

Annual report and financial statements

For the year ended 31 December 2018



2018



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31 December 2018

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Introduction from the Chief Executive and Chair

The Health Foundation has a twin mission – to improve health and to improve health care for people living in the UK. We are independent, ambitious and fortunate to be able to invest boldly for both the long and the short term. We fund innovations on the frontiers of health and care to make a bigger difference on the ground. We also put a lot of energy into effective research and evaluation, working with many respected partners.

Through these activities, and their effective communication, we seek to help shape services on the ground, as well as influence national and international policy. Our job is not to fill gaps in current services, but to spot and test potential innovations in work on the ground, or in research, and spread insights widely.

Celebrating progress

High-profile successes in 2018 included a landmark joint publication in May looking at how NHS spending has changed over the past 70 years, the spending pressures over the next 15 years, and how money might be raised to meet those pressures (*Securing the future: funding health and social care to the 2030s*). We also collaborated with respected partners to publish a series of reports for the BBC marking the NHS's 70th birthday in July.

Our deep-dive quantitative analyses on quality of care and analyses using new forms of data linkage have offered important new insights for those providing services and shaping them via policy. For example, understanding the rise in demand for emergency admissions; understanding the impact of loneliness; parental mental health; and support in social care on use of hospital care.

Our policy analysis included *Unfinished business*, a report co-authored by Sir Mike Richards, looking at progress in cancer care over two decades. The findings of this unique research helped shape *The NHS long term plan*, as well as the future of cancer services, and has provided a model for future Health Foundation research in other clinical areas.

2018 saw the official launch of The Health Improvement Studies (THIS) Institute – funded by the Health Foundation and led by University of Cambridge to develop and accelerate the volume of good quality studies to improve the delivery of health services. We continued to grow the 'Q' community – a network of people across the UK committed to improving health care.

We continued to fund teams across the UK to test, develop and scale up innovative solutions to some of the biggest challenges facing health and social care. For example, through our Innovating for Improvement programme, 23 projects across the UK were selected and received awards of up to £75,000 each in 2018. Two-thirds of projects were in settings such as mental health, primary care, social care and community health. We published *The spread challenge*, a landmark analysis of what might help innovations spread (drawing on a decade of funding service-based innovations), which has been widely shared and influenced *The NHS long term plan*.

We made firmer strides towards our mission to help improve health for the UK population, for example by publishing well-received analyses of funding for public health, as well as publishing early findings from an innovative programme of research and engagement into the prospects for young people's future health and wellbeing.

Looking to the future

There is a strong feeling of momentum at the Health Foundation that the investments we have made over the last decade are now bearing fruit, and new investments focus on vital areas that may show the way for the future.

The new strategic plan covering the 2019–2021 will see us build on what we are already doing for more impact. Our four main aims over this period are to:

- promote healthy lives for all
- understand the quality of health and care
- support health care improvement
- make health and care services more sustainable.

In each area, we have an ambitious portfolio of work, in-house and externally commissioned, in highly innovative areas. For example, in 2018 the Foundation committed to founding the Sustainability Research Centre, which will commission and undertake research on the long-term demand and cost trends affecting health and social care. The aim of the centre is to provide a big boost to the evidence base to inform policy and planning for the medium term.

Our own achievements in 2018 are due to the hard work and commitment of staff, governors and partners, and we look forward to making more progress in 2019, always for the benefit of the UK population and, in particular, the most vulnerable in society.

Dr Jennifer Dixon (Chief Executive) and Sir Hugh Taylor (Chair)
The Health Foundation

Legal and administrative information

Governors	Sir David Dalton Martyn Hole Bridget McIntyre Melloney Poole David Zahn Branwen Jeffreys Rosalind Smyth Sir Hugh Taylor Eric Gregory Loraine Hawkins Ruth Hussey (appointed 9 February 2018) Sharmila Nebhrajani (appointed 9 February 2018)
Charity number	286967
Company number	01714937
Registered office	90 Long Acre London WC2E 9RA
External Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	Bircham Dyson Bell LLP 50 Broadway London SW1H 0BL Bates, Wells & Braithwaite LLP 10 Queen Street Place London EC4R 1BE
Investment Fund Managers	See pages 79 - 83
Custodian and Performance Measurement	Northern Trust 50 Bank Street Canary Wharf London E14 5NT
Investment Advisers	Cambridge Associates Limited 80 Victoria Street London SW1E 5JL

Governors' report

Strategic report

The governors of the Health Foundation present their annual report for the year ended 31 December 2018 under the Charities Act 2011, incorporating the strategic and Trustees' reports under the Companies Act 2006, together with the audited financial statements for the year.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Foundation's Articles of Association, the Companies Act 2006 and 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)'.

Vision and objectives of the Health Foundation

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

Our aim is a healthier population, supported by high-quality health care that can be equitably accessed. We learn what works to make people's lives healthier and improve the health care system. From giving grants to those working on the front line, to carrying out research and policy analysis, we shine a light on how to make successful change happen.

We make links between the knowledge we gain from working with those delivering health and health care and our research and analysis. Our aspiration is to create a virtuous circle, using what we know works on the ground to inform effective policymaking and vice versa.

We believe good health and health care are key to a flourishing society. Through sharing what we learn, collaborating with others and building people's skills and knowledge, we aim to make a difference and contribute to a healthier population.

The objects for which the Foundation is established are the advancement of health, including public health, wellbeing and the delivery of health and social care, and any other objects and purposes which are exclusively charitable according to the laws of England and Wales, in particular (without limitation) by: promoting projects to improve health and research into health, and utilising and making available the useful results.

The Health Foundation's operational plans are set in the context of its charitable objectives and financial resources. The plans are developed to maximise outcomes and impact as the governors are mindful of the Charity Commission's guidance on public benefit.

Activities and achievements in 2018

During 2018, we focused on ways to bring about better health and health care for people living in the UK. We awarded grants to improve health care, carried out research and analysis, invested in long-term change initiatives and enabled collaboration through our networks. We shared our insights, analysis and what we know works on the ground to inform effective policymaking and practice on the front line.

We built on our work in previous years and focused on our two main strategic objectives:

- a healthier UK population
- to improve health care delivery.

Here we report on a selection of our activities and achievements during 2018.

A healthier UK

What makes us healthy?

We continued our popular ‘**What makes us healthy?**’ series of infographics and blogs, raising awareness and understanding of the social determinants of health. In 2018, we produced infographics and blogs on how work, transport, financial resources, and social connections affect our health. Our quick guide to social determinants was published in March, and became our most popular 2018 publication, with nearly 4,000 people visiting the webpage within the first month. It continued to perform well throughout the year, with 3,000 printed copies distributed to stakeholders across the country so far.

We worked with the FrameWorks Institute, specialists in reframing messages on a range of social issues, to carry out research exploring how the public think about health, and how we can communicate more effectively about how to improve health in the UK. The preliminary findings were presented at the Association of Directors of Public Health conference in December and we have had much interest from the public health community.

We worked to develop the capability of the public health community to provide system leadership by supporting the UK Public Health Network and sponsoring a cohort of Directors of Public Health to participate in the Forward Institute’s leadership programme. We also did our first grant-making programme in this field, giving grants to five organisations in the UK Public Health Network to take action on the social determinants of health (working with partners from beyond the health sector).

The next generation

In 2018, we published two reports sharing the outputs from two in-depth pieces of engagement work – *Listening to our future* and *A place to grow*. Both reports highlighted the challenges young people (aged 12–24) face in making a smooth transition into adulthood. The latter explored the experiences of young people across five locations in the UK: North Ayrshire, Lisburn, Denbighshire, Bradford and Bristol. During the site visits we trained around 12 peer researchers to run workshops in each place with young people aged 16–24. Including the peer researchers, more than 600 young people were reached across the site visit programme. Both reports received widespread interest, building awareness of how the period from 12–24 years of age is a critical time for long-term health, and have set an agenda for our work in this area in 2019 and beyond.

Health as an asset

In 2018, we continued our efforts to move the conversation towards good health as an asset, rather than ill health as a burden. This was the first year of activity for the six innovative projects we have funded to research the social and economic value of health. The projects span a range of age groups and different social and economic outcomes, and each will run for up to 3 years. Research topics are as follows:

- Causal effects of alcohol and mental health problems on employment outcomes: harnessing UK Biobank and linked administrative data (University of Glasgow).
- Does childhood obesity hinder human capital development? (Imperial College London).
- Social and economic consequences of health: causal inference methods and longitudinal, intergenerational data (University of Bristol).
- The causal impact of health on labour market outcomes: consequences for individuals and households (University of Sheffield).
- The economic and social value of health from childhood to later life (UCL Centre for Longitudinal Studies).

Evidence for improving the public's health

Our 'X Factor for evidence for the public's health' event held in February 2018 generated significant interest. It was watched (in person and through livestream) by 300 people on the night and subsequently had a further 600 views online. The five presentations plus a further seven contributions were collated into a set of essays illustrating the breadth of disciplines that can contribute to building better evidence for improving people's health.

Bringing people together

In 2018, we worked in partnership with nine other organisations to set up a collaboration to raise awareness in the UK of the evidence on the social determinants of health and what can be done to address them. The Collaboration for Wellbeing and Health has begun to work on joint programmes, including exploring opportunities for joint influencing and communications projects, and carrying out place-based work to support the co-production of services.

The board also agreed to invest up to £15m in the Collaboration for Wellbeing and Health over the next 7 years to build on this work and deliver the ambition to take cross-sector action to create the conditions for people to live healthy lives. The other members of the Collaboration for Wellbeing and Health are the Local Government Association, the National Lottery Community Fund, Joseph Rowntree Foundation, Institute for Health Equity, New Philanthropy Capital, What Works Wellbeing, People's Health Trust, Race Equality Foundation and the Royal Society for Public Health.

Prevention research

We are a core funder of a new initiative in prevention research: the UK Prevention Research Partnership (UKPRP). Grants made by this initiative will support multidisciplinary research teams to investigate the 'upstream' determinants of health. The alliance of funders in this partnership includes research councils, the UK health departments and other health charities. The first (current) UKPRP funding call, launched in October 2017, included outline and full application stages, with assessment by an expert review group (ERG) at both stages. Following assessment of 57 eligible outline applications, 12 applicants (6 consortia and 6 networks) were invited to submit full proposals for assessment by the ERG. Interviews were held on 19-20 February 2019, with a final decision being made by the end of March. Planning for the second round of funding, for launch later in 2019, has already begun.

Improving health care delivery

Understanding the quality of health and care

In 2018, we continued to provide national leaders with independent analysis and insight about the quality of health and social care for people living in the UK. We do this through policy analysis, tracking trends in quality, conducting research to understand the causes of poor-quality care and evaluating the impact of significant changes to care delivery.

We have continued QualityWatch, our partnership with the Nuffield Trust to track the main indicators of care quality in England, including improving the website and social media presence in 2018. We have also established a greater capability to track key indicators in-house and have provided regular comment in the national and local media about care quality, giving a much-needed balanced and evidence-based perspective about what is happening to pressures on the NHS and outcomes for patients.

For the NHS's 70th birthday in July, we collaborated with the Nuffield Trust, The King's Fund and the Institute for Fiscal Studies on a series of reports for the BBC, including one on how good the NHS is. This report included an international comparison of care quality, which we have built on through a global research collaboration that is now comparing how 12 countries provide care to patients with complex needs. The provisional outputs from that collaboration were presented at an international symposium of health ministers and leaders in Washington DC, USA in November 2018.

Tracking trends in quality is essential, yet there is also a need to go deeper to understand the root causes of problems. Our research is doing that using novel data sets that track the journeys of individual patients through the health and social care system, which we analyse within our accredited secure data environment. 2018 was a bumper year for outputs from this research programme.

In July, we published a research paper showing the link between parental mental health and children's use of health care, which suggested a need for general practice to support households as well as individuals. In August, we published a briefing on the link between emergency admissions and the ability of individuals to manage their own health care, which underlined the need for health care organisations to support individuals to self-manage. This was followed up in November by the results of our research into the health needs of people with multiple conditions, which made the case for a greater focus on this group of people in national policy. In December, we published the results of research into older people living alone, which found high levels of emergency care use, suggesting that individuals could be better supported. We also published, in May, a summary of our research to date on emergency admissions.

We have continued our collaboration with NHS England on the Improvement Analytics Unit, an innovative partnership that provides rapid and robust information on the impact of significant changes to care delivery. In June, we published our findings of the impact of providing enhanced support to care home residents in Sutton, which, combined with our previous work, informed the announcement made by the Prime Minister in December to increase investment into health in care homes. Then, in September, we published our findings on the impact of integrated care teams on hospital use in Hampshire. We concluded that the teams did not reduce emergency admissions, and that more realistic planning assumptions may be needed regarding future demand for health care. We funded an

independent evaluation of the Improvement Analytics Unit in 2018, which found that the unit is providing analysis that local teams find hard to access but can contribute to improved national policy through building an evidence base for change. The unit continues to learn about how to improve its offer and ways of working, and in 2018 invested in streamlining its processes so that it can conduct evaluation more rapidly.

Our policy analysis included a landmark report in November on cancer care, co-authored by Sir Mike Richards, looking at progress in cancer care over two decades. It found that progress has been made on reducing mortality and improving the chances of survival and the experience of care, for people in England diagnosed with cancer. The findings of the research helped shape *The NHS Long Term Plan* and influence the design of cancer services going forward, as well as providing a model for future work at the Health Foundation in other clinical areas.

Over the past 4 years, the Health Foundation has built up a special capability to use data to assess the quality of health and social care. However, we know that NHS organisations and local authorities often cannot access similar levels of capability, and that sometimes analytical teams are underdeveloped, with a poor understanding among senior leaders about how data can be used to improve the quality and operational efficiency of care. The Health Foundation has been tackling this problem by opening up new funding streams to allow analytical teams to use data in novel ways that contribute to building capability and supporting networks such as the Association of Professional Healthcare Analysts and the NHS-R community. We are now reaching into a wide number of organisations across the UK health and care sectors through our work, and hearing that we are making a real impact.

Bringing about long-term sustainability for health and social care services

In 2018, we continued to provide research, analysis and commentary on the key drivers of long-term sustainability for health and social care in the UK. In May we published two reports, and funded another two, on social care funding. These reports highlighted the findings from a comprehensive research programme from the Health Foundation, The King's Fund, the Institute for Fiscal Studies and Ipsos MORI. They assessed the financial, policy and public perception implications for a series of alternative funding options to the current social care system in England. We also published work from Ipsos MORI on public attitudes to social care.

This, along with Health Foundation analysis and the results from questions from the British Social Attitudes survey, was drawn together in an overarching report *A fork in the road: next steps for social care funding reform*, which we published jointly with The King's Fund. This report drew together this research to present a comprehensive analysis of social care funding alternatives: a policy map of the issues, which included costs, financing options and public attitudes. This summary report was launched in May at an event at the Health Foundation.

We published the latest instalment of our ongoing annual analysis of NHS finances – *False economy: an analysis of NHS funding pressures* – looking in depth at the state of NHS finances in 2016/17.

A joint research project between the Health Foundation and the Institute for Fiscal Studies (IFS), commissioned by the NHS Confederation, was published in May. The final report, *Securing the future: funding health and social care to the 2030s*, looked at how NHS spending has changed over the past 70 years, the spending pressures over the next 15 years, and how money might be raised to meet those pressures. The Health Foundation's chapter looked at how much health spending would need to rise to provide the level of service it does today, and how much it would need to modernise and improve for the future. These findings are the result of careful 'bottom-up' modelling of supply and demand factors in the health and social care sectors, including demographic change, population health and cost data.

The research was widely reported and referred to by key decision-makers and stakeholders as seminal in the debate around NHS and social care funding. Our evaluation of its launch impact provides strong indications that the research directly influenced the funding settlement announced for the NHS in June 2018.

In November we published *Budget 2018: what it means for health and social care*, a joint analysis of the Chancellor's Autumn Budget with The King's Fund and Nuffield Trust.

Also in November, we published a joint analysis of the scale of workforce challenges facing the health service in England and the threat this poses to the delivery and quality of care. *The health care workforce challenge in England: make or break?* was again produced jointly with The King's Fund and Nuffield Trust.

Supporting health care improvement

In January 2018, in partnership with the Innovation Unit, we published the report *Against the odds: successfully scaling innovation in the NHS*, which highlighted the need to create the right conditions for spreading health care innovations across the NHS. In September 2018, we also published *The spread challenge*, which sets out the changes in approach needed to improve the uptake of new ideas and practices. *The spread challenge* garnered widespread attention, with 1,831 unique downloads before the end of 2018, leading to a number of speaking engagements and presentations to national policy makers and those working in the NHS. Some of this learning was also published in an article in the US journal *Health Affairs*.

In February, we launched a programme to explore social franchising as a new approach to scaling health and social care interventions. Four teams were selected to participate in the programme:

- IRIS – improving identification of and support for individuals experiencing domestic violence and abuse through partner agencies training GPs and supporting referrals to appropriate services.
- PINCER – reducing prescription errors in primary care through a pharmacist-led audit tool, educational outreach and dedicated support for GPs.
- PROMPT – multi-professional training package for obstetric care.
- Pathway – enhanced care coordination for homeless people admitted to hospitals.

Supported by technical provider Spring Impact, the teams worked to develop their replication strategies and franchise models. The teams are now working to implement their social franchising models developed during the initial phases of the programme across two to four sites each.

The teams taking part in our wider range of programmes to support the spread of improvement have been demonstrating positive impact and gaining national recognition. For example, Coventry and Warwickshire NHS Foundation Trust has been spreading a new model of community care designed to reduce social isolation and improve mental health for people with chronic obstructive pulmonary disease (COPD) across the East and West Midlands as part of our Spreading Improvement programme. The 12-month evaluation published in February 2018 showed that the service improved participants' health status and reduced the level of impact of COPD on participants' lives (within a cohort of 67) at 3 and 6 months after starting the intervention. The intervention improved participants' ability to self-manage their condition, with 35% increasing their Patient Activation Measure rating by the end of the evaluation period.

In addition, three projects from our Scaling Up programme were selected by the AHSN Network to receive funding and support for national adoption and spread during 2018-2020:

- Emergency Laparotomy Collaborative (Scaling Up Round 1), led by Royal Surrey County Hospital.
- PINCER (Scaling Up Round 1), led by Lincolnshire Community Health Services.
- PReCePT2 (Scaling Up Round 3), led by University Hospitals Bristol NHS Trust.

Funding programmes and fellowships

Efficiency Research Programme

In 2018, we made seven research awards, committing a total of £3m, that will generate fresh insight into health and social care workforce productivity and retention as part of our longstanding Efficiency Research Programme. The spend amount for this round was significantly higher than in previous rounds due to the high quality and wide breadth of the research proposals submitted. Two of the seven awards explore labour productivity – one in primary care and one in acute care – with the remaining five awards focused on generating an increased system understanding of retention in a range of settings including mental health, primary care, social care and acute care. Workforce productivity and staff retention are critically under-researched areas and this complementary portfolio of research awards will shed new light on the nuances of these important contributors to overall system sustainability. All projects are between 3 and 5 years in length.

Innovating for Improvement

Following a highly competitive selection process for the seventh and latest round of the Innovating for Improvement programme, 23 projects were selected to receive awards of up to £75,000 each to test innovative approaches to a wide range of health care challenges. These included addiction to medication bought online and young patients' anxiety around MRI scans. Eight of the projects are specifically directed at supporting the workforce to improve care, which is a suggested theme for this round of the programme. There is real geographical and sectoral diversity amongst the selected projects, with three located in Wales and two in Northern Ireland, and with two thirds of projects in settings such as mental health, primary care, social care and community health.

Projects from recent rounds of the programme are demonstrating improvements to patient care which are being sustained or spread locally. For example, in Round 5 of this programme, which concluded during 2018, First Contact Clinical and NHS South Tyneside CCG applied a stepped care approach to psychosocial support for patients with long-term conditions in a sample of 30 patients. Early results are promising and indicate a reduction in unplanned primary care visits, with the team observing an average reduction from 10 to 3.3 unplanned primary care visits per patient in the 9 months following the intervention. In Round 6 of the programme, which has recently completed, NAViGO Health and Social Care CIC (a social enterprise providing mental health care) has developed a data dashboard which was shown to help community mental health clinicians in north-east Lincolnshire identify patients at risk of self-harm and suicide. The percentage of people on the severe mental illness register in north-east Lincolnshire receiving a physical health check rose from 40% at the point of implementing the dashboard to 80% 10 months later.

Meanwhile, Innovating for Improvement projects from earlier rounds of the programme have continued to achieve success and gain recognition, such as the Rapid Access to Pulmonary Investigations and Diagnosis project (Round 3) led by Manchester University NHS Foundation Trust, which won an *HSJ* Award in the Acute or Specialist Services Redesign category in November for its work to reduce waiting times for patients with suspected lung cancer. The Care Home Continence Promotion project (Round 3) led by NHS Lanarkshire Health Board also received accolades, winning the Integrated Care for Older People category at the Scottish Health Awards in November.

GenerationQ

GenerationQ is our leadership development and quality improvement programme, which provides an opportunity for senior leaders working in and with the health service to gain a postgraduate certificate. The year began with us announcing the successful candidates for Cohort 8, with Fellows from a range of clinical and managerial backgrounds, including a high proportion of senior leaders working in mental health, as well as two Fellows with nursing backgrounds. In November, we opened for applications to Cohort 9 of GenerationQ, with the aim of recruiting another diverse cohort of 18 high-calibre Fellows. Successful candidates were announced in early 2019.

Cohort 6 of the fellowship held its final learning event and graduated in November 2018 following submission of their Masters dissertations. Feedback from the Fellows highlights the impact of the fellowship on their ability to lead improvement across their organisations and systems. Fellows from previous cohorts continue to have a significant impact across the health and care system; for example, Lesley Kay (Cohort 5) has been appointed to the Getting It Right First Time (GIRFT) commission as the clinical lead for rheumatology.

2018 also saw significant achievements in collecting and sharing learning from the GenerationQ programme. In July 2018, in collaboration with Ashridge Business School, we launched two new books bringing together insights from GenerationQ fellows on leading improvement. *Beyond the Toolkit: Leading Quality Improvement in Health and Social Care* provides insight into building the leadership skills needed to improve quality, while *Hope Behind the Headlines: Shifting Culture in Health and Social Care* provides honest accounts of what is required to shift culture to become truly patient-centred against the backdrop of system pressures. Furthermore, in September and October, we hosted 2 'inquiry' days in London and Edinburgh for GenerationQ alumni, bringing together previous cohorts and helping to sustain their connection to the Foundation.

Sciana: The Health Leaders Network

Sciana: The Health Leaders Network brings together outstanding leaders in health and health care policy from across Europe, providing space to take inspiration and learning from across the globe, share experience with peers and work to address shared policy challenges facing countries across Europe.

The Sciana network is supported by a partnership between the Health Foundation, the Robert Bosch Stiftung (Germany) and the Careum Stiftung (Switzerland) in collaboration with the Salzburg Global Seminar. Each cohort consists of up to 18 members (six from each partner country), who meet four times over the two-year period. The network also encourages members to work with each other across national boundaries to develop new projects and initiatives. In 2018, the first cohort came to an end in November after 2 years and learning from their experiences have been shared via news articles and videos on the Sciana website (www.sciananetwork.org).

The second Sciana cohort convened for their first meeting in May 2018 and then again in November in Salzburg. These meetings focused on identifying common challenges facing European health and care systems, including managing workforce shortages, meeting the changing health care needs of populations, how to spread innovation and new technologies, and addressing the determinants of health. Sessions also covered the leadership qualities needed to build collaboration and innovate in a rapidly changing environment. In 2018, we also began the next round of recruitment for the third cohort of Sciana members.

Strategic initiatives

THIS Institute

In January, we launched The Healthcare Improvement Studies (THIS) Institute, to strengthen the evidence-base for improving the quality and safety of health care. Hosted by the University of Cambridge, THIS Institute is made possible by an award of £40m over 10 years – the largest single grant ever made by the Health Foundation.

Following its launch, THIS Institute has developed strong operational foundations and a number of work programmes that will help to strengthen the evidence base for improving the quality and safety of health care, including applied research projects, PhD, post-doctoral senior and interdisciplinary fellowship programmes, as well as work to establish citizen science – the crowdsourcing of ideas from citizens in scientific research projects – as a research methodology. Notable progress has been made across all of these programmes; for example, the Institute has launched research projects on understanding GP workload, as well as an in-house systematic review of the evaluation of training interventions to improve foetal heart monitoring.

In April 2018, the Institute awarded PhD fellowships to seven universities around the UK, as part of its commitment to distribute a large proportion of its funding to institutions across the country. Students are due to begin their research by September 2019. All fellows funded by THIS Institute will join THIS Community – an intergenerational group of researchers from a wide variety of disciplines working to strengthen the evidence base for improving health care.

As part of its work programme on citizen science, the Institute published a series of three essays, which looked at crowdsourcing for research, crowdsourcing for systematic reviews and the growing number of online tools for gathering and understanding opinions. The reports have garnered substantial interest, leading to a commissioned editorial in the *BMJ*, an interview in *Nature* magazine and an invitation to speak at a high-profile event, 'Automating the Crowd', at the Alan Turing Institute in January 2019.

The Director of the Institute, Professor Mary Dixon Woods, received an honorary fellowship of the Royal College of Physicians in recognition of her contribution to the field of improvement research. She was invited to give the College's annual Harveian Oration, helping to showcase the Institute's credentials as a centre of excellence for research in the field.

The Q Community

The Q Community is a network of people with improvement expertise working together to improve health and care quality across the UK, led by the Health Foundation and supported and co-funded by NHS Improvement. During 2018, the Q Community has continued to grow and improve its support offer to members, making it easier to share ideas, enhance skills and make changes that benefit patients.

The community has now grown to more than 3,000 members, following the launch of a new application and joining process. We also organised a range of visits, events, webinars and other learning opportunities. Highlights included an annual community event with more than 300 people attending, a visit to learn about how Tees, Esk and Wear Valleys NHS Foundation Trust and Nissan are working together to adapt Lean approaches from industry

to improve safety and flow in health care, and a series of workshops on techniques to increase participation and distribute decision making in teams. Special Interest Groups continue to hold a variety of activities for Q members, such as a recent webinar with Professor Trish Greenhalgh on how understanding complexity can help to improve the success of technology projects in health and social care.

In September, the interim report for the RAND-led evaluation of Q was published, together with the learning report *Q: The Journey So Far*. Q members interviewed as part of the evaluation said they were optimistic about the initiative. They reported examples of the beneficial impact their participation had had on the 'connecting' and 'developing' strands of the central part of the theory of change (which underpins Q's aim of driving sustainable improvement in health and care across the UK and how it is achieved).

We also successfully piloted Q Exchange, a new small-scale grant funding programme which aims to harness the collective wisdom of the Q Community to develop project ideas collaboratively and generate learning. 15 teams, whose ideas were selected by Q members at the UK-wide Q Community event in September 2018, have begun work on their projects and will continue to share their progress and learning online over the course of 2019. The projects cover a range of themes including peer support, the use of NHS data, and patient and public engagement in quality improvement. We will be launching a second round of the Q Exchange funding programme during 2019.

The **Q Improvement Lab** brings together organisations and individuals from across the UK to pool knowledge on a topic, uncover new insights and develop and test ideas. In 2018, we completed a year-long **pilot project on peer support** which culminated in a series of essays, bringing together our learning on this topic, as well as broader learning about the Lab's approach. These essays have generated significant interest, with almost 2000 views via the **Q Lab Essay website**. The Lab also provided a grant to National Voices to launch a Peer Support Hub which will improve the development of peer support programmes by making it easier to find and compare relevant sources of information about different types of peer support. This will be launched in early 2019.

In September, we launched the second Lab project in partnership with the mental health charity Mind, exploring how care can be designed to best meet the needs of people living with both mental health problems and persistent back and neck pain. This is an important topic: pain and depression are the most common physical and psychological symptoms in primary care and co-occur 30-50% of the time. The first phase (September 2018 to February 2019) focused on convening patients and professionals, undertaking and collating research, and identifying testing teams to develop and test improvements in practice.

Sharing our learning

Events and conferences

As well as our presence at ISQua (International Society for Quality in Health Care Conference) and Forum (International Forum on Quality and Safety in Healthcare Conference), in May 2018 we hosted our second annual event, *The human element: a vital catalyst for improvement*. The event explored how we improve the quality of health services through the lens of supporting and investing in the people who work day in and day out, and under considerable strain, to deliver patient care. 191 delegates attended including Health Foundation alumni and Q members, and our livestream enabled a further 378 people to participate. Social media engagement was high, with more than 1,000 people using the #HFEvent2018 hashtag.

Session highlights included a keynote speech by Matthew Taylor, Chief Executive of the RSA, on workforce productivity, innovation and good practice, and a keynote session on helping health care professionals deliver even better care, featuring contributions from Cllr Jacqui Dyer MBE (Founder and Chair of Black Thrive), Baroness Dido Harding (Chair of NHS Improvement) and Dr Claire Lemer (Consultant in General Paediatrics at Guy's and St Thomas' NHS Foundation Trust). We also held a well-attended fringe event for our staff.

A new website

In 2018, we launched our new user-friendly website with a cleaner look and feel which is more intuitive to use.

Improving the health of the Foundation

We enable the Foundation to deliver our strategy effectively by investing in our people, in how we work together, in the tools we use and in the space we work in. During 2018, we launched programmes to develop our people, improve our processes, strengthen our IT and secure new offices. We ensured we are compliant with the Data Protection Act 2018 and renewed our information security management system accreditation for our secure data environment (ISO 27001). We agreed a 10-year lease for new offices in October 2018, and began preparing for our office move (planned for July 2019) in advance of the expiry of our existing lease in August 2019.

Improvement over the long term

We invest in diverse improvement programmes, ranging from small-scale innovation projects to large-scale awards enabling teams to scale up their successful interventions. Many projects begin work that continues over several years and our grant holders often tell us how much they value the support of the Health Foundation to deliver and develop their improvement work. Below are case studies from just three of the many improvement projects we funded in 2018, to give a sense of the varied activities and remarkable impact that their work is already having.

Reducing brain injury through improving uptake of magnesium sulphate in preterm deliveries (Scaling Up Improvement Round 3)

Giving magnesium sulphate to mothers at risk of premature birth has been shown to reduce the chances of their babies developing cerebral palsy. This is a cheap and effective treatment, yet only a third of eligible mothers receive it. PReCePT is a quality improvement package that was developed to increase the uptake of magnesium sulphate and which was rolled out in five maternity units in the UK. We supported **PReCePT 2** – an attempt to scale this intervention up to 16 maternity units across England, providing them with practical tools and coaching – through our Scaling Up Improvement programme.

Adoption and large-scale spread of ELPQuIC: Improving outcomes after emergency laparotomy (Scaling Up Improvement Round 1)

There are wide variations in practice and mortality rates for emergency laparotomies – surgical procedures to find the cause of and treat severe abdominal pain. To address these quality issues, Royal Surrey County Hospital NHS Foundation Trust developed **ELPQuIC**, an intervention that set out acceptable standards of care for the procedure. We supported the scaling up of this intervention to 24 hospitals through our Scaling Up Improvement programme. An independent evaluation found that the implementation was a success and identified some crucial ingredients in this – such as collaboration between trusts and the ability to use pre-existing data sets.

Scale up, replication and licensing of the PINCER intervention to reduce common medication errors in general practice (Exploring Social Franchising)

Prescription errors in general practice are common, some of which can be life threatening. PINCER, a pharmacist-led intervention developed by a team at the University of Nottingham, searches electronic records to find patients at risk of medication errors, with the aim of reducing errors and medication-related hospitalisations. With help from our Scaling Up Improvement programme, **PINCER was scaled up** to 360 practices across the East Midlands. As a result, 2.9 million records were searched and 21,617 potential errors identified. With support from our Exploring Social Franchising programme, the team developed a package of support to enable PINCER to be replicated across other sites. They will refine and test the model as it is put into practice across each of the 15 AHSNs who are implementing it.

Read more [project success stories on our website](#).

Our plans for 2019

We believe good health and health care are key to a flourishing society. Through sharing what we learn, collaborating with others and building people's skills and knowledge, we aim to make a difference and contribute to a healthier UK population.

Following publication of our new three-year strategic plan at the end of 2018, here are some highlights from the work we've got planned for 2019. You can read more about the strategic direction and aims behind these plans in our Chief Executive [Jennifer Dixon's recent blog](#), and discover opportunities to apply for our [grant and fellowship programmes](#) on our website.

Healthy lives for all

Good health is important for us as individuals and for the country – for our society and our economy. The greatest influences on our health and wellbeing are factors such as whether we live in poverty or not; our education and employment opportunities; our housing; our social networks; where we live and the extent it facilitates exercise, a good diet and social connection.

In 2019, we will call for greater investment and cross-government action to address these wider determinants of health. We'll launch findings from our research exploring the recent slowdown in life expectancy, as well as working on an analysis of health inequalities, culminating in the 10-year anniversary of the Marmot review in 2020.

It is hard to find a sector that does not have a bearing on our health. So, in 2019 we will be mobilising action on the social determinants across sectors, supporting public health professionals to work with partners from outside the traditional public health community in innovative ways. We will be supporting leadership development in public health, and building new partnerships to catalyse wider, more purposeful action – including a grant-giving programme with the Local Government Association and our major new initiative, the [Collaboration for Wellbeing and Health](#).

We will also start the next phase of our work with the FrameWorks Institute to find effective new ways to communicate about the social determinants and change the conversation on health.

Building on the extensive engagement work we have done as part of our Young people's future health inquiry since 2017, the final stage of this work in 2019 will see us developing policy recommendations for national and local government and building clarity on a national level about the action needed to improve young people's future health.

Understanding the quality of health and care

2019 will see us develop deeper insights into quality issues surrounding health and care. We will be undertaking research and analysing national policies and trends, using novel approaches to data analytics, and linking data from different providers of health and care services to better understand and improve care quality.

As part of this, we will start work to develop our Networked Data Lab, an ambitious project to build a network of partners across the UK who have linked patient data across primary care, secondary care and other health and care services. Together with these partners, we will work to develop powerful new insights to inform local and national decision makers.

As well as continuing to develop the Improvement Analytics Unit (a partnership with NHS England), we will also be developing a new data lab in conjunction with The National Institute for Health and Care Excellence (NICE), which will evaluate the effectiveness of high-profile interventions within the health service.

Through our grants and the funding support we provide to external networks, we will continue to help organisations within the NHS use data to improve the quality of care locally.

Supporting health care improvement

In recent years, the Health Foundation has made some bold investments in large-scale initiatives to support improvement, in particular Q and The Healthcare Improvement Studies (THIS) Institute.

2019 will see the first fully operational year of THIS Institute, with a research programme underway, and new PhD, Post-Doctorate and Senior fellowships beginning. Q also continues to grow and develop. A new round of Q Exchange funding will encourage shared learning and enable improvements in health and care at a much greater scale, while Q Lab is currently partnering with Mind to push forward progress on how we can better care for people with mental health issues and persistent pain.

We will continue our work to support health care improvement on the front line, with a new award programme for work with patient and clinical communities launching this year, and new work to investigate the NHS's role in prevention.

We'll continue to share learning from our programmes including Exploring Social Franchising, Flow Coaching Academy, Innovating for Improvement, and Scaling up Improvement. And we're looking forward to developing a new programme during 2019 that will support improvement in health care.

Contributing to the future sustainability of health and social care

With funding and workforce pressures still major issues for our health and care services, we will continue to provide analysis and research on how to ensure long-term sustainability. 2019 will see us develop our plans for a new Health and Social Care Sustainability Research Centre, based at the Health Foundation.

The centre will work with external academic partners to produce robust projections and evidence to support better policy and strategic decision making on what will be needed to meet demands and expectations for health and care into the future. This will include opportunities for external research teams. We expect to provide around £10m of funding over the next 5 years, with applications opening around the end of 2019.

We'll also help health and social care policymakers prepare for the future through our new Shaping Health Futures programme, examining long-term trends and how leaders respond through today's strategies.

Finally, we will also be sharing learning from the Behavioural Insights Research Programme and the Efficiency Research Programme later this year.

Improving the health of the Foundation

Our internal objectives enable us to deliver our strategy effectively by investing in our people, in how we work together, in the tools we use and the space we work in. For 2019, we will continue to invest in how we work together, achieve impact and learn, supported by the appropriate technology and our new office space.

Financial review: results for 2018

Charitable activities

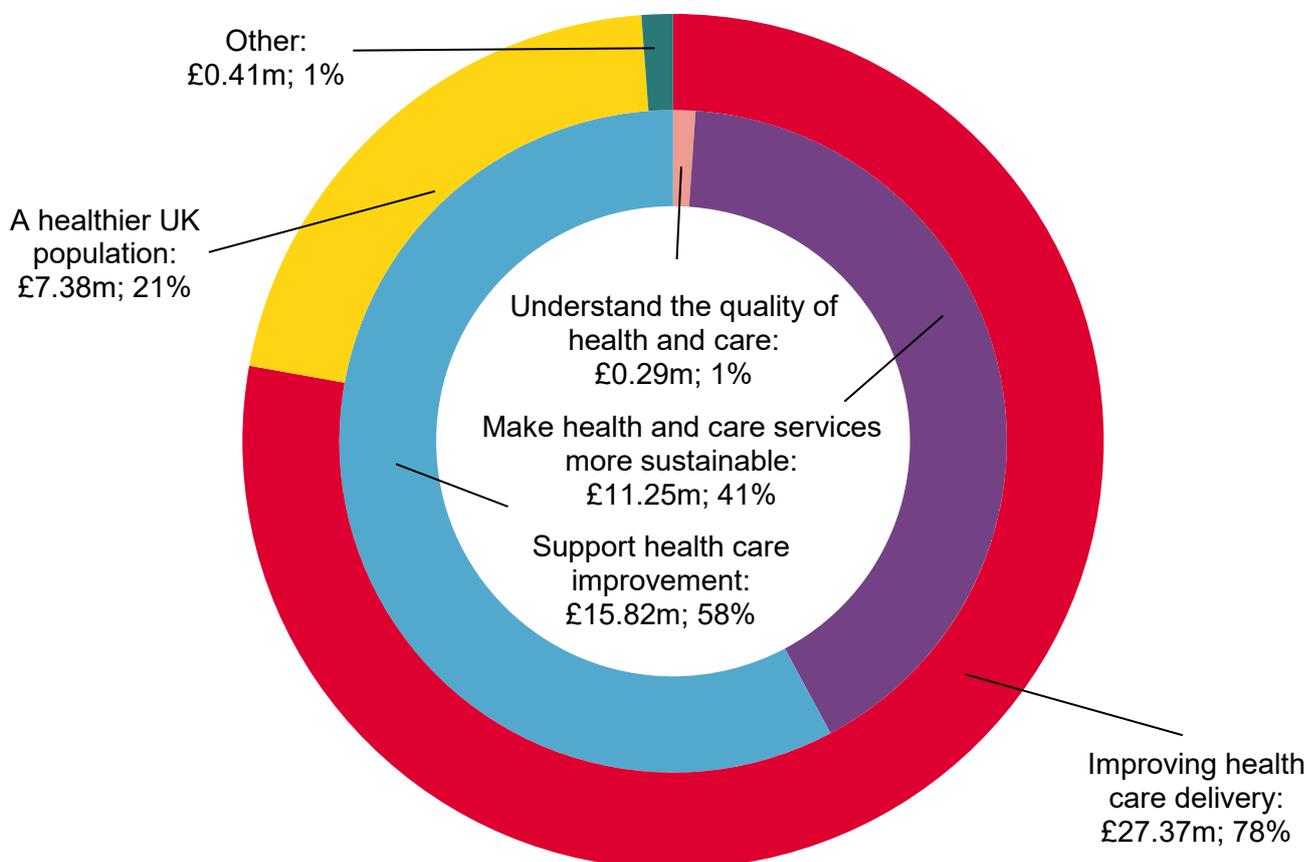
Our charitable aim is to improve the health and health care of people living in the UK. By giving grants to those working at the front line and carrying out research and policy analysis, the Foundation focuses attention on how to make successful change happen; using what we know works on the ground to inform effective policymaking and vice versa.

During 2018, the Foundation spent £35.2m (2017: £51.1m) on its charitable activities, of which £27.4m (78%) related to Improving health care delivery, one of the Foundation's key strategic priorities. Further information can be found in note 7 to the accounts. The main reason for the significant decrease in expenditure for 2018 is that 2017 includes a commitment of £19.7m for the first 5 years of the health care improvement studies institute (THIS Institute).

All expenditure is reported across our key strategic priorities; the split of expenditure for 2018 is reported in the outer rim of the graph below, the inner rim splits the expenditure for improving health care delivery into its objectives; understand the quality of health and care, make health and care services more sustainable, and support health care improvement.

We entered into a 10-year lease for new offices, from October 2018 in advance of our current lease expiring in August 2019.

Figure 1: Split in charitable expenditure



Restricted fund

In 2018, we received restricted income of £1,050k (2017: £975k) primarily for Q, an initiative joint-funded with NHS Improvement. The Q initiative started in April 2015 and is continuing in 2019.

The Q initiative is part of our substantial long-term investments to incubate and support initiatives designed to build capability. This initiative will create an asset with an economic life and therefore £2,186k of expenditure related to Q is treated as an intangible asset.

Subsidiary companies

The Foundation has two subsidiary undertakings:

- **Medtrust Innovations Limited** (Medtrust) is wholly owned by the Foundation as a mission-related investment engaged in the exploitation of intellectual property rights. In March 2011, Medtrust acquired 50% of the intellectual property rights of *BMJ Quality & Safety*, a journal published by the BMJ Publishing Group Limited. At 31 December 2018, Medtrust had fixed assets of £526k (2017: £526k). In the year, Medtrust generated an operating profit of £131k (2017: £125k).
- **The Victoria Fund LP Incorporated** (Victoria Fund) was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner. As at 31 December 2018, the Victoria Fund had fixed assets of £244,351k (2017: £231,619k) and the value of its net assets was £260,944k (2017: £248,130k). Net profit in the year was £13,574k (2017: £16,099k).

Financial strategy and reserves

Investment policy and strategy

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

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

The Foundation's investment policy and strategy are intended to provide long-term stability and liquidity sufficient for the financing of the Foundation's ongoing spending and to maintain the real value of the endowment.

The governors have decided that the Foundation should operate as a perpetual endowment and seek to maintain the real value of the endowment, defined as 1% above inflation. The Foundation has decided to adopt RPI+1% as a sensible proxy to fund expected inflation in costs.

The governors' objective is to invest the Foundation's assets to maximise returns while balancing risk through a diversified asset portfolio. Within this framework, the governors have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Foundation is exposed.

The governors' primary objectives are as follows.

- **Time horizon:** the endowment shall be invested for the long-term with an investment horizon of 10 years and multiple economic and market cycles.
- **Return target:** the total return target is RPI+5% per annum (net of all investment fees and costs). The objective is to maintain the real value of the Foundation's asset (RPI+1%) and provide a 4% spendable amount.
- **Spending policy:** the governors believe that the return target is consistent with sustaining a spending rate of 4% over a trailing three-year average of endowment value.
- **Risk target:** a long run volatility range of 13 –15% and an equity beta in the region of 0.70 – 0.75. The governors' desire to limit the possibility of a 20% fall in endowment value over 1 year but acknowledge that this possibility cannot be eliminated. The probability of this event is of the order of 20% or one in five.

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

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

Our approach to responsible investment

The Health Foundation is funded by an endowment that enables us to deliver an ongoing programme of work, including making significant grants to bring about better health and health care. We manage our endowment in a way that aims to generate long term income and growth to enable us to fulfil our charitable purpose, while ensuring that our assets are managed both ethically and responsibly.

We require all our fund managers to have an environmental, social and governance policy in place and recommend they adopt at least one of the following guidelines – the UK Stewardship Code or the United Nations Principles of Responsible Investment. We also ensure that environmental, social, governance and ethical factors are a standard part of our selection process when appointing new fund managers.

We do not invest directly in tobacco stocks. We also closely monitor our investment in pooled funds and if we identify any inadvertent exposure to tobacco stocks we engage with the relevant fund manager with the aim of establishing new funds.

We strive to implement responsible investment that is most aligned to the Foundation's mission and values. There are certain stocks that could be seen as a conflict of interest and, therefore, are negatively screened from the endowment. However, where possible, we adopt a formal approach to positive engagement where conflict of interest might arise. Where there are issues related to reputational risk, these reside with the board of governors. The Health Foundation is a member of the Charities Responsible Investment Network, facilitated by ShareAction. We intend that this will strengthen our approach to responsible investing where we want to use our investment portfolio to encourage businesses to behave responsibly.

Expenditure policy

The investment spending policy sets out the spending formula for the Foundation. Budgets are prepared annually alongside the business plan review. The spend targets in the budgets are modelled on the spending formula and may be adjusted to take into account the needs of the Foundation and its operational capacity. The Foundation's support and governance spend is set by reference to the total spend level to ensure it remains reasonable and proportionate.

Grant-making policy

The Foundation sets out specific entitlement criteria for each programme at its launch. These criteria vary from programme to programme and are made available on our website. Applications are assessed against these criteria and grants made taking into account funds available and the quality of applications. The period for which grants are awarded depends upon the programme, but typically last between 1 and 4 years. Grants are monitored regularly, and appropriate progress reports are required from recipients.

Reserves policy

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

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

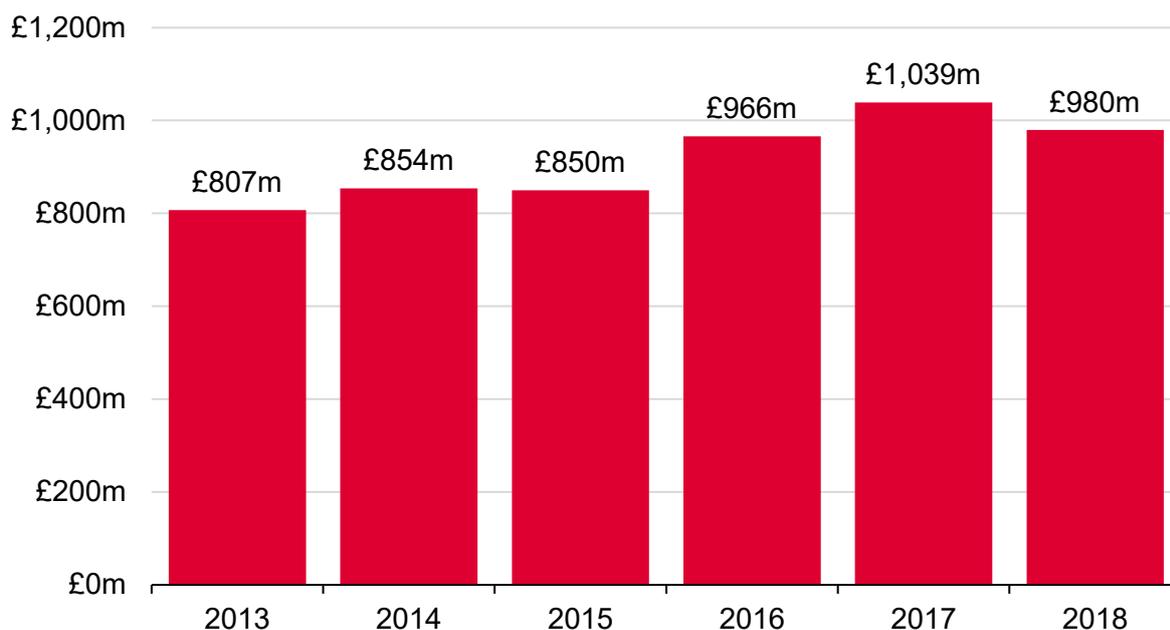
Investment returns

Our long-term goals for the management of our endowment investments are set out on pages 26–27 of this report. Based on these goals our return target is RPI+5% per annum, net of all investments fees and costs.

In 2018, the endowment fund returned a net of -2.3%, missing the RPI+5% target of 7.7% in that year. On a three-year annualised basis the fund returned 8.9%, exceeding the annual RPI+5% target of 8.1%. On a five-year annualised basis the fund also exceeded the return target (7.8% per annum against 7.4% per annum).

Figure 2 shows the change in the value of the investments. In 2018, the value of the investments decreased by £59m, from £1,039m to £980m.

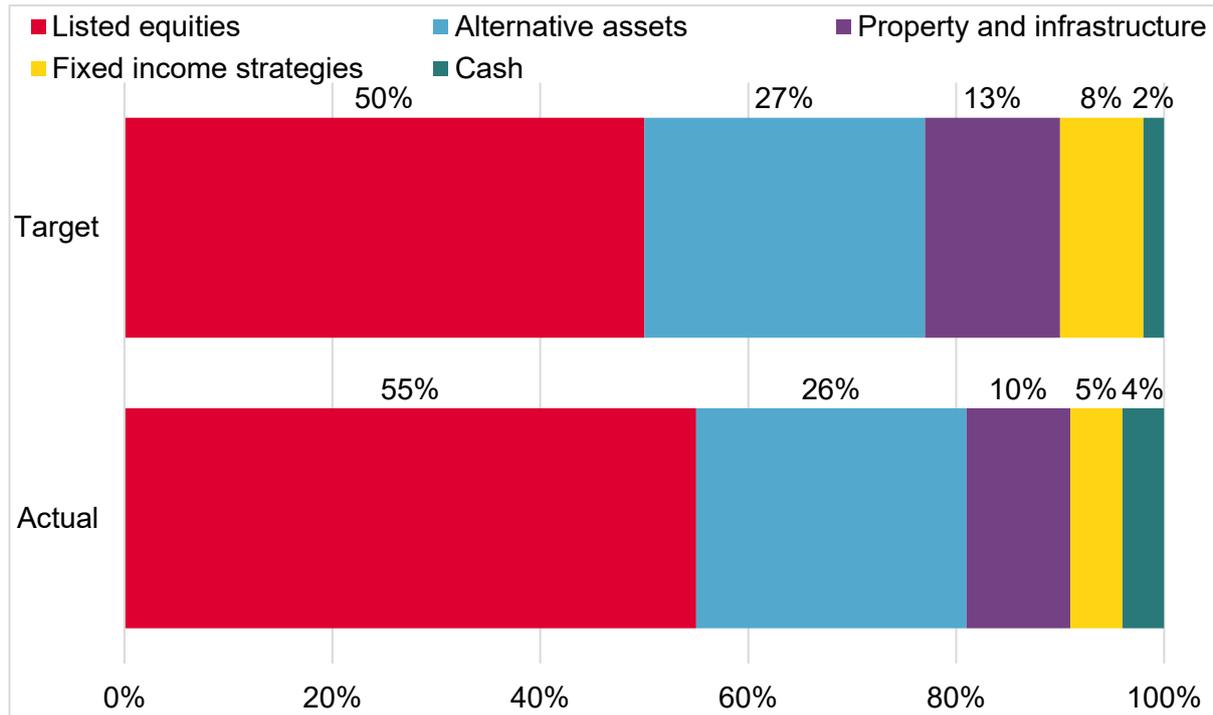
Figure 2: Investment values at 31 December 2018



The structure of the investments is focused on global investing via a range of asset classes. The investments look to maximise returns while balancing acceptable levels of risk through a diversified asset portfolio.

The chart below shows the target strategic asset allocation together with the actual asset allocation at the end of 2018. The Investment Committee meets quarterly (and more frequently if required) and regularly reviews the long-term investment strategy and progress on its implementation. The actual allocation was overweight in listed equities and cash, and underweight in alternative assets. Over time we expect to increase our weighting in alternative assets as we build our private equity mandate.

Figure 3: Asset allocation at 31 December 2018



Given the extended nature of the current market cycle, we felt it prudent to ensure that the Foundation would have sufficient liquidity reserves to meet its cash needs in a potential scenario of a sharp equity market correction with no market recovery over the next few years. Our stress test analysis showed there is sufficient liquidity to maintain financial commitments for 3 years, without a market recovery.

The total cost of managing our investments was £11,672k (2017: £10,900k). The increase is mainly due to the value of alternative investments. Further details can be found in note 6.

Risk management

The Foundation set out its approach to managing risk, including roles and responsibilities, in its risk management policy. The Audit Committee and the board of governors regularly review key risks owned by executive directors. The Audit Committee gives direction and reviews the implementation of the risk management process supported by an internal audit plan. Detailed below are the most important risks.

Key risk	Nature of risk	Management of risk
Investment risk	Failure to provide adequate funding for the Foundation's planned activities due to a major correction in market value and/or insufficient liquidity	The Investment Committee ensures that the Foundation's investments are suitably diversified, supported by an internal team, external advisers and external benchmarking. The committee ensures there is enough continuing liquidity to meet the Foundation's cash requirements, in the event of a sudden market correction. The Investment Committee oversees investment risks and the Audit Committee oversees operational risks.
Cyber security	The Foundation's defenses are inadequate, rendering it vulnerable to cyber-attack.	Executive management support a framework to ensure employees are aware of the need for information security. Management tests the Foundation's security regularly and the results are reviewed independently. The Foundation has a cyber security service agreement with an external supplier to monitor the networks and facilitate recovery. Two-factor authentication is in place for remote access.
Data assurance	We suffer a loss of data, which damages our reputation and/or prevents us from completing analytical work.	Sensitive data is managed within a secure data environment (SDE) with physical and technical isolation from the office environment. The SDE is accredited to ISO 27001, with oversight from a dedicated management group. We achieved compliance with the Data Protection Act 2018, which was independently audited. An internal working group maintains compliance, supported by a Data Protection Officer. A full disaster recovery plan is tested regularly.
Strategic	The Foundation fails to address important or emerging issues or achieve a desired level of impact.	The strategic plan sets out our priorities for 2019-21. The executive team monitors the work plan and responds to new opportunities in-year. An assessment of the Foundation's impact is presented to the board of governors each year.
	Our work lacks sufficient rigour, accuracy, quality and objectivity	We have clear governance frameworks for awards, contracts and research. We have a quality assurance process for the release of all published material. Bespoke methodologies are devised to compensate for incomplete / imperfect data. When we work with others, our controls in the

Key risk	Nature of risk	Management of risk
		<p>case of work of insufficient quality are to manage the contract deliverables diligently.</p> <p>Where the quality is sufficiently high but we have concerns over the message derived from it, our controls are to have a memorandum of understanding outlining how communications will work.</p> <p>Where we have strategic partnerships, we ensure there is joint oversight.</p>

Trustees' report

Structure, governance and management

The Health Foundation is a registered charity (no. 286967) and a company limited by guarantee (no. 1714937). It is governed by its memorandum and articles of association adopted on 24 July 1996 and last amended on 22 November 2017. The Foundation's endowment was first established in 1998.

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

Name	Member/ governor	Nominations and Governance Committee	Audit Committee	Investment Committee	Remuneration Committee
Hugh Taylor	Chair				
David Dalton	✓		✓		
Martyn Hole	✓		✓	✓	
Ruth Hussey (appointed 9 February 2018)	✓				
Bridget McIntyre (stepped down July 2019)	✓		Chair		
Sharmila Nebhrajani (appointed 9 February 2018)	✓		✓		
Melloney Poole	✓	Chair			Chair
David Zahn	✓			Chair	✓
Branwen Jeffreys	✓	✓			
Rosalind Smyth	✓				✓
Loraine Hawkins	✓	✓			
Eric Gregory	✓				✓

The following served as independent members of committees during 2018.

Name	Audit Committee	Investment Committee
Peter Mallinson		✓
Mickola Wilson (appointed 28 February 2018)		✓
David Smith (stepped down June 2019)	✓	
Richard Williams		✓
Ingeborg Dybdal Oie (appointed 28 February 2018)		✓
Robert Beveridge (appointed May 2019)	✓	

In order to increase the effectiveness of the governors' roles and responsibilities, they are appointed to match specifications that are relevant to specific aspects of the Foundation's work. This ensures a relevant and balanced mix of skills and experience on the board.

The board meets at least four times a year. At these meetings, it reviews strategy and operational/investment performance and approves operating plans and budgets. Regular performance reports are provided to the board, as well as the minutes of committee meetings, to assist it in fulfilling its role of monitoring and evaluating the organisation's performance.

All new governors receive a comprehensive induction. Refresher sessions on relevant topics are arranged for governors periodically.

Organisational structure and how decisions are made

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

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

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

- **The Nominations and Governance Committee** is responsible for pro-actively monitoring and advising on the size and composition of the board of governors; the selection and recruitment of governors and the processes to be adopted in support of that activity; the induction and training of governors; and reviews of board performance, as requested by the board.

- **The Audit Committee** assists the board in meeting its responsibilities in respect of financial reporting; provides a channel of communication between the Foundation’s external auditors and the board; provides direction and reviews the implementation of the Foundation’s risk management strategy and internal audit process.
- **The Investment Committee** assists the board with developing an investment policy that is appropriate to the Foundation’s needs. It also devises and implements an investment strategy that can be expected to meet the Foundation’s investment objectives. This includes setting asset allocation, deciding and implementing manager arrangements, and monitoring performance. The chief executive and the chief investment officer are members of this committee.
- **The Remuneration Committee** approves the framework and policy determining the overall reward strategy applicable to all Foundation staff. It is also responsible for determining the reward, benefits and compensation for the individual members of the directors’ team.

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

Senior management

The chief executive is responsible for the day-to-day management of the Foundation’s affairs and for implementing policies agreed by the board of governors. The chief executive is assisted by a group of staff referred to as the ‘directors’ and those who served during 2018 are listed below. It should be noted that although these directors are the senior executive team of the charity they are not the ‘legal’ directors of the charitable company.

Jennifer Dixon	Chief Executive
Jo Bibby	Director of Strategy and Innovation
Aidan Kearney	Chief Investment Officer
Anita Charlesworth	Director of Research and Economics
Cathy Irving	Director of Communications
Adam Steventon	Director of Data Analytics
Will Warburton	Director of Improvement
Paul Hackwell	Director of Finance and Operations

The charity’s registered office and list of key advisers can be found in the legal and administrative information at the front of the annual report.

Principal activities and development

The Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK. It achieves this through supporting people and organisations. Further information on the charity’s activities and developments are included in the strategic report on pages 8 - 23.

Statement of governors' responsibilities

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

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

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

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

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

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

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

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

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

Declarations and conflicts of interest policy

The Foundation has drawn up and implemented a declarations of interest policy that explains the nature of potential conflicts of interest. It requires governors, independent members of committees, employees and other defined categories of individual with whom the Foundation works from time to time, to declare all interests relevant to the Foundation's work and provides a framework for managing situations when conflicts arise. Governors, independent members of committees and employees are also required to notify the head of operations of any association with a body or organisation which is or might become an applicant for funds from the Foundation. A register of all notifications received is kept and those interests declared by governors and members of the directors' team are reviewed regularly by the directors and produced for inspection at all board meetings.

Details of transactions with related parties are set out in note 25 on pages 65–66.

The Foundation has a comprehensive whistle-blowing policy.

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

This Governors' report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the governors on 12 July 2019, in their capacities as trustees of the charity and directors of the company. This included their approval of the Trustees' and strategic reports contained within it. The Trustees' report is signed as authorised on their behalf by:

Signed

Sir Hugh Taylor
Chair
12 July 2019

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

Opinion

We have audited the financial statements of the Health Foundation ('the Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Statement of Cash Flows and the 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)'.

In our opinion the financial statements:

- give a true and fair view of the state of the group and the charitable company's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 governors, who are also the directors for the purposes of Company Law, use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees Report.

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

- the information given in the Governors' Report is inconsistent in any material respect with the financial statements;
- sufficient accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of governors

As explained more fully in the Statement of the Governors' responsibilities, the governors 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 governors 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 governors are responsible for assessing the Group'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 governors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Signed

Subarna Banerjee (Senior Statutory Auditor) for and on behalf of UHY Hacker Young
Statutory Auditor
London
24 July 2019

Consolidated statement of financial activities for the year ended 31 December 2018

	Notes	Unrestricted fund £' 000	Restricted fund £' 000	Expendable Endowment Fund £' 000	Total 2018 £' 000	Total 2017 £' 000
Income from:						
Charitable activities	3	131	1,050	-	1,181	1,100
Investments	4	13,954	-	-	13,954	13,790
Capital applied to income	5	20,157	-	(20,157)	-	-
Total income		34,242	1,050	(20,157)	15,135	14,890
Expenditure						
Raising funds	6	-	-	11,672	11,672	10,900
Charitable activities	7	34,242	920	-	35,162	51,112
Total resources expended		34,242	920	11,672	46,834	62,012
Operating profit/ (deficit)		-	130	(31,829)	(31,699)	(47,112)
Net (loss)/gain on investments	11	-	-	(25,825)	(25,825)	109,189
Net (expenditure)/ income for the year		-	130	(57,654)	(57,524)	62,067
Fund balances as at 1 January 2018		-	373	1,008,417	1,008,790	946,723
Fund balances as at 31 December 2018		-	503	950,763	951,266	1,008,790

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure is derived from continuing activities.

Consolidated balance sheet for the year ended 31 December 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible fixed assets	12		3,359		2,225
Tangible fixed assets	13		388		675
Investments	14		979,727		1,039,090
Programme-related investment	14		526		526
			984,000		1,042,516
Current assets:					
Debtors	16	935		863	
Cash and short-term deposits		5,525		4,856	
Total current assets		6,460		5,719	
Current liabilities:					
Amounts falling due within 1 year	17	(20,924)		(20,635)	
Net current liabilities			(14,464)		(14,916)
Total assets less current liabilities			969,536		1,027,600
Creditors: amounts falling due after more than 1 year					
	18		(17,509)		(18,021)
Provisions for liabilities	20		(761)		(789)
Net assets			951,266		1,008,790
Capital funds					
Endowment funds general			950,763		1,008,417
Income funds					
Unrestricted fund			-		-
Restricted fund			503		373
Total funds			951,266		1,008,790

The accounts were approved by the governors, and authorised for issue on 12 July 2019 and signed by:

Signed

Sir Hugh Taylor
Trustee

Company Registration No. 1714937

Signed

Bridget McIntyre
Trustee

Charity balance sheet for the year ended 31 December 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible fixed assets	12		3,359		2,225
Tangible fixed assets	13		388		675
Investments	14		719,095		791,416
Investment in subsidiaries	14		261,158		248,200
			<u>984,000</u>		<u>1,042,516</u>
Current assets:					
Debtors	16	935		863	
Cash and short-term deposits		<u>5,525</u>		<u>4,856</u>	
Total current assets		6,460		5,719	
Current liabilities:					
Amounts falling due within 1 year	17	<u>(20,924)</u>		<u>(20,635)</u>	
Net current liabilities			<u>(14,464)</u>		<u>(14,916)</u>
Total assets less current liabilities			969,536		1,027,600
Creditors: amounts falling due after more than 1 year					
	18		(17,509)		(18,021)
Provisions for liabilities	20		(761)		(789)
Net assets			<u>951,266</u>		<u>1,008,790</u>
Capital funds					
Endowment funds general			950,763		1,008,417
Income funds					
Unrestricted fund			-		-
Restricted fund			<u>503</u>		<u>373</u>
Total funds			<u>951,266</u>		<u>1,008,790</u>

The accounts were approved by the governors, and authorised for issue on 12 July 2019 and signed by:

Signed

Sir Hugh Taylor
Trustee

Signed

Bridget McIntyre
Trustee

Company Registration No. 1714937

Consolidated statement of cash flows for the year ended 31 December 2018

	Notes	2018		2017	
		£ '000	£ '000	£ '000	£ '000
Cash flows from operating activities					
Cash absorbed by operations	27		(33,730)		(35,017)
Investment activities					
Cost of developing intangible assets		(1,274)		(1,359)	
Purchase of tangible fixed assets		(147)		(5)	
Investment proceeds re-invested		(13,860)		(13,775)	
Withdrawals from investments		47,398		49,962	
Investment management fees		(11,672)		(10,900)	
Investment income		13,954		13,790	
Net cash generated from investing activities			<u>34,399</u>		<u>37,713</u>
Net increase in cash and cash equivalents			669		2,696
Cash and cash equivalents at beginning of year			<u>4,856</u>		<u>2,160</u>
Cash and cash equivalents at end of year			<u><u>5,525</u></u>		<u><u>4,856</u></u>

Notes to the financial statements for the year ended 31 December 2018

Charity information

The Health Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is 90 Long Acre, London, WC2E 9RA.

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

1.0 Accounting policies

1.1 Accounting convention

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

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

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

1.2 Basis for consolidation

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

In accordance with section 408 of the Companies Act 2006, no separate Statement of Financial Activities has been presented for the charity. However, due to the nature of the charity's subsidiaries, the overall net movement in funds of the charity is the same for the group.

1.3 Going concern

At the time of approving the financial statements, the governors have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Charitable funds

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

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

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

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

1.5 Incoming resources

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

1.6 Resources expended

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

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

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

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

- Retirement pensions and related benefits to defined contribution schemes are charged to the unrestricted fund in the accounting year in which the contributions are paid. Provision is made for the discounted expected future costs of unfunded pension benefit commitments at each balance sheet date, based on actuarial advice.

1.7 Intangible fixed assets other than goodwill

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

Intangible assets comprise internal development costs with respect to the AIMS grant management System, Office 365 business applications and the Q Project. These assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over the term of the project life, estimated to be 7 years. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

1.8 Tangible fixed assets

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

- Fixtures and fittings – 5 years
- Computers – 3 years

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

1.9 Fixed asset investments

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

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

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

made shortly before the balance sheet date are held at cost where the managers have yet to provide a valuation.

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

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

1.10 Impairment of fixed assets

At each reporting end date, the Foundation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/(expenditure) for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.11 Cash and cash equivalents

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

1.12 Financial instruments

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

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

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

Basic financial assets

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

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.13 Provisions

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

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is

measured at present value the unwinding of the discount is recognised as a finance cost in net income/(expenditure) in the period it arises.

1.14 Employee benefits

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

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

1.15 Retirement benefits

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

1.16 Leases

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

1.17 Foreign exchange

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

1.18 Exemptions

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under S.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net expenditure for the year is £70,482k (2017: income of £62,067k).

2.0 Critical accounting estimates and judgements

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

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

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

Investment valuation

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

3.0 Charitable activities

	Share of profit in <i>BMJ Quality & Safety</i>	Other income	Total 2018	Total 2017
	£ '000	£ '000	£ '000	£ '000
Other income*	<u>131</u>	<u>1,050</u>	<u>1,181</u>	<u>1,100</u>
Analysis by funds				
Unrestricted funds	131	-	131	
Restricted funds	<u>-</u>	<u>1,050</u>	<u>1,050</u>	
	<u>131</u>	<u>1,050</u>	<u>1,181</u>	
For year ended 31 December 2017				
Unrestricted funds	125	-		125
Restricted funds	<u>-</u>	<u>975</u>		<u>975</u>
	<u>125</u>	<u>975</u>		<u>1,100</u>

*In 2018, we received restricted income of £1,050k (2017: £975k) from NHS Improvement of which £975k (2017: £975k) relates to Q, a jointly funded initiative, and £75k (2017: £0) relates to the evaluation of the partnership with Virginia Mason Institute.

4.0 Investments

	2018	2017
	£ '000	£ '000
Income from listed investments	7,926	8,082
Fixed interest income	1,359	1,006
Property fund income	4,311	4,477
Income from alternative investments	<u>358</u>	<u>225</u>
	<u>13,954</u>	<u>13,790</u>

5.0 Capital applied to income

	Unrestricted funds	Endowment funds general	Total 2018 £' 000	Total 2017 £' 000
	£' 000	£' 000	£' 000	£' 000
Released from endowment funds	<u>20,157</u>	<u>(20,157)</u>	<u>-</u>	<u>-</u>
For the year ended 31 December 2017	<u>35,984</u>	<u>(35,984)</u>	<u>-</u>	<u>-</u>

6.0 Raising funds

	2018 £' 000	2017 £' 000
Cost of raising funds		
Investment advisory costs	92	153
Staff costs	252	223
Fund transition fees	-	414
Custodian fees	154	107
Investment managers' fees	<u>11,174</u>	<u>10,003</u>
	<u>11,672</u>	<u>10,900</u>

The investment management fees of £11,174k (2017: 10,003k) includes: management fees of £6,970k (2017: £6,687k), incurred on the endowment value of £979,727k (2017: £1,039,090k) and performance fees of £3,324k (2017: £2,485k). The increase in overall fees is mainly due to the uplift in the value of alternative assets held in the Victoria Fund. Cost of raising funds is approximately 1% of the endowment value.

7.0 Charitable activities

	Improving health care delivery	A healthier UK population	Others	Total 2018	Total 2017
	£ '000	£ '000	£ '000	£ '000	£ '000
Grant funding of activities (see note 28)	14,464	3,902	218	18,584	36,689
Direct costs*	7,647	2,063	115	9,825	8,794
Share support costs*	5,190	1,401	78	6,669	5,518
Share of governance costs*	65	17	2	84	111
	<u>27,366</u>	<u>7,383</u>	<u>413</u>	<u>35,162</u>	<u>51,112</u>

*See note 8

Analysis by fund

Unrestricted funds	26,446	7,383	413	34,242
Restricted funds	920	-	-	920
	<u>27,366</u>	<u>7,383</u>	<u>413</u>	<u>35,162</u>

The reduction in grant funding in 2018 is because the Foundation committed £19,720k in 2017 for the first 5 years funding for THIS institute.

For the year ended 31 December 2017

	Improving health care delivery	A healthier UK population	Others	Total
	£ '000	£ '000	£ '000	£ '000
Unrestricted funds	45,212	4,396	291	49,899
Restricted funds	1,213	-	-	1,213
	<u>46,425</u>	<u>4,396</u>	<u>291</u>	<u>51,112</u>

8.0 Support and direct costs

	Direct costs	Support costs	Governance costs	2018	2017
	£ '000	£ '000	£ '000	£ '000	£ '000
Staff costs	7,234	1,179	-	8,413	7,935
Depreciation	-	574	-	574	558
Property costs	29	1,462	-	1,491	1,256
Technology costs	21	1,276	-	1,297	880
Other direct/support costs	2,541	2,160	-	4,701	3,592
Audit fees	-	-	30	30	31
Legal and professional	-	24	-	24	91
Internal audit	-	-	24	24	44
Other governance costs	-	-	24	24	13
Governor training and recruitment	-	-	-	-	23
	<u>9,825</u>	<u>6,675</u>	<u>78</u>	<u>16,578</u>	<u>14,423</u>

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

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

Governance costs include payments to auditors of £30k (2017: £31k) for audit fees and £5k (2017: £7k) for non-audit services.

9.0 Governors

None of the governors (or any persons connected with them) received any remuneration or benefits from the Foundation during the year. Trustees expenses received totalled £2k (2017: £2k).

10.0 Employment costs

	2018	2017
	£ '000	£ '000
Wages and salaries	7,451	7,068
Social security costs	819	750
Other pension costs	611	527
Other costs	21	74
	<u>8,902</u>	<u>8,419</u>

The average number of employees during the year was 143 (2017: 135) which equated to full time equivalent of 132 (2017: 124).

Employment costs include salary costs relating to fundraising of £235k (2017: £223k) and salary costs capitalised in relation to the development of the Q initiative of £257k (2017: £261k).

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

	2018	2017
60,001 - 70,000	4	6
70,001 - 80,000	4	3
80,001 - 90,000	8	6
90,001 - 100,000	2	2
100,001 - 110,000	0	1
110,001 - 120,000	2	1
120,001 - 130,000	0	1
130,001 - 140,000	1	1
150,001 - 160,000	2	1
160,001 - 170,000	1	1
220,001 - 230,000	1	1

11.0 Net (losses)/gains on investments

	2018	2017
	£ '000	£ '000
Revaluation of investments	<u>(25,825)</u>	<u>109,189</u>

Net revaluation of investments comprises:

- A reduction in our portfolio investments (£43,902k) (2017: gain of £89,868k) is mainly due to falling equity prices in 2018.
- An increase in the value of alternatives £18,077k (2017: £19,321k)

12.0 Intangible fixed assets

	Software £ '000	Q Project £ '000	Total £ '000
Cost			
At 1 January 2018	757	1,535	2,292
Additions - internally developed	623	651	1,274
At 31 December 2018	<u>1,380</u>	<u>2,186</u>	<u>3,566</u>
Amortisation and impairment			
At 1 January 2018	67	-	67
Amortisation charge in the year	140	-	140
At 31 December 2018	<u>207</u>	<u>-</u>	<u>207</u>
Carrying amount			
At 31 December 2018	<u>1,173</u>	<u>2,186</u>	<u>3,359</u>
At 31 December 2017	<u>690</u>	<u>1,535</u>	<u>2,225</u>

The intangible asset of £1,173k (2017: £690k) relates to the development of grant management software (AIMS), Navision and Office 365. The benefit of AIMS came through in January 2017 and Office 365 came through in January 2018 with a useful life of 7 years.

The Q Initiative identifies and connects people skilled in improvement across the UK, through online and events-based capabilities that promote knowledge-sharing, development, and other improvement activities. This network work on building the infrastructure is completed and the benefit is expected to come through in January 2019 with a useful life of 7 years.

13.0 Tangible fixed assets

	Fixtures and fittings £ '000	Computer equipment £ '000	Total £ '000
Cost			
At 1 January 2018	1,233	1,012	2,245
Additions	147	-	147
Re-classifications	<u>10</u>	<u>(10)</u>	<u>-</u>
At 31 December 2018	<u>1,390</u>	<u>1,002</u>	<u>2,392</u>
Depreciation			
At 1 January 2018	825	745	1,570
Depreciation charge in the year	237	197	434
Re-classifications	<u>10</u>	<u>(10)</u>	<u>-</u>
At 31 December 2018	<u>1,072</u>	<u>932</u>	<u>2,004</u>
Carrying amount			
At 31 December 2018	<u>318</u>	<u>70</u>	<u>388</u>
At 31 December 2017	<u>408</u>	<u>267</u>	<u>675</u>

14.0 Fixed assets investments

Group	Investments		
	Portfolio £ '000	Other £ '000	Total £ '000
Valuation			
At 1 January 2018	1,039,090	526	1,039,616
Valuation changes	(25,825)	-	(25,825)
Income	13,860	-	13,860
Investment management costs included in the fund	(9,835)	-	(9,835)
Net withdrawals from portfolio	(37,563)	-	(37,563)
At 31 December 2018	<u>979,727</u>	<u>526</u>	<u>980,253</u>
Cost			
At 31 December 2018	<u>770,942</u>	<u>526</u>	<u>771,468</u>
At 31 December 2017	<u>761,978</u>	<u>526</u>	<u>762,504</u>
<i>Other investments comprise:</i>			
	Notes	2018 £ '000	2017 £ '000
Programme related investments	26	526	526
<i>Investments at fair value comprise:</i>			
Property funds		101,279	98,530
Equities		541,036	601,973
Fixed interest		51,332	58,547
Alternatives		250,739	224,882
Cash		<u>35,341</u>	<u>55,158</u>
		<u>979,727</u>	<u>1,039,090</u>

Charity	Investments		
	Portfolio £ '000	Other £ '000	Total £ '000
Valuation			
At 1 January 2018	791,416	248,200	1,039,616
Valuation changes	(43,902)	18,077	(25,825)
Income	12,134	1,726	13,860
Investment management costs included in the fund	(2,990)	(6,845)	(9,835)
Net withdrawals from portfolio	(37,563)	-	(37,563)
At 31 December 2018	<u>719,095</u>	<u>261,158</u>	<u>980,253</u>
Cost			
At 31 December 2018	<u>585,463</u>	<u>186,006</u>	<u>771,468</u>
At 31 December 2017	<u>585,418</u>	<u>177,086</u>	<u>762,504</u>
		2018	2017
<i>Other investments comprise:</i>	Notes	£ '000	£ '000
Investment in subsidiaries	26	260,632	247,674
Programme related investments	26	526	526
<i>Investments at fair value comprise:</i>			
Property funds		101,279	98,530
Equities		541,036	601,973
Fixed interest		41,886	41,646
Alternatives		954	1,392
Cash		<u>33,940</u>	<u>47,875</u>
		<u>719,095</u>	<u>791,416</u>

A currency hedging programme was in place during the year to manage foreign currency exchange risk. At 31 December 2018, the group had open foreign exchange forward contracts, to mitigate any currency risk between USD and Sterling on the hedge fund mandate in the Victoria Fund. These contracts have been revalued at the applicable year end revaluation rate and the resulting unrealised gains/(losses) are included within the overall value of the investments above. At 31 December 2018, the Victoria Fund held contracts to buy \$84,356k (£65,997k at an average rate of \$1.28) and £224,985k (\$297,581k at an average rate of \$1.32), (2017: \$87,231k and £232,354k). The unrealised loss associated with these forward currency contracts totalled (£7,436k) as at 31 December 2018 (2017: gain £4,777k).

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

The following table illustrates the expected liquidity of assets and liabilities held as at 31 December 2018.

	Less than 6 months £ '000	6–12 months £ '000	More than 12 months £ '000	Long-term lock up* £ '000
Total non-current assets	-	-	-	93,679
Total current assets	149,946	25,003	-	-
Total current liabilities	7,684	-	-	-

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

At the balance sheet date, the Foundation had total investment commitments of £164,255k (2017: £100,024k) for private equity and infrastructure from total commitments of £209,725k (2017: £165,146k). These commitments form part of the planned asset allocation and will be met from within the existing investments.

15.0 Financial instruments

Group	2018 £ '000	2017 £ '000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,921	5,168
Instruments measured at fair value through profit or loss	<u>979,727</u>	<u>1,039,090</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>38,186</u>	<u>38,656</u>
Charity		
	2018 £ '000	2017 £ '000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,921	5,168
Instruments measured at fair value through profit or loss	<u>719,095</u>	<u>791,416</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>38,186</u>	<u>38,656</u>

16.0 Debtors: Amounts falling due within 1 year

	Group		Charity	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Amounts due from subsidiary undertakings	-	-	131	125
Other debtors	395	312	264	187
Prepayments	540	551	540	551
	<u>935</u>	<u>863</u>	<u>935</u>	<u>863</u>

17.0 Creditors: Amounts falling due within 1 year

	Group		Charity	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Other taxation and social security	65	-	65	-
Trade creditors	697	689	697	689
Grants payable	17,769	18,578	17,769	18,578
Other creditors	439	346	439	346
Accruals and deferred income	1,954	1,022	1,954	1,022
	<u>20,924</u>	<u>20,635</u>	<u>20,924</u>	<u>20,635</u>

18.0 Creditors: Amounts falling due after more than 1 year

	Group		Charity	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Grants payable - in 2 to 5 years	<u>17,509</u>	<u>18,021</u>	<u>17,509</u>	<u>18,021</u>

19.0 Grants payable

	2018 £ '000	2017 £ '000
As at 1 January	36,599	20,961
Grants committed in the year	18,047	36,689
Paid during the year	(19,368)	(21,051)
As at 31 December 2018	<u>35,278</u>	<u>36,599</u>
<i>Split into:</i>		
Grants payable - due within 1 year	17,769	18,578
Grants payable - in 2 to 5 years	17,509	18,021
As at 31 December 2018	<u>35,278</u>	<u>36,599</u>

20.0 Provisions for liabilities

	2018	2017
	£ '000	£ '000
Pension obligations	545	567
Dilapidations	216	222
	<u>761</u>	<u>789</u>

Movement on provisions:

	Pension obligations	Dilapidation	Total
	£ '000	£ '000	£ '000
At 1 January 2018	567	222	789
Adjustment for change in discount rate and payment in the year	<u>(22)</u>	<u>(6)</u>	<u>(28)</u>
At 31 December 2018	<u>545</u>	<u>216</u>	<u>761</u>

21.0 Retirement benefit schemes

a) AEGON Group Personal Pension Plan

The Health Foundation offers all current employees the opportunity to join the defined contribution Group Personal Pension Plan provided by AEGON. Contributions in the year were £611k (2017: £528k). There were £7k outstanding contributions at 31 December 2018 (2017: nil).

b) Other retirement benefits

The Foundation has an unfunded future commitment to a former employee. The contractual commitment (as defined in each contractual arrangement) is to pay a pension equivalent to 1/60th of their pensionable salary for each year of pensionable service less any amounts of pension paid to the same members under The Pensions Trust Growth Plan. The potential pension liability at 31 December 2018, based on advice from an actuary, is estimated to be £545k, (2017: £567k). This provision will be reviewed in 2019.

22.0 Analysis of net assets between funds

Group

	Unrestricted Fund £ '000	Restricted Fund £ '000	Expendable endowment fund £ '000	Total £ '000
<i>Fund balances at 31 December 2018 are represented by:</i>				
Intangible fixed assets	3,359	-	-	3,359
Tangible assets	388	-	-	388
Programme related	526	-	-	526
Investment	28,485	-	951,242	979,727
Current (liabilities) /assets	(14,488)	503	(479)	(14,464)
Long term liabilities	(17,509)	-	-	(17,509)
Provisions	(761)	-	-	(761)
	-	503	950,763	951,266

Charity

	Unrestricted Fund £ '000	Restricted Fund £ '000	Expendable endowment fund £ '000	Total £ '000
<i>Fund balances at 31 December 2018 are represented by:</i>				
Intangible fixed assets	3,359	-	-	3,359
Tangible assets	388	-	-	388
Investment	29,011	-	690,084	719,095
Investment in subsidiary	-	-	261,158	261,158
Current (liabilities) /assets	(14,488)	503	(479)	(14,464)
Long term liabilities	(17,509)	-	-	(17,509)
Provisions	(761)	-	-	(761)
	-	503	950,763	951,266

23.0 Capital commitments

The Foundation has a number of contracts that have been entered into but which are not disclosed as liabilities as they are severable. They are recognised on a cash basis as and when the expenditure is incurred. These amounted to £11,158k at 31 December 2018 (2017: £6,975k).

24.0 Financial commitments

We entered into a 10-year lease for new offices, from October 2018, in advance of our current lease expiring in August 2019.

At 31 December 2018, the charity had two property leases for its existing and new office premises. The future minimum lease payments are as follows:

	Land and buildings	
	2018	2017
	£' 000	£' 000
Expiry date:		
Within 1 year	617	1,019
Between 2 and 5 years	5,229	617
Over 5 years	<u>7,845</u>	<u>-</u>

25.0 Related party transactions

Due to the specialist nature of the projects funded, circumstances may occasionally arise where governors, committee members or staff are associated with organisations which apply for grants. In such cases, the Foundation has clear policies and procedures to ensure that the governor, committee member or member of staff is not involved in the assessment or approval of the grant. All such transactions are undertaken on an arm's length basis in accordance with the normal grant assessment and arrangements. Details of governors and senior management who have interests in organisations to which the Foundation has made awards or contracted within 2018 are noted in the table below:

Board member	Role in associated organisation	Associated Organisation
Hugh Taylor	• Chair	Guy's & St Thomas' NHS Foundation Trust
	• Interim Chair	King's College Hospital Foundation Trust
Ruth Hussey (appointed February 2018)	• Board Member	Public Health England
	• Commissioner	London School of Economics / Lancet Commission
Sharmila Nebhrajani (appointed February 2018)	• Non-executive director	BMJ
Melloney Poole	• Chair	Portsmouth Hospitals NHS Trust

Board member	Role in associated organisation	Associated Organisation
Rosalind Smyth	• Non-executive Director	Great Ormond Street Hospital NHS Trust
	• Chair	Medical Research Council
	• Director	UCL Great Ormond Institute of Child Health
David Dalton	• Chief Executive	Salford Royal NHS Foundation Trust
Member of staff	Role in associated organisation	Associated Organisation
Anita Charlesworth	• Commissioner	London School of Economics/Lancet Commission
	• Honorary Professor	University of Birmingham
Jennifer Dixon	• Fellow	Faculty of Public Health
	• Fellow	Royal College of Physicians
Will Warburton	• Fellow	Imperial College London
Will Warburton Spouse	• Employee	University College London Hospital

During the year, Victoria Fund LP Incorporated, a subsidiary of the Foundation, received no investment contributions from the charity (2017: £10,500k). Medtrust Innovations Limited, a subsidiary of the Foundation donated its profit of £131k (2017: £125k) to the Foundation under gift aid.

Remuneration of key management personnel

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

	2018	2017
	£' 000	£' 000
Key management personnel	1,174	1,132
	<u> </u>	<u> </u>

26.0 Subsidiaries

The Foundation had two subsidiary undertakings and the details at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Medtrust Innovations Limited	England and Wales	Intellectual property	Ordinary	100.00
The Victoria Fund LP Incorporated	Guernsey	Investment fund vehicle	-	-

Medtrust Innovations Limited (Medtrust)

Medtrust is wholly owned by the Foundation (initially two ordinary shares) and is a company registered in England and Wales. It is engaged in the exploitation of intellectual property rights.

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

At 31 December 2018, Medtrust had fixed assets of £526k (2017: £526k). This was also the value of its net assets, matching the value of the shareholders' funds.

During the year, Medtrust had an operating profit of £131k (2017: £125k). The sum equivalent of its taxable profits was donated to the Foundation under gift aid as provided for in Medtrust's Articles of Association.

The Victoria Fund LP Incorporated (Victoria Fund)

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

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

As at 31 December 2018, the Victoria Fund has fixed asset investments of £244,351k (2017: £231,619k) and the value of its net assets was £260,944k (2017: £248,130k). Net profit in the year was £13,574k (2017: £16,036k).

27.0 Cash generated from operations – Group

	2018 £ '000	2017 £ '000
Surplus/(deficit) for the year	(57,524)	62,067
<i>Adjustments for:</i>		
Investment income recognised in profit or loss	(13,954)	(13,790)
Cost of raising funds	11,672	10,900
Fair value gains and losses on investments	25,825	(109,189)
Depreciation and impairment of tangible fixed assets	574	704
<i>Movements in working capital:</i>		
Increase in debtors	(72)	(106)
(Decrease)/increase in creditors	(223)	14,394
(Decrease)/increase in provisions	(28)	3
Cash absorbed by operations	<u>(33,730)</u>	<u>(35,017)</u>

28.0 Grant funding

The Foundation made £18,584k of grants in 2018 (2017: £36,689k). These grants range from small one-off awards to multi-year demonstration projects and fellowships. Integral to all our award making is direct support from the Foundation, as well as technical expertise from technical providers and consultants. This support is organised and paid for by the Foundation and delivered directly to the award holders, and can be in the form of technical development and assistance, learning events and coaching. Within this grant funding the Foundation also funds research and external evaluations to ensure programmes are evidence-based and offer value for money.

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

Organisations	Lead recipient	Total £
Improving Health Care Delivery – General		
Programme – Continuity of Care		
Continuity By Design	Pier Health	140,480
Continuity Counts- A whole-practice approach to improving GP relational continuity	St Leonard's Practice	154,275
How well do I know and trust my doctor?	One Care (BNSSG) Ltd	252,150
Improving Continuity of Care for Patients in South Cumbria	South Cumbria Primary Care Collaborative	249,631

Organisations	Lead recipient	Total £
Programme – Continuity of Care (continued)		
Piloting the introduction of a period of relational continuity for patients in general practice who are mainly healthy but have new and changing symptoms	Valentine Health Partnership	99,774
Improving Health Care Delivery – Efficiency and Productivity		
Programme – Behavioural Insights		
From thermometers to thermostats: taking control of preventable harm from urinary catheters	Health Innovation Network	440,500
Nudge based intervention supported by real time data analytics to improve ventilator weaning practice in critical care	Queen's University Belfast	221,076
Nudging Hospital Prescribers to choose the most Cost-Effective Medications	University of Warwick	350,309
Using behavioural insights to improve cross-organisational working in health and care systems moving towards integration	Behavioural Insights Team	30,000
Programme – Economics Grants		
Support for Analysis for the Health and Social Care Workforce Policy Research Unit (PRU)	Institute for Fiscal Studies	94,808
Programme – Efficiency Research Programme		
Improving Labour Productivity in Primary Care: the role of skill mix, technology and patients	Office of Health Economics	499,972
Quantifying health workers' retention in primary care, its variability and association with outcomes	University of Manchester	385,019
Retention and Sustainability of Social Care Workforce (RESSCW)	University of Kent	498,185
Retention of the clinical and ambulance workforce in English NHS hospitals: variations, trends and effects on patient outcomes	University of Surrey	499,991
The impact of workforce turnover and temporary staff on productivity and health outcomes in the hospital sector	London School of Economics	341,231
Understanding nurse retention and its impact on patient outcomes in secondary care and mental health	Birmingham City University, Faculty of Health, Education & Life Sciences	260,697

Organisations	Lead recipient	Total £
Programme – Efficiency Research Programme (continued)		
Understanding the determinants of mental health staff retention using a multi-level realist approach	University of Sheffield	473,440
Programme – HAGIS project		
Smoking behaviour and patterns of health service usage in over 50s in Scotland	University of Stirling	27,601
Programme – Original Research		
The Relationship between social isolation and hospital care	NatCen Social Research	29,395
Programme – Skills Mix		
Skill-mix innovations for primary & chronic care: Effectiveness & Implementation	WHO European Observatory	100,000
Improving Health Care Delivery – Supporting Improvement		
Programme – Clinical Human Factors Group		
Clinical Human Factors Group support	Clinical Human Factors Group	38,545
Programme – Generation Q		
Cohort 8	Ana Llewellyn	11,500
	Anoop Dhesi	10,500
	Billy Boland	9,500
	Carole Cumino	11,000
	Christopher Dawson-Morris	11,500
	Darryl Thompson	11,000
	Dinendra Gill	11,500
	Fredrik Johansson	9,500
	Jason Nicol	13,500
	Matt Hill	11,000
	Maura O' Neill	13,500
	Nicola Kemp	9,500
	Ola Junaid	11,000
Paul Fitzsimmons	11,000	

Organisations	Lead recipient	Total £
Programme – Generation Q (continued)		
Cohort 8 (continued)	Sarah Scales	9,500
	Seema Srivastava	10,500
	Susan Hannah	13,500
	Victoria Wallace	11,000
Programme – Innovating for Improvement		
A clinically designed stratification tool to develop a tier-based approach to delivery of care in General practice	Dickens Place Group	74,790
Antenatal Care Education (ACE): improving patient and staff experience through better birth preparedness	North Bristol NHS Trust	74,999
ATOMIC: Addiction TO Medication: Improving Care	Central and North West London NHS Foundation Trust	74,591
Changing the Conversation: Developing an alliancing approach to whole system transformation of health and care	Cardiff and Vale University Health Board	73,300
Creative activities to improve staff well-being, quality of care and the way people living with dementia and their carers support their own health	Northumberland, Tyne and Wear NHS Foundation Trust	60,000
Developing an innovative preventative approach, improving Health/Wellbeing Using integrated Multi-Disciplinary approach in Targeted Community Settings	ABM University Health Board	75,000
Developing Home-based Parkinson's Care	University Hospitals Plymouth NHS Trust	75,000
Developing Innovative clinical pathway for women with Autism spectrum features and Eating Disorders (DIAED)	King's College London, Psychological Medicine	74,907
Development and evaluation of an immersive, experiential learning model for re-connecting healthcare staff to deeper value-based work motivations	Birmingham Women's and Children's NHS Foundation Trust	74,448
Effective management of staff fatigue during the night shift	Newcastle upon Tyne NHS Foundation Trust	58,020
Empowering prescribers to empower patients and fellow professionals: a novel approach to safe, person-centred practice	Southeastern Health and Social Care Trust	74,682

Organisations	Lead recipient	Total £
Programme – Innovating for Improvement (continued)		
Engaging the workforce in real time: Listening, understanding and responding to what matters most to our staff	Northumbria Healthcare NHS Foundation Trust	74,612
Fit Families for the Future: Improving Our Recognition and Response to Children and Families Struggling with Obesity	South Eastern Health and Social Care Trust	74,724
Frequent Use of Urgent Care in the Paediatric Population of West Kent	West Kent Clinical Commissioning Group	70,373
Implementation of virtual reality preparation for anxious patients in MRI	NHS Highland	75,000
Improving Children's Social Care Staff Wellbeing through Reflexive Peer Group Supervision and Critical Incident Debrief.	Southampton Children and Families Social Care	70,000
Introducing telepsychiatry in Child and Adolescent Mental Health Services (CAMHS)	Aneurin Bevan University Health Board	67,407
Mental Health Recovery: Supporting staff to deliver rights-respect services	Tees, Esk and Wear Valley NHS Trust	73,584
Postnatal care: Developing a living library to promote a human-centered model of care	Chelsea and Westminster Hospital NHS Foundation Trust	74,858
Supporting People with Chronic Pain to be Opioid Free	Stockport NHS Foundation Trust	55,430
Using Cognitive Behavioural Therapy Techniques to Improve Medicines-Related Consultations in the Area of Cardiac Health.	Oxford University Hospitals NHS foundation trust	74,785
Using Shared Medical Appointments for patients with Chronic Pain: to encourage self-management and peer support and to reduce opioid medication use.	Devon Doctors Ltd.	74,554
West End Wellbeing: a place-based multidisciplinary approach to meeting needs in Newcastle's west end	Changing Lives	74,439
Programme – Insight & Analysis		
Developing a quality improvement (QI) network in surgery	The Royal College of Surgeons	30,000
Local Population Health Integrator Scoping Project	Social Finance Ltd.	20,000

Organisations	Lead recipient	Total £
Programme – Person-Centred Care Resource Centre		
Transitioning the existing Health Foundation resource centres into a sustainable and growing asset for UK healthcare improvement	British Medical Journal	199,838
Programme – Q Exchange		
“I should only need to tell my story once”, giving residents a voice on how they wish to be cared for by embedding Coordinate My Care into the care home sector. Delivering quality improvement between health and social care	Health Innovation Network (HIN) South London	29,980
A Paradigm Shift in the Role of Hospitals through Community Organising	Citizens UK	30,000
A peer led approach to evaluating the soft and fluffy: To train a peer-led network of Community Reporters to evaluate creative activities, providing new insights, and measuring impact of what are often described as “soft and fluffy” approaches	Creative Minds	30,000
Churchdown Connections	West of England Academic Health Science Network	30,000
Co-designing the use of NHS Near Me at home NHS Near Me uses telehealth to provide hospital outpatient appointments in rural NHS facilities. We want to co-design the next step with patients: providing appointments for patients at home	NHS Highland	29,853
Co-developing an Improvement Capability framework – and action tools – to enable targeted QI learning and connections across Q	Knowledgeable Ltd	30,000
Improving in Partnership with Patients and Communities, Side by Side	Solent NHS Trust	29,682
Making data count	NHS South Central and West Commissioning Support Unit	30,000
Mental Health care for Emergency Department Frequent Attenders: A Regional Collaborative. A collaboration between Emergency Departments in the Thames Valley region to share best practice for frequent attenders requiring mental health care, to better understand patient flow and design collaborative strategies	The Oxford Academic Health Science Network	29,600

Organisations	Lead recipient	Total £
Programme – Q Exchange (continued)		
Patients are equal partners in Quality Improvement	South West Academic Health Science Network	29,987
Q Community Time Bank	The Healthcare Skills Exchange Ltd	29,642
Repeat Prescribing – re-design through co-design	1000Lives Improvement	29,964
Speed DATAing-HQIP wants to turn our prototype National Clinical Audit Benchmarking data sharing platform into the national clinical audit Speed DATAing agency for the NHS in England	Healthcare Quality Improvement Partnership	29,037
Support domiciliary carers to identify deterioration using 'softer signs' tool	NHS Vale of York CCG	30,000
Testing the use of a tool to support domiciliary care staff in recognising the softer signs of deterioration. Improving response and communication to colleagues/health professionals (incorporating SBAR)		
Transfer of learning from QI training for better impact on care	Ulster University	29,427
Programme – Renal Quality Improvement Learning Report		
Renal Quality Improvement Learning Report	Sheffield Teaching Hospitals NHS Foundation Trust	54,725
Programme – Spreading Improvement		
Best of both worlds: Spreading innovation and disseminating the findings from the Shared Care pathway for people with Advanced Liver Disease and their carers	St Luke's Hospice	27,924
Development and implementation of a training program and toolkit to spread the adoption of a novel nurse-led intervention for new haemodialysis patients	Royal Liverpool & Broadgreen University Hospitals NHS Trust	29,966
My Care in Pharmacy (MyCiP): Developing community pharmacies to support timely physical monitoring of patients on medications for ADHD and related conditions	Sussex Partnership NHS Foundation Trust	29,983
Optimising strength and resilience (O-STAR) across South East London; a strategic network alliance with King's Health Partners, Academic Health Sciences Centre	Royal Brompton and Harefield NHS Foundation Trust	29,919

Organisations	Lead recipient	Total £
Programme – Spreading Improvement (continued)		
Sheffield Children and Young People's Sleeping Well Project: Model for Implementation of Intensive Behavioural Intervention to Improve Sleep in Children	Sheffield Children's NHS Trust	29,961
Spreading and disseminating Good Practice principles in the implementation of Always Events for improving service user experiences in UK health and social care	NHS Education for Scotland	29,620
Spreading Consent Plus for elective lower limb arthroplasty to Rural Lincolnshire	United Lincolnshire Hospitals NHS Trust	30,000
The Whittington enhanced Recovery App (WR-App): Spreading Improved Peri-operative Quality using Data on Pathway Compliance and Surgical Outcomes	University College London Hospitals NHS Foundation Trust	29,808
Programme – Wellbeing in the Workplace: An impact evaluation at selected NHS Forest sites		
Wellbeing in the Workplace: An impact evaluation at selected NHS Forest sites	The Centre for Sustainable Healthcare	63,935
Improving Health Care Delivery – Quality		
Programme – Research Fellowships		
LSE Visiting Research Fellow - NHS management & hospital performance	London School of Economics	193,237
Improving Healthier UK Population		
Programme – Departure Lounge		
Creating physical and digital spaces that empower members of the public to discuss and plan a good death.	Academy of Medical Sciences	248,720
Programme – Embedding Transdisciplinary Research		
Developing local authority Champions of Research through an embedded research culture	Newcastle University	74,943
Programme – Building a collaboration for wellbeing and health		
Bringing senior leaders in English cities/metropolitan regions with devolved powers together to facilitate learning and acceleration of action to tackle health inequalities	Greater London Authority	314,000
Programme – Increasing the voice for public health		

Organisations	Lead recipient	Total £
Developing and strengthening the Association of Directors of public health's communications function to maximise the voice for public health	Association of Directors of Public Health	260,000
Programme – Mobilising Action		
Institute of Health Equity - strategic development	University College London	60,000
UK Public Health Network 2018	UK Health Forum	82,092
Programme – Big Lottery - Supporting Local Partnerships to Tackle the Social Determinants of Health		
Big Lottery Supporting Local Partnerships to Tackle the Social Determinants Health	thinkNPC	8,500
Programme – Taking action on the social determinants of health		
Better Together: improving the health of older people in Swansea through taking action on social isolation and loneliness and strengthening local communities	Public Health Wales	59,210
Community Assets, Participation and Integration: Taking Action Locally (CAPITAL)	Public Health Wales	59,996
Creating ACE informed places: promoting a whole system approach to tackling ACEs in local communities	Association of Directors of Public Health	59,400
Local Financial Insecurity and Debt Indicator Set	The Faculty of Public Health	60,000
The Community Spirit Level: A project which aims to understand the barriers to, and factors which, underpin strong and healthy communities, with a particular focus on community spirit and to develop resources to support this.	Duncan Stephenson	56,700
Programme – Advancing Applied Analytics		
A clinically driven MDT approach to Data Science	NHS Bolton CCG	47,100
ABCi Mathematical Modelling and Analytics Academy	Aneurin Bevan University Health Board	71,442
Applying Best in Class analytics to a whole system approach to manage knee problems	NHS Forth Valley	66,785

Organisations	Lead recipient	Total £
Programme – Advancing Applied Analytics (continued)		
Building analyst capabilities to demonstrate the value of connected health and council data	Care City	73,887
Can interactive data visualisation help clinicians improve patient care?	Northumberland Tyne and Wear NHS Foundation Trust	74,086
Developing a versatile tool for modelling pathway capacity in NHS organisations	Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group	61,790
Mind The Gap: Developing effective communications between decision makers and analysts in health and care	Devon Partnership NHS Trust	74,658
Personalized medicine analytics dashboard for Triage patients in Emergency Departments	Barking, Havering & Redbridge University Hospitals NHS Trust	57,375
Simulation modelling in Mental Health services for the Hampshire and the Isle of Wight (HIOW) Sustainability and Transformation Pa	Southern Health NHS Foundation Trust	73,565
System wide early warning tool for the impact of acuity on the acute pathways based on actionable intelligence	Nottingham University Hospitals NHS Trust	53,582
Use of novel modelling techniques and routinely-collected data to explore responses to Winter Pressures – a proof of concept	Bradford Teaching Hospitals NHS Trust (Yorkshire & Humber AHSN Improvement Academy)	70,576
Programme – Association for young people		
AYPH - Key Data on Young People 2019	Association for Young People's Health	40,027
Programme – Healthy Brains: Evaluating the impact of neuroplasticity interventions on the cognitive health of school children		
Healthy Brains: Evaluating the impact of neuroplasticity interventions on the co	Evolve: A Social Impact Company	142,500
Programme – Housing and Homeless Emerging Leader Programme 2018		
Housing and Homelessness Emerging Leader Programme 2018	Centre for Homelessness Impact	42,000
Programme – Mobilising Action		
The Broken Plate Proposal	The Food Foundation	28,529
Programme – The Economic and Social Value of Health		
Life course impacts of health on social and economic outcomes and transitions	Loughborough University	199,999

Organisations	Lead recipient	Total £
Programme – Young Persons Inquiry		
Speak Out Stay Safe: An evaluation of programme impact - facilitators and barriers to effectiveness - and cost-benefits	National Society for the Prevention of Cruelty to Children (NSPCC)	235,975
Total		11,069,957
Adjustments to awards made in previous years		1,635,252
Services provided by third parties to support award holders and further the work of the Foundation		5,661,131
Grants and donations awarded to charities by governors		217,500
Total Grants		18,583,840

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Registered charity number: 286967

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