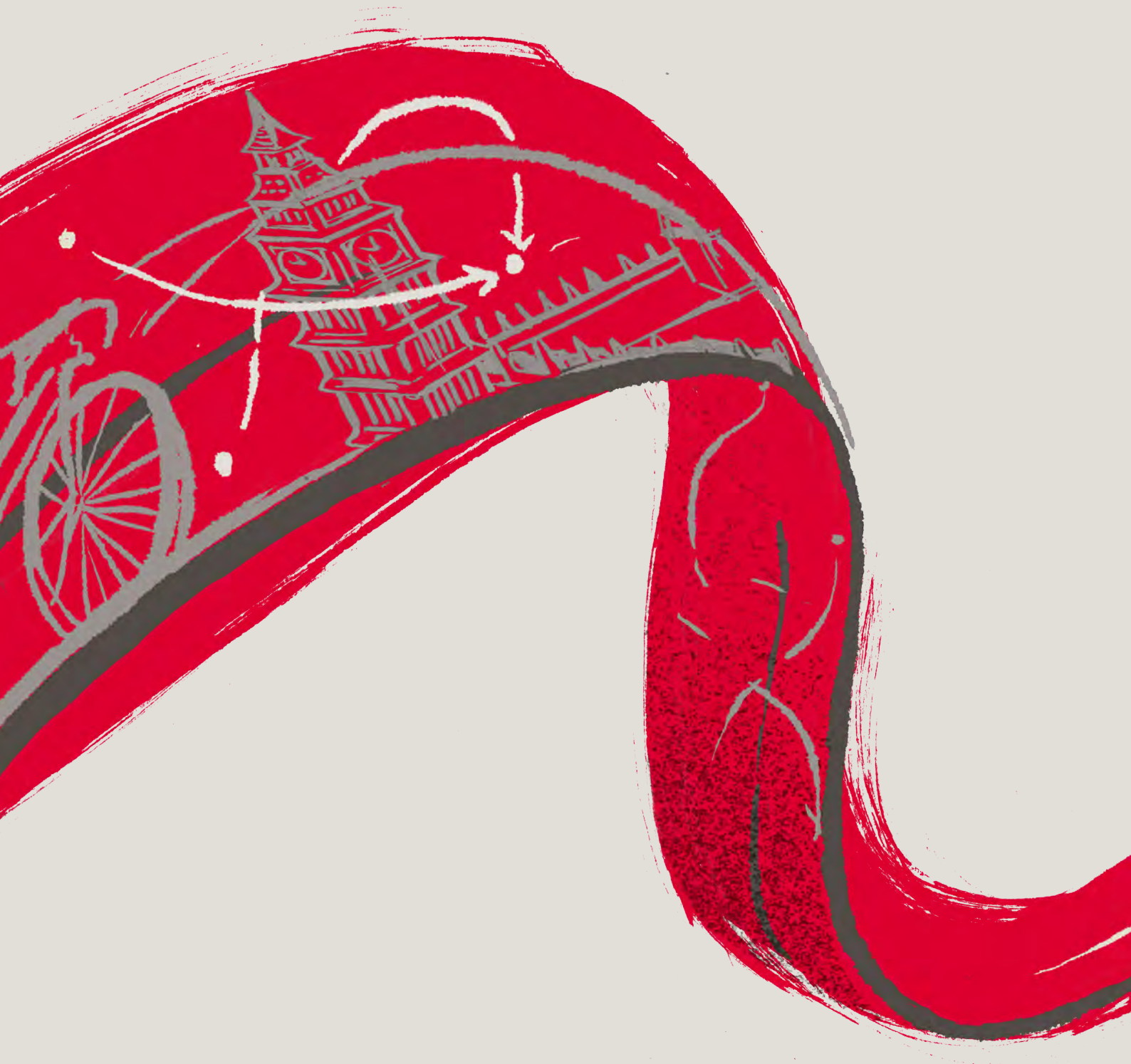


Annual report and financial statements

For the year ended 31 December 2021

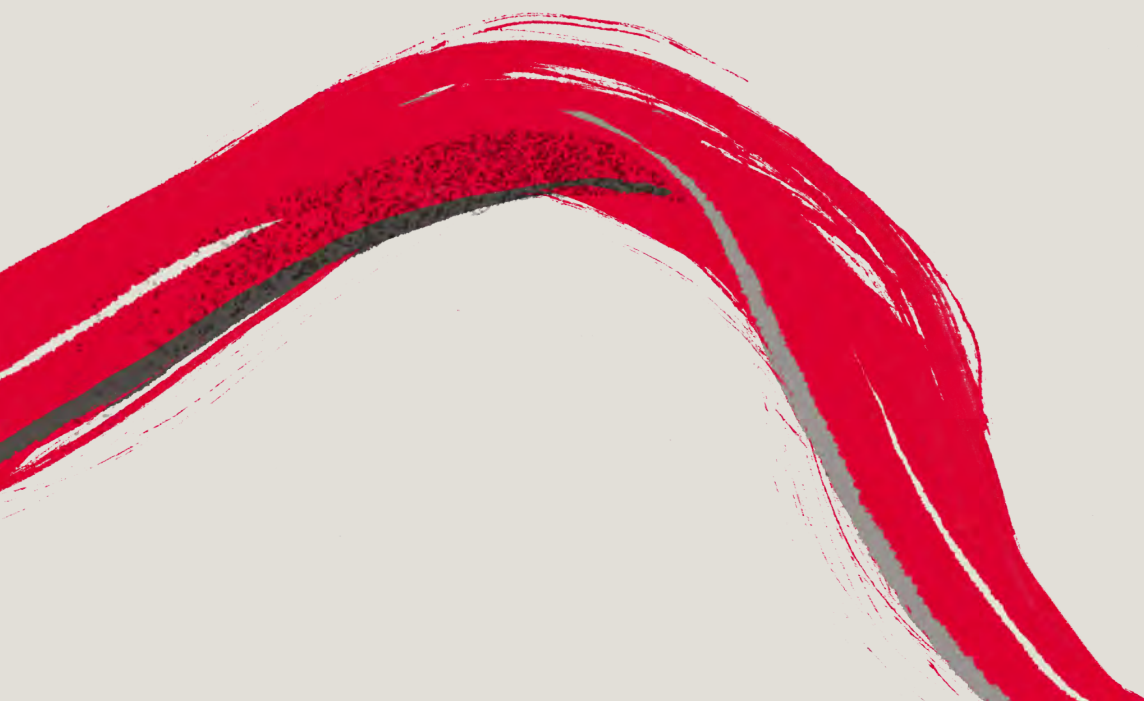


**The
Health
Foundation**



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Improving people's health

Introduction from the Chief Executive and Chair

Clearly there continued to be significant challenges for health and care in 2021. With the NHS facing unprecedented backlogs, public services under pressure, the nation's health reeling from the direct and indirect effects of the pandemic, the economy weakened, and turbulence in government, there is a valuable role for foundations in identifying solutions and keeping a focus on the long term. The Health Foundation doesn't deliver care directly – health care, social care or public health services. So how can we help?

The Health Foundation makes a contribution to improving health and care for the UK population in a number of ways, and working with numerous other organisations. As a foundation we are concerned with immediate challenges and needs – especially in a pandemic. But importantly we also support longer term goals that lay foundations for a better future. Our 2021 annual report shares some of the highlights from our work and looks ahead to our plans for 2022.

In 2021, as in 2020, we were unusually focused on the near term given the pandemic. We continued to make progress through: research and analysis; grants for new centres; large programmes and projects on the ground; building capacity through supporting fellowships and networks, and increasingly using influence as investors via our endowment to make change. As last year, we also gave donations for emergency assistance – donating £2.2m overall in 2021 to Comic Relief, Children in Need, UNICEF UK and Pathway. And all this while working with others to maximise impact.

Our research and analysis remain a central strand of our work, generating robust evidence to influence policy and practice. In 2021, our online traffic continued to increase significantly, with several major outputs allowing us to reach wider audiences and gain media traction. These included analysis on 'levelling up' health, the elective care gap, and real-terms cuts to the public health grant and to Universal Credit. The high-profile launch of our COVID-19 impact inquiry provided landmark evidence of the unequal impacts of the pandemic and enabled us to engage policymakers and media on the levelling up agenda. Meanwhile our quantitative analysis has supported SAGE, and funding and staffing projections from the REAL Centre fed into NHS and DHSC discussions in advance of the September

announcement of health and social care funding, and the Spending Review in October. These pages contain more noteworthy highlights and short case studies highlighting impact within each of our strategic priority areas.

As a foundation, our impact comes also from the projects, programmes and award-winning innovations we fund. Through our Q Exchange programme we funded 30 projects to embed some of the positive changes emerging through new collaborations and partnerships during the pandemic. This included projects to make remote consultations more inclusive and to upskill staff. Other projects included the scaling up of an initiative to provide psychological support for staff, which has been integrated as a core part of the new North Bristol NHS Trust staff trauma support pathway. Also in response to the pandemic, The Healthcare Improvement Studies (THIS) Institute, hosted by the University of Cambridge and funded by the Health Foundation, has adjusted its portfolio to support the NHS. This included leveraging its online research platform, THIScovery, to enable wider contributions to research from service users, NHS staff and others. The Institute also published a practical framework for organisations on asymptomatic COVID-19 testing programmes in their workplaces.

It can take time for the full impact of our funding programmes to become clear. Our funding of a quality improvement intervention to scale up PReCePT2 – aiming to reduce brain injury in new-born babies by improving uptake of magnesium sulphate in preterm deliveries – ran between 2018 and 2020. Results of the trial’s primary and secondary outcome measures were published in May 2021. PReCePT has now been adopted by all 152 maternity units in England and magnesium sulphate uptake has increased to over 85% for eligible mothers. As a result, 48 cases of cerebral palsy were prevented between 2018 and 2021, saving £38.4m in lifetime health and social care costs. (See Case study: Reducing brain injury through PReCePT.)

Closer to home, our internal development programme is continuing to ensure that we have a well-supported workforce, efficient business processes, resilient infrastructure and a strong focus on our role as a modern and socially responsible foundation. 2021 saw us successfully establish hybrid working, responding to staff preferences on office and home working. And, following Board agreement on a responsible investment policy in late 2020, in 2021 all investment managers reported on environmental, social and governance (ESG) credentials for the funds they invest in. ESG is now a major consideration for the investment committee and the Board.

In 2021 we continued to organise our work through five strategic priority areas to help us respond to the key challenges in health and care for people in the UK. In 2022 we will be looking ahead and refreshing our strategy for the following 3 years. We will be exploring how we deliver better health and health care from 2023–26 within three main areas relevant to our work and mission: improving health and reducing inequalities; faster improvement in care; and better policymaking.

In each area, we have an ambitious and innovative portfolio of work, in-house and externally commissioned. Our impact in 2021 is due to the hard work and commitment of staff, governors and the people we work with across health and care. We are very grateful for their support, in what have continued to be challenging circumstances. We look forward to making progress in 2022 and beyond – always for the benefit of the UK population and, in particular, the most vulnerable in society.

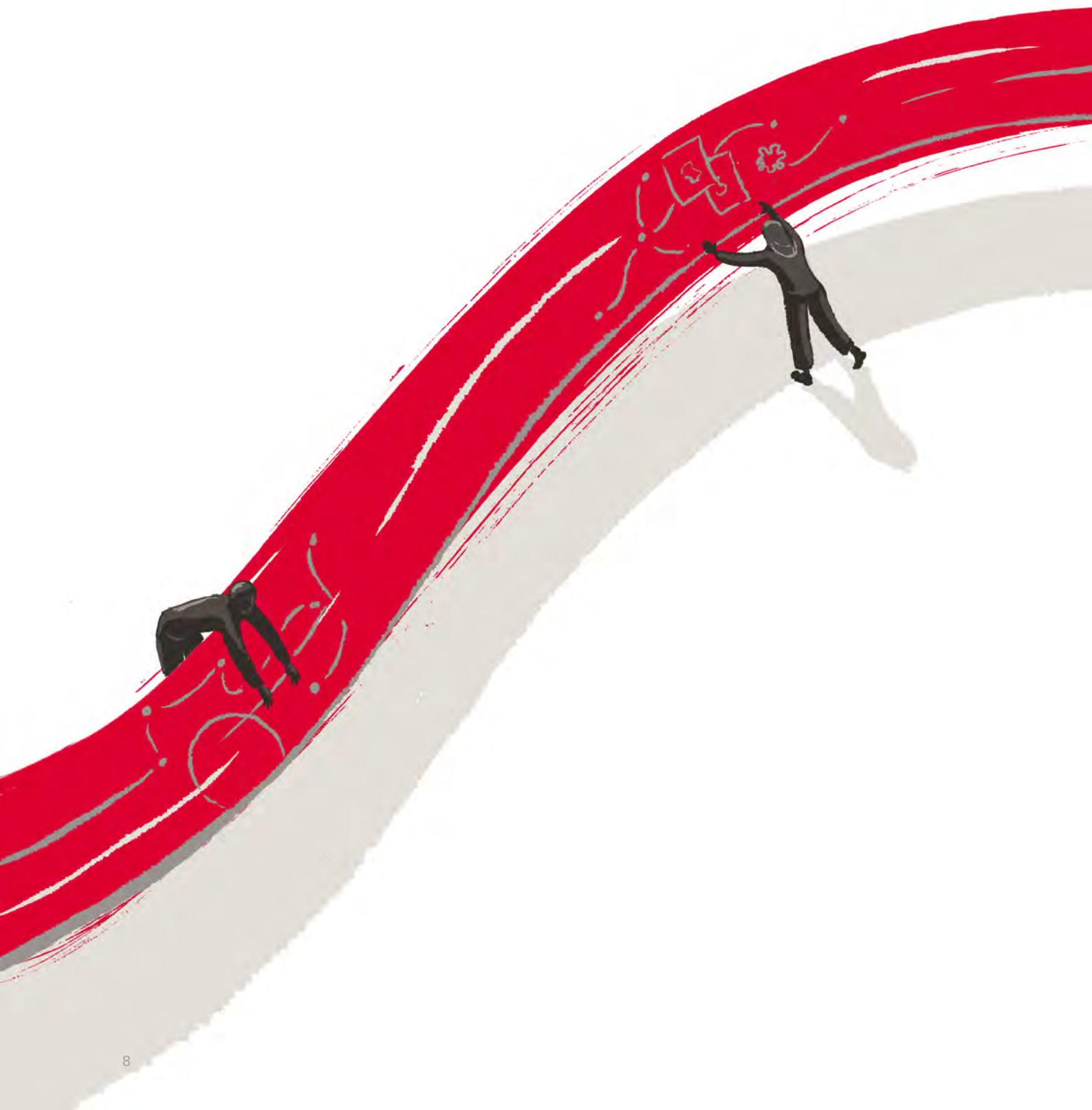


Dr Jennifer Dixon
Chief Executive



Sir Hugh Taylor
Chair





2021: Year in review



Promote healthy lives for all



Good health is vital for a thriving country – allowing people to play an active role in their communities and at work.

We have raised awareness of health inequalities and the role that good health plays in supporting economic prosperity. We have influenced national policy commitments to address health inequalities and established the Foundation as a leading authority in this area.

Key highlights



Large-scale grant programmes: This year local authority teams began work on our first large grant programmes to explore the actions places can take to influence the circumstances that shape our health. Shaping Places for Healthier Lives is a joint programme with the Local Government Association and is funding five local partnership teams to change local systems in order to improve physical and mental health. We invested £0.7m in this programme. Secondly, Economies for Healthier Lives has invested £1.9m of grant programme funding in four local authority teams to explore effective ways to incorporate health and wellbeing into local economic strategies.



Taking a whole-government approach to improving health: Published in October, our briefing argues that concerted and holistic action needs to be taken to create the conditions that improve health. It calls for an ambitious cross-government strategy that places improving health at the heart of the government's agenda, led by the Prime Minister, with targets, funding and evaluation metrics. This report has provided a robust platform to influence and shape the levelling up agenda and health disparities white paper, working with various government departments.

£1.9m

For four local authorities to explore how best to incorporate health into their economic strategies

21

Events our experts were invited to speak at about healthy lives

£2.6m

Total invested in our programmes Economies for Healthier Lives and Shaping Places for Healthier Lives in 2021



Launching our evidence hub: *What drives health*

inequalities? brings together data, insight and analysis that highlight how the circumstances in which we live shape

our opportunities for healthy lives. Our evidence long reads have been effective in driving engagement: for example, the long read on housing and health has been cited in parliament, featured in several House of Commons debate packs, and in policy documents such as the Scottish government's Housing 2040 strategy.



Funding work to create impact: Our grant holders from our Social and Economic Value of Health and COVID-19 funding programmes appeared before the Work and Pensions Select Committee. Our young people's inquiry post holders have also

produced impactful reports, been invited to speak at conferences and given advice to government departments.



Recognising our expertise: Our expertise is increasingly

sought after, with invitations to sit on eight advisory groups and to speak at 21 events in 2021. This included speaking at events

organised by the WHO and OECD. There were also a series of invitations to contribute to the work of other organisations as they develop their work on health and health inequalities.

“The inquiry was mentioned in parliament by Sajid Javid on its launch day, and former health secretary Jeremy Hunt also agreed to meet to discuss the inquiry report.”

3.7×

In England, COVID-19 mortality rates were 3.7 times higher for people younger than 65 from the most deprived 10% of areas (compared with the least deprived)



Case study

Unequal pandemic, fairer recovery

The UK entered the pandemic with life expectancy stalling for the first time in a century and falling for some. Following the 2008 financial crisis, public services have been eroded and the underlying economy and social fabric frayed. Published in July 2021, our COVID-19 impact inquiry reviewed the factors that fuelled the UK's COVID-19 death toll.

The inquiry found that poor health and existing inequalities left parts of the UK vulnerable to the virus and defined the contours of its devastating impact. The pandemic has revealed stark differences in the health of the working age population – those younger than 65 in the poorest 10% of areas in England were almost four times more likely to die from COVID-19 than those in wealthiest. Our report highlighted that the recovery needs to prioritise creating opportunities for good health – a vital asset needed to 'level up' and rebuild the UK economy.

The inquiry was mentioned in parliament by Sajid Javid on its launch day, and former health secretary Jeremy Hunt also agreed to meet to discuss the inquiry report. The report received a wide range of media pickup – with 55 pieces of coverage including *The Guardian*, *The Times*, *Sky News*, *Times Radio*, *The Independent*, and *The Scotsman*. It was widely shared on social media and via other organisations' websites, social channels and newsletters. The inquiry team were invited to contribute to a ministerial roundtable on long COVID, and a written submission drawing on the inquiry report was cited multiple times in the Health and Social Care Committee's *Coronavirus: lessons learned to date* report.

Supporting health care improvement



Through our improving care strategic priority we have supported the development and spread of innovative care improvements, while influencing the external environment to shift improvement from the margins of health care into mainstream policy thinking.

Key highlights



Publishing research on technology in health care: During 2021 we published *Securing a positive health care technology legacy from COVID-19*, which explored the challenges of implementing health care technologies during the first phase of the pandemic. It achieved high levels of engagement online and was covered by the *Mail Online* and ITV News. Our research report *Switched on* looked at harnessing the potential of AI and automation to improve health care, and was covered in *The Independent*. Following these publications, we were invited to join a research project within the national AI Ethics Initiative on building confidence among NHS staff in using AI. We were also invited to work with NHSX to inform the National Strategy for AI in Health and Social Care.



Building awareness of quality improvement: We published a new edition of our *Quality improvement made simple* quick guide, which remains one of the Foundation's most widely read titles. The updated guide reflects recent changes in quality improvement and will be especially useful to anyone thinking about how to restart, re-design or develop new processes, pathways and services – particularly as services recover from COVID-19. We also continued to work with *The BMJ* to publish a series of articles about quality improvement, including practical advice to health care professionals new to the field.

30

Projects funded through Q Exchange

4

Support hubs funded through our Adopting Innovation programme

4,600

Members of Q



Supporting innovation in local health systems: We

launched a new funding programme, Adopting Innovation, to support promising ideas become practice by developing support hubs across the country. We announced the selection of four hubs – led by the Bradford, Cambridgeshire and Peterborough, Manchester and Dorset integrated care systems.



THIS Institute: In response to the pandemic, The Healthcare Improvement Studies (THIS) Institute, hosted by the University of Cambridge and funded by the Health Foundation, adjusted its portfolio to support the NHS. This included leveraging its online research platform, THIScovery, which aims to enable wider contributions to research by crowdsourcing perspectives from service users, NHS staff and others. For example, the Institute published a practical framework for organisations using asymptomatic COVID-19 testing programmes in their workplaces. Following the success of its work on maternity safety, THIS Institute was also appointed to work in partnership with the Royal College of Obstetricians and Gynaecologists and the Royal College of Midwives to deliver the first phase of the Avoiding Brain injuries in Childbirth (ABC) Collaboration.



Q community: We funded 30 projects through our Q Exchange programme on the theme of embedding positive changes emerging through new collaborations or partnerships during COVID-19. The programme included projects to

develop remote consultations that are inclusive of non-English speaking communities and to upskill staff to make the most of new technologies. Other projects include scale up of the ‘Start Well>End Well’ procedure to provide psychological support for staff, which has been integrated as a core part of the new North Bristol NHS Trust staff trauma support pathway. We also launched a new Q Lab project with NHSX to explore how to build staff and patient trust and confidence in remote monitoring technologies, to support national scale. The project brings together people with digital expertise and improvement expertise to create sustainable models that make progress on this vital challenge for the system.

48

Cases of cerebral palsy were prevented between 2018 and 2021



Case study

Reducing brain injury through PReCePT

In the UK, around 60,000 babies are born prematurely each year and are at greater risk of brain damage and conditions such as cerebral palsy, which affects 500 pre-term babies annually. Evidence shows that mothers at risk of premature delivery who take magnesium sulphate during pre-term labour and before birth – at a cost of less than £1 per dose – can reduce the risk of their babies developing cerebral palsy by a third.

From 2014 to 2015, the PReCePT1 project (Prevention of cerebral palsy in pre-term labour) was implemented in five West of England maternity units. During the project, maternity units and mothers co-developed and delivered a quality improvement toolkit with practical tools and training to increase knowledge and awareness of using magnesium sulphate. As a result, the number of women receiving the preventative treatment increased by an average of 25%.

Following this success, NHS England and NHS Improvement rolled PReCePT out nationally through the AHSN Network between 2018 and 2020. As part of this, the Foundation provided additional funding for an enhanced quality improvement intervention, which included bespoke coaching and extra time for local clinical champions.

PReCePT has now been adopted by all 152 maternity units in England and magnesium sulphate uptake has increased to over 85% for eligible mothers. As a result, 48 cases of cerebral palsy were prevented between 2018 and 2021, saving £38.4m in lifetime health and social care costs.

Influencing health and social care policy



We have built constructive relationships with policymakers, influenced national policy and contributed to understanding about health and care policy and performance in England.

This work has proved central to the Foundation’s ability to influence change and inform wider debate, bridging the gap between policy and practice. Much has been done to track and analyse national policies in England, with a particular focus on the overall direction of the health system and how it is performing.

Key highlights



Assessing the impact of COVID-19 on elective care: In April we published *Longer waits, missing patients and catching up*, looking at the impact of the second wave of the pandemic on elective care in England. While the NHS had delivered a remarkable amount of elective treatment, the analysis warned the waiting list could still grow substantially depending on how and when 'missing patients' are belatedly added. In September further analysis showed access to elective care falling further in more deprived areas compared with the least deprived.



Learning lessons from government’s social care response: May saw the publication of our second assessment of the national policy response in social care during the pandemic – this time covering the period after the first wave (June 2020 to March 2021). It found that the response had improved in some areas, but government policy on social care was often fragmented and short term. This supported our influencing work on social care reform and will be a key part of our evidence we will share with the UK COVID-19 Inquiry.

140,000⁺

—
Times that our policy trackers
were viewed since launch



Tracking policy developments: Our NHS Test and Trace (NHSTT) tracker monitored the performance of NHSTT up until May 2021. Meanwhile we launched our COVID-19 policy tracker – an overall timeline of national policy and health system responses to COVID-19 in England during 2020. These tracking tools were used widely by policymakers, the media, academics, and others – and viewed over 140,000 times in total since their launch in 2020.



Developing our public polling work: In January we published the final wave of polling carried out by Ipsos on public perceptions of the NHS and social care in light of COVID-19. We also co-hosted a webinar with Ipsos *How will the public mood shape care after the pandemic?* in April. In October, during the lead up to COP26 in Glasgow, we published findings of Ipsos polling on public perceptions of climate change and health. This work produced unique insights that were used by policymakers, covered by a diverse range of media, and informed and enriched our in-house analysis.



The NHS Long Term Plan and COVID-19: In September we published our comprehensive analysis looking at progress on the main pledges in the NHS Long Term Plan in the wake of the pandemic. Our analysis found that the core principles set out in the plan remain as relevant now as ever, but their implementation has been derailed – with no part of the plan unaffected. The report will stand as an authoritative assessment of NHS delivery and how the pandemic blew the plan off course through disruption, delay and increased demand.

“When the bill was published in July, we briefed MPs and Lords on the legislation and how it could be strengthened.”



Case study

Influencing NHS reform

Proposals emerged in late 2020 for changes to the organisation and structure of the NHS in England. We published analysis assessing the initial proposals in *The BMJ* – drawing on our long history of work on integrated care and approaches to NHS reform – and submitted evidence to national NHS bodies. We set out our views on the risks of reform and how the plans could be improved. While encouraging collaboration to improve health makes sense, we were concerned that the benefits of the proposed changes were overstated and the risks of reorganisation underplayed.

In February 2021, the government’s white paper on the reforms included plans to increase central political control over the day-to-day running of the NHS. We responded to the proposals in the media – setting out the risks of politically motivated changes to the organisation of the NHS – and held a webinar to help people working in health and care understand and assess the reform plans.

We gave evidence to the Health and Social Care Select Committee’s inquiry into government’s reforms. When the bill published in July, we briefed MPs and Lords on the legislation and how it could be strengthened. We also worked with others in the health and care system to try to inform amendments to the legislation including on workforce planning and health inequalities. And we helped shape amendments to legislation related to NHS data collection on health inequalities. In 2022 we will be working to encourage amendments on workforce planning and social care.

The sustainability of health and social care funding



Through the REAL Centre we have increased understanding of the requirements for future service sustainability, influenced national policy commitments and helped to hold government to account. We have established the Foundation as leading experts on NHS and social care supply and demand issues.

Key highlights



Exploring a radical new vision for social care: In November, at our second REAL Challenge annual lecture, acclaimed author and social innovator Hilary Cottam reexamined the way we think about social care. The well-attended and lively debate considered how we should care for one another, and what might it take to turn our current thinking about care and the care system on its head.



Analysing how ageing affects health and care need in England: In December we published our insight report, *Our ageing population*. It explored how health and care needs change with age, how the relationship between need and age has changed over time and how long-term conditions and social care needs interact. The report included five key insights for policymakers, and we successfully used interactive graphics to communicate the findings in a timely and effective way.

1,000⁺

—
People attended the REAL Challenge lecture on Hilary Cottam's radical new vision for social care

£63bn–
£72bn

—
Projected as additional annual funding needed for health care in 2030/31 compared with 2018/19



Setting out health and social care funding projections

for the next 10 years: Our research in this area was a huge success for the REAL Centre in 2021. By engaging early with key stakeholders we built credibility and it enabled us to adapt to a rapidly changing external environment. We published on the morning of the government's NHS funding announcement, which meant we gained widespread coverage (including the *FT*, *The Telegraph* and Channel 4). We focused on different areas – funding and workforce – and used multiple outputs to maximise our reach and impact.



Researching changes to the social care cap:

During 2021, as government moved towards social care reform, we looked at the social care cap proposals. Our analysis presented different scenarios, highlighting that the value of the cap has the greatest proportionate impact on those with lower levels of wealth. One key chart from the analysis (illustrating the impact of changes to the cap) was used by Sir Andrew Dilnot in evidence to the Treasury Select Committee. It was also widely covered by national media, across the broadsheets and tabloids, aiding public understanding of the issue.



Influencing the Spending Review:

REAL Centre analysis contributed significantly to our influencing work, including underpinning three of the four priorities for health that we set out ahead of the Spending Review.

“Over the summer of 2021, we were then approached by DHSC to help inform their report to SAGE on the direct and indirect health impacts of COVID-19 in England.”



Case study

The impact of the pandemic on non-COVID patients

In 2021 the REAL Centre had a unique opportunity to answer critical questions about the impact of the pandemic on non-COVID patients. This was a continuation of the bespoke analysis about primary care access we provided to the Department of Health and Social Care, NHS England and the Number 10 delivery unit in 2020.

Our research used data not available to government or NHS England on patient-level primary care records. This allowed us to understand the reduction in access to primary care, referral to secondary care, and diagnosis of new (non-COVID) illness for patients of different ages, genders, ethnicities and socioeconomic backgrounds. This information was vital in assessing the implications of the pandemic and informing how to enable NHS recovery.

We were not the only research unit with access this information. However, our research was so impactful because of our ability to adapt, our flexible data permission, our existing links into the Department of Health and Social Care and NHS England, and our willingness to consult with and directly inform policymakers. Instead of publishing via the usual Health Foundation channels, we targeted academic publication (in *BMJ Open*) for a specific analysis on the impact of the pandemic on cancer diagnosis.

Over the summer of 2021, we were then approached by DHSC to help inform their report to SAGE on the direct and indirect health impacts of COVID-19 in England. The final analysis resulted in a letter of thanks to the REAL Centre from the Chief Scientific Adviser for DHSC. We have also since been asked to contribute to a further report informing the pandemic recovery, focusing on missing diagnosis of long-term illness in primary care.

Data analytics for better health



In 2021 we continued to generate data-driven insights to help improve understanding and inform decision making about major health and care challenges, including those exacerbated by the COVID-19 pandemic. We're a trusted voice on national policy and system design issues relating to analytics and data-driven technology, and we're working to create a future where everyone can benefit from developments in these areas.

Key highlights



Undertaking sophisticated quantitative evaluation:

The Improvement Analytics Unit (IAU) continued to evaluate complex local initiatives to support learning in health care in 2021. In October, the IAU team published research looking at whether integrated care programmes have reduced emergency admissions, sharing important lessons for policymakers and system leaders. Direct engagement with key stakeholders was particularly positive and valuable for this work.



Developing data analytics partnerships for local insights:

Gathering steam in 2021, the Networked Data Lab (NDL) continued its pioneering work on analytics of linked data. We analysed datasets held by NDL partners, this year focusing on exploring the impact of the pandemic on clinically extremely vulnerable people who were advised to shield. The findings supported local stakeholders in prioritising support and services for this group, enabled by the embedded nature and strong local ties of this programme. The briefing we published in October was reported by multiple media outlets, including *The BMJ* and *The Independent*, showing strong national interest in this work.

45

Peer review journal publications and pre-prints across the Foundation

1,000⁺ members

Of the NHS-R Community, funded by the Foundation to promote the use of open-source data tools



Collaborating on international comparisons of health care

systems: We jointly funded, and produced the English analysis for, the International Collaborative on Costs, Outcomes and Needs in Care (ICCONIC). This work uses patient-level data to

advance international comparisons across whole care pathways – which our research shows is essential to improving care for older patients with complex needs, who often require services that cross many settings. The ICCONIC findings provide policymakers with useful information on how different strategies might influence care quality and cost, and offer the potential for mutual learning and policy transfer.



Strengthening social care analytics in the wake of the

pandemic: In 2021 we announced our funding and support

for five projects developing innovative analytics to tackle

pressing challenges in social care. These projects, which all have

a focus on engaging and involving service users, are already demonstrating impact on improving care and are helping to demonstrate the value of data analytics and information sharing in social care.



Helping ensure AI addresses racial and ethnic inequalities

in health: In partnership with the NHS AI Lab, we launched

an important new research call in 2021. Projects led by the

University of Westminster, Loughborough University,

University Hospitals Birmingham NHS Foundation Trust, and St George's

University, London will help address racial and ethnic health inequalities

using artificial intelligence. This will be achieved through improving

understanding of opportunities to use AI to address health inequalities,

optimising datasets, and improving AI development, testing and

deployment.

“We launched an important new research call... to address racial and ethnic health inequalities using artificial intelligence.”



Case study

Taking a longer term view

A key objective of our work over the past 6 years has been to influence national strategy on the use of analytics across the health and care system. Our publications *Understanding analytical capability in health care* (2016) and *Untapped potential: Investing in health and care data analytics* (2019) shone a light on the importance of analytical capability and the actions needed to strengthen this. This has built on our investment in exemplar projects in health and social care (Advancing Applied Analytics, Strengthening Social Care Analytics and our Better Care Catalyst partnership with Health Data Research UK), and our support for networks such as Apha, NHS-R and the Welsh Modelling Collaborative.

The impact of this work on national strategy became evident in June 2021, when government published its draft data strategy for health and social care (*Data Saves Lives*). This pledged to implement many of our recommendations – committing to building the profile of the analyst profession, to providing competency frameworks, and to improving understanding of the professional learning and development needs of health and care analysts. Our work on social care data – as part of the NIHR-funded DACHA study – was also recognised as an example of the efforts needed to improve the use of data in adult social care.

Work to improve the Foundation



Our programme of internal development enables us to deliver our strategy by investing in our people, how we work together, the tools we use, and the space we work in.

2021 was a continuation of a challenging working environment for everyone. By supporting each other, we got through these challenges. We found the time to continue our internal development with some notable achievements.



Key highlights



People's wellbeing and flexible working: We engaged colleagues across the organisation on wellbeing and how they wanted to work in the future. We responded by giving everyone working at the Foundation more choice over where and when they work, within a broad framework, based on high trust and high support, with continuing support for our wellbeing. We part re-opened our office for those that needed it, laying the foundations for hybrid working in 2022. We continued to support learning and development and resumed our leadership programme.



Strengthening our cyber and data security: We strengthened our IT networks, achieved cyber security essentials plus accreditation, renewed our information security management system accreditation for our secure data environment (ISO 27001) and started to develop a new platform for analysts. We introduced a compliance team to help raise awareness and train people, which helped us remain compliant with the Data Protection Act 2018.



Striving to build a more equitable, diverse and inclusive organisation:

We delivered the organisation's first inclusion survey, which identified areas for improvement including: reviewing our internal processes; developing our internal learning and engagement; discussions on the role of the board and linking it to our external-facing work. We also set up an Inclusion Panel so that a range of people with varying lived experiences, knowledge and skills have the opportunity to influence health and social care research.



Embedding environmental sustainability:

This has included leveraging our role as a provider of analysis and research, reviewing how we give grants, being a responsible investor, running events and managing our workplace.





Our plans ahead



Promote healthy lives for all

We will be continuing to explore how the circumstances in which we live shape our health.

- In 2022 we will launch a landmark review into health inequalities in Scotland.
- We will be adding new data, insight and analysis to our *What drives health inequalities?* evidence hub, including a new section on neighbourhoods.
- Local and regional authorities have a central role in improving health. Over 2022, we will explore what some of the key factors might be to improve health in a place.
- We will share materials to improve public understanding of and support for wider action to improve health, including findings from the Frameworks Institute.
- We will continue our work to ensure the whole of government works together to improve health and health equity. And we will outline the evidence-based policy approaches that can be taken to improve health across the whole of the UK.
- We are also working with a range of organisations to strengthen the policy agenda for young people's future health and to launch an open call to fund research on emotional support.
- We are working with ShareAction to promote positive action on health among businesses and investors.
- The Collaboration for Wellbeing and Health will move into its action phase, recruiting a wider group of cross-sector allies, and launching its first campaign to influence policy and amplify the case for action on the wider determinants of health.

Supporting health care improvement

Our supporting improvement work aims to influence approaches to system recovery, demonstrate how better management and improvement approaches can improve quality and productivity, and how innovation and technology can enable new models of care.

- 2022 will see continued investment in some of our existing initiatives, including the Flow Coaching Academy, the Common Ambition programme and the Health Anchors Learning Network. We will also continue to develop more recent initiatives, including the new IMPACT Centre and our Adopting Innovation programme.
- We will be launching a funding programme to support the use of technology to enable new models of care, particularly those that support more care at home or in the community. We will also undertake new research on this topic, as well as sharing learning through our insight work on learning health systems, NHS management, elective recovery, and the innovation landscape.
- Expected to reach the milestone of 5,000 members in 2022, our Q initiative also has big plans. We are supporting peer-learning for national and regional leaders in improvement, providing support for learning and innovation through Special Interest Groups and our events programme.
- Q Lab and Q Exchange also have exciting work underway, bridging the worlds and methods of improvement and digital (with Q Lab UK looking at what is needed for staff and patient confidence in tech-enabled remote monitoring).
- We will work with THIS Institute as they plan their future strategy at a 5-year review point in the Foundation's funding. This will include work to develop their online research platform, THIScovery.



Influencing health and social care policy

We want to support the development of more evidence-informed policies on health and social care in England, contributing to better population health and higher quality care.

- In 2022, we will continue to produce responsive analysis on some aspects of the national COVID-19 policy response – focusing on lessons from the pandemic for future health and care policy. But the main focus of our work will be on broader policy issues related to health system recovery and reform, including analysis of changes to NHS structures and policies on prevention and inequalities.
- Look out for new work synthesising evidence on approaches to NHS reform and national policies to reduce inequalities in general practice. We will also be producing analysis on the current reorganisation of the NHS in England, including the development of integrated care systems and the approaches they are developing to improve population health.
- We will maintain a focus on international comparisons of health system policies and performance, continuing to fund major external programmes in this area, including Sciana, Harkness Fellowships, QualityWatch, and the European Observatory on Health Systems and Policies.
- Other areas of focus will include analysis of national health and care performance data, analysis of international survey data on primary care physicians and a new programme of long-term public polling on attitudes to health policy and performance.



The sustainability of health and social care funding

The REAL Centre (Research and Economic Analysis for the Long term) produces research and analysis to help make health and care services more sustainable, enhancing our understanding of trends in health care supply and demand, and supporting better long-term decision making.

- Our work on workforce projections will look at the outlook for both the demand and supply of health care staff over the next decade. Our work will look in detail at the impact of trends in nursing and general practice. We will also look at health care demand, and will do a deep dive into healthy life expectancy. This is part of the foundational work to develop a comprehensive health care demand model in partnership with the University of Liverpool. The final model will allow us to link risk factors to morbidity and health care activity, providing an improved base for future funding projections reports.

- With projects from our Efficiency Research Programme coming to an end, we'll be sharing their knowledge and learning on technology and productivity.
- We will also host the third in our REAL Challenge lecture series, where prominent speakers share innovative thinking and ideas on the key challenges facing health and social care in our annual lecture and associated thought paper.
- We will launch a major funding call for two new REAL Centre research units. With total funding of £14 million, the units will develop research programmes in our areas of interest (demand for and supply of health and social care) and support the development of a linked fellowship programme.



Data analytics for better health

We want to ensure that everybody's health and care benefits from advances in analytics and data-driven technology such as AI. So, we will continue to drive forward innovations in analytics in 2022, informing the national conversation about data and health.

- Look out for studies on multiple long-term conditions, international comparisons of health care quality with international partners, and our NIHR-funded project to define a national minimum data set for care homes.
- We're also planning new work using novel techniques to improve understanding of poor health outcomes for people living in more deprived areas.
- Our work will continue to develop and enhance skills and capacity in analytics across the health and social care system through our grants and support, including for the NHS-R Community.
- We will also be active through our existing partnerships. Our work with the Ada Lovelace Institute will examine the impacts of data-driven technologies on inequalities, and our research programme with the NHSX AI Lab includes supporting a community of practice on AI and racial inequalities.
- In 2022, the Improvement Analytics Unit (our innovative partnership with NHS England) will complete studies on digital first primary care and integrated care. We'll also begin a new strand of evaluation work, potentially looking at how AI can help to address the NHS backlog.
- Meanwhile, our Networked Data Lab will be publishing findings from a project around inequalities in access to children and young people's mental health services, and beginning a new project on social care.

Work to improve the Foundation

Our work to develop the Foundation and support our strategy continues, by investing in our people, how we work, the tools we use and the place we work in. 2022 will be dominated by a change in working patterns, following the removal of the need for social distancing.

- People's wellbeing and flexible working: In 2021 we created a new hybrid framework that offers people more choice over where and when they work. In 2022, we will test this in practice. Our office is open and people are using it more intentionally, appreciating the need to reconnect in person and the social value of work. We recognise it will take time for people to recover from the mental toll of the past few years, so we will be patient in our return to the office and continue to support colleagues' wellbeing. We will provide the skills and tools people need to work seamlessly between home, office and online. Our leadership programme will be rolled out to more people with opportunities to develop other skills.
- Improving our operational effectiveness and resilience: We strengthened our recruitment to respond to global churn. We will review our benefits to ensure we remain attractive to new and existing employees. Our investment in tools and skills includes new systems for managing grants, tools and training for analysts, project management, data visualisation and data and cyber security.
- Building a more equitable, diverse and inclusive organisation: We continue to raise awareness, improve engagement and learning, while benchmarking our internal processes and linking our internal work to our strategy refresh.
- Embedding environmental sustainability: As a responsible investor, we are strengthening engagement with our public equity managers and like-minded coalitions. As a consumer, we are building a picture of our footprint and developing ways to lighten it.

Financial review and statements



Legal and administrative information

Governors

Sir Hugh Taylor (Chair)

Sir David Dalton

Eric Gregory

Lorraine Hawkins

Ruth Hussey

Martyn Hole (stepped down 15 July 2021)

Branwen Jeffreys

Sharmila Nebhrajani (stepped down 30 July 2021)

Melloney Poole (stepped down 31 December 2021)

David Smart

Rosalind Smyth

Katie Blacklock (appointed 12 March 2021)

Dawn Edge (appointed 12 March 2021)

Ravi Gurumurthy (appointed 12 March 2021)

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

10 Queen Street Place

London EC4R 1BE

Investment Fund Managers

See Appendix

Custodian and Performance Measurement

Northern Trust

50 Bank Street

Canary Wharf

London E14 5NT

Investment Advisers

Cambridge Associates Limited

80 Victoria Street

London SW1E 5JL

Redington

6th Floor

1 Angel Court

London EC2R 7HJ

Charitable activities in 2021

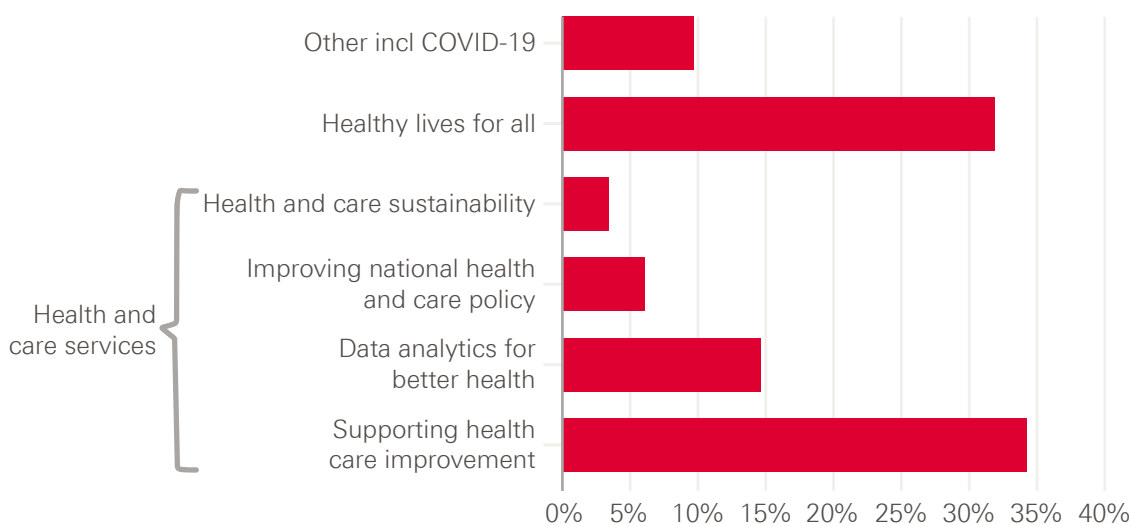
Our charitable expenditure

Our charitable expenditure is made up of:

- Grants and donations of £16.6m. In 2021, our largest grants were for our ‘support health care improvement’ and ‘healthy lives for all’ priorities.
- Direct costs of £13.4m, mainly our internal staff who manage our awards and influence change directly through our ‘data analytics for better health’, ‘health care and sustainability’ and ‘improving national health and care policy’ priorities.
- Support costs of £10.3m, providing the infrastructure to deliver our charitable activities, including our secure data networks.

Our charitable expenditure of £40.3m by strategic priority, allocating direct and support costs as appropriate, is illustrated in the chart below.

Figure 1: Charitable expenditure in 2021



Our charitable expenditure of £40.3m compares to £42.8m in 2020. The key movements were:

- Growth in expenditure for ‘healthy lives for all’ due to our increased investment in this area. In 2021, our large awards were for the Economies for Healthier Lives and Shaping Places for Healthier Lives programmes, in which we invested £2.6m in total.

- Reduction in ‘supporting health care improvement’ expenditure due to the rephasing of the THIS Institute funding commitment which increased costs in 2020 by £3.2m. THIS Institute is now in year five of the award and we anticipate full commitment to the second phase of the award, with a value of £22.8m, in 2022.
- We responded to the COVID-19 pandemic in 2020 with £6.1m of donations and grants. As the COVID-19 pandemic continued to have a significant impact on health and health care in 2021, we responded once again with donations for emergency assistance, donating £2.2m overall to Comic Relief, Children in Need, UNICEF and Pathway.

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

Our income used for charitable activities

Our charitable activities are mainly funded by our endowment. In 2021, we received £15.6m investment income and transferred £23.4m of capital from the endowment, in line with our expenditure policy.

We received restricted income of £1.2m (2020: £0.8m) primarily for Q, an initiative joint-funded with NHS Improvement. The Q initiative started in April 2015 and is part of our substantial long-term investments to develop and support initiatives designed to build capability.

Our policies

Expenditure policy

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

Grant-making policy

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

Reserves policy

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

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

Our investments

Investment policy and strategy

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

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

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

The governors' primary objectives are:

- **Time horizon:** the endowment shall be invested for the long-term with an investment horizon of 10 years and multiple economic and market cycles.
- **Return target:** the objective is to fund our charitable expenditure while maintaining the real value of our investments. For 2021, the total return target was RPI+5% per annum (net of all investment fees and costs). This provides 4% for charitable expenditure, with RPI+1% as the proxy for inflation. Following a strategic review in 2021, as of January 2022, the total return target has been revised to CPI+4% per annum with CPI as the revised proxy for inflation.
- **Spending policy:** the governors believe that the return target is consistent with sustaining a spending rate of 4% over a trailing 3-year average of endowment value.
- **Risk target:** a long-run volatility range of 13–15% and an equity beta in the region of 0.70–0.75. The governors wish to limit the possibility of a 20% fall in endowment value over 1 year but acknowledge that this possibility cannot be eliminated. The probability of this event is of the order of 20% or one in five.

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

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

Our approach to responsible investment

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

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

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

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

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

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

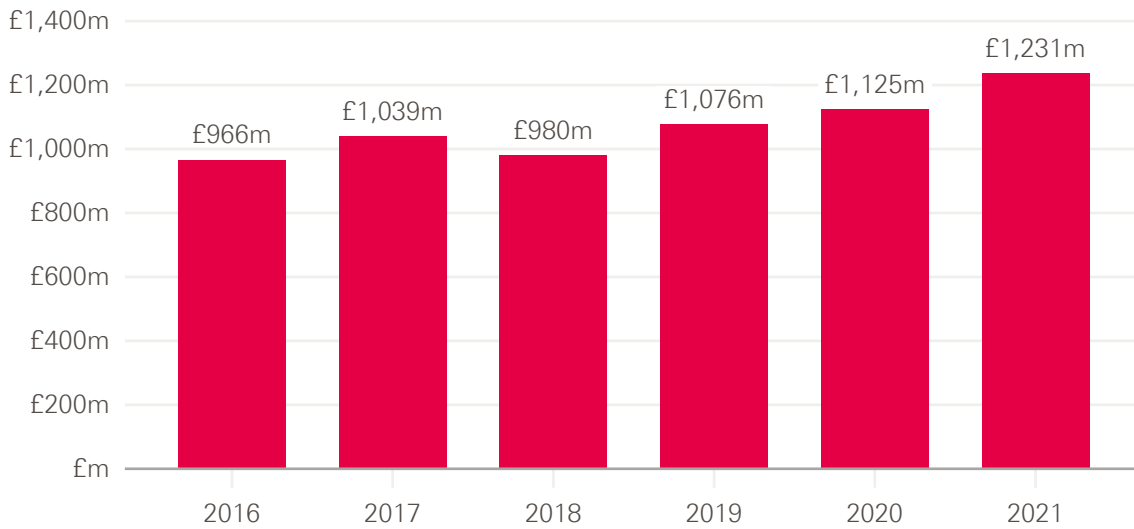
Investment returns

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

In 2021, the endowment fund returned a net of 14.4%, exceeding the RPI+5% target of 13.0% in that year. On a 3-year annualised basis, the fund returned 12.4%, exceeding the annual RPI+5% target of 8.9%. On a 5-year annualised basis, the fund exceeded the return target, achieving 9.1% per annum against the target of 8.8% per annum.

Figure 2 shows the change in the value of the investments. In 2021, the value of the investments increased by £106m, from £1,125m to £1,231m.

Figure 2: Investment values as at 31 December 2021

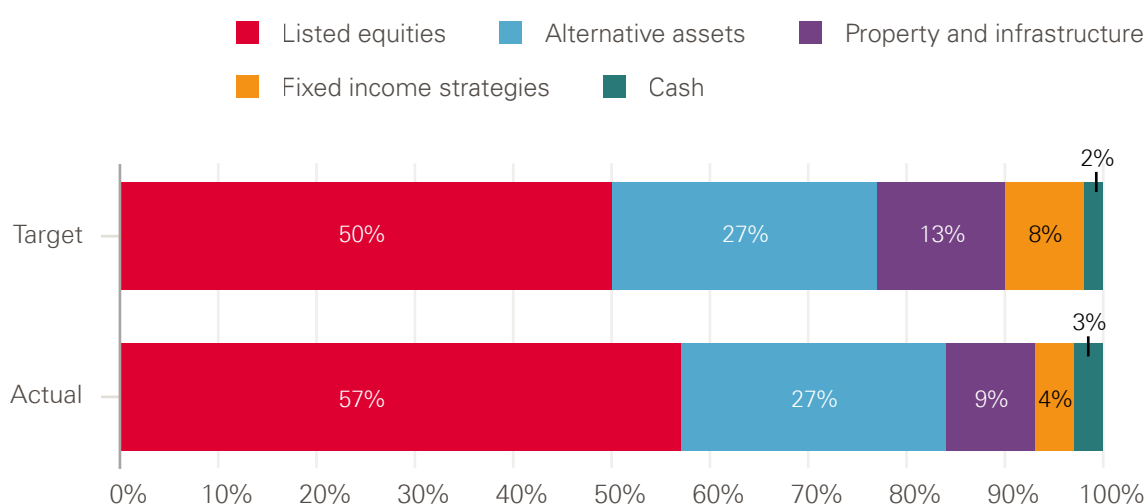


The structure of the investments is focused on global investing via a range of asset classes. The investments look to maximise returns while balancing acceptable levels of risk through a diversified asset portfolio. Following a review of the existing public equity investment managers in 2021, a new suite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

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

Figure 3 shows the target strategic asset allocation together with the actual asset allocation at the end of 2021. The allocation for 2021 was overweight in listed equities and cash and underweight in property and fixed income strategies. 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 2021



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

The total cost of managing our investments was £13.0m (2020: £14.7m). The reduction is mainly due to the decreased performance fees incurred on hedge funds. Further details can be found in note 6.

Subsidiary companies

The Foundation has two subsidiary undertakings Medtrust Innovations Limited (Medtrust) and the Victoria Fund LP Incorporated (Victoria Fund).

Medtrust is wholly owned by the Foundation as a mission-related investment engaged in the exploitation of intellectual property rights. In March 2011, Medtrust acquired 50% of the intellectual property rights of *BMJ Quality & Safety*, a journal published by the BMJ Publishing Group Limited. At 31 December 2021, Medtrust had fixed assets of £0.5m (2020: £0.5m). In the year, Medtrust generated an operating profit of £0.2m (2020: £0.2m).

The Victoria Fund was formed in February 2010 as a vehicle to invest in a combination of hedge funds and private equity. The Health Foundation, as the limited partner, is entitled to all investment returns less a priority share by the general partner. As at 31 December 2021, the Victoria Fund had fixed assets of £397m (2020: £337m) and the value of its net assets was £401m (2020: £346m). Net profit in the year was £56m (2020: £55m).

Streamlined energy and carbon reporting

The Health Foundation is reporting energy and carbon emissions in compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The conversion factors used in the report are taken from 2021 government guidance on the Streamlined Energy and Carbon Reporting (SECR) regime.

During 2021, much of the year was spent working from home with occasional periods in the office, in line with government restrictions. When restrictions around social distancing are lifted in 2022, we expect to balance working between home and office.

The Foundation consumed approximately 172,571 Kwh of energy in 2021 (2020: 309,942 Kwh) and CO₂ emissions are estimated at 36.67 tonnes (2020: 66.27 tonnes). Our intensity ratio is 0.015 tonne per square metre of our office space (2020: 0.027 tonne per square metre).

Electricity and gas – office

During 2021, our office electric energy consumption equated to 152,167 Kwh (2020: 144,733 Kwh) or 32.31 tCO₂e (2020: 33.74 tCO₂e). The fall in tCO₂e is because the conversion rate to tCO₂ for electricity reduced from 0.233 in 2020 to 0.212 in 2021. In 2021, our office gas energy consumption equated to 20,404 Kwh (2020: 165,209 Kwh) or 3.74 tCO₂e (2020: 30.38 tCO₂e). Electricity costs are metered while gas costs form part of the service charge, apportioned by the landlord on the floor space occupied by the Foundation, which equates to 2,415 square metres.

Travel

During 2021, travel journeys paid for directly by the Foundation equated to 6,787 miles (2020: 24,814 miles) or 0.62 tCO₂e (2020: 2.15 tCO₂e). There was less travel in 2021 due to COVID-19 restrictions. Travel to and from Foundation events by external participants and attendees is not included in these calculations for both 2020 and 2021.

Future reporting

The Foundation is committed to understanding and reducing its environmental impact. We have set targets for achieving net zero in our public equity investment portfolio. We developed a guide to sustainable events, awarding grants and recruitment. In addition, we are reviewing how to report on a wider set of measures, including commuting, working from home, water use, emissions from our cloud-based data storage and how we can reduce our carbon emissions from our operational activities. We will be considering sustainability in the Foundation's strategy refresh covering 2023–2026.

2021 carbon reporting figures	Mileage	Consumption kwh	Carbon emission tCO ₂ e
Scope 2			
Health Foundation office – gas		20,404	3.74
Health Foundation office – electricity		152,167	32.31
Scope 3			
Employee mileage personal cars	233		0.07
Travel – taxis	70		0.02
Travel – public transport	5,495		0.21
Travel – air	989		0.32
Total gross emissions in tonnes CO₂e	6,787	172,571	36.67
Intensity ratio: tonnes CO ₂ e per sqm			0.015

2020 carbon reporting figures	Mileage	Consumption kwh	Carbon emission tCO ₂ e
Scope 2			
Health Foundation office – gas		165,209	30.38
Health Foundation office – electricity		144,733	33.74
Scope 3			
Travel – public transport	13,144		1.30
Travel – air	11,040		0.85
Total gross emissions in tonnes CO₂e	24,184	309,942	66.27
Intensity ratio: tonnes CO ₂ e per sqm			0.027

Stakeholder engagement

– s.172 statement

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

Stakeholder	Key consideration	How we engage	Key activities in 2021
<p>Beneficiaries, including: members of the public; those who benefit from the grants we award; health and care workers; policymakers; charities that received donations from us.</p>	<p>Improving the lives of the people and communities that the Foundation’s grants support in its work to improve health, health care and social care in the UK.</p> <p>Maximising the impact of our work.</p> <p>Sharing information about the work of the Foundation.</p>	<p>Individual governors have strategic oversight of key programmes of work, working closely with teams across the Foundation and the organisations we partner with.</p> <p>Via our grant holders, including their reporting to us.</p> <p>Via beneficiaries of charities to which we have made one-off donations through the pandemic.</p> <p>Through our webinars, podcasts publications, blogs, newsletters and long reads, which are all available to anyone, free of charge.</p> <p>We have an active social media presence.</p> <p>We have well-defined communications strategies around our strategic aims and targeting our key audiences.</p>	<p>The board approved further donations to charities to support the national response to the pandemic.</p> <p>Working remotely made engagement harder, but the board heard from beneficiaries of our funded programmes including hip fracture outcomes; early intervention on eating disorders; support for quality improvement in Scotland through our Q network; managing obstetric emergencies in a pandemic, among others.</p>

Stakeholder	Key consideration	How we engage	Key activities in 2021
<p>Partners: we work closely with a wide range of partners to deliver our strategy.</p>	<p>Maximising the impact of our work.</p> <p>We work with a wide range of stakeholders to deliver our mission to build better health and health care – from national and local government, to the health and care sector, the public health, and the third sector.</p> <p>Ensuring the effectiveness of the programmes and projects that the Foundation supports with grants or contracts and/or staff time.</p> <p>Building and maintaining networks of people engaged in improving the quality of health, health care and social care in the UK.</p> <p>Sharing information about the work of the Foundation.</p>	<p>We engage with our grant holders via ongoing management of their awards, with support for applicants to enable them to maximise the effectiveness of the projects that we are funding.</p> <p>We cooperate actively with other key organisations in our field to influence policy and practice.</p> <p>We work with other key organisations in some of our major areas of activity and engage with them closely in ongoing management and direction.</p> <p>We have over 4,000 members in our Q Community, supporting service improvement and learning.</p> <p>We have an alumni programme for previous award-holders in our fellowship programmes.</p> <p>We have a wide variety of useful, practical resources on our website available at no charge, aimed at people and organisations working in health, health care and social care.</p> <p>We create opportunities for award-holders to meet with governors at board meetings.</p>	<p>Much of our work is carried out with partners. Examples of board engagement include approving funding for partnership action on the wider determinants of health in Scotland; approving the next phase of the European network for senior health leaders, Sciana; understanding health inequalities impact of data-driven technologies with the Ada Lovelace Institute; helping to ensure innovation happens in response to the health needs of minority ethnic groups with NHS AI lab; approving funding for the Improvement Analytics Unit, using novel counterfactual analysis to assess change programmes, with NHSEI; working with the Charities Responsible Investment Network and other investor coalitions to promote the aims of our responsible investment policy.</p>

Stakeholder	Key consideration	How we engage	Key activities in 2021
<p>Employees, including: secondees, interns, fellows, longer term temporary staff, etc.</p>	<p>Ensuring that employees enjoy working at the Foundation and are motivated to help deliver our mission.</p> <p>Providing opportunities to develop and grow at the Foundation.</p> <p>Working to improve health and wellbeing of all who work at the Foundation.</p> <p>Working to improve diversity and inclusion at the Foundation.</p>	<p>Regular staff surveys with follow-up of actions, shared with the remuneration and governance committee and board.</p> <p>Systematic and comprehensive approach to health and safety and wellbeing overseen by a staff team, reported annually to the board.</p> <p>Support for staff-led groups on black diversity, mental health awareness, LGBTQ+ and disability.</p> <p>Learning and development programme for all staff, both corporate and individual.</p>	<p>2021 was the continuation of a tough working environment for everyone. The board reviewed the results of two staff surveys on wellbeing at the start and end of the year, as well as surveys on inclusion and hybrid working. The board reviews our plans to improve our approach to diversity inclusion as well as environmental sustainability, both of which have wide staff engagement.</p>
<p>Suppliers, including: the Foundation's investment managers.</p>	<p>That our key suppliers are operating ethically as well as providing value for money.</p>	<p>As an accredited living wage employer, ensure that our contracted staff earn at least the real living wage.</p> <p>Regular contact with our public equity investment managers to ensure that they remain properly engaged on ethical and social governance.</p>	<p>The board approved changes to our investment managers with a greater emphasis on responsible investing.</p>

Risk management

The Foundation set out its approach to managing risk, including roles and responsibilities, in its risk management policy. The Audit Committee and the board of governors regularly review key risks owned by executive directors. The Audit Committee gives direction and reviews the implementation of the risk management process supported by an internal audit plan. Detailed below 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.	<p>The Investment Committee ensures that the Foundation's investments are suitably diversified, supported by an internal team, external advisers and external benchmarking. The committee ensures there is enough continuing liquidity to meet the Foundation's cash requirements, in the event of a sudden market correction. The Investment Committee oversees investment portfolio risks, and the Audit Committee oversees operational risks.</p> <p>In 2021, we reviewed our 10-year strategy, revised our investment target and agreed to overhaul our public equity managers, which we will do in 2022.</p>
Cyber security	The Foundation's defences are inadequate, rendering it vulnerable to cyber-attack.	<p>The directors team supports a framework to ensure employees are aware of the need for information security. Management tests the Foundation's security regularly and the results are reviewed independently. The Foundation has a cyber-security service agreement to monitor the networks and facilitate recovery.</p> <p>In 2021, we achieved cyber security essentials plus accreditation; carried out penetration testing and established a compliance team for cyber and data security. For 2022, we will continue to conduct phishing tests, raise awareness and train users.</p>
Data security	We suffer loss of data because of a breach in our security.	<p>Sensitive data is managed within a secure data environment (SDE) with physical and technical isolation from the office environment, accredited to ISO 27001. An internal working group oversees compliance with the Data Protection Act 2018, supported by a data protection officer.</p> <p>In 2021, we improved our scores despite a challenging environment and a significant growth in our data. Our plans for 2022 include widening responsibility for data security and introducing a new IT platform for analysts.</p>

Key risk	Nature of risk	Management of risk
Strategic	The Foundation fails to address important or emerging issues or achieve a desired level of impact.	<p>The board reviews our ambition, impact and progress. This includes balancing short term reactive work with longer term initiatives.</p> <p>In 2021, we simplified decision-making with the ability to respond and adapt more quickly to support the national response to the pandemic. In 2022 we will refresh our strategy for 2023–2025, informed by learnings from the pandemic.</p>
Quality	Our work lacks sufficient rigour, accuracy, quality and objectivity.	<p>We have clear governance frameworks for awards, contracts and research with a quality assurance process for the release of all published material.</p> <p>In 2021, we strengthened our internal processes and guidance.</p>
Business disruption	The Foundation fails to take adequate care of the safety and wellbeing of its employees and loses operational effectiveness, due to disruption caused by the pandemic.	<p>In 2020 we pivoted our priorities to supporting the national response to the pandemic while simultaneously adapting to working remotely.</p> <p>In 2021, we gave people more choice over where and when they work, with continuing support for our wellbeing, in response to what we learned through the pandemic. We opened our office for those that needed it and briefly for everyone. We were able to maintain our flexibility in reacting quickly to rapidly changing demands from our beneficiaries.</p> <p>We started to experience an increase in people leaving following a period of low turnover. We ramped up our recruitment and in 2022 we will review our benefits.</p>

In 2021, we improved our risk management framework and reporting, with an increased use of risk to aid decision making. In 2022, we will revisit our risk appetite as part of our strategy refresh.

Trustees' report

Structure, governance and management

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

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

Name	Member/ governor	Audit Committee	Investment Committee	Remuneration and Governance Committee
Hugh Taylor	Chair		✓	✓
David Dalton	✓	✓		
Martyn Hole (stepped down 15 July 2021)	✓	✓	✓	
Ruth Hussey	✓			Chair (from January 2022)
Sharmila Nebhrajani (stepped down 31 July 2021)	✓	Chair (until July 2021)		
Melloney Poole (stepped down 31 December 2021)	✓			Chair (until December 2021)
Branwen Jeffreys	✓			
Rosalind Smyth	✓			✓
Loraine Hawkins	✓			✓
Eric Gregory	✓	Chair (from August 2021)		✓
David Smart	✓		Chair	
Katie Blacklock (appointed 12 March 2021)	✓	✓	✓	
Ravi Gurumurthy (appointed 12 March 2021)	✓			
Dawn Edge (appointed 12 March 2021)	✓			

The following served as independent members of committees during 2021.

Name	Audit Committee	Investment Committee
Mickola Wilson (stepped down 24 February 2021)		✓
Ingeborg Dybdal Øie		✓
Robert Beveridge	✓	
Mark Chaloner		✓
Andrew Milligan		✓

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

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

All new governors receive a comprehensive induction. Refresher sessions on relevant topics are arranged for governors periodically. In 2021, the board set time aside to discuss their roles as company directors and trustees, including the updated charity governance code for larger charities. The board agreed to carry out a review of its effectiveness, in 2022 following which it would review its approach to being diverse and inclusive. The articles of association were reviewed in 2020, adopted in 2021 and included setting a maximum number of trustees at 15.

Organisational structure and how decisions are made

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

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

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

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

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

Senior leadership

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

Jennifer Dixon	Chief Executive
Jo Bibby	Director of Health
Aidan Kearney	Chief Investment Officer
Anita Charlesworth	Director of Research and the REAL Centre
Cathy Irving	Director of Strategy
Paul Hackwell	Chief Operating Officer
Adam Steventon	Director of Data Analytics (until February 2022)
Will Warburton	Director of Improvement (until January 2022)
Malte Gerhold	Director of Improvement and Innovation (from May 2022)
Hugh Alderwick	Director of Policy (from May 2022)
Sam Fletcher	Director of Communications (from May 2022)
Charles Tallack	Interim Director of Data Analytics (from February 2022)

The charity’s registered office and list of key advisers can be found in Legal and administrative information (p 43).

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.

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

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

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

This Governors' report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the governors on 14 July 2022, 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
14 July 2022

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

Opinion

We have audited the financial statements of The Health Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statement, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2021 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 62, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the group, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated investment valuations and the group's net assets at the year-end.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management and review of

internal audit reports in so far as they related to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

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

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

Use of our report

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

Colin Wright
(Senior Statutory Auditor)

**For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor**

Financial statements

Consolidated statement of financial activities for the year ended 31 December 2021

	Notes	Unrestricted fund £'000	Restricted fund £'000	Expendable Endowment Fund £'000	Total 2021 £'000	Total 2020 £'000
Income:						
Charitable activities	3	244	1,178	–	1,422	938
Investments	4	15,638	–	–	15,638	15,440
Capital applied to income	5	23,365	–	(23,365)	–	–
Total income		39,247	1,178	(23,365)	17,060	16,378
Expenditure:						
Fund management	6	–	–	13,038	13,038	14,654
Charitable activities	7	39,247	1,086	–	40,333	42,755
Total resources expended		39,247	1,086	13,038	53,371	57,409
Operating surplus/ (deficit)		–	92	(36,403)	(36,311)	(41,031)
Net gain on investments	11	–	–	149,068	149,068	93,716
Net income for the year		–	92	112,665	112,757	52,685
Fund balances as at 1 January 2021		–	724	1,105,881	1,106,605	1,053,920
Fund balances as at 31 December 2021		–	816	1,218,546	1,219,362	1,106,605

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

All income and expenditure are derived from continuing activities.

Consolidated balance sheet as at 31 December 2021

	Notes	£'000	2021 £'000	£'000	2020 £'000
Fixed assets:					
Intangible fixed assets	12		2,705		2,777
Tangible fixed assets	13		4,083		4,994
Investments	14		1,230,737		1,124,866
Programme-related investment	14		526		526
			1,238,051		1,133,163
Current assets:					
Debtors	16	1,371		1,945	
Cash and short-term deposits		5,790		6,272	
Total current assets		7,161		8,217	
Current liabilities:					
Amounts falling due within one year	17	(20,055)		(24,901)	
Net current liabilities			(12,894)		(16,684)
Total assets less current liabilities			1,225,157		1,116,479
Creditors: amounts falling due after more than 1 year	18		(5,167)		(9,227)
Provisions for liabilities	20		(628)		(647)
Net assets			1,219,362		1,106,605
Capital funds:					
Endowment funds general			1,218,546		1,105,881
Income funds:					
Unrestricted fund			–		–
Restricted funds			816		724
Total funds			1,219,362		1,106,605

The accounts were approved by the governors, and authorised for issue on 14 July 2022 and signed by:

Sir Hugh Taylor
Trustee

Eric Gregory
Trustee

Company Registration No. 01714937

Charity balance sheet as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Fixed assets:			
Intangible fixed assets	12	2,705	2,777
Tangible fixed assets	13	4,083	4,994
Investments	14	829,694	779,326
Other Investments	14	401,569	346,066
		1,238,051	1,133,163
Current assets:			
Debtors	16	1,136	1,778
Cash and short-term deposits		5,789	6,272
Total current assets		6,925	8,050
Current liabilities:			
Amounts falling due within one year	17	(20,055)	(24,901)
Net current liabilities:		(13,130)	(16,851)
Total assets less current liabilities		1,224,921	1,116,312
Creditors: amounts falling due after more than 1 year	18	(5,167)	(9,227)
Provisions for liabilities	20	(628)	(647)
Net assets		1,219,126	1,106,438
Capital funds			
Endowment funds general		1,218,310	1,105,714
Income funds			
Unrestricted fund		–	–
Restricted funds		816	724
Total funds		1,219,126	1,106,438

The accounts were approved by the governors, and authorised for issue on 14 July 2022 and signed by:

Sir Hugh Taylor
Trustee

Eric Gregory
Trustee

Company Registration No. 01714937

Consolidated statement of cash flows for the year ended 31 December 2021

	Notes	£'000	2021 £'000	£'000	2020 £'000
Cash flows from operating activities:					
Cash absorbed by operations	27		(45,614)		(43,169)
Investment activities:					
Cost of developing intangible assets		(653)		(267)	
Purchase of tangible fixed assets		(12)		(288)	
Investment proceeds re-invested		(15,638)		(15,406)	
Withdrawals from investments		58,835		60,395	
Investment management fees		(13,038)		(14,654)	
Investment income		15,638		15,440	
Net cash generated from investing activities			45,132		45,220
Net (decrease)/increase in cash and cash equivalents			(482)		2,051
Cash and cash equivalents at beginning of year			6,272		4,221
Cash and cash equivalents at end of year			5,790		6,272

Notes to the financial statements for the year ended 31 December 2021

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 ongoing impact of COVID-19 and political and economic challenges facing global markets. Our endowment grew in value in 2021. There is market uncertainty which may lead to some volatility, but the governors are confident that the current governance structure, delegated to an experienced and stable investment committee overseeing a globally diversified and risk aware portfolio of investments is well placed to cope. We have enough liquidity in the portfolio to fund the charity's plans for the foreseeable future. Under our normal internal governance procedures, we conducted a Strategic Asset Allocation review in 2021 and continue to monitor this in light of ongoing uncertainties. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Charitable funds

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

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

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

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

1.5 Incoming resources

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

1.6 Resources expended

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

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

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

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

1.7 Intangible fixed assets other than goodwill

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

Intangible assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over the term of the project life, estimated to be between 3 and 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 financial statements contain the *consolidated* statement of financial activities only. The *company's* net income for the year is £112,688k (2020: £52,693k).

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 that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Investment valuation

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

3.0 Income from charitable activities

	Share of profit in <i>BMJ Quality & Safety</i> £'000	Other income £'000	Total 2021 £'000	Total 2020 £'000
Other income*	244	1,178	1,422	938
Analysis by funds:				
Unrestricted funds	244	–	244	
Restricted funds	–	1,178	1,178	
	244	1,178	1,422	
For year ended 31 December 2020:				
Unrestricted funds	169	–		169
Restricted funds	–	769		769
	169	769		938

*In 2021, we received restricted income of £1,178k (2020: £1,013k, adjusted down by £244k due to overstatement in 2019) from NHS Improvement for Q, a jointly funded initiative.

4.0 Investments

	2021 £'000	2020 £'000
Income from listed investments	10,407	10,139
Fixed interest income	486	377
Property fund income	4,089	3,993
Income from alternative investments	656	931
	15,638	15,440

5.0 Capital applied to income

	Unrestricted funds £'000	Endowment funds general £'000	Total 2021 £'000	Total 2020 £'000
Released from endowment funds during 2021	23,365	(23,365)	–	–
For the year ended 31 December 2020	26,624	(26,624)	–	–

6.0 Fund management

	2021 £'000	2020 £'000
Cost of fund management:		
Investment advisory costs	230	95
Staff costs	288	283
Custodian fees	269	189
Investment managers' fees	12,251	14,087
	13,038	14,654

Investment management fees

The investment managers' fees of £12,251k (2020: £14,087k) includes: management fees of £9,850k (2020: £8,778k), incurred on the endowment value of £1,230,737k (2020: £1,124,866k) and performance fees of £1,378k (2020: £4,432k). Markets were volatile in 2020, enabling a number of hedge fund strategies to extract higher returns. As a result, performance fees were higher in that year.

The cost of raising funds is approximately 1.1% of the endowment value (2020: 1.3%).

7.0 Expenditure on charitable activities

	Improving health and care services £'000	Promoting healthy lives for all £'000	Others £'000	Total 2021 £'000	Total 2020 £'000
Grant funding of activities (see note 28)	8,871	4,854	2,874	16,599	20,174
Direct costs*	8,264	4,522	605	13,391	12,750
Share support costs*	6,316	3,456	462	10,234	9,713
Share of governance costs*	67	37	5	109	118
	23,518	12,869	3,946	40,333	42,755
*See note 8					
Analysis by fund:					
Unrestricted funds	22,432	12,869	3,946	39,247	42,233
Restricted funds	1,086	–	–	1,086	522
	23,518	12,869	3,946	40,333	42,755

Grant funding was higher in 2020, as we gave more donations and grants in response to the pandemic, and we made a significant adjustment to our funding of THIS Institute. In 2021, we increased our spending on promoting healthy lives.

For the year ended 31 December 2020

	Improving health and care services £'000	Promoting healthy lives for all £'000	Others £'000	Total £'000
Unrestricted funds	27,074	3,947	11,212	42,233
Restricted funds	522			522
	27,596	3,947	11,212	42,755

8.0 Support and direct costs

	Direct costs £'000	Support costs £'000	Governance costs £'000	2021 £'000	2020 £'000
Staff costs	11,200	2,144	–	13,344	12,048
Depreciation	–	1,648	–	1,648	1,600
Property costs	–	1,699	–	1,699	1,657
Technology costs	37	2,565	–	2,602	2,517
Other direct/ support costs	2,154	2,130	–	4,284	4,624
Audit fees	–	–	36	36	27
Legal and professional	–	48	25	73	64
Internal audit	–	–	35	35	29
Other governance costs	–	–	13	13	15
	13,391	10,234	109	23,734	22,581

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 £36k (2020: £27k) for audit fees and £2k (2020: £1k) for non-audit services. The reported audit fees in 2020 were lower because they include prior year adjustments. Without these, the increase is less than £2k.

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 £0.3k (2020: £1k).

10.0 Employment costs

	2021 £'000	2020 £'000
Wages and salaries	11,389	10,173
Social security costs	1,248	1,129
Other pension costs	1,011	914
Other costs	(27)	103
	13,621	12,319

The average number of employees during the year was 203 (2020: 187), which equated to a full-time equivalent of 196 (2020: 177).

Employment costs include salary costs relating to management of the endowment of £277k (2020: £271k).

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

	2021	2020
£60,001–£70,000	18	15
£70,001–£80,000	9	7
£80,001–£90,000	6	9
£90,001–£100,000	–	1
£100,001–£110,000	5	3
£110,001–£120,000	1	2
£130,001–£140,000	–	1
£140,001–£150,000	1	–
£160,001–£170,000	2	3
£170,001–£180,000	1	–
£240,001–£250,000	–	1
£250,001–£260,000	1	–

11.0 Net gains on investments

	2021 £'000	2020 £'000
Revaluation of investments	149,068	93,716

Net revaluation of investments comprises:

- An increase in our quoted investments of £88,002k (2020: gain of £32,736k), mainly due to increasing equity prices in 2021.
- An increase in our unquoted investments of £61,067k (2020: £60,980k), reflecting year-end valuations.

12.0 Intangible fixed assets

	Software £'000	Q Initiative £'000	Total £'000
Cost:			
At 1 January 2021	2,098	2,186	4,284
Additions – internally developed	652	–	652
Write-offs	(6)	–	(6)
At 31 December 2021	2,744	2,186	4,930
Amortisation and impairment:			
At 1 January 2021	883	624	1,507
Amortisation charge in the year	408	312	720
Write-offs	(2)	–	(2)
At 31 December 2021	1,289	936	2,225
Carrying amount:			
At 31 December 2021	1,455	1,250	2,705
At 31 December 2020	1,215	1,562	2,777

Software includes (i) our key office applications, upgraded in 2018 with a useful life of 7 years. These include Office 365, SharePoint and Salesforce CRM; (ii) our secure data environment, which we are replacing in 2022.

Additions include (i) our grant management system, which launched in 2021 and will be fully implemented in 2022; and (ii) our new platform for analysts which replaces our secure data environment and provides tools for large open data sets. Work started in 2021 and will be completed in 2022.

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

13.0 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost:			
At 1 January 2021	5,363	1,491	6,854
Additions	–	12	12
Write-offs	–	(43)	(43)
At 31 December 2021	5,363	1,460	6,823
Depreciation:			
At 1 January 2021	872	988	1,860
Depreciation charge in the year	625	298	923
Write-offs	–	(43)	(43)
At 31 December 2021	1,497	1,243	2,740
Carrying amount:			
At 31 December 2021	3,866	217	4,083
At 31 December 2020	4,491	503	4,994

The additions of £12k relate to the purchase of new computer equipment including replacement laptops.

14.0 Fixed assets investments

Group	Investments		Total £'000
	Portfolio £'000	Other £'000	
Valuation:			
At 1 January 2021	1,124,866	526	1,125,392
Valuation changes	149,068	–	149,068
Income	15,638	–	15,638
Investment management costs included in the fund	(9,618)	–	(9,618)
Net withdrawals from portfolio	(49,217)	–	(49,217)
At 31 December 2021	1,230,737	526	1,231,263
Cost:			
At 31 December 2021	946,510	526	947,036
At 31 December 2020	899,257	526	899,783

	Notes	2021 £'000	2020 £'000
Other investments comprise:			
Programme-related investments	26	526	526
Investments at fair value comprise:			
Property funds		94,992	96,106
Equities		690,111	637,591
Fixed interest		50,242	50,977
Alternatives		368,449	311,035
Cash		26,943	29,157
		1,230,737	1,124,866

Charity	Investments		Total £'000
	Portfolio £'000	Other £'000	
Valuation:			
At 1 January 2021	779,326	346,066	1,125,392
Valuation changes	88,001	61,067	149,068
Income	13,944	1,694	15,638
Investment management costs included in the fund	(2,360)	(7,258)	(9,618)
Net withdrawals from portfolio	(49,217)	–	(49,217)
At 31 December 2021	829,694	401,569	1,231,263
Cost:			
At 31 December 2021	669,796	277,241	947,036
At 31 December 2020	666,841	232,942	899,783

	Notes	2021 £'000	2020 £'000
Other investments comprise:			
Investment in subsidiaries		401,043	345,540
Programme-related investments		526	526
	26	401,569	346,066
Investments at fair value comprise:			
Property funds		94,992	96,106
Equities		690,111	637,590
Fixed interest		18,479	19,214
Alternatives		536	474
Cash		25,576	25,942
		829,694	779,326

A currency hedging programme was in place during the year to manage foreign currency exchange risk. At 31 December 2021, 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 2021, the Victoria Fund held contracts to buy \$68,049k (£50,592k at an average rate of \$1.35) and £163,194k (\$223,398k at an average rate of \$1.36) (2020: \$68,183k and £181,726k). The unrealised loss associated with these forward currency contracts totalled (£2,175k) as at 31 December 2021 (2020: unrealised gain £9,853k).

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 by the Victoria Fund as at 31 December 2021:

	Less than 6 months £'000	6–12 months £'000	More than 12 months £'000	Long-term lock up* £'000
Total non-current assets	–	–	–	244,775
Total current assets	144,153	15,376	–	–
Total current liabilities	(2,936)	–	–	–

*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 £113,122k (2020: £118,193k) for private equity and infrastructure from total commitments of £312,625k (2020: £273,626k). These commitments form part of the planned asset allocation and will be met from within the existing investments.

15.0 Financial instruments

Group	2021 £'000	2020 £'000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	6,143	7,238
Instruments measured at fair value through profit or loss	1,230,737	1,124,866
Carrying amount of financial liabilities:		
Measured at amortised cost	25,222	34,128

Charity	2021 £'000	2020 £'000
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	5,907	7,071
Instruments measured at fair value through profit or loss	829,694	779,326
Carrying amount of financial liabilities:		
Measured at amortised cost	24,944	34,105

16.0 Debtors: Amounts falling due within 1 year

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Other debtors	353	966	118	799
Prepayments	1,018	979	1,018	979
	1,371	1,945	1,136	1,778

17.0 Creditors: Amounts falling due within 1 year

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade creditors	604	534	604	534
Grants payable	15,038	19,983	15,038	19,983
Other creditors	2,342	2,673	2,342	2,673
Accruals and deferred income	2,071	1,711	2,071	1,711
	20,055	24,901	20,055	24,901

18.0 Creditors: Amounts falling due after more than 1 year

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Grants payable – in 2 to 5 years	5,167	9,227	5,167	9,227

The reduction is mainly due to the unwinding of the THIS Institute provision, reflecting the ongoing work on the award. THIS Institute is now in year five of the award and we anticipate full commitment to the second phase, with a value of £22.8m, in 2022.

19.0 Grants payable

	2021 £'000	2020 £'000
As at 1 January	29,210	32,450
Grants committed in the year	16,187	19,506
Paid during the year	(25,192)	(22,746)
As at 31 December	20,205	29,210
<i>Split into:</i>		
Grants payable – due within 1 year	15,038	19,983
Grants payable – in 2 to 5 years	5,167	9,227
As at 31 December	20,205	29,210

20.0 Provisions for liabilities

	2021 £'000	2020 £'000	
Pension obligations (see note 21)	546	570	
Dilapidations	82	77	
	628	647	
Movement on provisions:			
	Pension obligations £'000	Dilapidations £'000	Total £'000
At 1 January 2021	570	77	647
Adjustment	(24)	5	(19)
At 31 December 2021	546	82	628

21.0 Retirement benefit schemes

a) AEGON Group Personal Pension Plan

The Health Foundation offers all current employees the opportunity to join the defined contribution Group Personal Pension Plan provided by AEGON. Contributions in the year were £1,011k (2020: £913k). There was £6k in outstanding contributions at 31 December 2021 (2020: £2k).

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 2021, based on advice from an actuary, is estimated to be £546k (2020: £571k). This provision will be reviewed in 2022.

22.0 Analysis of net assets between funds

Group	Unrestricted fund	Restricted fund	Expendable Endowment Fund	Total
	£'000	£'000	£'000	£'000
Fund balances at 31 December 2021 are represented by:				
Intangible fixed assets	2,705	–	–	2,705
Tangible assets	4,083	–	–	4,083
Programme related	526	–	–	526
Investments	11,445	–	1,219,292	1,230,737
Current (liabilities)/assets	(12,964)	816	(746)	(12,894)
Long term liabilities	(5,167)	–	–	(5,167)
Provisions	(628)	–	–	(628)
	–	816	1,218,546	1,219,362
Charity	Unrestricted fund	Restricted fund	Expendable Endowment Fund	Total
	£'000	£'000	£'000	£'000
Fund balances at 31 December 2021 are represented by:				
Intangible fixed assets	2,705	–	–	2,705
Tangible assets	4,083	–	–	4,083
Investments	12,207	–	817,487	829,694
Investment in subsidiary	–	–	401,569	401,569
Current (liabilities)/assets	(13,200)	816	(746)	(13,130)
Long-term liabilities	(5,167)	–	–	(5,167)
Provisions	(628)	–	–	(628)
	–	816	1,218,310	1,219,126

23.0 Financial commitments

The Foundation has a number of contracts that have been entered into that are not recognised 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 £17,957k at 31 December 2021 (2020: £12,443k).

24.0 Operating lease commitments

At 31 December 2021, the company had a property lease for its office premises that expires in September 2028. The future minimum lease payments are as follows:

	Land and buildings		Machinery	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Expiry date:				
Within 1 year	1,650	1,650	15	25
Between 2 and 5 years	6,605	6,605	–	15
Over 5 years	2,889	4,539	–	–

25.0 Related party transactions

Due to the specialist nature of the projects funded, circumstances may occasionally arise where governors, committee members or staff are associated with organisations which apply for grants. In such cases, the Foundation has clear policies and procedures to ensure that the governor, committee member or member of staff is not involved in the assessment or approval of the grant. All such transactions are undertaken on an arm's length basis in accordance with the normal grant assessment and arrangements. Details of governors and senior management who have interests in organisations to which the Foundation has made awards or contracted within 2021 are noted in the table below.

	Role in associated organisation	Associated organisation
Board member		
Sir David Dalton	Chief Executive (interim)	Liverpool University Hospitals NHS Foundation Trust
Sir Hugh Taylor	Chair	King's College Hospital Foundation Trust
Ruth Hussey	Honorary Professor	University of Liverpool
Professor Rosalind Smyth	Chair of starter grants panel	Academy of Medical Sciences
Dr Ruth Hussey	Honorary Professor	University of Liverpool
David Smart	Trustee	BEAT Eating disorders
Senior Management		
Jennifer Dixon	Honorary Doctor of Science	University of Bristol
Joanna Bibby	Board Member	Business for Health CIC
Will Warburton	Honorary Research Fellow	Imperial College London
Anita Charlesworth	Honorary Professor	University of Birmingham

During the year, Victoria Fund LP Incorporated, a subsidiary of the Foundation, received no investment contributions from the charity (2020: £0). Medtrust Innovations Limited, a subsidiary of the Foundation, donated its profit of £169k (2020: £177k) 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 Trustee's Report. Total remuneration of this group in the year, was as follows:

	2021 £'000	2020 £'000
Key management personnel	1,222	1,216

26.0 Subsidiaries

The Foundation had two subsidiary undertakings and the details at 31 December 2021 are as follows:

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

Medtrust Innovations Limited (Medtrust)

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

In March 2011, the Foundation purchased 525,998 ordinary shares of Medtrust at £1 each 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 2021, Medtrust had fixed assets of £526k (2020: £526k) and current assets of £237k (2020: £167k). The shareholders' funds include called-up share capital of £526k (2020: £526k) and reserves of £237k (2020: £167k).

During the year, Medtrust had an operating profit of £236k (2020: £169k). The sum equivalent to its taxable profits will be donated to the Foundation, as provided for in Medtrust's Articles of Association.

The Victoria Fund LP Incorporated (Victoria Fund)

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

As the limited partner, the Health Foundation 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 2021, the Victoria Fund had fixed asset investments of £397,172k (2020: £336,668k) and the value of its net assets was £401,368k (2020: 345,541k). Net profit in the year was £56,140k (2020: £54,665k).

27.0 Cash used by operations – Group

	2021 £'000	2020 £'000
Net income for the year	112,757	52,685
<i>Adjustments for:</i>		
Investment income recognised in statement of financial activities	(15,638)	(15,440)
Cost of raising funds	13,038	14,654
Fair value gains and losses on investments	(149,068)	(93,716)
Depreciation, amortisation and impairment of fixed assets	1,648	1,603
<i>Movements in working capital:</i>		
(Decrease)/Increase in debtors	574	(1,214)
Decrease in creditors	(8,906)	(1,761)
Increase/(Decrease) in provisions	(19)	20
Cash used by operations	(45,614)	(43,169)

28.0 Grant funding

The Foundation funded £16,599k of grants in 2021 (2020: £20,174k). 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 below.

Lead recipient for Improving health and care services	Total £
Sheffield Teaching Hospitals NHS Foundation Trust	499,500
Cambridge and Peterborough Foundation Trust	474,810
Bradford Teaching Hospitals NHS Foundation Trust	474,668
Manchester University NHS Foundation Trust	472,924
University Hospitals Dorset NHS Foundation Trust	435,215
Department of Health Income (HGC)	421,532
BMJ Group	164,060
NHS Providers	124,062
SSRS	102,042
Academy of Medical Sciences	99,915
Royal Cornwall Hospitals NHS Trust	99,400
University of Glasgow	98,925
Nuffield Trust	65,832
Equal Care Co-op	60,000
Torbay Council	57,000
Community Hospitals Association	30,000
Gloucestershire Clinical Commissioning Group	30,000
Health Innovation Network	30,000
Kingston Hospital NHS Foundation Trust	30,000
LatchAid	30,000
Midlands Partnership Foundation Trust	30,000
Northern Health and Social Care Trust	30,000
Somerset NHS Foundation Trust	30,000
South Doc Services MyHealthcare Federation	30,000
Southern Health and Social Care Trust	30,000
St George's NHS Foundation Trust	30,000
The Newcastle Hospitals NHS Foundation Trust	30,000
University College Dublin	30,000
University Hospital Southampton NHS Foundation Trust	30,000
West London NHS Trust	30,000
University of Bristol	29,995
Barts Health NHS Trust	29,993
Kent Surrey Sussex AHSN Limited	29,991
Southern Health NHS Foundation Trust	29,973
Centre for Sustainable Healthcare	29,918

Lead recipient for Improving health and care services	Total £
Southeastern Health and Social Care Trust	29,876
Oxford University Hospitals NHS Foundation Trust	9,785
North Bristol NHS Trust	29,674
Mid and South Essex Foundation Trust	29,600
Cambridge University Hospitals NHS Trust	29,286
University College London Hospitals NHS Foundation Trust	29,247
University Hospitals Dorset NHS Foundation Trust	28,875
Health Sciences Academy	27,940
University Hospitals of Leicester NHS Trust	26,554
Beautiful Information Ltd	25,000
Blackpool Teaching Hospitals NHS Foundation Trust – Blackpool, Lancashire	25,000
Doncaster and Bassetlaw Teaching Hospitals NHS Foundation Trust	25,000
East London NHS Foundation Trust	25,000
Mid and South Essex NHS Foundation Trust	25,000
NHS Greater Glasgow and Clyde	25,000
The Queen Elizabeth Hospital Kings Lynn NHS Foundation Trust	24,050
NHS Forth Valley	20,931
Chelsea and Westminster Hospital NHS Foundation Trust	20,000
East Midlands Academic Health Sciences Network	20,000
South West Academic Health Science Network	20,000
Wessex Academic Health Science Network	20,000
West of England AHSN	20,000
Innovation Agency (Academic Health Science Network for North West Coast)	19,971
Yorkshire and Humber Partners Academic Health Science Network (trading as Yorkshire & Humber Academy)	19,921
UCL Partners	19,899
South Tees Hospitals NHS Foundation Trust	19,747
Healthcare Improvement Scotland	19,366
The Oxford Academic Health Science Network	18,500
Newcastle-upon-Tyne Hospitals NHS Foundation Trust	18,493
UCL Research Department of Epidemiology and Public Health	15,000
Rammya Mathew	11,800
Health Innovation Network (HIN) South London	9,346

Lead recipient for Promoting healthy lives for all	Total £
Improvement Service Scotland	550,000
Havant Borough Council	473,757
Liverpool City Region Combined Authority	465,900
Leeds City Council	439,502
Glasgow City Council	347,865
Fairshare Educational Foundation	208,888
University of Cambridge	166,599
Business for Health CIC	150,000
Salford City Council	98,337
SOLACE	96,029
Resolution Foundation	35,000
Lead recipient for Other (COVID-19 grants)	Total £
Children in Need	1,000,000
Comic Relief	1,000,000
UNICEF UK	200,000
Resolution Foundation	35,000
Grand Total	10,269,493
Adjustments to awards made in previous years	447,456
Services provided by third parties to support award holders and further the work of the Foundation	5,654,784
Grants and donations awarded to charities by governors	227,500
Total Grants	16,599,233

Appendix: Investment Fund Managers

Investment Fund Managers

BlackRock Investment Managers
(UK) Ltd
12 Throgmorton Avenue
Drapers Gardens London EC2N 2DL
United Kingdom

Colchester Global Investors
Heathcoat House
20 Savile Row London W1S 3PR
United Kingdom

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

MFS Investment Management
One Carter Lane
London EC4V 5ER
United Kingdom

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

Mondrian Investment Partners
Limited 10 Gresham Street
London EC2V 7JD
United Kingdom

NinetyOne
55 Gresham Street
London EC2V 7JD
United Kingdom

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

RWC Partners
10 Bressenden Place
London SW1E 5DH
United Kingdom

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

Somerset Capital Management
Manning House
22 Carlisle Place London SW1P 1JA
United Kingdom

Antin Infrastructure Partners 374,
rue Saint-Honoré
75001 Paris France

Apollo Global Management
9 West 57th Street
43rd Floor New York NY 10019
United States of America

Bessemer Venture Partners
889 Winslow St
Suite 500
Redwood City CA 94063
United States of America

Brookfield infrastructure
462 South 4th Street, Suite 1600
Louisville KY 40202
United States of America

Cadian Capital Management
LP 535 Madison Avenue
36th Floor
New York NY 10022
United States of America

CBC
Suite 4508, Tower 2, Plaza 66
1366 Nanjing West Road
Shanghai 200040
China

Cortec Group
140 East 45th Street
New York NY 10017

Crescent Capital
100 Federal Street
31st Floor Boston MA 02110
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