ratio is 0.034 tonne per square metre of our office space (2021: 0.015 tonne per square metre).

Electricity and gas - Office

During 2022, our office electric energy consumption equated to 290,110 Kwh (2021: 152,167 Kwh) or 56.10 tCO2e (2021: 32.31 tCO2e). The large increase in tCO2e is due to the office being open for the full year, in 2021 there were office closures over the winter months due to Covid-19. Correspondingly with the office being fully open and heated in 2022, our office gas energy consumption equated to 98,718 Kwh (2021: 20,404 Kwh) or 18.02 tCO2e (2021: 3.74 tCO2e). Electricity costs are metered while gas costs form part of the service charge, apportioned by the landlord on the floor space occupied by the Foundation, which equates to 2,415 square metres.

Travel

During 2022, travel journeys paid for directly by the Foundation equated to 84,539 miles (2021: 6,787 miles) or 6.80 tCO2e (2021: 0.62 tCO2e). Travel in 2022 returned to normal levels with staff travelling more freely for work. Travel to and from Foundation events by external participants and attendees are not included in these calculations for both 2022 and 2021.

Commitments and reporting

Environmental sustainability is a cross-cutting priority within the Foundation's 2022-25 strategy, and we are committed to understanding and reducing our environmental impact. We have set the target of making our endowment net zero by 2035, with the interim target of halving the carbon emissions of the endowment by 2028. In 2022, we developed guidance to help our grant applicants and grant holders minimise the footprint of their projects. We also formed a Environmental Sustainability Delivery Team with staff from across the organisation with responsibilities in key business areas, who are working to develop a long-term plan to improve sustainability in the organisation. To help us create this long-term plan, in early 2023 we engaged carbon reporting experts to review our overall approach to sustainability, set further targets, and ensure we have the tools and capabilities to monitor and reduce our environmental impact in the future. We will report on progress against this emerging plan in our 2023 annual report.

2022 Carbon Reporting Figures	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Health Foundation office - gas		98,718	18.02
Health Foundation office - electricity		290,110	56.10
Scope 3			
Employee mileage personal cars	2,779		0.76
Travel – taxis	720		0.20
Travel – public transport	49,367		0.41
Travel – air	31,673		5.43
Total gross emissions in tonnes CO_2e	84,539	388,828	80.92
Intensity ratio: tonnes CO_2e per sqm			0.034

2021 Carbon Reporting Figures	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Health Foundation office Gas		20,404	3.74
Health Foundation office Electricity		152,167	32.31
Scope 3			
Employee mileage personal cars	233		0.07
Travel – taxis	70		0.02
Travel – public transport	5,495		0.21
Travel – air	989		0.32
Total gross emissions in tonnes CO_2e	6,787	172,571	36.67
Intensity ratio: tonnes CO_2e per sqm			0.015

Stakeholder engagement – s.172 statement

The board recognises that the Health Foundation's relationship with its stakeholders is critical to its success. The table below sets out our main stakeholder groups, the key considerations of each group and how we engage with them.

Stakeholder	Key consideration	How we engage	Key activities in 2022
Beneficiaries, including: members of the public; those who benefit from the grants we award; health and care workers; policymakers; charities that received donations from us.	Improving the lives of the people and communities that the Foundation's grants support in its work to improve health, health care and social care in the UK. Maximising the impact of our work. Sharing information about the work of the Foundation.	Individual governors have strategic oversight of key programmes of work, working closely with teams across the Foundation and the organisations we partner with. Via our grant holders, including their reporting to us. Via beneficiaries of charities to which we have made one-off donations through the pandemic. Through our webinars, podcasts publications, blogs, newsletters and long reads, which are all available to anyone, free of charge. We have an active social media presence. We have well-defined communications strategies around our strategic aims and targeting our key audiences.	The board approved further donations to charities to support the post pandemic recovery. The board discussed priorities across our three strategic priorities, the Health and Inequalities Combined Authority Programme; and the Emotional Support for Young People Programme. By embedding our post pandemic hybrid working practices, we held a mixture of online and in-person events which increased the reach in terms of public participation including presentations on each of our three strategic priorities, Health and Inequalities – Combined Authority Programme and the Emotional Support for Young People Programme.

Stakeholder	Key consideration	How we engage	Key activities in 2022
Partners: we work closely with a wide range of partners to deliver our strategy.	Maximising the impact of our work. We work with a wide range of stakeholders to deliver our mission to build better health and health care – from national and local government, to the health and care sector, the public health sector, and the third sector. Ensuring the effectiveness of the programmes and projects that the Foundation supports with grants or contracts and/or staff time. Building and maintaining networks of people engaged in improving the quality of health, health care and social care in the UK. Sharing information about the work of the Foundation.	We engage with our grant holders via ongoing management of their awards, with support for applicants to enable them to maximise the effectiveness of the projects that we are funding. We cooperate actively with other key organisations in our field to influence policy and practice. We work with other key organisations in some of our major areas of activity and engage with them closely in ongoing management and direction. We have over 5,000 members in our Q Community in Q1 2023, supporting service improvement and learning. We have an alumni programme for previous award-holders in our fellowship programmes. We have a wide variety of useful, practical resources on our website available at no charge, aimed at people and organisations working in health, health care and social care. We create opportunities for award-holders to meet with governors at board meetings.	Much of our work is carried out with partners. Examples of board engagement include approving funding for spin out of Thiscovery as a separate legal entity following an options appraisal; approving commitment of funding for the second phase of the 10-year award to THIS Institute; approving phase two of Network Data Labs.

Stakeholder	Key consideration	How we engage	Key activities in 2022
Employees, including: secondees, interns, fellows, longer term temporary staff, etc.	Ensuring that employees enjoy working at the Foundation and are motivated to help deliver our mission. Providing opportunities to develop and grow at the Foundation. Working to improve health and wellbeing of all who work at the Foundation. Working to improve diversity and inclusion at the Foundation.	Regular staff surveys with follow-up of actions, shared with the remuneration and governance committee and board, with the comprehensive staff survey to restart in 2023. Systematic and comprehensive approach to health and safety and wellbeing overseen by a staff team, reported annually to the board. Support for staff-led diversity groups. Learning and development programme for all staff, both corporate and individual.	In 2022, a suite of enhanced benefits were introduced, to include a number of new wellbeing related benefits. During the latter part of 2022, an updated People Plan was created, as aligned to the refreshed strategic objectives. The People Plan outlines a number of key people-related initiatives for 2023 and beyond, to include an Equity, Diversity and Inclusion plan, a Learning and Development Plan and plans to refresh our engagement surveys and embark upon achievement of an Employer Award. A new People Forum is to be launched in early 2023, as the Health Foundation's Employee Voice Platform.
Suppliers, including: the Foundation's investment managers.	That our key suppliers are operating ethically as well as providing value for money.	As an accredited living wage employer, ensure that our contracted staff earn at least the real living wage. Regular contact with our public equity investment managers to ensure that they remain properly engaged on ethical and social governance.	Following board approval in 2021, we successfully transitioned to the suite of new investment managers in the first half of 2022 with a greater emphasis on responsible investing.

Risk management

The Foundation set out its approach to managing risk, including roles and responsibilities, in its risk management policy. The Audit Committee and the board of governors regularly review key risks owned by executive directors. The Audit Committee gives direction and reviews the implementation of the risk management process supported by an internal audit plan. Detailed below were the most important risks for 2022.

Key risk	Nature of risk	Management of risk
Investment risk	Failure to provide adequate funding for the Foundation's planned activities due to a major correction in market value and/or insufficient liquidity.	The Investment Committee ensures that the Foundation's investments are suitably diversified, supported by an internal team, external advisers and external benchmarking. The committee ensures there is enough continuing liquidity to meet the Foundation's cash requirements, in the event of a sudden market correction. 2022 was a difficult year for investors. Market volatility increased, particularly to the downside, as all asset classes adjusted to the quickest sustained increase in interest rates globally as central banks sought to get ahead of the highest spike in inflation for the past 40 years. There were few places to hide as both stock and bond markets declined by double digits over the year. Against this backdrop the global diversified nature of the endowment portfolio proved resilient and ended the year only slightly down. This provides a strong base with which to face the likely continued uncertainty as we progress through 2023.
People risk	Failure to attract, develop and retain the people we need to deliver the Foundation's strategy.	The Remuneration and Governance Committee determines the framework for the overall reward strategy applicable to all Foundation staff. In 2022, we formally introduced hybrid working, reviewed and updated our benefits package and embedded a new Employee Assistance Programme. Our staff turnover and staff sickness absence consistently trends below our benchmarks. We have compiled a People Plan for 2023, which includes activities related to talent management and development and collaboration across teams in the delivery of our strategic priorities. Our EDI approach will be an integral part of these plans and we will be employing a permanent member of staff to take the lead on EDI, as well as a permanent lead for L&D.

Key risk	Nature of risk	Management of risk
Cyber security	The Foundation's defences are inadequate, rendering it vulnerable to cyber-attack.	The directors team supports a framework to ensure employees are aware of the need for information security. Management tests the Foundation's security regularly and the results are reviewed independently. The Foundation has a cyber-security service agreement to monitor the networks and facilitate recovery. In 2022, we performed an independent assessment of the Foundation's information security risks and controls; carried out penetration testing and continued to conduct phishing tests, raise awareness and train users. For 2023, we will adopt a risk-based approach to cybersecurity controls and reaccredit ourselves against CyberEssentials Plus.
Data security	We suffer loss of data because of a breach in our security.	Research data is managed within a secure environment with technical isolation from the rest of the network environment, accredited to ISO 27001. An internal working group oversees compliance with the Data Protection Act 2018, supported by a data protection officer. In 2022, we transitioned to an improved secure environment for data science research with a new modern data analysis platform. For 2023, we will adopt a risk-based approach to data security controls.

Key risk	Nature of risk	Management of risk
Strategic	The Foundation fails to address important or emerging issues or achieve a desired level of impact.	The board reviews our ambition, impact and progress. This includes balancing short term reactive work with longer term initiatives. In 2022 we refreshed our strategy for 2023-2025, recognising the scale of the challenge to health and care in these turbulent times. We will be focusing our work on three strategic priorities to drive impact.
Quality	Our work lacks sufficient rigour, accuracy, quality and objectivity.	We have clear governance frameworks for awards, contracts and research with a quality assurance process for the release of all published material. In 2022, we continued to strengthen our internal processes and guidance on quality assurance.
Business disruption	The Foundation loses operational effectiveness, due to disruption caused by an internal or external event.	We were agile in our response to the global pandemic and continued operations whilst supporting our people. In 2023 we will continue to review our business continuity processes in recognition of current global turbulence.

Trustees' report

Structure, governance and management

The Health Foundation is a registered charity and a company limited by guarantee. It is governed by its memorandum and articles of association adopted on 24 July 1996 and last amended on 15 July 2021. The Foundation's endowment was first established in 1998.

The board is responsible for the overall governance of the Foundation. All governors are members and directors of the company, and trustees of the registered charity. Governors are appointed for a term of 5 years and may be appointed for a second term of up to 4 years. The current governors and any past governors who served during the year are listed in the table below, together with the names of independent members of committees.

Name	Member/ governor	Audit Committee	Investment Committee	Remuneration and Governance Committee
Hugh Taylor	Chair		✓	✓
David Dalton	✓	✓		
Ruth Hussey	✓			Chair
Branwen Jeffreys	✓			
Rosalind Smyth	✓			✓
Loraine Hawkins	✓			✓
Eric Gregory	✓	Chair		✓
David Smart	✓		Chair	
Katie Blacklock	✓	✓	✓	
Ravi Gurumurthy	✓			
Dawn Edge	✓			✓ (from March 2022)
Paul Najsarek	✓ (appointed March 2023)	✓		
Roland Sinker	✓ (appointed March 2023)			

The following served as independent members of committees during 2022.

Name	Audit Committee	Investment Committee
Ingeborg Dybdal Øie		✓
Robert Beveridge	✓	
Mark Chaloner		✓
Andrew Milligan		✓

The board regularly reviews the skills and experience of the governors to ensure they are relevant to the Foundation's mission and provide balance to the board.

The board meets at least four times a year and approves strategic, business plans and budgets and reviews operational and investment performance.

All new governors receive a comprehensive induction. Refresher sessions on relevant topics are arranged for governors periodically. In 2022, the board set time aside to discuss their roles as company directors and trustees, including carrying out a review of its effectiveness. The articles of association set a minimum number of trustees at 5 and a maximum at 15.

Organisational structure and how decisions are made

The board of governors has set down a schedule of matters specifically reserved to it for decision. These include:

- board appointments
- the appointment and terms of reference of any committee of the board and any matters expressly reserved for the decision of the board by any such terms of reference
- approval of annual financial statements and annual business plan and budget
- changes to the Foundation's investment strategy and spending policy.

In addition, the following committees are established as committees of the board of the Foundation in accordance with the articles of association. Each operates in accordance with terms of reference, which ensures the committee is properly constituted with an appropriate membership of governors, experienced independent members (in the case of the Audit and Investment Committees) and a clear set of responsibilities and authorities.

- **The Remuneration and Governance Committee** assists the board in monitoring and advising on the size and composition of the board of governors; their selection, recruitment induction and training; and manages reviews of board performance, as requested by the board. The committee approves the framework and policy determining the overall reward strategy applicable to all Foundation staff and for the chief executive and senior leaders.
- **The Audit Committee** assists the board in meeting its responsibilities in respect of financial reporting and internal control. It provides a channel of communication between the Foundation's external auditors and the board. It provides direction and reviews the implementation of the Foundation's risk management strategy and system of internal controls.
- **The Investment Committee** assists the board with developing investment policies agreed by the board. The committee sets and regularly reviews a long-term investment strategy to meet the Foundation's investment objectives. The chief executive and the chief investment officer are members of this committee.

The board of governors delegates the exercise of certain powers in connection with the management and administration of the Foundation to the leadership team managed by the chief executive.

Senior leadership

The chief executive is responsible for the day-to-day management of the Foundation's affairs and for implementing policies agreed by the board of governors. The chief executive is assisted by a group of senior leaders who are listed below. Although the senior executive team are called directors, they are not the 'legal' directors of the charitable company.

Jennifer Dixon	Chief Executive
Jo Bibby	Director of Health
Aidan Kearney	Chief Investment Officer
Anita Charlesworth	Director of Research and the REAL Centre
Cathy Irving	Director of Strategy (until December 2022)
Paul Hackwell	Chief Operating Officer (until July 2022)
Adam Steventon	Director of Data Analytics (until February 2022)
Will Warburton	Director of Improvement (until January 2022)
Malte Gerhold	Director of Improvement and Innovation (from May 2022)
Hugh Alderwick	Director of Policy (from May 2022)
Sam Fletcher	Director of Communications (from May 2022 until August 2022)
Charles Tallack	Director of Data Analytics (from February 2022)
Nick Bateson	Chief Operating Officer (from October 2022)
Patrick South	Director of Communications (from November 2022)

The charity's registered office and list of key advisers can be found in Legal and administrative information (page 20).

Principal activities and development

The Health Foundation is an independent charitable organisation working to build a healthier UK. It achieves this through supporting people and organisations. Further information on the charity's activities and developments are included in the Strategic report.

Statement of governors' responsibilities

The governors are responsible for the preparation of the annual report, including the strategic report and governors' report, and the financial statements in accordance with applicable law and UK Generally Accepted Accounting Practice. Company law requires the governors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the governors are required to:

- ensure that the most suitable accounting policies are established and applied consistently
- make judgements and estimates that are reasonable and prudent
- state whether the applicable accounting standards and statement of recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to

presume that the Foundation will continue in operation.

The governors have overall responsibility for ensuring that the Foundation has appropriate systems and controls, financial and otherwise. They are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Foundation and for their proper application as required by charity law, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Foundation is operating efficiently and effectively
- all assets are safeguarded against unauthorised use or disposition and are properly applied
- proper records are maintained, and financial information used within the Foundation, or for publication, is reliable
- the Foundation complies with relevant laws and regulations.

Each of the governors has confirmed that as far as they are aware, there is no relevant audit information of which the Foundation's auditors are unaware. The governors have each taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

Processes are in place to ensure that management information is prepared and reviewed regularly by both the directors' team and the board of governors. Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency.

The systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss. They include:

- a strategic plan, annual business plan and budget approved by the governors
- regular consideration by the governors of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews

- delegation of day-to-day management authority and segregation of duties
- identification and management of risks
- a programme of independent controls

Declarations and conflicts of interest policy

The Foundation has drawn up and implemented a declarations of interest policy that explains the nature of potential conflicts of interest. It requires governors, independent members of committees, employees and other defined categories of individual with whom the Foundation works from time to time, to declare all interests relevant to the Foundation's work and provides a framework for managing situations when conflicts arise.

Governors, independent members of committees and employees are also required to notify the Chief Executive or Chief Operating Officer of any association with a body or organisation which is or might become an applicant for funds from the Foundation. A register is kept and those interests declared by governors and members of the directors' team are reviewed regularly by the directors and produced for inspection at all board meetings.

Details of transactions with related parties are set out in note 25 of the financial statements. The Foundation has a comprehensive whistle-blowing policy.

None of the governors has any beneficial interest in the company. All the governors are members of the company and guarantee to contribute £1 in the event of a winding up.

This Governors' report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the governors on 13 July 2023 in their capacities as trustees of the charity and directors of the company. This included their approval of the Trustees' and strategic reports contained within it. The Trustees' report is signed as authorised on their behalf by:

Hugh Taylor
Hugh Taylor (Jul 20, 2023 08:41 GMT+1)
Signed

Sir Hugh Taylor, Chair
13 July 2023

Independent auditor's report to the members of the Health Foundation

Opinion
We have audited the financial statements of The Health Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statement, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2022 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a

material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees
As explained more fully in the trustees' responsibilities statement set out on page 37, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
Based on our understanding of the group and the industry in which it operates, we identified that the

principal risks of non-compliance with laws and regulations related to the acts by the group, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated investment valuations and the group's net assets at the year-end.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management and review of internal audit reports in so far as they related to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report
This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Wright

Colin Wright

(Senior Statutory Auditor)

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor

4 Thomas More Square
London E1W 1YW

Financial Statements

Consolidated statement of financial activities for the year ended 31 December 2022

	Notes	Unrestricted fund £' 000	Restricted fund £' 000	Expendable Endowment Fund £' 000	Total 2022 £' 000	Total 2021 £' 000
Income:						
Charitable activities	3	427	1,347	-	1,774	1,422
Investments	4	16,395	-	-	16,395	15,638
Capital applied to income	5	47,697	-	(47,697)	-	-
Total income		64,519	1,347	(47,697)	18,169	17,060
Expenditure:						
Fund Management	6	-	-	14,400	14,400	13,038
Charitable activities	7	64,519	1,490	-	66,009	40,333
Total resources expended		64,519	1,490	14,400	80,409	53,371
Operating profit/(deficit)		-	(143)	(62,097)	(62,240)	(36,311)
Net gain/(loss) on investments	11	-	-	(9,642)	(9,642)	149,068
Net income/(expenditure) for the year		-	(143)	(71,739)	(71,882)	112,757
Fund balances as at 1 January 2022		-	816	1,218,546	1,219,362	1,106,605
Fund balances as at 31 December 2022		-	673	1,146,807	1,147,480	1,219,362

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure is derived from continuing activities.

Consolidated balance sheet for the year ended 31 December 2022

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible fixed assets	12		1,278		2,705
Tangible fixed assets	13		3,232		4,083
Investments	14		1,177,019		1,230,737
Programme-related investment	14		526		526
			1,182,055		1,238,051
Current assets:					
Debtors	16	1,357		1,371	
Cash and short-term deposits		5,828		5,790	
Total current assets		7,185		7,161	
Current liabilities:					
Amounts falling due within one year	17	(21,697)		(20,055)	
Net current (liabilities):			(14,512)		(12,894)
Total assets less current liabilities:			1,167,543		1,225,157
Creditors: amounts falling due after more than one year	18		(19,509)		(5,167)
Provisions for liabilities	20		(554)		(628)
Net assets:			1,147,480		1,219,362
Capital funds					
Endowment funds general			1,146,807		1,218,546
Income funds					
Unrestricted fund			-		-
Restricted fund			673		816
Total funds			1,147.480		1,219,362

The accounts were approved by the governors, and authorised for issue on 13 July 2023 and signed by:

Hugh Taylor
Hugh Taylor (Jul 20, 2023 08:41 GMT+1)

Sir Hugh Taylor
Trustee

Eric Gregory
Eric Gregory (Jul 20, 2023 10:24 GMT+1)

Eric Gregory
Trustee

Company Registration No. 01714937

Charity balance sheet for the year ended 31 December 2022

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible fixed assets	12		1,278		2,705
Tangible fixed assets	13		3,232		4,083
Investments	14		735,050		829,694
Other Investments	14		442,495		401,569
			1,182,055		1,238,051
Current assets:					
Debtors	16	1,116		1,136	
Cash and short-term deposits		5,828		5,789	
Total current assets		6,944		6,925	
Current liabilities:					
Amounts falling due within one year	17	(21,697)		(20,055)	
Net current liabilities:			(14,753)		(13,130)
Total assets less current liabilities			1,167,302		1,224,921
Creditors: amounts falling due after more than one year	18		(19,509)		(5,167)
Provisions for liabilities	20		(554)		(628)
Net assets:			1,147,239		1,219,126
Capital funds					
Endowment funds general			1,146,566		1,218,310
Income funds					
Unrestricted fund			-		-
Restricted fund			673		816
Total funds			1,147,239		1,219,126

The accounts were approved by the governors, and authorised for issue on 13 July 2023 and signed by:

Hugh Taylor
Hugh Taylor (Jul 20, 2023 08:41 GMT+1)

Sir Hugh Taylor
Trustee

Eric Gregory
Eric Gregory (Jul 20, 2023 10:24 GMT+1)

Eric Gregory
Trustee

Company Registration No. 01714937

Consolidated statement of cash flows for the year ended 31 December 2022

	Notes	2022 £ '000	2022 £ '000	2021 £ '000	2021 £ '000
Cash flows from operating activities:					
Cash absorbed by operations	27		(45,624)		(45,614)
Investment activities:					
Cost of developing intangible assets		(334)		(653)	
Purchase of tangible fixed assets		(76)		(12)	
Investment proceeds re-invested		(16,170)		(15,638)	
Withdrawals from investments		60,247		58,835	
Investment management fees		(14,400)		(13,038)	
Investment income		16,395		15,638	
Net cash generated from investing activities			45,662		45,132
Net increase/(decrease) in cash and cash equivalents			38		(482)
Cash and cash equivalents at beginning of year			5,790		6,272
Cash and cash equivalents at end of year			5,828		5,790

Notes to the financial statements for the year ended 31 December 2022

Charity information

The Health Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is 8 Salisbury Square, London EC4Y 8AP.

The liability of the governors in their capacity as members of the company is limited. Each member guarantees any deficiency in the Foundation to a maximum of £1.

1.0 Accounting policies

1.1 Accounting convention

These accounts have been prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities, the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice. The Foundation is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the Foundation. Monetary amounts in these financial statements are rounded to the nearest £'000.

The accounts have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis for consolidation

The financial statements consolidate the charity and its wholly owned subsidiary entities, The Victoria Fund LP Incorporated and Medtrust Innovations Limited.

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company’s financial instruments. The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company’s net expenditure for the year is £71,887k (2021: net income £112,688k).

1.3 Going concern

At the time of approving the financial statements, the governors have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. This expectation includes an assessment of the ongoing impact of political and economic challenges facing global markets. There is market uncertainty which may lead to some volatility. We have enough liquidity in the portfolio to fund the charity’s plans for the foreseeable future. Under our normal internal governance procedures, we conducted a Strategic Asset Allocation review in 2021 and continue to monitor this in-light of ongoing uncertainties. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Charitable funds

The Foundation maintains three types of funds: unrestricted funds, restricted funds and expendable endowment funds. Income and expenditure on these funds are shown separately in the statement of the financial activities.

Unrestricted funds are available for use at the discretion of the governors in furtherance of their charitable objectives unless the funds have been designated for other purposes. The income is made up of investment income, other incoming resources and any capital applied as income.

Restricted funds are subject to specific conditions as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Expendable endowment funds represent capital gifted for the long-term benefit of the Foundation. Any income arising from the Endowment fund assets is added to the unrestricted fund. The trustees may also, at their discretion, determine to apply part or all of the endowment capital as income at which time the relevant amounts are transferred to the unrestricted fund.

1.5 Incoming resources

Income is recognised 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 on investments in the statement of financial activities.

1.6 Resources expended

Expenditure is recognised on an accruals basis. Irrecoverable VAT is included within the expense items to which it relates.

Expenditure on raising funds represents amounts paid to the Foundation's external investment advisers and custodian, and an apportionment of internal support costs based on time spent. They are charged to the endowment fund, as the primary role of the investment managers and the custodian is to safeguard the investment assets of the Foundation.

Charitable activities comprise all costs incurred in the pursuit of charitable objects. These are:

- Grants including programme costs where an actual/constructive obligation exists, notwithstanding that they may be paid in future accounting periods. However, where conditions attach to the grant such that it is a performance-related grant then this is charged as the conditions are satisfied and are expensed as the related activity is performed.

- Salary costs that can be directly attributed to strategic, programme and policy work. It also includes the cost pertaining to support staff.

- Overheads such as the rent and running costs of the office space. These costs are allocated to charitable strategic priorities based on the relevant proportions of the direct costs of the charitable activities.

- Governance costs comprise all costs attributable to ensuring the public accountability of the Foundation and its compliance with regulation and good practice. These costs include costs related to statutory and internal audit together with an apportionment of support costs based on time spent.

- Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid. Provision is made for the discounted expected future costs of unfunded pension benefit commitments at each balance sheet date, based on actuarial advice.

1.7 Intangible fixed assets other than goodwill

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over the term of the project life, the estimated project life has changed in 2022 from between 3 and 7 years to between 3 and 5 years. This change resulted in a one-time write-down of £1.1m. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Tangible fixed assets with a value over £5,000 are capitalised. Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Fixtures and fittings – 5 years
- Computers – 3 years
- Office building modifications – 10 years (included in fixtures and fittings category in the notes)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

1.9 Fixed asset investments

Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

Quoted investments are listed shares, bonds and units and are stated at fair value on the basis equivalent to market value using the bid price. Asset sales and purchases are recognised at the date of trade.

Unquoted investments are stated at fair value based on professional valuations at the balance sheet date or nearest available date to it. For hedge funds, the valuations are provided by third-party hedge fund administrators. In the case of

private equity funds, there is no readily identifiable market price. These funds are included at the most recent valuations by their respective managers. Investments made shortly before the balance sheet date are held at cost where the managers have yet to provide a valuation.

A subsidiary is an entity controlled by the Foundation. Control is the power to govern the financial and operating policies of the entity to obtain benefits from its activities. Subsidiaries are included in the Foundation's balance sheet at their net asset value which represents the fair value of their underlying investments and other net assets. Investments in subsidiary undertakings are held at cost less any impairment.

Unrealised gains and losses are recognised at the year-end as the difference between the historical cost and the market value of the investment assets. Realised gains and losses are recognised during the year at the time the investment is sold, and include any fees incurred at source. All unrealised and realised gains and losses on investments are included within the statement of financial activities.

1.10 Impairment of fixed assets

Impairment of tangible and intangible fixed assets are reviewed annually and any impairment is recognised as an expense in the year that it occurs.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Foundation has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Foundation's balance sheet when the Foundation becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within 1 year are not amortised.

Basic financial liabilities

Basic financial liabilities, including trade creditors and grants payable are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within 1 year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within 1 year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Foundation's contractual obligations expire or are discharged or cancelled.

1.13 Provisions and grants

Provisions and grants are recognised when the Foundation has a legal or constructive present obligation as a result of a past event, it is probable that the Foundation will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision or grant is measured at present value the unwinding of the discount is recognised as a finance cost or grant expense in net income/(expenditure) in the period it arises.

1.14 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Foundation is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in net income/expenditure for the period.

1.18 Exemptions

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net expenditure for the year is £71,887k (2021: net income £112,688k).

2.0 Critical accounting estimates and judgements

In the application of the Foundation's accounting policies, the governors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Investment valuation

The Foundation's investments are stated at market value. Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred. Valuations are obtained from the investment managers. The governors do not believe that there is any inherent uncertainty in the presentation of these amounts, and that in their judgement, market value and fair value may be regarded as identical for the purposes of these accounts.

3.0 Charitable activities

	Share of profit in *BMJ Quality & Safety*	Other income	Total 2022	Total 2021
	£ '000	£ '000	£ '000	£ '000
Other income*	427	1,347	1,774	1,422
Analysis by funds:				
Unrestricted funds	427	-	427	
Restricted funds	-	1,347	1,347	
	427	1,347	1,774	
For year ended 31 December 2021:				
Unrestricted funds	244	-		244
Restricted funds	-	1,178		1,178
	244	1,178		1,422

*In 2022, we received restricted income of £1,194k (2021: £1,178k) from NHS Improvement for Q, a jointly funded initiative.

4.0 Investments

	2022	2021
	£ '000	£ '000
Income from listed investments	9,679	10,407
Fixed interest income	2,610	486
Property fund income	4,106	4,089
Income from alternative investments	-	656
	16,395	15,638

5.0 Capital applied to income

	Unrestricted funds	Endowment funds general	Total 2022	Total 2021
	£' 000	£' 000	£' 000	£' 000
Released from endowment funds	47,697	(47,697)	-	-
For the year ended 31 December 2021	23,365	(23,365)	-	-

6.0 Fund management

	2022	2021
	£' 000	£' 000
Cost of fund management:		
Investment advisory costs	253	230
Staff costs	371	288
Custodian fees	103	269
Transition fees	511	-
Investment managers' fees	13,162	12,251
	14,400	13,038

Investment management fees

The investment managers' fees of £14,400k (2021: £12,251k) includes: management fees of £9,567k (2021: £9,850k), incurred on the endowment value of £1,177,019k (2021: £1,230,737k) and performance fees of £2,592k (2021: £1,378k). Note the increase in performance fees is due to including the carry fees for private infrastructure which would have added £1,001k if included in 2021 and meaning the fees are more comparable.

The cost of raising funds is in line with 2022 at approximately 1.2% (2021: 1.1%).

7.0 Expenditure on charitable activities

	Improving health and care services	Promoting healthy lives for all	Others	Total 2022	Total 2021
	£ '000	£ '000	£ '000	£ '000	£ '000
Grant funding of activities (see Note 28)	29,439	5,818	1,747	37,004	16,599
Direct costs*	12,978	2,565	439	15,982	13,391
Share support costs*	10,478	2,071	355	12,904	10,234
Share of governance costs*	97	19	3	119	209
	52,992	10,473	2,544	66,009	40,333

*See Note 8

Analysis by fund:

Unrestricted funds	51,502	10,473	2,544	64,519	39,247
Restricted funds	1,490	-	-	1,490	1,086
	52,992	10,473	2,544	66,009	40,333

The increase in funding mainly relates to £22,781k funding to THIS institute for years 5-10 of the award.

For the year ended 31 December 2021

	Improving health and care services	Promoting healthy lives for all	Others	Total
	£ '000	£ '000	£ '000	£ '000
Unrestricted funds	22,432	12,869	3,946	39,247
Restricted funds	1,086	-	-	1,086
	23,518	12,869	3,946	40,333

8.0 Support and direct costs

	Direct costs £ '000	Support costs £ '000	Governance costs £ '000	2022 £ '000	2021 £ '000
Staff costs	12,624	2,315	-	14,939	13,344
Depreciation	-	2,687	-	2,687	1,648
Property costs	-	1,699	-	1,699	1,699
Technology costs	25	2,982	-	3,007	2,602
Other direct/support costs	3,332	3,176	-	6,508	4,284
Audit fees	-	-	55	55	36
Legal and professional	1	45	5	51	73
Internal audit	-	-	32	32	35
Other governance costs	-	-	27	27	13
	15,982	12,904	119	29,005	23,734

Direct costs of charitable activities are mainly to further the Foundation's objectives by; organising conference and events, carrying out direct and commissioned work in-house, scoping, developing and managing grant programmes, and publishing and disseminating reports on research findings.

Support costs have been allocated to charitable activities in the year.

Governance costs include payments to auditors of £49k (2021: £36k) for audit fees and £7k (2021: £2k) for non-audit services.

9.0 Governors

None of the governors (or any persons connected with them) received any remuneration or benefits from the Foundation during the year. Trustees' expenses received totalled £3k (2021: £0.3k).

10.0 Employment costs

	2022 £ '000	2021 £ '000
Wages and salaries	12,673	11,389
Social security costs	1,513	1,248
Other pension costs	1,072	1,011
Other costs	24	27
Total employment costs*	15,282	13,621

*Total employment costs during the year was £15,282k (2021: £13,621k). This includes salary costs relating to management of the endowment of £343k (2021: £277k).

The average number of employees during the year was 223 (2021: 203), which equated to a full time equivalent of 211 (2021: 196).

The number of employees whose annual remuneration was £60,000 or more were:

	2022	2021 (Restated)
£60,001–£70,000	33	30
£70,001–£80,000	15	6
£80,001–£90,000	11	10
£90,001–£100,000	5	3
£100,001–£110,000	4	3
£110,001–£120,000	4	1
£120,001–£130,000	-	2
£130,001–£140,000	2	1
£150,001–£160,000	1	1
£160,001–£170,000	1	1
£170,001–£180,000	1	1
£180,001–£190,000	-	1
£190,001–£200,000	1	-
£250,001–£260,000	-	1
£260,001–£270,000	1	-

The calculation for annual remuneration includes salary, NI and Employers Pension contribution.

11.0 Net (loss)/gains on investments

	2022 £ '000	2021 £ '000
Revaluation of investments	(9,642)	149,068

Net revaluation of investments comprises:

- A decrease in our quoted investments of £66,542k (2021: gain of £88,002k), mainly due to decreasing equity prices in 2022
- An increase in the value of unquoted investments of £56,900k (2021: £61,066k), reflecting higher valuations.

12.0 Intangible fixed assets

Group and Charity	Software £ '000	Q Project £ '000	Total £ '000
Cost:			
At 1 January 2022	2,745	2,186	4,931
Additions	335	-	335
Write-offs	(658)	-	(658)
At 31 December 2022	2,421	2,186	4,606
Amortisation and impairment:			
At 1 January 2022	1,289	937	2,226
Amortisation charge in the year	811	812	1,623
Write-offs	(521)	-	(521)
At 31 December 2022	1,580	1,748	3,328
Carrying amount:			
At 31 December 2022	841	437	1,278
At 31 December 2021	1,455	1,250	2,705

Software relates to (i) our key office applications, including finance and grant management systems, and Microsoft Office 365 applications; (ii) our secure data environment, which was replaced in the year.

The additions of £335k include our grant management system and our new platform for analysts, both of which went live in 2022. Write-offs of £658k include the previous data environment which was replaced in the year.

The Q Initiative identifies and connects people skilled in improvement across the UK, through online and events-based capabilities that promote knowledge-sharing, development, and other improvement activities. The infrastructure work was completed in January 2019 with a useful life of 5 years.

13.0 Tangible fixed assets

Group and Charity	Fixtures and fittings £ '000	Computer equipment £ '000	Total £ '000
Cost:			
At 1 January 2022	5,362	1,460	6,822
Additions	70	6	76
Write-offs	(70)	(575)	(645)
At 31 December 2022	5,363	891	6,253
Depreciation and impairment:			
At 1 January 2022	1,497	1,242	2,739
Depreciation charge in the year	636	224	860
Write-offs	(3)	(575)	(578)
At 31 December 2022	2,130	891	3,021
Carrying amount:			
At 31 December 2022	3,232	-	3,232
At 31 December 2021	3,866	217	4,083

The write-offs are upon a review of the fixed asset register to ensure all assets are in line with policy.

14.0 Fixed assets investments

Group	Investments		
	Portfolio	**Other**	**Total**
	£ '000	**£ '000**	**£ '000**
Valuation:			
At 1 January 2022	1,230,737	526	1,231,263
Valuation changes	(9,642)	-	(9,642)
Income	16,170	-	16,170
Investment management costs included in the fund	(12,209)	-	(12,209)
Net withdrawals from portfolio	(48,037)	-	(48,037)
At 31 December 2022	1,177,019	526	1,177,545
Cost:			
At 31 December 2022	969,116	526	969,642
At 31 December 2021	946,510	526	947,036

Other investments comprise:	**Notes**	**2022 £ '000**	**2021 £ '000**
Programme-related investments	26	526	526
Investments at fair value comprise:			
Property and infrastructure funds		138,168	94,992
Equities		602,968	690,111
Fixed interest		16,966	50,242
Alternatives		368,627	368,449
Cash		50,290	26,943
		1,177,019	1,230,737

14.0 Fixed assets investments (continued)

Charity	Investments		
	Portfolio	**Other**	**Total**
	£ '000	**£ '000**	**£ '000**
Valuation:			
At 1 January 2022	829,694	401,569	1,231,263
Valuation changes	(66,542)	56,900	(9,642)
Income	11,130	5,040	16,170
Investment management costs included in the fund	(3,195)	(9,014)	(12,209)
Net withdrawals from portfolio	(36,037)	(12,000)	(48,037)
At 31 December 2022	735,050	442,495,	1,177,545
Cost:			
At 31 December 2022	719,450	250,192	969,642
At 31 December 2021	669,796	277,241	947,036

		2022	**2021**
Other investments comprise:	**Notes**	**£ '000**	**£ '000**
Investment in subsidiaries		441,969	401,043
Programme-related investments		526	526
Investment in subsidiaries	26	442,495	401,569
Investments at fair value comprise:			
Property funds		85,056	94,992
Equities		602,968	690,111
Fixed interest		16,966	18,479
Alternatives		742	536
Cash		29,318	25,576
		735,050	829,694

A currency hedging programme was in place during the year to manage foreign currency exchange risk. At 31 December 2022, the group had open foreign exchange forward contracts, to mitigate any currency risk between USD and Sterling on the hedge fund mandate in the Victoria Fund. These contracts have been revalued at the applicable year-end revaluation rate, and the resulting unrealised gains/(losses) are included within the overall value of the investments above.

At 31 December 2022, the Victoria Fund held contracts to buy $243,030k (£203,543k at an average rate of $1.19) and £1,323,279k ($373,614k at an average rate of $1.16) (2021: $68,049k and £163,194k). The unrealised gain associated with these forward currency contracts totalled (£16,814k) as at 31 December 2022 (2021: unrealised loss £2,175k).

The Victoria Fund's underlying hedge fund investments provide varying degrees of liquidity based on their own redemption terms, which typically begin with an initial lock-up period. These investments are made on an ongoing basis. As a result, the Victoria Fund may not be able to liquidate all its investments quickly. As investment lock-up periods ease in future periods, more short-term liquidity is expected.

14.0 Fixed assets investments (continued)

The following table illustrates the expected liquidity of assets and liabilities held as at 31 December 2022:

	Less than 6 months £ '000	6–12 months £ '000	More than 12 months £ '000	Long-term lock up* £ '000
Total non-current assets	-	-	-	278,270
Total current assets	165,717	-	-	-
Total current liabilities	(1,690)	-	-	-

*This relates to underlying funds in the Victoria Fund, whose redemptions have been locked up and private equity funds which have no redemption opportunities.

At the balance sheet date, the Foundation had total unfunded investment commitments of £144,623k (2021: £113,193k) for private equity and infrastructure from total commitments of £400,755k (2021: £312,625k). These commitments form part of the planned asset allocation and will be met from within the existing investments.

15.0 Financial instruments

Group	2022 £ '000	2021 £ '000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	6,303	6,143
Instruments measured at fair value through profit or loss	1,177,019	1,230,737
Carrying amount of financial liabilities:		
Measured at amortised cost	41,206	25,222

Charity	2022 £ '000	2021 £ '000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	6,061	5,907
Instruments measured at fair value through profit or loss	735,050	829,694
Carrying amount of financial liabilities:		
Measured at amortised cost	40,689	24,944

16.0 Debtors: Amounts falling due within 1 year

	Group		Charity	
	2022 £ '000	2021 £ '000	2022 £ '000	2021 £ '000
Other debtors	477	353	222	118
Prepayments	880	1,018	880	1,018
Intercompany	-	-	14	-
	1,357	1,371	1,116	1,136

17.0 Creditors: Amounts falling due within 1 year

	Group		Charity	
	2022 £ '000	2021 £ '000	2022 £ '000	2021 £ '000
Trade creditors	736	604	736	604
Grants payable	17,079	15,038	17,079	15,038
Other creditors	2,151	2,342	2,151	2,342
Accruals and deferred income	1,731	2,071	1,731	2,071
	21,697	20,055	21,697	20,055

18.0 Creditors: Amounts falling due after more than 1 year

	Group		Charity	
	2022	2021	2022	2021
	£ '000	£ '000	£ '000	£ '000
Grants payable – in 2 to 5 years	19,509	5,167	19,509	5,167

19.0 Grants payable

	2022	2021
	£ '000	£ '000
As at 1 January	20,205	29,210
Grants committed in the year	39,015	16,187
Paid during the year	(20,790)	(25,192)
Discounting applied to grants payable in more than a year	(1,842)	-
As at 31 December	36,588	20,205
Split into:		
Grants payable – due within 1 year (note 17)	17,079	15,038
Grants payable – in 2 to 5 years (note 18)	19,509	5,167
As at 31 December	36,588	20,205

20.0 Provisions for liabilities

	2022	2021
	£ '000	£ '000
Pension obligations	464	546
Dilapidations	90	82
	554	628

Movement on provisions:

	Pension obligations	Dilapidation	Total
	£ '000	£ '000	£ '000
At 1 January 2022	546	82	628
Adjustment	(82)	8	(74)
At 31 December 2022	464	90	554

21.0 Retirement benefit schemes

a) AEGON Group Personal Pension Plan

The Health Foundation offers all current employees the opportunity to join the defined contribution Group Personal Pension Plan provided by AEGON. Contributions in the year were £1,031k (2021: £1,011k). There was £165k in outstanding contributions at 31 December 2022 (2021: £6k).

b) Other retirement benefits

The Foundation has an unfunded future commitment to a former employee. The contractual commitment (as defined in the contractual arrangement) is to pay a pension equivalent to 1/60th of their pensionable salary for each year of pensionable service less any amounts of pension paid to the same members under The Pensions Trust Growth Plan. The potential pension liability at 31 December 2022, based on advice from an actuary, is estimated to be £464k, (2021: £546k). This provision will be reviewed in 2026.

22.0 Analysis of net assets between funds

Group

	Unrestricted Fund	Restricted Fund	Expendable Endowment Fund	Total
	£ '000	£ '000	£ '000	£ '000
Fund balances at 31 December 2022 are represented by:				
Intangible fixed assets	1,278	-	-	1,278
Tangible assets	3,232	-	-	3,232
Programme related	526	-	-	526
Investments	29,876	-	1,147,143	1,177,019
Current (liabilities)/assets	(14,849)	673	(336)	(14,512)
Long term liabilities	(19,509)	-	-	(19,509)
Provisions	(554)	-	-	(554)
	-	673	1,146,807	1,147,480

Charity

	Unrestricted Fund	Restricted Fund	Expendable Endowment Fund	Total
	£ '000	£ '000	£ '000	£ '000
Fund balances at 31 December 2022 are represented by:				
Intangible fixed assets	1,278	-	-	1,278
Tangible assets	3,232	-	-	3,232
Investments	30,643	-	704,407	735,050
Investment in subsidiary	-	-	442,495	442,495
Current (liabilities)/assets	(15,089)	673	(336)	(14,752)
Long term liabilities	(19,510)	-	-	(19,510)
Provisions	(554)	-	-	(554)
	-	673	1,146,566	1,147,239

23.0 Capital commitments

The Foundation has a number of contracts that have been entered into, but which are not disclosed as liabilities as they are severable. They cover technical support for our award holders, evaluation and operational services. They are recognised on a cash basis as and when the expenditure is incurred. These amounted to £15,105k at 31 December 2022 (2021: £17,957k).

24.0 Financial commitments

At 31 December 2022, the company had a property lease for its office premises that expires in September 2028. The future minimum lease payments are as follows

	Land and buildings		Machinery	
	2022	2021	2022	2021
	£' 000	£' 000	£' 000	£' 000
Expiry date:				
Within 1 year	1,650	1,650	32	15
Between 2 and 5 years	6,605	6,605	48	-
Over 5 years	1,236	2,889	-	-

25.0 Related party transactions

Due to the specialist nature of the projects funded, circumstances may occasionally arise where governors, committee members or staff are associated with organisations which apply for grants. In such cases, the Foundation has clear policies and procedures to ensure that the governor, committee member or member of staff is not involved in the assessment or approval of the grant. All such transactions are undertaken on an arm's length basis in accordance with the normal grant assessment and arrangements. Details of governors and senior management who have interests in organisations to which the Foundation has made awards or contracted within 2022 are noted in the table below.

Board member	Role in associated organisation	Associated organisation
Ravi Gurumurthy	CEO	Nesta
Ruth Hussey	Honorary Professor	University of Liverpool
David Smart	Trustee	Beat Eating Disorders

During the year, Victoria Fund LP Incorporated, a subsidiary of the Foundation, received no investment contributions from the charity (2021, £0) Medtrust Innovations Limited, a subsidiary of the Foundation, donated its profit of £240k (2021: £236k) to the Foundation.

25.0 Related party transactions (continued)

Remuneration of key management personnel

Key management personnel are considered to be the chief executive officer and others as set out in the senior management section of the governors' annual report. Total remuneration of this group in the year, was as follows:

	2022 £' 000	2021 £' 000
Key management personnel	1,232	1,222

26.0 Subsidiaries

The Foundation had two subsidiary undertakings and the details at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Medtrust Innovations Limited	England and Wales	Intellectual property	Ordinary	100.00
The Victoria Fund LP Incorporated	Guernsey	Investment fund vehicle	-	-

Medtrust Innovations Limited (Medtrust)

Medtrust is wholly owned by the Foundation and is a company registered in England and Wales. It is engaged in the exploitation of intellectual property rights.

In March 2011, the Foundation purchased 524,998 ordinary shares of Medtrust at £1 each to finance an investment to acquire 50% of the intellectual property rights of *BMJ Quality & Safety*, a journal published by the BMJ Publishing Group Limited. This social motive investment is held at cost in the charity balance sheet. Medtrust undertakes an impairment review each year.

At 31 December 2022, Medtrust had fixed assets of £526k (2021: £526k) and current assets of £255k (2021: £237k). The shareholders' funds include called-up share capital of £526k (2021: £526k) and reserves of £241k (2021: £237k).

During the year, Medtrust had an operating profit of £240k (2021: £236k). The sum equivalent to its taxable profits will be donated to the Foundation, as provided for in Medtrust's Articles of Association.

The Victoria Fund LP Incorporated (Victoria Fund)

The Victoria Fund was formed in February 2010 and is a limited partnership, number 1275, registered in Guernsey. It is a vehicle to invest in a combination of hedge funds, private equity and private infrastructure. The limited partner is the Health Foundation and the general partner is Brook Street Limited, a Cayman Islands exempt limited company. Brook Street has delegated its powers to an investment manager, Cambridge Associates Limited.

26.0 Subsidiaries (continued)

The Health Foundation as the limited partner is entitled to all investment returns less a priority share by the general partner (Brook Street Limited) from the Victoria Fund and, for consolidation purposes, it is treated as a wholly owned subsidiary of the Foundation.

As at 31 December 2022, the Victoria Fund had net investment assets of £411,460k (2021: £397,172k) and the value of its net assets was £442,297k (2021: 401,368k). Net profit in the year was £53,572k (2021: £56,140k).

27.0 Cash generated from operations – Group

	2022 £ '000	2021 £ '000
Surplus for the year	(71,882)	112,757
Adjustments for:		
Investment income recognised in profit or loss	(16,395)	(15,638)
Cost of raising funds	14,400	13,038
Fair value (gains) and losses on investments	9,642	(149,068)
Depreciation, amortisation and impairment of fixed assets	2,687	1,648
Movements in working capital:		
(Decrease)/increase in debtors	14	574
Decrease/(increase) in creditors	15,984	(8,906)
Increase/(decrease) in provisions	(74)	(19)
Cash absorbed by operations	(45,624)	(45,614)

28.0 Grant funding

The Foundation funded £37,004k of grants in 2022 (2021: £16,599k). These grants range from small one-off awards to multi-year demonstration projects and fellowships. Integral to all our award making is direct support from the Foundation, as well as expertise from technical providers and consultants. This support is organised and paid for by the Foundation, delivered directly to the award holders and can be in the form of technical development and assistance, learning events and coaching. Within this grant funding the Foundation also funds research and external evaluations to ensure programmes are evidence-based and offer value for money.

28.0 Grant funding (continued)

Grants made to organisations and individuals are analysed by strategic objective in the table below.

Lead recipient for Improving health and care services	Total £
Health Economic Research Centre University of Oxford	724,733
Centre for Health Economics University of York	724,638
The Commonwealth Fund	440,000
NHS Providers	275,234
Institute for Healthcare Improvement (IHI)	251,285
North East and North Cumbria Integrated Care System	249,500
The University of York	226,383
Southern Health and Social Care Trust	119,269
East London NHS Foundation Trust	90,000
Solent NHS Trust	79,997
Leeds Teaching Hospitals NHS Trust	79,943
Healthcare Improvement Scotland	75,000
Aneurin Bevan University Health Board	75,000
Chelsea and Westminster Hospital NHS Foundation Trust	75,000
What Works Centre for Wellbeing	75,000
Public Health Scotland	73,621
UCLPartners	59,785
East of England Neonatal Operating Department Network	40,000
Blackpool Teaching Hospitals NHS Foundation Trust	40,000
Hexitime CIC	40,000
Isle of Wight NHS Trust	39,993
Homerton University Hospital NHS Foundation Trust	39,969
University of Southampton	39,442
University Hospitals of Leicester NHS Trust	39,312
Health Service Executive (HSE)	39,000
James Paget University Hospitals NHS Foundation Trust	38,722
Bradford District Care NHS Foundation Trust	37,500
Mid and South Essex NHS Foundation Trust	37,448
Nottinghamshire Healthcare NHS Foundation Trust	34,905
Health Innovation Network (AHSN) / DigitalHealth.London	29,950
Healthwatch Devon	29,000
TEC Cymru	20,000
Dr. Hilary Cottam OBE	20,000
Torbay and South Devon NHS Foundation Trust	15,000
Oxford University Hospitals NHS Foundation Trust	14,998
Royal Berkshire - Benyon Dialysis Unit	14,997
Sheffield Children's NHS Foundation Trust	14,949
London School of Economics (LSE)	11,738
Julia Wood and Associates	7,760

28.0 Grant funding (continued)

Lead recipient for Promoting healthy lives for all	Total £
ShareAction	1,500,000
West Midlands Combined Authority	1,299,997
Salford City Council	349,960
University of York	184,663
Resolution Foundation	173,215
Bradford Teaching Hospitals Foundation Trust	161,351
University of Liverpool	138,573
Toynbee Hall	134,192
Institute of Fiscal Studies	64,894
Equality Trust	52,680
Public Health Wales	49,144
Forward Institute	29,994
Policy in Practice	29,804
National Children's Bureau (NCB)	28,499
Central and North West London NHS Foundation Trust	26,957
Caribbean & African Health Network (CAHN)	10,000
Lead recipient for Other (Includes Cross-cutting and COVID-19 grants)	**Total £**
BBC Children in Need	750,000
Full Fact	496,275
Health Services Research UK	93,630
Grand Total	**9,912,899**
Further commitments to awards made in previous years (includes THIS institute funding for years 5-10 of £22.8m as referenced in note 7)	23,076,260
Services provided by third parties to support award holders and further the work of the Foundation	5,651,301
Grants and donations awarded to charities by governors	205,000
Discounting of grants payable in more than a year	(1,841,498)
Total Grants	**37,003,962**

29.0 Subsequent events

In early 2023, The Health Foundation set up a third subsidiary, THISLabs – which has been set up to enable improvement and innovation in the health and care sector through online collaboration. This included an investment of £4m which was paid in May 2023.

Appendix: Investment Fund Managers

Aikya Investment Management
Pinnacle Investment Management
6th Floor, Nova North
11 Bressenden Place
London, SW1E 5BY
United Kingdom

Axiom Investors
33 Benedict Place
Greenwich, CT 06830
United States of America

BlackRock Investment Management (UK) Ltd
12 Throgmorton Avenue
London, EC2N 2DL
United Kingdom

Colchester Global Investors Heathcoat House, 20 Savile Row
London, W1S 3PR
United Kingdom

Goldman Sachs Asset Management
25 Shoe Lane
London, EC4A 4AU
United Kingdom

Impax Asset Management
30 Panton St
London, SW1Y 4AJ
United Kingdom

Legal & General Investment Management
One Coleman Street
London, EC2R 5AA
United Kingdom

MFS Investment Management
One Carter Lane
London EC4V 5ER
United Kingdom

Mayfair Capital Investment Management
55 Wells Street
London, W1T 3PT
United Kingdom

Mondrian Investment Partners Limited
Tenth Floor, Sixty London Wall
London, EC2M 5TQ
United Kingdom

Ninety One
55 Gresham Street
London, EC2V 7JD
United Kingdom

Ownership Capital
Herengracht 105-107
1015BE Amsterdam
The Netherlands

River & Mercantile Asset Management LLP
30 Coleman Street
London, EC2R 5AL
United Kingdom

RWC Partners
10 Bressenden Place
London, SW1E 5DH
United Kingdom

Savills Investment Management LLP
33 Margaret Street
London, W1G 0JD
United Kingdom

Schroders Investment Management
1 London Wall Place
London, EC2Y 5AU
United Kingdom

Somerset Capital Management Manning House, 22 Carlisle Place
London, SW1P 1JA
United Kingdom

Antin Infrastructure Partners
374, rue Saint-Honoré
75001 Paris
France

Apollo Global Management
9 West 57th Street, 42nd Floor
New York, NY 10019
United States of America

Bessemer Venture Partners
889 Winslow St, Suite 500
Redwood City, CA 94063
United States of America

Brookfield Infrastructure
Brookfield Place, Suite 300
181 Bay Street
Toronto, Ontario ON M5J 2T3
Canada

Cadian Capital Management LP
535 Madison Avenue, 36th Floor
New York, NY 10022
United States of America

CBC Group
Suite 4508, 45F, Tower 2, Plaza 66
1366 West Nanjing Road
Shanghai 200040
China

Cortec Group
140 East 45th Street, 43rd Floor
New York, NY10017
United States of America

Crescent Capital Partners
Level 29, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Cyrus Capital Partners L.P
65 East 55th Street, 6th Floor
New York NY 10022
United States of America

Davide Leone & Partners Investment Company LTD
9-10 Savile Row, 3rd Floor
London W1S 3PF
United Kingdom

Deerfield Management Company
345 Park Avenue South
New York, NY 10010
United States of America

Electron Capital Partners
10 East 53rd Street, 19th Floor
New York NY 10022
United States of America

Element Capital Management LLC
520 Madison Avenue, 43PH
New York, NY 10022
United States of America

Equilibrium Capital
One Bush Street, Suite 525
San Francisco, CA 94104
United States of America

General Atlantic
Park Avenue Plaza
55 East 52nd Street, 33rd Floor
New York, NY 10055
United States of America

Glennmont Partners
201 Bishopsgate, 9th Floor
London, EC2M 3BN
United Kingdom

Graham Capital Management
55 Baker Street, Marylebone London, W1U 8EW
United Kingdom

Grantham, Mayo, Van Otterloo & Co. LLC
53 State Street, 33rd Floor
Boston, MA 02109
United States of America

Harbourvest
One Financial Center
Boston, MA 02111
United States of America

Hengistbury Investment Partners LLP
Floor 134 Brook Street
London, W1K 5DN
United Kingdom

Investindustrial Partners
1 Hooper's Court
London, SW3 1AF
United Kingdom

I Squared Capital
600 Brickell Avenue
Miami, FL 33131
United States of America

Junto Offshore Management LP
450 Park Avenue, 25th Floor
New York, NY 10022
United States of America

Laurion Capital Management LP
360 Madison Avenue
Suite 1900 & 2000
New York, NY 10017
United States of America

Level Equity
140 East 45th Street, 42nd Floor
New York, NY 10017
United States of America

Lexington Capital Partners
399 Park Avenue, 20th Floor
New York, NY 10022
United States of America

LGT Capital Partners
1133 Avenue of the Americas
30th Floor
New York, NY 10036
United States of America

LocalGlobe
Phoenix Court, 2 Brill Place
London, NW1 1DX
United Kingdom

Lone Star Funds
12 Queen Anne Street
London, W1G 9LF
United Kingdom

Olympus Partners
Metro Center, 4th Floor
One Station Place
Stamford, CT 06902
United States of America

Peak Rock Capital
13413 Galleria Circle, Suite Q-300 Austin,
TX 78738
United States of America

P/E Investments
75 State Street, 31st Floor
Boston MA 02109
United States of America

Rubicon Technology Partners
1470 Walnut Street, Suite 400
Boulder, CO 80302
United States of America

Scale Venture Partners
950 Tower Lane, Suite 700,
Foster City, CA 94404
United States of America

Spring Lane Capital
50 Milk Street, 16th Floor
Boston, MA 02109
United States of America

Star America Infrastructure Partners
165 Roslyn Road, Roslyn Heights
New York, NY 11577
United States of America

StepStone Group LP
450 Lexington Avenue, 31st Floor
New York, NY 10017
United States of America

Stonepeak Infrastructure Partners
55 Hudson Yards
550 W 34th Street, 48th Floor
New York, NY 10001
United States of America

SV7 Impact Medicine Fund
71 Kingsway
London, WC2B 6ST
United Kingdom

Sylebra Capital Management
28 Hennessy Road, 20th Floor
Hong Kong

Thoma Bravo
110 N. Wacker Drive, 32nd Floor
Chicago, IL 60606
United States of America

True Ventures
501 3rd Street
San Francisco, CA 94107
United States of America

Verdane Capital
Hieronymus Heyerdahlsgate 1
NO-0160 Oslo
Norway

Vida Ventures
40 Broad Street, Suite 201
Boston, MA 02109
United States of America

Vitruvian Partners
105 Wigmore Street
London, W1U 1QY
United Kingdom

Voloridge Investment Management
110 Front Street, Suite 400
Jupiter, FL 33477
United States of America

THE HEALTH FOUNDATION

England & Wales - Charity number 286967

Accounts

Annual report and financial statements

For the year ended 31 December 2021



The Health Foundation



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Improving people's health

Introduction from the Chief Executive and Chair

Clearly there continued to be significant challenges for health and care in 2021. With the NHS facing unprecedented backlogs, public services under pressure, the nation's health reeling from the direct and indirect effects of the pandemic, the economy weakened, and turbulence in government, there is a valuable role for foundations in identifying solutions and keeping a focus on the long term. The Health Foundation doesn't deliver care directly – health care, social care or public health services. So how can we help?

The Health Foundation makes a contribution to improving health and care for the UK population in a number of ways, and working with numerous other organisations. As a foundation we are concerned with immediate challenges and needs – especially in a pandemic. But importantly we also support longer term goals that lay foundations for a better future. Our 2021 annual report shares some of the highlights from our work and looks ahead to our plans for 2022.

In 2021, as in 2020, we were unusually focused on the near term given the pandemic. We continued to make progress through: research and analysis; grants for new centres; large programmes and projects on the ground; building capacity through supporting fellowships and networks, and increasingly using influence as investors via our endowment to make change. As last year, we also gave donations for emergency assistance – donating £2.2m overall in 2021 to Comic Relief, Children in Need, UNICEF UK and Pathway. And all this while working with others to maximise impact.

Our research and analysis remain a central strand of our work, generating robust evidence to influence policy and practice. In 2021, our online traffic continued to increase significantly, with several major outputs allowing us to reach wider audiences and gain media traction. These included analysis on 'levelling up' health, the elective care gap, and real-terms cuts to the public health grant and to Universal Credit. The high-profile launch of our COVID-19 impact inquiry provided landmark evidence of the unequal impacts of the pandemic and enabled us to engage policymakers and media on the levelling up agenda. Meanwhile our quantitative analysis has supported SAGE, and funding and staffing projections from the REAL Centre fed into NHS and DHSC discussions in advance of the September

announcement of health and social care funding, and the Spending Review in October. These pages contain more noteworthy highlights and short case studies highlighting impact within each of our strategic priority areas.

As a foundation, our impact comes also from the projects, programmes and award-winning innovations we fund. Through our Q Exchange programme we funded 30 projects to embed some of the positive changes emerging through new collaborations and partnerships during the pandemic. This included projects to make remote consultations more inclusive and to upskill staff. Other projects included the scaling up of an initiative to provide psychological support for staff, which has been integrated as a core part of the new North Bristol NHS Trust staff trauma support pathway. Also in response to the pandemic, The Healthcare Improvement Studies (THIS) Institute, hosted by the University of Cambridge and funded by the Health Foundation, has adjusted its portfolio to support the NHS. This included leveraging its online research platform, THIScovery, to enable wider contributions to research from service users, NHS staff and others. The Institute also published a practical framework for organisations on asymptomatic COVID-19 testing programmes in their workplaces.

It can take time for the full impact of our funding programmes to become clear. Our funding of a quality improvement intervention to scale up PReCePT2 – aiming to reduce brain injury in new-born babies by improving uptake of magnesium sulphate in preterm deliveries – ran between 2018 and 2020. Results of the trial's primary and secondary outcome measures were published in May 2021. PReCePT has now been adopted by all 152 maternity units in England and magnesium sulphate uptake has increased to over 85% for eligible mothers. As a result, 48 cases of cerebral palsy were prevented between 2018 and 2021, saving £38.4m in lifetime health and social care costs. (See Case study: Reducing brain injury through PReCePT.)

Closer to home, our internal development programme is continuing to ensure that we have a well-supported workforce, efficient business processes, resilient infrastructure and a strong focus on our role as a modern and socially responsible foundation. 2021 saw us successfully establish hybrid working, responding to staff preferences on office and home working. And, following Board agreement on a responsible investment policy in late 2020, in 2021 all investment managers reported on environmental, social and governance (ESG) credentials for the funds they invest in. ESG is now a major consideration for the investment committee and the Board.

In 2021 we continued to organise our work through five strategic priority areas to help us respond to the key challenges in health and care for people in the UK. In 2022 we will be looking ahead and refreshing our strategy for the following 3 years. We will be exploring how we deliver better health and health care from 2023–26 within three main areas relevant to our work and mission: improving health and reducing inequalities; faster improvement in care; and better policymaking.

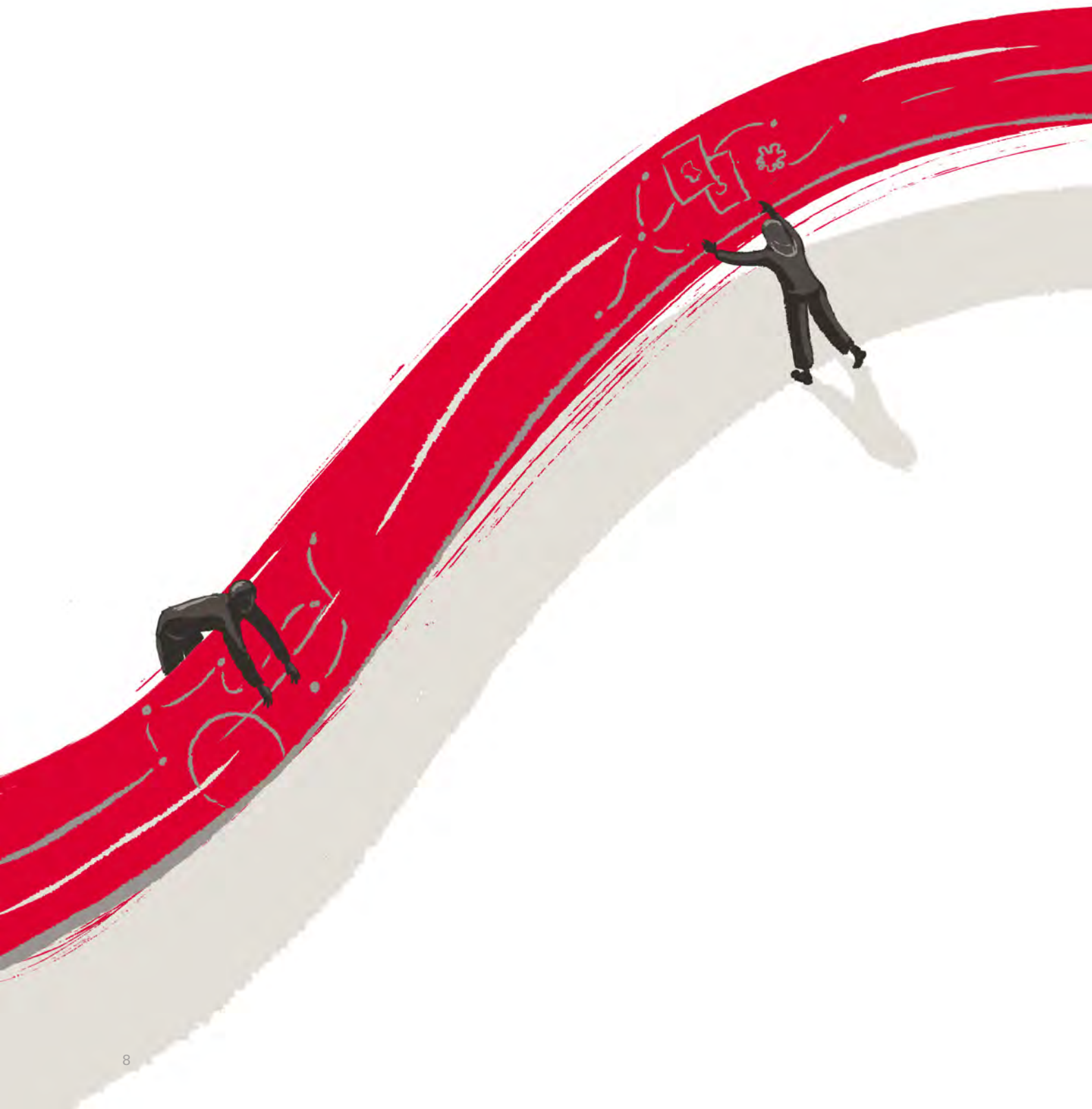
In each area, we have an ambitious and innovative portfolio of work, in-house and externally commissioned. Our impact in 2021 is due to the hard work and commitment of staff, governors and the people we work with across health and care. We are very grateful for their support, in what have continued to be challenging circumstances. We look forward to making progress in 2022 and beyond – always for the benefit of the UK population and, in particular, the most vulnerable in society.



Dr Jennifer Dixon
Chief Executive



Sir Hugh Taylor
Chair



2021: Year in review



Promote healthy lives for all



Good health is vital for a thriving country – allowing people to play an active role in their communities and at work.

We have raised awareness of health inequalities and the role that good health plays in supporting economic prosperity. We have influenced national policy commitments to address health inequalities and established the Foundation as a leading authority in this area.

Key highlights

Large-scale grant programmes: This year local authority teams began work on our first large grant programmes to explore the actions places can take to influence the circumstances that shape our health. Shaping Places for Healthier Lives is a joint programme with the Local Government Association and is funding five local partnership teams to change local systems in order to improve physical and mental health. We invested £0.7m in this programme. Secondly, Economies for Healthier Lives has invested £1.9m of grant programme funding in four local authority teams to explore effective ways to incorporate health and wellbeing into local economic strategies.

Taking a whole-government approach to improving health: Published in October, our briefing argues that concerted and holistic action needs to be taken to create the conditions that improve health. It calls for an ambitious cross-government strategy that places improving health at the heart of the government's agenda, led by the Prime Minister, with targets, funding and evaluation metrics. This report has provided a robust platform to influence and shape the levelling up agenda and health disparities white paper, working with various government departments.

£1.9m

For four local authorities to explore how best to incorporate health into their economic strategies

21

Events our experts were invited to speak at about healthy lives

£2.6m

Total invested in our programmes Economies for Healthier Lives and Shaping Places for Healthier Lives in 2021

Launching our evidence hub: *What drives health inequalities?* brings together data, insight and analysis that highlight how the circumstances in which we live shape our opportunities for healthy lives. Our evidence long reads have been effective in driving engagement: for example, the long read on housing and health has been cited in parliament, featured in several House of Commons debate packs, and in policy documents such as the Scottish government's Housing 2040 strategy.

Funding work to create impact: Our grant holders from our Social and Economic Value of Health and COVID-19 funding programmes appeared before the Work and Pensions Select Committee. Our young people's inquiry post holders have also produced impactful reports, been invited to speak at conferences and given advice to government departments.

Recognising our expertise: Our expertise is increasingly sought after, with invitations to sit on eight advisory groups and to speak at 21 events in 2021. This included speaking at events organised by the WHO and OECD. There were also a series of invitations to contribute to the work of other organisations as they develop their work on health and health inequalities.

"The inquiry was mentioned in parliament by Sajid Javid on its launch day, and former health secretary Jeremy Hunt also agreed to meet to discuss the inquiry report."

3.7×

In England, COVID-19 mortality rates were 3.7 times higher for people younger than 65 from the most deprived 10% of areas (compared with the least deprived)

Case study

Unequal pandemic, fairer recovery

The UK entered the pandemic with life expectancy stalling for the first time in a century and falling for some. Following the 2008 financial crisis, public services have been eroded and the underlying economy and social fabric frayed. Published in July 2021, our COVID-19 impact inquiry reviewed the factors that fuelled the UK's COVID-19 death toll.

The inquiry found that poor health and existing inequalities left parts of the UK vulnerable to the virus and defined the contours of its devastating impact. The pandemic has revealed stark differences in the health of the working age population – those younger than 65 in the poorest 10% of areas in England were almost four times more likely to die from COVID-19 than those in wealthiest. Our report highlighted that the recovery needs to prioritise creating opportunities for good health – a vital asset needed to 'level up' and rebuild the UK economy.

The inquiry was mentioned in parliament by Sajid Javid on its launch day, and former health secretary Jeremy Hunt also agreed to meet to discuss the inquiry report. The report received a wide range of media pickup – with 55 pieces of coverage including *The Guardian*, *The Times*, *Sky News*, *Times Radio*, *The Independent*, and *The Scotsman*. It was widely shared on social media and via other organisations' websites, social channels and newsletters. The inquiry team were invited to contribute to a ministerial roundtable on long COVID, and a written submission drawing on the inquiry report was cited multiple times in the Health and Social Care Committee's *Coronavirus: lessons learned to date* report.

Supporting health care improvement



Through our improving care strategic priority we have supported the development and spread of innovative care improvements, while influencing the external environment to shift improvement from the margins of health care into mainstream policy thinking.

Key highlights



Publishing research on technology in health care: During 2021 we published *Securing a positive health care technology legacy from COVID-19*, which explored the challenges of implementing health care technologies during the first phase of the pandemic. It achieved high levels of engagement online and was covered by the *Mail Online* and ITV News. Our research report *Switched on* looked at harnessing the potential of AI and automation to improve health care, and was covered in *The Independent*. Following these publications, we were invited to join a research project within the national AI Ethics Initiative on building confidence among NHS staff in using AI. We were also invited to work with NHSX to inform the National Strategy for AI in Health and Social Care.



Building awareness of quality improvement: We published a new edition of our *Quality improvement made simple* quick guide, which remains one of the Foundation's most widely read titles. The updated guide reflects recent changes in quality improvement and will be especially useful to anyone thinking about how to restart, re-design or develop new processes, pathways and services – particularly as services recover from COVID-19. We also continued to work with *The BMJ* to publish a series of articles about quality improvement, including practical advice to health care professionals new to the field.

30

Projects funded through Q Exchange

4

Support hubs funded through our Adopting Innovation programme

4,600

Members of Q



Supporting innovation in local health systems: We launched a new funding programme, Adopting Innovation, to support promising ideas become practice by developing support hubs across the country. We announced the selection of four hubs – led by the Bradford, Cambridgeshire and Peterborough, Manchester and Dorset integrated care systems.



THIS Institute: In response to the pandemic, The Healthcare Improvement Studies (THIS) Institute, hosted by the University of Cambridge and funded by the Health Foundation, adjusted its portfolio to support the NHS. This included leveraging its online research platform, THIScovery, which aims to enable wider contributions to research by crowdsourcing perspectives from service users, NHS staff and others. For example, the Institute published a practical framework for organisations using asymptomatic COVID-19 testing programmes in their workplaces. Following the success of its work on maternity safety, THIS Institute was also appointed to work in partnership with the Royal College of Obstetricians and Gynaecologists and the Royal College of Midwives to deliver the first phase of the Avoiding Brain injuries in Childbirth (ABC) Collaboration.



Q community: We funded 30 projects through our Q Exchange programme on the theme of embedding positive changes emerging through new collaborations or partnerships during COVID-19. The programme included projects to develop remote consultations that are inclusive of non-English speaking communities and to upskill staff to make the most of new technologies. Other projects include scale up of the 'Start Well>End Well' procedure to provide psychological support for staff, which has been integrated as a core part of the new North Bristol NHS Trust staff trauma support pathway. We also launched a new Q Lab project with NHSX to explore how to build staff and patient trust and confidence in remote monitoring technologies, to support national scale. The project brings together people with digital expertise and improvement expertise to create sustainable models that make progress on this vital challenge for the system.

48

Cases of cerebral palsy were prevented between 2018 and 2021



Case study

Reducing brain injury through PReCePT

In the UK, around 60,000 babies are born prematurely each year and are at greater risk of brain damage and conditions such as cerebral palsy, which affects 500 pre-term babies annually. Evidence shows that mothers at risk of premature delivery who take magnesium sulphate during pre-term labour and before birth – at a cost of less than £1 per dose – can reduce the risk of their babies developing cerebral palsy by a third.

From 2014 to 2015, the PReCePT1 project (Prevention of cerebral palsy in pre-term labour) was implemented in five West of England maternity units. During the project, maternity units and mothers co-developed and delivered a quality improvement toolkit with practical tools and training to increase knowledge and awareness of using magnesium sulphate. As a result, the number of women receiving the preventative treatment increased by an average of 25%.

Following this success, NHS England and NHS Improvement rolled PReCePT out nationally through the AHSN Network between 2018 and 2020. As part of this, the Foundation provided additional funding for an enhanced quality improvement intervention, which included bespoke coaching and extra time for local clinical champions.

PReCePT has now been adopted by all 152 maternity units in England and magnesium sulphate uptake has increased to over 85% for eligible mothers. As a result, 48 cases of cerebral palsy were prevented between 2018 and 2021, saving £38.4m in lifetime health and social care costs.

Influencing health and social care policy



We have built constructive relationships with policymakers, influenced national policy and contributed to understanding about health and care policy and performance in England.

This work has proved central to the Foundation's ability to influence change and inform wider debate, bridging the gap between policy and practice. Much has been done to track and analyse national policies in England, with a particular focus on the overall direction of the health system and how it is performing.

Key highlights



Assessing the impact of COVID-19 on elective care: In April we published *Longer waits, missing patients and catching up*, looking at the impact of the second wave of the pandemic on elective care in England. While the NHS had delivered a remarkable amount of elective treatment, the analysis warned the waiting list could still grow substantially depending on how and when 'missing patients' are belatedly added. In September further analysis showed access to elective care falling further in more deprived areas compared with the least deprived.



Learning lessons from government's social care response: May saw the publication of our second assessment of the national policy response in social care during the pandemic – this time covering the period after the first wave (June 2020 to March 2021). It found that the response had improved in some areas, but government policy on social care was often fragmented and short term. This supported our influencing work on social care reform and will be a key part of our evidence we will share with the UK COVID-19 Inquiry.

140,000+

Times that our policy trackers were viewed since launch



Tracking policy developments: Our NHS Test and Trace (NHSTT) tracker monitored the performance of NHSTT up until May 2021. Meanwhile we launched our COVID-19 policy tracker – an overall timeline of national policy and health system responses to COVID-19 in England during 2020. These tracking tools were used widely by policymakers, the media, academics, and others – and viewed over 140,000 times in total since their launch in 2020.



Developing our public polling work: In January we published the final wave of polling carried out by Ipsos on public perceptions of the NHS and social care in light of COVID-19. We also co-hosted a webinar with Ipsos *How will the public mood shape care after the pandemic?* in April. In October, during the lead up to COP26 in Glasgow, we published findings of Ipsos polling on public perceptions of climate change and health. This work produced unique insights that were used by policymakers, covered by a diverse range of media, and informed and enriched our in-house analysis.



The NHS Long Term Plan and COVID-19: In September we published our comprehensive analysis looking at progress on the main pledges in the NHS Long Term Plan in the wake of the pandemic. Our analysis found that the core principles set out in the plan remain as relevant now as ever, but their implementation has been derailed – with no part of the plan unaffected. The report will stand as an authoritative assessment of NHS delivery and how the pandemic blew the plan off course through disruption, delay and increased demand.

"When the bill was published in July, we briefed MPs and Lords on the legislation and how it could be strengthened."



Case study

Influencing NHS reform

Proposals emerged in late 2020 for changes to the organisation and structure of the NHS in England. We published analysis assessing the initial proposals in *The BMJ* – drawing on our long history of work on integrated care and approaches to NHS reform – and submitted evidence to national NHS bodies. We set out our views on the risks of reform and how the plans could be improved. While encouraging collaboration to improve health makes sense, we were concerned that the benefits of the proposed changes were overstated and the risks of reorganisation underplayed.

In February 2021, the government's white paper on the reforms included plans to increase central political control over the day-to-day running of the NHS. We responded to the proposals in the media – setting out the risks of politically motivated changes to the organisation of the NHS – and held a webinar to help people working in health and care understand and assess the reform plans.

We gave evidence to the Health and Social Care Select Committee's inquiry into government's reforms. When the bill published in July, we briefed MPs and Lords on the legislation and how it could be strengthened. We also worked with others in the health and care system to try to inform amendments to the legislation including on workforce planning and health inequalities. And we helped shape amendments to legislation related to NHS data collection on health inequalities. In 2022 we will be working to encourage amendments on workforce planning and social care.

The sustainability of health and social care funding



Through the REAL Centre we have increased understanding of the requirements for future service sustainability, influenced national policy commitments and helped to hold government to account. We have established the Foundation as leading experts on NHS and social care supply and demand issues.

Key highlights



Exploring a radical new vision for social care: In November, at our second REAL Challenge annual lecture, acclaimed author and social innovator Hilary Cottam reexamined the way we think about social care. The well-attended and lively debate considered how we should care for one another, and what might it take to turn our current thinking about care and the care system on its head.



Analysing how ageing affects health and care need in England: In December we published our insight report, *Our ageing population*. It explored how health and care needs change with age, how the relationship between need and age has changed over time and how long-term conditions and social care needs interact. The report included five key insights for policymakers, and we successfully used interactive graphics to communicate the findings in a timely and effective way.

1,000+

People attended the REAL Challenge lecture on Hilary Cottam's radical new vision for social care

£63bn–£72bn

Projected as additional annual funding needed for health care in 2030/31 compared with 2018/19



Setting out health and social care funding projections for the next 10 years: Our research in this area was a huge success for the REAL Centre in 2021. By engaging early with key stakeholders we built credibility and it enabled us to adapt to a rapidly changing external environment. We published on the morning of the government's NHS funding announcement, which meant we gained widespread coverage (including the *FT*, *The Telegraph* and Channel 4). We focused on different areas – funding and workforce – and used multiple outputs to maximise our reach and impact.



Researching changes to the social care cap: During 2021, as government moved towards social care reform, we looked at the social care cap proposals. Our analysis presented different scenarios, highlighting that the value of the cap has the greatest proportionate impact on those with lower levels of wealth. One key chart from the analysis (illustrating the impact of changes to the cap) was used by Sir Andrew Dilnot in evidence to the Treasury Select Committee. It was also widely covered by national media, across the broadsheets and tabloids, aiding public understanding of the issue.



Influencing the Spending Review: REAL Centre analysis contributed significantly to our influencing work, including underpinning three of the four priorities for health that we set out ahead of the Spending Review.

"Over the summer of 2021, we were then approached by DHSC to help inform their report to SAGE on the direct and indirect health impacts of COVID-19 in England."



Case study

The impact of the pandemic on non-COVID patients

In 2021 the REAL Centre had a unique opportunity to answer critical questions about the impact of the pandemic on non-COVID patients. This was a continuation of the bespoke analysis about primary care access we provided to the Department of Health and Social Care, NHS England and the Number 10 delivery unit in 2020.

Our research used data not available to government or NHS England on patient-level primary care records. This allowed us to understand the reduction in access to primary care, referral to secondary care, and diagnosis of new (non-COVID) illness for patients of different ages, genders, ethnicities and socioeconomic backgrounds. This information was vital in assessing the implications of the pandemic and informing how to enable NHS recovery.

We were not the only research unit with access this information. However, our research was so impactful because of our ability to adapt, our flexible data permission, our existing links into the Department of Health and Social Care and NHS England, and our willingness to consult with and directly inform policymakers. Instead of publishing via the usual Health Foundation channels, we targeted academic publication (in *BMJ Open*) for a specific analysis on the impact of the pandemic on cancer diagnosis.

Over the summer of 2021, we were then approached by DHSC to help inform their report to SAGE on the direct and indirect health impacts of COVID-19 in England. The final analysis resulted in a letter of thanks to the REAL Centre from the Chief Scientific Adviser for DHSC. We have also since been asked to contribute to a further report informing the pandemic recovery, focusing on missing diagnosis of long-term illness in primary care.

Data analytics for better health



In 2021 we continued to generate data-driven insights to help improve understanding and inform decision making about major health and care challenges, including those exacerbated by the COVID-19 pandemic. We're a trusted voice on national policy and system design issues relating to analytics and data-driven technology, and we're working to create a future where everyone can benefit from developments in these areas.

Key highlights



Undertaking sophisticated quantitative evaluation: The Improvement Analytics Unit (IAU) continued to evaluate complex local initiatives to support learning in health care in 2021. In October, the IAU team published research looking at whether integrated care programmes have reduced emergency admissions, sharing important lessons for policymakers and system leaders. Direct engagement with key stakeholders was particularly positive and valuable for this work.



Developing data analytics partnerships for local insights: Gathering steam in 2021, the Networked Data Lab (NDL) continued its pioneering work on analytics of linked data. We analysed datasets held by NDL partners, this year focusing on exploring the impact of the pandemic on clinically extremely vulnerable people who were advised to shield. The findings supported local stakeholders in prioritising support and services for this group, enabled by the embedded nature and strong local ties of this programme. The briefing we published in October was reported by multiple media outlets, including *The BMJ* and *The Independent*, showing strong national interest in this work.

45

Peer review journal publications and pre-prints across the Foundation

1,000+ members

Of the NHS-R Community, funded by the Foundation to promote the use of open-source data tools



Collaborating on international comparisons of health care systems: We jointly funded, and produced the English analysis for, the International Collaborative on Costs, Outcomes and Needs in Care (ICCONIC). This work uses patient-level data to advance international comparisons across whole care pathways – which our research shows is essential to improving care for older patients with complex needs, who often require services that cross many settings. The ICCONIC findings provide policymakers with useful information on how different strategies might influence care quality and cost, and offer the potential for mutual learning and policy transfer.



Strengthening social care analytics in the wake of the pandemic: In 2021 we announced our funding and support for five projects developing innovative analytics to tackle pressing challenges in social care. These projects, which all have a focus on engaging and involving service users, are already demonstrating impact on improving care and are helping to demonstrate the value of data analytics and information sharing in social care.



Helping ensure AI addresses racial and ethnic inequalities in health: In partnership with the NHS AI Lab, we launched an important new research call in 2021. Projects led by the University of Westminster, Loughborough University, University Hospitals Birmingham NHS Foundation Trust, and St George's University, London will help address racial and ethnic health inequalities using artificial intelligence. This will be achieved through improving understanding of opportunities to use AI to address health inequalities, optimising datasets, and improving AI development, testing and deployment.

"We launched an important new research call... to address racial and ethnic health inequalities using artificial intelligence."



Case study

Taking a longer term view

A key objective of our work over the past 6 years has been to influence national strategy on the use of analytics across the health and care system. Our publications *Understanding analytical capability in health care* (2016) and *Untapped potential: Investing in health and care data analytics* (2019) shone a light on the importance of analytical capability and the actions needed to strengthen this. This has built on our investment in exemplar projects in health and social care (Advancing Applied Analytics, Strengthening Social Care Analytics and our Better Care Catalyst partnership with Health Data Research UK), and our support for networks such as AphA, NHS-R and the Welsh Modelling Collaborative.

The impact of this work on national strategy became evident in June 2021, when government published its draft data strategy for health and social care (*Data Saves Lives*). This pledged to implement many of our recommendations – committing to building the profile of the analyst profession, to providing competency frameworks, and to improving understanding of the professional learning and development needs of health and care analysts. Our work on social care data – as part of the NIHR-funded DACHA study – was also recognised as an example of the efforts needed to improve the use of data in adult social care.

Work to improve the Foundation



Our programme of internal development enables us to deliver our strategy by investing in our people, how we work together, the tools we use, and the space we work in.

2021 was a continuation of a challenging working environment for everyone. By supporting each other, we got through these challenges. We found the time to continue our internal development with some notable achievements.



Key highlights



People's wellbeing and flexible working: We engaged colleagues across the organisation on wellbeing and how they wanted to work in the future. We responded by giving everyone working at the Foundation more choice over where and when they work, within a broad framework, based on high trust and high support, with continuing support for our wellbeing. We part re-opened our office for those that needed it, laying the foundations for hybrid working in 2022. We continued to support learning and development and resumed our leadership programme.

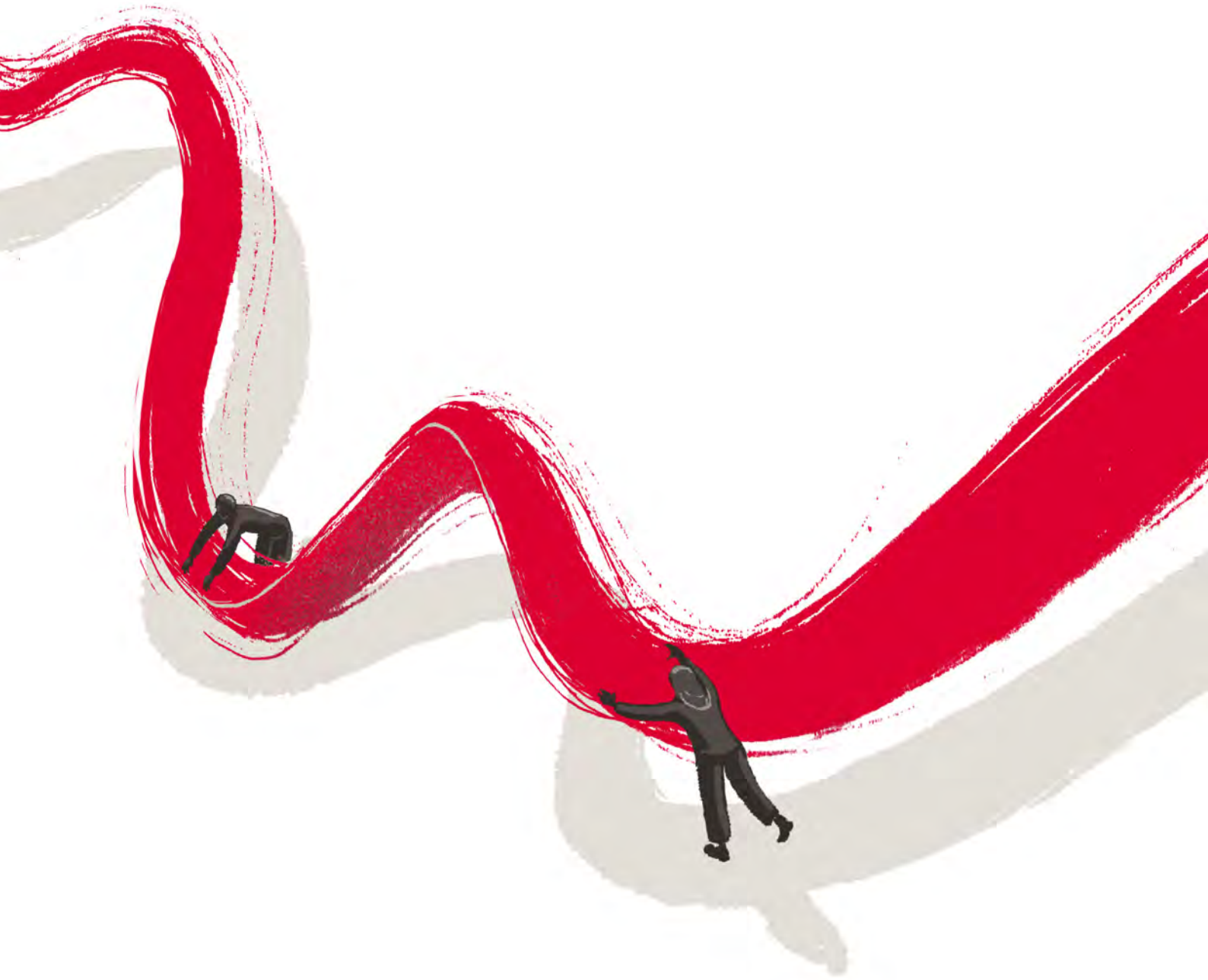


Strengthening our cyber and data security: We strengthened our IT networks, achieved cyber security essentials plus accreditation, renewed our information security management system accreditation for our secure data environment (ISO 27001) and started to develop a new platform for analysts. We introduced a compliance team to help raise awareness and train people, which helped us remain compliant with the Data Protection Act 2018.

Striving to build a more equitable, diverse and inclusive organisation: We delivered the organisation's first inclusion survey, which identified areas for improvement including: reviewing our internal processes; developing our internal learning and engagement; discussions on the role of the board and linking it to our external-facing work. We also set up an Inclusion Panel so that a range of people with varying lived experiences, knowledge and skills have the opportunity to influence health and social care research.

Embedding environmental sustainability: This has included leveraging our role as a provider of analysis and research, reviewing how we give grants, being a responsible investor, running events and managing our workplace.





Our plans ahead



Promote healthy lives for all

We will be continuing to explore how the circumstances in which we live shape our health.

- In 2022 we will launch a landmark review into health inequalities in Scotland.
- We will be adding new data, insight and analysis to our *What drives health inequalities?* evidence hub, including a new section on neighbourhoods.
- Local and regional authorities have a central role in improving health. Over 2022, we will explore what some of the key factors might be to improve health in a place.
- We will share materials to improve public understanding of and support for wider action to improve health, including findings from the Frameworks Institute.
- We will continue our work to ensure the whole of government works together to improve health and health equity. And we will outline the evidence-based policy approaches that can be taken to improve health across the whole of the UK.
- We are also working with a range of organisations to strengthen the policy agenda for young people's future health and to launch an open call to fund research on emotional support.
- We are working with ShareAction to promote positive action on health among businesses and investors.
- The Collaboration for Wellbeing and Health will move into its action phase, recruiting a wider group of cross-sector allies, and launching its first campaign to influence policy and amplify the case for action on the wider determinants of health.



Supporting health care improvement

Our supporting improvement work aims to influence approaches to system recovery, demonstrate how better management and improvement approaches can improve quality and productivity, and how innovation and technology can enable new models of care.

- 2022 will see continued investment in some of our existing initiatives, including the Flow Coaching Academy, the Common Ambition programme and the Health Anchors Learning Network. We will also continue to develop more recent initiatives, including the new IMPACT Centre and our Adopting Innovation programme.

- We will be launching a funding programme to support the use of technology to enable new models of care, particularly those that support more care at home or in the community. We will also undertake new research on this topic, as well as sharing learning through our insight work on learning health systems, NHS management, elective recovery, and the innovation landscape.

- Expected to reach the milestone of 5,000 members in 2022, our Q initiative also has big plans. We are supporting peer-learning for national and regional leaders in improvement, providing support for learning and innovation through Special Interest Groups and our events programme.

- Q Lab and Q Exchange also have exciting work underway, bridging the worlds and methods of improvement and digital (with Q Lab UK looking at what is needed for staff and patient confidence in tech-enabled remote monitoring).

- We will work with THIS Institute as they plan their future strategy at a 5-year review point in the Foundation's funding. This will include work to develop their online research platform, THIScovery.



Influencing health and social care policy

We want to support the development of more evidence-informed policies on health and social care in England, contributing to better population health and higher quality care.

- In 2022, we will continue to produce responsive analysis on some aspects of the national COVID-19 policy response – focusing on lessons from the pandemic for future health and care policy. But the main focus of our work will be on broader policy issues related to health system recovery and reform, including analysis of changes to NHS structures and policies on prevention and inequalities.

- Look out for new work synthesising evidence on approaches to NHS reform and national policies to reduce inequalities in general practice. We will also be producing analysis on the current reorganisation of the NHS in England, including the development of integrated care systems and the approaches they are developing to improve population health.

- We will maintain a focus on international comparisons of health system policies and performance, continuing to fund major external programmes in this area, including Sciana, Harkness Fellowships, QualityWatch, and the European Observatory on Health Systems and Policies.

- Other areas of focus will include analysis of national health and care performance data, analysis of international survey data on primary care physicians and a new programme of long-term public polling on attitudes to health policy and performance.



The sustainability of health and social care funding

The REAL Centre (Research and Economic Analysis for the Long term) produces research and analysis to help make health and care services more sustainable, enhancing our understanding of trends in health care supply and demand, and supporting better long-term decision making.

- Our work on workforce projections will look at the outlook for both the demand and supply of health care staff over the next decade. Our work will look in detail at the impact of trends in nursing and general practice. We will also look at health care demand, and will do a deep dive into healthy life expectancy. This is part of the foundational work to develop a comprehensive health care demand model in partnership with the University of Liverpool. The final model will allow us to link risk factors to morbidity and health care activity, providing an improved base for future funding projections reports.

- With projects from our Efficiency Research Programme coming to an end, we'll be sharing their knowledge and learning on technology and productivity.

- We will also host the third in our REAL Challenge lecture series, where prominent speakers share innovative thinking and ideas on the key challenges facing health and social care in our annual lecture and associated thought paper.

- We will launch a major funding call for two new REAL Centre research units. With total funding of £14 million, the units will develop research programmes in our areas of interest (demand for and supply of health and social care) and support the development of a linked fellowship programme.



Data analytics for better health

We want to ensure that everybody's health and care benefits from advances in analytics and data-driven technology such as AI. So, we will continue to drive forward innovations in analytics in 2022, informing the national conversation about data and health.

- Look out for studies on multiple long-term conditions, international comparisons of health care quality with international partners, and our NIHR-funded project to define a national minimum data set for care homes.

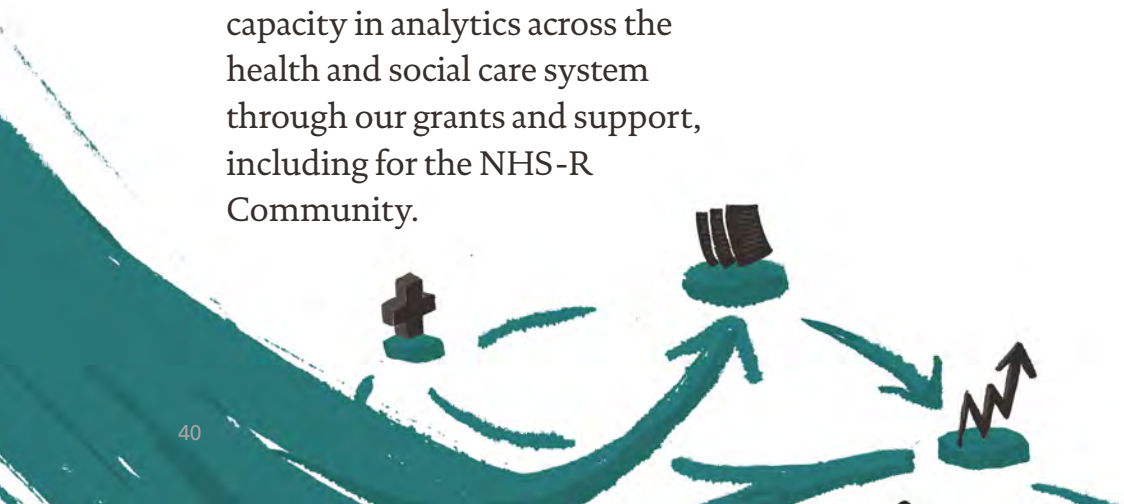
- We're also planning new work using novel techniques to improve understanding of poor health outcomes for people living in more deprived areas.

- Our work will continue to develop and enhance skills and capacity in analytics across the health and social care system through our grants and support, including for the NHS-R Community.

- We will also be active through our existing partnerships. Our work with the Ada Lovelace Institute will examine the impacts of data-driven technologies on inequalities, and our research programme with the NHSX AI Lab includes supporting a community of practice on AI and racial inequalities.

- In 2022, the Improvement Analytics Unit (our innovative partnership with NHS England) will complete studies on digital first primary care and integrated care. We'll also begin a new strand of evaluation work, potentially looking at how AI can help to address the NHS backlog.

- Meanwhile, our Networked Data Lab will be publishing findings from a project around inequalities in access to children and young people's mental health services, and beginning a new project on social care.



Work to improve the Foundation

Our work to develop the Foundation and support our strategy continues, by investing in our people, how we work, the tools we use and the place we work in. 2022 will be dominated by a change in working patterns, following the removal of the need for social distancing.

- People's wellbeing and flexible working: In 2021 we created a new hybrid framework that offers people more choice over where and when they work. In 2022, we will test this in practice. Our office is open and people are using it more intentionally, appreciating the need to reconnect in person and the social value of work. We recognise it will take time for people to recover from the mental toll of the past few years, so we will be patient in our return to the office and continue to support colleagues' wellbeing. We will provide the skills and tools people need to work seamlessly between home, office and online. Our leadership programme will be rolled out to more people with opportunities to develop other skills.

- Improving our operational effectiveness and resilience: We strengthened our recruitment to respond to global churn. We will review our benefits to ensure we remain attractive to new and existing employees. Our investment in tools and skills includes new systems for managing grants, tools and training for analysts, project management, data visualisation and data and cyber security.

- Building a more equitable, diverse and inclusive organisation: We continue to raise awareness, improve engagement and learning, while benchmarking our internal processes and linking our internal work to our strategy refresh.

- Embedding environmental sustainability: As a responsible investor, we are strengthening engagement with our public equity managers and like-minded coalitions. As a consumer, we are building a picture of our footprint and developing ways to lighten it.

Financial review and statements



Legal and administrative information

Governors
Sir Hugh Taylor (Chair)
Sir David Dalton
Eric Gregory
Loraine Hawkins
Ruth Hussey
Martyn Hole (stepped down 15 July 2021)
Branwen Jeffreys
Sharmila Nebhrajani (stepped down 30 July 2021)
Melloney Poole (stepped down 31 December 2021)
David Smart
Rosalind Smyth
Katie Blacklock (appointed 12 March 2021)
Dawn Edge (appointed 12 March 2021)
Ravi Gurumurthy (appointed 12 March 2021)

Charity number
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Company number
01714937

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External Auditor
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Solicitors
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Bates Wells
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Investment Fund Managers
See Appendix

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Investment Advisers
Cambridge Associates Limited
80 Victoria Street
London SW1E 5JL

Redington
6th Floor
1 Angel Court
London EC2R 7HJ

Charitable activities in 2021

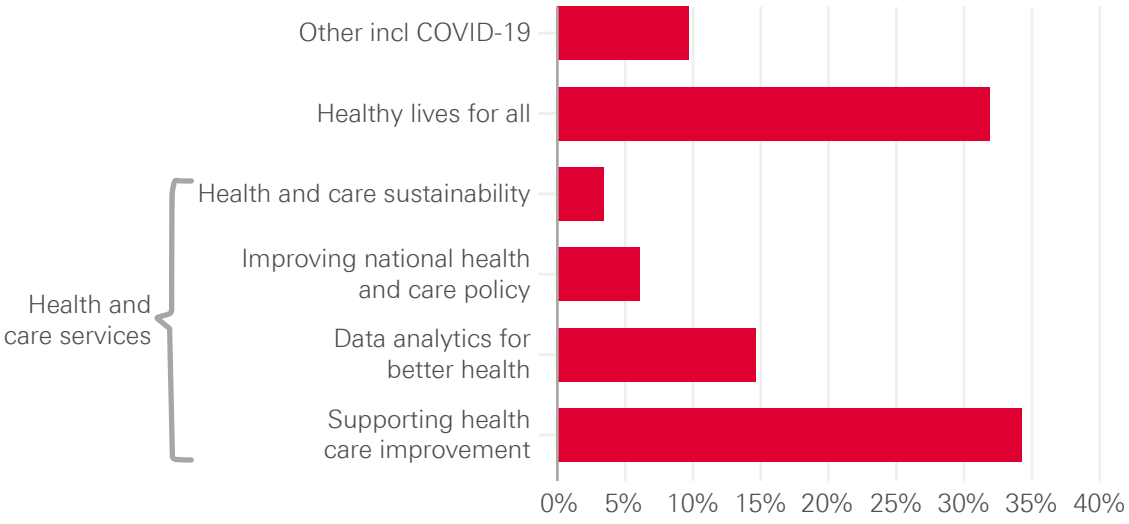
Our charitable expenditure

Our charitable expenditure is made up of:

- Grants and donations of £16.6m. In 2021, our largest grants were for our 'support health care improvement' and 'healthy lives for all' priorities.
- Direct costs of £13.4m, mainly our internal staff who manage our awards and influence change directly through our 'data analytics for better health', 'health care and sustainability' and 'improving national health and care policy' priorities.
- Support costs of £10.3m, providing the infrastructure to deliver our charitable activities, including our secure data networks.

Our charitable expenditure of £40.3m by strategic priority, allocating direct and support costs as appropriate, is illustrated in the chart below.

Figure 1: Charitable expenditure in 2021



Our charitable expenditure of £40.3m compares to £42.8m in 2020. The key movements were:

- Growth in expenditure for 'healthy lives for all' due to our increased investment in this area. In 2021, our large awards were for the Economies for Healthier Lives and Shaping Places for Healthier Lives programmes, in which we invested £2.6m in total.

- Reduction in 'supporting health care improvement' expenditure due to the rephasing of the THIS Institute funding commitment which increased costs in 2020 by £3.2m. THIS Institute is now in year five of the award and we anticipate full commitment to the second phase of the award, with a value of £22.8m, in 2022.
- We responded to the COVID-19 pandemic in 2020 with £6.1m of donations and grants. As the COVID-19 pandemic continued to have a significant impact on health and health care in 2021, we responded once again with donations for emergency assistance, donating £2.2m overall to Comic Relief, Children in Need, UNICEF and Pathway.

Further information can be found in note 7 to the accounts.

Our income used for charitable activities

Our charitable activities are mainly funded by our endowment. In 2021, we received £15.6m investment income and transferred £23.4m of capital from the endowment, in line with our expenditure policy.

We received restricted income of £1.2m (2020: £0.8m) primarily for Q, an initiative joint-funded with NHS Improvement. The Q initiative started in April 2015 and is part of our substantial long-term investments to develop and support initiatives designed to build capability.

Our policies

Expenditure policy

The investment spending policy, outlined in our investments section, sets out the spending formula for the Foundation. This spending formula provides a guide for the annual budget that may be adjusted to consider the needs of the Foundation and its operational capacity. The Foundation's support and governance spend is set by reference to the total spend level to ensure it remains reasonable and proportionate.

Grant-making policy

The Foundation sets out specific entitlement criteria for each programme at its launch. These criteria vary from programme to programme and are made available on our website. Applications are assessed against these criteria and grants made considering funds available and the quality of applications. The period for which grants are awarded depends on the programme, but typically last between 1 and 4 years. Grants are monitored regularly, and appropriate progress reports are required from recipients.

Reserves policy

The Foundation holds an expendable endowment fund, which was created following the sale of PPP Healthcare Group (PPP) to Guardian Royal Exchange Group in 1998. It is the Foundation's policy to operate as a perpetual body and, in line with this policy, the governors seek to manage the Foundation's business, and in particular its investment returns and expenditure, to maintain the real value of this expendable endowment fund while providing the necessary income to fund the Foundation's ongoing charitable activities.

Within the above overall policy, governors are at any time able to use endowment capital to fund charity expenditure. Accordingly, governors have determined that it is not necessary for the charity to hold reserves by way of separate unrestricted funds. Capital from the endowment equal to the excess of the Foundation's expenditure over its generated unrestricted income is applied as income each year such that at the year end the unrestricted fund balance is nil.

Our investments

Investment policy and strategy

The governors have decided that the Foundation should operate as a perpetual endowment and seek to maintain the real value of the endowment. We aim to invest the Foundation's assets to maximise returns while balancing risk through a diversified asset portfolio.

The Foundation has a structured investment process with the following primary features:

- **Investment policy** is agreed by the board of governors; this includes investment objectives, constraints and spending rate.
- **Investment strategy** is delegated to the Investment Committee, including strategic and tactical asset allocation, rebalancing, styles and weighting within asset classes, and manager arrangements.

The governors' primary objectives are:

- **Time horizon**: the endowment shall be invested for the long-term with an investment horizon of 10 years and multiple economic and market cycles.
- **Return target**: the objective is to fund our charitable expenditure while maintaining the real value of our investments. For 2021, the total return target was RPI+5% per annum (net of all investment fees and costs). This provides 4% for charitable expenditure, with RPI+1% as the proxy for inflation. Following a strategic review in 2021, as of January 2022, the total return target has been revised to CPI+4% per annum with CPI as the revised proxy for inflation.
- **Spending** policy: the governors believe that the return target is consistent with sustaining a spending rate of 4% over a trailing 3-year average of endowment value.
- **Risk target**: a long-run volatility range of 13–15% and an equity beta in the region of 0.70–0.75. The governors wish to limit the possibility of a 20% fall in endowment value over 1 year but acknowledge that this possibility cannot be eliminated. The probability of this event is of the order of 20% or one in five.

The main features of the Foundation's investment strategy are to:

- manage the portfolio on a total return basis
- focus on 'return-generating' asset classes, which can reasonably be expected to generate attractive real returns over the long term
- have only limited exposure to 'risk-reducing' asset classes, because of their lower expected returns
- reduce risk by diversification, but accept that seeking high returns incurs volatility
- use active managers where it is reasonable to expect that the performance benefits will outweigh the additional costs.

Our approach to responsible investment

We recognise the importance of being a responsible investor and have developed four guiding principles based on the values of the Foundation, which act as an overarching framework to strengthen the endowment's investment strategy and stewardship credentials. The four responsible investment guiding principles are:

Principle 1 Work with, and challenge, existing and future investment managers to ensure their environmental, social and governance (ESG) integration and engagement policies align with the Foundation's framework.

Principle 2 Exercise the right as a responsible asset owner through measured and relevant engagement in relation to the mission of the Foundation.

Principle 3 An ambition to be Net Zero by 2035 and report impact against UN Sustainable Development Goals 3 and 13 via robust oversight procedures and processes.

Principle 4 Emphasise positive engagement over exclusion, as long as there is no conflict of interest in the field of public health and health care.

We oversee the practical application and governance of the four guiding principles in accordance with the endowment's ESG policy through engagement with the selected investment managers and investment

consultant. In addition, we require all our investment managers to have an ESG policy in place and recommend they adopt at least one of the following guidelines – the UK Stewardship Code or the UN Principles of Responsible Investment.

We do not invest directly in tobacco stocks. We also closely monitor our investment in pooled funds and if we identify any inadvertent exposure to tobacco stocks, we engage with the relevant investment manager with the aim of establishing new funds. There are certain stocks that could be seen as a conflict of interest for the mission of the Foundation and, therefore, we would negatively screen these stocks from the endowment. However, where possible, we adopt a formal approach to positive engagement where conflict of interest might arise. Where there are issues related to reputational risk, these reside with the board of governors.

The Health Foundation is a member of the Charities Responsible Investment Network, facilitated by ShareAction and maintains dialogue with investor coalitions such as Healthy Markets and Good Work. We intend that this will strengthen our approach to responsible investing where we want to use our investment portfolio to encourage businesses to behave responsibly.

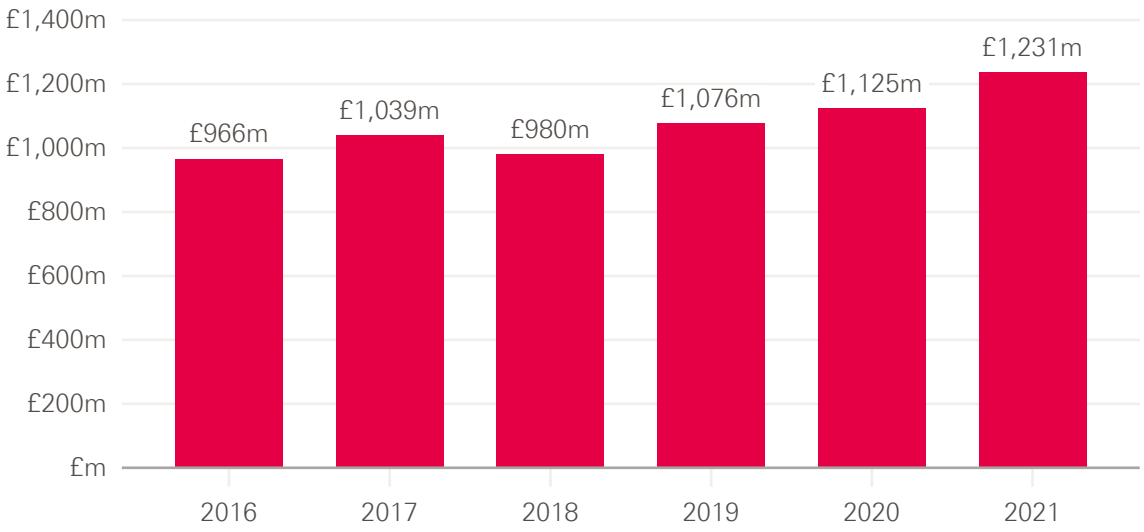
Investment returns

Our long-term goals for the management of our endowment investments are set out in the Investment policy and strategy earlier in this report.

In 2021, the endowment fund returned a net of 14.4%, exceeding the RPI+5% target of 13.0% in that year. On a 3-year annualised basis, the fund returned 12.4%, exceeding the annual RPI+5% target of 8.9%. On a 5-year annualised basis, the fund exceeded the return target, achieving 9.1% per annum against the target of 8.8% per annum.

Figure 2 shows the change in the value of the investments. In 2021, the value of the investments increased by £106m, from £1,125m to £1,231m.

Figure 2: Investment values as at 31 December 2021

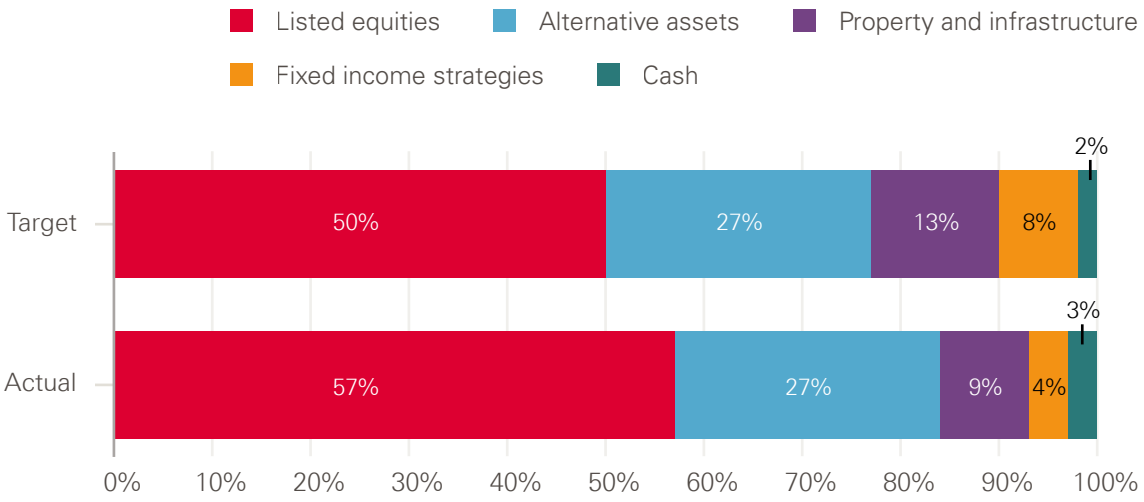


The structure of the investments is focused on global investing via a range of asset classes. The investments look to maximise returns while balancing acceptable levels of risk through a diversified asset portfolio. Following a review of the existing public equity investment managers in 2021, a new suite of public equity investment managers was agreed to reflect our responsible investment guiding principles more appropriately. The portfolio successfully transitioned to the suite of new investment managers in the first half of 2022.

The Investment Committee meets quarterly and sets and regularly reviews the long-term investment strategy and progress on its implementation. Redington act as our investment advisor for the endowment and provide advice on strategic asset allocation, investments, and responsible investment practices. Cambridge Associates provides investment management services for the Victoria Fund and investment advice on private investments and hedge funds.

Figure 3 shows the target strategic asset allocation together with the actual asset allocation at the end of 2021. The allocation for 2021 was overweight in listed equities and cash and underweight in property and fixed income strategies. Over time we expect to increase our weighting in alternative assets as we build our private equity mandate.

Figure 3: Asset allocation at 31 December 2021



We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future, having carried out 'stress-tests' at appropriate intervals.

The total cost of managing our investments was £13.0m (2020: £14.7m). The reduction is mainly due to the decreased performance fees incurred on hedge funds. Further details can be found in note 6.

Subsidiary companies

The Foundation has two subsidiary undertakings Medtrust Innovations Limited (Medtrust) and the Victoria Fund LP Incorporated (Victoria Fund).

Medtrust is wholly owned by the Foundation as a mission-related investment engaged in the exploitation of intellectual property rights. In March 2011, Medtrust acquired 50% of the intellectual property rights of *BMJ Quality & Safety*, a journal published by the BMJ Publishing Group Limited. At 31 December 2021, Medtrust had fixed assets of £0.5m (2020: £0.5m). In the year, Medtrust generated an operating profit of £0.2m (2020: £0.2m).

The Victoria Fund was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner. As at 31 December 2021, the Victoria Fund had fixed assets of £397m (2020: £337m) and the value of its net assets was £401m (2020: £346m). Net profit in the year was £56m (2020: £55m).

Streamlined energy and carbon reporting

The Health Foundation is reporting energy and carbon emissions in compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The conversion factors used in the report are taken from 2021 government guidance on the Streamlined Energy and Carbon Reporting (SECR) regime.

During 2021, much of the year was spent working from home with occasional periods in the office, in line with government restrictions. When restrictions around social distancing are lifted in 2022, we expect to balance working between home and office.

The Foundation consumed approximately 172,571 Kwh of energy in 2021 (2020: 309,942 Kwh) and CO2 emissions are estimated at 36.67 tonnes (2020: 66.27 tonnes). Our intensity ratio is 0.015 tonne per square metre of our office space (2020: 0.027 tonne per square metre).

Electricity and gas – office

During 2021, our office electric energy consumption equated to 152,167 Kwh (2020: 144,733 Kwh) or 32.31 tCO2e (2020: 33.74 tCO2e). The fall in tCO2e is because the conversion rate to tCO2 for electricity reduced from 0.233 in 2020 to 0.212 in 2021. In 2021, our office gas energy consumption equated to 20,404 Kwh (2020: 165,209 Kwh) or 3.74 tCO2e (2020: 30.38 tCO2e). Electricity costs are metered while gas costs form part of the service charge, apportioned by the landlord on the floor space occupied by the Foundation, which equates to 2,415 square metres.

Travel

During 2021, travel journeys paid for directly by the Foundation equated to 6,787 miles (2020: 24,814 miles) or 0.62 tCO2e (2020: 2.15 tCO2e). There was less travel in 2021 due to COVID-19 restrictions. Travel to and from Foundation events by external participants and attendees is not included in these calculations for both 2020 and 2021.

Future reporting

The Foundation is committed to understanding and reducing its environmental impact. We have set targets for achieving net zero in our public equity investment portfolio. We developed a guide to sustainable events, awarding grants and recruitment. In addition, we are reviewing how to report on a wider set of measures, including commuting, working from home, water use, emissions from our cloud-based data storage and how we can reduce our carbon emissions from our operational activities. We will be considering sustainability in the Foundation's strategy refresh covering 2023–2026.

2021 carbon reporting figures	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Health Foundation office – gas		20,404	3.74
Health Foundation office – electricity		152,167	32.31
Scope 3			
Employee mileage personal cars	233		0.07
Travel – taxis	70		0.02
Travel – public transport	5,495		0.21
Travel – air	989		0.32
Total gross emissions in tonnes CO_2e	**6,787**	**172,571**	**36.67**
Intensity ratio: tonnes CO_2e per sqm			0.015

2020 carbon reporting figures	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Health Foundation office – gas		165,209	30.38
Health Foundation office – electricity		144,733	33.74
Scope 3			
Travel – public transport	13,144		1.30
Travel – air	11,040		0.85
Total gross emissions in tonnes CO_2e	**24,184**	**309,942**	**66.27**
Intensity ratio: tonnes CO_2e per sqm			0.027

Stakeholder engagement – s.172 statement

The board recognises that the Health Foundation's relationship with its stakeholders is critical to its success. The table below sets out our main stakeholder groups, the key considerations of each group and how we engage with them.

Stakeholder	Key consideration	How we engage	Key activities in 2021
Beneficiaries, including: members of the public; those who benefit from the grants we award; health and care workers; policymakers; charities that received donations from us.	Improving the lives of the people and communities that the Foundation's grants support in its work to improve health, health care and social care in the UK. Maximising the impact of our work. Sharing information about the work of the Foundation.	Individual governors have strategic oversight of key programmes of work, working closely with teams across the Foundation and the organisations we partner with. Via our grant holders, including their reporting to us. Via beneficiaries of charities to which we have made one-off donations through the pandemic. Through our webinars, podcasts publications, blogs, newsletters and long reads, which are all available to anyone, free of charge. We have an active social media presence. We have well-defined communications strategies around our strategic aims and targeting our key audiences.	The board approved further donations to charities to support the national response to the pandemic. Working remotely made engagement harder, but the board heard from beneficiaries of our funded programmes including hip fracture outcomes; early intervention on eating disorders; support for quality improvement in Scotland through our Q network; managing obstetric emergencies in a pandemic, among others.

Stakeholder	Key consideration	How we engage	Key activities in 2021
Partners: we work closely with a wide range of partners to deliver our strategy.	Maximising the impact of our work. We work with a wide range of stakeholders to deliver our mission to build better health and health care – from national and local government, to the health and care sector, the public health, and the third sector. Ensuring the effectiveness of the programmes and projects that the Foundation supports with grants or contracts and/or staff time. Building and maintaining networks of people engaged in improving the quality of health, health care and social care in the UK. Sharing information about the work of the Foundation.	We engage with our grant holders via ongoing management of their awards, with support for applicants to enable them to maximise the effectiveness of the projects that we are funding. We cooperate actively with other key organisations in our field to influence policy and practice. We work with other key organisations in some of our major areas of activity and engage with them closely in ongoing management and direction. We have over 4,000 members in our Q Community, supporting service improvement and learning. We have an alumni programme for previous award-holders in our fellowship programmes. We have a wide variety of useful, practical resources on our website available at no charge, aimed at people and organisations working in health, health care and social care. We create opportunities for award-holders to meet with governors at board meetings.	Much of our work is carried out with partners. Examples of board engagement include approving funding for partnership action on the wider determinants of health in Scotland; approving the next phase of the European network for senior health leaders, Sciana; understanding health inequalities impact of data-driven technologies with the Ada Lovelace Institute; helping to ensure innovation happens in response to the health needs of minority ethnic groups with NHS AI lab; approving funding for the Improvement Analytics Unit, using novel counterfactual analysis to assess change programmes, with NHSEI; working with the Charities Responsible Investment Network and other investor coalitions to promote the aims of our responsible investment policy.

Stakeholder	Key consideration	How we engage	Key activities in 2021
Employees, including: secondees, interns, fellows, longer term temporary staff, etc.	Ensuring that employees enjoy working at the Foundation and are motivated to help deliver our mission. Providing opportunities to develop and grow at the Foundation. Working to improve health and wellbeing of all who work at the Foundation. Working to improve diversity and inclusion at the Foundation.	Regular staff surveys with follow-up of actions, shared with the remuneration and governance committee and board. Systematic and comprehensive approach to health and safety and wellbeing overseen by a staff team, reported annually to the board. Support for staff-led groups on black diversity, mental health awareness, LGBTQ+ and disability. Learning and development programme for all staff, both corporate and individual.	2021 was the continuation of a tough working environment for everyone. The board reviewed the results of two staff surveys on wellbeing at the start and end of the year, as well as surveys on inclusion and hybrid working. The board reviews our plans to improve our approach to diversity inclusion as well as environmental sustainability, both of which have wide staff engagement.
Suppliers, including: the Foundation's investment managers.	That our key suppliers are operating ethically as well as providing value for money.	As an accredited living wage employer, ensure that our contracted staff earn at least the real living wage. Regular contact with our public equity investment managers to ensure that they remain properly engaged on ethical and social governance.	The board approved changes to our investment managers with a greater emphasis on responsible investing.

Risk management

The Foundation set out its approach to managing risk, including roles and responsibilities, in its risk management policy. The Audit Committee and the board of governors regularly review key risks owned by executive directors. The Audit Committee gives direction and reviews the implementation of the risk management process supported by an internal audit plan. Detailed below are the most important risks.

Key risk	Nature of risk	Management of risk
Investment risk	Failure to provide adequate funding for the Foundation's planned activities due to a major correction in market value and/or insufficient liquidity.	The Investment Committee ensures that the Foundation's investments are suitably diversified, supported by an internal team, external advisers and external benchmarking. The committee ensures there is enough continuing liquidity to meet the Foundation's cash requirements, in the event of a sudden market correction. The Investment Committee oversees investment portfolio risks, and the Audit Committee oversees operational risks. In 2021, we reviewed our 10-year strategy, revised our investment target and agreed to overhaul our public equity managers, which we will do in 2022.
Cyber security	The Foundation's defences are inadequate, rendering it vulnerable to cyber-attack.	The directors team supports a framework to ensure employees are aware of the need for information security. Management tests the Foundation's security regularly and the results are reviewed independently. The Foundation has a cyber-security service agreement to monitor the networks and facilitate recovery. In 2021, we achieved cyber security essentials plus accreditation; carried out penetration testing and established a compliance team for cyber and data security. For 2022, we will continue to conduct phishing tests, raise awareness and train users.
Data security	We suffer loss of data because of a breach in our security.	Sensitive data is managed within a secure data environment (SDE) with physical and technical isolation from the office environment, accredited to ISO 27001. An internal working group oversees compliance with the Data Protection Act 2018, supported by a data protection officer. In 2021, we improved our scores despite a challenging environment and a significant growth in our data. Our plans for 2022 include widening responsibility for data security and introducing a new IT platform for analysts.

Key risk	Nature of risk	Management of risk
Strategic	The Foundation fails to address important or emerging issues or achieve a desired level of impact.	The board reviews our ambition, impact and progress. This includes balancing short term reactive work with longer term initiatives. In 2021, we simplified decision-making with the ability to respond and adapt more quickly to support the national response to the pandemic. In 2022 we will refresh our strategy for 2023–2025, informed by learnings from the pandemic.
Quality	Our work lacks sufficient rigour, accuracy, quality and objectivity.	We have clear governance frameworks for awards, contracts and research with a quality assurance process for the release of all published material. In 2021, we strengthened our internal processes and guidance.
Business disruption	The Foundation fails to take adequate care of the safety and wellbeing of its employees and loses operational effectiveness, due to disruption caused by the pandemic.	In 2020 we pivoted our priorities to supporting the national response to the pandemic while simultaneously adapting to working remotely. In 2021, we gave people more choice over where and when they work, with continuing support for our wellbeing, in response to what we learned through the pandemic. We opened our office for those that needed it and briefly for everyone. We were able to maintain our flexibility in reacting quickly to rapidly changing demands from our beneficiaries. We started to experience an increase in people leaving following a period of low turnover. We ramped up our recruitment and in 2022 we will review our benefits.

In 2021, we improved our risk management framework and reporting, with an increased use of risk to aid decision making. In 2022, we will revisit our risk appetite as part of our strategy refresh.

Trustees' report

Structure, governance and management

The Health Foundation is a registered charity and a company limited by guarantee. It is governed by its memorandum and articles of association adopted on 24 July 1996 and last amended on 15 July 2021. The Foundation's endowment was first established in 1998.

The board is responsible for the overall governance of the Foundation. All governors are members and directors of the company, and trustees of the registered charity. Governors are appointed for a term of 5 years and may be appointed for a second term of up to 4 years. The current governors and any past governors who served during the year are listed in the table below, together with the names of independent members of committees.

Name	Member/ governor	Audit Committee	Investment Committee	Remuneration and Governance Committee
Hugh Taylor	Chair		✓	✓
David Dalton	✓	✓		
Martyn Hole (stepped down 15 July 2021)	✓	✓	✓	
Ruth Hussey	✓			Chair (from January 2022)
Sharmila Nebhrajani (stepped down 31 July 2021)	✓	Chair (until July 2021)		
Melloney Poole (stepped down 31 December 2021)	✓			Chair (until December 2021)
Branwen Jeffreys	✓			
Rosalind Smyth	✓			✓
Loraine Hawkins	✓			✓
Eric Gregory	✓	Chair (from August 2021)		✓
David Smart	✓		Chair	
Katie Blacklock (appointed 12 March 2021)	✓	✓	✓	
Ravi Gurumurthy (appointed 12 March 2021)	✓			
Dawn Edge (appointed 12 March 2021)	✓			

The following served as independent members of committees during 2021.

Name	Audit Committee	Investment Committee
Mickola Wilson (stepped down 24 February 2021)		✓
Ingeborg Dybdal Øie		✓
Robert Beveridge	✓	
Mark Chaloner		✓
Andrew Milligan		✓

The board regularly reviews the skills and experience of the governors to ensure they are relevant to the Foundation's mission and provide balance to the board.

The board meets at least four times a year and approves strategic, business plans and budgets and reviews operational and investment performance.

All new governors receive a comprehensive induction. Refresher sessions on relevant topics are arranged for governors periodically. In 2021, the board set time aside to discuss their roles as company directors and trustees, including the updated charity governance code for larger charities. The board agreed to carry out a review of its effectiveness, in 2022 following which it would review its approach to being diverse and inclusive. The articles of association were reviewed in 2020, adopted in 2021 and included setting a maximum number of trustees at 15.

Organisational structure and how decisions are made

The board of governors has set down a schedule of matters specifically reserved to it for decision. These include:

- board appointments
- the appointment and terms of reference of any committee of the board and any matters expressly reserved for the decision of the board by any such terms of reference
- approval of annual financial statements and annual business plan and budget
- changes to the Foundation's investment policy.

In addition, the following committees are established as committees of the board of the Foundation in accordance with the articles of association. Each operates in accordance with terms of reference, which ensures the committee is properly constituted with an appropriate membership of governors, experienced independent members (in the case of the Audit and Investment Committees) and a clear set of responsibilities and authorities.

- **The Remuneration and Governance Committee** assists the board in monitoring and advising on the size and composition of the board of governors; their selection, recruitment induction and training; and manages reviews of board performance, as requested by the board. The committee approves the framework and policy determining the overall reward strategy applicable to all Foundation staff and for the chief executive and senior leaders.
- **The Audit Committee** assists the board in meeting its responsibilities in respect of financial reporting and internal control. It provides a channel of communication between the Foundation's external auditors and the board. It provides direction and reviews the implementation of the Foundation's risk management strategy and system of internal controls.
- **The Investment Committee** assists the board with developing investment policies agreed by the board. The committee sets and regularly reviews a long-term investment strategy to meet the Foundation's investment objectives. The chief executive and the chief investment officer are members of this committee.

The board of governors delegates the exercise of certain powers in connection with the management and administration of the Foundation to the leadership team managed by the chief executive.

Senior leadership

The chief executive is responsible for the day-to-day management of the Foundation's affairs and for implementing policies agreed by the board of governors. The chief executive is assisted by a group of senior leaders who are listed below. Although the senior executive team are called directors, they are not the 'legal' directors of the charitable company.

Jennifer Dixon	Chief Executive
Jo Bibby	Director of Health
Aidan Kearney	Chief Investment Officer
Anita Charlesworth	Director of Research and the REAL Centre
Cathy Irving	Director of Strategy
Paul Hackwell	Chief Operating Officer
Adam Steventon	Director of Data Analytics (until February 2022)
Will Warburton	Director of Improvement (until January 2022)
Malte Gerhold	Director of Improvement and Innovation (from May 2022)
Hugh Alderwick	Director of Policy (from May 2022)
Sam Fletcher	Director of Communications (from May 2022)
Charles Tallack	Interim Director of Data Analytics (from February 2022)

The charity's registered office and list of key advisers can be found in Legal and administrative information (p 43).

Principal activities and development

The Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK. It achieves this through supporting people and organisations. Further information on the charity's activities and developments are included in the Strategic report.

Statement of governors' responsibilities

The governors are responsible for the preparation of the annual report, including the strategic report and governors' report, and the financial statements in accordance with applicable law and UK Generally Accepted Accounting Practice. Company law requires the governors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the governors are required to:

- ensure that the most suitable accounting policies are established and applied consistently
- make judgements and estimates that are reasonable and prudent
- state whether the applicable accounting standards and statement of

recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Foundation will continue in operation.

The governors have overall responsibility for ensuring that the Foundation has appropriate systems and controls, financial and otherwise. They are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Foundation and for their proper application as required by charity law, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Foundation is operating efficiently and effectively
- all assets are safeguarded against unauthorised use or disposition and are properly applied
- proper records are maintained, and financial information used within the Foundation, or for publication, is reliable
- the Foundation complies with relevant laws and regulations.

Each of the governors has confirmed that as far as they are aware, there is no relevant audit information of which the Foundation's auditors are unaware. The governors have each taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

Processes are in place to ensure that performance is monitored, and that appropriate management information is prepared and reviewed regularly by both the directors' team and the board of governors. Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency.

The systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss. They include:

- a strategic plan, annual business plan and budget approved by the governors
- regular consideration by the governors of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews

- delegation of day-to-day management authority and segregation of duties
- identification and management of risks
- a programme of independent controls.

Declarations and conflicts of interest policy

The Foundation has drawn up and implemented a declarations of interest policy that explains the nature of potential conflicts of interest. It requires governors, independent members of committees, employees and other defined categories of individual with whom the Foundation works from time to time, to declare all interests relevant to the Foundation's work and provides a framework for managing situations when conflicts arise. Governors, independent members of committees and employees are also required to notify the Chief Executive or Chief Operating Officer of any association with a body or organisation which is or might become an applicant for funds from the Foundation. A register is kept and those interests declared by governors and members of the directors' team are reviewed regularly by the directors and produced for inspection at all board meetings.

Details of transactions with related parties are set out in note 25 of the financial statements. The Foundation has a comprehensive whistle-blowing policy.

None of the governors has any beneficial interest in the company. All the governors are members of the company and guarantee to contribute £1 in the event of a winding up.

This Governors' report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the governors on 14 July 2022, in their capacities as trustees of the charity and directors of the company. This included their approval of the Trustees' and strategic reports contained within it. The Trustees' report is signed as authorised on their behalf by:

Hugh Taylor
Hugh Taylor (Jul 26, 2022 10:07 GMT+1)

Sir Hugh Taylor, Chair
14 July 2022

Independent auditor's report to the members of the Health Foundation

Opinion

We have audited the financial statements of The Health Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statement, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2021 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's

Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 62, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the group, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated investment valuations and the group's net assets at the year-end.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management and review of

internal audit reports in so far as they related to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Wright
Colin Wright (Jul 26, 2022 17:39 GMT+1)

Colin Wright
(Senior Statutory Auditor)

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor

Financial statements

Consolidated statement of financial activities for the year ended 31 December 2021

	Notes	Unrestricted fund £'000	Restricted fund £'000	Expendable Endowment Fund £'000	Total 2021 £'000	Total 2020 £'000
Income:						
Charitable activities	3	244	1,178	–	1,422	938
Investments	4	15,638	–	–	15,638	15,440
Capital applied to income	5	23,365	–	(23,365)	–	–
Total income		**39,247**	**1,178**	**(23,365)**	**17,060**	**16,378**
Expenditure:						
Fund management	6	–	–	13,038	13,038	14,654
Charitable activities	7	39,247	1,086	–	40,333	42,755
Total resources expended		**39,247**	**1,086**	**13,038**	**53,371**	**57,409**
Operating surplus/ (deficit)		–	92	(36,403)	(36,311)	(41,031)
Net gain on investments	11	–	–	149,068	149,068	93,716
Net income for the year		–	92	112,665	112,757	52,685
Fund balances as at 1 January 2021		–	724	1,105,881	1,106,605	1,053,920
Fund balances as at 31 December 2021		–	816	1,218,546	1,219,362	1,106,605

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure are derived from continuing activities.

Consolidated balance sheet as at 31 December 2021

	Notes	£'000	2021 £'000	£'000	2020 £'000
Fixed assets:					
Intangible fixed assets	12		2,705		2,777
Tangible fixed assets	13		4,083		4,994
Investments	14		1,230,737		1,124,866
Programme-related investment	14		526		526
			1,238,051		**1,133,163**
Current assets:					
Debtors	16	1,371		1,945	
Cash and short-term deposits		5,790		6,272	
Total current assets		**7,161**		**8,217**	
Current liabilities:					
Amounts falling due within one year	17	(20,055)		(24,901)	
Net current liabilities			**(12,894)**		**(16,684)**
Total assets less current liabilities			**1,225,157**		**1,116,479**
Creditors: amounts falling due after more than 1 year	18		(5,167)		(9,227)
Provisions for liabilities	20		(628)		(647)
Net assets			1,219,362		1,106,605
Capital funds:					
Endowment funds general			1,218,546		1,105,881
Income funds:					
Unrestricted fund			–		–
Restricted funds			816		724
Total funds			1,219,362		1,106,605

The accounts were approved by the governors, and authorised for issue on 14 July 2022 and signed by:

Hugh Taylor
Hugh Taylor (Jul 26, 2022 10:07 GMT+1)

Sir Hugh Taylor
Trustee

Eric Gregory
Eric Gregory (Jul 19, 2022 08:41 GMT+1)

Eric Gregory
Trustee

Company Registration No. 01714937

Charity balance sheet as at 31 December 2021

	Notes	£'000	2021 £'000	£'000	2020 £'000
Fixed assets:					
Intangible fixed assets	12		2,705		2,777
Tangible fixed assets	13		4,083		4,994
Investments	14		829,694		779,326
Other Investments	14		401,569		346,066
			1,238,051		**1,133,163**
Current assets:					
Debtors	16	1,136		1,778	
Cash and short-term deposits		5,789		6,272	
Total current assets		**6,925**		**8,050**	
Current liabilities:					
Amounts falling due within one year	17	(20,055)		(24,901)	
Net current liabilities:			**(13,130)**		**(16,851)**
Total assets less current liabilities			**1,224,921**		**1,116,312**
Creditors: amounts falling due after more than 1 year	18		(5,167)		(9,227)
Provisions for liabilities	20		(628)		(647)
Net assets			1,219,126		1,106,438
Capital funds					
Endowment funds general			1,218,310		1,105,714
Income funds					
Unrestricted fund			–		–
Restricted funds			816		724
Total funds			1,219,126		1,106,438

The accounts were approved by the governors, and authorised for issue on 14 July 2022 and signed by:

Hugh Taylor
Hugh Taylor (Jul 26, 2022 10:07 GMT+1)

Sir Hugh Taylor
Trustee

Eric Gregory
Eric Gregory (Jul 19, 2022 08:41 GMT+1)

Eric Gregory
Trustee

Company Registration No. 01714937

Consolidated statement of cash flows for the year ended 31 December 2021

	Notes	£'000	2021 £'000	£'000	2020 £'000
Cash flows from operating activities:					
Cash absorbed by operations	27		(45,614)		(43,169)
Investment activities:					
Cost of developing intangible assets		(653)		(267)	
Purchase of tangible fixed assets		(12)		(288)	
Investment proceeds re-invested		(15,638)		(15,406)	
Withdrawals from investments		58,835		60,395	
Investment management fees		(13,038)		(14,654)	
Investment income		15,638		15,440	
Net cash generated from investing activities			**45,132**		**45,220**
Net (decrease)/increase in cash and cash equivalents			(482)		2,051
Cash and cash equivalents at beginning of year			6,272		4,221
Cash and cash equivalents at end of year			5,790		6,272

Notes to the financial statements for the year ended 31 December 2021

Charity information

The Health Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is 8 Salisbury Square, London EC4Y 8AP.

The liability of the governors in their capacity as members of the company is limited. Each member guarantees any deficiency in the Foundation to a maximum of £1.

1.0 Accounting policies

1.1 Accounting convention

These accounts have been prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities, the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice. The Foundation is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the Foundation. Monetary amounts in these financial statements are rounded to the nearest £'000.

The accounts have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis for consolidation

The financial statements consolidate the charity and its wholly owned subsidiary entities, The Victoria Fund LP Incorporated and Medtrust Innovations Limited.

In accordance with section 408 of the Companies Act 2006, no separate Statement of Financial Activities has been presented for the charity.

However, due to the nature of the charity's subsidiaries, the overall net movement in funds of the charity is the same for the group.

1.3 Going concern

At the time of approving the financial statements, the governors have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. This expectation includes an assessment of the ongoing impact of COVID-19 and political and economic challenges facing global markets. Our endowment grew in value in 2021. There is market uncertainty which may lead to some volatility, but the governors are confident that the current governance structure, delegated to an experienced and stable investment committee overseeing a globally diversified and risk aware portfolio of investments is well placed to cope. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future. Under our normal internal governance procedures, we conducted a Strategic Asset Allocation review in 2021 and continue to monitor this in light of ongoing uncertainties. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Charitable funds

The Foundation maintains three types of funds: unrestricted funds, restricted funds and expendable endowment funds. Income and expenditure on these funds are shown separately in the statement of the financial activities.

Unrestricted funds are available for use at the discretion of the governors in furtherance of their charitable objectives unless the funds have been designated for other purposes. The income is made up of investment income, other incoming resources and any capital applied as income.

Restricted funds are subject to specific conditions as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Expendable endowment funds represent capital gifted for the long-term benefit of the Foundation. Any income arising from the Endowment fund assets is added to the unrestricted fund. The trustees may also, at their discretion, determine to apply part or all of the endowment capital as income at which time the relevant amounts are transferred to the unrestricted fund.

1.5 Incoming resources

Income is recognised 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 on investments in the statement of financial activities.

1.6 Resources expended

Expenditure is recognised on an accruals basis. Irrecoverable VAT is included within the expense items to which it relates.

Expenditure on raising funds represents amounts paid to the Foundation's external investment advisers and custodian, and an apportionment of internal support costs based on time spent. They are charged to the endowment fund, as the primary role of the investment managers and the custodian is to safeguard the investment assets of the Foundation.

Charitable activities comprise all costs incurred in the pursuit of charitable objects. These are:

- Grants including programme costs where an actual/constructive obligation exists, notwithstanding that they may be paid in future accounting periods. However, where conditions attach to the grant such that it is a performance-related grant then this is charged as the conditions are satisfied and are expensed as the related activity is performed.
- Salary costs that can be directly attributed to strategic, programme and policy work. It also includes the cost pertaining to support staff.
- Overheads such as the rent and running costs of the office space. These costs are allocated to charitable strategic priorities based on the relevant proportions of the direct costs of the charitable activities.
- Governance costs comprise all costs attributable to ensuring the public accountability of the Foundation and its compliance with regulation and good practice. These costs include costs related to statutory and internal audit together with an apportionment of support costs based on time spent.
- Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid. Provision is made for the discounted expected future costs of unfunded pension benefit commitments at each balance sheet date, based on actuarial advice.

1.7 Intangible fixed assets other than goodwill

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over the term of the project life, estimated to be between 3 and 7 years. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Tangible fixed assets with a value over £5,000 are capitalised. Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Fixtures and fittings – 5 years
- Computers – 3 years
- Office building modifications – 10 years (included in fixtures and fittings category in the notes)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

1.9 Fixed asset investments

Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

Quoted investments are listed shares, bonds and units and are stated at fair value on the basis equivalent to market value using the bid price. Asset sales and purchases are recognised at the date of trade.

Unquoted investments are stated at fair value based on professional valuations at the balance sheet date or nearest available date to it. For hedge

funds, the valuations are provided by third-party hedge fund administrators. In the case of private equity funds, there is no readily identifiable market price. These funds are included at the most recent valuations by their respective managers. Investments made shortly before the balance sheet date are held at cost where the managers have yet to provide a valuation.

A subsidiary is an entity controlled by the Foundation. Control is the power to govern the financial and operating policies of the entity to obtain benefits from its activities. Subsidiaries are included in the Foundation's balance sheet at their net asset value which represents the fair value of their underlying investments and other net assets. Investments in subsidiary undertakings are held at cost less any impairment.

Unrealised gains and losses are recognised at the year-end as the difference between the historical cost and the market value of the investment assets. Realised gains and losses are recognised during the year at the time the investment is sold, and include any fees incurred at source. All unrealised and realised gains and losses on investments are included within the statement of financial activities.

1.10 Impairment of fixed assets

Impairment of tangible and intangible fixed assets are reviewed annually and any impairment is recognised as an expense in the year that it occurs.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Foundation has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Foundation's balance sheet when the Foundation becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets classified as receivable within 1 year are not amortised.

Basic financial liabilities
Basic financial liabilities, including trade creditors and grants payable are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within 1 year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within 1 year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the Foundation's contractual obligations expire or are discharged or cancelled.

1.13 Provisions
Provisions are recognised when the Foundation has a legal or constructive present obligation as a result of a past event, it is probable that the Foundation will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in net income/(expenditure) in the period it arises.

1.14 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Foundation is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in net income/expenditure for the period.

1.18 Exemptions

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The financial statements contain the *consolidated* statement of financial activities only. The *company's* net income for the year is £112,688k (2020: £52,693k).

2.0 Critical accounting estimates and judgements

In the application of the Foundation's accounting policies, the governors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Investment valuation

The Foundation's investments are stated at market value. Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred. Valuations are obtained from the investment managers. The governors do not believe that there is any inherent uncertainty in the presentation of these amounts, and that in their judgement, market value and fair value may be regarded as identical for the purposes of these accounts.

3.0 Income from charitable activities

	Share of profit in *BMJ Quality & Safety* £'000	Other income £'000	Total 2021 £'000	Total 2020 £'000
Other income*	244	1,178	1,422	938
Analysis by funds:				
Unrestricted funds	244	–	244	
Restricted funds	–	1,178	1,178	
	244	1,178	1,422	
For year ended 31 December 2020:				
Unrestricted funds	169	–		169
Restricted funds	–	769		769
	169	769		938

*In 2021, we received restricted income of £1,178k (2020: £1,013k, adjusted down by £244k due to overstatement in 2019) from NHS Improvement for Q, a jointly funded initiative.

4.0 Investments

	2021 £'000	2020 £'000
Income from listed investments	10,407	10,139
Fixed interest income	486	377
Property fund income	4,089	3,993
Income from alternative investments	656	931
	15,638	15,440

5.0 Capital applied to income

	Unrestricted funds £'000	Endowment funds general £'000	Total 2021 £'000	Total 2020 £'000
Released from endowment funds during 2021	23,365	(23,365)	–	–
For the year ended 31 December 2020	26,624	(26,624)	–	–

6.0 Fund management

	2021 £'000	2020 £'000
Cost of fund management:		
Investment advisory costs	230	95
Staff costs	288	283
Custodian fees	269	189
Investment managers' fees	12,251	14,087
	13,038	14,654

Investment management fees
The investment managers' fees of £12,251k (2020: £14,087k) includes: management fees of £9,850k (2020: £8,778k), incurred on the endowment value of £1,230,737k (2020: £1,124,866k) and performance fees of £1,378k (2020: £4,432k). Markets were volatile in 2020, enabling a number of hedge fund strategies to extract higher returns. As a result, performance fees were higher in that year.

The cost of raising funds is approximately 1.1% of the endowment value (2020: 1.3%).

7.0 Expenditure on charitable activities

	Improving health and care services £'000	Promoting healthy lives for all £'000	Others £'000	Total 2021 £'000	Total 2020 £'000
Grant funding of activities (see note 28)	8,871	4,854	2,874	16,599	20,174
Direct costs*	8,264	4,522	605	13,391	12,750
Share support costs*	6,316	3,456	462	10,234	9,713
Share of governance costs*	67	37	5	109	118
	23,518	12,869	3,946	40,333	42,755
*See note 8					
Analysis by fund:					
Unrestricted funds	22,432	12,869	3,946	39,247	42,233
Restricted funds	1,086	–	–	1,086	522
	23,518	12,869	3,946	40,333	42,755

Grant funding was higher in 2020, as we gave more donations and grants in response to the pandemic, and we made a significant adjustment to our funding of THIS Institute. In 2021, we increased our spending on promoting healthy lives.

For the year ended 31 December 2020

	Improving health and care services £'000	Promoting healthy lives for all £'000	Others £'000	Total £'000
Unrestricted funds	27,074	3,947	11,212	42,233
Restricted funds	522			522
	27,596	3,947	11,212	42,755

8.0 Support and direct costs

	Direct costs £'000	Support costs £'000	Governance costs £'000	2021 £'000	2020 £'000
Staff costs	11,200	2,144	–	13,344	12,048
Depreciation	–	1,648	–	1,648	1,600
Property costs	–	1,699	–	1,699	1,657
Technology costs	37	2,565	–	2,602	2,517
Other direct/ support costs	2,154	2,130	–	4,284	4,624
Audit fees	–	–	36	36	27
Legal and professional	–	48	25	73	64
Internal audit	–	–	35	35	29
Other governance costs	–	–	13	13	15
	13,391	10,234	109	23,734	22,581

Direct costs of charitable activities are mainly to further the Foundation's objectives by: organising conference and events; carrying out direct and commissioned work in-house; scoping, developing and managing grant programmes, and publishing and disseminating reports on research findings.

Support costs have been allocated to charitable activities in the year.

Governance costs include payments to auditors of £36k (2020: £27k) for audit fees and £2k (2020: £1k) for non-audit services. The reported audit fees in 2020 were lower because they include prior year adjustments. Without these, the increase is less than £2k.

9.0 Governors

None of the governors (or any persons connected with them) received any remuneration or benefits from the Foundation during the year. Trustees expenses received totalled £0.3k (2020: £1k).

10.0 Employment costs

	2021 £'000	2020 £'000
Wages and salaries	11,389	10,173
Social security costs	1,248	1,129
Other pension costs	1,011	914
Other costs	(27)	103
	13,621	12,319

The average number of employees during the year was 203 (2020: 187), which equated to a full-time equivalent of 196 (2020: 177).

Employment costs include salary costs relating to management of the endowment of £277k (2020: £271k).

The number of employees whose annual remuneration was £60,000 or more were:

	2021	2020
£60,001–£70,000	18	15
£70,001–£80,000	9	7
£80,001–£90,000	6	9
£90,001–£100,000	–	1
£100,001–£110,000	5	3
£110,001–£120,000	1	2
£130,001–£140,000	–	1
£140,001–£150,000	1	–
£160,001–£170,000	2	3
£170,001–£180,000	1	–
£240,001–£250,000	–	1
£250,001–£260,000	1	–

11.0 Net gains on investments

	2021 £'000	2020 £'000
Revaluation of investments	149,068	93,716

Net revaluation of investments comprises:

- An increase in our quoted investments of £88,002k (2020: gain of £32,736k), mainly due to increasing equity prices in 2021.
- An increase in our unquoted investments of £61,067k (2020: £60,980k), reflecting year-end valuations.

12.0 Intangible fixed assets

	Software £'000	Q Initiative £'000	Total £'000
Cost:			
At 1 January 2021	2,098	2,186	4,284
Additions – internally developed	652	–	652
Write-offs	(6)	–	(6)
At 31 December 2021	2,744	2,186	4,930
Amortisation and impairment:			
At 1 January 2021	883	624	1,507
Amortisation charge in the year	408	312	720
Write-offs	(2)	–	(2)
At 31 December 2021	1,289	936	2,225
Carrying amount:			
At 31 December 2021	1,455	1,250	2,705
At 31 December 2020	1,215	1,562	2,777

Software includes (i) our key office applications, upgraded in 2018 with a useful life of 7 years. These include Office 365, SharePoint and Salesforce CRM; (ii) our secure data environment, which we are replacing in 2022.

Additions include (i) our grant management system, which launched in 2021 and will be fully implemented in 2022; and (ii) our new platform for analysts which replaces our secure data environment and provides tools for large open data sets. Work started in 2021 and will be completed in 2022.

The Q Initiative identifies and connects people skilled in improvement across the UK, through online and events-based capabilities that promote knowledge sharing, development, and other improvement activities. The infrastructure work was completed in January 2019 with a useful life of 7 years.

13.0 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost:			
At 1 January 2021	5,363	1,491	6,854
Additions	–	12	12
Write-offs	–	(43)	(43)
At 31 December 2021	5,363	1,460	6,823
Depreciation:			
At 1 January 2021	872	988	1,860
Depreciation charge in the year	625	298	923
Write-offs	–	(43)	(43)
At 31 December 2021	1,497	1,243	2,740
Carrying amount:			
At 31 December 2021	3,866	217	4,083
At 31 December 2020	4,491	503	4,994

The additions of £12k relate to the purchase of new computer equipment including replacement laptops.

14.0 Fixed assets investments

		Investments	
Group	Portfolio £'000	Other £'000	Total £'000
Valuation:			
At 1 January 2021	1,124,866	526	1,125,392
Valuation changes	149,068	–	149,068
Income	15,638	–	15,638
Investment management costs included in the fund	(9,618)	–	(9,618)
Net withdrawals from portfolio	(49,217)	–	(49,217)
At 31 December 2021	1,230,737	526	1,231,263
Cost:			
At 31 December 2021	946,510	526	947,036
At 31 December 2020	899,257	526	899,783

	Notes	2021 £'000	2020 £'000
Other investments comprise:			
Programme-related investments	26	526	526
Investments at fair value comprise:			
Property funds		94,992	96,106
Equities		690,111	637,591
Fixed interest		50,242	50,977
Alternatives		368,449	311,035
Cash		26,943	29,157
		1,230,737	1,124,866

Charity	Portfolio £'000	Investments Other £'000	Total £'000
Valuation:			
At 1 January 2021	779,326	346,066	1,125,392
Valuation changes	88,001	61,067	149,068
Income	13,944	1,694	15,638
Investment management costs included in the fund	(2,360)	(7,258)	(9,618)
Net withdrawals from portfolio	(49,217)	–	(49,217)
At 31 December 2021	829,694	401,569	1,231,263
Cost:			
At 31 December 2021	669,796	277,241	947,036
At 31 December 2020	666,841	232,942	899,783

Other investments comprise:	Notes	2021 £'000	2020 £'000
Investment in subsidiaries		401,043	345,540
Programme-related investments		526	526
	26	401,569	346,066
Investments at fair value comprise:			
Property funds		94,992	96,106
Equities		690,111	637,590
Fixed interest		18,479	19,214
Alternatives		536	474
Cash		25,576	25,942
		829,694	779,326

A currency hedging programme was in place during the year to manage foreign currency exchange risk. At 31 December 2021, the group had open foreign exchange forward contracts, to mitigate any currency risk between USD and Sterling on the hedge fund mandate in the Victoria Fund. These contracts have been revalued at the applicable year-end revaluation rate, and the resulting unrealised gains/(losses) are included within the overall value of the investments above. At 31 December 2021, the Victoria Fund held contracts to buy $68,049k (£50,592k at an average rate of $1.35) and £163,194k ($223,398k at an average rate of $1.36) (2020: $68,183k and £181,726k). The unrealised loss associated with these forward currency contracts totalled (£2,175k) as at 31 December 2021 (2020: unrealised gain £9,853k).

The Victoria Fund's underlying hedge fund investments provide varying degrees of liquidity based on their own redemption terms, which typically begin with an initial lock-up period. These investments are made on an ongoing basis. As a result, the Victoria Fund may not be able to liquidate all its investments quickly. As investment lock-up periods ease in future periods, more short-term liquidity is expected.

The following table illustrates the expected liquidity of assets and liabilities held by the Victoria Fund as at 31 December 2021:

	Less than 6 months £'000	6–12 months £'000	More than 12 months £'000	Long-term lock up* £'000
Total non-current assets	–	–	–	244,775
Total current assets	144,153	15,376	–	–
Total current liabilities	(2,936)	–	–	–

*This relates to underlying funds in the Victoria Fund, whose redemptions have been locked up and private equity funds which have no redemption opportunities.

At the balance sheet date, the Foundation had total unfunded investment commitments of £113,122k (2020: £118,193k) for private equity and infrastructure from total commitments of £312,625k (2020: £273,626k). These commitments form part of the planned asset allocation and will be met from within the existing investments.

15.0 Financial instruments

Group	2021 £'000	2020 £'000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	6,143	7,238
Instruments measured at fair value through profit or loss	1,230,737	1,124,866
Carrying amount of financial liabilities:		
Measured at amortised cost	25,222	34,128

Charity	2021 £'000	2020 £'000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	5,907	7,071
Instruments measured at fair value through profit or loss	829,694	779,326
Carrying amount of financial liabilities:		
Measured at amortised cost	24,944	34,105

16.0 Debtors: Amounts falling due within 1 year

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Other debtors	353	966	118	799
Prepayments	1,018	979	1,018	979
	1,371	1,945	1,136	1,778

17.0 Creditors: Amounts falling due within 1 year

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade creditors	604	534	604	534
Grants payable	15,038	19,983	15,038	19,983
Other creditors	2,342	2,673	2,342	2,673
Accruals and deferred income	2,071	1,711	2,071	1,711
	20,055	24,901	20,055	24,901

18.0 Creditors: Amounts falling due after more than 1 year

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Grants payable – in 2 to 5 years	5,167	9,227	5,167	9,227

The reduction is mainly due to the unwinding of the THIS Institute provision, reflecting the ongoing work on the award. THIS Institute is now in year five of the award and we anticipate full commitment to the second phase, with a value of £22.8m, in 2022.

19.0 Grants payable

	2021 £'000	2020 £'000
As at 1 January	29,210	32,450
Grants committed in the year	16,187	19,506
Paid during the year	(25,192)	(22,746)
As at 31 December	20,205	29,210
Split into:		
Grants payable – due within 1 year	15,038	19,983
Grants payable – in 2 to 5 years	5,167	9,227
As at 31 December	20,205	29,210

20.0 Provisions for liabilities

	2021 £'000	2020 £'000
Pension obligations (see note 21)	546	570
Dilapidations	82	77
	628	647

Movement on provisions:

	Pension obligations £'000	Dilapidations £'000	Total £'000
At 1 January 2021	570	77	647
Adjustment	(24)	5	(19)
At 31 December 2021	546	82	628

21.0 Retirement benefit schemes

a) AEGON Group Personal Pension Plan

The Health Foundation offers all current employees the opportunity to join the defined contribution Group Personal Pension Plan provided by AEGON. Contributions in the year were £1,011k (2020: £913k). There was £6k in outstanding contributions at 31 December 2021 (2020: £2k).

b) Other retirement benefits

The Foundation has an unfunded future commitment to a former employee. The contractual commitment (as defined in each contractual arrangement) is to pay a pension equivalent to 1/60th of their pensionable salary for each year of pensionable service less any amounts of pension paid to the same members under The Pensions Trust Growth Plan. The potential pension liability at 31 December 2021, based on advice from an actuary, is estimated to be £546k (2020: £571k). This provision will be reviewed in 2022.

22.0 Analysis of net assets between funds

Group	Unrestricted fund £'000	Restricted fund £'000	Expendable Endowment Fund £'000	Total £'000
Fund balances at 31 December 2021 are represented by:				
Intangible fixed assets	2,705	–	–	2,705
Tangible assets	4,083	–	–	4,083
Programme related	526	–	–	526
Investments	11,445	–	1,219,292	1,230,737
Current (liabilities)/assets	(12,964)	816	(746)	(12,894)
Long term liabilities	(5,167)	–	–	(5,167)
Provisions	(628)	–	–	(628)
	–	816	1,218,546	1,219,362

Charity	Unrestricted fund £'000	Restricted fund £'000	Expendable Endowment Fund £'000	Total £'000
Fund balances at 31 December 2021 are represented by:				
Intangible fixed assets	2,705	–	–	2,705
Tangible assets	4,083	–	–	4,083
Investments	12,207	–	817,487	829,694
Investment in subsidiary	–	–	401,569	401,569
Current (liabilities)/assets	(13,200)	816	(746)	(13,130)
Long-term liabilities	(5,167)	–	–	(5,167)
Provisions	(628)	–	–	(628)
	–	816	1,218,310	1,219,126

23.0 Financial commitments

The Foundation has a number of contracts that have been entered into that are not recognised as liabilities as they are severable. They cover technical support for our award holders, evaluation and operational services. They are recognised on a cash basis as and when the expenditure is incurred. These amounted to £17,957k at 31 December 2021 (2020: £12,443k).

24.0 Operating lease commitments

At 31 December 2021, the company had a property lease for its office premises that expires in September 2028. The future minimum lease payments are as follows:

	Land and buildings		Machinery	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Expiry date:				
Within 1 year	1,650	1,650	15	25
Between 2 and 5 years	6,605	6,605	–	15
Over 5 years	2,889	4,539	–	–

25.0 Related party transactions

Due to the specialist nature of the projects funded, circumstances may occasionally arise where governors, committee members or staff are associated with organisations which apply for grants. In such cases, the Foundation has clear policies and procedures to ensure that the governor, committee member or member of staff is not involved in the assessment or approval of the grant. All such transactions are undertaken on an arm's length basis in accordance with the normal grant assessment and arrangements. Details of governors and senior management who have interests in organisations to which the Foundation has made awards or contracted within 2021 are noted in the table below.

	Role in associated organisation	Associated organisation
Board member		
Sir David Dalton	Chief Executive (interim)	Liverpool University Hospitals NHS Foundation Trust
Sir Hugh Taylor	Chair	King's College Hospital Foundation Trust
Ruth Hussey	Honorary Professor	University of Liverpool
Professor Rosalind Smyth	Chair of starter grants panel	Academy of Medical Sciences
Dr Ruth Hussey	Honorary Professor	University of Liverpool
David Smart	Trustee	BEAT Eating disorders
Senior Management		
Jennifer Dixon	Honorary Doctor of Science	University of Bristol
Joanna Bibby	Board Member	Business for Health CIC
Will Warburton	Honorary Research Fellow	Imperial College London
Anita Charlesworth	Honorary Professor	University of Birmingham

During the year, Victoria Fund LP Incorporated, a subsidiary of the Foundation, received no investment contributions from the charity (2020: £0). Medtrust Innovations Limited, a subsidiary of the Foundation, donated its profit of £169k (2020: £177k) to the Foundation.

Remuneration of key management personnel

Key management personnel are considered to be the Chief Executive Officer and others as set out in the senior management section of the Trustee's Report. Total remuneration of this group in the year, was as follows:

	2021 £'000	2020 £'000
Key management personnel	1,222	1,216

26.0 Subsidiaries

The Foundation had two subsidiary undertakings and the details at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Medtrust Innovations Limited	England and Wales	Intellectual property	Ordinary	100.00
The Victoria Fund LP Incorporated	Guernsey	Investment fund vehicle	–	–

Medtrust Innovations Limited (Medtrust)
Medtrust is wholly owned by the Foundation and is a company registered in England and Wales. It is engaged in the exploitation of intellectual property rights.

In March 2011, the Foundation purchased 525,998 ordinary shares of Medtrust at £1 each to acquire 50% of the intellectual property rights of BMJ Quality & Safety, a journal published by the BMJ Publishing Group Limited. This social motive investment is held at cost in the charity balance sheet. Medtrust undertakes an impairment review each year.

At 31 December 2021, Medtrust had fixed assets of £526k (2020: £526k) and current assets of £237k (2020: £167k). The shareholders' funds include called-up share capital of £526k (2020: £526k) and reserves of £237k (2020: £167k).

During the year, Medtrust had an operating profit of £236k (2020: £169k). The sum equivalent to its taxable profits will be donated to the Foundation, as provided for in Medtrust's Articles of Association.

The Victoria Fund LP Incorporated (Victoria Fund)
The Victoria Fund was formed in February 2010 and is a limited partnership, number 1275, registered in Guernsey. Its purpose is to invest in a combination of hedge funds, private equity and private infrastructure. The limited partner is the Health Foundation and the general partner is Brook Street Limited, a Cayman Islands exempt limited company. Brook Street has delegated its powers to an investment manager, Cambridge Associates Limited.

As the limited partner, the Health Foundation is entitled to all investment returns less a priority share by the general partner (Brook Street Limited) from the Victoria Fund and, for consolidation purposes, it is treated as a wholly owned subsidiary of the Foundation.

As at 31 December 2021, the Victoria Fund had fixed asset investments of £397,172k (2020: £336,668k) and the value of its net assets was £401,368k (2020: 345,541k). Net profit in the year was £56,140k (2020: £54,665k).

27.0 Cash used by operations – Group

	2021 £'000	2020 £'000
Net income for the year	112,757	52,685
Adjustments for:		
Investment income recognised in statement of financial activities	(15,638)	(15,440)
Cost of raising funds	13,038	14,654
Fair value gains and losses on investments	(149,068)	(93,716)
Depreciation, amortisation and impairment of fixed assets	1,648	1,603
Movements in working capital:		
(Decrease)/Increase in debtors	574	(1,214)
Decrease in creditors	(8,906)	(1,761)
Increase/(Decrease) in provisions	(19)	20
Cash used by operations	(45,614)	(43,169)

28.0 Grant funding

The Foundation funded £16,599k of grants in 2021 (2020: £20,174k). These grants range from small one-off awards to multi-year demonstration projects and fellowships. Integral to all our award making is direct support from the Foundation, as well as technical expertise from technical providers and consultants. This support is organised and paid for by the Foundation, delivered directly to the award holders and can be in the form of technical development and assistance, learning events and coaching. Within this grant funding the Foundation also funds research and external evaluations to ensure programmes are evidence-based and offer value for money.

Grants made to organisations and individuals are analysed by strategic objective in the table below.

Lead recipient for Improving health and care services	Total £
Sheffield Teaching Hospitals NHS Foundation Trust	499,500
Cambridge and Peterborough Foundation Trust	474,810
Bradford Teaching Hospitals NHS Foundation Trust	474,668
Manchester University NHS Foundation Trust	472,924
University Hospitals Dorset NHS Foundation Trust	435,215
Department of Health Income (HGC)	421,532
BMJ Group	164,060
NHS Providers	124,062
SSRS	102,042
Academy of Medical Sciences	99,915
Royal Cornwall Hospitals NHS Trust	99,400
University of Glasgow	98,925
Nuffield Trust	65,832
Equal Care Co-op	60,000
Torbay Council	57,000
Community Hospitals Association	30,000
Gloucestershire Clinical Commissioning Group	30,000
Health Innovation Network	30,000
Kingston Hospital NHS Foundation Trust	30,000
LatchAid	30,000
Midlands Partnership Foundation Trust	30,000
Northern Health and Social Care Trust	30,000
Somerset NHS Foundation Trust	30,000
South Doc Services MyHealthcare Federation	30,000
Southern Health and Social Care Trust	30,000
St George's NHS Foundation Trust	30,000
The Newcastle Hospitals NHS Foundation Trust	30,000
University College Dublin	30,000
University Hospital Southampton NHS Foundation Trust	30,000
West London NHS Trust	30,000
University of Bristol	29,995
Barts Health NHS Trust	29,993
Kent Surrey Sussex AHSN Limited	29,991
Southern Health NHS Foundation Trust	29,973
Centre for Sustainable Healthcare	29,918

Lead recipient for Improving health and care services	Total £
Southeastern Health and Social Care Trust	29,876
Oxford University Hospitals NHS Foundation Trust	9,785
North Bristol NHS Trust	29,674
Mid and South Essex Foundation Trust	29,600
Cambridge University Hospitals NHS Trust	29,286
University College London Hospitals NHS Foundation Trust	29,247
University Hospitals Dorset NHS Foundation Trust	28,875
Health Sciences Academy	27,940
University Hospitals of Leicester NHS Trust	26,554
Beautiful Information Ltd	25,000
Blackpool Teaching Hospitals NHS Foundation Trust – Blackpool, Lancashire	25,000
Doncaster and Bassetlaw Teaching Hospitals NHS Foundation Trust	25,000
East London NHS Foundation Trust	25,000
Mid and South Essex NHS Foundation Trust	25,000
NHS Greater Glasgow and Clyde	25,000
The Queen Elizabeth Hospital Kings Lynn NHS Foundation Trust	24,050
NHS Forth Valley	20,931
Chelsea and Westminster Hospital NHS Foundation Trust	20,000
East Midlands Academic Health Sciences Network	20,000
South West Academic Health Science Network	20,000
Wessex Academic Health Science Network	20,000
West of England AHSN	20,000
Innovation Agency (Academic Health Science Network for North West Coast)	19,971
Yorkshire and Humber Partners Academic Health Science Network (trading as Yorkshire & Humber Academy	19,921
UCL Partners	19,899
South Tees Hospitals NHS Foundation Trust	19,747
Healthcare Improvement Scotland	19,366
The Oxford Academic Health Science Network	18,500
Newcastle-upon-Tyne Hospitals NHS Foundation Trust	18,493
UCL Research Department of Epidemiology and Public Health	15,000
Rammya Mathew	11,800
Health Innovation Network (HIN) South London	9,346

Lead recipient for Promoting healthy lives for all	Total £
Improvement Service Scotland	550,000
Havant Borough Council	473,757
Liverpool City Region Combined Authority	465,900
Leeds City Council	439,502
Glasgow City Council	347,865
Fairshare Educational Foundation	208,888
University of Cambridge	166,599
Business for Health CIC	150,000
Salford City Council	98,337
SOLACE	96,029
Resolution Foundation	35,000
Lead recipient for Other (COVID-19 grants)	**Total £**
Children in Need	1,000,000
Comic Relief	1,000,000
UNICEF UK	200,000
Resolution Foundation	35,000
Grand Total	**10,269,493**
Adjustments to awards made in previous years	447,456
Services provided by third parties to support award holders and further the work of the Foundation	5,654,784
Grants and donations awarded to charities by governors	227,500
Total Grants	**16,599,233**

Appendix: Investment Fund Managers

Investment Fund Managers

BlackRock Investment Managers
(UK) Ltd
12 Throgmorton Avenue
Drapers Gardens London EC2N 2DL
United Kingdom

Colchester Global Investors
Heathcoat House
20 Savile Row London W1S 3PR
United Kingdom

Goldman Sachs Asset Management
25 Shoe Lane
London EC4A 4AU
United Kingdom

MFS Investment Management
One Carter Lane
London EC4V 5ER
United Kingdom

Mayfair Capital
Investment Management
55 Wells Street
London W1T 3PT
United Kingdom

Mondrian Investment Partners
Limited 10 Gresham Street
London EC2V 7JD
United Kingdom

NinetyOne
55 Gresham Street
London EC2V 7JD
United Kingdom

River & Mercantile Asset
Management LLP
30 Coleman Street
London EC2R 5AL
United Kingdom

RWC Partners
10 Bressenden Place
London SW1E 5DH
United Kingdom

Savills Investment Management LLP
33 Margaret Street
London W1G 0JD
United Kingdom

Somerset Capital Management
Manning House
22 Carlisle Place London SW1P 1JA
United Kingdom

Antin Infrastructure Partners 374,
rue Saint-Honoré
75001 Paris France

Apollo Global Management
9 West 57th Street
43rd Floor New York NY 10019
United States of America

Bessemer Venture Partners
889 Winslow St
Suite 500
Redwood City CA 94063
United States of America

Brookfield infrastructure
462 South 4th Street, Suite 1600
Louisville KY 40202
United States of America

Cadian Capital Management
LP 535 Madison Avenue
36th Floor
New York NY 10022
United States of America

CBC
Suite 4508, Tower 2, Plaza 66
1366 Nanjing West Road
Shanghai 200040
China

Cortec Group
140 East 45th Street
New York NY10017

Crescent Capital
100 Federal Street
31st Floor Boston MA 02110
United States of America

Cyrus Capital Partners, L.P.
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6th Floor New York NY 10022
United States of America

Davide Leone & Partners Investment
Company LLP
9-10 Savile Row
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Electron Capital Partners
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United States of America

Element Capital Management LLC
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United States of America

Equilibrium
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Suite 525
San Francisco CA 94104
United States of America

General Atlantic
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33rd Floor 55
East 52nd Street
New York NY 10055
United States of America

Glennmont Partners
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13th Floor 1 Angel Court
London EC2N 1HQ
United Kingdom

Graham Capital Management
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Marylebone London W1U 8EW
United Kingdom

Grantham, Mayo, Van Otterloo & Co. LLC
40 Rowes Wharf
Boston MA 02110
United States of America

Greenspring Associates
100 Painters Mill Rd #700
Owings Mills MD 21117
United States of America

Harbourvest
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United Kingdom

Investindustrial
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United Kingdom

I Squared Capital
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United States of America

Junto Offshore c/o Maples Corporate Services
450 Park Avenue
New York NY 10022
United States of America

Laurion Capital Management LP
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United States of America

Level Equity
140 East 45th Street
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United States of America

Lexington Capital Partners
660 Madison Avenue
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New York NY 10065
United States of America

LGT Capital Partners
Third Floor, 30 Herbert Street
Dublin 2
Ireland

Lone Star Funds
12 Queen Anne Street
London W1G 9LF
United Kingdom

Mason Capital Management LLC
110 East 59th Street
30th Floor
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United States of America

Olympus Partners
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Stamford CT 06902
United States of America

Peak Rock Capital
13413 Galleria Circle, Suite Q-300
Austin TX 78738
United States of America

P/E Investments LLC
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Boston MA 02109
United States of America

Penta Investment Advisers Limited
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1911 11th Street
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United States of America

Star America Infrastructure Partners
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Roslyn Heights
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United States of America

Stonepeak Infrastructure Partners
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SV7 Impact Medicine Fund
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Sylebra Capital Management
28 Hennessy Road
20th Floor
Hong Kong

Thoma Bravo
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San Francisco CA 94111
United States of America

True Ventures
501 3rd Street
San Francisco CA 94107
United States of America

Vida Ventures
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Registered charity number: 286967
Registered company number: 1714937
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Annual Report and Financial Statements_2021_The_Health_Foundation

Final Audit Report 2022-07-26

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THE HEALTH FOUNDATION

England & Wales - Charity number 286967

Accounts

Annual report and financial statements

For the year ended
31 December 2020

The Health Foundation

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Introduction from the Chief Executive and Chair

The Health Foundation has a broad mission to improve health and health care for people living in the UK. We are independent, ambitious and fortunate to be able to invest for both the long and the short term. We fund innovations on the frontiers of health and care to make a bigger difference for the people of the UK. We also put a lot of energy into effective research and evaluation, working with many respected partners to change policy and practice.

Through our activities we seek to help shape services on the ground, as well as influence policy at a national, regional and local level. We shape our strategy by combining intelligence from a wide range of sources, identifying what might be today's priorities and tomorrow's as well.

Responding to the pandemic

The unprecedented challenge of COVID-19 has had a huge impact on the health of the UK population and our care services. As the pandemic took hold, the Foundation's work quickly flexed towards understanding its direct impact on our health and the NHS and social care system, and making funding available to support front-line care. Our work has helped others to improve the way the pandemic was being managed and identify lessons for the longer term recovery, as well as provide material assistance to help directly.

On improving understanding, we commissioned a significant amount of new research and reoriented much of our own in-house analysis to focus on the pandemic. The results found outlets through media commentary, publications, events, our new podcast and submissions to external reviews and inquiries, as well as national public agencies directly managing the pandemic. Our work showed how COVID-19 was impacting on different groups in society; changes in health care use and service provision; COVID-19 mortality and excess mortality; the handling of the pandemic in social care; the performance of the test and trace system – including the COVID-19 app, and the NHS vaccination programme.

2020 saw us publish a greater amount of content than before, providing timely analysis of key health and health care trends emerging due to the pandemic. Website traffic increased significantly to almost 3 million unique page views – over a million more than in 2019, which was already a record year.

Much of this growth can be accounted for by interest in a number of highly successful published outputs. These include *The Marmot Review: 10 Years On* report and COVID-19-focused outputs, such as our online policy tracker, analysis of excess mortality and the vaccine rollout. Key media moments, where our work influenced debate, included: the NHS Funding Bill; our work with the Health and Social Care Select Committee on NHS recovery; the government's obesity strategy; the announcement of Public Health England's dissolution; the launch of England's contact tracing app; our analysis of the handling of the pandemic in social care, and our analysis for the Spending Review.

We also supported individuals and organisations across the health and social care system to deal with the challenges being faced. For example, we seconded our staff to several national organisations to help, including NHS England, NHS X, NHS Test and Trace and Public Health England. We mobilised our 4,000-strong Q community to share learning and experiences in order to improve care in the pandemic across the UK. THIS Institute in Cambridge (funded by the Foundation) carried out rapid consensus development among clinical staff to identify best practice in managing COVID patients, and testing staff for infection. The Foundation also implemented a new funding programme of emergency assistance to charitable organisations providing direct support to the population, totaling £2.5m. This included a donation to the Trussell Trust, which supports a nationwide network of food banks, and the National Emergencies Trust, to support grassroots groups to meet urgent needs.

Launched in 2020

At the same time as responding to the pandemic, our work continued on three big themes: improving health and reducing inequalities; speeding up improvements in care; and longer run reform of the health and care system.

2020 saw a series of successful launches. Notably, the REAL (Research and Economic Analysis for the Long term) Centre – a major new Health Foundation initiative to improve projections of supply and demand for care over the next 20 years, to improve long-term planning in health and social care. REAL officially launched in October 2020, with an inaugural lecture from Sir Andrew Dilnot and its first report, a detailed examination of activity trends in the NHS over the past two decades.

In the spring, responding quickly to the pandemic, we supported THIS Institute to accelerate the launch of the research and development 'crowdsourcing' platform, Thiscovery. The platform is distinctive in its ability to engage patients and staff remotely and at scale to build solutions together.

In the summer we launched the Networked Data Lab: the first UK collaborative analytics programme, operating across devolved nations and using linked data in five localities to tackle health challenges. Its first analysis focused on the needs of those clinically extremely vulnerable to COVID-19, with the findings being used by its partners to help support and plan local services for those affected.

Meanwhile, the autumn saw the first episode of our new monthly Health Foundation podcast. The series seeks to inform debate around the big questions in health and care, aiming to bring a fresh perspective on topical issues in health and care and their implications for people in the UK.

Looking ahead

The combination of activities carried out and funded by the Health Foundation, some in collaboration with partner organisations, we believe is unusual for a Foundation. We organise our work through five strategic priority areas (see page 6) that we believe will help us respond to the key challenges in health and health care for the people of the UK.

In each area, we have an ambitious portfolio of work, in-house and externally commissioned, in innovative areas. Our impact in 2020 is due to the hard work and commitment of staff, governors and the people we work with externally. We are very grateful for their support, in what have been challenging circumstances during an extraordinary year. We look forward to making progress in 2021 and beyond, always for the benefit of the UK population and, in particular, the most vulnerable in society.

Dr Jennifer Dixon (Chief Executive) and Sir Hugh Taylor (Chair) the Health Foundation

Legal and administrative information

Governors	Sir Hugh Taylor (Chair) Sir David Dalton Eric Gregory Loraine Hawkins Ruth Hussey Martyn Hole (stepped down 15 July 2021) Branwen Jeffreys Sharmila Nebhrajani Melloney Poole David Smart Rosalind Smyth David Zahn (stepped down 9 July 2020) Katie Blacklock (appointed 12 March 2021) Dawn Edge (appointed 12 March 2021) Ravi Gurumurthy (appointed 12 March 2021)
Charity number	286967
Company number	01714937
Registered office	8 Salisbury Square London EC4Y 8AP
External Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	Bircham Dyson Bell LLP 50 Broadway London SW1H 0BL Bates Wells 10 Queen Street Place London EC4R 1BE
Investment Fund Managers	See Appendix
Custodian and Performance Measurement	Northern Trust 50 Bank Street Canary Wharf London E14 5NT
Investment Advisers	Cambridge Associates Limited 80 Victoria Street London SW1E 5JL Redington (from 1 January 2021) 6th Floor 1 Angel Court London EC2R 7HJ

Strategic report

The governors of the Health Foundation present their annual report for the year ended 31 December 2020 under the Charities Act 2011, incorporating the strategic and Trustees' reports under the Companies Act 2006, together with the audited financial statements for the year.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Foundation's Articles of Association, the Companies Act 2006 and 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance withthe Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019)'.

The Health Foundation's objectives

The Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK.

The objectives for which the Foundation is established are the advancement of health, including public health, wellbeing and the delivery of health and social care, and any other objectives and purposes which are exclusively charitable according to the laws of England and Wales, in particular (without limitation) by: promoting projects to improve health and research into health, and utilising and making available the useful results.

The Health Foundation's operational plans are set in the context of its charitable objectives and financial resources. The plans are developed to maximise outcomes and impact as the governors are mindful of the Charity Commission's guidance on public benefit.

Our strategic priorities

We report on a selection of our activities and achievements during 2020, and our plans for 2021, set out in terms of our strategic priorities. These are:

- Healthy lives for all
- Data analytics for better health
- Supporting health care improvement
- Health and care sustainability
- Improving national health and care policy.

This year we also include a specific section on how the Foundation reorientated its activities to respond to the COVID-19 pandemic.

Activities and achievements in 2020

During 2020, we continued to focus on ways to bring about better health and health care for people living in the UK. We awarded grants to improve health care, carried out research and analysis, invested in long-term change initiatives and enabled collaboration through our networks. We shared our insights, analysis and what we know works on the ground to inform effective policymaking and practice on the front line. We responded to the pandemic by urgently reprioritising our resources, committing additional funding of £6.1m to support the national and local responses. We also postponed £7.7m of longer term initiatives due to our changed priorities and reduced capacity of our beneficiaries and partners.

Responding to the COVID-19 pandemic

As the pandemic took hold in the UK, the Foundation's work was quickly reoriented. Our contributions included providing emergency assistance in the short term, together with analysis of how the pandemic was affecting the health and social care system and to identify lessons for the longer term recovery. This section presents some highlights.

- **Emergency assistance**: The Foundation implemented a new funding programme of direct relief, donating £2.5m. Donations were made to the Trussell Trust, which supports a nationwide network of food banks, allowing them to meet increased demand. We also provided donations to the Big Issue enabling vital emergency financial support to many of their vendors, and the National Emergencies Trust, who were able to urgently support grassroots groups.

- **COVID-19 impact inquiry launch**: Launched in October 2020, a large number of stakeholders have signed up for updates from the inquiry, including MPs, directors of public health, and other decision makers. The launch secured coverage in ten national media outlets. The profile of the inquiry has also secured invitations for the Foundation to multiple events to highlight health inequalities.

- **COVID-19 policy tracker**: In April we launched our online COVID-19 tracker, documenting and categorising national government and health and social care system responses to COVID-19 in England, and how these changed over time. Updated fortnightly, the tracker was one of the Foundation's most successful pieces of digital content in 2020 – our fifth most popular webpage during the year. It has been included in a range of external resources and received positive feedback from policymakers, academics, and journalists.

- **Excess mortality series**: Our work on excess deaths during the pandemic, published in spring and summer, cumulatively have generated over 82,300 reads, and was one of the early influencers in excess deaths becoming a widely used metric in pandemic reporting. It also generated significant media interest.

- **COVID-19 and adult social care**: July saw the publication of two timely Health Foundation briefings exploring the pandemic's impact on social care during its first phase. A policy-focused briefing examined the initial response from national government, while a Data Analytics briefing assessed COVID-19's impact on social care users and staff in England.

- **Health care service shifts**: In September, this long read explored the service shifts in health care brought about by sudden changes to how services were delivered and used. The long read emphasised the NHS's need to maintain openness to radical innovation and learn from what made such a response possible, retaining beneficial changes and the need to adapt for the foreseeable future.

Case study – Responding to COVID-19
There is evidence that our work in 2020 contributed meaningfully to understanding and debate about COVID-19 in line with our aims.

We contributed our analysis and thinking via a new chart series, media commentary, videos, events, blogs, long reads, our new podcast and submissions to external reviews and inquiries. Through these we looked at how COVID-19 was impacting on different groups in society, changes in health care usage and service provision, COVID-19 mortality and excess mortality, handling of the pandemic in social care, the test and trace system including the COVID-19 app and the NHS vaccination programme. We also mobilised new funding and research programmes, and provided practical support via a new funding programme of direct relief for various charities, and through the Q community.

Our most successful outputs tended to be substantive analysis and content that explained and interpreted emerging trends and issues; for example, on excess mortality, the COVID-19 policy tracker, the impact of COVID-19 on particular groups and the vaccination programme. Through such outputs we were able to tap into key issues people were searching for information about.

We achieved significant cut through in national media and with key stakeholders with our messages in areas such as: the impact of the pandemic on health care provision and implications for NHS recovery; the risks associated with plans to abolish Public Health England and need for robust health improvement infrastructure; long-term funding for health and care following the pandemic; and the need for more action from government to protect those most impacted by COVID-19 and address the inequalities exposed.

The value of our contribution and expertise during the pandemic has been acknowledged in the numerous requests and invitations for Foundation staff to be seconded to government and NHS bodies, and to participate in groups working on aspects of the recovery. Our work has also been regularly referenced in parliamentary debate and committee inquiries.

Healthy lives for all

Our work to promote healthy lives for all aims to change the national conversation to focus on health and wellbeing as an asset, rather than ill health as a burden. To do this we emphasise promoting national policies that support everyone's opportunity to live a healthy life, and supporting local action to address variations in people's opportunities for a healthy life.

- **Collaboration for Wellbeing and Health:** This initiative aims to mobilise organisations across sectors to change the conversation and influence national policy on the wider determinants of health. While still in its discovery phase, the Collaboration has started to show that members can jointly reach a wider audience through their channels, increasing the opportunities for influence. Members played an active role in the development and launch of *Health Equity in England: The Marmot Review 10 Years On*, taking part in joint advocacy activities to maximise media coverage and extend audience reach. Relationships between the Health Foundation and other Collaboration members are also strengthening the Foundation's work, including through joint calls with the Joseph Rowntree Foundation to maintain the uplift to Universal Credit during the pandemic, which played a role in the extension of the uplift by 6 months.

- **Economic development for health:** In September 2020 we published a report on how local areas can use economic development strategies to improve health. The publication led to requests to speak at the Local Enterprise Partnership (LEP) Network, the Inclusive Growth Network, and to contribute a blog to the Industrial Strategy Council. We also launched our new programme, Shaping Economies for Healthier Lives, to better use

local and regional economic development strategies to improve health and reduce health inequalities.

- **Young people's future health:** In addition to continuing the visibility of the Young people's future health inquiry, our *Generation COVID-19* long read combined interviews with young people and data analysis to reveal the extent of mental ill-health among young people. We have helped to shape the policy response to youth unemployment, with team members speaking at conferences on youth employment. We funded the Feed Britain Better coalition, which contributed to the successful campaign to retain free school meals over the school holidays, and which directly contributed to returning access to free water in schools.

- **Exploring the wider determinants of health:** We continued to publish novel analysis of trends and inequalities in the wider factors that influence our health – including publishing a series of long reads exploring why poverty, work quality and housing are crucial for our health. Another focus in this area is influencing the shape of the public health system following the announcement of the abolition of Public Health England. We published a briefing on improving the nation's health, which combined with media coverage, has put us in a strong position to influence this agenda.

Case study – spotlight on health inequalities in the UK

One of the most high-profile pieces of work in 2020 was the UCL Institute of Health Equity's (IHE) report *Health Equity in England: The Marmot Review 10 Years On,* which the Foundation commissioned and funded. Published in February 2020, just before the COVID-19 pandemic hit, the report generated over 26,000 reads on our website in 2020. Due in part to the high profile of Professor Marmot, the work was very influential in generating a conversation on the nature and drivers of health inequalities.

Shortly after the pandemic hit, we set up the COVID-19 impact inquiry. While this did not report in 2020, the launch secured coverage in ten national media outlets. The profile of the inquiry secured invitations for the Foundation to multiple events to highlight health inequalities. As part of the inquiry, in December we launched and funded IHE to produce Build Back Fairer: The COVID-19 Marmot Review, which gained national coverage and led to almost 2,000 reads on our website in its first 30 days.

Data analytics for better health

At the start of 2020, we launched our data analytics for better health strategy. Our vision is for a future where everyone's health and care benefits from analytics and data-driven technology. Our strategy was designed to respond to the increasing impacts that data and technology are having on health, as well as the seismic shifts happening across government and in the health and care systems as they look to maximise the benefits of these technologies. To deliver this strategy we are developing and testing innovations and then scaling successful innovations through our partnerships; as well as influencing the health and care environment to better enable innovation.

During 2020, our innovations in data analytics helped tackle some of the major challenges arising due to the COVID-19 pandemic, in particular our work on COVID-19 in care homes. We have continued to develop the use of rapid cycle evaluation and federated analytics of linked data through the Improvement Analytics Unit (IAU) and the Networked Data Lab (NDL) respectively. Ongoing engagement with senior stakeholders, as well as our research papers, have helped us contribute to the national conversation on data-driven technology.

- **Informing the national conversation about analytics and data-driven technologies**: Our work in 2020 included commentary on the NHS COVID-19 contact tracing app and publication of a long read to help make sense of the evidence on ethnicity and poor outcomes from COVID-19. During 2020, the team also gave presentations at more than 20 conferences and events, sharing our analytical work and contributing to conversations and debates on data and technology.

- **Creating innovations in data analytics that tackle real-world problems**: Our responsive and innovative analytical work highlighted the impact of the pandemic on the health and social care sector. Given the fast-moving nature of the external environment, our work in 2020 focused more than usual on bringing together and analysing multiple existing data sources to provide novel insights on the impact of COVID-19. Examples included summarising the effects of COVID-19 on black and ethnic minority people and the needs of people with multiple long-term conditions. Meanwhile, our MonstR package, a data product developed to download and clean open health and social care data from the ONS, was instrumental to rapid analyses during COVID-19 from our team and the wider analytical community.

- **Building initiatives to help the UK's health to benefit from analytics and data-driven technologies**: In 2020 we launched a number of new initiatives with partners. With HDR UK we launched the Better Care Catalyst programme – demonstrating how patient care can be improved through data-driven health and care decisions. And with the Ada Lovelace Institute we are building a shared understanding of how data-driven technologies may have affected inequalities during the pandemic, and how to narrow these. The NDL, a federated analytics initiative also launched in 2020, with five partners across England, Wales and Scotland, and delivered its first output: an analysis of the needs of those most clinically extremely vulnerable to COVID-19. This was featured in a Guardian exclusive and the findings are being used by our five partners to help support and plan local services. Our ongoing initiative, the IAU, provided rapid evaluation of a number of complex initiatives, such as integrated care and digital first primary care, in order to inform national policy.

- **Supporting better analytics in the health and care system**: Our funding of the Advancing Applied Analytics grants saw tangible impacts during the pandemic, in which organisations quickly built on and adapted their projects. For example, two projects that model patient pathways have been used to help plan vaccine clinics. Our work has also informed a programme led by NHSX to establish analytics as a profession within the NHS. We also funded Future Care Capital to develop and run a community of practice for social care analytics, bringing together data analysts, researchers, policymakers and others to help strengthen analytics in the sector.

Case study – Social care during the pandemic

The pandemic has exposed major weaknesses in social care data that hampered the system's ability to develop interventions to protect those accessing social care services. We responded to this challenge by producing innovative analyses that could inform the pandemic response and by aiming to build a data system in social care that could serve the needs of its users for the longer term. Several areas of our work were influential in supporting the government's response to COVID-19.

Through its work, the IAU has established a unique data set, through which we were able to highlight the impact of COVID-19 on social care at a critical time, when few other analytical teams were able.

Analyses published on our website received good media coverage, enabling us to contribute meaningful independent analysis to the national conversation on social care and COVID-19. Our chart analysing deaths in care homes was read 13,000 times in the first 30 days. We also published a briefing that explored the impact of COVID-19 on social care users and staff. And we partnered with Future Care Capital, an independent charity shaping the future of health and social care, to build the case for better social care data and explore what was needed.

It is clear that working on a single theme across many of our strategic objectives has created many synergies. This has enabled us to have significant impact in this area. Collectively our work has made a substantial contribution to raising the profile of issues in social care and has increased understanding of the impact of the pandemic on both social care staff and users.

Supporting health care improvement

Improving health service delivery, and spreading what works, are a major part of the solution to the challenges facing the NHS. Our work in improvement aims to make a difference through developing people, giving grants to make improvements at the front line and building evidence about what works and why.

In response to COVID-19, we rapidly adapted our delivery plans to ensure we could be supportive to our partners and the NHS more widely, reorienting our key assets such as Q and THIS Institute.

- **Insights from our research**: We continued to publish our findings and share learning. November saw the publication of *Improving flow along care pathways*, setting out learnings from the Flow Coaching Academy programme. We also published a long read on understanding and sustaining the health service shifts accelerated by COVID-19, which generated higher than average engagement, positive feedback from system leaders and some national media coverage.

- **Funding improvement at the front line**: In 2020 we launched two new funding calls. Common Ambition will support patients and professionals to collaborate to improve care. We also launched Adopting Innovation, a programme to support better adoption of innovation and technology. We continued our Continuity of Care in General Practice and Social Franchising programmes and completed the final rounds of Innovating for Improvement and Scaling Up Improvement.

- **Building capability to improve care**: We continued to support the expansion of the Flow Coaching Academy, as well as scoping out a new programme with NHS Providers to support trusts to adopt quality improvement and working with NHS England and NHS Improvement on their proposed improvement framework. We concluded the final rounds of our Improvement Science and GenerationQ fellowships.

- **Develop the contribution of the health and care system to improving health**: We continued to influence policymakers on developing the NHS as an anchor institution. Building on the commitment made in the *NHS long term plan*, the NHS People Plan 20/21 referred to the anchor concept as an example of how the NHS can play a significant role in economic recovery from COVID-19. We also worked collaboratively with NHS England and NHS Improvement to develop the Health Anchors Learning Network for launch in 2021. In addition, we provided input to work of the Scottish government in developing a public health priority on Anchor Institutions and Community Wealth Building, which was included in the Scottish government's COVID-19 recovery plan.

- **THIS Institute**: In 2020, THIS determined where its research could be most helpful, adapting existing work, initiating new projects and launching a scheme of COVID-19-themed fellowships. A significant feature of its response was the accelerated launch of the research and development platform, Thiscovery. Launched in April, the platform has been used to deliver 11 projects, eight of them directly addressing COVID-19. The platform is distinctive in its ability to engage patients and staff remotely and at scale to work collaboratively.

- **Q Community**: We continued to build and connect our community of health improvers, notably in relation to our geographical coverage, diversity and the number of members. Q reached the milestone of 4,000 members across the UK, reflecting the increasing awareness and appeal of quality improvement. In July, RAND published the findings of their 4-year evaluation of Q, which highlighted many examples of how its work has led to improvements for patients and services. In response to COVID-19, Q provided rapid insight and learning to support the effective adoption of virtual consultations as well as practical support to help community members and partners. This was done through a grant funding offer to regional and national bodies, and convening national improvement leaders from the four UK nations and Ireland to develop their plans for recovery and post-COVID-19 service provision.

Case study – responsive and adaptable assets

During COVID-19, our key strategic assets – in particular our large-scale, longer term initiatives and programmes – rapidly reoriented their focus and work plans to maximise their utility to the pandemic response, meeting emerging needs both at the policy level and within health care services. For instance, we mobilised the Q community to foster peer learning and gathered insights from this to influence national policy on COVID-19. THIS Institute initiated several COVID-19-specific projects, while beneficiaries of the Flow Coaching Academy reported that the skills and knowledge gained through the programme have been invaluable during the pandemic.

This experience has shown that our large-scale strategic initiatives have the depth and capacity to adapt and respond to challenges in health and care in ways that would not be possible if we solely ran grant-funding programmes. In addition, we have also learned that having a set of initiatives that focus on a range of areas – from building evidence for quality improvement and developing skills and knowledge, to developing nationwide infrastructure – means that our assets are well placed to provide support at a local service level and national policy level, and to strengthen links between these communities.

Health and care sustainability

The REAL Centre is a major new Health Foundation initiative to improve the evidence used to inform long-term decision making in health and social care. We officially launched in 2020, and our objectives were to produce research and analysis of trends and drivers of health and social care supply and demand. We also aimed to support better long-term decision making in health and social care through improved understanding of the policy implications of trends in and drivers of demand and supply.

The pandemic and accompanying response reshaped the work of the team in the short term, with a focus on supporting the COVID-19 response through a programme of analysis and secondments to DHSC and NHS England. This meant the formal launch of the REAL Centre (originally scheduled for June 2020) moved to October. Through our COVID-19 work we aimed to use our existing expertise, evidence and data access to influence key policy questions of interest, highlighting a longer term perspective where possible. Our December long read on vaccine prioritisation generated 15,200 reads in the first 14 days from launch and went on to generate a further 65,000 reads in January 2021 – the highest of any of our content (see also *Responding to the COVID-19 pandemic*).

- **A programme of research into health care demand**: In 2020 our launch report *The bigger picture* explored the trends and patterns of health service activity over the past two decades. The team also collaborated with policy team colleagues on a portfolio of work designed to highlight inequalities in health need and primary care access (including the briefing – *Level or not?)* The core of our demand work programme is the development of a model that will allow us to look at risk factors, disease prevalence and health care activity. We are working with partners to help us develop this work and identify early policy questions we could usefully answer; for example, around how trends in primary care have changed over the past 20 years.

- **A programme of research into health care supply**: The pandemic has highlighted and exacerbated existing workforce challenges, we saw opportunities to continue to contribute to the debate, in particular around long-term issues such as nursing shortages. In December 2020, we published a workforce 'pressure points' report: *Building the NHS nursing workforce in England.* This focused on nurse staffing shortages, highlighting significant disparities between regions and sectors and a decline in specialist nurse numbers over the past decade. In addition, our Efficiency Research Programme funded work that led to a number of successful publications and dissemination activity in 2020, filling important gaps in the evidence base.

- **Building the evidence on social care demand and supply**: We continued to publish analysis to influence policy development on social care reform. We submitted our analysis of funding options for the sector and evidence on challenges faced by the workforce to the *Health Select Committee inquiry on social care workforce and funding*, drawing on both our in-house analysis and externally funded research. We were subsequently asked to undertake further analysis and submit supplementary evidence, much of which was used in the committee's final report. This was then the basis of the oral evidence we gave to the committee, which was picked up widely in the media and quoted by the chair of the committee.

- **Supporting better long-term decision making and policy implications**: We began establishing the reputation of the REAL Centre, including through an impactful inaugural lecture from Sir Andrew Dilnot, *The REAL Challenge: beyond crystal balls*

and COVID-19 – What we need to prepare the NHS and social care for the future, attended by over 600 people. We also provided funding projections with the aim of influencing the 1-year Spending Review. The latter highlighted the additional funding needed to deliver the *NHS long term plan* and deal with the backlog of elective care and mental health demand a result of the pandemic.

Case study – Lessons on generating and measuring impact
Our widely viewed COVID-19 work came from organic web searches for topical content and highlighted the value of effective search engine optimising. This also demonstrated the benefits of undertaking responsive pieces of work on strategic or long-term issues to build the visibility and credibility of the REAL Centre.

While there is an element of 'right idea, right time' for our COVID-19 work, it does demonstrate the importance of horizon scanning and understanding the current literature and policy context. In 2021, we have made changes to how portfolios are allocated, with the ultimate aim of identifying the most potentially impactful pieces of work.

Improving national health and care policy

Our aim is to support more evidence-informed policy on health and social care, contributing to better population health. We do this by analysing, understanding, and informing national policies on health and care in England, with a particular focus on the overall direction of the health system and how it is performing.

COVID-19 has been a major focus of the team's work in 2020. We conducted analysis to understand the pandemic's impacts and how the government and health care system has responded, as well as work to inform recovery. The aim of this work has been to assess and inform COVID-19 policies and to help hold government to account for the overall pandemic response.

- **Work on national reform approaches**: In 2020 we continued to look at how national policies impact on how care is delivered, with a major focus on the impact of COVID-19 on services. In August, we published a long read in collaboration with the REAL Centre exploring how COVID-19 might affect the number of GPs available to see patients in England. In September, we published *Level or not?*, a briefing comparing the state of general practice in areas of high and low deprivation in England. On social care, also in July we published an in-depth assessment of government policies to support and protect adult social care in England during the pandemic. In the early stages of the pandemic, we also published a report with the REAL Centre analysing and assessing social care for adults aged 18–64 in England, a group often absent from the policy debate.

- **Analysis of national policy priorities**: In April, we launched our online COVID-19 policy tracker, which became one of the Foundation's most successful pieces of digital content in 2020 (see *Responding to the COVID-19 pandemic*). The team also used polling to understand public perceptions of health and care during the pandemic, which has helped us shape and inform the policy debate (see case study). In July, we relaunched our Policy Navigator website – a tool that documents several decades of policy developments – for policymakers and researchers. We also published a second edition of our *Glaziers and window breakers* book, featuring a new interview with Jeremy Hunt. The team has worked to influence and inform government priorities on NHS reform 'after' the pandemic – by providing independent challenge and scrutiny to

emerging policy proposals.

- **Monitoring health system performance**: We have continued to track performance of NHS services and highlight unmet need resulting from COVID-19 in 2020. In May, we released a long read alongside the REAL Centre on returning NHS waiting times to 18 weeks for routine treatment. In November, we published a long read on the impact of COVID-19 on elective care in England. Following publication, colleagues met with the Prime Minister's Implementation Unit to discuss the recovery of elective care services. Our tracking and analysis of the NHS Test and Trace (NHSTT) system is another example of where the team's work has been quickly reoriented. In September, we published a long read examining the journey so far for NHSTT. In October, we launched our NHSTT performance tracker to monitor and reflect on the system's performance. The tracker was the policy team's highest performing output of Q3.

- **International comparisons**: In March, we launched a report exploring what the Commonwealth Fund's 2019 international survey of GPs means for the UK. The report highlighted findings that UK GPs are among the most stressed internationally and made several recommendations for policy in England. We also collaborated with the WHO European Observatory on Health Systems and Policies to inform understanding of how different countries are managing the pandemic.

- **Shaping health futures**: The importance of our work on 'futures' has been amplified by the pandemic, though short-term analyses of COVID-19 policies reduced time for our work on long-term issues. We carried out a horizon scanning exercise in the summer to document how COVID-19 was impacting previous trends and assumptions about the future. This was followed by an online workshop with over 20 senior strategists from NHS and social care bodies to explore changes identified in the horizon scan and consider their implications for the health and social care system. Data from this was used to inform further planning work in HEE and DHSC. We also delivered a corporate webinar in October to more than 500 people on planning for the future in UK government.

Case study – Public attitudes during the pandemic
The team commissioned three rounds of Ipsos MORI polling during 2020, spanning a range of themes, including the public's views on use of health care services, the government's handling of the pandemic, and the social and economic impacts.

The findings from our polling work meant we were well positioned to inform policy debate in 2020, providing the Foundation with an important mechanism to assess the public mood and how it was changing. We achieved good results with media coverage in relation to the contact tracing app and in highlighting shifting public views about the role of the state in promoting health.

Our polling results on whether government should maintain the £20 uplift to Universal Credit are often referenced externally. For example, the Joseph Rowntree Foundation recently cited our polling as evidence of a growing consensus around maintaining the uplift when giving evidence to the Work and Pensions Select Committee.

More widely, the polling has proved useful to a wide range of political and policy figures. For example, our polling was cited by Professor Chris Whitty during his Gresham College lecture delivered in October, on the role of the state in public health. High media impact has also been generated through the polling work. For example, our story on the public's views about an

extension to Brexit was the front-page lead in the Sunday Independent, as well as featuring in the Guardian and 40+ regional media outlets.

Better Health Foundation

In addition to our five strategic priorities, we have a programme of internal development to enable us to deliver our strategy effectively by investing in our people, how we work together, the tools we use and the space we work in.

In 2020, we:

- adjusted our priorities, in response to the pandemic, to support the safety and wellbeing of our people and our operational effectiveness
- introduced flexible business planning to respond more quickly and effectively in supporting the national response to the pandemic and the effects of the lockdowns on our beneficiaries, partners and employees
- supported people across the organisation to work well remotely and manage a work/life balance when our office temporarily closed in response to government guidance
- invested in our managers to equip them to lead in a remote working environment
- strengthened our internal communications to ensure people could stay connected to the organisation and each other
- upgraded our IT network, including our secure data environment to support working remotely
- improved our approaches to becoming more diverse, inclusive and environmentally sustainable, with wide engagement across the foundation.

We remained compliant with the Data Protection Act 2018, with no reportable incidents and renewed our information security management system accreditation for our secure data environment (ISO 27001).

Our plans for 2021

Here is a preview of some of the Foundation's planned work over the coming year, set out under our five strategic priority areas.

Healthy lives for all

Our work to promote healthy lives for all aims to change the national conversation to focus on health and wellbeing as important assets for a flourishing society, and to promote national policies that support everyone's opportunity to live a healthy life. COVID-19 has brought our work on health and health inequalities into sharp focus. Never has this topic been more relevant or important.

- **COVID-19 impact inquiry:** This summer will see publication of the report from our inquiry, describing the impact of, and impact on, health inequalities in relation to COVID-19 and the wider government and societal response across the UK. This will highlight implications for government decision making and areas for future action.

- **The Collaboration for Wellbeing and Health:** The Foundation plans to invest up to £15m in this initiative over the next 6 years, bringing together a cross-sector network of organisations to take action to address the wider determinants of health. This year the Collaboration will start to use the collective assets of its members to advocate for policies that 'level up' health at a national level. We are planning a high-profile communications campaign, alongside work by all members to build a better understanding of what is needed to support people to live a healthy life.

- **Influencing government decision making on health:** We will explore what is needed for a cross-government strategy to close the health gap, drawing on our analysis and that of others, and encouraging the uptake of the new ONS health index. Work will continue to influence government and other stakeholders to help shape the future public health system, following the announcement last year that Public Health England will be disbanded. We will also be building on the findings from our research into the social and economic value of health by distilling the main insights for policies geared towards keeping people healthy.

- **Building the evidence on the wider determinants of health and supporting local government:** This spring we will launch our *What drives health inequalities?* evidence hub, featuring in-depth analysis on the trends in factors that have the greatest bearing on our health. As part of the action phase for our Young people's future health inquiry, we are scoping an important new research programme to build evidence about what good emotional support looks like during the ages of 12 to 24. And two programmes with local government will begin work this year: Shaping Places for Healthier Lives, and Economies for Healthier Lives.

Data analytics for better health

We are developing innovative data-driven approaches to improving the quality of care and population health. For 2021, we are focusing on themes relating to the use of data to accelerate service improvement, strengthen social care, and tackle health inequalities.

- **Analysis and support to drive service improvement:** Our analysis will continue to provide insights on the opportunities and challenges facing the NHS, and the impact to date of major changes. We will publish analysis on hospital admissions from care homes and domiciliary care during COVID-19. Our partnership with Health Data Research UK will demonstrate how data-driven health and care decisions can improve patient care. We will do this through funding 'catalyst projects', building communities, developing training, and generating evidence.

- **Building a clearer picture of health inequalities:** Our analysis will examine ethnic, socioeconomic, gender and place-based inequalities in health and health care, working with teams across the Health Foundation to build a clear picture and help to influence policy. We will also work in partnership to impact policy and practice. Alongside the Ada Lovelace Institute, we will deliver a programme of public engagement and research to explore how data-driven technologies used during the pandemic may have affected health inequalities, and use this knowledge to inform future policy and practice. With the NHS AI Lab we will support research to advance AI and data-driven technologies in health in ways that better meet the needs of minority ethnic populations.

- **Analysis to drive change in social care policy:** We want to motivate changes to national policy by highlighting how the pandemic is affecting people who need social care. We will also highlight what it has revealed about the shortcomings of social care data and use this to influence the national data strategy. We will explore a partnership to improve the stewardship of social care data. We also announced our five Strengthening Social Care Analytics award holders in February, and will be sharing learning from the programme over the year.

- **Evaluating the effectiveness of key initiatives through the Improvement Analytics Unit (IAU):** The IAU is our unique partnership with NHS England and NHS Improvement that evaluates the impact of complex initiatives in health care to support evidence-based decision making on key reforms. In 2021 the IAU will deliver analyses relevant to local and national policymakers, including evaluations of digital-first primary care, COVID-19 oximetry at home, integrated care, and multi-disciplinary teams. The

IAU will be 5 years old in March, so we will be reviewing how the unit can be most impactful in the future.

- **A linked and open approach to data analysis:** Our Networked Data Lab (NDL) has created a collaborative network of local analysts in five areas across the UK. Together we will be using linked datasets to address some of the major challenges facing the health and care system. This year will see us conduct our first analyses, starting with an investigation into the quality of health care provided during the pandemic for 'shielding' people. We will also share our code and our learning from the project on an ongoing basis.

Supporting health care improvement

Improving health service delivery, and spreading what works, are a major part of the solution to the challenges facing the NHS. Our work in improvement aims to make a difference through developing people, giving grants to make improvements at the front line, and building evidence about what works and why.

- **Sharing our learning to build understanding:** 2021 will see new reports exploring what needs to be done to sustain and adapt the use of technology implemented during the pandemic, and the potential for the practical application of automation in health care. We will also be looking at the potential of new workforce models to contribute to a more productive NHS, and exploring the factors that can support or hinder implementation and success on the ground. We will also publish a refreshed version of our popular quick guide *Quality improvement made simple*.

- **Social Care Evidence Centre:** The Health Foundation is working with the Economic and Social Research Council to create a new centre aiming to increase the use of high-quality research evidence to improve and support innovation within adult social care. This centre will be co-designed with the sector in 2021, with a leadership team recruited by the spring, followed by its launch in 2022.

- **Enabling people to make change:** 2021 will mark our first full year funding four partnerships as part of our new Common Ambition programme. The programme aims to harness the power of people, families, health care professionals and researchers collaborating to improve specific areas of care. This year will also see the completion of final rounds of our older programmes (some of which were delayed by COVID-19). This includes Continuity of Care, Innovating for Improvement, Scaling Up, our Improvement Science Fellowships and GenerationQ.

- **Creating the infrastructure for improvement:** In 2021 we will begin our new Adopting Innovation programme, funding four innovation hubs across the UK to support health care providers to become effective adopters of innovation. We will also continue the Flow Coaching Academy, and our work with NHS Providers to encourage trusts to adopt quality improvement. This year will also see the completion of our Social Franchising programme. And finally, we also plan to establish and run a national network, in partnership with NHS England and NHS Improvement, to support the NHS to develop its role as an anchor institution.

- **THIS Institute:** THIS aims to create an evidence base that supports replicable and scalable improvements to health care delivery. In 2021, THIS will deliver findings from a range of rapid research projects in response to COVID-19, including work on access to mental health services, good practice in remote care in COPD, heart failure, and antenatal services. THIS will also publish the first part of its guide to the evidence on improving quality and safety in health care. The Institute's third and final competition for postdoctoral fellowships opened in March.

- **Q Community**: We will further develop the Q initiative during 2021, bringing people with improvement expertise together across the UK and Ireland to share insights, enhance skills and collaborate. We continue to grow the now 4,000 strong membership, with offers that support learning and change at a service, local and national-level. We will develop our approach to facilitating learning among national and regional leaders and expand our Q Labs offering in Wales.

Health and care sustainability

In 2020 we launched the Health Foundation's REAL Centre (research and economic analysis for the long term), marking a major progression of our analysis and research on sustainability. This new centre aims to ensure that decisions about the funding, design and delivery of the health and social care system are informed by the best available analysis and evidence, and that debate about the future of the health and social care system is grounded in facts and evidence.

- **Establishing two REAL Centre research units:** This year will see us run the competitive process to select two REAL Centre research units. We have £14m of funding for 2022–2028 to establish these units, helping to further the work of the REAL Centre. The units will develop broad, potentially multi-disciplinary, research programmes across the areas of demand for and supply of health and social care, and support the design and delivery of a fellowship programme.

- **Analysis and debate about the options for social care reform:** A key priority for the REAL Centre in 2021 will be to further develop our analysis of the options for reforming social care and to influence debate about funding reform. This includes the economic case for a cap on care costs, a reform package to support sector sustainability, better terms and conditions for the workforce, and access to care based on better understanding of demand. Social care will also be the focus of the next REAL Centre annual report and lecture, which will take place in the autumn.

- **Modelling and analysis of future workforce needs in health and care:** At the end of 2020, the REAL Centre published research and modelling on the nursing workforce in the UK, showing that the current shortfall of nurses represents a major long-term and growing problem for the NHS. In 2021 we will follow this by publishing long-term projections of the trends in nursing using a new model we have developed over the past 18 months.

- **Building our modelling capability:** We will continue to work with the University of Liverpool on the development of a model for health care demand, from risk factors to activity. We will also commission an adult social care model that will look at both demand and supply side factors. Beyond this, we will scope potential for a capacity model to broaden our ability to model wider factors influencing health care supply.

- **Research on demand for health and social care:** Following on from our analysis of the impacts of COVID-19 using primary care data, we will be highlighting inequalities in health based on local area socioeconomic scores and patient ethnicity. A series of outputs will shed light on the drivers of underlying vulnerability to COVID-19, how the second wave of the pandemic affected care for non-COVID patients.

- **Funding and its impact:** To inform the government Spending Review we will publish new funding projections for the NHS and social care over the long term and the impact different levels of funding will have on patients and service users.

Improving national health and care policy

The Health Foundation works to support more evidence-informed policy on health and social care in the UK, contributing to better population health. We do this by analysing, understanding, and informing national policies on health and care, with a particular focus on the overall direction of the health system in England and how it is performing.

- **A long-term look at reform of health and social care:** In 2021 we will be focusing on understanding and informing the overall direction of health and social care reform in England, and the policy approaches used to try to improve the way the health system works. This will include analysing NHS England's new legislation proposals and how the changes impact on primary care networks. We will also be focusing on the approaches and mechanisms needed to support long-term policy decisions on health and care.

- **Analysing and informing policies and approaches to reducing health inequalities:** COVID-19 has exacerbated wide and unjust health inequalities in England—and policymakers have committed to 'levelling up' the country after the pandemic. We will publish research on addressing the inverse care law in general practice, population-level primary prevention policies, and on health system (STP/ICS) approaches to addressing health inequalities.

- **Ongoing analysis of the national COVID-19 policy response and recovery**: We will continue drawing out key lessons from the pandemic for future health and care policy. This will involve a mix of tracking, original analyses, and polling related to the overall policy response, as well as more specific analyses on policies related to adult social care and the test and trace system.

- **Analysis of health system performance – including international comparisons:** Our work will continue to analyse the overall performance of the health system in England and how it changes over time. This includes analysis of data on how the NHS is performing – for example, on NHS waiting times. We will also be funding an international survey of health care systems, collaborating with the WHO EU Observatory, and building more extensive international comparisons into our work. We will also be supporting the Sciana and Harkness fellowship programmes, further developing important international policy networks.

Better Health Foundation

In addition to our five strategic priorities, we have a programme of internal development to enable us to deliver our strategy effectively by investing in our people, how we work together, the tools we use and the space we work in.

For 2021, we plan to:

- continue to adjust our priorities to support the national response to the pandemic through the recovery phase
- continue to offer high support to our people during the pandemic and beyond, supporting their physical and mental wellbeing
- use the learnings we have discovered from working remotely, as we transition to a more flexible way of working, once it is safe to use the office
- improve our approaches to diversity and inclusion and environmental sustainability, building on our work in 2020.

Financial review: results for 2020

Charitable activities

Our charitable aim is to improve the health and health care of people living in the UK. By giving grants to those working at the front line and carrying out research and policy analysis, the Foundation focuses attention on how to make successful change happen; using what we know works on the ground to inform effective policymaking and vice versa.

The pandemic had an unprecedented impact on health and health care. In response we urgently reprioritised our resources to support national and local responses to the pandemic, including new work and charitable funding. We postponed planned work to reflect these changed priorities, the reduction in capacity in our beneficiaries and partners and the prolonged uncertainty and risk around the duration and severity of the pandemic. The disruption caused by the pandemic in 2020 distorts any normal comparison with 2019. Our charitable expenditure was £42.8m in 2020 (2019: £37.4m), an increase of £5.4m or 14%. Within this increase, we committed additional funding to support the national and local responses to COVID-19 of £6.1m, through awards, contracts and donations; we were forced to postpone work on longer term initiatives of £7.7m; and we rephrased a funding commitment for THIS Institute resulting in an annual change of £6.4m (2020 £3.2m; 2019 (£3.2m)). We expect the effect of the disruption to continue into 2022 as we transition from supporting the response to supporting the recovery.

Analysis of expenditure on charitable activities	**2020** (£m)	**2019** (£m)	**Year-on-year movement** (£m)
Grant Funding – Promoting healthy lives for all			
Healthy lives for all	1.73	5.47	(3.74)
Grant Funding – Improving health and care services			
Data analytics for better health	2.20	3.76	(1.56)
Supporting health care improvement	8.04	5.39	2.65
Health and care sustainability	0.47	1.50	(1.03)
Improving national health and care policy	1.41	-	1.41
Grant funding and donation – Other			
Governor grants	0.22	0.25	(0.03)
COVID-19 donations	2.50	-	2.50
COVID-19 grants	3.61	-	3.61
Total grant funding and donation	**20.18**	**16.37**	**3.81**
Direct costs	12.75	11.61	1.14
Share support costs	9.71	9.36	0.35
Share of governance costs	0.12	0.04	0.08
Total charitable activities	**42.76**	**37.38**	**5.38**

Further information can be found in note 7 to the accounts.

All expenditure is reported across our key strategic priorities; the split of expenditure for 2020 is reported in the outer rim of the graph below, the inner rim splits the expenditure for improving health and care services into its strategic priorities.

Figure 1: Split in charitable expenditure

Total		£42.76m
Improving health and care services		£27.6m
Data analytics for better health	£5.0m	
Health and care sustainability	£1.1m	
Supporting health care improvement	£18.3m	
Improving national health and care policy	£3.2m	
Healthy lives for all		£3.9m
Other		£11.2m

Restricted funds

In 2020, we received restricted income of £0.8m (2019: £1.1m) primarily for Q, an initiative joint-funded with NHS Improvement. The Q initiative started in April 2015 and continued in 2020.

The Q initiative is part of our substantial long-term investments to develop and support initiatives designed to build capability. This initiative has created an intangible asset with an economic life and has a current value of £1.6m (2019: £1.9m)

Subsidiary companies

The Foundation has two subsidiary undertakings:

- **Medtrust Innovations Limited** (Medtrust) is wholly owned by the Foundation as a mission-related investment engaged in the exploitation of intellectual property rights. In March 2011, Medtrust acquired 50% of the intellectual property rights of *BMJ Quality & Safety*, a journal published by the BMJ Publishing Group Limited. At 31 December 2020, Medtrust had fixed assets of £0.5m (2019: £0.5m). In the year, Medtrust generated an operating profit of £0.2m (2019: £0.2m).

- **The Victoria Fund LP Incorporated** (Victoria Fund) was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner. As at 31 December 2020 the Victoria Fund had fixed assets of £337m (2019: £285m) and the value of its net assets was £346m (2019: £292m). Net profit in the year was £55m (2019: £22m).

Financial strategy and reserves

The Health Foundation is funded by an endowment that enables us to deliver an ongoing programme of work, including making significant grants to bring about better health and health care. We manage our endowment in a way that aims to generate long-term income and growth to enable us to fulfil our charitable purpose, while ensuring that our assets are managed responsibly.

Investment policy and strategy

The Foundation has a structured investment process with the following primary features:

- **Investment policy** is agreed by the board of governors; this includes investment objectives, constraints and spending rate.

- **Investment strategy** is delegated to the Investment Committee, including strategic and tactical asset allocation, rebalancing, styles and weighting within asset classes, and manager arrangements.

The Foundation's investment policy and strategy are intended to provide long-term stability and liquidity sufficient for the financing of the Foundation's ongoing spending and to maintain the real value of the endowment.

The governors have decided that the Foundation should operate as a perpetual endowment and seek to maintain the real value of the endowment, defined as 1% above inflation. The Foundation has decided to adopt RPI+1% as a sensible proxy to fund expected inflation in costs.

The governors' objective is to invest the Foundation's assets to maximise returns while balancing risk through a diversified asset portfolio. Within this framework, the governors have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Foundation is exposed.

The governors' primary objectives are as follows:

- **Time horizon:** the endowment shall be invested for the long-term with an investment horizon of 10 years and multiple economic and market cycles.

- **Return target:** the total return target is RPI+5% per annum (net of all investment fees and costs). The objective is to maintain the real value of the Foundation's asset (RPI+1%) and provide a 4% spendable amount.

- **Spending policy:** the governors believe that the return target is consistent with sustaining a spending rate of 4% over a trailing 3-year average of endowment value.

- **Risk target:** a long-run volatility range of 13–15% and an equity beta in the region of 0.70–0.75. The governors wish to limit the possibility of a 20% fall in endowment value over 1 year but acknowledge that this possibility cannot be eliminated. The probability of this event is of the order of 20% or one in five.

The main features of the Foundation's investment strategy are to:

- manage the portfolio on a total return basis

- focus on 'return-generating' asset classes, which can reasonably be expected to generate attractive real returns over the long term

- have only limited exposure to 'risk-reducing' asset classes, because of their lower expected returns
- reduce risk by diversification, but accept that seeking high returns incurs volatility
- use active managers where it is reasonable to expect that the performance benefits will outweigh the additional costs.

Our approach to responsible investment

We recognise the importance of being a responsible investor and have developed four guiding principles based on the values of the Foundation which act as an over-arching framework to strengthen the Endowment's investment strategy and stewardship credentials. These four responsible investment guiding principles are:

Principle 1: Work with, and challenge, existing and future investment managers to ensure their environmental, social and governance ('ESG') integration and engagement policies align with the Foundation's framework.

Principle 2: Exercise the right as a responsible asset owner through measured and relevant engagement in relation to the mission of the Foundation.

Principle 3: An ambition to be Net Zero by 2035 and report impact against UN Sustainable Development Goals 3 and 13 via robust oversight procedures and processes.

Principle 4: Emphasise positive engagement over exclusion, as long as no conflict of interest in the field of public health and health care.

We oversee the practical application and governance of the four guiding principles in accordance with the Endowment's ESG policy through engagement with the selected investment managers and investment consultant. In addition, we require all our investment managers to have an ESG policy in place and recommend they adopt at least one of the following guidelines – the UK Stewardship Code or the United Nations Principles of Responsible Investment.

We do not invest directly in tobacco stocks. We also closely monitor our investment in pooled funds and if we identify any inadvertent exposure to tobacco stocks, we engage with the relevant investment manager with the aim of establishing new funds. There are certain stocks that could be seen as a conflict of interest against the mission of the Foundation and, therefore, we negatively screen these stocks from the endowment. However, where possible, we adopt a formal approach to positive engagement where conflict of interest might arise. Where there are issues related to reputational risk, these reside with the board of governors.

The Health Foundation is a member of the Charities Responsible Investment Network, facilitated by ShareAction and maintain dialogue with investor coalitions such as Healthy Markets and Good Work. We intend that this will strengthen our approach to responsible investing where we want to use our investment portfolio to encourage businesses to behave responsibly.

Expenditure policy

The investment spending policy sets out the spending formula for the Foundation. This spending formula provides a guide for the annual budget which may be adjusted to take into account the needs of the Foundation and its operational capacity. The Foundation's support and governance spend is set by reference to the total spend level to ensure it remains reasonable and proportionate.

Grant-making policy

The Foundation sets out specific entitlement criteria for each programme at its launch. These criteria vary from programme to programme and are made available on our website. Applications are assessed against these criteria and grants made taking into account funds available and the quality of applications. The period for which grants are awarded depends upon the programme, but typically last between 1 and 4 years. Grants are monitored regularly, and appropriate progress reports are required from recipients.

Reserves policy

The Foundation holds an Expendable Endowment fund which was created following the sale of PPP Healthcare Group (PPP) to Guardian Royal Exchange Group in 1998. It is the Foundation's policy to operate as a perpetual body and, in line with this policy, the governors seek to manage the Foundation's business, and in particular its investment returns and expenditure, so as to maintain the real value of this Expendable Endowment fund while providing the necessary income to fund the Foundation's ongoing charitable activities.

Within the above overall policy, governors are at any time able to use endowment capital to fund charity expenditure. Accordingly, governors have determined that it is not necessary for the charity to hold reserves by way of separate unrestricted funds. Capital from the endowment equal to the excess of the Foundation's expenditure over its generated unrestricted income is applied as income each year such that at the year end the unrestricted fund balance is nil.

Investment returns

Our long-term goals for the management of our endowment investments are set out in the 'Investment policy and strategy' earlier in this report. Based on these goals our return target is RPI+5% per annum, net of all investments, fees and costs.

In 2020, the endowment fund returned a net of 7.3%, exceeding the RPI+5% target of 6.2% in that year. On a 3-year annualised basis, the fund returned 6.3%, falling short of the annual RPI+5% target of 7.0%. On a 5-year annualised basis, the fund exceeded the return target, achieving 9.6% per annum against the target of 7.5% per annum.

Figure 2 shows the change in the value of the investments. In 2020, the value of the investments increased by £49m, from £1,076m to £1,125m.

Figure 2: Investment values at 31 December 2020

Fund values at 31 December 2020 (£m)	
Year	Amount
2015	£850
2016	£966
2017	£1,039
2018	£980
2019	£1,076
2020	£1,125

The structure of the investments is focused on global investing via a range of asset classes. The investments look to maximise returns while balancing acceptable levels of risk through a diversified asset portfolio.

We undertook a routine review of our existing investment advisor relationship during 2020. The formal due diligence process led to the appointment of Redington in January 2021 to act as investment advisor for the endowment and provide advice on strategic asset allocation, investments, and responsible investment practices. Cambridge Associates continue to provide investment management services for the Victoria Fund and investment advice on private investments and hedge funds.

Figure 3 shows the target strategic asset allocation together with the actual asset allocation at the end of 2020. The Investment Committee meets quarterly (and more frequently if required) and regularly reviews the long-term investment strategy and progress on its implementation. The actual allocation was overweight in listed equities and cash and underweight in alternative assets. Over time we expect to increase our weighting in alternative assets as we build our private equity mandate.

Figure 3: Asset allocation at 31 December 2020

	Actual	Target
Listed equities	57%	50%
Alternative assets	28%	27%
Property and infrastructure	8%	13%
Fixed income strategies	4%	8%
Cash	3%	2%

Our endowment grew in value in 2020. There is market uncertainty following the global pandemic which may lead to some volatility. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future, having carried out 'stress-tests' at appropriate intervals. Under our normal internal governance procedures, we will be conducting a Strategic Asset Allocation review in late 2021.

The total cost of managing our investments was £14.7m (2019: £12.9m). The increase is mainly due to the value of alternative investments and their performance. Further details can be found in note 6.

Streamlined energy and carbon reporting

Overview

The Health Foundation is reporting energy and carbon emissions in compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The conversion factors used in the report are taken from 2020 Government guidance on the Streamlined Energy and Carbon Reporting (SECR) regime. We are reporting for the first time and as it is the first reporting year, no emissions from previous years are available as a comparison.
The Foundation has consumed approximately 309,942 kwh of energy in 2020 and its equivalent CO2 emissions are estimated at 66 tonnes. Our intensity ratio is 0.027 tonne per square metre of our office space. Our energy consumption for 2020 is likely to be anomalous because of the temporary shift to working from home during the COVID-19 pandemic and the lack of office-based activity.

Electricity and gas

During 2020, our energy (electricity and gas) consumption equated to 309,942 Kwh or 64 tCO2e. December 2020 energy consumption has been estimated using the July to November 2020 invoice. Energy costs are charged as a percentage of the landlord's total bill at the Foundation's office premises. This is based on the total floor space occupied by the Foundation, which equates to 2,415 square metres.

Travel

During 2020, travel journeys paid for directly by the Foundation equated to 24,184 miles or 2 tCO2e. Travel by bus and taxi by Foundation staff, and travel to and from Foundation events by external participants and attendees are not included in these calculations.

Future reporting
The Foundation is committed to understanding and reducing its environmental impact. A cross-organisational group was set up in summer 2019 to embed environmental sustainability at the Foundation. As part of this work, we are reviewing how to report on a wider set of measures (for example, water use) in future submissions and will be setting targets to reduce our carbon emissions.

	Mileage	Consumption kwh	Carbon emission tCO_2e
Scope 2			
Gas		165,209	30
Electricity		144,733	34
Scope 3			
Travel (train and air travel)	24,184		2
Total gross emissions in tonnes CO_2e	24,184	309,942	66
Intensity ratio:			
tonnes CO_2e per sqm			0.027

Stakeholder engagement – s.172 statement

The board recognises that the Health Foundation's relationship with its stakeholders is critical to its success. The table below sets out our key stakeholder groups, the key considerations of each group and how we engage with them.

Stakeholder	Key consideration	How we engage
Beneficiaries, including: members of the public, those who benefit from the grants we award, health and care workers, policy makers, charities that received donations from us.	Improving the lives of the people and communities that the Foundation's grants support in its work to improve health, health care and social care in the UK. Maximising the impact of our work. Sharing information about the work of the Foundation.	Individual governors have strategic oversight of key programmes of work, working closely with teams across the organisation. For example, Ruth Hussey is on the steering group for the Collaboration for Wellbeing and Health. Via our grant holders, including their reporting to us. Via beneficiaries of charities to which we have made one-off donations through the pandemic. Our Young people's future health inquiry has engaged directly with young people.

Stakeholder	Key consideration	How we engage
		Through our webinars, podcast and newsletter, which are publicly available. We have an active social media presence. We have well-defined communications strategies around our strategic aims and targeting our key audiences. We deliver an ongoing programme of events, podcasts, publications, blogs, and long reads, which are all available to anyone, free of charge.
Partners, we work closely with a wide range of partners to deliver our strategy.	Maximising the impact of our work. We work with a wide range of stakeholders to deliver our mission to build better health and health care – from national and local government, to the health and care sector, to public health, to the third sector. Ensuring the effectiveness of the programmes and projects that the Foundation supports with grants or contracts and/or staff time. Building and maintaining networks of people engaged in improving the quality of health, health care and social care in the UK. Sharing information about the work of the Foundation.	We engage with our grant holders via ongoing management of their awards, complemented, in our competitive award programmes, by events that enable them to maximise the effectiveness of the projects that we are funding. We cooperate actively with other key organisations in our field to influence policy and practice. We work with other key organisations in some of our major areas of activity and engage with them closely in the ongoing management and direction of these e.g. in our Q programme and our Improvement Analytics Unit We have over 4,000 members in our Q programme, for whom we create a programme that is highly active and interactive We have an alumni programme for previous award-holders in our fellowship programmes We have a wide variety of useful, practical resources on our website available at no charge, aimed at people and organisations working in health, health care and social care

Stakeholder	Key consideration	How we engage
		Opportunities for award-holders to meet with governors at board meetings
Employees, including all secondees, interns, fellows, longer term temporary staff, etc.	Ensuring that employees enjoy working at the Foundation and are motivated to help us deliver our mission. Providing opportunities to develop and grow at the Foundation. Working to improve health and wellbeing of all who work at the Foundation. Working to improve diversity and inclusion at the Foundation.	Regular staff surveys with rigorous follow-up of actions Systematic and comprehensive approach to health and safety, and wellbeing overseen by a staff team Diversity and Inclusion programme board with representation from across the organisation and direct reporting line to the senior team Active organisational support for initiatives like Black History Month, Pride and Mental Health Week. Learning and development programme for all staff, both corporate and individual.
Suppliers, including the Foundation's investment managers	That our key suppliers are operating ethically as well as providing value for money	As an accredited living wage employer, ensure that our contracted staff earn at least the real living wage Regular contact with our investment managers to ensure that they remain properly engaged on ethical and social governance.

Risk management

The Foundation set out its approach to managing risk, including roles and responsibilities, in its risk management policy. The Audit Committee and the board of governors regularly review key risks owned by executive directors. The Audit Committee gives direction and reviews the implementation of the risk management process supported by an internal audit plan. Detailed below are the most important risks.

Key risk	**Nature of risk**	**Management of risk**
Investment risk	Failure to provide adequate funding for the Foundation's planned activities due to a major correction in market value and/or insufficient liquidity.	The Investment Committee ensures that the Foundation's investments are suitably diversified, supported by an internal team, external advisers and external benchmarking. The committee ensures there is enough continuing liquidity to meet the Foundation's cash requirements, in the event of a sudden market correction. The Investment Committee oversees investment risks and the Audit Committee oversees operational risks.
Cyber security	The Foundation's defences are inadequate, rendering it vulnerable to cyber-attack.	The directors team supports a framework to ensure employees are aware of the need for information security. Management tests the Foundation's security regularly and the results are reviewed independently. The Foundation has a cyber-security service agreement to monitor the networks and facilitate recovery. Two-factor authentication is in place for remote access.
Data security	We suffer loss of data as a result of a breach in our security.	Sensitive data is managed within a secure data environment (SDE) with physical and technical isolation from the office environment. The SDE is accredited to ISO 27001, with oversight from a dedicated management group. An internal working group oversees compliance with the Data Protection Act 2018, supported by a data protection officer.
Strategic	The Foundation fails to address important or emerging issues or achieve a desired level of impact.	We have the processes in place to ensure we can respond appropriately. For example, in 2020 we set up a COVID steering and planning group to prioritise and coordinate our work and we responded to urgent requests for key individuals and funding.

Key risk	Nature of risk	Management of risk
Quality	Our work lacks sufficient rigour, accuracy, quality and objectivity.	We have clear governance frameworks for awards, contracts and research. We have a quality assurance process for the release of all published material. When we work with others, our controls in the case of work of insufficient quality are to manage the contract deliverables diligently. Where the quality is sufficiently high, but we have concerns over the message derived from it, our controls are to have a memorandum of understanding outlining how communications will work. Where we have strategic partnerships, we ensure there is joint oversight
Business disruption	The Foundation fails to take adequate care of the safety and wellbeing of its employees and loses operational effectiveness, as a result of disruption caused by the pandemic.	An incident management plan was invoked with a decision-making spine to rapidly assess and respond to the crisis and remained active throughout. We adapted our HR policies with 'high trust and high support'. We committed to support the wellbeing of our people. We invested in skills, training and support for everyone. We had clear criteria for reopening the office safely. We tested our internal controls in the light of the sudden shift to remote working.

Trustees' report

Structure, governance and management

The Health Foundation is a registered charity (no. 286967) and a company limited by guarantee (no. 1714937). It is governed by its memorandum and articles of association adopted on 24 July 1996 and last amended on 15 July 2021. The Foundation's endowment was first established in 1998.

The board of governors is responsible for the overall governance of the Foundation. Governors are appointed for a term of 5 years and may be appointed for a second term of up to 4 years. All governors are members and directors of the company, and trustees of the registered charity. The current governors and any past governors who served during the year are listed in the table below, together with the names of independent members of committees.

Name	**Member/ governor**	**Audit Committee**	**Investment Committee**	**Remuneration and Governance Committee**
Hugh Taylor	Chair		✓	✓
David Dalton	✓	✓		
Martyn Hole (stepped down 15 July 2021)	✓	✓	✓	
Ruth Hussey	✓			
Sharmila Nebhrajani	✓	Chair		
Melloney Poole	✓			Chair
David Zahn (stepped down 9 July 2020)	✓		Chair (until December 2019)	✓
Branwen Jeffreys	✓			
Rosalind Smyth	✓			✓
Loraine Hawkins	✓			
Eric Gregory	✓			✓
David Smart	✓		Chair	
Katie Blacklock (appointed 12 March 2021)	✓	✓	✓	
Ravi Gurumurthy (appointed 12 March 2021)	✓			
Dawn Edge (appointed 12 March 2021)	✓			

The following served as independent members of committees during 2020.

Name	Audit Committee	Investment Committee
Mickola Wilson (stepped down 24 February 2021)		✓
Ingeborg Dybdal Øie		✓
Robert Beveridge	✓	
Mark Chaloner (appointed 22 September 2020)		✓
Andrew Milligan (appointed 23 September 2020)		✓

In order to increase the effectiveness of the governors' roles and responsibilities, they are appointed to match specifications that are relevant to specific aspects of the Foundation's work. This ensures a relevant and balanced mix of skills and experience on the board.

The board meets at least four times a year. At these meetings, it reviews strategy and operational/investment performance and approves operating plans and budgets. Regular performance reports are provided to the board, as well as the minutes of committee meetings, to assist it in fulfilling its role of monitoring and evaluating the organisation's performance.

All new governors receive a comprehensive induction. Refresher sessions on relevant topics are arranged for governors periodically.

Organisational structure and how decisions are made

The board of governors has set down a schedule of matters specifically reserved to it for decision. These include:

- board appointments
- the appointment and terms of reference of any committee of the board and any matters expressly reserved for the decision of the board by any such terms of reference
- approval of annual financial statements and annual business plan and budget
- changes to the Foundation's investment policy.

In addition, the following committees are established as committees of the board of the Foundation in accordance with the articles of association. Each operates in accordance with terms of reference, which ensure that the committee is properly constituted with an appropriate membership of governors, experienced independent members (in the case of the Audit and Investment Committees) and a clear set of responsibilities and authorities.

- **The Remuneration and Governance Committee** is responsible for pro-actively monitoring and advising on the size and composition of the board of governors; the selection and recruitment of governors and the processes to be adopted in support of that activity; the induction and training of governors; and reviews of board performance, as requested by the board. It also approves the framework and policy determining the overall reward strategy applicable to all Foundation staff and for determining the reward, benefits and compensation for individual members of the directors' team.
- **The Audit Committee** assists the board in meeting its responsibilities in respect of financial reporting; provides a channel of communication between the Foundation's external auditors and the board; provides direction and reviews the implementation of the

Foundation's risk management strategy and internal audit process.

- **The Investment Committee** assists the board with developing an investment policy that is appropriate to the Foundation's needs. It also devises and implements an investment strategy that can be expected to meet the Foundation's investment objectives. This includes setting asset allocation, deciding and implementing manager arrangements, and monitoring performance. The chief executive and the chief investment officer are members of this committee.

The board of governors delegates the exercise of certain powers in connection with the management and administration of the Foundation to the executive team managed by the chief executive.

Senior management

The chief executive is responsible for the day-to-day management of the Foundation's affairs and for implementing policies agreed by the board of governors. The chief executive is assisted by a group of staff referred to as the 'directors' and those who served during 2020 are listed below. It should be noted that although these directors are the senior executive team of the charity, they are not the 'legal' directors of the charitable company.

Jennifer Dixon	Chief Executive
Jo Bibby	Director of Health
Aidan Kearney	Chief Investment Officer
Anita Charlesworth	Director of Research and Economics
Cathy Irving	Director of Communications
Adam Steventon	Director of Data Analytics
Will Warburton	Director of Improvement
Paul Hackwell	Chief Operating Officer

The charity's registered office and list of key advisers can be found in the legal and administrative information at the front of the annual report.

Principal activities and development

The Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK. It achieves this through supporting people and organisations. Further information on the charity's activities and developments are included in the Strategic report.

Statement of governors' responsibilities

The governors are responsible for the preparation of the annual report, including the strategic report and governors' report, and the financial statements in accordance with applicable law and UK Generally Accepted Accounting Practice. Company law requires the governors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the governors are required to:

- ensure that the most suitable accounting policies are established and applied consistently
- make judgements and estimates that are reasonable and prudent
- state whether the applicable accounting standards and statement of recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Foundation will continue in operation.

The governors have overall responsibility for ensuring that the Foundation has appropriate systems and controls, financial and otherwise. They are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Foundation and for their proper application as required by charity law, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Foundation is operating efficiently and effectively
- all assets are safeguarded against unauthorised use or disposition and are properly applied
- proper records are maintained, and financial information used within the Foundation, or for publication, is reliable
- the Foundation complies with relevant laws and regulations.

Each of the governors has confirmed that as far as they are aware, there is no relevant audit information of which the Foundation's auditors are unaware. The governors have each taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

Processes are in place to ensure that performance is monitored, and that appropriate management information is prepared and reviewed regularly by both the directors' team and the board of governors. Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency.

The systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss. They include:

- a strategic plan, annual business plan and budget approved by the governors
- regular consideration by the governors of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews
- delegation of day-to-day management authority and segregation of duties
- identification and management of risks
- a programme of independent controls.

Declarations and conflicts of interest policy

The Foundation has drawn up and implemented a declarations of interest policy that explains the nature of potential conflicts of interest. It requires governors, independent members of committees, employees and other defined categories of individual with whom the Foundation works from time to time, to declare all interests relevant to the Foundation's work and provides a framework for managing situations when conflicts arise. Governors, independent members of committees and employees are also required to notify the head of finance and operations of any association with a body or organisation which is or might become an applicant for funds from the Foundation. A register of all notifications received is kept and those interests declared by governors and members of the directors' team are reviewed regularly by the directors and produced for inspection at all board meetings.

Details of transactions with related parties are set out in note 25 of the financial statements.
The Foundation has a comprehensive whistle-blowing policy.

None of the governors has any beneficial interest in the company. All the governors are members of the company and guarantee to contribute £1 in the event of a winding up.

This Governors' report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the governors on 15 July 2021, in their capacities as trustees of the charity and directors of the company. This included their approval of the Trustees' and strategic reports contained within it. The Trustees' report is signed as authorised on their behalf by:

Hugh Taylor
Hugh Taylor (Jul 16, 2021 08:13 GMT+1)

Signed

Sir Hugh Taylor
Chair
15 July 2021

Independent auditor's report to the members of the Health Foundation

Opinion
We have audited the financial statements of The Health Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statement, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2020 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees
As explained more fully in the trustees' responsibilities statement set out on page 37, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the group, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated investment valuations and the group's net assets at the year-end.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management and review of internal audit reports in so far as they related to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report
This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Subarna Banerjee

22nd July 2021

(Senior Statutory Auditor)

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor

Financial Statements

Consolidated statement of financial activities for the year ended 31 December 2020

	Notes	Unrestricted fund £' 000	Restricted fund £' 000	Expendable Endowment Fund £' 000	Total 2020 £' 000	Restated Total 2019 £' 000
Income:						
Charitable activities	3	169	769	-	938	1,233
Investments	4	15,440	-	-	15,440	14,881
Capital applied to income	5	26,624	-	(26,624)	-	-
Total income		42,233	769	(26,624)	16,378	16,114
Expenditure:						
Fund Management	6	-	-	14,654	14,654	12,878
Charitable activities	7	42,233	522	-	42,755	37,380
Total resources expended		42,233	522	14,654	57,409	50,258
Operating profit/(deficit)		-	247	(41, 278)	(41,031)	(34,144)
Net gain on investments	11	-	-	93,716	93,716	136,798
Net income for the year		-	247	52,438	52,685	102,654
Fund balances as at 1 January 2020		-	477	1,053,443	1,053,920	951,266
Fund balances as at 31 December 2020		-	724	1,105,881	1,106,605	1,053,920

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure is derived from continuing activities.

Consolidated balance sheet for the year ended 31 December 2020

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible fixed assets	12		2,777		3,253
Tangible fixed assets	13		4,994		5,566
Investments	14		1,124,866		1,076,139
Programme-related investment	14		526		526
			1,133,163		1,085,484
Current assets:					
Debtors	16	1,945		731	
Cash and short-term deposits		6,272		4,221	
Total current assets		8,217		4,952	
Current liabilities:					
Amounts falling due within one year	17	(24,901)		(22,265)	
Net current liabilities:			(16,684)		(17,313)
Total assets less current liabilities:			1,116,479		1,068,171
Creditors: amounts falling due after more than one year	18		(9,227)		(13,624)
Provisions for liabilities	20		(647)		(627)
Net assets:			1,106,605		1,053,920
Capital funds					
Endowment funds general			1,105,881		1,053,443
Income funds					
Unrestricted fund			-		-
Restricted fund			724		477
Total funds			1,106,605		1,053,920

The accounts were approved by the governors, and authorised for issue on 15 July 2021 and signed by:

Hugh Taylor
Hugh Taylor (Jul 16, 2021 08:13 GMT+1)

Sharmila Nebhrajani
Sharmila Nebhrajani (Jul 21, 2021 05:00 GMT+1)

Sir Hugh Taylor
Trustee

Sharmila Nebhrajani
Trustee

Company Registration No. 1714937

Charity balance sheet for the year ended 31 December 2020

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible fixed assets	12		2,777		3,253
Tangible fixed assets	13		4,994		5,566
Investments	14		779,326		784,638
Other Investments	14		346,066		292,027
			1,133,163		1,085,484
Current assets:					
Debtors	16	1,778		557	
Cash and short-term deposits		6,272		4,220	
Total current assets		8,050		4,777	
Current liabilities:					
Amounts falling due within one year	17	(24,901)		(22,265)	
Net current liabilities:			(16,851)		(17,488)
Total assets less current liabilities			1,116,312		1,067,996
Creditors: amounts falling due after more than one year	18		(9,227)		(13,624)
Provisions for liabilities	20		(647)		(627)
Net assets:			1,106,438		1,053,745
Capital funds					
Endowment funds general			1,105,714		1,053,268
Income funds					
Unrestricted fund			-		-
Restricted fund			724		477
Total funds			1,106,438		1,053,745

The accounts were approved by the governors, and authorised for issue on 15 July 2021 and signed by:

Hugh Taylor
Hugh Taylor (Jul 16, 2021 08:13 GMT+1)

Sharmila Nebhrajani
Sharmila Nebhrajani (Jul 21, 2021 05:00 GMT+1)

Sir Hugh Taylor
Trustee

Sharmila Nebhrajani
Trustee

Company Registration No. 1714937

Consolidated statement of cash flows for the year ended 31 December 2020

	Notes	2020		2019	
		£ '000	£ '000	£ '000	£ '000
Cash flows from operating activities:					
Cash absorbed by operations	27		(43,169)		(37,475)
Investment activities:					
Cost of developing intangible assets		(267)		(451)	
Purchase of tangible fixed assets		(288)		(5,767)	
Investment proceeds re-invested		(15,406)		(13,325)	
Withdrawals from investments		60,395		53,711	
Investment management fees		(14,654)		(12,878)	
Investment income		15,440		14,881	
Net cash generated from investing activities			45,220		36,171
Net increase/(decrease) in cash and cash equivalents			2,051		(1,304)
Cash and cash equivalents at beginning of year			4,221		5,525
Cash and cash equivalents at end of year			6,272		4,221

Notes to the financial statements for the year ended 31 December 2020

Charity information

The Health Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is 8 Salisbury Square, London EC4Y 8AP.

The liability of the governors in their capacity as members of the company is limited. Each member guarantees any deficiency in the Foundation to a maximum of £1.

1.0 Accounting policies

1.1 Accounting convention

These accounts have been prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities, the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice. The Foundation is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the Foundation. Monetary amounts in these financial statements are rounded to the nearest £'000.

The accounts have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis for consolidation

The financial statements consolidate the charity and its wholly owned subsidiary entities, The Victoria Fund LP Incorporated and Medtrust Innovations Limited.

In accordance with section 408 of the Companies Act 2006, no separate Statement of Financial Activities has been presented for the charity. However, due to the nature of the charity's subsidiaries, the overall net movement in funds of the charity is the same for the group.

1.3 Going concern

At the time of approving the financial statements, the governors have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. This expectation includes an assessment of the impact of the outbreak of COVID-19. Our endowment grew in value in 2020. There is market uncertainty following the global pandemic which may lead to some volatility. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future, having carried out 'stress-tests' at appropriate intervals. Under our normal internal governance procedures, we will be conducting a Strategic Asset Allocation review in late 2021. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Charitable funds

The Foundation maintains three types of funds: unrestricted funds, restricted funds and expendable endowment funds. Income and expenditure on these funds are

shown separately in the statement of the financial activities.

Unrestricted funds are available for use at the discretion of the governors in furtherance of their charitable objectives unless the funds have been designated for other purposes. The income is made up of investment income, other incoming resources and any capital applied as income.

Restricted funds are subject to specific conditions as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Expendable endowment funds represent capital gifted for the long-term benefit of the Foundation. Any income arising from the Endowment fund assets is added to the unrestricted fund. The trustees may also, at their discretion, determine to apply part or all of the endowment capital as income at which time the relevant amounts are transferred to the unrestricted fund.

1.5 Incoming resources

Income is recognised 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 on investments in the statement of financial activities.

1.6 Resources expended

Expenditure is recognised on an accruals basis. Irrecoverable VAT is included within the expense items to which it relates.

Expenditure on raising funds represents amounts paid to the Foundation's external investment advisers and custodian, and an apportionment of internal support costs based on time spent. They are charged to the endowment fund, as the primary role of the investment managers and the custodian is to safeguard the investment assets of the Foundation.

Charitable activities comprise all costs incurred in the pursuit of charitable objects. These are:

- Grants including programme costs where an actual/constructive obligation exists, notwithstanding that they may be paid in future accounting periods. However, where conditions attach to the grant such that it is a performance-related grant then this is charged as the conditions are satisfied and are expensed as the related activity is performed.

- Salary costs that can be directly attributed to strategic, programme and policy work. It also includes the cost pertaining to support staff.

- Overheads such as the rent and running costs of the office space. These costs are allocated to charitable strategic priorities based on the relevant proportions of the direct costs of the charitable activities.

- Governance costs comprise all costs attributable to ensuring the public accountability of the Foundation and its compliance with regulation and good practice. These costs include costs related to statutory and internal audit together with an apportionment of support costs based on time spent.

- Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid. Provision is made for the discounted expected future costs of unfunded pension benefit commitments at each balance sheet date, based on actuarial advice.

1.7 Intangible fixed assets other than goodwill

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over the term of the project life, estimated to be 7 years and 5 years for AIMS grant management system. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Tangible fixed assets with a value over £5,000 are capitalised. Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Fixtures and fittings – 5 years
- Computers – 3 years
- Office building modifications – 10 years (included in fixtures and fittings category in the notes)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

1.9 Fixed asset investments

Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

Quoted investments are listed shares, bonds and units and are stated at fair value on the basis equivalent to market value using the bid price. Asset sales and purchases are recognised at the date of trade.

Unquoted investments are stated at fair value based on professional valuations at the balance sheet date or nearest available date to it. For hedge funds, the valuations are provided by third-party hedge fund administrators. In the case of

private equity funds, there is no readily identifiable market price. These funds are included at the most recent valuations by their respective managers. Investments made shortly before the balance sheet date are held at cost where the managers have yet to provide a valuation.

A subsidiary is an entity controlled by the Foundation. Control is the power to govern the financial and operating policies of the entity to obtain benefits from its activities. Subsidiaries are included in the Foundation's balance sheet at their net asset value which represents the fair value of their underlying investments and other net assets. Investments in subsidiary undertakings are held at cost less any impairment.

Unrealised gains and losses are recognised at the year-end as the difference between the historical cost and the market value of the investment assets. Realised gains and losses are recognised during the year at the time the investment is sold, and include any fees incurred at source. All unrealised and realised gains and losses on investments are included within the statement of financial activities.

1.10 Impairment of fixed assets

Impairment of tangible and intangible fixed assets are reviewed annually and any impairment is recognised as an expense in the year that it occurs.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Foundation has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Foundation's balance sheet when the Foundation becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within 1 year are not amortised.

Basic financial liabilities

Basic financial liabilities, including trade creditors and grants payable are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within 1 year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within 1 year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Foundation's contractual obligations expire or are discharged or cancelled.

1.13 Provisions

Provisions are recognised when the Foundation has a legal or constructive present obligation as a result of a past event, it is probable that the Foundation will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in net income/(expenditure) in the period it arises.

1.14 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Foundation is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in net income/expenditure for the period.

1.18 Exemptions

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under s.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net income for the year is £52,693k (2019: £102,479k).

2.0 Critical accounting estimates and judgements

In the application of the Foundation's accounting policies, the governors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Investment valuation

The Foundation's investments are stated at market value. Fixed asset investments comprise both quoted and unquoted investments and are initially measured at transaction price, excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred. Valuations are obtained from the investment managers. Directors do not believe that there is any inherent uncertainty in the presentation of these amounts, and that in their judgement, market value and fair value may be regarded as identical for the purposes of these accounts.

3.0 Charitable activities

	Share of profit in *BMJ Quality & Safety*	Other income	Total 2020	Total 2019
	£ '000	£ '000	£ '000	£ '000
Other income*	169	769	938	1,233
Analysis by funds:				
Unrestricted funds	169	-	169	
Restricted funds	-	769	769	
	169	769	938	
For year ended 31 December 2019:				
Unrestricted funds	175	-		175
Restricted funds	-	1,058		1,058
	175	1,058		1,233

*In 2020, we received restricted income of £1,013k (2019: £1,058k) from NHS Improvement for Q, a jointly funded initiative. Q income was overstated in 2019 and has been adjusted down by £244k in 2020.

4.0 Investments

	2020	2019
	£ '000	£ '000
Income from listed investments	10,139	9,102
Fixed interest income	377	956
Property fund income	3,993	4,260
Income from alternative investments	931	563
	15,440	14,881

5.0 Capital applied to income

	Unrestricted funds	Endowment funds general	Total 2020	Total 2019
	£' 000	£' 000	£' 000	£' 000
Released from endowment funds	26,624	(26,624)	-	-
For the year ended 31 December 2019	21,240	(21,240)	-	-

6.0 Fund management

	2020	Restated 2019
	£' 000	£' 000
Cost of fund management:		
Investment advisory costs	95	95
Staff costs	283	243
Custodian fees	189	171
Investment managers' fees	14,087	12,369
	14,654	12,878

Investment management fees

The investment managers' fees of £14,087k (2019: 12,369k) includes: management fees of £8,778k (2019: £8,761k), incurred on the endowment value of £1,124,866k (2019: £1,076,139k) and performance fees of £4,432k (2019: £2,706k). The cost of raising funds is in line with 2019 at approximately 1.3%.

Markets in 2020 were volatile and provided opportunity for a number of hedge fund strategies to extract higher returns, which benefited our investment returns and led to an increase in performance fees. We also committed to new private equity funds over the year adding exposure to this asset class.

The investment managers' fees have been restated from £10,936k to £12,369k for 2019 to include a change in the reporting of private equity management fees that were previously netted-off against "net gains/losses on investments". This change was made to improve transparency and accuracy in our reporting of managers' fees. The 2019 restatement also includes £592k adjustment for overstated hedge fund performance fees. The restatement does not impact the 2019 closing fund balances as we have increased "fund management expenditure" and "net gains/losses on investments" in the statement of financial activities.

7.0 Charitable activities

	Improving health and care services	Promoting healthy lives for all	Others	Total 2020	Total 2019
	£ '000	£ '000	£ '000	£ '000	£ '000
Grant funding of activities (see Note 29)	12,116	1,733	6,325	20,174	16,368
Direct costs*	8,740	1,250	2,760	12,750	11,612
Share support costs*	6,659	952	2,102	9,713	9,357
Share of governance costs*	81	12	25	118	43
	27,596	3,947	11,212	42,755	37,380

*See Note 8

Analysis by fund:

Unrestricted funds	27,074	3,947	11,212	42,233
Restricted funds	522	-	-	522
	27,596	3,947	11,212	42,755

The increase of grant funding in 2020 includes adjustment of £3,190k (2019: (£3,190k)) for THIS institute following a review of planned programme expenditure. Charitable activities under Others includes COVID-19-related grants and donations of £6,108k (2019: nil).

For the year ended 31 December 2019

	Improving health and care services	Promoting healthy lives for all	Others	Total
	£ '000	£ '000	£ '000	£ '000
Unrestricted funds	23,229	12,500	567	36,296
Restricted funds	1,084	-	-	1,084
	24,313	12,500	567	37,380

8.0 Support and direct costs

	Direct costs	Support costs	Governance costs	2020	2019
	£ '000	£ '000	£ '000	£ '000	£ '000
Staff costs	10,319	1,729	-	12,048	10,181
Depreciation	-	1,600	-	1,600	1,146
Property costs	-	1,657	-	1,657	2,407
Technology costs	7	2,510	-	2,517	1,748
Other direct/support costs	2,424	2,200	-	4,624	5,464
Audit fees	-	-	27	27	30
Legal and professional	-	17	47	64	25
Internal audit	-	-	29	29	3
Other governance costs	-	-	15	15	8
	12,750	9,713	118	22,581	21,012

Direct costs of charitable activities are mainly to further the Foundation's objectives by; organising conference and events, carrying out direct and commissioned work in-house, scoping, developing and managing grant programmes, and publishing and disseminating reports on research findings.

Support costs have been allocated to charitable activities in the year.

Governance costs include payments to auditors of £27k (2019: £30k) for audit fees and £1k (2019: £1k) for non-audit services.

9.0 Governors

None of the governors (or any persons connected with them) received any remuneration or benefits from the Foundation during the year. Trustees expenses received totalled £1k (2019: £4k).

10.0 Employment costs

	2020 £ '000	2019 £ '000
Wages and salaries	10,173	8,551
Social security costs	1,129	997
Other pension costs	914	823
Other costs	103	37
	12,319	10,408

The average number of employees during the year was 187 (2019: 164), which equated to a full time equivalent of 177 (2019: 157).

Employment costs include salary costs relating to management of the endowment of £271k (2019: £227k).

The number of employees whose annual remuneration was £60,000 or more were:

	2020	2019
£60,001–£70,000	15	7
£70,001–£80,000	7	6
£80,001–£90,000	9	10
£90,001–£100,000	1	1
£100,001–£110,000	3	2
£110,001–£120,000	2	2
£130,001–£140,000	1	1
£150,001–£160,000	-	2
£160,001–£170,000	3	1
£240,001–£250,000	1	1

11.0 Net gains on investments

	2020 £ '000	Restated 2019 £ '000
Revaluation of investments	93,716	136,798

Net revaluation of investments comprises:

- An increase in our quoted investments of £32,736k (2019: gain of 109,416k), mainly due to increasing equity prices in 2020
- An increase in the value of unquoted investments of £60,980k (2019: £27,382k), reflecting higher valuations. Gains on investments in 2019 have been restated to reflect the grossing-up of fees, previously netted from gains. The effect of the restatement is to add £1,433k to the gains for the year. Further information can be found in note 6 to the accounts.

12.0 Intangible fixed assets

	Software £ '000	Q Project £ '000	Total £ '000
Cost:			
At 1 January 2020	1,831	2,186	4,017
Additions – internally developed	267	-	267
At 31 December 2020	2,098	2,186	4,284
Amortisation and impairment:			
At 1 January 2020	452	312	764
Amortisation charge in the year	431	312	743
At 31 December 2020	883	624	1,507
Carrying amount:			
At 31 December 2020	1,215	1,562	2,777
At 31 December 2019	1,379	1,874	3,253

The intangible assets of £1,215k (2019: £1,379k) relate to the development of grant management software and Office 365 suite of business applications. The projects were completed and the benefits started to be realised from January 2017 for the grant management system and January 2018 for Office 365 suite of business applications with a useful life of 7 years.

The additions of £267k, relates to development costs for a new grant management system and Office 365 business applications.

The Q Initiative identifies and connects people skilled in improvement across the UK, through online and events-based capabilities that promote knowledge-sharing, development, and other improvement activities. The infrastructure work was completed in January 2019 with a useful life of 7 years.

13.0 Tangible fixed assets

	Fixtures and fittings £ '000	Computer equipment £ '000	Total £ '000
Cost:			
At 1 January 2020	5,302	1,264	6,566
Additions	61	227	288
At 31 December 2020	5,363	1,491	6,854
Depreciation:			
At 1 January 2020	252	748	1,000
Depreciation charge in the year	620	240	860
At 31 December 2020	872	988	1,860
Carrying amount:			
At 31 December 2020	4,491	503	4,994
At 31 December 2019	5,050	516	5,566

The additions of £288k mainly relate to the purchase of new computer equipment including replacement laptops.

14.0 Fixed assets investments

Group	Investments		
	Portfolio	Other	Total
	£ '000	£ '000	£ '000
Valuation:			
At 1 January 2019	1,076,139	526	1,076,665
Valuation changes	93,716	-	93,716
Income	15,407	-	15,407
Investment management costs included in the fund	(11,772)	-	(11,772)
Net withdrawals from portfolio	(48,624)	-	(48,624)
At 31 December 2020	1,124,866	526	1,125,392
Cost:			
At 31 December 2020	899,257	526	899,783
At 31 December 2019	879,235	526	879,761

Other investments comprise:	Notes	2020 £ '000	2019 £ '000
Programme-related investments	26	526	526
Investments at fair value comprise:			
Property funds		96,106	99,377
Equities		637,591	611,906
Fixed interest		50,977	51,593
Alternatives		311,035	283,427
Cash		29,157	29,836
		1,124,866	1,076,139

Charity	Investments		
	Portfolio	Other	Total
	£ '000	£ '000	£ '000
Valuation:			
At 1 January 2019	784,638	292,027	1,076,665
Valuation changes	32,736	60,980	93,716
Income	12,354	3,053	15,407
Investment management costs included in the fund	(1,778)	(9,994)	(11,772)
Net withdrawals from portfolio	(48,624)	-	(48,624)
At 31 December 2020	779,326	346,066	1,125,392
Cost:			
At 31 December 2020	666,841	232,942	899,783
At 31 December 2019	677,418	202,343	879,761

		2020	2019
Other investments comprise:	Notes	£ '000	£ '000
Investment in subsidiaries		345,540	291,501
Programme-related investments		526	526
Investment in subsidiaries	26	346,066	292,027
Investments at fair value comprise:			
Property funds		96,106	99,377
Equities		637,590	611,906
Fixed interest		19,214	44,231
Alternatives		474	893
Cash		25,942	28,231
		779,326	784,638

A currency hedging programme was in place during the year to manage foreign currency exchange risk. At 31 December 2020, the group had open foreign exchange forward contracts, to mitigate any currency risk between USD and Sterling on the hedge fund mandate in the Victoria Fund. These contracts have been revalued at the applicable year-end revaluation rate, and the resulting unrealised gains/(losses) are included within the overall value of the investments above. At 31 December 2020, the Victoria Fund held contracts to buy $68,183k (£51,031k at an average rate of $1.34) and £181,726k ($233,486k at an average rate of $1.28), (2019: $128,061k and £246,468k). The unrealised gain associated with these forward currency contracts totalled £9,853k as at 31 December 2020 (2019: £10,167k).

The Victoria Fund's underlying hedge fund investments provide varying degrees of liquidity based on their own redemption terms, which typically begin with an initial lock-up period. These investments are made on an ongoing basis. As a result, the Victoria Fund may not be able to liquidate all its investments quickly. As investment lock-up periods ease in future periods, more short-term liquidity is expected.

The following table illustrates the expected liquidity of assets and liabilities held as at 31 December 2020:

	Less than 6 months	6–12 months	More than 12 months	Long-term lock up*
	£ '000	£ '000	£ '000	£ '000
Total non-current assets	-	-	-	176,764
Total current assets	155,063	15,331	-	-
Total current liabilities	1,618	-	-	-

*This relates to underlying funds in the Victoria Fund, whose redemptions have been locked up and private equity funds which have no redemption opportunities.

At the balance sheet date, the Foundation had total unfunded investment commitments of £118,193k (2019: £122,154k) for private equity and infrastructure from total commitments of £273,626k (2019: £251,622k). These commitments form part of the planned asset allocation and will be met from within the existing investments.

15.0 Financial instruments

Group	2020 £ '000	2019 £ '000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	7,238	4,592
Instruments measured at fair value through profit or loss	1,124,866	1,076,139
Carrying amount of financial liabilities:		
Measured at amortised cost	34,128	35,889

Charity	2020 £ '000	2019 £ '000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	7,071	4,418
Instruments measured at fair value through profit or loss	779,326	784,638
Carrying amount of financial liabilities:		
Measured at amortised cost	34,105	35,889

16.0 Debtors: Amounts falling due within 1 year

	Group		Charity	
	2020 £ '000	2019 £ '000	2020 £ '000	2019 £ '000
Other debtors	966	372	799	198
Prepayments	979	359	979	359
	1,945	731	1,778	557

17.0 Creditors: Amounts falling due within 1 year

	Group		Charity	
	2020 £ '000	2019 £ '000	2020 £ '000	2019 £ '000
Trade creditors	534	593	534	593
Grants payable	19,983	18,826	19,983	18,826
Other creditors	2,673	1,679	2,673	1,679
Accruals and deferred income	1,711	1,167	1,711	1,167
	24,901	22,265	24,901	22,265

18.0 Creditors: Amounts falling due after more than 1 year

	Group		Charity	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
Grants payable – in 2 to 5 years	9,227	13,624	9,227	13,624

19.0 Grants payable

	2020	2019
	£ '000	£ '000
As at 1 January	32,450	35,278
Grants committed in the year	19,506	17,215
Paid during the year	(22,746)	(20,043)
As at 31 December	29,210	32,450
Split into:		
Grants payable – due within 1 year	19,983	18,826
Grants payable – in 2 to 5 years	9,227	13,624
As at 31 December	29,210	32,450

20.0 Provisions for liabilities

	2020	2019
	£ '000	£ '000
Pension obligations	570	594
Dilapidations	77	33
	647	627

Movement on provisions:

	Pension obligations	Dilapidation	Total
	£ '000	£ '000	£ '000
At 1 January 2020	594	33	627
Adjustment	(24)	44	20
At 31 December 2020	570	77	647

21.0 Retirement benefit schemes

a) AEGON Group Personal Pension Plan

The Health Foundation offers all current employees the opportunity to join the defined contribution Group Personal Pension Plan provided by AEGON. Contributions in the year were £913k (2019: £823k). There was £2k in outstanding contributions at 31 December 2020 (2019: £26k).

b) Other retirement benefits

The Foundation has an unfunded future commitment to a former employee. The contractual commitment (as defined in each contractual arrangement) is to pay a pension equivalent to 1/60th of their pensionable salary for each year of pensionable service less any amounts of pension paid to the same members under The Pensions Trust Growth Plan. The potential pension liability at 31 December 2020, based on advice from an actuary, is estimated to be £571k, (2019: £594k). This provision will be reviewed in 2022.

22.0 Analysis of net assets between funds

Group

	Unrestricted Fund	Restricted Fund	Expendable Endowment Fund	Total
	£ '000	£ '000	£ '000	£ '000
Fund balances at 31 December 2020 are represented by:				
Intangible fixed assets	2,777	-	-	2,777
Tangible assets	4,994	-	-	4,994
Programme related	526	-	-	526
Investment	18,271	-	1,106,595	1,124,866
Current (liabilities)/assets	(16,694)	724	(714)	(16,684)
Long term liabilities	(9,227)	-	-	(9,227)
Provisions	(647)	-	-	(647)
	-	724	1,105,881	1,106,605

Charity

	Unrestricted Fund	Restricted Fund	Expendable Endowment Fund	Total
	£ '000	£ '000	£ '000	£ '000
Fund balances at 31 December 2020 are represented by:				
Intangible fixed assets	2,777	-	-	2,777
Tangible assets	4,994	-	-	4,994
Investment	18,964	-	760,362	779,326
Investment in subsidiary	-	-	346,066	346,066
Current (liabilities)/assets	(16,861)	724	(714)	(16,851)
Long term liabilities	(9,227)	-	-	(9,227)
Provisions	(647)	-	-	(647)
	-	724	1,105,714	1,106,438

23.0 Capital commitments

The Foundation has a number of contracts that have been entered into, but which are not disclosed as liabilities as they are severable. They cover technical support for our award holders, evaluation and operational services. They are recognised on a cash basis as and when the expenditure is incurred. These amounted to £12,443k at 31 December 2020 (2019: £11,639k).

24.0 Financial commitments

At 31 December 2020, the company had a property lease for its office premises that expires in September 2028. The future minimum lease payments are as follows

	Land and buildings		Machinery	
	2020	2019	2020	2019
	£' 000	£' 000	£' 000	£' 000
Expiry date:				
Within 1 year	1,650	276	25	25
Between 2 and 5 years	6,605	6,605	15	40
Over 5 years	4,539	6,189	-	-

25.0 Related party transactions

Due to the specialist nature of the projects funded, circumstances may occasionally arise where governors, committee members or staff are associated with organisations which apply for grants. In such cases, the Foundation has clear policies and procedures to ensure that the governor, committee member or member of staff is not involved in the assessment or approval of the grant. All such transactions are undertaken on an arm's length basis in accordance with the normal grant assessment and arrangements. Details of governors and senior management who have interests in organisations to which the Foundation has made awards or contracted within 2020 are noted in the table below.

Board member	Role in associated organisation	Associated organisation
Sir David Dalton	Chair	Association of NHS Groups (including Salford Royal FT; Guys & St Thomas FT and University Hospitals Bristol & Weston Group)
Sir Hugh Taylor	Chair	Guys and St Thomas' Hospital Foundation Trust
	Interim Chair	King's College London
David Smart	Trustee	Beat Eating Disorders
Ruth Hussey	Honorary Professor	University of Liverpool
Will Warburton	Honorary Research Fellow	Imperial College London

During the year, Victoria Fund LP Incorporated, a subsidiary of the Foundation, received no investment contributions from the charity (2019: £10,000k). Medtrust Innovations Limited, a subsidiary of the Foundation, donated its profit of £177k (2019: £131k) to the Foundation.

Remuneration of key management personnel

Key management personnel are considered to be the chief executive officer and others as set out in the senior management section of the governors' annual report. Total remuneration of this group in the year, was as follows:

	2020 £' 000	2019 £' 000
Key management personnel	1,216	1,196

26.0 Subsidiaries

The Foundation had two subsidiary undertakings and the details at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Medtrust Innovations Limited	England and Wales	Intellectual property	Ordinary	100.00
The Victoria Fund LP Incorporated	Guernsey	Investment fund vehicle	-	-

Medtrust Innovations Limited (Medtrust)

Medtrust is wholly owned by the Foundation and is a company registered in England and Wales. It is engaged in the exploitation of intellectual property rights.

In March 2011, the Foundation purchased 524,998 ordinary shares of Medtrust at £1 each to finance an investment to acquire 50% of the intellectual property rights of *BMJ Quality & Safety*, a journal published by the BMJ Publishing Group Limited. This social motive investment is held at cost in the charity balance sheet. Medtrust undertakes an impairment review each year.

At 31 December 2020, Medtrust had fixed assets of £526k (2019: £526k) and current assets of £167k (2019: £175k). The shareholders' funds include called-up share capital of £526k (2019: £526k) and reserves of £167k (2019: £175k).

During the year, Medtrust had an operating profit of £169k (2019: £175k). The sum equivalent to its taxable profits will be donated to the Foundation, as provided for in Medtrust's Articles of Association.

The Victoria Fund LP Incorporated (Victoria Fund)

The Victoria Fund was formed in February 2010 and is a limited partnership, number 1275, registered in Guernsey. It is a vehicle to invest in a combination of hedge funds, private equity and private infrastructure. The limited partner is the Health Foundation and the general partner is Brook Street Limited, a Cayman Islands exempt limited company. Brook Street has delegated its powers to an investment manager, Cambridge Associates Limited.

The Health Foundation as the limited partner is entitled to all investment returns less a priority share by the general partner (Brook Street Limited) from the Victoria Fund and, for consolidation purposes, it is treated as a wholly owned subsidiary of the Foundation.

As at 31 December 2020, the Victoria Fund had fixed asset investments of £336,668k (2019:
£284,733k) and the value of its net assets was £345,541k (2019: £291,819k). Net profit in the year was £54,665k (2019: £21,501k).

27.0 Cash generated from operations – Group

	2020 £ '000	2019 £ '000
Surplus for the year	52,685	102,654
Adjustments for:		
Investment income recognised in profit or loss	(15,440)	(14,881)
Cost of raising funds	14,654	12,878
Fair value gains and losses on investments	(93,716)	(136,798)
Depreciation, amortisation and impairment of fixed assets	1,603	1,146
Movements in working capital:		
(Decrease)/Increase in debtors	(1,214)	204
Decrease in creditors	(1,761)	(2,544)
Increase/(Decrease) in provisions	20	(134)
Cash absorbed by operations	(43,169)	(37,475)

28.0 Grant funding

The Foundation funded £20,174k of grants in 2020 (2019: £16,368k). These grants range from small one-off awards to multi-year demonstration projects and fellowships. Integral to all our award making is direct support from the Foundation, as well as technical expertise from technical providers and consultants. This support is organised and paid for by the Foundation, delivered directly to the award holders and can be in the form of technical development and assistance, learning events and coaching. Within this grant funding the Foundation also funds research and external evaluations to ensure programmes are evidence-based and offer value for money.

Grants made to organisations and individuals are analysed by strategic objective in the table below.

Lead recipient for Improving health and care services	**Total £**
Public Health Wales	950,979
Heart n Soul	498,742
The Brigstowe Project	483,697
Crohn's & Colitis UK	477,585
Arch Health CIC	417,590
Nuffield Foundation	292,236
University of Manchester	279,104
NCEPOD	261,340
SSRS	152,562
University of Oxford	91,728
Royal College of General Practitioners	78,629
University Hospitals Bristol and Weston NHS Foundation Trust	75,000
Royal Berkshire Hospitals NHS Trust	74,977
Healthier Together (Bristol, North Somerset and South Gloucestershire STP)	74,937
Southern Health NHS Foundation Trust	74,910
Nottinghamshire Healthcare NHS Foundation Trust	73,879
Heathrow Medical Centre	73,250
Leeds Teaching Hospitals NHS Trust	72,579
Health Data Research UK	65,086
Wessex Academic Health Science Network (AHSN)	64,150
Surrey and Borders Partnership NHS Trust	63,850
Manor Community	60,000
Royal Mencap Society	59,420
Brent Council	58,725
Heads On, Sussex Partnership NHS Foundation Trust's Charity	53,763
Nuffield Trust	50,000
Longevity International	50,000
Regulation and Quality Improvement Authority	48,895
Future Care Capital	44,537
The Centre for Sustainable Healthcare	34,044
New NHS Alliance	29,700
National Voices	28,400
Empathy Museum	26,625
University of Sheffield	20,000
Innovation Agency (Academic Health Science Network for North West Coast)	18,385
Surrey Heartlands Clinical Commissioning Group	15,000
Cornwall Partnership NHS Foundation Trust	10,150
Health Innovation Network (HIN) South London	5,502
Lead recipient for Promoting healthy lives for all	**Total £**
Association for Young People's Health	60,726
What Works Centre for Wellbeing	57,623
Fairshare Educational Foundation	43,965
Resolution Foundation	35,590
National Voices	20,550
Blagrave Trust	15,864
Business for Health	10,000
Lead recipient for Other (COVID-19 grants)	**Total £**
National Emergencies Trust	1,500,000

Lead recipient for Other (COVID-19 grants)	Total £
Lloyds Bank Foundation	500,000
Trussell Trust	250,000
University of Essex	207,875
Queen Mary University of London	199,429
Bradford Teaching Hospitals NHS Foundation Trust	198,680
London School of Hygiene & Tropical Medicine	187,122
Public Health Wales	179,687
Newcastle University	171,176
University of Glasgow	164,471
King's College London	163,760
University of Aberdeen	153,683
The Point of Care Foundation	109,091
Keele University	106,824
University of Surrey	94,663
Bite Back 2030	94,583
Royal Economic Society	90,000
Race Equality Foundation	74,513
Maggie's	60,000
University of Salford	39,475
The Forward Institute	39,400
Resolution Foundation	37,607
The Alan Turing Institute	30,059
The Big Issue	30,000
The Care Workers' Charity	30,000
Beat Eating Disorders	30,000
New Philanthropy Capital	30,000
NHS Confederation	29,975
Ardgowan Hospice	25,000
Birmingham St Mary's Hospice	25,000
Willowbrook Hospice	25,000
Hospice of the Valleys	25,000
New NHS Alliance	9,900
Grand Total	**10,466,246**
Adjustments to awards made in previous years (refer to note 7, explanation on THIS institute of £3,190k)	4,122,387
Services provided by third parties to support award holders and further the work of the Foundation	5,368,984
Grants and donations awarded to charities by governors	216,667
Total Grants	**20,174,284**

Appendix: Investment Fund Managers

Investment Fund Managers	BlackRock Investment Managers (UK) Ltd 12 Throgmorton Avenue Drapers Gardens London EC2N 2DL United Kingdom Colchester Global Investors Heathcoat House 20 Savile Row London W1S 3PR United Kingdom Goldman Sachs Asset Management 25 Shoe Lane London, EC4A 4AU United Kingdom MFS Investment Management One Carter Lane London EC4V 5ER United Kingdom M&G Investments Governors House, 5 Laurence Pountney Hill London EC4R 0HH United Kingdom Mondrian Investment Partners Limited 10 Gresham Street London EC2V 7JD United Kingdom Ninety-one Asset Management 55 Gresham Street London EC2V 7JD United Kingdom River & Mercantile Asset Management LLP 30 Coleman Street London EC2R 5AL United Kingdom

	RWC Partners 10 Bressenden Place London SW1E 5DH United Kingdom Savills Investment Management LLP 33 Margaret Street London W1G 0JD United Kingdom Somerset Capital Management Manning House 22 Carlisle Place London SW1P 1JA United Kingdom Antin Infrastructure Partners 374, rue Saint-Honoré 75001 Paris France Apollo Global Management 9 West 57th Street 43rd Floor New York NY 10019 United States of America Brookfield infrastructure 462 South 4th Street, Suite 1600 Louisville KY 40202 United States of America Cadian Capital Management, LP 535 Madison Avenue 36th Floor New York NY 10022 United States of America CBC Suite 4508, Tower 2, Plaza 66 1366 Nanjing West Road Shanghai 200040 China

	Cortec Group 140 East 45th Street New York NY10017 Crescent Capital 100 Federal Street, 31st Floor Boston MA 02110 United States of America Cyrus Capital Partners, L.P. 65 East 55th Street 6th Floor New York NY 10022 United States of America Davide Leone & Partners Investment Company LLP 9-10 Savile Row 3rd Floor London W1S 3PF United Kingdom Element Capital Management LLC 600 Lexington Ave 34th Floor New York NY 10022 United States of America General Atlantic Park Avenue Plaza, 33rd Floor 55 East 52nd Street New York NY 10055 United States of America Glennmont Partners Angel Court, 13th Floor 1 Angel Court London EC2N 1HQ United Kingdom

	Graham Capital Management 55 Baker Street Marylebone London W1U 8EW United Kingdom Grantham, Mayo, Van Otterloo & Co. LLC 40 Rowes Wharf, Boston MA 02110 United States of America Greenspring Associates 100 Painters Mill Rd #700 Owings Mills MD 21117 United States of America Harbourvest One Financial Harbor Boston MA 02111 United States of America Hengistbury Investment Partners LLP 34 Brook Street London W1K 5DN United Kingdom Investindustrial 16 Palace St., London SW1E 5JD United Kingdom Junto Offshore c/o Maples Corporate Services 450 Park Avenue New York NY 10022 United States of America Laurion Capital Management LP 360 Madison Avenue Suite 1900 & 2000 New York NY 10017 United States of America

	Lexington Capital Partners 660 Madison Avenue 23rd Floor New York, NY 10065 United States of America LGT Capital Partners Third Floor, 30 Herbert Street, Dublin 2 Ireland Lone Star Funds 12 Queen Anne Street London W1G 9LF United Kingdom Mason Capital Management LLC 110 East 59th Street 30th Floor New York NY 10022 United States of America Olympus Partners Metro Center, 4th Floor One Station Place Stamford CT 06902 United States of America Peak Rock Capital 13413 Galleria Circle Suite Q-300, Austin TX 78738 United States of America P/E Investments LLC 75 State Street 31st Floor Boston MA 02109 United States of America

	Penta Investment Advisers Limited c/o Old Peak Ltd Level 27, Entertainment Building 30 Queen's Road Central Hong Kong Rubicon Suite 400 1911 11th Street Boulder CO 80302 United States of America Star America Infrastructure Partners 165 Roslyn Road Roslyn Heights New York NY 11577 United States of America Stonepeak Infrastructure Partners 717 5th Ave Ste 25 New York NY 10022 United States of America SV7 Impact Medicine Fund 71 Kings Way London WC2B 6ST United Kingdom Sylebra Capital Management 28 Hennessy Road 20th Floor Hong Kong Thoma Bravo 600 Montgomery Street, 20th Floor San Francisco, CA 94111 United States of America

	True Ventures 501 3rd Street San Francisco CA 94107 United States of America Vitruvian Partners 105 Wigmore St London W1U 1QY United Kingdom

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Final Audit Report 2021-07-21

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