

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 Lorraine 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

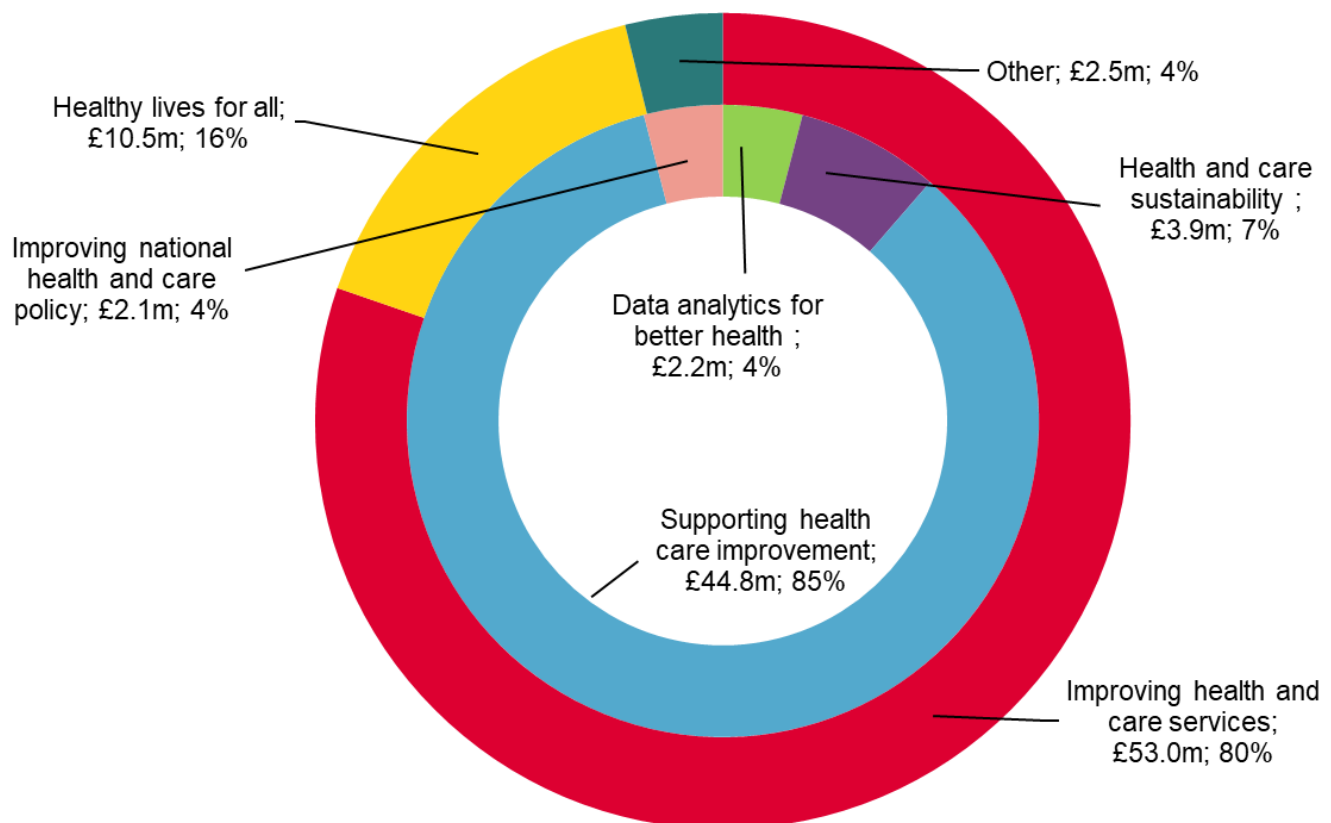
Our charitable expenditure

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.

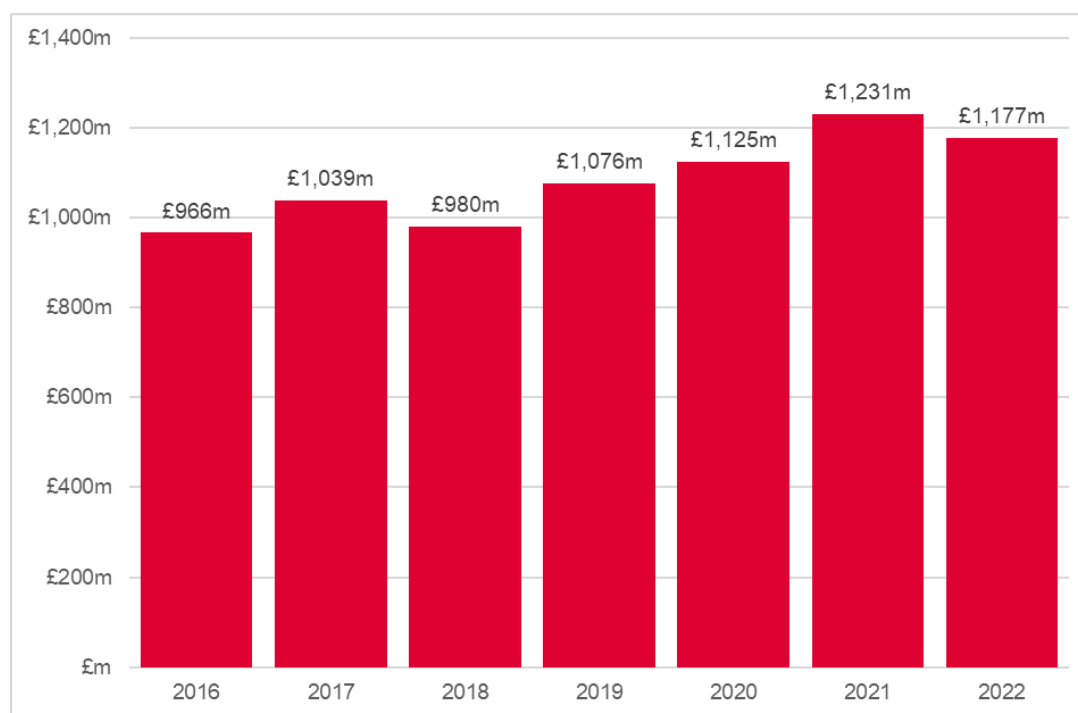
Investment returns

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

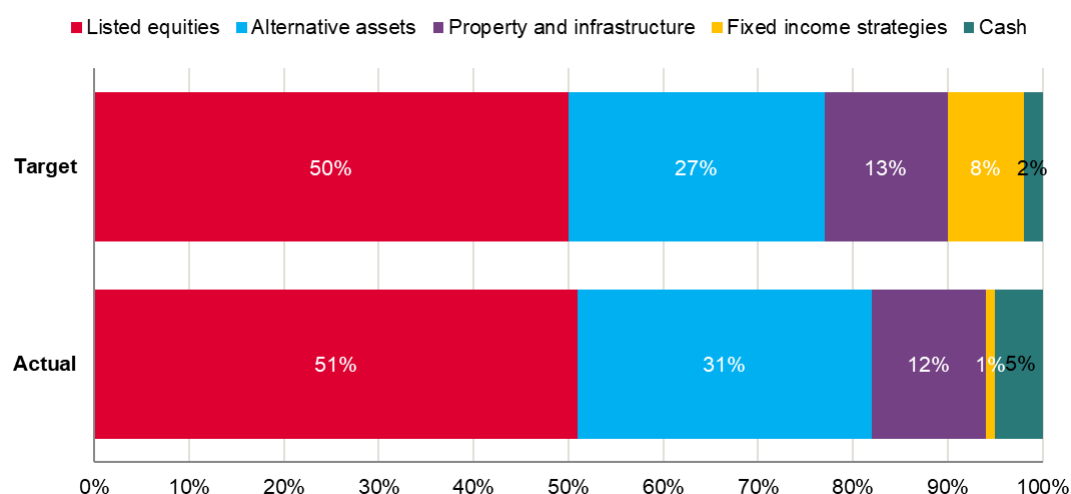


The structure of the investments is focused on global investing via a range of asset classes. The investments look to maximise returns while balancing acceptable levels of risk through a diversified asset portfolio. Following a review of the existing public equity investment managers in 2021, a new suite 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 tCO₂e
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 ₂ e	84,539	388,828	80.92
Intensity ratio: tonnes CO ₂ e per sqm			0.034

2021 Carbon Reporting Figures	Mileage	Consumption kwh	Carbon emission tCO₂e
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 ₂ e	6,787	172,571	36.67
Intensity ratio: tonnes CO ₂ e 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.	<p>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.</p> <p>Maximising the impact of our work.</p> <p>Sharing information about the work of the Foundation.</p>	<p>Individual governors have strategic oversight of key programmes of work, working closely with teams across the Foundation and the organisations we partner with.</p> <p>Via our grant holders, including their reporting to us.</p> <p>Via beneficiaries of charities to which we have made one-off donations through the pandemic.</p> <p>Through our webinars, podcasts publications, blogs, newsletters and long reads, which are all available to anyone, free of charge.</p> <p>We have an active social media presence.</p> <p>We have well-defined communications strategies around our strategic aims and targeting our key audiences.</p>	<p>The board approved further donations to charities to support the post pandemic recovery.</p> <p>The board discussed priorities across our three strategic priorities, the Health and Inequalities Combined Authority Programme; and the Emotional Support for Young People Programme.</p> <p>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.</p>

Stakeholder	Key consideration	How we engage	Key activities in 2022
<p>Partners: we work closely with a wide range of partners to deliver our strategy.</p>	<p>Maximising the impact of our work.</p> <p>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.</p> <p>Ensuring the effectiveness of the programmes and projects that the Foundation supports with grants or contracts and/or staff time.</p> <p>Building and maintaining networks of people engaged in improving the quality of health, health care and social care in the UK.</p> <p>Sharing information about the work of the Foundation.</p>	<p>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.</p> <p>We cooperate actively with other key organisations in our field to influence policy and practice.</p> <p>We work with other key organisations in some of our major areas of activity and engage with them closely in ongoing management and direction.</p> <p>We have over 5,000 members in our Q Community in Q1 2023, supporting service improvement and learning.</p> <p>We have an alumni programme for previous award-holders in our fellowship programmes.</p> <p>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.</p> <p>We create opportunities for award-holders to meet with governors at board meetings.</p>	<p>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.</p>

Stakeholder	Key consideration	How we engage	Key activities in 2022
Employees, including: secondees, interns, fellows, longer term temporary staff, etc.	<p>Ensuring that employees enjoy working at the Foundation and are motivated to help deliver our mission.</p> <p>Providing opportunities to develop and grow at the Foundation.</p> <p>Working to improve health and wellbeing of all who work at the Foundation.</p> <p>Working to improve diversity and inclusion at the Foundation.</p>	<p>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.</p> <p>Systematic and comprehensive approach to health and safety and wellbeing overseen by a staff team, reported annually to the board.</p> <p>Support for staff-led diversity groups.</p> <p>Learning and development programme for all staff, both corporate and individual.</p>	<p>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.</p>
Suppliers, including: the Foundation's investment managers.	<p>That our key suppliers are operating ethically as well as providing value for money.</p>	<p>As an accredited living wage employer, ensure that our contracted staff earn at least the real living wage.</p> <p>Regular contact with our public equity investment managers to ensure that they remain properly engaged on ethical and social governance.</p>	<p>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.</p>

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.	<p>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.</p> <p>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.</p> <p>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.</p>
People risk	Failure to attract, develop and retain the people we need to deliver the Foundation's strategy.	<p>The Remuneration and Governance Committee determines the framework for the overall reward strategy applicable to all Foundation staff.</p> <p>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.</p> <p>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.</p>

Key risk	Nature of risk	Management of risk
Cyber security	The Foundation's defences are inadequate, rendering it vulnerable to cyber-attack.	<p>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.</p> <p>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.</p>
Data security	We suffer loss of data because of a breach in our security.	<p>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.</p> <p>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.</p>

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.	<p>The board reviews our ambition, impact and progress. This includes balancing short term reactive work with longer term initiatives.</p> <p>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.</p>
Quality	Our work lacks sufficient rigour, accuracy, quality and objectivity.	<p>We have clear governance frameworks for awards, contracts and research with a quality assurance process for the release of all published material.</p> <p>In 2022, we continued to strengthen our internal processes and guidance on quality assurance.</p>
Business disruption	The Foundation loses operational effectiveness, due to disruption caused by an internal or external event.	<p>We were agile in our response to the global pandemic and continued operations whilst supporting our people.</p> <p>In 2023 we will continue to review our business continuity processes in recognition of current global turbulence.</p>

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

		Unrestricted fund	Restricted fund	Expendable Endowment Fund	Total 2022	Total 2021
	Notes	£' 000	£' 000	£' 000	£' 000	£' 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 £'000	2021 £'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
		<u>1,182,055</u>	<u>1,238,051</u>
Current assets:			
Debtors	16	1,357	1,371
Cash and short-term deposits		<u>5,828</u>	<u>5,790</u>
Total current assets		<u>7,185</u>	<u>7,161</u>
Current liabilities:			
Amounts falling due within one year	17	<u>(21,697)</u>	<u>(20,055)</u>
Net current (liabilities):		<u>(14,512)</u>	<u>(12,894)</u>
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:		<u>1,147,480</u>	<u>1,219,362</u>
Capital funds			
Endowment funds general		1,146,807	1,218,546
Income funds			
Unrestricted fund		-	-
Restricted fund		<u>673</u>	<u>816</u>
Total funds		<u>1,147,480</u>	<u>1,219,362</u>

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 £'000	2021 £'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
		<u>1,182,055</u>	<u>1,238,051</u>
Current assets:			
Debtors	16	1,116	1,136
Cash and short-term deposits		<u>5,828</u>	<u>5,789</u>
Total current assets		<u>6,944</u>	<u>6,925</u>
Current liabilities:			
Amounts falling due within one year	17	<u>(21,697)</u>	<u>(20,055)</u>
Net current liabilities:		<u>(14,753)</u>	<u>(13,130)</u>
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:		<u>1,147,239</u>	<u>1,219,126</u>
Capital funds			
Endowment funds general		1,146,566	1,218,310
Income funds			
Unrestricted fund		-	-
Restricted fund		<u>673</u>	<u>816</u>
Total funds		<u>1,147,239</u>	<u>1,219,126</u>

The accounts were approved by the governors, and authorised for issue on 13 July 2023 and signed by:

Hugh Taylor
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Eric Gregory
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Eric Gregory
Trustee

Company Registration No. 01714937

Consolidated statement of cash flows for the year ended 31 December 2022

		2022	2021
	Notes	£ '000	£ '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 <i>BMJ Quality & Safety</i>	Other income	Total 2022	Total 2021
	£ '000	£ '000	£ '000	£ '000
Other income*	<u>427</u>	<u>1,347</u>	<u>1,774</u>	<u>1,422</u>
Analysis by funds:				
Unrestricted funds	427	-	427	
Restricted funds	<u>-</u>	<u>1,347</u>	<u>1,347</u>	
	<u>427</u>	<u>1,347</u>	<u>1,774</u>	
For year ended 31 December 2021:				
Unrestricted funds	244	-		244
Restricted funds	<u>-</u>	<u>1,178</u>		<u>1,178</u>
	<u>244</u>	<u>1,178</u>		<u>1,422</u>

*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 £ '000	2021 £ '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	<u>-</u>	<u>656</u>
	<u>16,395</u>	<u>15,638</u>

5.0 Capital applied to income

	Unrestricted funds	Endowment funds general	Total 2022	Total 2021
	£' 000	£' 000	£' 000	£' 000
Released from endowment funds	<u>47,697</u>	<u>(47,697)</u>	<u>-</u>	<u>-</u>
For the year ended 31 December 2021	<u>23,365</u>	<u>(23,365)</u>	<u>-</u>	<u>-</u>

6.0 Fund management

	2022 £' 000	2021 £' 000
Cost of fund management:		
Investment advisory costs	253	230
Staff costs	371	288
Custodian fees	103	269
Transition fees	511	-
Investment managers' fees	<u>13,162</u>	<u>12,251</u>
	<u>14,400</u>	<u>13,038</u>

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
	<u>52,992</u>	<u>10,473</u>	<u>2,544</u>	<u>66,009</u>	<u>40,333</u>

*See Note 8

Analysis by fund:

Unrestricted funds	51,502	10,473	2,544	64,519	39,247
Restricted funds	<u>1,490</u>	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>1,086</u>
	<u>52,992</u>	<u>10,473</u>	<u>2,544</u>	<u>66,009</u>	<u>40,333</u>

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	<u>1,086</u>	<u>-</u>	<u>-</u>	<u>1,086</u>
	<u>23,518</u>	<u>12,869</u>	<u>3,946</u>	<u>40,333</u>

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
	<u>15,982</u>	<u>12,904</u>	<u>119</u>	<u>29,005</u>	<u>23,734</u>

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	2021
	£ '000	£ '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*	<u>15,282</u>	<u>13,621</u>

*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	2021
	£ '000	£ '000
Revaluation of investments	<u>(9,642)</u>	<u>149,068</u>

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	<u>2,421</u>	<u>2,186</u>	<u>4,606</u>
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	<u>1,580</u>	<u>1,748</u>	<u>3,328</u>
Carrying amount:			
At 31 December 2022	<u>841</u>	<u>437</u>	<u>1,278</u>
At 31 December 2021	<u>1,455</u>	<u>1,250</u>	<u>2,705</u>

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	<u>5,363</u>	<u>891</u>	<u>6,253</u>
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	<u>2,130</u>	<u>891</u>	<u>3,021</u>
Carrying amount:			
At 31 December 2022	<u>3,232</u>	<u>-</u>	<u>3,232</u>
At 31 December 2021	<u>3,866</u>	<u>217</u>	<u>4,083</u>

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 £ '000	Other £ '000	Total £ '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	<u>1,177,019</u>	<u>526</u>	<u>1,177,545</u>
Cost:			
At 31 December 2022	<u>969,116</u>	<u>526</u>	<u>969,642</u>
At 31 December 2021	<u>946,510</u>	<u>526</u>	<u>947,036</u>
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		<u>50,290</u>	<u>26,943</u>
		<u>1,177,019</u>	<u>1,230,737</u>

14.0 Fixed assets investments (continued)

Charity	Investments		
	Portfolio £ '000	Other £ '000	Total £ '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	<u>735,050</u>	<u>442,495</u>	<u>1,177,545</u>
Cost:			
At 31 December 2022	<u>719,450</u>	<u>250,192</u>	<u>969,642</u>
At 31 December 2021	<u>669,796</u>	<u>277,241</u>	<u>947,036</u>
Other investments comprise:			
	Notes	2022 £ '000	2021 £ '000
Investment in subsidiaries		441,969	401,043
Programme-related investments		<u>526</u>	<u>526</u>
Investment in subsidiaries	26	<u>442,495</u>	<u>401,569</u>
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		<u>29,318</u>	<u>25,576</u>
		<u>735,050</u>	<u>829,694</u>

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
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Carrying amount of financial assets:

Debt instruments measured at amortised cost	6,303	6,143
Instruments measured at fair value through profit or loss	<u>1,177,019</u>	<u>1,230,737</u>

Carrying amount of financial liabilities:

Measured at amortised cost	<u>41,206</u>	<u>25,222</u>
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Charity	2022 £ '000	2021 £ '000
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Carrying amount of financial assets:

Debt instruments measured at amortised cost	6,061	5,907
Instruments measured at fair value through profit or loss	<u>735,050</u>	<u>829,694</u>

Carrying amount of financial liabilities:

Measured at amortised cost	<u>40,689</u>	<u>24,944</u>
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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	-
	<u>1,357</u>	<u>1,371</u>	<u>1,116</u>	<u>1,136</u>

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
	<u>21,697</u>	<u>20,055</u>	<u>21,697</u>	<u>20,055</u>

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	<u>19,509</u>	<u>5,167</u>	<u>19,509</u>	<u>5,167</u>

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	<u>36,588</u>	<u>20,205</u>
<i>Split into:</i>		
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	<u>36,588</u>	<u>20,205</u>

20.0 Provisions for liabilities

	2022	2021
	£ '000	£ '000
Pension obligations	464	546
Dilapidations	90	82
	<u>554</u>	<u>628</u>

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	<u>464</u>	<u>90</u>	<u>554</u>

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 £ '000	Restricted Fund £ '000	Expendable Endowment Fund £ '000	Total £ '000
<i>Fund balances at 31 December 2022 are represented by:</i>				
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 £ '000	Restricted Fund £ '000	Expendable Endowment Fund £ '000	Total £ '000
<i>Fund balances at 31 December 2022 are represented by:</i>				
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
<i>Adjustments for:</i>		
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
<i>Movements in working capital:</i>		
(Decrease)/increase in debtors	14	574
Decrease/(increase) in creditors	15,984	(8,906)
Increase/(decrease) in provisions	(74)	(19)
Cash absorbed by operations	<u>(45,624)</u>	<u>(45,614)</u>

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 (AHN) / 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

BlackRock Investment Management (UK)
Ltd
12 Throgmorton Avenue
London, EC2N 2DL
United Kingdom

Goldman Sachs Asset Management
25 Shoe Lane
London, EC4A 4AU
United Kingdom

Legal & General Investment Management
One Coleman Street
London, EC2R 5AA
United Kingdom

Mayfair Capital Investment Management
55 Wells Street
London, W1T 3PT
United Kingdom

Ninety One
55 Gresham Street
London, EC2V 7JD
United Kingdom

River & Mercantile Asset Management LLP
30 Coleman Street
London, EC2R 5AL
United Kingdom

Savills Investment Management LLP
33 Margaret Street
London, W1G 0JD
United Kingdom

Somerset Capital Management Manning
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Axiom Investors
33 Benedict Place
Greenwich, CT 06830
United States of America

Colchester Global Investors Heathcoat
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Impax Asset Management
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MFS Investment Management
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Mondrian Investment Partners Limited
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Ownership Capital
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1015BE Amsterdam
The Netherlands

RWC Partners
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Schroders Investment Management
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London, EC2Y 5AU
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Antin Infrastructure Partners
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75001 Paris
France

Bessemer Venture Partners
889 Winslow St, Suite 500
Redwood City, CA 94063
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Cadian Capital Management LP
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New York, NY 10022
United States of America

Cortec Group
140 East 45th Street, 43rd Floor
New York, NY 10017
United States of America

Cyrus Capital Partners L.P
65 East 55th Street, 6th Floor
New York NY 10022
United States of America

Deerfield Management Company
345 Park Avenue South
New York, NY 10010
United States of America

Element Capital Management LLC
520 Madison Avenue, 43PH
New York, NY 10022
United States of America

General Atlantic
Park Avenue Plaza
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New York, NY 10055
United States of America

Graham Capital Management
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United Kingdom

Apollo Global Management
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Company LTD
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United States of America

Equilibrium Capital
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United States of America

Glennmont Partners
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London, EC2M 3BN
United Kingdom

Grantham, Mayo, Van Otterloo & Co. LLC
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Boston, MA 02109
United States of America

Harbourvest
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United States of America

Investindustrial Partners
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Junto Offshore Management LP
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Level Equity
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United States of America

LGT Capital Partners
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New York, NY 10036
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Lone Star Funds
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London, W1G 9LF
United Kingdom

Peak Rock Capital
13413 Galleria Circle, Suite Q-300 Austin,
TX 78738
United States of America

Rubicon Technology Partners
1470 Walnut Street, Suite 400
Boulder, CO 80302
United States of America

Spring Lane Capital
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United States of America

StepStone Group LP
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United States of America

Hengistbury Investment Partners LLP
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United Kingdom

I Squared Capital
600 Brickell Avenue
Miami, FL 33131
United States of America

Laurion Capital Management LP
360 Madison Avenue
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United States of America

Lexington Capital Partners
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New York, NY 10022
United States of America

LocalGlobe
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Olympus Partners
Metro Center, 4th Floor
One Station Place
Stamford, CT 06902
United States of America

P/E Investments
75 State Street, 31st Floor
Boston MA 02109
United States of America

Scale Venture Partners
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Foster City, CA 94404
United States of America

Star America Infrastructure Partners
165 Roslyn Road, Roslyn Heights
New York, NY 11577
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
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Thoma Bravo
110 N. Wacker Drive, 32nd Floor
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United States of America

Verdane Capital
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Norway

Vitruvian Partners
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Sylebra Capital Management
28 Hennessy Road, 20th Floor
Hong Kong

True Ventures
501 3rd Street
San Francisco, CA 94107
United States of America

Vida Ventures
40 Broad Street, Suite 201
Boston, MA 02109
United States of America

Voloridge Investment Management
110 Front Street, Suite 400
Jupiter, FL 33477
United States of America