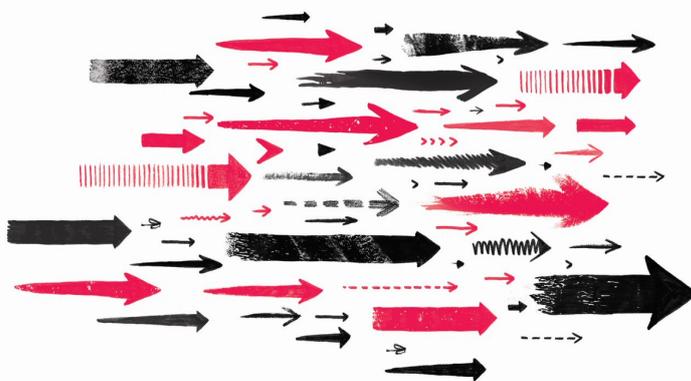


Annual report and financial statements

For the year ended 31 December 2019



2019



**The
Health
Foundation**

Annual report and financial statements

For the year ended
31 December 2019

Contents

Introduction from the Chief Executive and Chair	5
Legal and administrative information	8
Strategic report	10
Vision and mission of the Health Foundation	10
Our objectives	10
Activities and achievements in 2019	11
Healthy lives for all	11
Understanding the quality of health and care	14
Supporting health care improvement	16
Contributing to the future sustainability of health and social care	18
Improving the health of the Foundation	20
Our plans for 2020	21
1. Promote healthy lives for all	21
2. Data analytics for better health	22
3. Supporting improvement	22
4. Health and care sustainability	23
5. Improving national health and care policy	24
6. Improving the health of the Foundation	25
Financial review: results for 2019	26
Charitable activities	26
Restricted funds	27
Subsidiary companies	27
Financial strategy and reserves	28
Investment policy and strategy	28
Our approach to responsible investment	29
Expenditure policy	29
Grant-making policy	29
Reserves policy	30
Investment returns	30
Risk management	32
Trustees' report	34

Structure, governance and management	34
Organisational structure and how decisions are made	35
Senior management	36
Principal activities and development	37
Statement of governors' responsibilities	37
Declarations and conflicts of interest policy	39
Independent auditor's report to the members of the Health Foundation	40
Opinion	40
Basis for opinion	40
Conclusions relating to going concern	40
Other information	41
Matters on which we are required to report by exception	41
Responsibilities of governors	41
Auditor's responsibilities for the audit of the financial statements	42
Use of our report	42
Consolidated statement of financial activities for the year ended 31 December 2019	43
Consolidated balance sheet for the year ended 31 December 2019	44
Charity balance sheet for the year ended 31 December 2019	45
Consolidated statement of cash flows for the year ended 31 December 2019	46
Notes to the financial statements for the year ended 31 December 2019	47
Charity information	47
1.0 Accounting policies	47
2.0 Critical accounting estimates and judgements	52
3.0 Charitable activities	54
4.0 Investments	54
5.0 Capital applied to income	55
6.0 Fund management	55
7.0 Charitable activities	56
8.0 Support and direct costs	57
9.0 Governors	57
10.0 Employment costs	58
11.0 Net gains/losses on investments	58

12.0 Intangible fixed assets	59
13.0 Tangible fixed assets	60
14.0 Fixed assets investments	61
15.0 Financial instruments	64
16.0 Debtors: Amounts falling due within 1 year	64
17.0 Prior year adjustment	64
18.0 Creditors: Amounts falling due within 1 year	65
19.0 Creditors: Amounts falling due after more than 1 year	65
20.0 Grants payable	65
21.0 Provisions for liabilities	66
22.0 Retirement benefit schemes	66
23.0 Analysis of net assets between funds	67
24.0 Capital commitments	67
25.0 Financial commitments	68
26.0 Related party transactions	68
27.0 Subsidiaries	69
28.0 Cash generated from operations – Group	70
29.0 Grant funding	70
30.0 Post balance sheet event	79

Introduction from the Chief Executive and Chair

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

Through our activities and their effective communication, we seek to help shape services on the ground, as well as influence policy at a national, regional and local level. We set our priorities by combining intelligence from a wide range of sources, looking at what others do so that we do not duplicate (or subsidise) activities, identifying what might be today's priorities and tomorrow's as well.

2019 in retrospect

Our successes in 2019 included publication of our *Creating healthy lives* report in September. This report set out the need for a long-term approach to investing and planning to improve the nation's health, identifying the key need as coherent cross-government policy to do so. The conclusions from our 2-year *Young people's future health inquiry*, published in the autumn, had similar messages.

And as the nation's largest employer, the NHS has a role beyond providing health care to support the health and wellbeing of communities. How to do this was the subject of one of our most downloaded reports, published in August, *Building healthier communities: the role of the NHS as an anchor institution*. We are pleased to be working with NHS England to help make anchor institutions a reality.

In 2019 the Health Foundation agreed to fund a new centre that will carry out detailed and independent modelling for long-term investment in the NHS and social care system. The REAL Centre (Research and Economic Analysis for the Long term), to be launched in 2020, is the first of its kind to offer this type of analysis, filling an important gap. Given that the NHS itself is Europe's largest 'industry' and employer, as well as being the top priority for the public, expert objective scrutiny of future demand, supply and likely expenditure trends will surely prove valuable.

A consistent focus of our work over the last decade has been how to upskill front-line staff to make improvements every day, as well as develop and adopt innovations. We invest over £8m per year in this and in 2019 committed to 10 years of further funding to the **Q community** – a supportive learning network of currently 3,500 people across the UK trying to accelerate change.

In 2019 we also took time to identify what factors help NHS staff to make the most sustained improvements to care for patients. We studied three English NHS trusts with an 'outstanding' quality rating from the Care Quality Commission that have implemented an organisational approach to improvement – our conclusions were published in *The improvement journey*. In 2020 we will be using these insights to support the NHS develop a national improvement framework to support all NHS organisations to improve care.

Obviously, technology can help to make treatments more effective for patients and also improve the processes of care and productivity of staff. In May our Data Analytics team

published *Untapped potential: investing in health and care data analytics*, which explored this area in more detail. The team also funded the latest round of our *Advancing Applied Analytics grant programme*, which is now funding 33 teams around the UK to apply innovative analytics to tackling real-world problems facing the health system.

In 2019 we were also excited to launch The *Networked Data Lab* where we will be working with networked analytical teams across the UK to deliver data driven insights on common problems in health care. And our partnership with NHS England on the *Improvement Analytics Unit (IAU)* produced not only four evaluations of new care models, but ground breaking analysis of *emergency hospital use by care home residents*. Insights from the latter show the clear opportunity for integrated care to reduce avoidable emergency admissions, particularly if care is boosted in residential care homes.

Data, and greater productivity, requires capital investment. A key focus for us in 2019 was to highlight and provide robust evidence on the *infrastructure, workforce*, and public health investment needed. On workforce we set out recommendations to help fill the 100,000 vacancies reported by NHS trusts in our *Closing the gap* report, with the King's Fund and Nuffield Trust, and published *Falling short* setting out the long-term trends and key pressure points for the NHS and social care workforce.

COVID-19

The coronavirus (COVID-19) pandemic represents an unprecedented challenge to health and care services, bringing intense pressure and radical change to systems, organisations and to all of us as individuals.

As a foundation with a mission to improve health and health care, we are supporting individuals and organisations across the health and social care system to deal with current challenges, but also building the evidence needed to understand the longer term implications on the nation's health.

The foundation expects to make contributions in three broad areas: emergency assistance in the short term; in the recovery of the public health, health care and social care system; and deeper learning in the aftermath of COVID-19 to try to help understand what happened and how the health system might respond more effectively in future. This means that we have had to reassess which of our planned activities, and activities under management from previous years, can go ahead, stay on track or necessarily be delayed. We have worked to reassure grant holders, funded fellowship holders, contractors and suppliers and worked flexibly with them to respond to the challenges the situation is causing. Early examples of our work can be found on our *Responding to COVID-19 webpage*.

Internally, we moved swiftly to working remotely, with the safety and wellbeing of our people of paramount importance, and have continued to work effectively. We rapidly assessed our plans and adapted them to support health and health care, in the face of the outbreak of COVID-19.

The strength of our balance sheet means we are not dependent on raising funds from other sources. Our endowment has lost some of its value in line with markets generally and we expect it to recover over time. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future, having carried out several 'stress-tests' before and after the outbreak.

Looking ahead

The combination of activities carried out and funded by the Health Foundation, some in collaboration with partner organisations, we believe is unusual for a Foundation. We organise our work through five strategic priority areas that we believe will help us respond to the key existing challenges to health and health care for the people of the UK, as well as newer ones such as COVID-19:

- promote healthy lives for all
- data analytics for better health
- supporting improvement
- health and care sustainability
- improving national health and care policy.

In each area, we have an ambitious portfolio of work, in-house and externally commissioned, in highly innovative areas. Our own achievements in 2019 are due to the hard work and commitment of staff, governors and partners. And we look forward to making progress in 2020, always for the benefit of the UK population and, in particular, the most vulnerable in society.

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

Legal and administrative information

Governors	Sir Hugh Taylor (Chair) Sir David Dalton Eric Gregory Lorraine Hawkins Ruth Hussey Martyn Hole Branwen Jeffreys Bridget McIntyre (resigned 12 July 2019) Sharmila Nebhrajani Melloney Poole David Smart (appointed on 16 May 2019) Rosalind Smyth David Zahn (resigned July 2020)
Charity number	286967
Company number	01714937
Registered office	8 Salisbury Square London EC4Y 8AP
External Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	Bircham Dyson Bell LLP 50 Broadway London SW1H 0BL Bates, Wells & Braithwaite LLP 10 Queen Street Place London EC4R 1BE
Investment Fund Managers	See pages 80–85
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 2019 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 mission 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.

Our objectives

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

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

Activities and achievements in 2019

During 2019, we continued to focus on ways to bring about better health and health care for people living in the UK. We awarded grants to improve health care, carried out research and analysis, invested in long-term change initiatives and enabled collaboration through our networks. We shared our insights, analysis and what we know works on the ground to inform effective policymaking and practice on the front line.

Here we report on a selection of our activities and achievements during 2019, reported against our strategic priorities:

- promoting healthy lives for all
- understanding the quality of health and care
- supporting health care improvement
- making health and care services more sustainable

Analysis of expenditure on charitable activities	2019 (£m)	2018 (£m)	Year on year movement (£m)
Promoting healthy lives for all	12.50	7.38	5.12
Understanding the quality of health and care	8.55	0.30	8.25
Supporting health care improvement	12.36	15.82	-3.46
Making health care services more sustainable	3.40	11.25	-7.85
Other	0.57	0.41	0.16
Total charitable activities	37.38	35.16	2.22

Total spend on charitable activities grew by 6% year on year with increases in our activities and resources in promoting healthy lives for all and understanding the quality of health and care.

Healthy lives for all

What makes us healthy?

The circumstances in which we live – from the support we receive during our early years to our working conditions, housing, and local communities later in life – have powerful impacts on our health. These are the wider determinants of health. However, in the public debate about how to improve health in the UK, health inequalities and the wider determinants are often left out or misunderstood.

As part of our objective to change the conversation about what makes us healthy, we have been working with the FrameWorks Institute to develop new ways to communicate about the wider determinants of health, building on previous research in this field. By forming a wider awareness and understanding of the determinants of health, we can build support for the

policies and programmes needed to reduce health inequalities and improve health. There is growing interest in this work from a range of external and internal stakeholders. The outputs from this work will start to be published in 2021.

Evidence and insights for improving the public's health

In 2019, we published a report on [the slowing of mortality improvements in the UK](#), alongside publication of the LSE research report commissioned by the Health Foundation that informed it. The report generated considerable interest.

We also published a [collection of case studies](#) of practical attempts to implement a 'health in all policies approach' in different contexts, sectors and levels of government around the world. Health in all policies is an established approach to improving health and health equity through cross-sector action on the wider determinants of health.

We also worked with the Institute of Health Equity to explore progress on addressing health inequalities in England since the landmark Marmot review, *Fair society, healthy lives* was published in 2010. To support this work we produced a blog by Michael Marmot, which was one of the Health Foundation's most read blogs of the year. The report launched in February 2020 and is expected to be a highly influential publication. It includes recommendations for further action.

Influencing national policy

We have been exercising our influence to inform the debate, with direct engagement with senior stakeholders and decision makers. For example, we worked with the Department of Health and Social Care to deliver a workshop bringing together a range of stakeholders with practical and policy expertise on the wider determinants, to help inform the content of the government's prevention green paper.

We published [Creating healthy lives: A whole-government approach to long-term investment in the nation's health](#) that sets out the evidence and calls on the government to look beyond short-term spending that focuses on tackling the most acute needs to making a longer-term commitment to investing in the conditions that keep people healthy in the first place. The report has been well received with good website traffic, media coverage and has received support from key stakeholders. This work also informed our full written response to the government's prevention green paper consultation this year.

In the lead up to the general election, we published a long read called [The nation's health](#) – one of the most frequently viewed pages on our website, as well as two long reads on the use of data and technology for prevention and the development of a National Health Index. It was encouraging to see some of our main policy recommendations reflected in election manifestos, and our narrative around 'health as an asset' being used in government publications, such as the prevention green paper and in speeches by Matt Hancock.

As part of the [Young people's future health inquiry](#), we commissioned nine organisations to develop detailed recommendations for each sector on key policy areas. These included quality of work, private rental housing, transport, youth services and a financial safety net. Each organisation conducted desk research and ran a stakeholder roundtable and published a report in the autumn. We were encouraged to see some of these themes recommended in our policy commissions reflected in government policy. The December 2019 Queen's speech contained measures to address young people being able to access secure rental

housing and measures to serve young people on further educational routes to set them up for a positive future. There has also been commitment from government to £500m funding for youth services. We also saw the themes of our commissioned policy reports reflected across party manifestos, such as commitments from all three parties to reform youth services (suggested in our commission with the [Centre for Youth Impact](#)).

Harnessing business and economic strategies to improve health

We held the Salzburg Global Seminar session to bring together representatives from business, health, and economic development, which was well regarded by participants from across the world. Building on this work, two Salzburg statements have been agreed by fellows on topics discussed at the seminar ([Creating community-owned narratives for healthy local economies](#) and [How cities can promote genuinely inclusive economies](#)). Our award to the Institute for the Future of Work, which concluded in October, supported an all-party parliamentary group meeting discussing the role of good work in the future, the creation of two videos on good work featuring Angus Deaton and Philip Alston, and a workshop on employment in social care. We presented our work at several conferences, including those hosted by the Local Government Association and Association of Directors of Public Health, the Institute of Economic Development, the Inclusive Growth Analytics Unit, and the Centre for Progressive Policy conference.

Complex systems approaches to population health

In advocating policy action across government on the wider determinants of health, an approach that takes account of the broad and connected nature of these determinants is important. Following our successful webinar, [Systems mapping as a tool for action](#), we began work to explore the application of systems approaches to population health in the following high impact areas: young people's mental health, violent crime and homelessness.

We worked with Public Health England to convene workshops to map the system of factors influencing young people's mental health. This influenced the recommendations of PHE's special interest group on this topic and the work was presented at the PHE annual conference this year. We also launched our first major grant making programme (£1.7m) [Shaping places for healthier lives](#), in partnership with the Local Government Association. This will fund five local authorities to facilitate local partnerships for system-wide action on the wider determinants of health. The findings of the evaluation will help advance our understanding of what works to enable cross sector action in complex systems.

The next generation

One of the aims of the [Young people's future health inquiry](#) is to grow recognition of the importance of the 12–24 age group in building future health prospects. In 2019, we published [A healthy foundation for the future](#), the final report of the inquiry, exploring the factors that are putting the UK's 12–24-year-olds at risk of ill health later in life, such as a challenging housing and job market. This, along with the detailed working paper by the Association of Young People's Health and the UCL Great Ormond Street Institute of Child Health, laid out findings from new research using the Longitudinal Study of Young People in England next steps longitudinal dataset.

We also published a working paper on [Allostatic load: how stress in childhood affects life-course health outcomes](#). This received good attention externally, including 188 pieces of media coverage.

Public health grant

The public health grant is key resource for local public health delivery and has been subject to a series of cuts since its inception in 2013/14. We have been carrying out analysis to better understand the scale of these cuts. Our work in this area has helped position us as a credible and influential voice in ongoing policy discussions with key stakeholders. We also published a widely-supported joint statement in June, with The King's Fund, calling for an urgent commitment to restoring £1bn of real terms per head cuts to the public health grant.

We also had strong ongoing media coverage of our funding recommendations across national, regional and trade press. The analysis had strong cut-through politically, including being referenced in parliamentary debate and inclusion of commitments to reverse cuts in the Labour and Liberal Democrat manifestos in the 2019 election. At the 2019 Spending Review, the government committed to a real term increase in the grant for 2020/21, ending 5 years of cuts.

Strategic initiative: Collaboration for Wellbeing and Health

The **Collaboration for Wellbeing and Health** consists of 10 member organisations from a variety of sectors who share an ambition to make a positive and lasting impact on the wellbeing and health of people in the UK through action on the wider determinants of health. The Health Foundation will invest up to £15m in the Collaboration over the next 5 years to deliver the ambition to take cross-sector action to create the conditions for people to live healthy lives. This year, members have started to work on joint influencing projects, such as working together on the Marmot report to ensure that its recommendations are well framed and reach beyond our usual audiences, as well as identifying high-potential post-launch activities to further the impact of the report.

Understanding the quality of health and care

In 2019 we continued our work to inform national health and social care policy, providing insight and analysis on the *NHS Long term plan*. This included commentary in national broadcast and print media as well as more in-depth analysis, including editorials in the BMJ analysing the major proposals in the plan, and NHS England's proposals for legislation to deliver it. We also submitted more detailed evidence to the Health Select Committee's inquiry into the proposals and briefed committee staff on the proposals.

In July, we published a briefing on one of the biggest changes in the *NHS Long term plan*: **primary care networks (PCNs)**. This aimed to shed some evidence-based light on a policy that was rapidly developed, and even more rapidly rolled out after its first announcement.

We also contributed to the Foundation's response to the general election at the end of 2019 with media statements, blogs, and commentary pieces on a range of topics, including NHS waiting time performance. This built on our regular commentary throughout the year on NHS performance, alongside analysis on a range of quality metrics produced by Quality Watch, co-funded with the Nuffield Trust.

Much of our work in this area was informed by our in-house analytics team, which continued to use novel data analytics approaches to produce insights around the quality of care. 2019 saw publications on high-cost and high-need patients, inequalities in talking therapy services and missed outpatient appointments. We have also been developing the system's capability to do this type of analysis by establishing the new Networked Data Lab. The lab launched at the end of October with an event at the Health Foundation that marked the beginning of our

call for partners. We have since received 25 expressions of interest from analytical teams across the UK. Once established, the Networked Data Lab will be a community of analysts working together to use data to tackle critical problems affecting the nation's health.

Our Improvement Analytics Unit published three further evaluations of interventions to improve health care for people living in care homes, together with a report that summarised all the research that the unit has produced about care homes to date. The briefing, *Emergency admissions to hospital from care homes: how often and what for?*, informed the roll out of the enhanced health in care homes framework that is part of the *NHS Long term plan*, and the team was actively engaged with the service specification for the primary care networks contract. Meanwhile, the Improvement Analytics Unit has progressed evaluations of two further integrated care interventions and has been scoping an evaluation of digital first primary care.

We continued our work to build analytical capability in the health and care system. A further round of our Advancing Applied Analytics programme resulted in 10 projects being funded, with themes around skills development, population health management, data linkage and advanced analytics. The programme is now supporting a total of 33 projects. An evaluation of the initial rounds found that these are having a positive impact, with one key benefit being the formation of a community of practice across the UK. NHSX has since come on board and will be providing expertise and support to project teams to enable us to increase our impact.

In 2019, our analytical capability team also published a report, *Untapped potential: Investing in health and care data analytics*, setting out the actions that are needed nationally and locally to improve analytical capability, together with a tool to measure the analytical capability at organisational level. These publications coincided with a rapid increase in interest in health data following the publication of the Secretary of State's tech vision and have informed the development of national data policy. For example, the CEO of NHSX echoed our call-to-action in a presentation to the Association of Healthcare Analysts.

During 2019, there was marked public interest in health data and the impacts it is having on our health and wellbeing. We informed the national debate in this area, drawing on our knowledge and experience of data analytics. We responded to the announcement of the new £250m AI Lab with an article in the BMJ on *Artificial intelligence in the NHS: getting the priorities right* and worked with NHSX on writing the report *Artificial Intelligence: How to get it right*. We also published blogs about the risks associated with biased data and other topics.

We have also been sharing the tools and approaches that we use in our work, such as through the launch of our new GitHub, which attracted positive engagement from key stakeholders. We have been pushing ourselves to develop our practice, with a programme of work underway to improve the way we involve the public and patients in our work, led by the Data Analytics Public and Patient Involvement and Engagement (DAPPIE) team.

Given the rapid changes that have been happening in health data and technology, we spent time in 2019 engaging with stakeholders across the health and care system to understand how we can strengthen our impact in this area. This led to our new Data Analytics for Better Health strategy which launched in January 2020.

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 saw 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.

Strategic initiatives

THIS Institute

In 2019 THIS Institute continued to develop its internal systems, processes and infrastructure, contributing to the evidence base for quality improvement through its work programmes. THIS further developed its fellowships, applied research projects and citizen science – the crowdsourcing of ideas from citizens, health care staff and patients in scientific research projects – as a research methodology. The Institute continued to establish its credentials as an authoritative voice on health care improvement, with THIS staff contributing a significant volume of research, publishing in high-profile journals such as The Lancet and Social Science & Medicine.

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. It 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. 2019 saw membership increase by more than a quarter to 3,562 by the end of the year. We also held a range of visits, events, webinars and other learning opportunities. Highlights included an annual community event with over 300 people attending and a visit to learn about the Live Well Greenwich initiative which aims to improve health and wellbeing for residents in Greenwich, particularly those who experience higher levels of deprivation.

In 2019, RAND Europe's external evaluation of the Q initiative provided strong evidence of positive impact for individual members through their engaging in collective projects, special interest groups, events, visits and the online platform. 81% agreed that they personally benefit, including through accessing resources and activities they would not otherwise access (86%) and in making new connections to undertake quality improvement (80%). The evaluation has also generated considerable learning, which will be implemented, about how this value for individual members can be better supported to achieve greater impact on the quality of care.

We ran a second round of Q Exchange, a small-scale grant funding programme that aims to harness the collective expertise of the Q Community to develop project ideas collaboratively and generate learning. 20 teams were selected by Q members to receive funding during 2020 and will be focused on two themes: understanding alternatives to traditional outpatient appointments and building improvement capability across boundaries.

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. This year we worked with the mental health charity Mind and a range of stakeholders on a project to establish how care for people with mental health problems and persistent back and neck pain could be improved. We worked with stakeholders, including people with lived experience and five 'testing teams' from the NHS, to identify potential solutions to improving care for this cohort of people and work in new ways to design and test these ideas in practice. We published two practical reports from the Q Lab's work with Mind and presented the learning to 20 CEOs of local Minds at the Mind network leaders conference. We also made awards to four teams to build on our learning about testing and implementing improvement ideas in practice.

We also successfully developed a new partnership with Improvement Cymru, the national improvement body in Wales, to establish a new Q Lab that aims to strengthen improvement efforts in Wales. Q Lab Cymru is currently in the design phase and will go live in spring 2020.

Improvement on the front line

We continued 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 developed and announced **Common Ambition**, a new £2.1m funding programme to develop collaborative communities where people, families, health care professionals and researchers work together to improve health and care. We will support up to five ambitious partnerships between providers of NHS services and voluntary and community sector organisations with between £300,000 and £500,000 for 2–3 years. They will share the aim of building sustainable change across health and care through collaboration between those who use services and those who deliver them.

We undertook early work to explore the wider contribution of the NHS to improving health through a focus on prevention and health inequalities. In August we published a research report on **the role of NHS organisations as 'anchor institutions'** to maximise their resources to improve population health in their communities. We also concluded an award to the Faculty of Public Health exploring how the NHS could do more to support prevention and responded to the government Green Paper on prevention. We also began scoping a potential research open call on prevention in primary and community care. Through sharing our ideas and insights from our anchors research we were able to secure a commitment in the *NHS Long term plan* for NHS England and Improvement to work with the Health Foundation to support the spread of anchor practices within the NHS. We also gained opportunities to work with trusts and health and wellbeing boards to help them develop and implement anchor strategies.

Sharing our learning

We continued to share learning from our programmes including Exploring Social Franchising, Flow Coaching Academy, Innovating for Improvement, and Scaling up Improvement.

2019 saw the expansion of the Flow Coaching Academy (FCA), making agreements to take the number of local FCAs from seven in 2019 to 13 by 2021, including representation in Scotland, Northern Ireland and across England. In addition, the findings of a 3-year

independent evaluation led by RAND Europe demonstrated the benefits to patient outcomes of the FCA model, finding positive improvements in selected pathways.

Sharing learning from our programmes led to opportunities to influence national policy. For instance, the Accelerated Access Collaborative, has created a new workstream on the adoption of innovation, heavily informed by our research. In addition, we were asked to plan and co-host a dinner to explore how health systems can be supported to improve the uptake of innovation, to inform a proposal to the NHS England Board in 2020.

In May 2019 we published *The improvement journey*, which draws on our experiences of funding improvement programmes and sets out what it takes to develop an organisation-wide approach to quality improvement. The findings of the report were picked up by NHS England and Improvement and will inform the National Improvement Framework for England, a new initiative that will be developed in 2020 to help NHS providers understand the extent to which they have built an organisation-wide approach to improvement and what they can do to progress on their quality improvement journey.

Finally, we developed a proposal for a new themed programme focused on the uptake of innovation and digital technology, which is due to go to the Health Foundation Board in 2020.

Contributing to the future sustainability of health and social care

In 2019 we continued to provide analysis and research on how to ensure long-term sustainability for health and social care. We published two reports as part of our ongoing analysis of the trends and pressure points for the health care workforce: *A critical moment* in February and *Falling short: the NHS workforce challenge* in November. Alongside our individual reports we also worked with the King's Fund and Nuffield Trust to produce our second joint report on the health care workforce in March, *Closing the gap*. This joint work included specific recommendations on the financial support to help nursing students with the cost of living during initial training and on the funding for continuous professional development (CPD). In both these areas there has been significant policy development this year.

Throughout 2019 we produced analyses of the NHS' capital requirements, including our influential briefing *Failing to capitalise* in March. We have contributed to public debate on capital funding with articles in the media, presentations at conferences and we gave evidence to the Health Select Committee NHS Capital inquiry, which aimed to examine NHS capital requirements, the difficulties experienced by provider organisations in accessing capital and plans for future expenditure.

In May we published *The real cost of a fair adult social care system*, detailing analysis on government spending and estimating a significant funding gap in England compared to other UK nations. As part of this we worked with BBC Panorama and our analysis was extensively reported. We also hosted an event alongside IFS, *What will it take to fix social care?* with Sir Andrew Dilnot as a keynote speaker.

Our understanding of demand supported joint work with the NHS Confederation to produce the briefing *Investing in The NHS long term plan*. In this we set out funding scenarios for areas of health spending outside NHS England's budget, including NHS workforce, capital investment, the prevention agenda and adult social care. We then presented this work at the

opening plenary session of Confed19 and spoke in three additional sessions, supported by a Health Foundation exhibition presence.

Throughout 2019 we also worked with several external academic partners. Our first round of the Efficiency Research Programme (ERP) began to produce outputs across four projects with a range of partners. LSE, IFS and Imperial have all presented their work at numerous conferences. IFS work on Improving the allocative efficiency of health and social care spending on older people in England led to extensive coverage in national broadcast media. Frontier Economics also published their report *Impact of key GP characteristics on unscheduled care use and patient outcomes* on our website.

We also made major progress in setting up our new centre dedicated to improving the sustainability of health and social care – the Health Foundation’s REAL Centre (Research and Economic Analysis for the Long term). The REAL Centre will consolidate and build on our work in this area, aiming to ensure that:

- decisions about the funding, design and delivery of the health and social care system are informed by the best available analysis and evidence, and with consideration of the costs and benefits over the long term, and
- debate about the future of the health and social care system is open and grounded in facts and evidence.

We have spent much of 2019 engaging with key stakeholders and developing our plans, ready for launch in 2020.

We also developed and launched our Shaping Health Futures Programme in 2019. The programme involves a mix of synthesising evidence on major issues affecting health and care over the long term and convening policymakers to consider these issues and what they mean for policy today. We **published a paper in June** describing why a stronger focus on long-term thinking is needed for health and care in England. And we held two workshops, in June and November, with senior policymakers to explore these issues in more detail.

November’s workshop was a 2-day residential event, with a group of around 30 senior NHS and social care strategy leaders. Organisations represented included the Department of Health and Social Care, NHS England and Improvement and other arm’s-length bodies, as well as several royal colleges, professional regulators, representative bodies and local system leaders. We mapped the different approaches and infrastructure already used across the system to develop strategies and plans for the future, and looked in detail at one area of rapid change – digital and data-driven technology – and existing policy responses. We also held a dinner with chairs and chief executives of national NHS and social care organisations in October, to get their support for and input to the programme.

Improving the health of the Foundation

Our internal objectives enable us to deliver our strategy effectively by investing in our people, how we work together, the tools we use and the space we work in.

In 2019, we:

- launched a leadership and management development programme for everyone, starting with senior managers and leaders, which will continue into 2022
- improved ways of working together, achieving impact, discovering and learning
- upgraded our IT network and core business applications, including our secure data environment
- moved office, as our lease came to an end.

We remained compliant with the Data Protection Act 2018, with no reportable incidents and renewed our information security management system accreditation for our secure data environment (ISO 27001).

Our plans for 2020

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

We organise our work through five strategic priority areas, updated as follows:

- promote healthy lives for all
- data analytics for better health
- supporting improvement
- health and care sustainability
- improving national health and care policy.

How we plan to further our commitment over the year ahead is shown below with highlights from the work we have planned in each of our five strategic priority areas. It is also important to acknowledge the unprecedented challenge to health and care services that COVID-19 represents. Please see *Introduction from the Chief Executive and Chair* for more information about how the Foundation is responding.

1. Promote healthy lives for all

Our work to promote healthy lives for all aims to change the national conversation to focus on health and wellbeing as important assets for a flourishing society. To do this we are focusing on promoting national policies that support everyone's opportunity to live a healthy life, and supporting local action to address variations in people's opportunities for a healthy life.

- **Collaboration for Wellbeing and Health:** In partnership with 10 other organisations, we are building a collaborative initiative that can take multi-level, cross-sector action to address the wider determinants of health in the UK. We aim to influence organisations in all parts of society to put people's health and wellbeing at the heart of their decision-making, so every person in the UK has the opportunity to live a healthy life. In 2020 we will be scoping how the Collaboration will work in practice.
- **Economic development for health:** We will be publishing a report on how local areas can use economic development strategies to improve health. We are also launching our new programme, Shaping Economies for Healthier Lives, to better use local and regional economic development strategies to improve health and reduce health inequalities.
- **Health inequalities:** We have been working with the Institute of Health Equity on their report *Health Equity in England: The Marmot Review 10 Years On*, which launches in February 2020. Drawing on this and the Foundation's work to improve communication of the wider determinants of health, we will continue with a programme of work to build understanding of health inequalities and the factors that influence our health, and increase public support for policies for future action for a healthier UK.
- **Young people's future health:** Following the launch of our *inquiry report* at the end of last year, we will establish five policy posts across influential organisations to

develop recommendations for the action needed to ensure young people have the support, conditions and opportunities they need for a healthy future.

- **Exploring the wider determinants of health:** We are planning a new digital series analysing trends and inequalities in the wider factors that influence our health – from work and income to transport and our surroundings. Look out for the launch of a new data visualisation resource later this year.

2. Data analytics for better health

Analytics and data-driven technologies offer potential for better health and care, but also come with risks. With the launch of our new Data Analytics for Better Health strategy, we are broadening the scope of our work in this area, to help create a future where everyone's health and care benefits from analytics and data-driven technology. And we have lots planned for the coming year.

- **Informing the national conversation about analytics and data-driven technologies:** We will be supporting and conducting research into the opportunities and risks brought by these technologies and bringing organisations together to discuss how we can ensure these technologies have a positive impact on our health. Look out for blogs around key issues such as data access and trade deals, commentary and analysis on health inequalities and innovation, as well as opportunities to take part in events.
- **Creating innovations in data analytics that tackle real-world problems:** We already have a track record in using data analytics to understand key issues facing health and health care in the UK, and will be stepping up our work as a source of innovation. This will see us sharing our code for other analytical teams to use via GitHub, and producing products and tools that give policymakers the data and insights they need to improve health. We will continue to provide evidence about issues affecting the nation's health. This includes a briefing on mental health and comorbidity, and a journal article on migrants' use of NHS services.
- **Building initiatives to help the UK's health to benefit from analytics and data-driven technologies:** Our Improvement Analytics Unit is already using advanced analytics to examine the impact of significant changes to service delivery. In 2020, we will be producing an evaluation of digital first primary care, and a synthesis of what we have learned about integrated care. Meanwhile our new Networked Data Lab is rapidly developing, and will be providing national and local health system leaders with insights from data to take action in order to improve the UK's health and care. Over the next few years we are also planning on investing in some exciting new partnerships.
- **Supporting better analytics in the health and care system:** We will continue to champion better analytics across the health and care sector, supporting networks like the NHS-R Community, providing seed funding for innovative projects through our Advancing Applied Analytics programme, and working with HDR UK to fund projects to demonstrate how patient care can be improved through data-driven decisions. In 2020 you will hear more about our new analytical associates, we will be publishing reference guides for analysts, and much more.

3. Supporting improvement

Improving health service delivery, and spreading what works, are a major part of the solution to the challenges facing the NHS. Our work in improvement aims to make a difference

through developing people, giving grants to make improvements at the front line and building evidence about what works and why.

- **Insights from our research:** We will publish new research on the challenges of using automation to improve health care, and share learning from evaluations, including of the Flow Coaching Academy and the NHS-Virginia Mason Institute partnership. We will also work with the ESRC to commission the Social Care Evidence Centre, which will lead the way for better implementation of research evidence in adult social care.
- **Funding improvement at the front line:** In 2020 we will be launching two new funding calls. Common Ambition will support patients and professionals to collaborate to improve care. This autumn, we aim to launch a programme to support better adoption of innovation and technology. We will continue our Continuity of Care in General Practice and Social Franchising programmes and complete the final rounds of Innovating for Improvement and Scaling Up Improvement.
- **Building capability to improve care:** We will continue to support the expansion of the Flow Coaching Academy, as well as scoping out a new programme with NHS Providers to support trusts to adopt quality improvement and working with NHS England and NHS Improvement on their proposed improvement framework. We will conclude the final rounds of our Improvement Science and GenerationQ fellowships.
- **Develop the contribution of the health and care system to improving health:** In partnership with NHS England and NHS Improvement, we will develop a UK-wide learning network to support the NHS to develop its role as an anchor institution. We also aim to launch an open call research programme on the role of health and social care in prevention this summer.
- **THIS Institute:** 2020 will see the launch of Thiscovery, THIS Institute's citizen science platform. The first projects will aim to improve understanding of how to rationalise the number of quality measures, and how to better design everyday equipment. THIS's PhD and post-doctoral fellowships will open again for recruitment. We will also produce the first chapters from the Great Big Book of Improving Quality and Safety in Healthcare.
- **Q Community:** We will continue to grow the Q community in 2020, including through expanding from our existing presence in Northern Ireland into the Republic of Ireland. As well as a third round of Q Exchange and Q's core offer for individual members and groups, we will be launching a new offer for organisations leading change across countries and regions in the UK. And we will be continuing to develop Q Lab Cymru: a new Q Lab in Wales.

4. Health and care sustainability

To maintain and improve care while demand and costs are rising, the health and social care system needs adequate funding, a skilled workforce and increases in productivity. Our team carries out research and analysis to enhance policymakers' understanding of supply and demand in both health and social care.

We build the evidence and research base, and mobilise this to inform policy and strategic decision-making across the health and care sector, and to inform wider public debate. Our aim is to support better long-term decision making in health and social care through

improved understanding of the policy implications of trends in and drivers of demand and supply.

In 2020 we will launch the Health Foundation's REAL Centre (Research and Economic Analysis for the Long term), marking a major progression of our analysis and research on sustainability. This new centre will aim to ensure that decisions about the funding, design and delivery of the health and social care system are informed by the best available analysis and evidence, and that debate about the future of the health and social care system is grounded in facts and evidence.

- **A programme of research into health care demand:** In 2020 our in-house work to describe and explain the trends and patterns of health service activity over the past 20 years will continue under the umbrella of the REAL Centre. We will also look at the factors influencing the future demand for healthcare, including changes in morbidity, mortality and new treatments. We will produce projections of health service activity using a model that will combine in-house modelling and analysis with input from external partners.
- **A programme of research into health care supply:** We will undertake a similar programme of research and analysis around health care supply. We will continue to draw and build on findings from our Efficiency Research programme and Behavioural Insights Research programme as projects in each round start to produce results. We will build on our existing portfolio of research in workforce and capital to undertake further analysis and develop innovative models to project forward future supply need, starting with nursing and moving to other areas.
- **Building the evidence on social care demand and supply:** Compared with health care, the evidence and analysis base for social care demand and supply is thin. Our immediate aim is to take stock of the existing evidence base and to identify key research priorities that will enable us to produce detailed projections over the longer term. The final aim is to use the consolidated outputs from the research and analysis programmes above, to support better long-term decision making in health and social care.

5. Improving national health and care policy

Our policy team's work focuses on supporting more evidence-informed health and social care, contributing to better health for people in the UK. We do this by analysing, understanding, and informing national policies on health and care, with a particular focus on the overall direction of the health system and how it is performing.

- **Work on national reform approaches:** In 2020 we will look at the evidence related to competition and collaboration in the health system and will continue to focus on understanding how national policies impact on how care is delivered. We also have work planned around the politics of health reform – for example, the role of health ministers – including interviews and talks with expert speakers on this topic.
- **Analysis of national policy priorities:** We will track and analyse current policy priorities of the health and care system, how these are being implemented, and their impact (or likely impact) in different contexts. A briefing in early 2020 will summarise findings from the first phase of our evaluation of the impact of health and social care devolution in Greater Manchester. Also look out for analysis of the NHS's new Sustainability and Transformation Partnership plans in relation to investment in

disease prevention and reducing health inequalities.

- **Monitoring health system performance:** We will continue to analyse the overall performance of the health and care system in England and how it changes over time, using routine data to track health and care quality. As part of this work we fund QualityWatch, a joint programme with the Nuffield Trust.
- **International comparisons:** We will increase our focus on understanding how the health and care system in England compares to other countries. In particular we are collaborating with The Commonwealth Fund on two international surveys of health system performance. We also plan to produce analysis comparing health and care policies and performance between England and Scotland.
- **Shaping health futures:** We will further develop our work to make sense of the major trends facing health and care in the future – such as changes in the environment or data-driven technology – and the implications for policy today. This will include holding several public events throughout the year, including an examination of social media and young people’s mental health.

6. Improving the health of the Foundation

In addition to our five strategic priorities, we have a programme of internal development to enable us to deliver our strategy effectively by investing in our people, how we work together, the tools we use and the space we work in.

For 2020, we plan to:

- invest in leadership and management development for everyone, which will continue into 2022
- improve ways of working together, achieving impact, discovering and learning
- continue to develop our IT network, core business applications, and our new space
- develop tools and data environments to improve the capability of our analysts.

In addition, we set up internal groups, to review our approach to environmental sustainability, including climate change; and review our approach to diversity and inclusion, both with wide engagement and support across the foundation. We will agree outline objectives and report on progress in our next annual report.

Financial review: results for 2019

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.

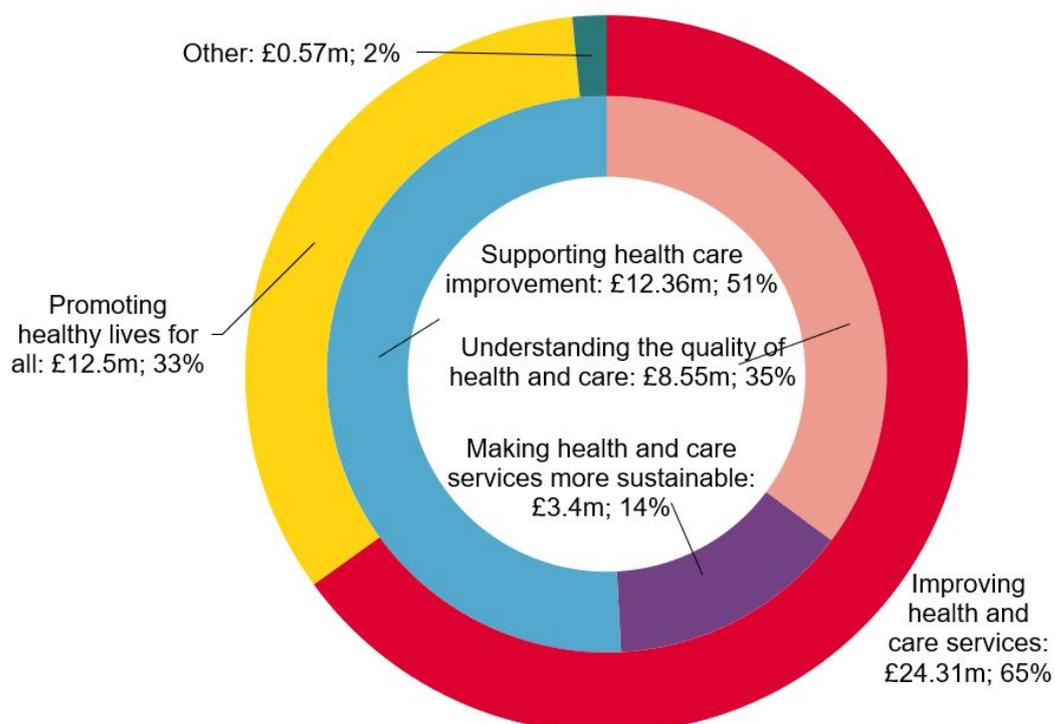
During 2019, the Foundation spent £37.4m (2018: £35.2m) on its charitable activities, of which £24.3m (65%) related to improving health and care services, which covers the following strategic priorities:

- supporting health care improvement
- understanding the quality of health and care
- making health and care services more sustainable.

The Foundation spent £12.5m (33%) on promoting healthy lives for all. Further information can be found in note 7 to the accounts.

All expenditure is reported across our key strategic priorities; the split of expenditure for 2019 is reported in the outer rim of the graph below, the inner rim splits the expenditure for improving health and care services into its strategic priorities.

Figure 1: Split in charitable expenditure



Restricted funds

In 2019, we received restricted income of £1,058k (2018: £1,050k) primarily for Q, an initiative joint-funded with NHS Improvement. The Q initiative started in April 2015 and continued in 2019.

The Q initiative is part of our substantial long-term investments to develop and support initiatives designed to build capability. This initiative has created an asset with an economic life and therefore £1,874k (2018: £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 2019, Medtrust had fixed assets of £526k (2018: £526k). In the year, Medtrust generated an operating profit of £175k (2018: £131k).
- **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 2019, the Victoria Fund had fixed assets of £284,733k (2018: £244,351k) and the value of its net assets was £291,819k (2018: £260,944k). Net profit in the year was £19,613k (2018: £13,574k).

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 wish to limit the possibility of a 20% fall in endowment value over 1 year but acknowledge that this possibility cannot be eliminated. The probability of this event is of the order of 20% or one in five.

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

- manage the portfolio on a total return basis
- focus on 'return-generating' asset classes, which can reasonably be expected to generate attractive real returns over the long term
- have only limited exposure to 'risk-reducing' asset classes, because of their lower expected returns

- reduce risk by diversification, but accept that seeking high returns incurs volatility
- use active managers where it is reasonable to expect that the performance benefits will outweigh the additional costs.

Our approach to responsible investment

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.

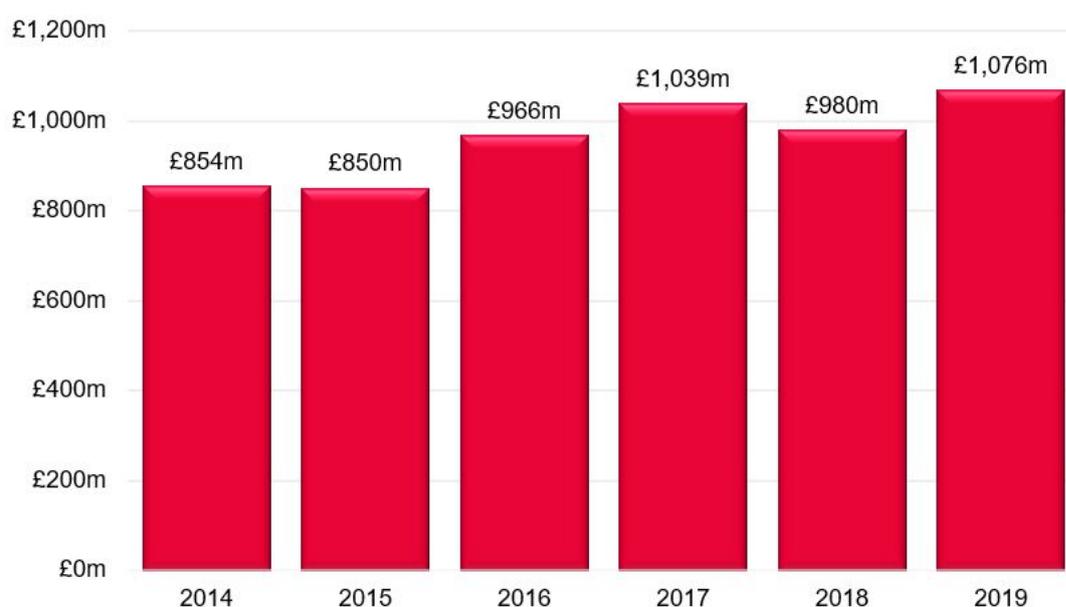
Investment returns

Our long-term goals for the management of our endowment investments are set out on pages 28–30 of this report. Based on these goals our return target is RPI+5% per annum, net of all investments, fees and costs.

In 2019, the endowment fund returned a net of 15.0%, exceeding the RPI+5% target of 7.2% in that year. On a three-year annualised basis, the fund returned 7.2%, falling short of the annual RPI+5% target of 8.0%. On a five-year annualised basis, the fund exceeded the return target, achieving 8.3% per annum against the target of 7.5% per annum.

Figure 2 shows the change in the value of the investments. In 2019, the value of the investments increased by £96m, from £980m to £1,076m.

Figure 2: Investment values at 31 December 2019



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 2019. 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 2019



Following the outbreak of COVID-19, our endowment has lost some of its value in line with markets generally and we expect it to recover over time. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future, having carried out several 'stress-tests' before and after the outbreak.

The total cost of managing our investments was £11,445k (2018: £11,672k), which is broadly in line with previous year. 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.	The executive management team supports a framework to ensure employees are aware of the need for information security. Management tests the Foundation's security regularly and the results are reviewed independently. The Foundation has a cyber security service agreement to monitor the networks and facilitate recovery. Two-factor authentication is in place for remote access.
Data 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. An internal working group oversees compliance with the Data Protection Act 2018, supported by a data protection officer.
Strategic	The Foundation fails to address important or emerging issues or achieve a desired level of impact.	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.
Quality	Our work lacks sufficient rigour, accuracy, quality and objectivity.	We have clear governance frameworks for awards, contracts and research. We have a quality assurance process for the release of all published material. Bespoke methodologies are devised to compensate for incomplete/ imperfect data. When we work with others, our controls in the case of work of insufficient quality are to manage the contract deliverables diligently. Where the quality is sufficiently high but we have

Key risk	Nature of risk	Management of risk
		<p>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>
Data security	We fail to comply with the Data Protection Act 2018.	<p>We achieved compliance during the year and continue to monitor it closely. We have an internal management group that oversees our data security, assisted by a Data Protection Officer (DPO). The DPO produces an annual statement of compliance shared with the board. There were no reportable incidents during 2019 and up to the signing of the accounts.</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	✓				
Bridget McIntyre (stepped down July 2019)	✓		Chair (until July 2019)		
Sharmila Nebhrajani	✓		Chair (from July 2019)		
Melloney Poole	✓	Chair			Chair
David Zahn (stepped down July 2020)	✓			Chair (until December 2019)	✓
Branwen Jeffreys	✓	✓			
Rosalind Smyth	✓				✓
Loraine Hawkins	✓	✓			
Eric Gregory	✓				✓
David Smart (appointed May 2019)	✓			Chair (from February 2020)	

* From 2020 the Remuneration Committee and the Nominations and Governance Committee were merged to form the Remuneration and Governance Committee.

The following served as independent members of committees during 2019.

Name	Audit Committee	Investment Committee
Peter Mallinson (stepped down September 2019)		✓
Mickola Wilson		✓
David Smith (stepped down June 2019)	✓	
Richard Williams (stepped down December 2019)		✓
Ingeborg Dybdal Øie		✓
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 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.

In 2020 the Remuneration Committee and the Nominations and Governance Committee were merged to form the Remuneration and Governance Committee, with combined terms of reference.

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

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

Senior management

The chief executive is responsible for the day-to-day management of the Foundation's affairs and for implementing policies agreed by the board of governors. The chief executive is assisted by a group of staff referred to as the 'directors' and those who served during 2019 are listed below. It should be noted that although these directors are the senior executive team of the charity, they are not the 'legal' directors of the charitable company.

Jennifer Dixon	Chief Executive
Jo Bibby	Director of Health
Aidan Kearney	Chief Investment Officer
Anita Charlesworth	Director of Research and Economics
Cathy Irving	Director of Communications
Adam Steventon	Director of Data Analytics
Will Warburton	Director of Improvement
Paul Hackwell	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 10–25.

Statement of governors' responsibilities

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

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

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

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

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

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

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

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

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

Declarations and conflicts of interest policy

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

Details of transactions with related parties are set out in note 26 on pages 68–69.

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 9 July 2020, 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
9 July 2020

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 2019 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 2019 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 based on 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
15 July 2020**

Consolidated statement of financial activities for the year ended 31 December 2019

	Notes	Unrestricted fund £' 000	Restricted fund £' 000	Expendable Endowment Fund £' 000	Total 2019 £' 000	Total 2018 £' 000
<u>Income:</u>						
Charitable activities	3	175	1,058	-	1,233	1,181
Investments	4	14,881	-	-	14,881	13,954
Capital applied to income	5	21,240	-	(21,240)	-	-
Total income		<u>36,296</u>	<u>1,058</u>	<u>(21,240)</u>	<u>16,114</u>	<u>15,135</u>
<u>Expenditure:</u>						
Fund Management	6	-	-	11,445	11,445	11,672
Charitable activities	7	36,296	1,084	-	37,380	35,162
Total resources expended		<u>36,296</u>	<u>1,084</u>	<u>11,445</u>	<u>48,825</u>	<u>46,834</u>
Operating profit/(deficit)		<u>-</u>	<u>(26)</u>	<u>(32,685)</u>	<u>(32,711)</u>	<u>(31,699)</u>
Net gain/(loss) on investments	11	<u>-</u>	<u>-</u>	<u>135,365</u>	<u>135,365</u>	<u>(25,825)</u>
Net income/(expenditure) for the year		<u>-</u>	<u>(26)</u>	<u>102,680</u>	<u>102,654</u>	<u>(57,524)</u>
Fund balances as at 1 January 2019		<u>-</u>	<u>503</u>	<u>950,763</u>	<u>951,266</u>	<u>1,008,790</u>
Fund balances as at 31 December 2019		<u><u>-</u></u>	<u><u>477</u></u>	<u><u>1,053,443</u></u>	<u><u>1,053,920</u></u>	<u><u>951,266</u></u>

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 2019

	Notes	2019		2018	
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible fixed assets	12		3,253		3,359
Tangible fixed assets	13		5,566		388
Investments	14		1,076,139		979,727
Programme-related investment	14		526		526
			1,085,484		984,000
Current assets:					
Debtors	16	731		935	
Cash and short-term deposits		4,221		5,525	
Total current assets		4,952		6,460	
Current liabilities:					
Amounts falling due within 1 year	18	(22,265)		(20,924)	
Net current liabilities:			(17,313)		(14,464)
Total assets less current liabilities:			1,068,171		969,536
Creditors: amounts falling due after more than 1 year					
	19		(13,624)		(17,509)
Provisions for liabilities	21		(627)		(761)
Net assets:			1,053,920		951,266
Capital funds					
Endowment funds general			1,053,443		950,763
Income funds					
Unrestricted fund			-		-
Restricted fund			477		503
Total funds			1,053,920		951,266

The accounts were approved by the governors, and authorised for issue on 9 July 2020 and signed by:

Sir Hugh Taylor
Trustee

Sharmila Nebhrajani
Trustee

Company Registration No. 1714937

Charity balance sheet for the year ended 31 December 2019

	Notes	2019 £'000	2018 (Restated) £'000
Fixed assets:			
Intangible fixed assets	12	3,253	3,359
Tangible fixed assets	13	5,566	388
Investments	14	784,638	719,095
Other Investments	14	292,027	261,158
		1,085,484	984,000
Current assets:			
Debtors	16	557	804
Cash and short-term deposits		4,220	5,525
Total current assets		4,777	6,329
Current liabilities:			
Amounts falling due within 1 year	18	(22,265)	(20,924)
Net current liabilities:		(17,488)	(14,595)
Total assets less current liabilities		1,067,996	969,405
Creditors: amounts falling due after more than 1 year			
	19	(13,624)	(17,509)
Provisions for liabilities	21	(627)	(761)
Net assets:		1,053,745	951,135
Capital funds			
Endowment funds general		1,053,268	950,632
Income funds			
Unrestricted fund		-	-
Restricted fund		477	503
Total funds		1,053,745	951,135

The accounts were approved by the governors, and authorised for issue on 9 July 2020 and signed by:

Sir Hugh Taylor
Trustee

Sharmila Nebhrajani
Trustee

Company Registration No. 1714937

Consolidated statement of cash flows for the year ended 31 December 2019

		2019		2018	
	Notes	£ '000	£ '000	£ '000	£ '000
Cash flows from operating activities:					
Cash absorbed by operations	28		(37,475)		(33,730)
Investment activities:					
Cost of developing intangible assets		(451)		(1,274)	
Purchase of tangible fixed assets		(5,767)		(147)	
Investment proceeds re-invested		(14,758)		(13,860)	
Withdrawals from investments		53,711		47,398	
Investment management fees		(11,445)		(11,672)	
Investment income		14,881		13,954	
Net cash generated from investing activities			36,171		34,399
Net (decrease)/increase in cash and cash equivalents			(1,304)		669
Cash and cash equivalents at beginning of year			5,525		4,856
Cash and cash equivalents at end of year			4,221		5,525

Notes to the financial statements for the year ended 31 December 2019

Charity information

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

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

1.0 Accounting policies

1.1 Accounting convention

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

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

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

1.2 Basis for consolidation

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

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

1.3 Going concern

At the time of approving the financial statements, the governors have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. This expectation includes an assessment of the impact of the outbreak of COVID-19. 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 suite of 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 to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

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

1.9 Fixed asset investments

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

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

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

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

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

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

1.10 Impairment of fixed assets

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

1.11 Cash and cash equivalents

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

1.12 Financial instruments

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

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

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

Basic financial assets

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

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.13 Provisions

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

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

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

1.14 Employee benefits

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

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

1.15 Retirement benefits

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

1.16 Leases

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

1.17 Foreign exchange

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

1.18 Exemptions

The charitable company has taken advantage of the exemptions in FRS 102 not to present a company only cash flow statement and certain disclosures about the company's financial instruments. The company has taken advantage of the legal dispensation granted under S.408 of the Companies Act 2006 allowing it not to present its own statement of financial activities. The company's net income for the year is £100,766k (2018: net expenditure of £57,524k).

1.19 Changes to Charities SORP (FRS102)

The Charities SORP (FRS 102) has been amended in relation to the recognition of payments by subsidiary undertakings to their charitable parents that qualify for Gift Aid. Such Gift Aid payments can now only be recognised when the charity's right to receive the payments is established. As such, the accounting treatment for transactions in the charity reflect this change and the affected balances in the comparative period figures have also been restated. There is no effect on the consolidated financial statements.

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 2019	Total 2018
	£ '000	£ '000	£ '000	£ '000
Other income*	<u>175</u>	<u>1,058</u>	<u>1,233</u>	<u>1,181</u>
Analysis by funds:				
Unrestricted funds	175	-	175	
Restricted funds	<u>-</u>	<u>1,058</u>	<u>1,058</u>	
	<u>175</u>	<u>1,058</u>	<u>1,233</u>	
For year ended 31 December 2018:				
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>

*In 2019, we received restricted income of £1,058k (2018: £1,050k) from NHS Improvement of which £975k (2018: £975k) relates to Q, a jointly funded initiative.

4.0 Investments

	2019	2018
	£ '000	£ '000
Income from listed investments	9,102	7,926
Fixed interest income	956	1,359
Property fund income	4,260	4,311
Income from alternative investments	<u>563</u>	<u>358</u>
	<u>14,881</u>	<u>13,954</u>

5.0 Capital applied to income

	Unrestricted funds	Endowment funds general	Total 2019	Total 2018
	£' 000	£' 000	£' 000	£' 000
Released from endowment funds	<u>21,240</u>	<u>(21,240)</u>	<u>-</u>	<u>-</u>
For the year ended 31 December 2018	<u>20,157</u>	<u>(20,157)</u>	<u>-</u>	<u>-</u>

6.0 Fund management

	2019	2018
	£' 000	£' 000
Cost of fund management:		
Investment advisory costs	95	92
Staff costs	243	252
Custodian fees	171	154
Investment managers' fees	<u>10,936</u>	<u>11,174</u>
	<u>11,445</u>	<u>11,672</u>

The investment management fees of £10,936k (2018: £11,174k) includes: management fees of £6,735k (2018: £6,970k), incurred on the endowment value of £1,076,139k (2018: £979,727k) and performance fees of £3,298k (2018: £3,324k). The overall fees are broadly in line with previous year. Cost of raising funds is approximately 1% of the endowment value.

7.0 Charitable activities

	Improving health and care services	Promoting healthy lives for all	Others	Total 2019	Total 2018
	£ '000	£ '000	£ '000	£ '000	£ '000
Grant funding of activities (see Note 29)	10,646	5,474	248	16,368	18,584
Direct costs*	7,553	3,883	176	11,612	9,825
Share support costs*	6,086	3,129	142	9,357	6,669
Share of governance costs*	28	14	1	43	84
	<u>24,313</u>	<u>12,500</u>	<u>567</u>	<u>37,380</u>	<u>35,162</u>

*See Note 8

Analysis by fund:

Unrestricted funds	23,229	12,500	567	36,296
Restricted funds	<u>1,084</u>	<u>-</u>	<u>-</u>	<u>1,084</u>
	<u>24,313</u>	<u>12,500</u>	<u>567</u>	<u>37,380</u>

The reduction of grant funding in 2019 includes a variation to the five-year award made to THIS institute in 2017, of £3,190k (2018 nil).

For the year ended 31 December 2018

	Improving health and care services	Promoting healthy lives for all	Others	Total
	£ '000	£ '000	£ '000	£ '000
Unrestricted funds	26,446	7,383	413	34,242
Restricted funds	<u>920</u>	<u>-</u>	<u>-</u>	<u>920</u>
	<u>27,366</u>	<u>7,383</u>	<u>413</u>	<u>35,162</u>

8.0 Support and direct costs

	Direct costs	Support costs	Governance costs	2019	2018
	£ '000	£ '000	£ '000	£ '000	£ '000
Staff costs	8,556	1,625	-	10,181	8,413
Depreciation	-	1,146	-	1,146	574
Property costs	71	2,336	-	2,407	1,491
Technology costs	89	1,659	-	1,748	1,297
Other direct/support costs	2,896	2,564	4	5,464	4,701
Audit fees	-	-	30	30	30
Legal and professional	-	24	1	25	24
Internal audit	-	3	-	3	24
Other governance costs	-	-	8	8	24
	<u>11,612</u>	<u>9,357</u>	<u>43</u>	<u>21,012</u>	<u>16,578</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 (2018: £30k) for audit fees and £5k (2018: £5k) 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 £4k (2018: £2k).

10.0 Employment costs

	2019	2018
	£ '000	£ '000
Wages and salaries	8,551	7,451
Social security costs	997	819
Other pension costs	823	611
Other costs	37	21
	<u>10,408</u>	<u>8,902</u>

The average number of employees during the year was 164 (2018: 143), which equated to a full time equivalent of 157 (2018: 132).

Employment costs include salary costs relating to management of the endowment of £227k (2018: £235k) and there were no salary costs capitalised in relation to the development of the Q initiative (2018: £287k).

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

	2019	2018
60,001 - 70,000	7	4
70,001 - 80,000	6	4
80,001 - 90,000	10	8
90,001 - 100,000	1	2
100,001 - 110,000	2	-
110,001 - 120,000	2	2
130,001 - 140,000	1	1
150,001 - 160,000	2	2
160,001 - 170,000	1	1
220,001 - 230,000	-	1
240,001 - 250,000	1	-

11.0 Net gains/losses on investments

	2019	2018
	£ '000	£ '000
Revaluation of investments	<u>135,365</u>	<u>(25,825)</u>

Net revaluation of investments comprises:

- The increase in our portfolio investments of £109,416k (2018: loss of £43,902k) is mainly due to increasing equity prices in 2019.
- An increase in the value of alternatives £25,949k (2018: £18,077k)

12.0 Intangible fixed assets

	Software £ '000	Q Project £ '000	Total £ '000
Cost:			
At 1 January 2019	1,380	2,186	3,566
Additions - internally developed	451	-	451
At 31 December 2019	<u>1,831</u>	<u>2,186</u>	<u>4,017</u>
Amortisation and impairment:			
At 1 January 2019	207	-	207
Amortisation charge in the year	245	312	557
At 31 December 2019	<u>452</u>	<u>312</u>	<u>764</u>
Carrying amount:			
At 31 December 2019	<u>1,379</u>	<u>1,874</u>	<u>3,253</u>
At 31 December 2018	<u>1,173</u>	<u>2,186</u>	<u>3,359</u>

The intangible assets of £1,379k (2018: £1,173k) relate to the development of grant management software (AIMS) and Office 365 suite of business applications. The projects were completed and the benefits started to be realised from January 2017 for AIMS and January 2018 for Office 365 suite of business applications with a useful life of 7 years.

The additions of £451k, relates to development costs of the office 365 software.

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 came 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 2019	1,390	1,002	2,392
Additions	5,154	612	5,766
Write-off	<u>(1,242)</u>	<u>(350)</u>	<u>(1,592)</u>
At 31 December 2019	<u>5,302</u>	<u>1,264</u>	<u>6,566</u>
Depreciation:			
At 1 January 2019	1,072	932	2,004
Depreciation charge in the year	375	166	541
Write-off	<u>(1,195)</u>	<u>(350)</u>	<u>(1,545)</u>
At 31 December 2019	<u>252</u>	<u>748</u>	<u>1,000</u>
Carrying amount:			
At 31 December 2019	<u>5,050</u>	<u>516</u>	<u>5,566</u>
At 31 December 2018	<u>318</u>	<u>70</u>	<u>388</u>

The additions of £5,766 relates to the furnishing and fit-out cost for our new office. The write-off £1,592 relates to office fixtures and fittings for our previous office.

14.0 Fixed assets investments

Group	Investments		
	Portfolio £ '000	Other £ '000	Total £ '000
Valuation:			
At 1 January 2019	979,727	526	980,253
Valuation changes	135,364	-	135,364
Income	14,758	-	14,758
Investment management costs included in the fund	(8,786)	-	(8,786)
Net withdrawals from portfolio	(44,924)	-	(44,924)
At 31 December 2019	<u>1,076,139</u>	<u>526</u>	<u>1,076,665</u>
Cost:			
At 31 December 2019	<u>879,235</u>	<u>526</u>	<u>879,761</u>
At 31 December 2018	<u>770,942</u>	<u>526</u>	<u>771,468</u>
		2019	2018
<i>Other investments comprise:</i>	Notes	£ '000	£ '000
Programme related investments	27	526	526
<i>Investments at fair value comprise:</i>			
Property funds		99,377	101,279
Equities		611,906	541,036
Fixed interest		51,593	51,332
Alternatives		283,427	250,739
Cash		29,836	35,341
		<u>1,076,139</u>	<u>979,727</u>

Charity	Investments		
	Portfolio £ '000	Other £ '000	Total £ '000
Valuation:			
At 1 January 2019	719,095	261,158	980,253
Valuation changes	109,415	25,949	135,364
Income	13,355	1,403	14,758
Investment management costs included in the fund	(2,303)	(6,483)	(8,786)
Net withdrawals from portfolio	(54,924)	10,000	(44,924)
At 31 December 2019	<u>784,638</u>	<u>292,027</u>	<u>1,076,665</u>
Cost:			
At 31 December 2019	<u>677,418</u>	<u>202,343</u>	<u>879,761</u>
At 31 December 2018	<u>585,463</u>	<u>186,006</u>	<u>771,468</u>
		2019	2018
<i>Other investments comprise:</i>	Notes	£ '000	£ '000
Investment in subsidiaries	27	291,501	260,632
Programme related investments	27	526	526
<i>Investments at fair value comprise:</i>			
Property funds		99,377	101,279
Equities		611,906	541,036
Fixed interest		44,231	41,886
Alternatives		893	954
Cash		<u>28,231</u>	<u>33,940</u>
		<u>784,638</u>	<u>719,095</u>

A currency hedging programme was in place during the year to manage foreign currency exchange risk. At 31 December 2019, 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 2019, the Victoria Fund held contracts to buy \$128,061k (£98,732k at an average rate of \$1.30) and £246,468k (\$310,914k at an average rate of \$1.26), (2018: \$84,356k and £224,985k). The unrealised gain associated with these forward currency contracts totalled £10,167k as at 31 December 2019 (2018: loss £7,436k).

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

The following table illustrates the expected liquidity of assets and liabilities held as at 31 December 2019:

	Less than 6 months £ '000	6–12 months £ '000	More than 12 months £ '000	Long-term lock up* £ '000
Total non-current assets	-	-	-	133,907
Total current assets	140,786	19,447	-	-
Total current liabilities	2,321	-	-	-

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

At the balance sheet date, the Foundation had total unfunded investment commitments of £122,154k (2018: £115,933k) for private equity and infrastructure from total commitments of £251,622k (2018: £209,725k). These commitments form part of the planned asset allocation and will be met from within the existing investments.

15.0 Financial instruments

Group	2019 £ '000	2018 £ '000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	4,592	5,921
Instruments measured at fair value through profit or loss	<u>1,076,139</u>	<u>979,727</u>

Carrying amount of financial liabilities:

Measured at amortised cost	<u>35,889</u>	<u>38,186</u>
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Charity	2019 £ '000	2018 £ '000
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Carrying amount of financial assets:

Debt instruments measured at amortised cost	4,418	5,790
Instruments measured at fair value through profit or loss	<u>784,638</u>	<u>719,095</u>

Carrying amount of financial liabilities:

Measured at amortised cost	<u>35,889</u>	<u>38,186</u>
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16.0 Debtors: Amounts falling due within 1 year

	Group		Charity	
	2019 £ '000	2018 £ '000	2019 £ '000	2018 Restated £ '000
Amounts due from subsidiary undertakings	-	-	-	-
Other debtors	372	395	198	264
Prepayments	359	540	359	540
	<u>731</u>	<u>935</u>	<u>557</u>	<u>804</u>

17.0 Prior year adjustment

The debtors amounts falling due within 1 year (note 16) has been restated by (£131k) as at 31 December 2018 for the Charity, due to the amendment of Charities SORP (FRS 102) in relation to the recognition of payments by subsidiary undertakings to their charitable parents that qualify for Gift Aid. Such Gift Aid payments can now only be recognised when the

charity's right to receive the payment is established and as this is not present at the year-end, cannot be included in debtors.

This accounting policy change has not impacted on the group financial statements and the consolidated statement of financial activities and consolidated balance sheet as at 31 December 2018."

18.0 Creditors: Amounts falling due within 1 year

	Group		Charity	
	2019 £ '000	2018 £ '000	2019 £ '000	2018 £ '000
Other taxation and social security	-	65	-	65
Trade creditors	593	697	593	697
Grants payable	18,826	17,769	18,826	17,769
Other creditors	1,679	439	1,679	439
Accruals and deferred income	1,167	1,954	1,167	1,954
	<u>22,265</u>	<u>20,924</u>	<u>22,265</u>	<u>20,924</u>

19.0 Creditors: Amounts falling due after more than 1 year

	Group		Charity	
	2019 £ '000	2018 £ '000	2019 £ '000	2018 £ '000
Grants payable - in 2 - 5 years	<u>13,624</u>	<u>17,509</u>	<u>13,624</u>	<u>17,509</u>

20.0 Grants payable

	2019 £ '000	2018 £ '000
As at 1 January	35,278	36,599
Grants committed in the year	17,215	18,047
Paid during the year	(20,043)	(19,368)
As at 31 December	<u>32,450</u>	<u>35,278</u>
<i>Split into:</i>		
Grants payable - due within 1 year	18,826	17,769
Grants payable - in 2 to 5 years	13,624	17,509
As at 31 December	<u>32,450</u>	<u>35,278</u>

The reduction in grant payable in 2 - 5 years includes a variation to the five-year award made to THIS institute in 2017, of £3,190k (2018 nil).

21.0 Provisions for liabilities

	2019	2018
	£ '000	£ '000
Pension obligations	594	545
Dilapidations	33	216
	<u>627</u>	<u>761</u>

Movement on provisions:

	Pension obligations	Dilapidation	Total
	£ '000	£ '000	£ '000
At 1 January 2019	545	216	761
Adjustment for change in discount rate and payment in the year	<u>49</u>	<u>(183)</u>	<u>(134)</u>
At 31 December 2019	<u>594</u>	<u>33</u>	<u>627</u>

The reduction in the provision for dilapidations reflects £188k of expenditure to reinstate the previous office premises to the state and condition prior to any alterations made by the charity before the lease expiry date.

22.0 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 £823k (2018: £611k). There was £26k in outstanding contributions at 31 December 2019 (2018: £7k).

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 2019, based on advice from an actuary, is estimated to be £594k, (2018: £545k). This provision will be reviewed in 2022.

23.0 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 2019 are represented by:</i>				
Intangible fixed assets	3,253	-	-	3,253
Tangible assets	5,566	-	-	5,566
Programme related	526	-	-	526
Investment	22,042	-	1,054,097	1,076,139
Current (liabilities) /assets	(17,136)	477	(654)	(17,313)
Long term liabilities	(13,624)	-	-	(13,624)
Provisions	(627)	-	-	(627)
	-	477	1,053,443	1,053,920

Charity

	Unrestricted Fund £ '000	Restricted Fund £ '000	Expendable Endowment Fund £ '000	Total £ '000
<i>Fund balances at 31 December 2019 are represented by:</i>				
Intangible fixed assets	3,253	-	-	3,253
Tangible assets	5,566	-	-	5,566
Investment	22,743	-	761,895	784,638
Investment in subsidiary	-	-	292,027	292,027
Current (liabilities) /assets	(17,311)	477	(654)	(17,488)
Long term liabilities	(13,624)	-	-	(13,624)
Provisions	(627)	-	-	(627)
	-	477	1,053,268	1,053,745

24.0 Capital commitments

The Foundation has a number of contracts that have been entered into, but which are not disclosed as liabilities as they are severable. They cover technical support for our award holders, evaluation and operational services. They are recognised on a cash basis as and when the expenditure is incurred. These amounted to £11,639k at 31 December 2019 (2018: £11,158k).

25.0 Financial commitments

At 31 December 2019, the company had a property lease for its office premises which expires in September 2028. The future minimum lease payments are as follows

	Land and buildings	
	2019 £' 000	2018 £' 000
Expiry date:		
Within 1 year	276	617
Between 2 and 5 years	6,605	5,229
Over 5 years	<u>6,189</u>	<u>7,845</u>

26.0 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 2019 are noted in the table below.

Board member	Role in associated organisation	Associated organisation
Hugh Taylor	<ul style="list-style-type: none"> Chair 	Guys & St Thomas' NHS Foundation Trust
David Dalton	<ul style="list-style-type: none"> Chief Executive 	Salford Royal NHS FT (Stepped down, March 2019)
	<ul style="list-style-type: none"> Chair 	Association of NHS Groups (including Salford Royal and Guys & St Thomas FT)
David Smart	<ul style="list-style-type: none"> Trustee 	Beat Eating disorders
David Zhan	<ul style="list-style-type: none"> Trustee 	Health Data Research UK
Sharmila Nebhrajani	<ul style="list-style-type: none"> Non-Executive Director 	BMJ (Stepped down, April 2020)
	<ul style="list-style-type: none"> Governor 	University of Sussex
Will Warburton	<ul style="list-style-type: none"> Fellow 	Imperial College London

During the year, Victoria Fund LP Incorporated, a subsidiary of the Foundation, received £10,000k investment contributions from the charity (2018: £0). Medtrust Innovations Limited, a subsidiary of the Foundation donated its profit of £131k (2018: £125k) to the Foundation.

Remuneration of key management personnel

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

	2019	2018
	£' 000	£' 000
Key management personnel	1,196	1,174

27.0 Subsidiaries

The Foundation had two subsidiary undertakings and the details at 31 December 2019 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 2019, Medtrust had fixed assets of £526k (2018: £526k) and current assets of £175k (2018: £131k). The shareholders' funds includes called up share capital of £526k (2018: £526k) and reserves of £175k (2018: £131k).

During the year, Medtrust had an operating profit of £175k (2018: £131k). The sum equivalent of its taxable profits will be donated to the Foundation, as provided for in Medtrust's Articles of Association.

The Victoria Fund LP Incorporated (Victoria Fund)

The Victoria Fund was formed in February 2010 and is a limited partnership 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 2019, the Victoria Fund has fixed asset investments of £284,733k (2018: £244,351k) and the value of its net assets was £291,819k (2018: £260,944k). Net profit in the year was £21,501k (2018: £13,574k).

28.0 Cash generated from operations – Group

	2019 £ '000	2018 £ '000
Surplus/(deficit) for the year	102,654	(57,524)
<i>Adjustments for:</i>		
Investment income recognised in profit or loss	(14,881)	(13,954)
Cost of raising funds	11,445	11,672
Fair value gains and losses on investments	(135,365)	25,825
Depreciation, amortisation and impairment of fixed assets	1,146	574
<i>Movements in working capital:</i>		
Increase in debtors	204	(72)
(Decrease)/increase in creditors	(2,544)	(223)
(Decrease)/increase in provisions	(134)	(28)
Cash absorbed by operations	<u>(37,475)</u>	<u>(33,730)</u>

29.0 Grant funding

The Foundation made £16,368k of grants in 2019 (2018: £18,584k). These grants range from small one-off awards to multi-year demonstration projects and fellowships. Integral to all our award making is direct support from the Foundation, as well as technical expertise from technical providers and consultants. This support is organised and paid for by the Foundation, delivered directly to the award holders and can be in the form of technical development and assistance, learning events and coaching. Within this grant funding the Foundation also funds research and external evaluations to ensure programmes are evidence-based and offer value for money.

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

Project	Lead recipient	Total £
Improving Health and Care Services - Supporting Health Care Improvement		
Programme - Boosting collaboration with and between patient leaders involved in improvement		
Boosting collaboration with and between patient leaders involved in improvement	National voices	100,300
Programme - Calculating the Catchment Population of Chelsea and Westminster NHS Foundation Trust		
Developing a Hospital Population for Chelsea & Westminster NHS Foundation Trust	Chelsea and Westminster Hospital NHS Foundation Trust	21,660
Programme - Evidence into Practice		
Practioner-led Evidence at Bromley by Bow	Bromley By Bow Centre	49,994
Scaling up virtual consultations across the NHS	University of Oxford	49,884
Programme - GenerationQ		
Cohort 9	Andrew Graham	11,694
	Ann O'Leary	10,194
	Caroline Johnson	11,694
	Claire Hogg	10,194
	Clara Day	11,194
	Helen Wensley	10,194
	Isabel Smith	11,194
	Jennifer Rusby	10,194
	Justin Earl	10,194
	Kheelna Bavalia	10,194
	Olatokunbo Ogunbanjo	11,194
	Paula Scullin	14,194
	Rhian Slattery	11,694

Project	Lead recipient	Total £
Programme - GenerationQ (continued)		
Cohort 9 (continued)	Ruth O'Dowd	11,694
	Ryan Watkins	11,194
	Sarah Jenkins	11,694
	Sarah Phillips	11,194
	Sarah Ruane	10,194
Programme - Harkness Fellowships 2019-2021		
Harkness Fellowships 2019-2021	The Commonwealth Fund	450,000
Programme - Learning Health Systems		
Update report on the potential of Learning Health Systems	Newcastle University	32,024
Programme - Local Awards Pilot 2019 (Q)		
Building and Connecting Q Locally	Innovation Agency (Academic Health Science Network for North West Coast)	18,200
Building and Connecting Q Locally	Kent Surrey Sussex AHSN Limited	10,130
Building and Connecting Q Locally	North East North Cumbria AHSN	18,879
Building and Connecting Q Locally	Royal University Hospitals Bath	12,000
Programme - NHS Providers Award		
Supporting NHS Trusts to deliver organisation-wide improvement scoping project	NHS Providers	57,648
Programme - Patient and Clinical Communities		
Developing Patient-Led, Clinically Approved Resources for Communities with Long Term Conditions	DigiBete	49,500
Improving access to and experiences of healthcare for autistic patients: a partnership project between Ambitious about Autism and Whittington Health NHS Trust	Ambitious about Autism	53,827

Project	Lead recipient	Total £
Programme - Patient and Clinical Communities (continued)		
National Children and Young People's Diabetes Network (NCYPDN)	Fiona Campbell	22,700
Programme - Q Exchange Round 2		
QE 2: Ambulance Q: Enhance & Accelerate Improvement across boundaries	Welsh Ambulance Service NHS Trust	30,000
QE 2: Community of Practice: Human Factors (HF) & Quality Improvement (QI)	NHS Education for Scotland	30,000
QE 2: Co-producing solutions to the outpatient challenge with patients	Royal Surrey County Hospital NHS Foundation Trust	27,740
QE 2: Crossing boundaries with QI to improve prisoner health	Central and North West London NHS Foundation Trust	26,033
QE 2: Delivering community pediatrics for Roma/Slovak families in Sheffield	Sheffield Childrens Hospital NHS Trust	29,898
QE 2: Evidence Based QI - Putting our Heads Together!	South West Academic Health Science Network	30,000
QE 2: Gamification for Human Factors	Northern Health and Social Care Trust	29,800
QE 2: Improvers without borders	Gloucestershire Hospitals NHS Foundation Trust	30,000
QE 2: Outpatients Innovation Collaborative	Yorkshire and Humber Partners Academic Health Science Network -	30,000
QE 2: Psychology 4 Improvement	Aneurin Bevan University Health Board	29,811
QE 2: QI Training & Project Support for Trust Support Services	Southeastern Health and Social Care Trust	29,726
QE 2: Quality coach development programme	Central London Community Healthcare NHS Trust	29,825
QE 2: Redesigning outpatients through inclusive participatory co-design	Torbay and South Devon NHS Foundation Trust	30,000
Programme - Q Exchange Round 2 (continued)		

Project	Lead recipient	Total £
QE 2: Reducing unnecessary out-patient appointments in kidney care	London South Bank University	29,974
QE 2: Supporting parents to care for children with medical complexity	University of Oxford	29,780
QE 2: The virtual hug of support	Royal Berkshire NHS Foundation Trust	29,921
QE 2: Using QI to tackle health inequalities in Primary Care Networks (PCN)	My Health Huddersfield Ltd	30,000
QE2: Improving improvement	Health Transformation Partnership	24,700
QE2: Supporting colorectal cancer patient self-management	Vine Health	29,750
QE2: Virtual Blood Clinic	Barts Health NHS Trust	30,000
Programme - Q Lab Funding		
Enhancing engagement - building motivation and confidence with the aid of digital technologies	Powys Teaching Health Board	50,000
Improving awareness of and support for the mental health needs of people living with persistent pain: optimising three prototype interventions developed in a Q Lab pilot for scaling up for national uptake	Keele University	97,004
Psychologically informed physiotherapy (PIP) skills training	Health Innovation Network South London AHSN	70,139
Supporting people with chronic joint pain to self-manage in mental health settings	Health Innovation Network South London AHSN	45,724
Programme - Queens Nursing Institute Scotland		
Learning from the QNIS Queen's Nurse programme: empowering community nurses	Queens Nursing Institute Scotland	26,453
Programme - Sustainability in Quality Improvement Education		
Sustainability in Quality Improvement Education	Centre for Sustainable Healthcare	50,035
Programme - Q Special Interest Groups (SIGs)		
Ambulance Services and QI (SIG)	Scottish Ambulance Service	5,000

Project	Lead recipient	Total £
Engineering better care	Royal Academy of Engineering	10,000
Improving Joy in Work (SIG)	Teesside University	5,000
Radiotherapy Quality Special Interest Group (RTQ SIG)	The London Clinic	3,500
Improving Health and Care Services - Understanding the Quality of Health and Care		
Programme - Advancing Applied Analytics		
A multidisciplinary analytics action learning set to improve GP appointment systems using discrete event simulation	The Strategy Unit	71,568
Computation of adherence to medicines to assist clinicians in the outpatient setting	NHS Greater Glasgow and Clyde	72,614
Developing a practical tool to optimise complex care pathways for inflammatory rheumatic disease using an agent-based simulation	Norfolk and Norwich University Hospitals NHS FT	59,655
Developing the foundations of applied analytics: Using a collaborative approach to model 'black days' with CRISP-DM	Hywel Dda University Health Board	73,824
From data to decisions: embedding a Real-world Intervention Causal Evaluation (RICE) tool in the decision-making process	Liverpool CCG	74,618
Harnessing Data Analytics to Maximise NHS Learning from Patient Safety Incident Reports	Cardiff and Vale University Health Board	75,000
Improving lesion recognition using routinely collected endoscopic and pathology data	Guy's and St Thomas' NHS Trust	48,325
Improving the analytical capabilities to support the North Cumbria Population Health Management approach	North Cumbria University Hospitals Trust	74,690
Informatics Skills Framework to develop the Analytical workforce - ISF@scale Development of the Informatics Skills Framework (ISF)	North West Skills Development Network (NHS)	74,225
Programme - Advancing Applied Analytics (continued)		
PathAnalyse: Towards the redesign of outpatient services using visual process analytics	Sheffield Teaching Hospitals NHS Foundation Trust	67,365
Programme - Building Capability		

Project	Lead recipient	Total £
NHS-R: Promoting the use of R in the NHS	Midlands and Lancashire Commissioning Support Unit	499,912
Promoting joint analytical problem-solving building on the Welsh Modelling Collaborative	NHS Wales Delivery Unit	300,000
Programme - Ethnicity and migration health and care		
Ethnic inequalities in health care utilisation and care quality	University of Sussex	127,646
Programme - Evidence into Practice		
Facilitating end user involvement and uptake of PathSimR	Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group	49,984
Translating research findings into actionable insights for service staff, system	Care City Innovation C.I.C	47,009
Programme - HDR-UK Better Care Programme – Catalyst Programme with the Health Foundation		
Health Foundation & Health Data Research UK ‘Catalyst Programme’	Health Data Research UK	319,570
Programme - Insight Research		
Improving acute cardiac care of patients with kidney disease through linkage of national audits in the UK	London School of Hygiene and Tropical Medicine	399,028
Improving the quality and value of care for people with poor prognosis cancers - a national, mixed methods study across Scotland	University of Edinburgh, Palliative & Supportive Care Group	399,224
Predictive modelling of Major Trauma Patient Reports Outcomes Measures (PROMS) using machine learning	University of Leicester	351,442
Programme - New NHS Alliance workshops on PCNs and health inequalities		
New NHS Alliance workshops on PCNs and health inequalities	New NHS Alliance	5,000
Programme - Turing partnership award		
Turing partnership award	The Alan Turing Institute	28,560
Programme - Commissioned Research		

Project	Lead recipient	Total £
Understanding Data Access - Demystifying the rules on sharing patient data beyond the direct provision of healthcare	Healthcare Quality Improvement Partnership	99,598
Improving Health and Care Services - Making Health and Care Service More Sustainability		
Programme - Building Capability		
Supporting Health Economics Capability Building in the UK	UCL - Health Economists Study Group	80,000
Programme - Evaluation		
The longer-term effects of health & social care devolution: Learning from Greater Manchester	University of Manchester	322,296
Programme - Behavioral Insights		
Behavioral Insights in Quality Improvement	Imperial College Healthcare Trust	124,285
Promoting Healthy Lives for All		
Programme - Healthy Lives Award Call		
Developing an Independent Strategy to Reduce Obesity: A Civil Society Response to a Crisis (working title)	Obesity Health Alliance	20,000
Local Government and Health Sector Lead - to increase collaboration, learning, and achieving common objectives through encouraging local uptake, implementation and collation of evidence-based practice	What Works Centre for Wellbeing	60,000
Programme - Key Data on Young People: Developing a school resource to support statutory health education		
Key Data on YP: Developing a school resource to support statutory health	Association for Young People's Health	26,552
Programme - Shaping Places for Healthier Lives (SPHL)		
Shaping Places Healthier Lives	Local Government Association	1,740,000
Program - The Role of Good Work in an Inclusive Economy		
The Role of Good Work in an Inclusive Economy	The Institute for the Future of Work	28,753

Project	Lead recipient	Total £
Programme - UK Public Health Network		
UK Public Health Network	Association of Directors of Public Health	314,546
Programme - Using Systems Thinking to Address Complex Societal Challenges that Influence Health: scoping meeting		
Using Systems Thinking to Address Complex Societal Challenges: scoping meeting	Canadian Academy of Health Sciences	14,000
Programme - Young People's Engagement in the National Food Strategy		
Young People's Engagement in the National Food Strategy	The Food Foundation	44,760
Programme - Young people's future health: Building the policy agenda		
Policy Post to Make the Case for Better Transport for Young People	University of the West of England	245,422
Securing high-quality work for young adults	Resolution Foundation	204,947
Understanding inequalities faced by young people from different groups and promoting their long-term health: building evidence and rallying action	Association for Young People's Health	215,521
Young people's future health: Building the policy agenda	RSA	173,443
Young People's Future Health: Building the policy agenda on the types of work undertaken by young people – how these are measured and understood and how the quality can be improved	Institute for Employment Studies	178,987
Programme - Social & Economic Value of Health		
Novel methods to explore the value of cognitive health in a place	University College London	299,995
The health of places and the health and outcomes of individuals in those places	University of Manchester	284,747
Children's places: how they can shape health and influence social and economic outcomes	Imperial College London	312,191
Health of Older People in Places (HOPE): an asset for economic and social improvement of all	University College London	272,417

Project	Lead recipient	Total £
Total		10,378,271
Adjustments to awards made in previous years		388,544
Services provided by third parties to support award holders and further the work of the Foundation		5,353,047
Grants and donations awarded to charities by governors		247,500
Total Grants		16,367,362

30.0 Post balance sheet event

The COVID-19 pandemic represents an unprecedented challenge to global economic activity. At the point of signing the accounts the directors are unable to assess the long-term impact on the global economy and financial markets. The Trustees do not believe there is any financial impact to the Financial Statements as at 31 December 2019 as a result of this subsequent event. As at 31 May 2020 the value of the endowment had fallen by 6%, in line with markets generally. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future, having carried out several 'stress-tests' before and after the outbreak.

Internally, we moved swiftly to working remotely, with the safety and wellbeing of our people of paramount importance, and have continued to work effectively. We rapidly assessed our plans and adapted them to support health and health care, in the face of the outbreak of COVID-19. Early examples of our work can be found on our [Responding to COVID-19 webpage](#).

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