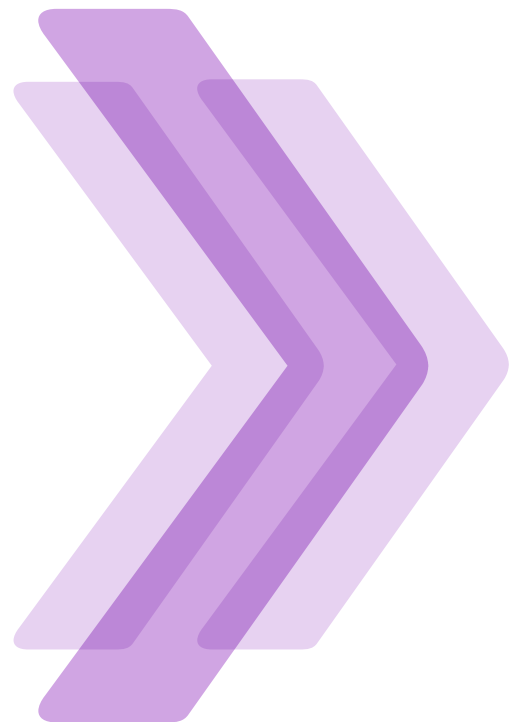


Trustees' annual report and accounts

**For the year ended
31 December 2018**



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Message from the Chair

2018 was an extremely challenging year for the health and care system. NHS finances remained tight and key targets for patient care continued to be missed with patients having to wait longer for treatment. Social care is under even greater pressure and public health budgets have been cut. None of the present challenges were made any easier by the uncertainty caused by Brexit.

In this situation the value of our work and the independence with which we produce it have never been greater. During 2018 we provided research and evidence to describe the nature of the challenges that exist and worked with leaders at all levels to find ways of addressing them. We also extended our successful programme of events, explainers and other sense-making content, including a new online course, to ensure that the Fund's work is communicated effectively to those able to make use of it in shaping policy and improving services. A highlight was our first ever health and care explained event in March 2018, which attracted a broad (and new) audience to the Fund. Repeated in August 2018, both events sold out with widespread praise, indicating the appetite for simple explanations of a complex system.

We have consistently called for a more sustainable funding deal for health and social care. In June 2018, we welcomed the Prime Minister's commitment to provide annual funding increases to the NHS averaging 3.4 per cent in real terms over the next five years. These increases are less than the 4 per cent a year we have argued to be necessary, and they do not apply to public health, NHS workforce training or social care.

To unlock the new annual funding, national NHS bodies were asked to develop a long-term plan for the NHS. We engaged in its development, arguing for a greater emphasis on population health and integrated care, a new deal with the public based on shared responsibility for improving health, and a strategy that sets out how these priorities will be implemented. We highlighted the scale of shortages in the health and care workforce and began work with the Health Foundation and Nuffield Trust to identify the short- and long-term actions that could be taken in response, work that will continue well into 2019.

Alongside the support we provided through our leadership development programmes, we continued to argue for changes in leadership culture across health and care systems. In July 2018, we published research to better understand the pressures on NHS trust leaders and identify ways to address them. We provided focused development work during the year with integrated care system leaders across

England to help them to strengthen collaborative relationships and trust. We provided expertise to NHS Improvement in the development of their culture and leadership resources for NHS providers, and we built on our organisational development practice to support an increased number of organisations. We delivered another successful year of the GSK IMPACT Awards, a unique programme providing funding and leadership development to support excellence in charities working in health, and we secured National Lottery funding to extend our Cascading Leadership programme, which provides free support to voluntary and community sector leaders working to improve health and wellbeing.

Funding of social care beyond 2019/20 will be set out in the forthcoming Spending Review, while long-term reform is expected to be addressed in a highly anticipated Green Paper. Ahead of this, we detailed the costs of social care funding options, tested public attitudes and assessed the implications for policy reform. We argued that the scale of the difficulties facing adult social care in England means that doing nothing is no longer an option.

Throughout 2018, we continued to advocate the widespread redesign of services to better join up care (including physical and mental health services) based on the best evidence and examples from the UK and internationally. We acted as specialist advisers to the Health and Social Care Select Committee throughout their inquiry into integrated care, and the Committee's final report (June 2018) draws heavily on our work. We also continued to provide tailored support to the 14 first and second wave integrated care systems, bringing together expertise from across the Fund to provide practical support to local leaders.

At our annual conference in November, we launched our vision for population health. This report made the case for adopting a population health approach to reduce inequalities and improve health outcomes, setting out clear recommendations for government, system leaders and local partners, and pointing to our future commitment to this area. We also looked in detail at the role of communities and the role of cities in improving health and continued to investigate the slow-down in improvements to life expectancy in England, contributing to the debate both here and with the OECD.

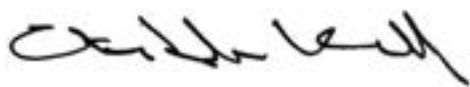
The NHS was 70 years old on 5 July 2018. We combined our expertise with that of the Health Foundation, the Institute for Fiscal Studies and the Nuffield Trust to shed light on the most important questions facing the NHS, informing the national conversation through the BBC's coverage. We continue to explore the changing relationship between the public and the NHS, to outline what needs to be done to better engage with the public and patients as the health and care system evolves towards a more integrated system.

During 2018 Sir Jonathan Michael was reappointed to the Board of Trustees for a third term and Dr Aseem Malhotra for a second term. Trustees Dominic Dodd and Paul Johnson were appointed to the Investment Committee. We were also fortunate to be able to welcome to the Committee two new non-trustee members, Robert Holmes and John McLaughlin, who both bring considerable investment expertise. John Stephen left the Facilities and Estates Committee at the end of the year and we thank him for his wise counsel. At the start of the year we appointed Amanda Pritchard, Professor Nicholas Mays and Lord Kerslake to the General Advisory Council, and Dr Navina Evans has been appointed from January 2019.

In early summer 2018 we made two appointments to our senior team: Suzie Bailey as Director of Leadership and Organisational Development, and Paul Clough as Director of Finance and Operations. In November, our now former Chief Executive Professor Chris Ham received a knighthood for services to health policy and management. Richly deserved, the knighthood was fitting recognition for his career, including nine years at the Fund. Chris stepped down at the end of December, leaving the Fund in a strong position. Following a comprehensive recruitment process, Richard Murray, formerly the Fund's Director of Policy, was appointed as our new Chief Executive and took up his post at the beginning of 2019.

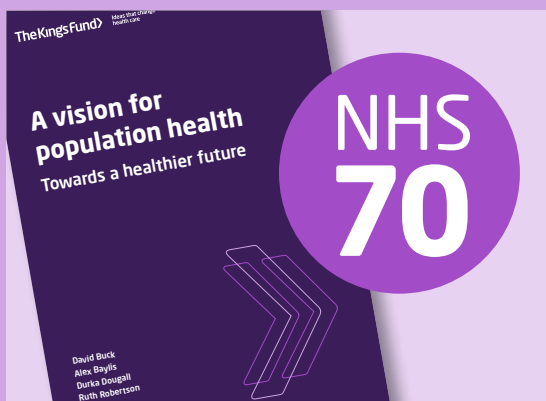
Thank you to our 23 long-term and new corporate partners and supporters. These important relationships support our aim, to improve health and care.

Our work programme for 2019 will be the last year aligned to our current strategy. In 2019, we will engage widely with staff and external stakeholders to deliver a comprehensive and inclusive review designed to deliver a new and ambitious strategy for the Fund for 2020 and beyond.



Sir Christopher Kelly, Chair

Our year in numbers



Research and analysis

39

Publications

106

Blogs

84

Articles published



Developing individuals, teams and organisations

483

Programme/network participants

89

Per cent of programme places filled

87

Organisations worked with



Promoting understanding

3,079,337

Website visits

128,113

Twitter followers

8,455

Online course sign-ups



Bringing people together

44

Conferences and events

4,575

Event delegates

23

Corporate partners and supporters

Objectives and activities

Our vision, mission and values

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

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

Our **values** underpin the work we do:

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

Our strategic goals and priorities

Our **2016–19 strategic plan** sets out four goals that show how we seek to improve care and seven priority areas that we will focus on between 2016 and 2019. We identified these by talking to stakeholders, looking at the health and care environment and considering how our skills and knowledge can deliver the most impact.

In developing the goals and priorities in our strategic plan, three cross-cutting themes emerged that we also focus on: diversity and inequalities; patient and service user involvement; and innovation. We assess how these themes are addressed in our work programme and aim to model best practice in these areas.

Steered by the priorities set out in our strategic plan, our 2018 operational plan set



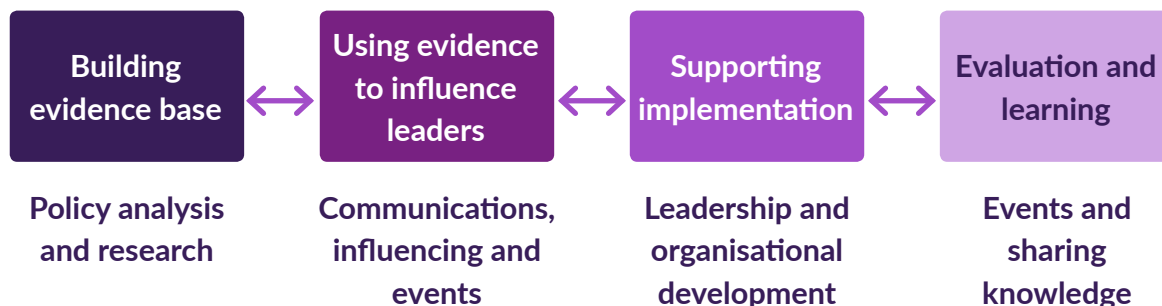
out our objectives for the year. The overarching theme of our work programme was sustaining and transforming health and care, against the challenging backdrop of increasing financial and service pressures.

How we measure our external impact

Although it is challenging for an organisation that is not directly involved in patient care or policy-making to measure its impact, we can use several valuable proxies. For example, to establish whether we reach our intended audience we review a wide range of data including: the number of visitors to our website; how widely our materials are downloaded and shared; attendance at events and on leadership programmes; levels of media coverage; and the number of people who subscribe to our regular communications.

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

- It takes time to achieve impact in much of our work. We believe that we need to assess impact over a period of years rather than weeks or months, particularly when we are seeking to bring about major change. Reflecting this, the [impact stories on our website](#) are taken from the period covered by our 2016–19 strategic plan.
- Our impact tends to result from the cumulative effects of a linked and extended programme of work, drawing on expertise across the Fund illustrated by the 'logic model' below. For this reason, we aim to make programmes and not projects or individual outputs the main unit of analysis for impact assessment.
- Our work is sometimes designed to influence the climate in which services are delivered or the framing of debate, rather than a specific action or policy. This means that some of the changes we want to see may not be easy to demonstrate. We are therefore developing our capability to gather soft intelligence as evidence of more subtle and intangible changes.



Achievements and performance

Our achievements in 2018 against our priorities and goals are described in this section. We outline our plans for 2019 on pages 25 to 27.

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

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

The changes we want to see

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

How did we do against our plans for 2018?

Planned

Continue to support the local development of new models of care, sustainability and transformation partnerships (STPs) and integrated care systems (ICSs)

Build on our position as the leading authority on 'the new NHS' by continuing to analyse and explain new models of care, STPs and integrated care

Delivered

We continued to provide tailored onsite support to the 14 first- and second-wave ICSs (up from 10 in 2017). In 2018 we established a community of practice to bring the 14 ICS leads and their teams together to share knowledge and learning.

We ran three integrated care learning networks, drawing together three to four people from one place to meet four to five times with people from other locations.

We continued to deliver a **learning network** on integrating physical and mental health. 25 local areas from across England took part and the network's resources are now shared on our website.

Chris Ham and Anna Charles acted as specialist advisers to the Health and Social Care Select Committee during their inquiry into integrated care. The final report (June 2018) draws heavily on our research.

We published a long-read '**Making sense of integrated care**' and a report **A year of integrated care systems** which documented the experience of ICSs so far.

We published an **independent review of the London STPs** in October, a follow up to our 2017 study, assessing progress and making a number of recommendations.

Funded by NHS England, we have been working to develop the potential for using patient insight to inform the work of ICSs. In August, we published an **explainer** on what we have learned from our work with six local areas. This research continues, with our findings due in summer 2019.

Planned

Look outside England to bring an international dimension to this work by convening policy-makers, leaders and practitioners to share learning

Continue to highlight national-level changes to support the integration of care locally and the move to place-based systems of care

Delivered

Commissioned by NHS England, in April we published *Developing new models of care in the PACS vanguards* which reported on the experience of areas that have implemented the primary and acute care systems model of care.

We worked with leaders across the health and care system in Doncaster (part of South Yorkshire and Bassetlaw ICS) and with Bedford, Luton and Milton Keynes ICS to support them in developing more collaborative ways of working.

Our International Fellow, Don Berwick, visited three times in 2018 to provide support to developing ICSs and share learning from the new models of care programme.

Published *Leading across health and social care in Scotland*, a report of our work with Scottish integration authorities.

Published a report and held an event on the *Montefiore health system in New York* which has gone beyond conventional health systems to improve outcomes for its population.

Joe McCannon, a leading international expert on large-scale change, visited in April and October to work with local leaders and staff from the Fund on how to spread innovation and improvement in the NHS.

In partnership with the Institute for Government, we published *The world's biggest quango*, a report on the first five years of NHS England which asks whether the objectives of establishing a statutorily independent NHS board were fulfilled.

In September, in partnership with Manchester Business School, we published the findings from a three-year research project on the Care Quality Commission's (CQC's) inspection and rating model. The report highlighted issues for CQC, other stakeholders and providers to consider as they continue to develop the regulatory model.

Planned

Build on our earlier work on primary care and community services

Delivered

In October, we published a short report exploring options for and implications of, legislative change to support integrated care.

In January, we published **Reimagining community services** which argued for community services to be strengthened and reformed. Many of its recommendations are reflected in the NHS long-term plan including the need to increase the proportion of the NHS budget spent on these services.

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

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

The changes we want to see

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

How did we do against our plans for 2018?

Planned

Continue to lead the debate on health and social care funding

Delivered

With the Health Foundation, we set out the implications of five potential funding models for social care in *Approaches to social care funding*. This was followed in May by a *report* detailing the costs of different funding options, public attitudes to them and the implications for policy reform.

We continued to call for a sustainable funding deal for the NHS, publishing an analysis of public attitudes to NHS funding and an assessment of the case for *hypothecated taxation*.

In June, we welcomed the Prime Minister's commitment to provide to the NHS annual funding increases averaging 3.4 per cent in real terms over each of the next five years.

In November, we published a joint briefing with the Health Foundation and Nuffield Trust setting out the implications of the *Budget for health and social care*.

Provide agenda-setting analysis of NHS finance and operational performance

We continued to contribute to the debate about NHS finances and performance through our *quarterly monitoring reports*.

We published a wide range of sense-making content including a new explainer on hospital waiting times.

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

Ahead of our digital congress in June, we published *Digital change in health and social care* which focused on implementing complex digital change.

We devised a set of principles to guide the development of new models of care for general practice in our report *Innovative models of general practice*.

In October, we published *Approaches to better value: improving quality and cost* which shared practical insight and learning from three NHS hospital trusts working to improve value in clinical services.

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

A stronger focus is needed on preventing ill health and promoting the health and wellbeing of local populations. Building on a growing body of work, we developed the evidence base and tools for voluntary organisations, local authorities, housing associations and others to use to support their work to improve the health of local populations.

The changes we want to see

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

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

How did we do against our plans for 2018?

Planned

Launch our new vision for population health

Delivered

We published *A vision for population health: towards a healthier future* at our annual conference in November. This consolidates and communicates our work to date on population health, sets out clear recommendations for government, system leaders and local partners, and points to our future commitment to this area.

Lead thinking about key issues for place and population health

In June, we published a **report** exploring the role of cities in improving population health. Based on 50 interviews with leaders from 14 cities it examines the lessons London and other UK cities might learn. We followed this up with a conference on healthy cities in Leeds in July.

We launched a new **Leadership for population health programme** to support the development of system leadership capabilities for population health.

We contributed to work commissioned by NHS England to capture lessons from the Healthy New Towns programme. An **interim report** was published in September and a final report will follow in 2019.

In March, we published a report on how local authorities and the NHS are developing services to support behaviour change for people with **multiple unhealthy risk factors**.

Engage in local policy and practice beyond traditional health and social care

In February, we published a report commissioned by the Department of Health and Social Care exploring how clinical commissioning groups (CCGs) and local authorities engage with the voluntary, community and social enterprise sector (VCSE).

Supported by the National Housing Federation, we published a report outlining how sustainability and transformation partnerships and integrated care systems can make more of the **contribution of housing to health**.

We provided advice for the Mayor of London's health inequalities strategy and supported other local areas to refresh their health and wellbeing strategies.

We published a **communities and health explainer** and ran two related conferences: Community is the best medicine (October) and, Social prescribing: coming of age (November). The latter attracted the most attendees ever for any King's Fund conference.

We began and ended the year with reports on volunteering and contributed to Helpforce's campaign to increase NHS volunteering rates: *Volunteering in general practice: opportunities and insights* (February), and *The role of volunteers in the NHS: views from the front line* (December).

Continue to make the case for a broad-based, cross-government approach to public and population health

We continued to investigate the slow-down in life expectancy growth in England and the potential causes of this. We published an explainer and a number of articles, presented to the OECD, and continue to work with the Health Foundation on this.

Goals **1** and **2**: culture and leadership

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

The changes we want to see

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

How did we do against our plans for 2018?

Planned

Deliver our annual leadership summit

Deliver the GSK IMPACT Awards and Cascading Leadership programme, and develop a leadership programme for community-based leaders in health

Provide learning and organisational development support to the NHS and beyond, making the most of our unique combination of leadership and policy expertise

Delivered

In May 2018 our **eighth annual leadership summit** focused on leading and implementing transformational change. The summit was attended by 260 health and care leaders, the highest turnout since 2013.

Now in its 21st year, the **GSK IMPACT Awards** continue to provide funding and leadership programmes to support excellence in charities that improve health and wellbeing, and we now host an 80-strong leadership network of award winners.

In July, we secured £450,000 of National Lottery funding to extend our Cascading Leadership programme, which provides free support to leaders of community-based health and wellbeing organisations. 80 leaders completed the 2018 programme and more than 300 applications were submitted for 64 places on the 2019 programme.

We developed a new unique programme for Barts Health NHS Trust that supported patients, service users and carers to work with members of the trust's clinical boards to design and deliver services.

We continue to offer a range of programmes to support leaders, adapting and evolving the programmes to best meet the needs of participants and the systems in which they operate. In 2018, 483 people from across the health and care system took part in our **open programmes and learning networks**. We also provided leadership support for 87 organisations.

20 new female leaders took part in our nine-month **Athena programme**, supporting them to fulfil their potential and boost the proportion of women in leadership roles.

In collaboration with My Home Life, we ran our first **learning network** to improve collaborative working between care homes and housing, health and social care professionals.

We achieved growth in our consultancy work despite continued pressures on the budgets of health and care organisations. The value of our completed work increased by almost 20 per cent over the previous year and the number of commissions rose by 10 per cent.

To support our work on new health and care systems (see page 10) we undertook a range of commissioned assignments, for example with West Yorkshire and Harrogate Partnership Board, to support local NHS organisations to work collaboratively with their partners.

Influence the debate on culture and leadership

We published our report *Transformational change in health and care: reports from the field* in May to share findings from the experience of four provider organisations in delivering transformational change.

In partnership with NHS Providers, we published **Leadership in today's NHS** which highlighted the number of vacancies and the pressures facing executive directors in NHS organisations.

Champion the next generation of leaders

In addition to bespoke support commissioned by our clients, we ran a number of leadership programmes aimed at the next generation of clinical and managerial leaders.

We worked closely with the Florence Nightingale Foundation to deliver development programmes, in addition to nurses and midwives utilising their scholarship funding to participate on our open programmes.

Act as a critical friend to the national bodies to align their leadership with the national framework for action on improvement and leadership development for NHS-funded services.

We continued to support NHS Improvement's work on culture and leadership including the design and delivery of Phase 3 of NHS Improvement's culture and leadership toolkit. The tools and guidance are currently being used by senior leaders in more than 50 NHS organisations.

We worked in partnership with Northumbria Healthcare NHS Foundation Trust to design and begin delivering leadership for improvement board development to 13 NHS boards in England, commissioned by NHS Improvement.

Achievements under goal 1 were mainly delivered by teams who work in the 'Research and analysis' category as set out in note 6 to the accounts. Achievements under goal 2 were mainly delivered by teams who work in the 'Developing individuals, teams and organisations' category as identified in the statement of financial activities.

Goal 3: provide valued information and insight

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

Our ambition for this area of our work

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

How did we do against our plans for 2018?

Planned

Extend our successful programme of explainers and other sense-making content, including a new online course

Experiment with new ways of engaging our audiences and widen our reach

Delivered

We published new explainer content on accountable care, integrated care systems, the NHS long-term plan, communities and health, life expectancy and social prescribing.

We published briefings on [the rising cost of medicines](#) and the use of data in the NHS.

In November 2018, we published a joint briefing with the Health Foundation and Nuffield Trust that set out the workforce challenges facing the health and care system. This will be followed in March 2019 by a joint report looking at potential solutions to these challenges.

8,455 people enrolled in our new online course hosted on the digital education platform FutureLearn, making it one of their top-performing courses in 2018.

More people than ever are accessing our commentary, analysis and explanation. In 2018 we attracted 1.5 million new website users, 11,500 new Twitter followers and 6,400 new newsletter subscribers.

Following a six-month trial, we have committed to a [monthly series of podcasts](#).

An average of 1,200 people joined our 9 online events, with more than half of this audience joining from outside London and the South East.

Six of our nine online events and seventeen of our twenty conferences included an event partner or sponsor, allowing us to access content expertise and networks in a range of new topic areas.

We serviced an increase of nearly a fifth in the number of enquiries to our Information and Knowledge Service, due in part to establishing new activities such as research skills training for further education students.

Continue to extend the reach of our events programme and look to innovate

In 2018 we hosted 4,575 delegates at 44 events, covering a wide range of topics including innovation, data sharing, patient flow, partnership models in the NHS and better mental health for all.

Our new **health and care explained** events were sold out in March and November.

Four of our twenty conferences were held outside London – in Leeds, Manchester and Birmingham – and we plan to trial events in Newcastle and Bristol in 2019.

We held six stakeholder breakfasts regularly pulling in more than 100 guests per event.

Mark the 70th anniversary of the NHS, using this time to explore the relationship between the public and the NHS

The NHS was 70 years old on 5 July 2018. We combined our expertise with the Health Foundation, the Institute for Fiscal Studies and the Nuffield Trust to shed light on some of the most important questions it faces. The **reports** we produced informed the national conversation through the BBC's coverage.

In February, we published a **long read** analysing 34 years of data about public attitudes to the NHS in the British Social Attitudes Survey.

In March 2018 we worked in partnership with Ipsos MORI to explore how the public views its relationship with the NHS. In June we published our findings in the report ***The public and the NHS: what's the deal?***

We continued this theme by developing a new strand of work on the relationship between the public and the NHS, including a long read on **shared responsibility for health**.

Achievements under goal 3 were mainly delivered by teams who work in the categories 'Research and analysis', 'Promoting understanding' and 'Bringing people together' as identified in the statement of financial activities.

Goal 4: become a high-performing organisation

In addition to our external-facing work, we aim to continuously build on and improve the way we work as an organisation – focusing on how efficient and effective we are in using and managing resources, and what culture we create for those who work for us and partner with us.

How did we do against our plans for 2018?

Planned

Engage people in the results of the 2017 staff survey. Develop, deliver and communicate resulting actions

Develop and deliver actions that increase the diversity and inclusivity of our workforce and audience, and increase Fund-wide awareness that everyone can lead and deliver

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

Delivered

We engaged staff across the Fund to develop actions from the 2017 staff survey findings. Resulting actions included promoting awareness of mental health, developing plans for achieving more consistent practice in people management, developing and engaging staff in guidance about maintaining a healthy work-life balance and supporting staff to have difficult conversations.

We have sought to better understand the lived experience of people working at the Fund through an inclusion survey.

Our board and senior management have committed to several actions to increase diversity and inclusion, to be taken forward in 2019. These include implementing targets for improving the diversity of the Fund's senior decision-makers and spokespeople, exploring unconscious bias, diversifying interview panels for senior appointments and piloting a diversity mentoring scheme.

We launched our internal Developing Leaders programme. Five colleagues are participating and are leading major cross-Fund projects.

We devised a new IT strategy, which has led to improvements in the service available to staff, improved security measures and reviewed the IT equipment supplied to staff.

Manage income and costs that support delivery of our external-facing charitable objectives by putting in place measures to manage our resources even more effectively

We successfully implemented our plan to comply with the GDPR from May 2018. This included providing online training for all staff and initiating a new project to develop our information governance.

We developed the Fund's approach to managing relationships by piloting new arrangements for updating key CRM contacts.

We achieved our income target, generating our highest income since 2013. This was supported by the new systems and processes around forecasting and pipeline management, implemented during 2017, beginning to work effectively.

These achievements were mainly delivered by teams who work in the categories 'Other support departments', 'Other trading activities' and 'Facilities' as identified in the statement of financial activities, working with other teams across the Fund.

Plans for 2019

A number of key policy statements are due in 2019. The NHS long-term plan was published in January and the new GP contract signalled significant changes in primary care with the introduction of new primary care networks. Green Papers on social care and prevention are due to be published and a Spending Review will take place towards the end of the year. There is also a possibility of a Bill to implement proposals for new legislation outlined in the long-term plan. Overshadowing all of this is the uncertainty of Brexit. We have therefore left space in our work programme to respond to these developments as their implications become clearer.

Goals **1** and **2**: influence national policy and impact locally

For goals 1 and 2, our plans to shape national policy and influence practice in 2019 are set out below.

Health and care systems

2019 will see the emphasis of our work on health and care systems shift from research and policy analysis to supporting implementation of ICSs and new care models through our leadership and organisational development work. In making this shift, we will aim to maintain our position as the leading authority on integrated care, ensure we reflect the reality of how local systems are developing and continue to build our knowledge base. Further policy analysis will focus on issues that emerge as ICSs and STPs develop. This may include proposals for legislative change. This means we will continue to strengthen our internal mechanisms for sharing intelligence and build on the links between the policy and leadership and organisational development teams in particular. This work programme will align more closely with our work on population health and communities.

Funding and productivity

A Spending Review is due in 2019. Although we will continue to maintain our voice on NHS funding, the five-year funding settlement for the NHS means that the focus of our Spending Review work is likely to be on other areas of spending such as social care, public health, training and capital budgets. With Green Papers due to be published in 2019, funding and reform of social care and prevention will feature strongly in our work. The NHS settlement also means we should focus more on improving value and increasing productivity. With significant changes to the NHS financial regime and other

reforms likely to follow on from the NHS long-term plan, we will continue our work to highlight these changes and their impact on services, patients and service users.

Communities and population health

2019 will see us make a significant shift towards population health, building on the vision we published in November 2018. As we do this, we will need to engage with new audiences, develop relationships with new partners and build our leadership and organisational development offers to complement our policy work. For these reasons, 2019 will be a transition year as we develop our work programme, publish more detail on the key recommendations from our vision, understand where we should target our effort and increase the profile of population health internally and externally. We will also continue our work in response to stalling life expectancy and follow up our work on the relationship between the NHS and the public and on shared responsibility for improving health.

Culture and leadership

2019 will be a year of consolidation as we continue to strengthen the team under new leadership. We will continue to build the reputation of our organisational development consultancy, particularly with challenged organisations, and strengthen our ability to articulate the learning from this. This will mean building stronger connections between work programmes at the Fund, with our unique offer of bringing together policy insight and leadership and organisational development practice. We will increase our emphasis on diversity as an essential part of compassionate leadership, build on our work with voluntary and community sector leaders and continue to champion clinical and system leadership. We will also challenge the national bodies to model collective, inclusive and compassionate leadership in their leadership of the system.

Goal 3: be a valued source of information and insight

Much of our work under goal 3 supports other priorities so has already been identified. We will continue to develop our successful work to make sense of the health and care system and will focus on building on the success of recent innovations – eg, podcasts, health and care explained events and online learning. A complex external environment means that we will need to retain capacity for responsive work, which, depending on the outcome, may include more work on Brexit. New content will include an animation on population health, and we will enhance our capability for data visualisation.

Goal 4: be a high-performing organisation

Our internal organisational development programme will continue to pay attention to a number of key challenges, including our work on diversity and inclusion, having difficult conversations and ensuring all staff have a consistently positive experience of people management. We will re-run our staff survey towards the end of 2019 and maintain a focus on the wellbeing of our staff. We will implement changes to our investment management strategy to improve our long-term returns. We will ensure that we monitor and manage our resources closely and carefully in the light of our 10-year financial model. We will also continue to look for short-term opportunities to improve our finances and devise a financial plan that is aligned to our new strategy and is consistent with our long-term financial objectives. Finally, we will undertake a comprehensive and inclusive review to develop our new strategy for 2020 and beyond.

Financial review

Review of income and expenditure for the year ended 31 December 2018

Total income for the year amounted to £12.1 million (£10.8 million in 2017), of which £5.1 million (£4.3 million in 2017) was generated from charitable activities and £7.0 million (£6.5 million in 2017) was derived from other sources, namely investments, donations and legacies and other trading activities.

Income from charitable activities increased by £0.8 million between 2017 and 2018 mainly due to a growth of commissioned work for leadership programmes resulting from an investment made in staffing. Income from other sources increased by £0.5 million due to increased external venue hire and growth in partnership and sponsorship income.

Total expenditure of the Fund in 2018 was £16.8 million (£15.9 million in 2017).

Expenditure on charitable activities was £13.0 million, (£12.3 million in 2017). Expenditure increased due to staff costs including increased headcount and an additional final salary pension cost for past service as a result of guaranteed minimum pension (GMP) equalisation.

Expenditure on other trading activities was £3.2 million (£3.1 million in 2017).

The average number of staff employed by the Fund during the year was 136, an increase of 3 from 2017. Total staff costs before final salary pension adjustments during the year were £9.2 million, an increase of 4 per cent compared with 2017. Further analysis is shown in note 9 to the accounts.

The Fund's operating deficit for the year was £4.7 million, decreased from the £5.1 million operating deficit in 2017 as a result of increased income. Operating deficits are in line with the financial strategy set out below, ie, they are covered by an amount withdrawn each year from the investment capital. Withdrawals from investment capital were below the budget in 2018, which are set with a view to maintaining the long-term value of the investment capital in real terms.

Net losses on investments during the year were £9.8 million, compared with £9.9 million gains in 2017. Further details on investment performance are set out below.

Net assets at 31 December 2018

The Fund's consolidated net assets at 31 December 2018 were £200.7 million. This represents a decrease of £7.5 million (4 per cent) compared with the net assets at 31 December 2017. The decrease is due to the Fund's net expenditure during 2018 of £14.5 million (comprising the operating deficit of £4.7 million and net loss on investments of £9.8 million) and an actuarial gain of £7.0 million on the defined benefit pension scheme.

Net assets at 31 December 2018 comprise fixed assets of £203.4 million, net current assets of £0.1 million and a defined benefit pension scheme liability of £2.8 million. Fixed assets comprise tangible fixed assets of £55.4 million, intangible fixed assets of £0.4 million and fixed asset investments of £147.6 million.

During the year, the book value of tangible fixed assets decreased by £0.6 million due to depreciation of £1 million exceeding capital expenditure of £0.4 million. The main items of capital spend during the year were ICT equipment and upgrade to venue rooms and furniture.

The intangible fixed assets book value decreased by £0.2 million due to depreciation of £0.2 million exceeding capital expenditure of £31,000. During the year a further investment was made to upgrade the enterprise resource planning system, which will be further exploited in 2019.

The value of fixed asset investments decreased during the year by £13.4 million. This is due to £3.6 million of capital being withdrawn during the year to cover the Fund's cashflow needs, offset by net valuation losses of £9.8 million as set out in note 13 to the accounts.

Investment performance

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

The strategic allocation and the actual allocation at the end of the financial year are shown in the table on the next page.

Asset class	Strategic allocation %	Minimum %	Maximum %	Actual allocation % 2018	Actual allocation % 2017
UK equities	23			21.5	22.2
Global ex-UK equities	37.5			41.9	42.8
Emerging market equities	12.5			12.5	13.1
Total equities	73	58	78	75.9	78.1
Inflation-linked bonds	13.5	7	17	9.1	8.2
Nominal gilts and cash	13.5	8	22	8.4	8.6
Opportunistic		0	20	6.6	5.1
TOTAL	100			100	100

The value of the Fund's total investments at 31 December 2018, comprising publicly quoted equity and bonds, private equity and property, was £147.6 million (£161.0 million in 2017). These investments produced income, net of investment management fees, of £1.9 million during the year and this income, together with £3.6 million of investment capital, was withdrawn during the year to cover the Fund's cashflow needs. After allowing for these withdrawals, the investments generated a total loss of £9.8 million (7.3 per cent, which is below the Fund's long-term objective as set out in the Financial strategy and reserves section below).

During the year work continued to develop the properties at 7–10 Dean's Mews, adjacent to the Fund's offices in Cavendish Square, into four three-bedroom residential properties. At the year end £1.3 million of the Fund's investments was set aside to finance this development. It is intended to hold the properties as long-term investments, primarily to generate an annual income for the Fund.

Donations and legacies

The Fund gratefully acknowledges donations and/or legacies received from the following during the past year: Her Majesty The Queen, D and KL Welbourne, D Emmerson, family of Mr James in his memory, The Bawden Fund and anonymous donors.

Financial strategy and reserves

The Fund's financial strategy is guided by its policies on expenditure, reserves and investments. The Fund's policy on expenditure is to ensure that it has sufficient resources to meet its charitable objectives over the medium term. The Fund generates money from a variety of activities that support or are complementary to

its core purpose and make best use of its assets. As the money the Fund generates is insufficient to cover its total expenditure, a proportion is drawn from investment capital. In agreeing the level of resources, Trustees are mindful of their responsibility for the stewardship of the Fund's long-term mission. Trustees take a risk-based approach, which aims to balance the Fund's ambition in meeting its charitable objectives, its ability to generate income and its capacity to spend from investments, now and in the future.

The Fund's total reserves at 31 December 2018 were £200.7 million. As set out in note 18 to the accounts, £117.6 million of this represents the expendable endowment (all of which is included in fixed asset investments), restricted funds have a deficit of £12,000 (a surplus of £4,000 in 2017) and the remaining £83.1 million represents unrestricted funds, £55.8 million of which could only be realised by disposing of fixed assets that are currently used by the Fund in its activities.

The Fund's policy on reserves is based on recognising the long-term nature of its work and the continuing need for financial support. The expendable endowment, restricted funds and the unrestricted reserves are managed as a pooled investment with the intention of providing financial support today and for the foreseeable future. After taking into account the reserves set aside to match the £2.8 million deficit on the defined benefit pension scheme, the Trustees consider reserves to be at an appropriate level.

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

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

Between 1 January 2009 (the reference date) and 31 December 2018, after income and capital withdrawals the value of the Fund's investments has increased in real terms (above the retail prices index) by £17.2 million so that investment performance has more than achieved the investment objectives set by the Trustees.

How the Fund is constituted and governed

Our charitable objects

The King's Fund is incorporated by Royal Charter and is governed by the provisions and byelaws of the charter. The charter sets out the charitable objects of the Fund, which are the promotion of health and the alleviation of sickness for the benefit of the public, by working with and for health care organisations, provided that such work will confer benefit, whether directly or indirectly, on health care in London. In this context, 'health care organisations' means those organisations involved in the commissioning, monitoring or supply and provision of health care.

Working for the public benefit

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

Governing body and committees

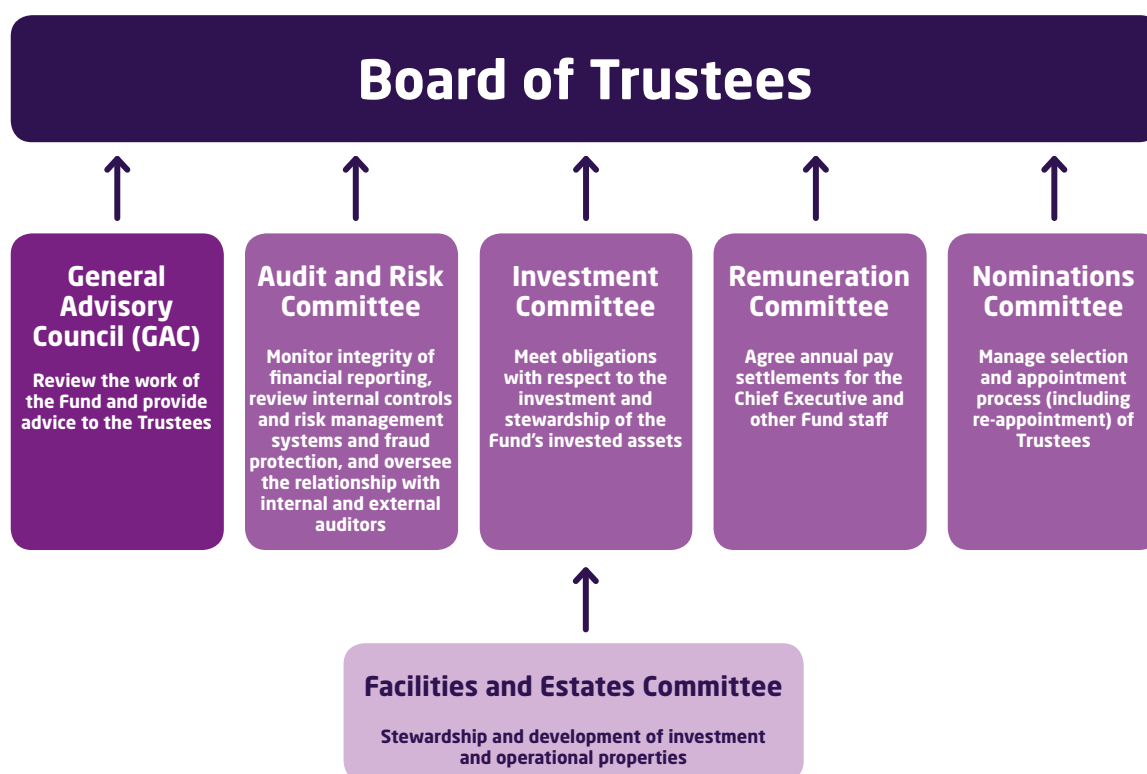
The Board of Trustees meets six times a year with the Chief Executive and the senior management team to handle business that has not been formally delegated to the Chief Executive and to consider other matters related to the operations of the Fund. One of the meetings is designated the Annual General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

The Trustees have established a General Council (known as the General Advisory Council or GAC) in accordance with Byelaw 42 of the Royal Charter.

Members of the GAC act as a source of intelligence on the key issues and challenges in the health system and use their collective expertise to reflect on the Fund's activities and impact. The GAC meets twice a year to review the work of the Fund and provide advice to the Trustees. The members of the GAC are appointed by the President on the recommendation of the Chief Executive for a period of up to three years.

Details of the current members of the GAC, and those who served during the year, are set out on pages 41–42.

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



Trading subsidiary

KEHF Ltd is a wholly owned trading subsidiary of The King's Fund. The principal activities of the company include those that are not the primary purpose of or within the Fund's charitable objectives, including the letting of conference facilities owned by The King's Fund and related catering services as well as sponsorship for some of the Fund's events. 100 per cent of the taxable profits of KEHF Ltd are paid to The King's Fund, under the Gift Aid scheme. A list of Directors, who are appointed by The King's Fund, is included on page 42. Details are included on page 66 of the financial statements.

Recruitment and appointment of Trustees

Trustees are appointed for an initial term of three years and may be re-appointed for a second term and, exceptionally, a third term. Appointment as a Trustee is open to any suitably qualified member of the public. When new Trustees are sought, a recruitment

consultant is usually engaged to reach as wide a pool of candidates as possible. Newly appointed Trustees are provided with an induction programme, which sets out the activities of the Fund and their responsibilities as a Trustee. The Chair of Trustees meets with each Trustee annually to review performance in the past year and to discuss the year ahead.

Details of the Fund's current Trustees, and those who served during the year, are set out on page 40.

Board review / evaluation

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

Trustees' attendance record 2018

	Board of Trustees	Audit and Risk Committee	Investment Committee	Facilities and Estates Committee	Remuneration Committee	Nominations Committee
Dame Ruth Carnall	4/6	-	-	-	1/1	2/2
Dr Jane Collins	5/6	3/3	-	-	-	-
Dominic Dodd	6/6	3/3	2/4	-	-	-
Simon Fraser	5/6	3/3	5/5	4/4	1/1	2/2
Paul Johnson	4/6	-	1/4	-	-	-
Sir Christopher Kelly	6/6	-	3/5	3/4	1/1	-
Dr Aseem Malhotra	5/6	-	-	-	-	-
Sir Jonathan Michael	6/6	3/3	-	-	1/1	2/2
Rt Hon Jacqui Smith	5/6	-	-	-	-	-

Organisational structure and how decisions are made

The Trustees appoint a Chief Executive, who is responsible for the management of the Fund on a day-to-day basis and provides information to enable the Board to fulfil its governance responsibilities effectively. A governance framework for the Chief Executive, setting out the authority delegated to the Chief Executive, has been approved by the Board of Trustees and is reviewed every three years and when a new Chief Executive is appointed.

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

Senior management team

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

Details of the current members of the senior management team, and those who served during the year, are set out on pages 42-43.

Planning Committee

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

Operations Committee

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

Managing key corporate risks

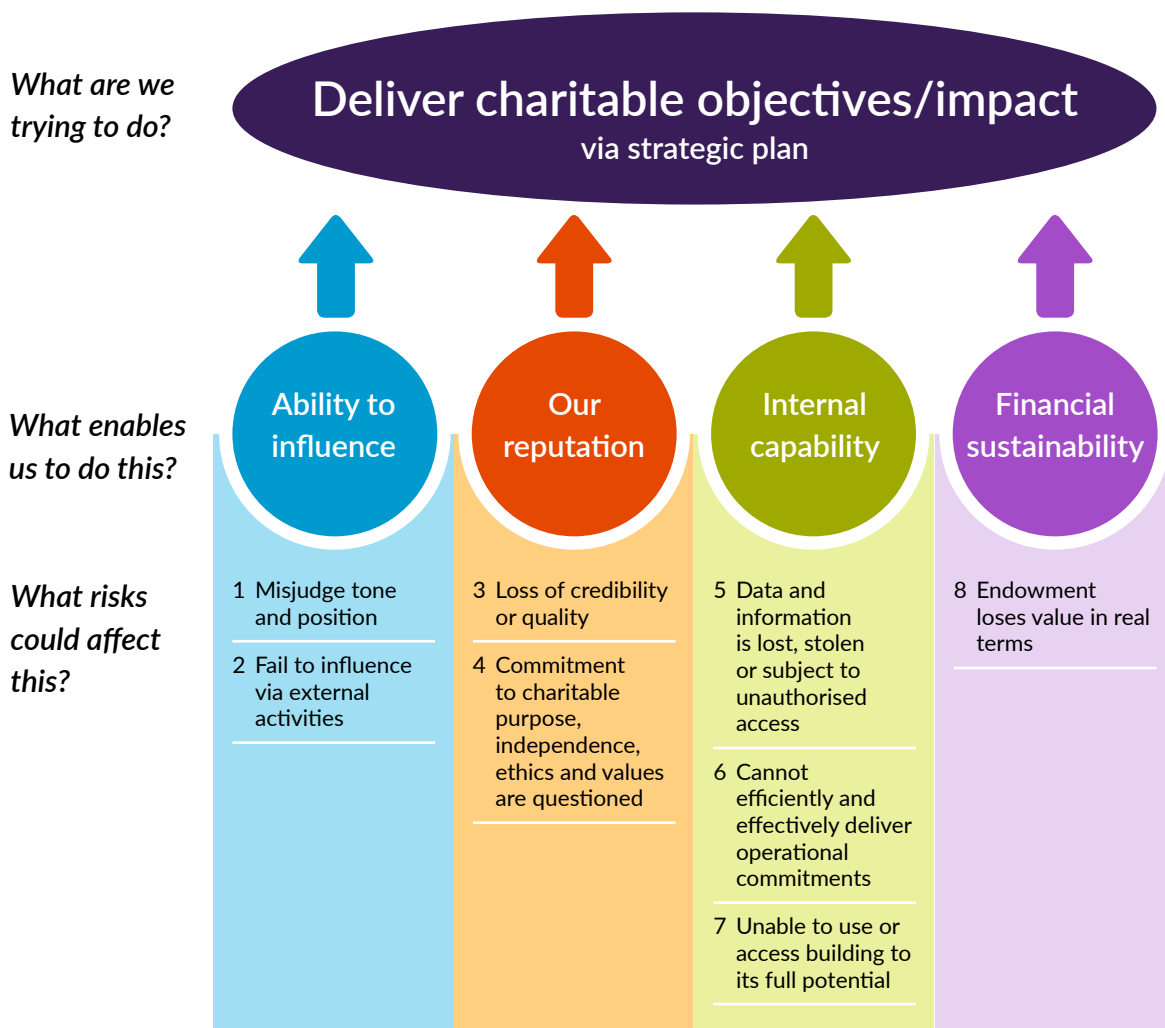
The amount and type of risk that the Fund is willing to take in order to meet its strategic objectives is determined by the Trustees and reviewed annually. The main purpose of defining this is to underpin decision-making about the kind of opportunities we take on. It also helps to highlight areas to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

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

In managing risk, the Fund applies a process that categorises each risk by considering its cause, likelihood, impact and mitigations. Based on this we determine whether further action needs to be taken. Risks are grouped according to whether their impact

will be on our ability to influence, reputation, internal capability or our financial sustainability as outlined in the figure below.

Key corporate risks



Risk	Management of risk
Ability to influence	<p>The Chief Executive is accountable for all public statements relating to matters of major significance, working closely with directors to agree positioning statements.</p> <p>This is supported via robust discussion and challenge with directors and Trustees and supplemented by intelligence gathered from monitoring the external environment, conversations with national bodies, local service leaders, the GAC and competitor/partner organisations and regular review of web statistics, data from initial impact assessment of outputs, market research and perception research.</p>
Reputation	<p>The Fund keeps up to date with legal and regulatory requirements and recommended practice for charities, making disclosures on its website around income sources, decision-making and maintaining its independence.</p> <p>Policies, contracts and agreements are used to set out the Fund's position and protect its intellectual property, to ensure the quality of the Fund's outputs, address ethical issues, retain editorial independence and recognise the origin of funding. The charity tries to ensure all staff and Trustees understand and adhere to the values, ethics and culture of the organisation. There are also policies and procedures in place to cover areas such as conflicts of interest and whistleblowing.</p>
Internal capability	<p>Resources, key roles and processes are established centrally to support the Fund to maintain a focus on continuous improvement, effective systems and processes. The Fund has established an information governance function to support it to comply with regulatory and other requirements for managing business information and developing/maintaining information standards in line with best practice.</p> <p>A business continuity plan is in place to ensure that the Fund can continue operating after a major incident, even if the building is inaccessible for a prolonged period. Mitigations include access to alternative premises that can accommodate clients at short notice and facility for staff to continue working off-site, eg, by using cloud-based apps (such as Office 365). The IT infrastructure is designed to maximise resilience, and policies and processes are in place to ensure appropriate use and security of data.</p>
Financial sustainability	<p>The Fund's investments are actively managed and reviewed by an investment committee, who set a strategic asset allocation and associated performance benchmark and balance risk against benchmark returns with a diversified portfolio of asset classes. Investment performance is visible to Trustees and senior management in the monthly review of finances.</p> <p>Short- and long-term financial plans are maintained, and progress is monitored regularly by Trustees and SMT.</p> <p>Oversight of defined benefit pension scheme is maintained, and this liability is considered alongside other financial risks.</p>

Maintaining our independence

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

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

Our funding

As a charitable foundation, The King's Fund has an expendable endowment, which, together with other funds held for investment, provides the Fund with a valuable source of income. We also obtain funds by withdrawing a portion of the investment

capital each year, in line with our financial strategy. The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

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

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

How we set policy

Our reputation and influence depend in part on the quality and independence of our published work. A description of the arrangements put in place to assure quality and independence can be found on our [website](#). This information details the roles of our Board of Trustees and executive team and the nature of internal and external review at the Fund.

Our partnerships

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

Conflicts of interest policy

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

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

Remuneration policy

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

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

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

The Board of Trustees has delegated responsibility for determining matters of pay and pay-related benefits to its Remuneration Committee. The Committee meets routinely in the winter to agree the following year's percentage increase and arrangements for executive pay. In agreeing the pay award, the Committee considers indicators in the wider economy, what levels of award have been made by organisations the Fund compares itself with and affordability.

Reference and administrative details

Registered office

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

Charity number

1126980

Patron

Her Majesty The Queen

President

His Royal Highness The Prince of Wales

Board of Trustees

The trustees serving during the year and since the year end were:

Sir Christopher Kelly (Chair)

Dame Ruth Carnall

Dr Jane Collins

Dominic Dodd

Simon Fraser

Paul Johnson

Dr Aseem Malhotra

Sir Jonathan Michael

Rt Hon Jacqui Smith

Sub Committees

The committee members serving during the year and since the year end were:

Investment Committee

Mary-Anne Daly [to 18 February 2019]

Dominic Dodd [from 28 February 2018]

Simon Fraser [Chair]

Robert Holmes [from 5 April 2018]

Paul Johnson [from 28 February 2018]
Sir Christopher Kelly
John McLaughlin (from 5 April 2018)
Max Ward

Remuneration Committee

Dame Ruth Carnall (Chair)
Simon Fraser
Sir Christopher Kelly
Sir Jonathan Michael

Nominations Committee

Dame Ruth Carnall
Simon Fraser
Sir Christopher Kelly (Chair)
Sir Jonathan Michael

Audit and Risk Committee

Dr Jane Collins
Dominic Dodd
Sir Jonathan Michael (Chair)

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

Strone Macpherson
Robin Chute
Simon Fraser (Chair)
Sir Christopher Kelly
John Stephen [left 1 December 2018]

General Council

The members serving during the year and since the year end were:

Dr Kamran Abbasi – Executive Editor, The BMJ
Lord Victor Adebawale CBE – Chief Executive, Turning Point
Dr Steve Allder – Neurologist, Re:Cognition Health
Dr Samantha Barrell CBE – Chief Operating Officer, Francis Crick Institute [to 31 December 2018]
Kay Boycott – Chief Executive, Asthma UK
Emma Colyer MBE – Chief Executive, Body and Soul
Professor Yvonne Doyle CB – Regional Director, Public Health England
Dr Navina Evans, Chief Executive Officer, East London Foundation Trust [from 1 January 2019]

Hannah Farrar – Chief Executive, Carnall Farrar
Ceinwen Giles – Trustee, Shine Cancer Support and Point of Care Foundation
Dr Nick Harding OBE – Chair, Sandwell and West Birmingham CCG
Paul Jenkins OBE – Chief Executive, Tavistock and Portman NHS Foundation Trust [to 31 December 2018]
Dr Nikita Kanani – Acting Director of Primary Care, NHS England
Dr Partha Kar – Consultant Endocrinologist, Portsmouth Hospitals NHS Trust
Sir Ron Kerr CBE – Senior Adviser to the Board, Guy's & St Thomas' NHS Foundation Trust
Lord Bob Kerslake – House of Lords
Dr Arvind Madan – Chief Executive Officer, Hurley Group
Professor Nicholas Mays – Professor of Health Policy, London School of Hygiene and Tropical Medicine
Jenny Owen CBE – Non-Executive Director, Royal Free NHS Foundation Trust [to 3 May 2018]
Ben Page – Chief Executive, Ipsos MORI
Dr Niti Pall – Medical Director, KPMG's Global Health Practice [to 31 December 2018]
Sarah Pickup OBE – Deputy Chief Executive, Local Government Association
Amanda Pritchard – Chief Executive, Guy's and St Thomas' NHS Foundation Trust
Charlotte Ramsden – Strategic Director for Children and Adult Services, Salford City Council
Dr Emma Stanton MBE – Chief Executive, Four Eyes Insight Ltd
Jeremy Taylor – Chief Executive, National Voices

KEHF Ltd Board of Directors

Simon Fraser
Professor Chris Ham CBE [to 23 January 2019]
Sir Jonathan Michael
Richard Murray [from 23 January 2019]
Matthew Tolchard

Senior Management Team

Chief Executive – Professor Chris Ham CBE [to 31 December 2018]
Chief Executive – Richard Murray [from 1 January 2019]
Director of Policy – Richard Murray [to 31 December 2018]
Acting Director of Policy – Alex Baylis [from 1 January 2019]
Director of Finance and Operations – Richard Scanlon [to 1 March 2018]
Director of Finance and Operations – Paul Clough [from 17 April 2018]
Director of Leadership and Organisational Development – Marcus Powell [to 27 April 2018]

Director of Leadership and Organisational Development – Suzie Bailey [from 2 July 2018]

Director of Communications and Information – Patrick South

Director of HR – Shirley Collier

Key advisers

Bankers

Regent Street (A) Branch
250 Regent Street
London W1B 3BN

Solicitors

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

Actuaries

Buck Consultants Limited
160 Queen Victoria Street
London EC4V 4AN

Auditor

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

Investment Manager - Investment Portfolio

Stonehage Fleming Investment Management Limited [to 29 March 2019]
15 Suffolk Street
London SW1Y 4HG

Investment Advisers

Cambridge Associates Limited (to 31 January 2019)
80 Victoria Street
London SW1E 5JL

Stanhope Capital LLP (from 29 March 2019)
35 Portman Square
London W1H 6LR

Investment Manager - Investment Property

Savills plc
33 Margaret Street
London W1G 0JD

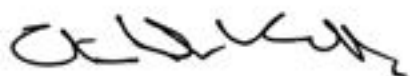
Statement of Trustees' responsibilities

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

Under charity law the Trustees must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the charity and the group and of their net outgoing resources for that period. In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going-concern basis unless it is inappropriate to presume that the charity will continue to operate.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Sir Christopher Kelly

Chair

Date: 14 May 2019

AUDITOR'S REPORT AND ACCOUNTS

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

Opinion

We have audited the financial statements of The King's Fund for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2018 and of the group's incoming resources and application of resources, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K LLP
Statutory Auditor
London

Date: 4 June 2019

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

Consolidated statement of financial activities

for the year ended 31 December 2018

	Notes	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	Total 2018 £000	Total 2017 £000
Income and endowments from:						
Donations and legacies		7	-	-	7	22
Charitable activities:						
Research and analysis		961	204	-	1,165	953
Developing individuals, teams and organisations		2,774	211	-	2,985	2,612
Promoting understanding		88	-	-	88	73
Bringing people together		781	-	-	781	687
Other trading activities	4	4,392	-	-	4,392	3,969
Investments	5	2,511	-	-	2,511	2,301
Other		132	-	-	132	139
Total		11,646	415	-	12,061	10,756
Expenditure on:						
Charitable activities:						
Research and analysis	6	4,796	221	-	5,017	4,706
Developing individuals, teams and organisations		4,371	210	-	4,581	4,263
Promoting understanding		2,444	-	-	2,444	2,574
Bringing people together		980	-	-	980	720
Other trading activities	7	3,199	-	-	3,199	3,067
Investment management costs	8	218	-	370	588	543
Total		16,008	431	370	16,809	15,873
Operating gain/(deficit)		(4,362)	(16)	(370)	(4,748)	(5,117)
Net gains on investments		(2,548)	-	(7,204)	(9,752)	9,923
Net income/(expenditure)		(6,910)	(16)	(7,574)	(14,500)	4,806
Actuarial gain/(loss) on defined benefit pension scheme		7,049	-	-	7,049	3,495
Net movement in funds		139	(16)	(7,574)	(7,451)	8,301
Reconciliation of funds:						
Total funds brought forward	18	82,992	4	125,188	208,184	199,883
Total funds carried forward	18	83,131	(12)	117,614	200,733	208,184

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

The notes on pages 55 to 75 form part of these financial statements. For the comparative analysis see note 22.

Balance sheets

as at 31 December 2018

	Note	Consolidated 2018 £000	Consolidated 2017 £000	Charity 2018 £000	Charity 2017 £000
Fixed assets:					
Tangible assets	11	55,410	56,029	55,410	56,029
Intangible assets	12	358	533	358	533
Investments	13	147,635	161,008	147,685	161,058
Total fixed assets		203,403	217,570	203,453	217,620
Current assets:					
Debtors	15	2,432	2,101	2,220	1,793
Cash at bank and in hand		865	731	466	309
Total current assets		3,297	2,832	2,686	2,102
Current liabilities:					
Creditors: amounts falling due within one year	16	(3,185)	(2,856)	(2,628)	(2,180)
Net current assets		112	(24)	58	(78)
Net assets excluding pension liability					
Defined benefit pension scheme liability	17	(2,782)	(9,362)	(2,782)	(9,362)
Total net assets		200,733	208,184	200,729	208,180
The funds of the charity:					
Expendable endowment funds	18	117,614	125,188	117,610	125,185
Restricted funds	18	(12)	4	(12)	4
Unrestricted funds		85,913	92,354	85,913	92,353
Pension reserve		(2,782)	(9,362)	(2,782)	(9,362)
Total unrestricted funds	18	83,131	82,992	83,131	82,991
Total charity funds	18	200,733	208,184	200,729	208,180

Approved on behalf of the Board of Trustees and authorised for issue on 14 May 2019.



Simon Fraser
Treasurer

The notes on pages 55 to 75 form part of these financial statements.

Consolidated cashflow statement

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Net cash (used in) operating activities	A	<u>(4,969)</u>	<u>(5,127)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		2,497	2,300
Investment management fees		(588)	(543)
Purchase of tangible fixed assets		(409)	(335)
Purchase of intangible fixed assets		(31)	(148)
Net proceeds from sale of investments		<u>3,634</u>	<u>3,619</u>
Net cash provided by investing activities		<u>5,103</u>	<u>4,893</u>
Change in cash and cash equivalents in the reporting period	B	<u>134</u>	<u>(234)</u>
A. Reconciliation of net income/(expenditure) to net cash flow from operating activities			
		2018 £000	2017 £000
Net income/(expenditure) for the reporting period		(14,500)	4,806
Adjustments for:			
Investment income		(2,511)	(2,301)
Net gain on investments		9,752	(9,923)
Investment management fees		588	543
Depreciation and amortisation charges		1,235	1,198
Loss on disposal of fixed assets			22
Other finance cost of the pension scheme		227	319
Current service cost less contributions to the pension scheme		(57)	(22)
Past service costs		300	
Decrease/(increase) in debtors		(331)	92
Increase/(decrease) in creditors		<u>328</u>	<u>139</u>
Net cash (used in) operating activities		<u>(4,969)</u>	<u>(5,127)</u>
B. Movement of cash and cash equivalents			
	At 1 January 2018 £000	Movement £000	At 31 December 2018 £000
Cash at bank and in hand	<u>731</u>	<u>134</u>	<u>865</u>

Notes to the accounts

for the year ended 31 December 2018

1. Charity information

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

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

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

2. Accounting policies

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

Basis of preparation

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

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

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

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

2. Accounting policies (continued)

The Fund's planning process, including financial projections, takes into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. The Fund has a reasonable expectation that its resources are adequate to continue in operational existence for the foreseeable future and that there are no material uncertainties that call into doubt the charity's ability to continue. The accounts have, therefore, been prepared on the basis that the charity is a going concern.

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

Other accounting policies

Donations and legacies

Donations and legacies are recognised in the Statement of Financial Activities when they become receivable, that is when it is reasonably certain that they will be received and where the value can be measured with sufficient reliability.

Grants receivable

Grants receivable are recognised in the Statement of Financial Activities in full in the year in which they become receivable, that is when the conditions for receipt have been met.

Investment income

Income from investments is accounted for when dividends and interest are receivable and includes recoverable taxation. Income received, but not distributed, by pooled funds is included as part of the net gains/losses on investment assets in the Statement of Financial Activities.

Other income recognition

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

All other income is included in the Statement of Financial Activities when The King's Fund is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

The costs of certain support departments are allocated to the principal activities on the basis set out in note 6.

2. Accounting policies (continued)

Pension costs

The King's Fund Staff Pension and Life Assurance Plan (the Plan) is a defined benefit scheme. The current service costs of the Plan, together with the net interest on the net defined benefit liability (calculated at the discount rate), are charged to the Statement of Financial Activities within staff costs. The actuarial gains and losses on the Plan are recognised immediately as other recognised gains and losses.

The assets of the Plan are measured at fair value at the Balance Sheet date. Liabilities are measured on an actuarial basis at the Balance Sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately on the face of the Balance Sheet.

The NHS Pension Scheme is a multi-employer defined benefit scheme. Contributions have been accounted for in the period to which they relate, as if it were a defined contribution scheme.

The King's Fund Group Personal Pension Plan is a defined contribution scheme and contributions have been accounted for in the period to which they relate.

Intangible assets

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

Tangible assets

Tangible assets costing more than £5,000, including any incidental expenses of acquisition, are capitalised and recorded at cost.

Depreciation is calculated so as to write off the cost of the tangible assets on a straight-line basis over the expected useful economic lives of the assets concerned which are taken as:

Plant and machinery:

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

2. Accounting policies (continued)

Furniture, fittings and equipment:

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

Freehold buildings 50 years

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

Freehold land is not depreciated.

Financial instruments

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

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

Foreign currencies

Transactions denominated in foreign currencies during the year are translated at prevailing rates. Assets and liabilities are translated at rates applying at the Balance Sheet date. All differences are taken to the Statement of Financial Activities.

Funds

Expendable endowment: The expendable endowment is maintained to generate income for the benefit of The King's Fund. The capital sum may be spent at the discretion of the Trustees.

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

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

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

3. Taxation

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

4. Income from other trading activities

	2018	2017
	£000	£000
Income from other trading activities comprises:		
External conference and catering services, including sponsorship	3,583	3,238
Income from tenants	488	430
Income from non-charitable consultancy	321	301
	<u>4,392</u>	<u>3,969</u>

5. Income from investments

	2018	2017
	£000	£000
Income from securities and cash assets:		
Equities	1,195	1,555
Bonds	442	448
Cash	39	9
Investment properties	835	289
	<u>2,511</u>	<u>2,301</u>

6. Expenditure on charitable activities

	Research and analysis	Developing individuals, teams and organisations	Promoting understanding	Bringing people together	Total 2018	Total 2017
	£000	£000	£000	£000	£000	£000
Direct expenditure	2,680	2,697	1,087	504	6,968	6,503
Support departments (6a)	<u>2,337</u>	<u>1,884</u>	<u>1,357</u>	<u>476</u>	6,054	5,760
Total expenditure	<u>5,017</u>	<u>4,581</u>	<u>2,444</u>	<u>980</u>	<u>13,022</u>	<u>12,263</u>

6. Expenditure on charitable activities (continued)

6a. Support departments

	Research and analysis	Developing individuals, teams and organisations	Promoting understanding	Bringing people together	Total 2018	Total 2017
	£000	£000	£000	£000	£000	£000
Facilities (1)	629	508	365	143	1,645	1,643
Communications (2)	232	187	134	0	553	483
Other support (3)	1,476	1,190	857	333	3,856	3,634
Total cost of support departments	<u>2,337</u>	<u>1,885</u>	<u>1,356</u>	<u>476</u>	<u>6,054</u>	<u>5,760</u>

(1) Facilities costs have been apportioned based on average headcount of the various departments during the year.

(2) Communication costs have been apportioned based on average headcount of the various departments during the year.

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

7. Expenditure on other trading activities

	2018	2017
	£000	£000
Expenditure on other trading activities comprises:		
External conference and catering services, including sponsorship	3,023	2,886
Cost associated with tenants	16	25
Cost associated with overseas consultancy	160	156
	<u>3,199</u>	<u>3,067</u>

8. Investment management costs

	2018	2017
	£000	£000
Expenditure on investment management costs comprises:		
Fees paid to managers, custodians, administrators and advisers for the discharge of their duties in connection with the investment portfolio and properties	491	490
Property repairs and maintenance	97	53
Other	-	1
	<u>588</u>	<u>549</u>

9. Employees

	2018 £000	2017 £000
Wages and salaries	7,426	7,164
Social security costs (including apprenticeship levy)	849	815
Pension costs	930	832
Total emoluments before final salary pension adjustments	9,205	8,811
Final salary pension adjustments	801	620
Total emoluments after final salary pension adjustments	10,006	9,431

Included in the above pension costs is £394,000 (2017: £436,000) relating to the current employer service costs of the defined benefit pension scheme, £300,000 (2017: 0) relating to past service costs of the defined benefit pension scheme and £43,000 relating to settlement agreement payments (2017: £101,000).

Average number of staff:	2018	2017
Research and analysis	31	31
Developing individuals, teams and organisations	25	24
Promoting understanding	18	19
Bringing people together	7	5
Other trading activities	14	14
Facilities	11	10
Communications	6	7
Other support departments	24	23
Total	136	133

The number of employees with remuneration (employee benefits excluding employer pension costs) exceeding £60,000 were:	2018	2017
£60,000 - £69,999	10	7
£70,000 - £79,999	9	4
£80,000 - £89,999	5	6
£90,000 - £99,999	6	5
£100,000 - £109,999	-	1
£110,000 - £119,999	3	3
£120,000 - £129,999	-	1
£130,000 - £139,999	1	1
£140,000 - £149,999	-	1
£240,000 - £249,999	-	1
£250,000-£259,999	1	-

9. Employees (continued)

Contributions were made to The King's Fund Staff Pension and Life Assurance Plan, which is a defined benefit scheme, for 5 (2017: 5) higher-paid employees and to the NHS Pension Scheme, which is also a defined benefit scheme, for 6 (2017: 5) higher-paid employees. Contributions totalling £242,000 (2017: £178,000) were made to The King's Fund Group Personal Pension Plan, which is a defined contribution scheme, for 22 (2017: 16) higher-paid employees.

The total employee benefits, including employer pension costs, received by the Chief Executive in 2018 were £251,326 (2017: £240,383).

The key management personnel of the charity comprise the Trustees and the senior management team. None of the Trustees have been paid any remuneration, or received any other benefits from an employment with the charity or a related entity. One Trustee was reimbursed £141 for expenses incurred (2017: £0). The total employee benefits, including employer pension costs and National Insurance, received by the key management personnel in 2018 were £1,019,000 (2017: £1,053,000).

10. Resources expended on governance

	2018	2017
	£000	£000
Auditor's remuneration		
- external audit fees (charity)	24	23
- external audit fees (KEHF Limited)	4	4
Meeting costs	4	4
	32	31

Fees totalling £9,965 (2017: £14,565) were payable to the auditors for taxation and internal audit services.

11. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Furniture, fittings and equipment £000	Total assets 2018 £000
Cost				
At 1 January	55,350	4,742	3,284	63,376
Additions	-	73	336	409
Disposals	-	(1)	(24)	(25)
At 31 December	<u>55,350</u>	<u>4,814</u>	<u>3,596</u>	63,760
Depreciation				
At 1 January	1,951	3,066	2,330	7,347
Charge for the year	486	216	326	1,028
Disposals	-	(1)	(24)	(25)
At 31 December	<u>2,437</u>	<u>3,281</u>	<u>2,632</u>	8,350
Net Book Value At 31 December	<u>52,913</u>	<u>1,533</u>	<u>964</u>	<u>55,410</u>
Previous year	<u>53,399</u>	<u>1,676</u>	<u>945</u>	56,029

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

As at 31 December 2018 the King's Fund had capital commitments for the refresh of the Burdett suite totalling £304,000 (2017: £0).

12. Intangible fixed assets

	2018 £000	2017 £000
Cost		
At 1 January	871	723
Additions	31	148
At 31 December	<u>902</u>	<u>871</u>
Amortisation		
At 1 January	338	171
Charge for the year	206	167
At 31 December	<u>544</u>	<u>338</u>
Net Book Value At 31 December	<u>358</u>	<u>533</u>
At 1 January	<u>533</u>	<u>552</u>

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

13. Fixed asset investments

	2018	2017
	Total	Total
	£000	£000
Securities:		
Equities	87,656	99,021
Index-linked bonds	10,529	10,383
Fixed interest bonds	11,338	10,198
Private equity funds	4,848	5,404
Cash and cash equivalents	8,268	11,850
Investment properties	24,996	24,152
Consolidated total	147,635	161,008
Shareholding in subsidiary company	50	50
Charity total	147,685	161,058

Within the total securities, £109,523,000 is classified as Level 1 as defined by IFRS 7, that is 'the investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date'. The remaining £4,848,000 is classified as Level 3, that is 'the investment is measured using unobservable inputs at the reporting date'. The Level 3 amount comprises two private equity funds of funds. No readily identifiable market price is available for these unquoted funds and therefore they are included at the most recent valuations provided by the manager.

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

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

The Fund has freehold interest in two investment properties. The Old Basing Estate is a mixed agricultural estate extending to approximately 981 acres and has been included at fair value of £14,430,000 (2017: £14,951,000) based on a valuation by Savills as at 31 December 2017 adjusted by management for market trends in 2018. In 2015 the Fund purchased a freehold interest in properties at 7-10 Dean's Mews which adjoin the Fund's offices at 11-13 Cavendish Square. In 2016 planning permission was granted to redevelop the properties. These properties have been included at fair value, which is estimated to be their purchase cost plus development costs incurred to date

less an allowance for the expected market value after development of £10,566,000 (2017: £9,201,000).

13. Fixed asset investments (continued)

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

	2018 £000	2017 £000
Opening balance at 1 January	161,008	154,704
Net monies (disinvested)	(3,621)	(3,619)
Increase on revaluation	(9,752)	9,923
	147,635	161,008
Shareholding in subsidiary company	50	50
	147,685	161,058
Closing balance at 31 December	147,685	161,058

14. Subsidiary company

KEHF Limited, a company registered in England number 2754697, began trading on 2 August 2007 having previously been reported as a dormant company.

The authorised share capital of the company is 50,000 shares of £1 each. The King's Fund owns all of the shares and is therefore the sole member of the company. The company has four directors comprising two King's Fund Trustees and two King's Fund employees.

The activities undertaken by the company comprise the letting of conference space within the premises of The King's Fund to third parties, along with the provision of catering and other related services. In addition, KEHF Limited manages sponsorship arrangements, including with partners and supporters, and consulting activities that are outside the charitable objects.

In the year to 31 December, the company had income of £4,008,000 (2017: £3,639,000) and incurred expenditure of £2,913,000 (2017: £2,781,000) thereby generating an operating profit of £1,095,000 (2017: £858,000). The directors have made donations in the year of £1,095,182 to The King's Fund through Gift Aid. The resultant accumulated surplus of KEHF Limited at 31 December 2018 is £4,000.

Excluding KEHF Limited's results, the charity's total income in 2018 was £10,425,000 (2017: £9,134,000) and the charity's net decrease in funds was £7,451,000 (2017: net increase of £8,300,000).

15. Debtors

	Consolidated 2018 £000	Consolidated 2017 £000	Charity 2018 £000	Charity 2017 £000
Trade debtors	1,588	999	1,139	635
Amounts owed by KEHF Limited	-	-	220	89
Prepayments	263	197	262	195
Other debtors and accrued income	581	905	573	874
Donations from KEHF Limited	-	-	26	-
	2,432	2,101	2,220	1,793

16. Current liabilities: amounts falling due within one year

	Consolidated 2018 £000	Consolidated 2017 £000	Charity 2018 £000	Charity 2017 £000
Trade creditors	691	659	514	494
Amounts owed to KEHF Limited	-	-	21	3
Deferred income - see analysis below	1,460	1,239	1,076	745
Taxation and social security	364	349	364	349
Other creditors and accruals	670	610	653	589
	3,185	2,857	2,628	2,180
	Balance at 1 January 2018 £000	Released during the year £000	Additional deferrals £000	Balance at 31 December 2018 £000
Deferred income analysis				
Programme fees received in advance	745	(745)	1,076	1,076
Charity total	745	(745)	1,076	1,076
Other deferred income including KEHF Limited	494	(494)	384	384
Consolidated total	1,239	(1,239)	1,460	1,460

17. Pension schemes

The King's Fund Staff Pension and Life Assurance Plan

The King's Fund Staff Pension and Life Assurance Plan (the Plan) is a defined benefit scheme. The Plan was open to all employees of The King's Fund who were not members of another scheme until it was closed to new members on 28 February 2008.

	2018	2017
	£000	£000
The amounts recognised in the Balance Sheet are as follows:		
Fair value of Plan assets	53,901	57,631
Present value of Plan liabilities	(56,683)	(66,993)
Net Plan liability	(2,782)	(9,362)

	2018	2017
	£000	£000
The movement in defined benefit obligations over the year was as follows:		
Present value of obligations at start of year	66,993	66,065
Current employer service cost	394	436
Past service cost	300	-
Employee contributions	91	101
Interest costs	1,652	1,698
Actuarial (gains)/losses	(10,942)	255
Benefits paid	(1,805)	(1,562)
Closing value of the Plan liability	56,683	66,993

	2018	2017
	£000	£000
The movement in the fair value of assets over the year was as follows:		
Opening fair value of Plan assets	57,631	53,505
Return on Plan assets in excess of/ (lower than) interest income	(3,892)	3,751
Interest income on Plan assets	1,425	1,378
Employee contributions	91	101
Employer contributions	451	458
Benefits paid	(1,805)	(1,562)
Closing fair value of Plan assets	53,901	57,631

17. Pension schemes (continued)

Employer contributions in 2018 included £331,000 (2017: £322,000) in respect of past service costs. In addition, the Plan has pension liabilities which are insured with a value of approximately £170,000 (2017: £175,000). The value of these liabilities has been excluded from both the assets and the liabilities since the liability is matched directly by an asset of equal value.

	2018	2017
	£000	£000
Total (expense) recognised in the Statement of Financial Activities:		
Current employer service cost	(394)	(436)
Past service cost	(300)	-
Net interest on the net defined benefit obligation	(226)	(319)
Return on Plan assets excluding interest income	(3,893)	3,751
Actuarial gains/(losses) arising from change in assumptions	10,942	(255)
Total income/(expense) recognised in the Statement of Financial Activities	6,129	(2,741)
Proportion of total Plan assets by asset class:		
Equities (including property)	62%	64%
Bonds	29%	27%
Index-linked	9%	9%
Cash and equivalents	0%	0%

The overall expected rate of return on the Plan assets is determined by applying each asset type's expected long-term rate of return to that asset type's market value and calculating a weighted average rate of return over all asset types.

	2018	2017
	£000	£000
Actual return/(loss) on Plan assets	(2,467)	5,129
The principal actuarial assumptions used at the balance sheet date:		
Discount rate	2.90%	2.50%
Rate of increase in salaries	2.70%	3.15%
General price inflation	2.20%	2.15%
Rate of increase in pension payments:		
Service prior to 1 April 2000	4.25%	4.20%
Service after 1 April 2000	3.10%	3.05%

17. Pension schemes (continued)

The King's Fund expects contributions of £203,000 to be made to the Plan in the year ending 31 December 2019 (excluding contributions made by employees). This sum includes payments of £0 in respect of past service costs from the most recent formal valuation date of 1 April 2018.

NHS Pension Scheme

The Fund contributes to the NHS Pension Scheme, a defined benefit scheme, for 12 (2017: 11) eligible members of staff as at 31 December. In 2018 The Fund contributed £111,000 (2017: £122,000) to the scheme. The employer's contribution rate is set by the Government Actuary at 14.4 per cent.

The King's Fund Group Personal Pension Scheme

The Fund contributes to the Group Personal Pension Scheme, a defined contribution scheme established in 2008, for 107 (2017: 91) members of staff as at 31 December. The Fund contributed £567,000 (2017: £451,000) to the scheme. The employer's contribution rates are double each individual employee's contribution rate within the range from 6 per cent to 12 per cent of pensionable salary.

The pension charges for the period are shown below:	2018 £000	2017 £000
The King's Fund Staff Pension and Life Assurance Plan	252	259
NHS Pension Scheme	111	122
The King's Fund Group Personal Pension Scheme	567	451
Total charges	930	832

18. Split of assets between funds

	Expendable endowment £000	Restricted funds £000	Unrestricted funds £000	Total funds 2018 £000	Total funds 2017 £000
Tangible assets	-	-	55,410	55,410	56,029
Intangible assets	-	-	358	358	533
Investments: securities	105,357	-	17,282	122,639	136,856
Investments: property	12,257	-	12,739	24,996	24,152
Net current assets/(liabilities)	-	(12)	124	112	(24)
Pension fund reserve	-	-	(2,782)	(2,782)	(9,362)
Total funds	117,614	(12)	83,131	200,733	208,184

19. Movements in funds

	At the start of the year £000	Incoming resources and gains £000	Outgoing resources and losses £000	Transfers £000	At the end of the year £000
Restricted funds					
Department of Health and Social Care with University of York	4	146	(152)	-	(2)
Department of Health and Social Care with University of Manchester	-	16	(16)	-	-
Comic Relief and Big Lottery	-	161	(164)	-	(3)
Other	-	50	(46)	-	4
		42	(53)		(11)
Total restricted funds	4	415	(431)	-	(12)

There were two projects funded by the Department of Health and Social Care. The first is run jointly with the University of York and provides a fast response research and analytical facility to the Department. In 2018 a number of pieces of work were undertaken, including collating international examples of approaches to identifying population groups with greatest health needs, reviewing practice in managing transitions from children to adult learning disability services, and a comparison of selected countries' approaches to managing the pricing of pharmaceuticals. The second project funded by the Department is in partnership with the University of Manchester and this undertook research into the effects of the Care Quality Commission's new inspection and rating system on provider performance.

The Comic Relief and Big Lottery Fund grant is to develop and deliver the Cascading Leadership programme for voluntary and community sector leaders in health and care. The project started in 2017; the work funded by Comic Relief was completed in December 2018 and the remaining grant will be spent in 2019. In total the funding is £252,000 (£177,000 from Big Lottery and £75,000 from Comic Relief), of which £72,000 was spent in 2017; the additional income will be recognised in the accounts as the work is delivered.

In 2018 a new grant was awarded by Big Lottery (now called The National Lottery Community Fund) to extend the Cascading Leadership programme. The programme started in 2018 and £116,000 of funding had been received by 31 December 2018; the additional income will be recognised in the accounts as the work is delivered.

20. Related party transactions

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

- In 2018 the charity charged KEHF Limited management fees totalling £394,000 (2017: £354,000). This is calculated as a percentage of external income.
- In 2018 the charity charged KEHF Limited licence fees totalling £782,000 (2017: £718,000). This is calculated as a percentage of room hire income from external conference and catering services.
- In 2018 KEHF Limited charged the charity administration fees totalling £89,000 (2017: £83,000). This is calculated as a percentage of internal room hire costs.
- As at 31 December 2018 KEHF owed the charity £26,000 of additional gift aid (2017: £0). For the total Gift Aid payable in the year see note 14 above.

21. Operating leases

21a. Lessor

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

	2018 £000	2017 £000
Not later than one year	720	544
Later than one year and not later than five years	1,007	699
Later than five years	277	47
Total	<u>2,004</u>	<u>1,290</u>

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

21. Operating leases (continued)

21b. Lessee

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

	2018 £000	2017 £000
Not later than one year	-	14
Total	-	14

The operating lease for photocopiers was not renewed.

22. Comparative statements

22a. Comparative split of assets between funds

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

22b. Comparative movements in funds

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

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

The Comic Relief and Big Lottery Fund grant is to develop and deliver the Cascading Leadership programme for voluntary and community sector leaders in health and care. The project started in 2017. In total £168,000 of funding had been received by 31 December 2017 (£118,000 from the Big Lottery and £50,000 from Comic Relief); the additional income will be recognised in the accounts as the work is delivered in 2018.

22. Comparative statements (continued)

22c. Comparative consolidated statement of financial activities

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

