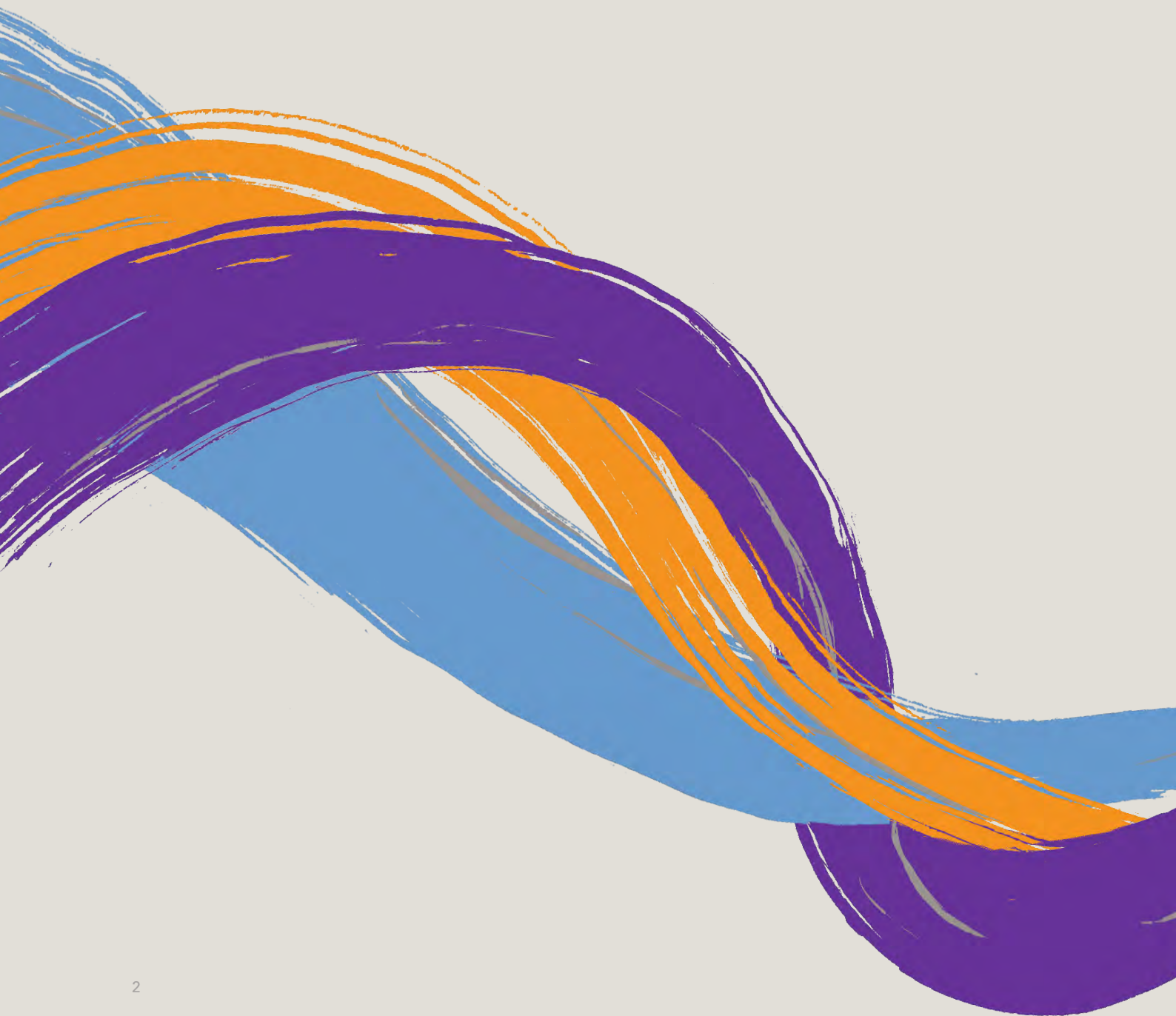


Annual report and financial statements

For the year ended 31 December 2023



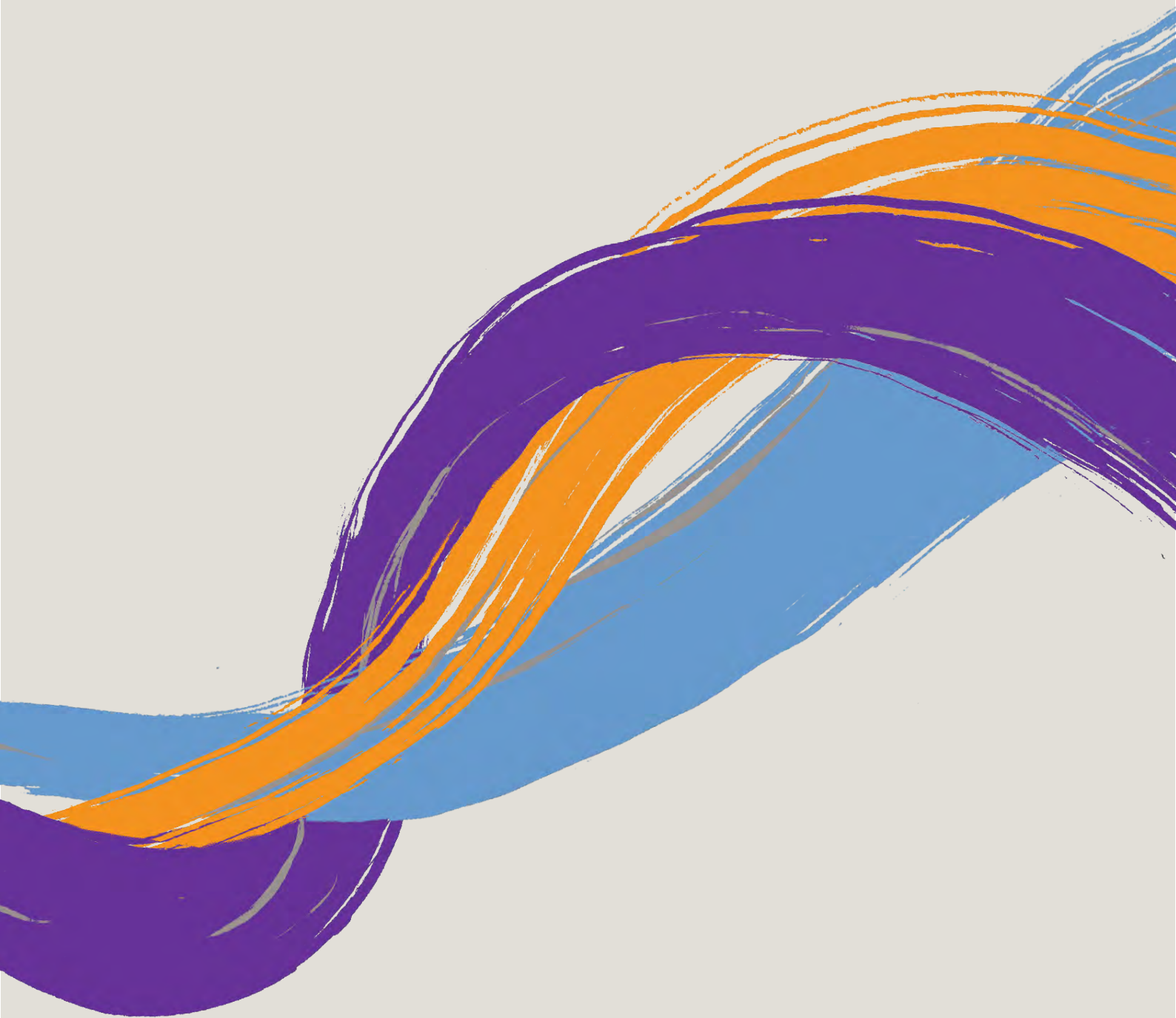
**The
Health
Foundation**



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Working to build a healthier UK

Introduction from the Chief Executive and Chair

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

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

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

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

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

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

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

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

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



Dr Jennifer Dixon
Chief Executive



Sir Hugh Taylor
Chair

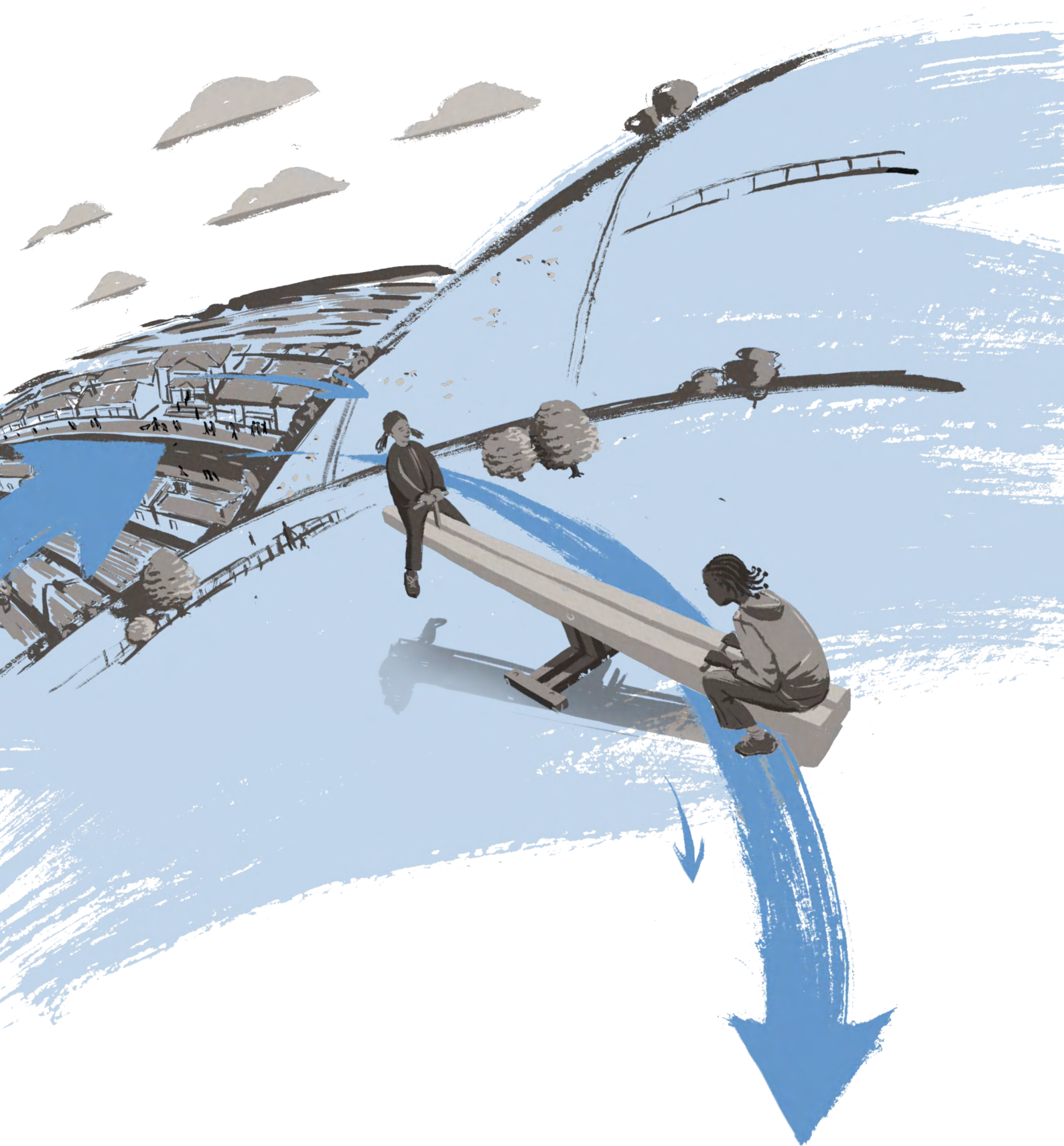




2023: Year in review



Improving people's health and reducing inequalities



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

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

Key highlights



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



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



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



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



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



Case study

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

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

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

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

Supporting radical innovation and improvement in health and care services



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

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

Key highlights



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



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



Shaping debate on emerging topics in health and care: We continued to build up our knowledge, reputation and influence on health technology and AI, through publications and events.

We published a number of outputs, including our inaugural tracker survey on public attitudes to health technology and use of health data on what it will take to reach net zero care. Alongside this, we commissioned research with the Ada Lovelace Institute looking at influences on digital exclusion and recommendations to address health inequalities through AI and data.



Informing new approaches to care in different settings:

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



Facilitating staff engagement and networking in innovation and improvement practices:

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



Case study

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

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

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

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

Providing evidence and analysis to improve health and care policy



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

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

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

Key highlights



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



Encouraging consideration of productivity as a key strategic issue for the long-term stability of the NHS:

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



Understanding what might happen to the NHS waiting list:

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



Contributing to the debate about the NHS on its 75th anniversary:

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



Analysis of the Commonwealth Fund's international survey of GPs:

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



Case study

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

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

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

Work to improve the Foundation

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



Gathering staff feedback

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

Working cross-organisationally

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

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

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



Cross-cutting themes

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

Equality, diversity and inclusion

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

Public participation

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

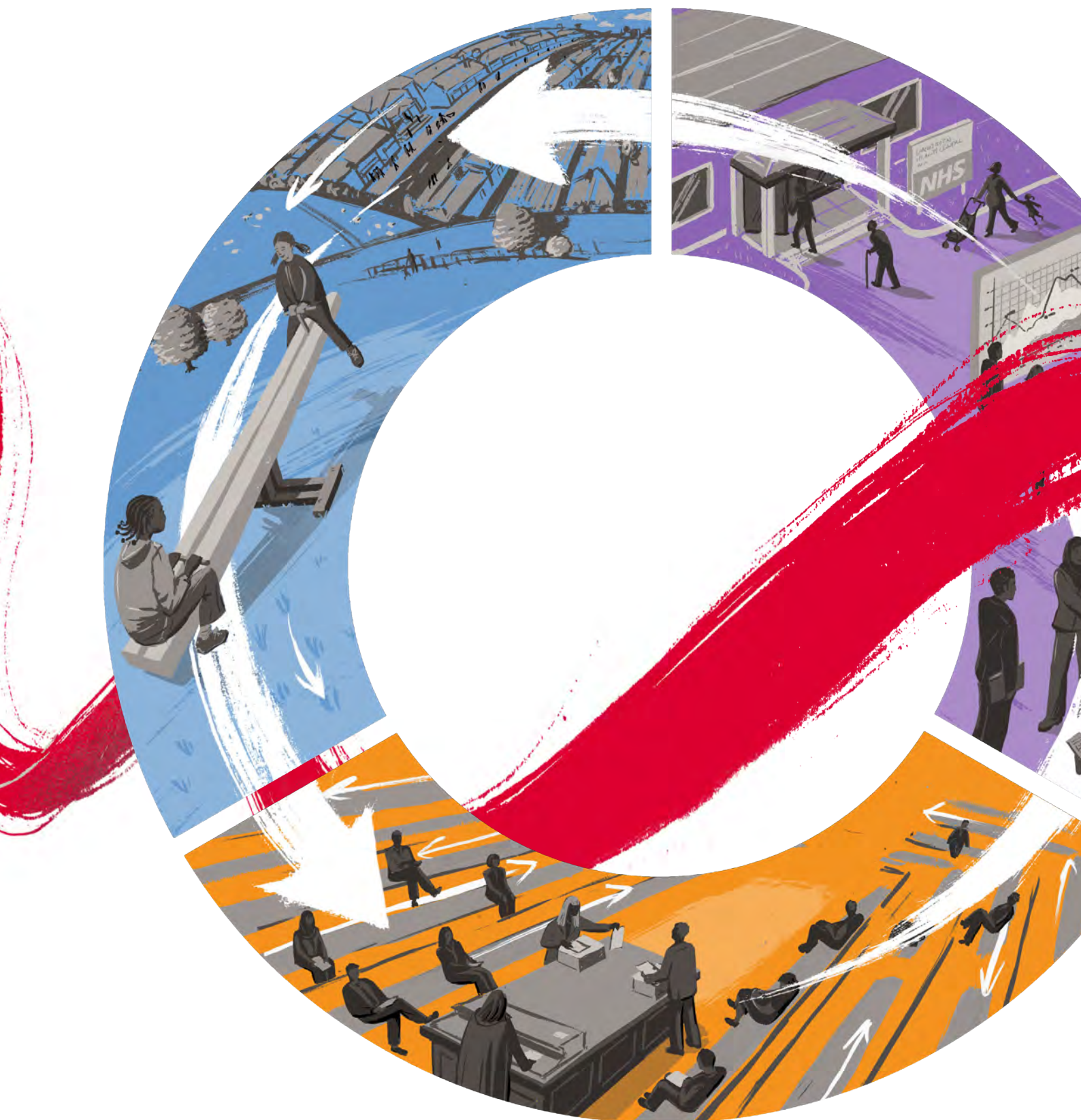
Our Young People's Future Health programme involved young people to ensure that analysis was shaped and informed by their experience, resulting in some partner organisations involving young people in their work for the first time. We then developed practical lessons for engaging young people in policy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

Environmental stability

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

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

Looking ahead



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

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

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



Improving health and reducing inequalities

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

- Through in-house and commissioned analysis, we will provide regular commentary on trends in health and their determinants. Our work in Scotland will bring fresh independent commentary and challenge to galvanise action.
- We will continue to make the case for a whole-government approach to health with an emphasis on the mechanisms required. We want to see our proposals being taken forward by the new government.
- We will design and deliver a new programme to boost the

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

- We will generate outputs from our Long-term investors in People's Health and Economies for Healthier Lives programmes. Along with our Commission for Healthier Working Lives, we want to see business, investors and employers understanding their role in health and becoming more open to changes in commercial practices.
- Health Equals will continue to use creative campaigning approaches to raise the awareness of health inequalities. We will run a headline campaign and at least two spotlight campaigns. We want to see visible engagement from the public and policy makers in our messages.

Radical innovation and improvement in health and care

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

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

infrastructure, as well as using research to draw out lessons for policymakers and practitioners.

- We will continue to be a prominent voice and influence on improvement in the UK. As part of this, next year Q will roll out a new learning and development offer for integrated care systems in partnership with the NHS Confederation.
- 2024 will also see a focus on influencing the next administration on issues such as technology and new models of care. For example, we will publish commissioned research on the investment required for NHS digitisation and will draw out lessons for policymakers for designing service transformation programmes.
- We will continue to evolve how we deliver our work. For example, we will be developing more agile funding mechanisms for small innovation grants that can help catalyse change.

Evidence and analysis to improve health and care policy

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

- On health system performance, we will continue our ongoing analysis of pressures in the NHS and public perceptions of health and care, plus new in-depth international comparisons on health system resilience and integrated care.

- Our work on NHS reform will help identify priorities for the new government, including through deliberative research with the public on options for long-term reform.

- New work on primary care will look at the impact of new care models being developed in the NHS and long-term policy questions facing general practice in the future.

- The REAL Centre will be producing new projections of NHS and social care funding, as well as workforce projections on social care and nurses.

- We will build on work we scoped in 2023 on efficiency and productivity through major new work on measurement of productivity and identifying drivers of efficiency.

Work to improve the Foundation

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

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

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

Financial review and statements

Legal and administrative information

Governors

Sir Hugh Taylor (Chair)

Sir David Dalton (stepped down 13 July 2023)

Eric Gregory

Lorraine Hawkins

Ruth Hussey

Branwen Jeffreys (stepping down 11 July 2024)

David Smart

Rosalind Smyth

Katie Blacklock

Dawn Edge

Ravi Gurumurthy

Paul Najsarek (appointed 1 March 2023)

Roland Sinker (appointed 1 March 2023)

Rachel Sylvester (appointed 20 June 2024)

Charity number

286967

Company number

01714937

Registered office

8 Salisbury Square

London EC4Y 8AP

External Auditor

UHY Hacker Young

Quadrant House

4 Thomas More Square

London E1W 1YW

Solicitors

BDB Pitmans

One Bartholomew Close

London EC1A 7BL

Bates Wells

10 Queen Street Place

London EC4R 1BE

Investment Fund Managers

See Appendix

Custodian and Performance Measurement

Northern Trust

50 Bank Street

Canary Wharf

London E14 5NT

Investment Advisers

Cambridge Associates Limited

62 Buckingham Gate

London SW1E 6AJ

Redington

6th Floor

1 Angel Court

London EC2R 7HJ

Charitable activities in 2023

Our charitable expenditure

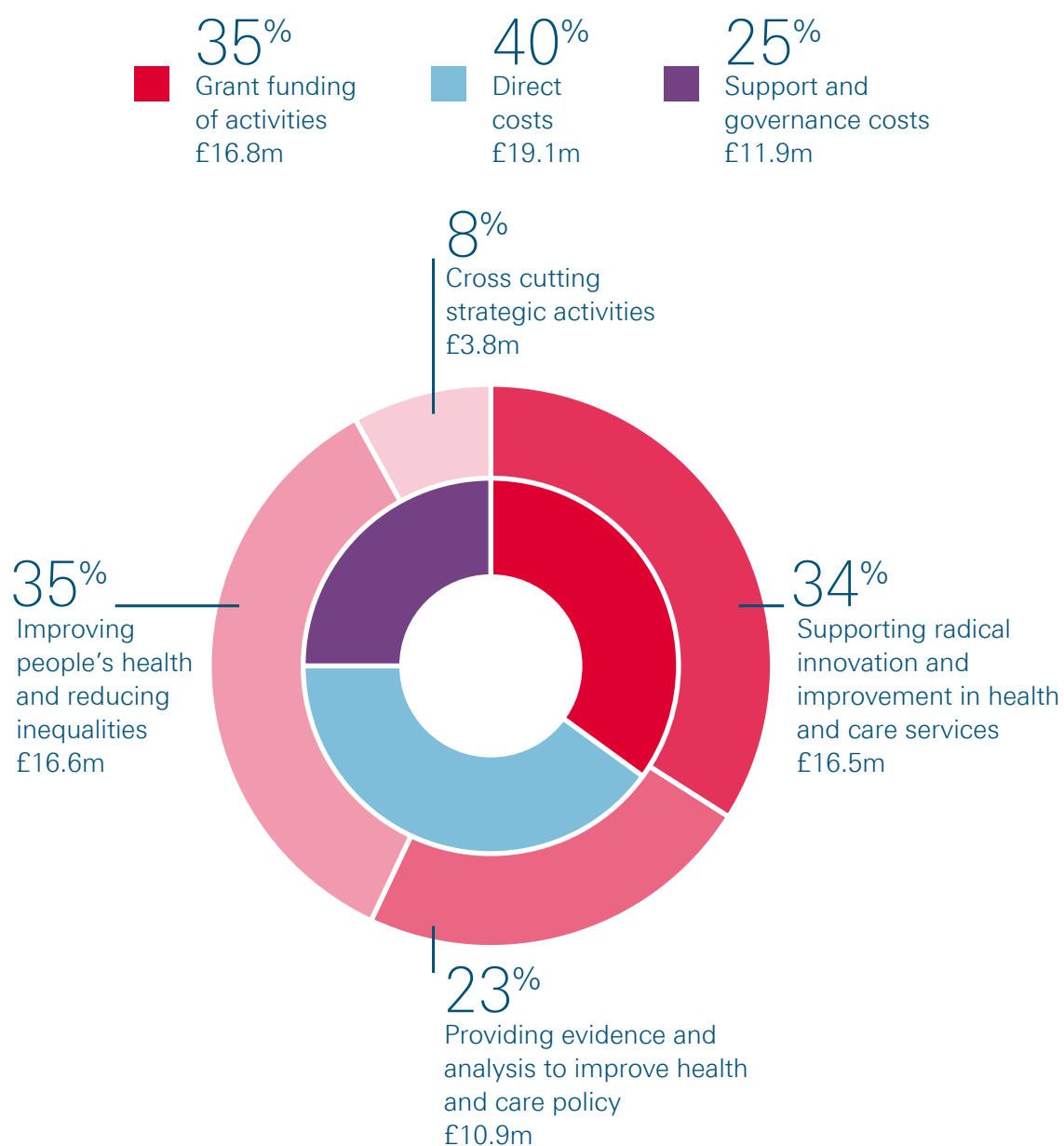
As well as adapting and improving what we do, we're also concentrating on how we do it. The Health Foundation has grown in recent years and is now an organisation of approximately 250 people. We take our role as an independent charitable organisation seriously, and we're doing lots to improve our day-to-day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

Our charitable expenditure is made up of:

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

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

Figure 1: Charitable expenditure in 2023



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

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

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

Our income used for charitable activities

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

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

Our policies

Expenditure policy

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

Grant-making policy

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

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

Reserves policy

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

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

Our investments

Investment policy and strategy

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

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

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

The governors' primary objectives are:

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

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

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

Our approach to responsible investment

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

- Principle 1** Work with, and challenge, existing and future investment managers to ensure their environmental, social and governance (ESG) integration and engagement policies align with the Foundation's framework.
- Principle 2** Exercise the right as a responsible asset owner through measured and relevant engagement in relation to the mission of the Foundation.
- Principle 3** An ambition to be Net Zero by 2035 and report impact against UN Sustainable Development Goals 3 and 13 via robust oversight procedures and processes.
- Principle 4** Emphasise positive engagement over exclusion, as long as there is no conflict of interest in the field of public health and health care.

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

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

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

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

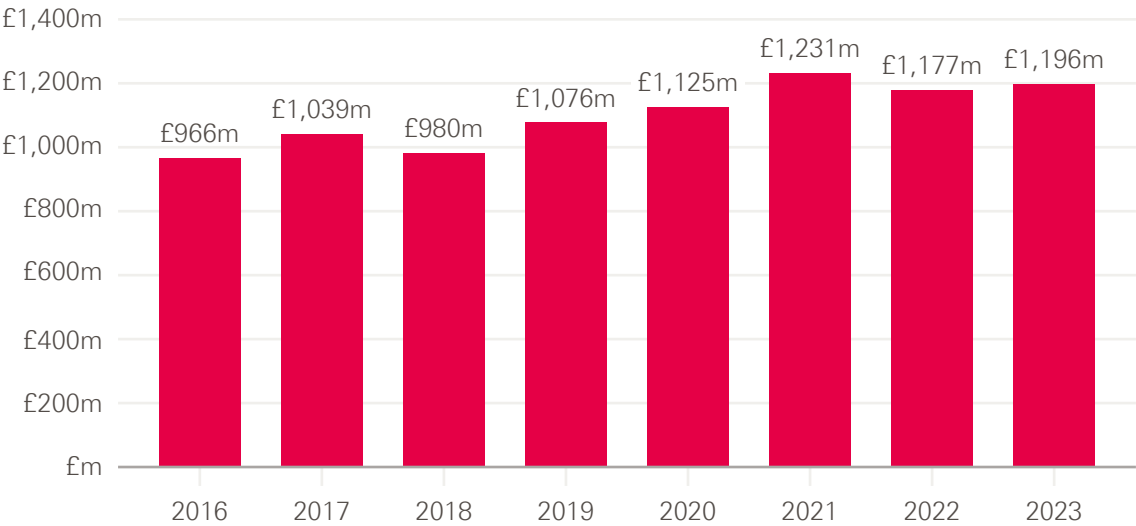
Investment returns

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

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

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

Figure 2: Investment values as at 31 December 2023

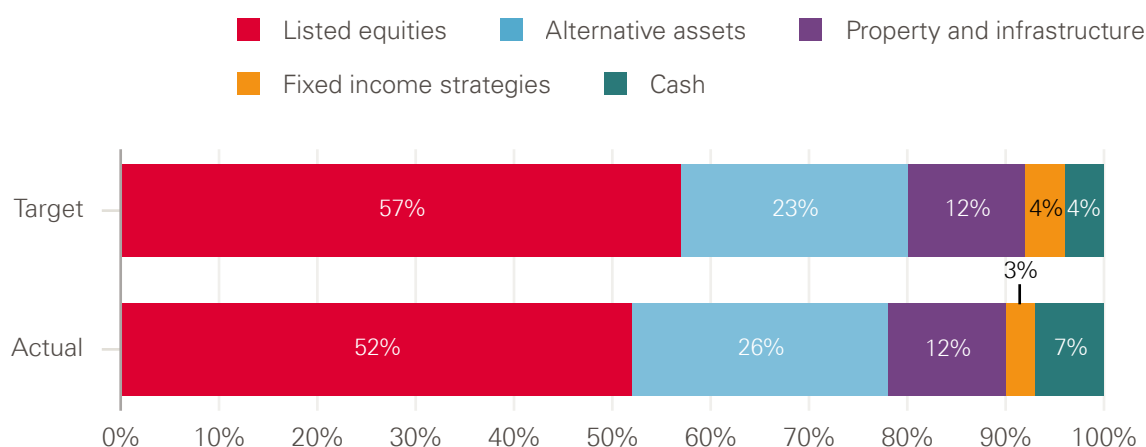


The structure of the investments is focused on global investing via a range of asset classes. The investments look to maximise returns while balancing acceptable levels of risk through a diversified asset portfolio. Following a review of the existing public equity investment managers in 2021, a new suite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

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

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

Figure 3: Asset allocation at 31 December 2023



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

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

Subsidiary companies

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

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

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

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

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

Streamlined energy and carbon reporting

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

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

Electricity and gas – office

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

Travel

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

Commitments and reporting

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

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

2023 carbon reporting figures	Mileage	Consumption kwh	Carbon emission tCO ₂ e
Scope 2			
Health Foundation office – gas		139,682	25.50
Health Foundation office – electricity		462,786	89.49
Scope 3			
Employee mileage personal cars	2,417		0.64
Travel – taxis	202		0.05
Travel – public transport	70,372		3.65
Travel – air	35,980		6.79
Total gross emissions in tonnes CO₂e	108,971	602,468	126.12
Intensity ratio: tonnes CO ₂ e per sqm			0.052

2022 carbon reporting figures (restated to include own office electricity)	Mileage	Consumption kwh	Carbon emission tCO ₂ e
Scope 2			
Health Foundation office – gas		98,718	18.02
Health Foundation office – electricity		456,663	88.31
Scope 3			
Employee mileage personal cars	2,779		0.76
Travel – taxis	720		0.20
Travel – public transport	49,367		0.41
Travel – air	31,673		5.43
Total gross emissions in tonnes CO₂e	84,539	555,381	113.13
Intensity ratio: tonnes CO ₂ e per sqm			0.047

Stakeholder engagement

– s.172 statement

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

Stakeholder	Key consideration	How we engage	Key activities in 2023
Beneficiaries , including: members of the public; those who benefit from the grants we award; health and care workers; policymakers; charities that received donations from us.	<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>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 awards including work on inequalities in Scotland, campaigns raising awareness of health inequalities, funding to support technology innovation in social care.</p> <p>The board discussed progress across our work on our three strategic priorities.</p> <p>We held a mixture of online and in-person events which increased the reach and public participation in our work.</p>

Stakeholder	Key consideration	How we engage	Key activities in 2023
<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 5,600 members in our Q Community in Q1 2024, 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 through our funded programmes.</p> <p>Examples of board engagement include overseeing funding for our externally funded vehicles, including THIS Labs and THIS Institute.</p>

Stakeholder	Key consideration	How we engage	Key activities in 2023
Employees: including secondees, interns, fellows, longer term temporary staff.	<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.</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>The people plan for 2023 outlined a number of key people-related activities, to include on Equity, Diversity and Inclusion, Learning and Development, and refreshing our Engagement Surveys.</p> <p>There were a number of achievements made in accordance with the plan during 2023. These included: A new People Forum and an Inclusion Programme Board both launched in May of 2023, our Your Say Engagement Survey was launched in September and received an 88% participation rate, with action plans created following on from the results, and launch in quarter 4 of a project to review and update our Progression and Reward approaches.</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>We continued to engage with our investment managers particularly on ethical and social reporting and management.</p> <p>We have also developed new templates to support our EDI and sustainability focus through our suppliers.</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 2023.

Key risk	Nature of risk	Management of risk
Investment risk	Failure to provide adequate funding for the Foundation's planned activities due to a major correction in market value and/or insufficient liquidity.	<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>In 2023 risk assets performed poorly initially as investors worried about recession risk due to tighter monetary policy and the realization that rates would stay higher for longer than previously anticipated. Events in the Middle East caused further weakness in markets, before the 'everything rally' finally took place towards the end of the year in response to lower inflation numbers.</p> <p>The endowment portfolio benefited from diversification and lack of exposure to some of the more volatile parts of the global market and ended the year up by 6%. The fund continues to take appropriate levels of risk to achieve its long-term goals.</p>
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 2023, we began to implement our refreshed strategy for 2023–2025, recognising the scale of the challenge to health and care. We also reviewed our Impact strategy. Cross-team strategic priority boards were established to foster matrix working and oversee progress against yearly business plans.</p> <p>2024, with a general election on the horizon, there will focus on both our short-term policy influencing work with our longer-term research, analysis and innovation and improvement programmes.</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 2023, we embedded our formalised processes and guidance on quality assurance and refreshed our award and contract agreements as part of a wider multi-year quality process improvement programme.</p>

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

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

Trustees' report

Structure, governance and management

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

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

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

The following served as independent members of committees during 2023.

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

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

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

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

Organisational structure and how decisions are made

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

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

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

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

The Foundation has three subsidiary companies:

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

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

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

Senior leadership

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

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

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

Principal activities and development

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

Statement of governors' responsibilities

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

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

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

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

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

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

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

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

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

Declarations and conflicts of interest policy

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

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

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

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

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

Signed

Sir Hugh Taylor, Chair
11 July 2024

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

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Wright
(Senior Statutory Auditor)

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

Financial statements

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

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

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

Consolidated balance sheet as at 31 December 2023

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

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

Sir Hugh Taylor
Trustee

Eric Gregory
Trustee

Company Registration No. 01714937

Charity balance sheet as at 31 December 2023

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

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

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

Sir Hugh Taylor
Trustee

Eric Gregory
Trustee

Company Registration No. 01714937

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

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

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

Charity information

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

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

1.0 Accounting policies

1.1 Accounting convention

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

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

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

1.2 Basis for consolidation

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

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

1.3 Going concern

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

1.4 Charitable funds

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

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

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

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

1.5 Incoming resources

Income is recognised when dividends and interest are receivable and includes recoverable taxation. Income received but not distributed by pooled funds is included as part of the net gains on investments in the statement of financial activities.

1.6 Resources expended

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

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

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

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

1.7 Intangible fixed assets other than goodwill

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

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

1.8 Tangible fixed assets

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

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

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

1.9 Fixed asset investments

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

Transaction costs are expensed as incurred.

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

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

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

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

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

1.10 Impairment of fixed assets

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

1.11 Cash and cash equivalents

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

1.12 Financial instruments

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

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

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

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

Basic financial assets

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

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.13 Provisions and grants

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

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

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

1.14 Employee benefits

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

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

1.15 Retirement benefits

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

1.16 Leases

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

1.17 Foreign exchange

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

1.18 Exemptions

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

2.0 Critical accounting estimates and judgements

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

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

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

Investment valuation

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

3.0 Charitable activities

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

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

4.0 Investments

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

5.0 Capital applied to income

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

6.0 Fund management

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

Investment management fees

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

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

7.0 Expenditure on charitable activities

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

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

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

For the year ended 31 December 2022

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

8.0 Support and direct costs

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

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

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

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

9.0 Governors

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

10.0 Employment costs

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

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

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

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

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

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

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

11.0 Net gain/(loss) on investments

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

Net revaluation of investments comprises:

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

12.0 Intangible fixed assets

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

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

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

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

13.0 Tangible fixed assets

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

14.0 Fixed assets investments

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

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

14.0 Fixed assets investments (continued)

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

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

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

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

14.0 Fixed assets investments (continued)

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

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

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

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

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

15.0 Financial instruments

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

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

16.0 Debtors: Amounts falling due within 1 year

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

17.0 Creditors: Amounts falling due within 1 year

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

18.0 Creditors: Amounts falling due after more than 1 year

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

19.0 Grants payable

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

20.0 Provisions for liabilities

	2023 £'000	2022 £'000	
Pension obligations	438	464	
Dilapidations	191	90	
	629	554	
Movement on provisions:			
	Pension obligations £'000	Dilapidations £'000	Total £'000
At 1 January 2023	464	90	554
Increase/(decrease) in the year	–	101	101
Payment in the year	(26)	–	(26)
At 31 December 2023	438	191	629

21.0 Retirement benefit schemes

a) AEGON Group Personal Pension Plan

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

b) Other retirement benefits

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

22.0 Analysis of net assets between funds

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

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

23.0 Capital commitments

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

24.0 Financial commitments

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

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

25.0 Related party transactions

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

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

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

25.0 Related party transactions (continued)

Remuneration of key management personnel

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

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

26.0 Subsidiaries

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

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

Medtrust Innovations Limited (Medtrust)

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

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

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

26.0 Subsidiaries (continued)

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

The Victoria Fund LP Incorporated (Victoria Fund)

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

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

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

THIS Labs Ltd (THIS Labs)

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

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

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

27.0 Cash used by operations – Group

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

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

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

29.0 Grant funding

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

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

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

29.0 Grant funding (continued)

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

29.0 Grant funding (continued)

Lead recipient for strategic priority: Improving people's health and reducing inequalities	Total £
Fraser of Allander Institute University of Strathclyde	1,189,200
BBC Children in Need	400,000
Association of Directors of Public Health (ADPH)	399,500
Office for National Statistics	162,500
Global Action Plan	137,900
FrameWorks UK	125,100
Chartered Institute of Public Finance and Accountancy (CIPFA)	109,000
Centre for Mental Health	68,100
Crisis	67,200
Learning and Work Institute	61,200
University of Bristol	55,900
New Philanthropy Capital	42,200
University of Sheffield	24,000
Nuffield Foundation	12,500
What Works Centre for Wellbeing	10,000
Association for Young People's Health	4,000
Total	2,868,300
Lead recipient for strategic priority: Providing evidence and analysis to improve health and care policy	Total £
The Commonwealth Fund	840,000
Brown University School of Public Health	350,000
Organisation for Economic Co-operation and Development (OECD)	185,000
University of Surrey	181,500
Royal Economic Society	150,000
Health Economic Research Centre University of Oxford	118,900
Centre for Health Economics University of York	108,200
The University of York	70,000
Institute for Fiscal Studies	52,200
Institute for Government (IFG)	30,000
Nuffield Trust	11,700
Total	2,097,500
Lead recipient for strategic priority: Cross cutting strategic activities	Total £
Health Services Research UK	49,500
Services provided by third parties to support award holders and further the work of the Foundation	8,268,500
Grants and donations awarded to charities by governors	205,000
Movement in discounting of grants payable in more than a year	708,100
Total Grants	16,847,000

Appendix: Investment Fund Managers

Aikya Investment Management
Pinnacle Investment Management
Nova North, Suite 6.12
11 Bressenden Place
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United Kingdom

Axiom Investors
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BlackRock Investment
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Impax Asset Management Ireland
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