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Chair foreword



The NHS has faced significant challenges this year dealing with rising waiting times and an increasingly depleted workforce. In addition, there have been ongoing uncertainties surrounding future funding and the health system's infrastructure –

exacerbated by ageing estates, high inflation levels and increasing utility costs. However, the dedication and expertise of NHS staff led to meaningful progress, including a nearly 6% boost in Primary Care appointments, the first improvement in four-hour accident and emergency (A&E) performance since 2009, and a record number of early cancer screenings.

Seeing the NHS achieve these outcomes in the face of difficult circumstances reinforces our commitment to support our customers. To help them plan and manage their estates to unlock greater value and ensure every patient gets the care they need.

Reflecting on our progress this year, I'm pleased our strong foundations and services continue to help our customers transform. Partnering with Integrated Care Boards (ICBs) across England, we've helped develop critical estate strategies in line with their clinical strategies, to enable well-utilised, fit-for-purpose estates that best meet the needs of local populations.

We've helped improve the quality and safety of our customers' buildings, adapting properties to meet changing needs and helping reduce vacant space – all while keeping costs as low as possible and maintaining high standards of service delivery and customer and patient satisfaction.

Our new operating model has been further embedded across NHS Property Services Limited, so we're better aligned to our customers' needs. Bringing our property and facility service delivery teams under a single delivery function has contributed to higher levels of customer satisfaction. This is due to thousands of our

colleagues working collaboratively, supported and guided by our Customer function to enable excellent patient care.

To help cement our achievements, we welcomed Ellie Mason, DHSC Shareholder Director, to the Board of Directors. In addition, Emma Dexter our new interim Chief Financial Officer joined the Board in March 2024, whilst Lakh Jemmett joined as a non-executive director in August 2023. Their appointments further strengthen our experience and expertise across financial control, assurance and service delivery. The value of operating our organisation through an independent Board of Directors continues to be affirmed and sustained.

Turning to 2024/25, we will continue to focus on advancing and broadening the public healthcare infrastructure, whilst also increasing our capacity and capability across our Delivery and Advisory teams to meet continued demand for our services. We've worked hard to maintain our commitments to customers, building a track record that supports our position as a leader in the public healthcare estates sector.

As I have retired from my role as Chair in July 2024, I'd like to extend my heartfelt thanks for the dedication and commitment of our colleagues. It's been a privilege to work alongside them. I'm confident that under the new Chair, NHS Property Services Limited will continue to thrive, and make a significant contribution in delivering the property infrastructure needed to 'Build an NHS Fit For The Future'.

Thank you for your support and I look forward to seeing the organisation's continued success and achievements in the years to come.

Jane Hamilton
Chair

NHS Property Services Limited

28 November 2028

Chief Executive Officer's introduction



In July 2023 NHS Property Services Limited proudly marked **10** years of supporting NHS customers and their communities, alongside the NHS's **75th** anniversary. Despite a number of challenges, this past decade has witnessed significant transformation across

the NHS, and I'm incredibly proud of the role we've played in supporting this change.

We've made excellent progress this year and are in a stronger place as an organisation. Our performance metrics support this – with a **95%** score against our corporate objectives. The positive impact of our new operating model and the recognition of the work to date on improving the customer experience had led to increased customer advocacy. This is reflected in our Net Promoter Score (NHS) of **+5**, exceeding our target score of 0, and our customer satisfaction (CSAT) score remains on target at **8.8** out of 10.

Our Healthy Places programme expanded significantly this year, benefiting over **one million** patients. We prioritised health inequalities and addressed critical needs such as Community Diagnostic Centres. Projects ranged from new builds and refurbishments to estate optimisation and social prescribing initiatives. Partnering with Integrated Care Systems (ICSs), Trusts, and GP practices, we progressed **250** projects, with **70** completed on site and **180** on track for delivery in the next few years.

We enabled over **£150m** of value opportunities to the wider NHS, including increasing/releasing asset value – for example **£29.1m** disposals. This is where our expertise and financial investments resulted in new or refurbished health facilities that benefit patients and their wider communities.

Our Vacant Space Scheme remains a key initiative. This year, we continued to optimise our estate, achieving a reduction in vacant space of **42,000m²** through a combination of new lettings, freehold disposals and leasehold surrenders. This reduction includes **12,000m²** of Primary Care accommodation, in line with the Office of Government Property

target to reduce vacant primary care space by **8,000m²** each year to March 2025.

As a responsible business, we made significant investment in our estate that has resulted in a cleaner, greener and more resilient built environment. We reduced carbon emissions by **8.2%** across the estate against our target of **5%**, which gives confidence in reaching our 2030/2040 targets and supporting the NHS's net zero 2040 ambitions. Our Climate-related Financial Disclosure (CRFD) report offers detailed insights into how climate change impacts our portfolio and highlights our organisation's sustainability efforts to help combat this.

To support our goal of deeper engagement with our frontline colleagues, we held the first in-person frontline roadshows since 2019. We delivered around **250** roadshow sessions at over **80** of our sites. More than **3,000** colleagues attended these sessions, with **97.5%** describing their session as 'helpful' or 'very helpful'.

Looking ahead, while we are proud of our achievements we know there is always more to be done. Our current strategy has served us well, guiding us to a strong performance and helping build stronger foundations across our organisation. I'd like to thank our colleagues, customers and partners across the NHS for their contributions and commitment to making this happen.

In 2024/25 we will continue to look forward, working with a new government to 'Build an NHS Fit For The Future', and evolving our strategy to focus on the services our customers value most and present opportunities for future growth: delivering a better estate, brilliant service and using our expertise to unlock more value across the NHS.

Martin Steele
Chief Executive Officer
NHS Property Services Limited

28 November 2024

About Us

NHS Property Services Limited provides strategic estates services to help NHS organisations deliver the best patient care. Every day, we work hand in hand with Integrated Care Boards, Trusts, and GP practices across England to help them better assess, adapt and maintain around **3,000** buildings – (approximately **10%** of the NHS estate) safely and sustainably.

As part of the NHS, we know how it works and understand the challenges our customers face. Whether that's negotiating funding or keeping buildings compliant, we help our customers navigate the system more easily. Last year, we unlocked more than **£150m** for them to reinvest or reimagine their spaces.

With **over 5,500** experts, our local teams make the real difference by understanding individual estates and communities. Looking after thousands of NHS buildings means we've

seen the full range of estates projects that our NHS needs. In fact, we've completed over **330** refurbishments or new builds in recent years – each one giving us new insights and ideas to help transform estates while keeping costs down and patients safe.

From estate strategy to town planning and cleaning, through to selling inefficient assets and reinvesting the proceeds, our end-to-end service can support every life stage of an NHS building. Saving significant costs and removing the hassle of managing multiple providers, so our customers can spend more time delivering the best patient care.

Because we're part of the NHS, every penny stays within the health system and is reinvested across the NHS. That way we can continue to focus on delivering brilliant service and building an NHS estate that's fit for the future.

NHS Property Services Limited in numbers



c.3,000

buildings maintained and compliant for your patients



6m

patients visiting your buildings every day and receiving excellent care



5,500

experts on hand to help you assess, adapt and maintain your estate



10%+

of the NHS estate kept running smoothly every day



1,850

customers supported by local teams across England



£150m

unlocked in funding and value to optimise your space

Strategic Report

This year we continued to deliver an impressive performance against our organisational objectives. We've built an engaged, high-performing team that places the customer at the heart of everything we do. Partnering with our customers to deliver high-quality services, and driving estate transformation to improve the patient and colleague experience. We further established our organisation as the key NHS estates partner.

Our corporate strategy

Our 2023/24 corporate strategy, developed in 2020, helped our organisation deliver strong performance from the outset. It continues to align with the key objectives of the NHS Long Term Plan and focuses on enabling excellent patient care throughout the NHS.

Our purpose: Enable excellent patient care

Our vision: To be recognised as the best property and facilities provider to the NHS

Our strategy: Support delivery of our customers' plans and help the NHS transform

Support evolving NHS needs



Put patients first

Keep NHS places safe and compliant

Support pandemic recovery

Help reduce health inequalities

Improve NHS colleague and patient environments



Create Healthy Places

Provide best value for money

Enable ICS estates strategy

Smarter, effective use of space

Deliver sustainable, quality services



Be a responsible business

Enable a greener NHS

Deliver net zero carbon

Simplify how we work together

Get, grow, keep great people



Hire for attitude, train for skills

Spot and develop talent at every level

Create engaged and enabled, values-driven culture

Embed inclusion in everything we do

Our culture: Engaged, enabled, high-performing team placing the customer at the heart of everything we do

Our values: Community | Colleagues | Commitment | Collaboration



Corporate objectives – key achievements

This year we achieved a **95%** score against our 2023/24 corporate objectives, established by our shareholder, the Secretary of State for Health and Social Care. While we didn't meet our target for Patient Satisfaction – scoring **8.5** out of 10, against a target of **8.8** – we surpassed other key targets. These included our patient impact score – making a positive impact on **1.1m** patients, against our target of **1m**. We achieved **£166m** of value opportunities for the NHS, against our target of **£150m**, and reduced vacant space for NHS primary care estates by **12,000m²**, against our goal of **8,000m²**.

| Outcome goals | Strategy | Weight | Target Measures | March 2024 Year End Result | |
|---|----------------------|--------|--|----------------------------|----------|
| Partner with customers and deliver high-quality business services | Purpose and Strategy | 15% | NPS improvement target to 0 | +5 | Achieved |
| | | | Transactional CSAT target 8.89 | 8.83 | Achieved |
| | | | GP CSAT target 5.5 | 5.5 | Achieved |
| Drive estate transformation to improve patient and colleague experience | Purpose | 10% | Patient experience – quarterly surveys (25 sites per quarter). Maintain PSAT above 8.8 out of 10 | 8.5 | Missed |
| | | | Patient impact – Healthy Places programme to have a positive impact on 1m patients | 1.1m | Achieved |
| | | | Patient impact – Healthy Places – invest 70% discretionary spend in areas of high deprivation | 71% | Achieved |

| Outcome goals | Strategy | Weight | Target Measures | March 2024 Year End Result | |
|--|----------|--------|---|----------------------------|----------|
| Establish NHS Property Services Limited as the key NHS estates partner | Vision | 20% | Unlock £150m of value (in year and future years) of opportunities with the NHS | £166.3m | Achieved |
| | | | ICS engagement – support the creation of 15 ICS strategies | 23 | Achieved |
| | | | Primary care estate utilisation – reduce vacant space for NHS Property Services Limited primary care estate | -12,099m ² | Achieved |
| | | | Support the NHS in reducing 5% of carbon emissions to achieve net zero in our estate by 2040 | 8.2% | Achieved |
| Build an engaged and enabled high performing team, placing customer at the heart of everything we do | Culture | 15% | Your Voice functional action plan on Peakon system (95%) | 96% | Achieved |
| | | | Your Voice engagement target score 7.7% | 8.1% | Achieved |
| | | | Fill management positions internally 50% (last year's base 30%) | 66% | Achieved |
| | | | Managers with live PDP on performance system 95% | 97% | Achieved |
| | | | Managers engaging monthly with frontline colleagues by delivering Actions for Managers briefing 75% (benchmark 70%) | 91% | Achieved |
| Meet financial expectations of shareholder | Strategy | 40% | NR RDEL variance – target £108m (excluding ECL £50m IFRS16 impacts, DH adjustments 3% tolerance) | £1.5m | Achieved |
| | | | Max operating cost variance – target £716.6m | £25.4m | Achieved |
| | | | Cash collections variance – target £800.1m | £50.1m | Achieved |
| | | | CDEL net spend variance – target £107m (excluding IFRS16 impacts, tolerance -£10.7m) | £0.4m | Achieved |



Driving estate transformation to improve the patient and colleague experience

Patient feedback helps ensure the NHS estates we support align with patient expectations. This year, we spoke with **2,234** patients from **104** properties across each of our four regions. We asked patients to rate the services we're responsible for, as well as aspects of the building/area.

Partnering with our customers to deliver high quality services

The key objective of our organisational change in 2022/23 was to enhance our customer experience, by putting customers at the heart of everything we do and better understanding and meeting their needs.

In 2023/24, we have built on this intention. New teams and roles were established – providing clear accountability and ownership. We embedded our regional model, formed strategic partnerships with our customers, and delivered improvements that have increased customer satisfaction.



A Net Promoter Score of **+5**, exceeding our target of 0. This score reflects increasing customer advocacy, the positive impact of our new operating model, and the recognition of our work on improving the customer experience.



Our highest ever colleague engagement scores of **8.1/10**. A **5%** increase from our score of **7.7** out of 10 in 2022/23.



Our customer satisfaction (CSAT) score remains on target at **8.8/10** – unchanged from 2022/23.



The highest rated measures were:



8.9
Cleanliness and reception



8.6
Catering



8.7
Ease of navigation



8.4
Look and feel



8.3
Grounds and gardens

The lowest rated measure was:



7.2
Car parking

While we scored **8.5** out of ten against our PSAT target of **8.8**, we're already working with our Senior Estates Managers to develop specific action plans for low scoring areas in 2024/25.

Healthy Places programme

In 2023/24, we expanded our Healthy Places programme, focussing on new requirements such as Community Diagnostic Centres. We worked hand in hand with Integrated Care Systems (ICs), Trusts and GP practices to progress **250** projects that will help transform the NHS estate and enable excellent patient care. Projects ranged from new builds and refurbishments to estate optimisation and social prescribing initiatives.

We've made significant progress across these projects throughout 2023/24 with **70** having been physically completed on site. Others have met significant milestones, such as the submission of a business case, which will support full completion in future years.

This year, our Healthy Places programme supported the NHS Long-Term Plan's 'Triple Aims' of:



Improving the health and wellbeing of the people of England

- Worked closely with ICBs and commissioners to support priority requirements.
- **1.1m** patients benefited from Healthy Places projects.
- Addressed health inequalities by investing **over 80%** of our discretionary spend in areas of high and medium deprivation.
- Delivered **25** new social prescribing sites to improve community wellbeing.
- Worked with Trusts and NHSE to develop a delivery programme for **over 30** Community Diagnostic Centres



Improving the quality of healthcare

- Completed **70** projects to improve healthcare estates for patients and clinicians.
- Improved **c.18,000m²** of space for patients and staff.
- Completed new Primary Care Centres at New Jackson Medical Centre, Manchester and Wood Wharf in London.
- Opened a new Child Development Centre in Crawley Hospital, replacing an outdated space with a range of multi-disciplinary services for children aged 0-19.
- Commenced work to deliver the new Chiswick Health Centre.



Improving sustainability and the efficient use of resources

- Achieved full planning permission to redevelop Northwood and Pinner Cottage Hospital in North West London so that **100%** of the available space is utilised.
- Acquired and reconfigured space in retail and leisure settings as part of the 'Health on the Highstreet' agenda, such as Living Well Hub in Warrington.

CASE STUDY Unit 19, Gemini 8, Warrington



Supporting the North West to deliver a critical neonatal ambulance service

Following recommendations from the North West Neonatal Operational Delivery Network (NWNODN) and NHS England (NHSE), the Connect North West (CNW) Team was required to move to a single site to combine the current arrangements at Manchester University NHS Foundation Trust (MFT) and Liverpool Women's Hospital (LWH). MFT holds the contract for the CNW Neonatal Transport Service on behalf of specialised commissioning (NHSE) and the NWNODN. To help solve their problem and streamline the neonatal ambulance service, Manchester Foundation Trust (MFT) appointed NHS Property Services Limited to find a new single site for CNW.

There are **22** neonatal hospital units in the North West, and their dedicated 24/7 ambulance service performs circa **2,000** ambulance journeys every year. The specially fitted ambulances are crucial for their work as they are deployed to transfer babies across hospitals when one site doesn't have the equipment or expertise to treat them.

The population served by the new facility is in the order of **6.5m**, covering an area of **12,000 square miles** within which there are around **60,000** births per year. This is the largest neonatal service in the UK.

We supported MFT/CNW with an end-to-end service in delivering this project. We firstly identified locations that offered both value for money and ease of access to transport links. This was important to enable the ambulance service to support the whole northwest region from a single base. Once we identified and acquired a site, we led lease negotiations, and managed the design and construction to deliver a modern, bespoke fitted facility.

The new facility provides space for training, a call centre, administration teams, storage, cot servicing facility and ambulance base along with new state of the art equipment, all leading to improving both the patient and staff experience.

Resulting from our efforts, MFT on behalf of CNW signed a 15-year lease at a property that is purpose built to suit their needs. We continue to support them in the day-to-day operations of the building by providing full facilities management. We invested **£762,000** into this project alongside **£262,000** provided by the tenant, which has helped to improve response times and the efficiency of the ambulance service. The project also released space at two hospital sites, which can be used to support more patients.



Establishing our organisation as the key NHS estates partner

2023/24 saw the launch of our Unlocking Value programme. This is where we use our expertise or partner with our customers to unlock opportunities for customers and the wider NHS. Critical ways in which we achieved **over £150m** of value opportunities (some of which have been realised in 2023/24, and some of which will be realised in future years) included:

ICS engagement

Throughout 2023/24 our Delivery and Relationship Management teams proactively engaged with the majority of the **42** Integrated Care Boards (ICBs) to understand their strategic needs and determine where our overall service offering could add value for them.

This included:

- Writing or project managing the infrastructure strategies for **8** ICBs jointly on their behalf.
- Supporting several ICSs with a detailed review of their estates strategies, providing input and insights.
- Determining disposal and office rationalisation opportunities and identifying funding potential from S106/CIL sources.
- Providing advisory services to several ICSs regarding town planning, lease event management and office strategy.



Increasing/releasing asset value including disposals

Our professional expertise and financial investments result in new or refurbished health facilities that benefit patients and the community.

Our new Chiswick Health Centre project is a great example. The agreement of a clinical requirement for a new health centre enabled NHS Property Services Limited to rationalise inefficient land use and release latent value. The proceeds of the land sale were recycled back into the new health centre development. Along with S.106 planning contributions and a grant from NHSE towards the temporary relocation cost for clinical occupiers.

The new health centre will host three GP surgeries, two NHS Trusts and the Chiswick PCN (Primary Care Network), delivering a range of primary care and out-of-hospital services to over **60,000** patients locally.

A joint development with Hounslow Council to deliver **55** social-rented, affordable new homes on the surplus land formed part of the project. NHS Property Services Limited achieved full market value for the land. We secured the rights for all the affordable new homes to be nominated in preference for local NHS colleagues.

Read more about the Chiswick Health Centre project on page 26.



Healthy Places

Our Healthy Places programme continues to deliver transformational projects such as new builds, refurbishments, Greener NHS projects and social prescribing that help the NHS get the most from its estate and drive better outcomes for patients and clinicians. This year, we used disposal enabling and recycling capital for investment in projects that support our customer requirements of improved and expanded health infrastructure.

Projects included investing **£762,000** in supporting the North West to deliver a critical neonatal ambulance service. NHS Property Services Limited was appointed by Manchester Foundation Trust (MFT) to find a single site base for the Connect North West (CNW) team neonatal service to operate out of. We identified and acquired the site in Gemini 8, Warrington, led lease negotiations, and managed the design and construction to deliver a modern, bespoke fitted facility.

Read the full case study on page 13.



Customer funded developments

We were engaged as a trusted partner to deliver new health facilities using customer funding – schemes delivered outside our annual CDEL allowance. These schemes facilitate key national health objectives, and our expertise in capital project development, asset management and finance meant we could add significant value.

Development projects included a new Health Hub in King’s Lynn. After NHS Norfolk and Waveney ICB received **£11.5m** in funding from NHSE, they appointed NHS Property Services to deliver the project. We had the capability and expertise required to manage all aspects of the development process including defining occupier requirements, site due diligence and town planning support.

We liaised with landowners, planning and highways authorities, UK Power Networks, NHSE, local commissioners, and King’s Lynn Integrated Hub, Norfolk’s future users. This was through design meetings, steering and engagement groups, tendering and construction management. Once complete, we

undertook to manage the facility by agreeing on occupational documentation and planning the operational services in the building.

Work began on the **1,500m²** project in late 2023 and will complete in late autumn 2024. It’s part of a town regeneration area and will house expanded primary care services securing sufficient capacity in the long term to support the housing growth in and around King’s Lynn. It will offer additional capacity for the local PCN to accommodate Additional Role Reimbursement (ARR) appointments and space for other providers and secondary care outreach and rehabilitation services from the Queen Elizabeth Hospital.

The new-build health hub in King’s Lynn will be modern, fully accessible, and digitally enabled to transform the way health and care services are delivered. The project will provide approximately 10,000 residents with access to a wider range of health and care services closer to home which will mitigate pressures on local A&E services.



Office estate rationalisation

In 2023/24 we carried out a number of strategic reviews, working with organisations across the NHS estate including NHS England, and various ICBs and CSUs. We undertook option appraisals to support decision making around lease events and sought to utilise existing health or public estate wherever possible.

We completed **43** office projects and transactions, reducing the office estate by **34,000m²**, delivering system savings to the NHS of circa **£37m** over **5** years. Key project savings included:

- **£8m** at Riverside House in Newcastle. Collaboration and partnership working across the NHS enabled NHS England, NECS CSU and North East and North Cumbria ICB to consolidate onto a more efficient footprint within the public estate.
- **£3.5m** at Birch House, Mansfield. NHS England, Nottinghamshire ICB, AGEM CSU and NHS Property Services Limited all occupied Birch House, which was significantly underutilised. Following vacation of the ICB, we worked with the remaining customers to exit Birch House with all occupiers right-sizing into existing health or public estate and saving around **£3.5m** over **5** years.
- **£1.6m** at Piccadilly Place in Manchester. This was part of a phased/wider health strategy in Manchester (2023-24) to release **4,215m²** of commercial, leasehold estate, which will deliver total savings of **£6m**.



Town planning

We were formally appointed to represent over **10%** of all ICBs in England to support town planning. We championed the allocation of funding from a wide variety of new build and healthcare extension projects to mitigate the impact of population growth from development projects. In 2023/24 this resulted in over **£4m** secured from the town planning system to support NHS projects across the country.

Projects included Spittals Way in Huntingdonshire, where we worked together with our ICB partners to evidence and negotiate health mitigation that would be needed from a major mixed-use development (including around **1,000** homes).

This collaborative working unlocked a significant financial contribution of just over **£1m** for the NHS which has been agreed with the local council and developer.

Vacant and underutilised space

This year, we continued to optimise our estate, achieving a reduction in vacant space of **42,000m²** through a combination of new lettings, freehold disposals and leasehold surrenders.

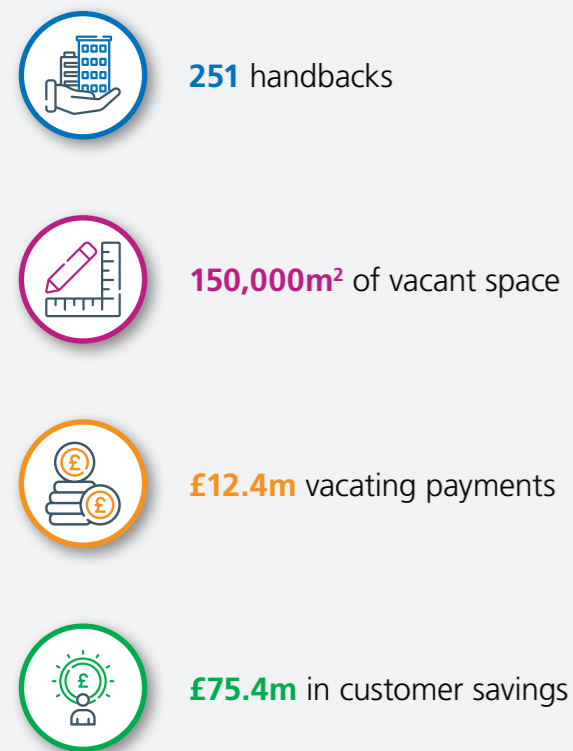
This reduction included **12,000m²** of Primary Care accommodation, in line with the Office of Government Property target to reduce vacant primary care space by **8,000m²** each year to March 2025.

Vacant Space Handback Scheme

This scheme lets ICSs give back space to NHS Property Services Limited to take on the risk and costs. We encourage customers to do this where space is no longer needed or to commission appropriate services into these spaces. This reduces costs and releases funds to support delivery of estate strategies and help the NHS transform.

In 2023/24 we completed **26** handbacks equating to **15,000m²** of void space, securing **£767,000** in vacating payments and generating saving of **£1.66m** in customer costs.

Cumulatively, over the course of the programme this translates to a total of:



Reducing our carbon footprint

We delivered strong environmental outcomes for our colleagues, customers and communities this year. Reducing our carbon emissions by **8.2%** against our target of **5%** this year, gives us more data and confidence in planning for our 2030 and 2040 net zero ambitions. We've continued to deliver on training for our teams, particularly in relation to energy management and change management, whilst developing strategic opportunities with energy procurement and Climate-related Financial Disclosure (CRFD) reporting. Read our CRFD report in full on page 37.



Building an engaged, high performing team

Listening to our colleagues

The activities and programmes delivered by our team throughout the year have contributed to improved perceptions of the organisation and lived experiences. We facilitated sessions with diverse colleague groups to inform our programmes, events, and initiatives to educate, empower and increase a sense of belonging.

Our fourth Your Voice colleague engagement survey took place in January 2024 where we increased colleague participation to **70%** of the workforce, achieving an overall engagement score of **8.1 out of 10** which surpassed our achievements the year before. We saw again this year an increasingly positive perception to health and wellbeing (**8.3 out of 10**) and diversity and inclusion (**8.8 out of 10**).

The survey showed that our strengths were meaningful work, goal setting and growth, and our priorities for the coming year relate to reward and recognition, organisational fit and inclusiveness. These insights have been shared across the organisation and plans will be in place to address our priorities.

We held our first in-person frontline roadshows since 2019. In April and October 2023, our executive and senior leadership teams delivered around **250** roadshow sessions, at over **80** of our sites. **3,000+** colleagues attended one of these sessions, with **97.5%** describing their session as 'helpful' or 'very helpful'. They helped make our frontline colleagues feel included and engaged, and led to an improved understanding of our purpose, vision, strategy and values – and the key roles they play as part of this.

Further roadshows will take place in 2024/25 to continue the excellent engagement and feedback achieved this year.



Volunteering and personal contribution

Our colleagues get up to **15 hours** paid time off to make a personal contribution that can address social and/or health inequalities. They give their time to a range of opportunities, both internally and across local communities. This year, **17.1%** of our colleagues participated in community-based volunteering opportunities. This provided an incredible **7,150** hours of volunteering to support our local communities and charities.



Our charity partnership and fundraising

This year our colleagues raised an incredible **£160k** for Young Lives v Cancer – exceeding our target of **£150k**.



Driving financial value

We delivered financial value to our customers and stakeholders through a range of different activities.

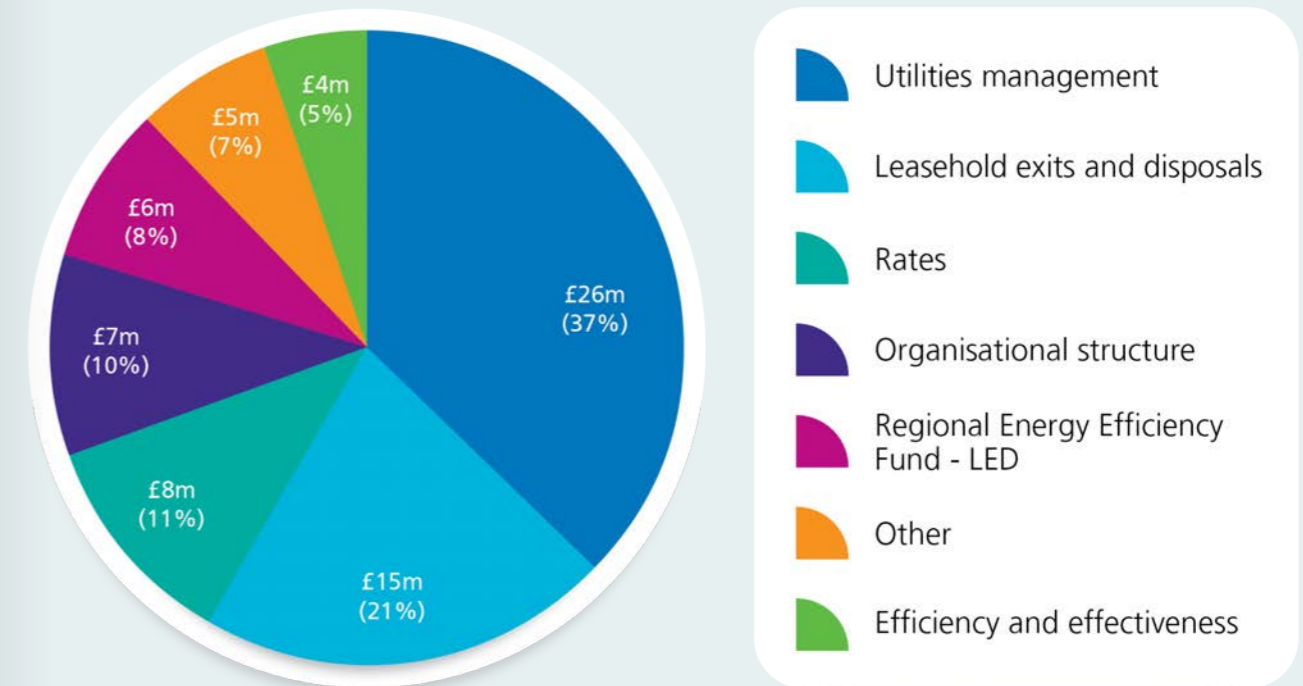
- In 2023/24 the evidenced cost saving impact was **£71m** (£64m from direct cost savings and **£7m** from overhead cost savings).
- In addition we delivered **£14m** of cost avoidance savings and delivered **£1m** of new incremental income.
- Of the **£71m** value delivered, **£59m** was generated from **221** new initiatives in 2023/24, and **£12m** was flowthrough savings from initiatives that started in 2022/23.
- **35%** of value delivered was from property-driven savings, and **65%** from service-led savings.
- All our organisational functions delivered value. This came from challenging suppliers, resulting in reductions in third party spend, plus increased efficiency on internal processes flowing through to costs.

Delivering Value

Our value statement

For us, delivering value is all about making things better for our customers, the wider NHS, and our colleagues, aligning with our culture of placing the customer at the heart of everything we do.

In 2023/24, we expanded our value programme beyond driving value to include unlocking value – both financial and non-financial. This allows us to recognise the great work our colleagues deliver through engaging and building relationships with our customers.



| Driving value | Unlocking value | Cost avoidance | Non-financial value |
|---|--|--|---|
| Where initiatives deliver cost savings, and those savings are then passed onto our customers where appropriate. | Where we use our expertise or partner with customers to unlock opportunities for our customers and the wider NHS | Where activity will minimise future cost increases | Where initiatives lead to improvements or efficiencies – making things better for our colleagues or customers |



What financial value looks like



Utilities management

We use a flexible utilities procurement model which allows us to trade our electricity and gas at different times throughout the year. This allows us to get the best price for our customers.

The value delivered is the difference between the price we would have paid had we bought our energy at a fixed price at the start of the year, compared to the price we paid.



Organisational structure

We implemented a new operating model that simplified the way we work and improved our agility in responding to customers' needs by bringing decision making and accountability closer to our customer. We did this through establishing a new Customer function and created a single Delivery function which is better placed to leverage on resource, capabilities, and expertise to deliver for our customers.



Leasehold exits and disposals

Savings are derived from the disposal of freehold and leasehold properties deemed surplus to requirements by our organisation and local operators.

Leasehold exit savings were generated by **34** exits undertaken during the year. The most significant savings of **£3.3m** were recognised in the Midlands.

Freehold disposal savings were generated by **23** exits. The most significant savings of **£1.9m** were recognised in the South.



LEDs

We continued to upgrade lighting systems to LEDs across our estate as part of our carbon reduction strategy, while also delivering financial value through lower electricity costs. This value is delivered nationally and passed back to our customers.



Efficiency and effectiveness

Efficiency and effectiveness is a key theme running through our value initiatives. This category includes **87** initiatives that delivered financial value in 2023/24. Examples include enhancing the value of our cleaning services to align with our strategy of putting patients at the heart of everything we do, while also committing to environmental sustainability.

Waste from used cloths and mops will be incinerated at the Veolia plant, converting it into energy. We're reducing cleaning operating costs and repurposing spaces such as laundries and storerooms, optimising asset utilisation.



Rates

We reviewed and challenged rates on the basis of the previous year's rates payments, saving **£8m**.

Unlocking value

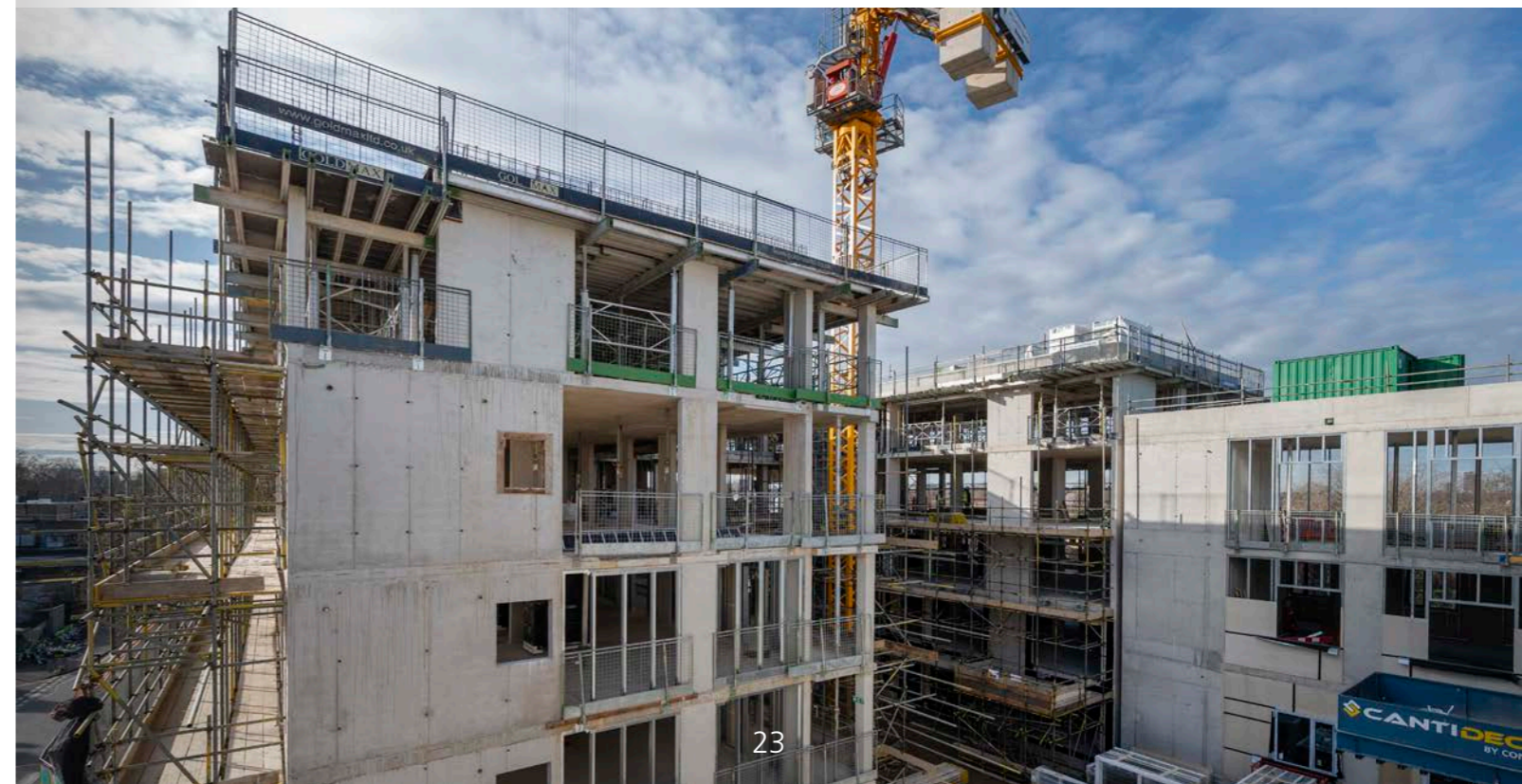
This year, our expertise helped achieve our goal of enabling over **£150m** of value opportunities.

- Several ICSs commissioned us to develop and write their estate strategies. This was part of their overall infrastructure strategies needed to underpin clinical provision.
- We developed the NHS office property portfolio, ensuring the estate is occupied on an optimal basis, is fit for purpose, and delivers best value on space efficiencies and financial savings.
- We provided specialist town planning advice for our customers and the wider NHS. This included supporting planning appraisals and applications, protecting NHS rights to our buildings, and monitoring and responding to emerging planning policies.
- We advised on the build, refit and refurbishment of health centres, improving how both public and patients access health and care services, whether funded by our customers or our organisation.
- We ensured a new social housing build next to the new Chiswick Health Centre. The **50** affordable housing units are exclusively available for NHS workers.

Cost avoidance

Cost avoidance (where activity minimises future cost increases) occurs across all functions, with **£14m** reported this year.

The majority of cost avoidance was delivered by our lease advisory team negotiating headlease values. Their expertise saved NHS Property Services Limited **£13.8m** in future rental payments, that would otherwise be onward charged to our tenants.





Value is more than financial results

Delivering value for our organisation is more than those actions that impact our financials. Our colleagues deliver initiatives with non-financial value. Here are some great examples.

Delivering sustainable, quality services

Our teams are working to transform processes, internally and with key suppliers, resulting in time efficiencies and increased reporting accuracy. Here are some of those initiatives.

- **Improvements in our billing processes** through advanced reporting systems has further strengthened our commitment to accuracy and efficiency. This initiative has helped us build stronger relationships with our customers, and reinforces our commitment to maintaining the highest standards of billing precision.
- Working with a supplier that automatically generated zero value invoices that our systems couldn't process. The improvements resulted in a reduction of paper and PDF invoicing being issued as well as time savings. Around **100 fewer invoices** were received each month. Financial savings were

made due to us no longer having to pay a third party to digitalise invoices.

- Our Soft FM team worked with Bunzl to standardise handwash soaps and sanitisers in our properties. This sanitiser kills **99.999%** of bacteria and viruses, **keeping our properties, colleagues, customers and patients safe**. The standardisation will drive annual expected savings of **42%**, and for foam soap use, a reduction in average water consumption from hand washing of **45%**.

Supporting evolving NHS needs

- We established an integrated audit team within the Delivery function. They independently assess the application of our frontline ways of working, quality standards and compliance with regulatory or legislative requirements. Bringing together various auditing activities into one specialist team gave **more assurance to colleagues and**

customers that we are providing safe, efficient, and compliant services.

- We supported **45** NHS customers with requirements for new or additional Facilities Management services. This included providing services to customers as part of our Healthy Places and Community Diagnostic Centre (CDC) programme.
- We rolled out Infobip, which enables more effective communication with frontline colleagues. It provides a platform to send messages to all frontline mobile devices, meaning **colleagues are kept informed** of key communications including business continuity planning and health and safety matters on a timely basis. For example, informing colleagues if a site is not fit for occupation following damage.
- We invested over **£1.8m** in new floor cleaning machinery to support the quality of cleanliness required as part of the National Standards of Healthcare Cleanliness 2021.
- We set out our plan to implement the **NHS Clinical Waste strategy** across our portfolio, supporting achievement of the 20:20:60 NHS target by 2026.

Supporting evolving customer needs through digital and data

- Our Digital and Data team created an **automated Microsoft Power BI reporting solution for our Driving Value financial achievements**. The user-friendly format allows colleagues and stakeholders to easily view the Value pipeline without having to open large data files. And teams don't have to wait until the end of the month to understand where we are against our target, as the system refreshes daily.

Building a strong customer service experience

In line with our vision to be the best property and facilities provider to the NHS, this year we accelerated our activities to deliver a high-quality customer service operation. A focussed strategy and programme of work saw our Customer Service Centre mature, create capacity and increase resilience to build and maintain a high-quality service that is valued by both customers and colleagues.

Here are some of the highlights.



Colleague development programme to form a multi-skilled and empowered team, generating greater capacity to provide additional services that speed up responses, enhance the experience of our customers and provide variety, growth and development for our colleagues.



Responded to **110,043** enquiries to our customer service centre, answering phone calls in an average of **11.5** seconds day and night – 24 hours a day, seven days a week, 365 days a year.



Increased customer self-service capability, **making it easier for customers and colleagues to access the information they need** and report service requests swiftly and conveniently.



Consistently delivered excellent service, with customers rating satisfaction with our helpdesk activities **9.68/10** and facilities management call handling **9.47/10**.

Unlocking Capital Funding

Development and disposals

This year we successfully disposed of surplus NHS Property Services Limited sites – those no longer required by the NHS to deliver commissioned or clinical services. This process enabled recycled capital investment in our portfolio.

Our 2023/24 pipeline delivered:

- **£34m** in terms of CDEL (against a **£44m** target)
- **£5m** profit on sale (against a **£5m** target) and
- **£39m** cash (against a **£50m** target)

Some notable transactions include:

Chiswick Health Centre

The Chiswick Health Centre project captures the primary aspirations of how to improve the NHS estate, achieved through rationalising inefficient land use to release latent value then recycling the proceeds directly back into the estate.

The **£23m** project led by NHS Property Services Limited in collaboration with North West London ICB will deliver a new **2,300m²** health centre, and in a joint development with Hounslow Council, also deliver **55** affordable new homes, all of which will be nominated in preference for local NHS colleagues. The project demonstrates our ability to drive efficiencies within the estate, obtain best value and deliver improved healthcare spaces for patients and colleagues.

The new health facility will contain **three** GP surgeries, **two** NHS Trusts and the Chiswick PCN (Primary Care Network), delivering a range of primary care and out-of-hospital services to over **60,000** patients locally. Sustainability is at the core of the new Chiswick Health Centre. The building is set to achieve a BREEAM rating of 'excellent' and reduce carbon emissions by **77%**. There are also significant improvements to green space with the inclusion of landscaped courtyards, a fifth-



floor garden terrace for colleagues and a public community garden. Once complete, the health centre will align with Hounslow Councils, the Mayor of London, and the NHS's environmental commitments to use modern, low-pollutant-emitting technologies and solutions.

Next to the Chiswick Health Centre will be **55** modern new homes, designed by award-winning architects Allies and Morrison and delivered by the London Borough of Hounslow. As part of the transaction NHS Property Services Limited secured preferential rights for local NHS colleagues to occupy the affordable, social-rented new homes.

The construction of the Chiswick Health Centre is progressing, with the topping off ceremony taking place in March 2024 and completion expected by the end of the calendar year. The new health centre is expected to be fully open and operational in January 2025. The new homes will be completed a few months later, towards mid-2025.

“ It’s wonderful to see the progress of this development and all the work that is going in to building this state-of-the-art health centre. This is a significant step forward in an ambitious project that will improve primary care services in Hounslow. This new facility will also provide a range of community services in the Chiswick area. This has been an exciting, collaborative project and the **50** new homes provided by Hounslow Council, primarily for our key workers, will make the impact on our local community even greater. ”

Mark Jarvis
Assistant Director
Primary Care, Integration
and Delivery for Hounslow



Lime Trees, York

We sold Lime Trees Medical Centre to a local care home operator for a mixed-use scheme of **64** bed care home and community sports provision.

This followed a successful planning application, including referral to the Department for Levelling Up, Housing and Communities as it is within the greenbelt. The project brought a capital receipt of **£3.5m**.



Capital projects

In 2023/24 we delivered **26** live major capital projects, accounting for around **£178m** of system investment. We also saw an increasing number of schemes funded from outside our annual CDEL allocation, such as customer-funded capital projects.

- In 2023/24 we completed on **£14m** projects for new build and refurbishment works.
- We are in contract for **£70m** of further projects, of which **£25m** has already been spent at year-end.
- **£34m** related to Clinical Diagnostic Centres (CDCs), with the remainder across health centres and other primary care facilities.

Town planning

We continue to successfully champion NHS interests across many aspects of town planning to deliver excellent patient care across the estate. This includes finding innovative planning solutions to new and existing sites to meet evolving health requirements, and to maximise planning opportunities to support development and funding to the NHS.

Our 2023/24 activities included:

- over **£4m** in contributions that could be used for health infrastructure was agreed with councils or developers
- reviewing over **600** planning policy consultations that could impact on our estate and submitting over **150** responses to local planning authorities to protect NHS interests, and
- submitting **55** pre-applications and planning applications to look after and optimise the estate, and promoting **35** sites to secure the future use and estate planning of those properties.

Milestone projects included:

Ashurst Hospital, Southampton

We secured a resolution to grant planning permission for new health floorspace for the Ashurst Child and Family Wellbeing Centre.

The centre houses facilities such as Children's Outpatient Unit, Paediatric Audiology Department, Child and Adolescent Mental Health Service (CAMHS), and Community Nurses Hub, and a **70**-bed care home.



King's Lynn Integrated Hub, Norfolk

NHS Property Services Limited is working with Norfolk and Waveney ICB on this customer scheme to deliver **1,500m²** of new healthcare space at King's Lynn.

The scheme is funded by STP capital with a budget of **c.£11m**. The land was purchased by NHS Property Services Limited from King's Lynn and West Norfolk Borough Council which is providing utilities including power to the site.

The scheme is in delivery and is programmed to be operational September 2024.



Devizes Community Hospital

We worked on behalf of Bath & North East Somerset, Swindon and Wiltshire ICB to reconfigure services to improve the quality of care. This involved further planning activities on the New Devizes Integrated Care Centre site (a flagship **£10.3m** net zero facility which opened in December 2023), and the redevelopment of the Old Devizes Community Health Centre.

In February 2024, planning permission was secured for **58** high-quality homes on the hospital site – with retention and conversion of historic buildings – which will help optimise project funding and make the best use of the site.





Responsible Business

















As a responsible business, we take a holistic approach to deliver better outcomes. We make significant investments in our estate to enable a safer, cleaner, greener, and more resilient built environment. This in turn creates better spaces for our colleagues, customers and patients.

Delivering a greener NHS – energy and environment

“ This year we have been able to deliver stronger outcomes for our colleagues, customers and communities. The overall carbon reduction gives us more data and confidence in planning our net zero ambitions by 2040. We have continued to deliver on training and competence building for our teams, whilst developing strategic opportunities with energy procurement and Climate-related Financial Disclosures reporting. We are delivering more value for our customers and continuously improving what we do. ”

Dr Shamir Ghumra
Executive Director of Responsible Business
NHS Property Services Limited

Our Greener NHS key achievements 23/24

| Reducing carbon emissions and costs | | |
|---|--|--|
|  <p>8.2% reduction in carbon footprint across against a 22/23 corporate target of 5%</p> |  <p>£32m value transformation achieved vs a £7m target</p> |  <p>£11m funding spent for 23/24 decarbonisation and energy efficient projects</p> |
|  <p>Net Zero Strategy Key activity to 2040 will be split into five, three-year phases</p> |  <p>182 electric vehicle charge point site requests following selection of a national supplier</p> |  <p>£10m capital funding secured for 24/25</p> |
|  <p>£1.6m savings made as part of desk occupancy pilot, within a Smarter Building Proof of Concept initiative</p> |  <p>£300k forecasted water costs savings FY 24/25 by using one national water retailer, ADSM</p> |  <p>£6m approximate cost savings by installing LED bulbs in 23/24</p> |
| Putting customers at the heart and reducing our environmental impact | | |
|  <p>CRFD Report We published our first annual Climate-related Financial Disclosures report (CRFD)</p> |  <p>15 High Risk Climate Adaptation Pilot sites undergoing flood risk assessments</p> |  <p>22 environmental compliance webinars delivered to colleagues</p> |
|  <p>43 Zero Heroes who now form our net zero/sustainability network</p> |  <p>4 sites have implemented an Environmental Management System (EMS)</p> |  <p>Energy Contract Future energy procurement strategy approved by DHSC, Cabinet Office and Treasury</p> |
|  <p>£25m rebate issued to customers through our energy procurement strategy</p> | | |



Our Energy and Environment programme is divided into three focus areas: energy, utilities and environment.

Energy

We continue to deliver our net-zero carbon goals, allocating **£11m** in increasing energy efficiency and decarbonising the estate. And creating a strategy for net zero that tackles our top gas emitting sites as a priority.

- **Addressing carbonisation:** We captured **136** energy improvements across all regions. **15%** are already completed, the rest will be implemented in 2024/25.
- **Building Management Optimisation:** We optimised the Building Management System (BMS) at over **100** properties by using heat maps to identify saving opportunities of over **£95,000** (**c68** hours reduced per week, per site).
- **Cost savings:** We achieved around **£5.9m** in LED cost savings through reduction in energy requirements, which also enables **3.8 tonnes** of carbon saved. There has been a significant reduction in lighting job callouts. The number has decreased from around **19,011** in 2019/20 to about **13,074** in 2023/24. The ripple effect of this reduction in callouts is a direct, positive impact on operational time, leading to our Hard FM teams' time being directed to other asset callouts.
- **Funding:** We secured **£10m** in capital funding for 2024/25. Projects will include boiler replacements, LED installs, improving building fabric, BMS, solar PV installs and climate adaptation works.
- **Electric Vehicle Charge Point Strategy:** We onboarded our national electric vehicle (EV) ChargePoint supplier, FlowBird. We're working on an implementation plan to support a number of requests across the estate.
- **Carbon emissions:** We achieved a **3%** reduction in absolute carbon emissions compared to the previous year. This reduction is attributed to an **8%** consumption reduction which offset increases in gas usage due to colder temperature, transport emissions and the emission factor change.

Since 2017/18:

- **48%** reduction in our carbon emissions
- **74,279 tCO₂e** saved
- **£70m** in savings

Utilities

Our overall goal is to maximise cost and carbon efficiency through procurement and benchmarking. Key achievements this year include:

- **Delivering value:** We delivered **£916,000** of value transformation savings from identifying incorrect charges on invoices and through proactive energy procurement.
- **Decarbonisation target:** We introduced a carbon-based KPI as part of our corporate scorecard aiming to reduce our consumption emissions by **5%***. We exceeded this target, reducing consumption by **8%**.
- **Enabling customer efficiencies:** We embedded new systems into our BAU activity including the adoption of a Customer Relationship Management (CRM) system and an energy management platform. This improved the quality of the utilities service to stakeholders and has significantly improved access to building energy data.
- **Water and energy procurement:** The business case for our future energy procurement strategy – with estimated savings of **20%** on energy bills each year – was approved by the Department of Health and Social Care, the Cabinet Office and the Treasury. Onboarding one national water retailer – ADSM – has forecasted savings on water costs of **£300,000** in 2024/25.

Environment

As part of our ongoing commitment to environmental sustainability across our operations, we've made climate adaptation an Estates Strategy priority.

- **Engagement:** Created environmental compliance awareness across our organisation through **22** webinars. And updated our Legal Register with **157** pieces of legislation which allows us to better understand our legal environmental obligations.
- **Raising the compliance bar:** Undertook projects to improve compliance at **150** sites, through providing spill kits and undertaking a drainage marking and mapping pilot.
- **Setting climate risk and adaptation foundations:** Set the foundations for our climate adaptation and risk approach by publishing our first CRFD report. We prioritised **15** of the **99** high-risk flood sites for a detailed flood risk assessment. This is to produce a baseline study for future flood risk implementation work.

* Normalised for weather variances as per industry best practice.



Smarter buildings

We carried out several Smarter Buildings solutions and proof of concepts to test that we can provide real time analysis to how our buildings are being used and how energy usage can be optimised through the integration of building management systems.

Social prescribing

By optimising our estate, we can enable community-led health initiatives that reduce the need for clinical care. Creating inclusive and welcoming spaces and places can help create and maintain thriving communities that stay healthier for longer. Our projects aim to bring back to use vacant internal space for community groups and voluntary sector organisations and with the support of partnerships, develop green spaces across our estate to boost wellbeing and mental health.

Our aim was to create 100 social prescribing sites, which we achieved this year. More than 80% of our social prescribing sites are located within communities with medium to very high levels of deprivation.

We have set another ambitious target to create a further 100 social prescribing sites by 2028 and have committed to evaluate the impact of our efforts in this area to understand how community-led health initiatives across the NHS Property Services Limited estate is making a difference to patients in England.

Whole Life Community Garden

Our latest social prescribing site, this communal garden is located next to Haxby and Wigginton Health Centre in York. NHS Property Services Limited funded the redevelopment of the green space.

It provides residents with a green space that promotes the physical, psychological, social, and spiritual wellbeing of all. The revitalised plot is looked after by a local community group and hosts horticultural activities and other social prescribing services.



Tackling social and health inequalities

We established our Social Impact team in December 2023, combining Culture and Inclusion and Corporate Social Responsibility, to enable us to tackle social and health inequalities in a holistic way.

We recognise that social and health inequalities can affect anyone within and outside our organisation in ways that can impact social, employment, and health-related outcomes. To reflect this, we have created four workstreams that provide equal focus to the areas we believe can make a difference to people's lives: Social Prescribing, Culture and Inclusion, Wellbeing and Community Partnerships.

Workforce diversity

We want to ensure that our organisation reflects the diversity of the communities we serve. However, to achieve this we need to understand how diverse our colleagues are across each function and across different levels of seniority. A key driver has been to increase the rate of diversity declaration, which in some areas is poor.

Our internal campaigns and the support we provided to our colleague networks have increased the level of disclosure across a range of personal characteristics, such as disability, ethnicity, and sexual orientation. Our most significant improvement was demonstrated through the declaration of ethnicity, which has increased by more than 5%. We are pleased with this, but we know we have more work to do here.

We introduced a new workplace adjustments process informed by conversations with diverse colleagues to support them to be their best at work. Implementation has been a success, and we are seeing more colleagues affected by disability and long-term health conditions using our services. We will be evaluating how these changes have impacted our colleagues in the coming year.



Health, safety and wellbeing

As a responsible business, we are committed to developing, implementing and monitoring safe ways of working that protect the health, safety and wellbeing of colleagues, customers and patients.

This year we reported

- **Nine** accidents and **one** dangerous occurrence to the Health and Safety Executive, as required by the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.
- **3,000** near miss and safety observations.

Key achievements this year include:

- Achieved the British Safety Council International Health and Safety Award with distinction.
- Focused on managing contractors, from health and safety inductions to monitoring work being undertaken, ensuring customers are aware of their presence on site.
- Upskilled our facilities team, providing training to develop skills to assess risk assessments, and method statements to ensure contractors work safely on site.
- Delivered a slips, trips, and falls campaign to engage and enable colleagues to act when spotting unsafe conditions in the workplace.
- Undertook a safety culture assessment,

becoming a 'proactive' organisation in our approach to health and safety.

- Completed a management survey across all our properties built before the year 2000. All now have a specific 'Asbestos Building Risk Profile' document, shared with each customer.
- Identified several properties where it's been possible to remove asbestos containing materials at surface level. This was achieved without disruption to our customers and provided a safe work environment for both customers and colleagues.

Information governance

Our Information Governance (IG) team is responsible for day-to-day compliance with UK GDPR, Data Protection Act, Freedom of Information, Records Management and Office of National Statistics. It is accountable for the mitigation and management of information risks, including data breaches. It also offers guidance and sets best practices for the management of information, including personal data, across our organisation.

Here are some of the year's key achievements.

- Savings of **£176,000** in file storage.
- Creating a suite of policies to drive GDPR compliance (data breaches, Subject Access Requests (SARs) and so on), plus wider IG responsibilities including freedom of information (FOI) requests, NHS Data Security and Protection Toolkit submissions and training packages to inform and upskill colleagues.
- Reviewing our systems, processes and people to see how we can actively protect our information throughout its time at NHS Property Services Limited. With the acknowledgement that our organisation will greatly benefit from a Records Management Lifecycle strategy, this project has been extended to March 2026, to cover both digital and paper records held across the business and properties.

Climate-related Financial Disclosures (CRFD)



strategy, risk management, and metrics and targets, as per the Taskforce on Climate-related Financial Disclosure (CRFD) recommendations.

To understand how climate change affects NHS Property Services Limited, we undertook an assessment to identify the likely physical and transition risks to our properties. The findings showed that flood risk is the immediate 'material' risk we face until 2050. Beyond 2050, heat stress is the most common 'chronic' risk faced by NHS Property Services Limited properties. In the long term, almost all the properties in the portfolio face a 'high risk' or greater risk from heat.

We have adopted a proactive stance in tackling climate and environmental issues, acknowledging the necessity of mitigating the impact of climate change through our Net Zero Carbon Strategy, while adapting to the change that is already taking place. Using the findings from last year, we investigated the costs related to the impacts brought on by climate change this year. As the first year of mandatorily reporting the Climate-related Financial Disclosures (CRFD) report in line with the Companies (Strategic Report) Regulations 2022, we are prioritising understanding the financial impacts of risks and opportunities related to flood risk management. The findings are presented in the strategy section of this report.

We're committed to adding resilience to our assets and providing a healthy and safe environment for our customers and their patients. This can be achieved through early detection of, and early preparation for, climate risks. Together with the Green Plan and Net Zero Carbon Strategy, we ensure to mitigate the climate risks associated with transitioning to a low-carbon economy.

In recent years, the UK has experienced significant effects of climate change. In 2023, the country recorded its second warmest year ever, with Wales and Northern Ireland reporting their warmest years since records began in 1884. This trend continued into 2024, with predictions indicating that temperatures could rise even further.

The warmer temperatures have led to a series of environmental changes. For instance, 2023 saw the hottest June on record for the UK, and September temperatures matched the highest ever recorded for the month. These temperature increases are consistent with the long-term impacts of human-induced climate change. This has also resulted in more intense rainfall and more frequent deadly heatwaves, affecting lives and livelihoods across the nation.

This report provides a summary of our 2023/24 Climate-related Financial Disclosures (CRFD). The report covers four thematic areas: governance,

Governance

We have implemented internal processes and measures to manage and disclose climate-related risks and opportunities. This is integral to the ongoing sustainability of our organisation.

We have a clear governance structure in place to oversee climate-related risks and opportunities. The governance structure was established to:

- provide oversight to the climate adaptation strategy
- challenge assumptions, and
- be held accountable for the delivery of the climate adaptation strategy.

The climate adaptation strategy sits within the Delivering a Greener NHS Programme (The Programme). The programme is overseen by our Executive Director of Responsible Business, with the Head of Energy and Environment as his direct report.

The programme has three focus areas (utilities, energy, and environment) and works to deliver a series of strategic objectives that are set out in our Green Plan. It is managed by the NHS Programme Office (PMO), which organises the programme leadership meetings and reports into the Energy and Environment Steering Group (SteerCo).

SteerCo members include the Chief Operating Officer, the Director of Responsible Business, and the Head of Energy and Environment. It was established to provide governance for the delivery, implementation and embedding phases of our Delivering a Greener NHS programme,

sponsoring the required changes to realise the benefits outlined in the programme plan. Meetings are held every second month and are informed through updates from our programme leadership meeting.

Climate adaptation projects sit within our environmental focus area. Progress is tracked by the Senior Environmental Compliance Manager, the Project Manager and the various governance forums.

Our Senior Environmental Compliance Manager and Climate Risk and Adaptation Manager led a Climate Adaptation Working Group (CAWG). The CAWG has senior representatives from a wide range of business areas. The environmental team ensures the day-to-day delivery of the climate adaptation project plan, and provides direction and validation of our climate change strategy and action plans. Key issues are raised with the PMO and SteerCo as required.

The SteerCo evaluates these issues and escalates material climate risks to the executive committee for consideration.

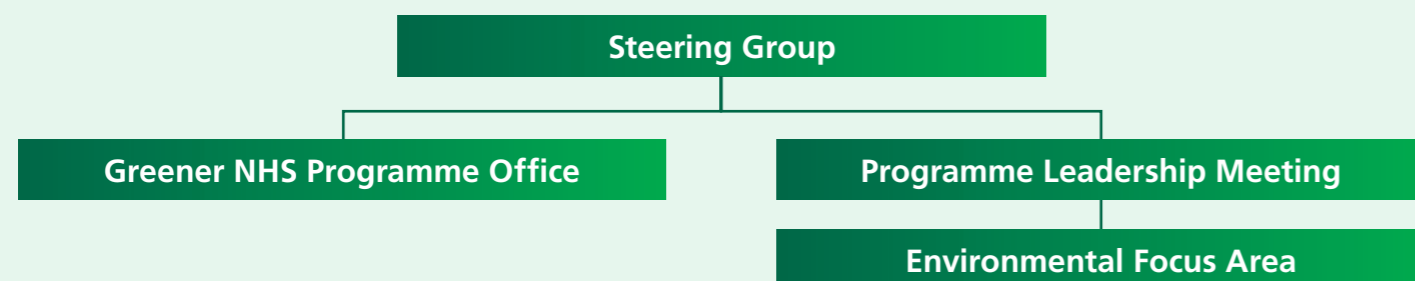
What's next

Our Climate Adaptation Policy Statement will be reviewed annually to appropriately manage and govern climate risks and opportunities.

We will continue to foster discussions of climate-related matters at SteerCo, to direct our climate adaptation strategy, policies, and implementation of key changes across the organisation.



Governance structure in the Climate Adaptation Strategy and wider Delivering a Greener NHS programme:



Strategy

Physical climate risks and transition risks are the two categories into which climate-related risks are classified under the TCFD recommendations. Physical risks refer to the event-driven hazards to physical assets arising from climatic changes. Transition risks relate to shifting an economy from fossil fuels to low-carbon energy sources.

Transition risks may arise from the application of legislation or from changes to energy pricing and may also provide possible opportunities. The principal risks and opportunities are outlined as follows, along with assessments of financial impacts.

Physical risk

In 2023, we appointed external consultants to undertake a physical and transition risk assessment to identify and assess the climatic risks and transition risks faced by NHS Property Services Limited's portfolio through to 2080. A climate warming scenario over 2°C was used in this assessment as it provides a conservative approach to understanding the greatest likely physical climate risk to our properties.

The assessment's main conclusions are that, up until the middle of the century, flood risk represented the biggest threat to our organisation. Heat stress is also a major risk our properties will face beyond 2050, with the whole estate forecast to be at high risk of heat-related damage by 2080.

Heat risk

As heat risk is, at this stage, deemed to only become a material risk in the medium term, it has been excluded from the following financial impact analysis.

Flood risk and its financial impact



The initial assessment identified **99** of our sites with a high risk of flooding by 2030. A site is considered to be at high risk if there is a **98%** probability in exceeding the **1%** threshold in any given year for a coastal or riverine flood event to occur.

15 sites that are long term holds were selected for a detailed review and financial assessment of flood risk. In-house expertise and benchmarking data was used to determine an estimate of the likely costs NHS Property Services Limited would incur in the event of major floods occurring at these sites, considering the size and nature of each building. This covered the repair and make-good costs, and temporary tenant relocation costs during the repairs. Figures include VAT (on the basis sites are not opted to tax so VAT is not recoverable).

| Estimated costs: | 15 sites | Average per site | £/m ² GIA |
|------------------------------|---------------|------------------|---------------------------|
| Repair/clean-up cost | £2.9m | £0.2m | £159/m ² |
| Temporary accommodation cost | £14.1m | £0.9m | £758/m ² |
| Insurance excess | £0.8m | £0.1m | £45/m ² |
| Total | £17.8m | £1.2m | £962/m² |

This table doesn't account for any insurance costs or recoveries on the repairs or temporary accommodation as they are dependent on loss thresholds. However, we are part of the NHS Resolution Risk Pooling Scheme Arrangements which would provide a level of financial cover, subject to excess and total loss terms. To the extent that tenants are documented through leases, there may also be separate insurance coverage from tenants' own policies.

Transition risk

The two risks that were identified as potentially having the highest likelihood and the highest material impact to our organisation are:

1. increased costs of compliance with increased energy efficiency standards, and
2. increased demand for low carbon heating impacting our business model.

In 2023 our Board endorsed our Greener NHS Programme, to substantially reduce our carbon footprint and meet NHS and wider UK government net zero targets. We have several net zero Initiatives in line with the wider plan to deliver a Net Zero NHS by 2040.



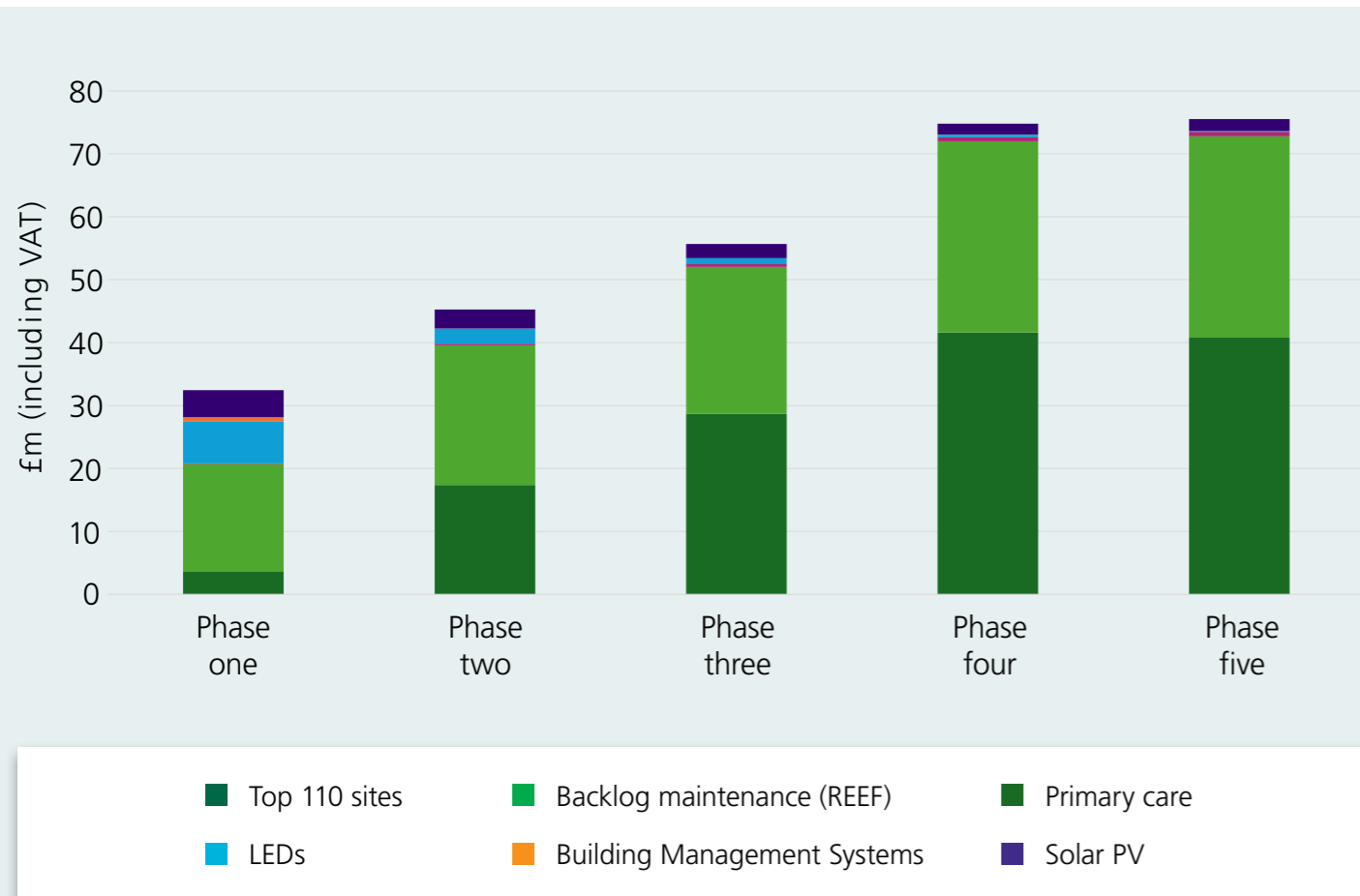
The cost of all transition risks to NHS Property Services Limited will be captured in the cost of delivering our own Net Zero Plan by 2040. The principal elements of our Net Zero Plan are:

| Net zero initiative | Detail | Capital cost impact | Emissions reduction contribution |
|------------------------------------|---|---------------------|----------------------------------|
| Grid decarbonisation | National Grid aims to fully decarbonise by 2050, thereby removing emissions from energy use | None | High |
| Estate strategy | Working with our customers to improve the occupancy efficiency of our estate | None | Medium |
| Top 110 sites | Energy efficiency works at these sites which account for 50% of NHS Property Services Limited's total gas emissions alone | High | High |
| Backlog works | Enhanced replacements of end-of-life assets with energy efficient items | High | Medium - High |
| Primary care | Energy efficient works | High | Medium - High |
| LEDs | Reduced energy from LED upgrades | Low | Medium |
| Building Management Systems | Improved energy efficiency/control | Low | Medium |
| Solar | Emission free energy supply | Low | Low |

Capital cost of the Net Zero Plan

Estimations of the costs and spend profile required to implement each initiative in the Net Zero Carbon Plan were made internally. Costs are at today's prices with no inflationary or deflationary (such as due to economies of scale) pressures built in.

The total capital cost of implementing the net zero initiatives by 2040 is estimated to be around **£284m**. The spend by type of initiative and phasing is shown in the following graph. Each phase is a three-year cycle, with phase one beginning in 2025/26.



Our Net Zero Carbon Strategy provides associated potential cost savings due to the improved energy performance from the net zero carbon initiatives. Any cost benefit to NHS Property Services Limited will be driven by reductions in consumption, the energy mix, as well as relative pricing of gas against electric (as heating switches to electric). Gas and electricity costs are predicted to fluctuate over the period to 2040 as we reach a carbon net zero position.

Current tariffs and forecast consumption data for gas and electricity (as a result of the net zero initiatives) has been used to forecast future annual energy costs. This assumes no inflationary costs.

Sensitivity analysis

Three scenarios have been modelled to account for the relative prices of gas and electricity. Scenarios two and three are on the basis that government intervention and market drivers reduce the relative price of electricity.

| | |
|-----------------------|---|
| Scenario one | No change to current gas and electricity prices, through to 2040. |
| Scenario two | A 10% increase to current gas prices and a 10% decrease to current electricity prices, applied at both 2030 and 2035. |
| Scenario three | A 20% increase to current gas prices and a 20% decrease to current electricity prices, applied at both 2030 and 2035. |

Total estimated energy cost to 2040



Results

| | |
|-----------------------|--|
| Scenario one | Annual energy costs will increase by 54% in 2040 as a result of decarbonisation, which is equivalent to around £39m (including VAT). Increased costs will be recovered through customer charges, except for costs for our own occupations. |
| Scenario two | Energy costs will increase by 26% by 2040. |
| Scenario three | Energy costs will broadly be maintained at today's levels. |

Points to note

- Based on current prices, energy costs are forecast to decrease by 2032, but then increase thereafter to 2040.
- This is due to the net zero initiatives planned in the shorter term resulting in improved energy efficiency (heat pumps are two to three times more efficient than gas boilers). Which reduces overall consumption of gas and electricity, and thus reduces overall costs (such as LEDs, insulation and solar).
- After 2032 the net zero initiatives result in improved energy efficiency but mean a heavier relative use of electricity for heat energy (such as heat pumps).
- Electricity is three to four times more expensive than gas, resulting in increased overall costs based on current prices.

What's next

In this report, we disclose a general assessment of the potential financial impact of flooding. In future, we plan to include more detailed financial assessments, which may cover how climate change affects the valuation of our estate. However, this work hasn't yet been undertaken.

In our subsequent reports, we will continue to evaluate the economic implications stemming from long-term risks linked to climate change. This includes a detailed analysis of the financial impacts caused by heating stress, which refers to the increased costs of cooling, healthcare, and other adaptive measures necessary to cope with higher temperatures. We will examine trends, future project costs, and provide insights into the potential impact on various sectors.

Furthermore, our future reports will delve into the financial repercussions associated with a range of potential scenarios that encompass varying degrees of climate change progression and its effects. We will also consider the financial implications of new and evolving regulatory frameworks aimed at mitigating climate change. We will disclose the cost of mitigation and what the business have spent towards climate risks. This exploration will help stakeholders understand the cost dynamics under different conditions and prepare for the economic shifts that updated regulations might bring about.



Risk management

In 2023, we appointed external consultants to undertake a physical and transition risk assessment to identify and assess the climatic risks faced by all properties within our portfolio, through to 2080.

A business-as-usual (BAU) emissions scenario, in line with higher degrees of projected climatic changes, was used in this assessment to provide a conservative approach to understanding the greatest likely physical climate risk to NHS Property Services Limited properties.

The key findings of the assessment indicated that flood risk is the immediate 'material' risk faced by our organisation, until 2050. Beyond 2050, heat stress is the most common 'chronic' risk faced by NHS Property Services Limited properties. In the long term, almost all the properties in the portfolio face a 'high risk' or 'greater risk' from heat.

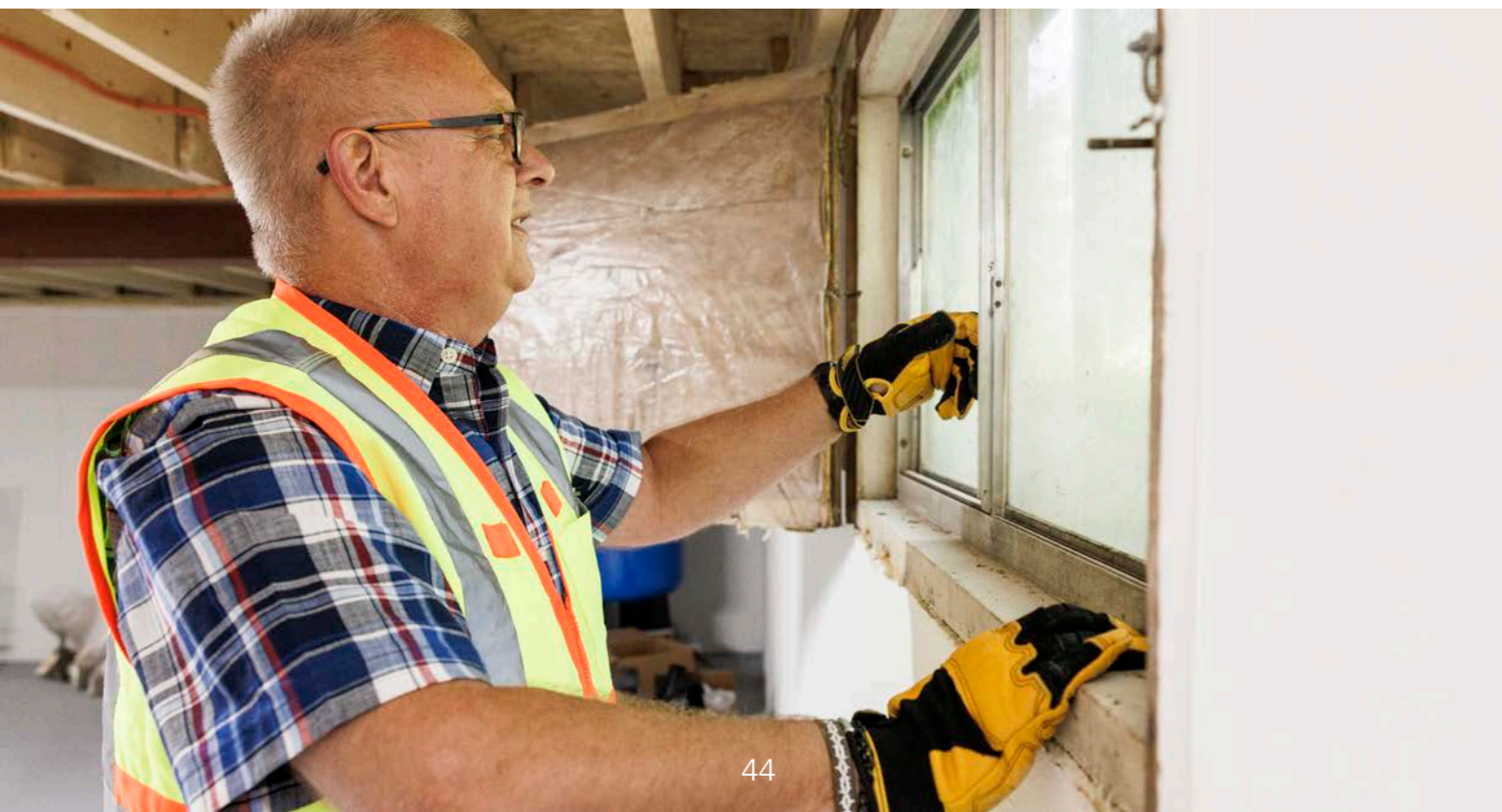
We are currently refining our risk assessment approach in order to better plan and prioritise our mitigation efforts. For example, in 2024 we undertook detailed flood risk assessments at **15** sites that were identified as high-risk for flooding. We've spent **£10,103** on the flood risk assessment pilot studies at **five** sites in FY23/24. The assessment report gives us a better understanding of the actual impact of flooding on the sites. We are using the assessment results to develop a robust mitigation plan for these sites and apply it to other high-risk sites.

In 2024/25 we will also establish a comprehensive climate adaptation strategy that addresses our transition and physical climate risks. This is to guarantee business readiness and resilience, as well as strengthen our position as an environmentally sustainable infrastructure provider for the NHS.

What's next

In 2024/25 we will develop a process to manage climate risks across the estate. The plan will address the mitigation approaches of the climatic risks and its financial perspective.

In 2024/25, we will also undertake a trial to assess the risk and effect of heat stress in our properties. We will continually integrate the assessment of climate risks into the overall risk management processes, so that climate risks are treated like any other risks that can potentially disrupt our organisation.



Metrics and targets

To assess and manage climate risks and opportunities, the CRFD Working Group sets climate goals that we report on annually. We have set specific metrics and targets to manage the physical risks, transition risks, and opportunities related to the changing climate.

We developed a pilot to mitigate the flood risk (currently the only material risk to our portfolio) and have identified **99** flood-exposed sites which will form the basis of the strategy. We're using the results from the **15** sites where detailed flood risk assessments were undertaken to develop a robust mitigation plan for the sites and apply it to other high-risk properties.

To manage the transition risk towards a low-carbon economy, NHS Property Services Limited has developed a Net Zero Carbon Strategy to achieve net zero by 2040. The plan has included the capital cost required to deliver it and interim carbon reduction targets, split into five phases.

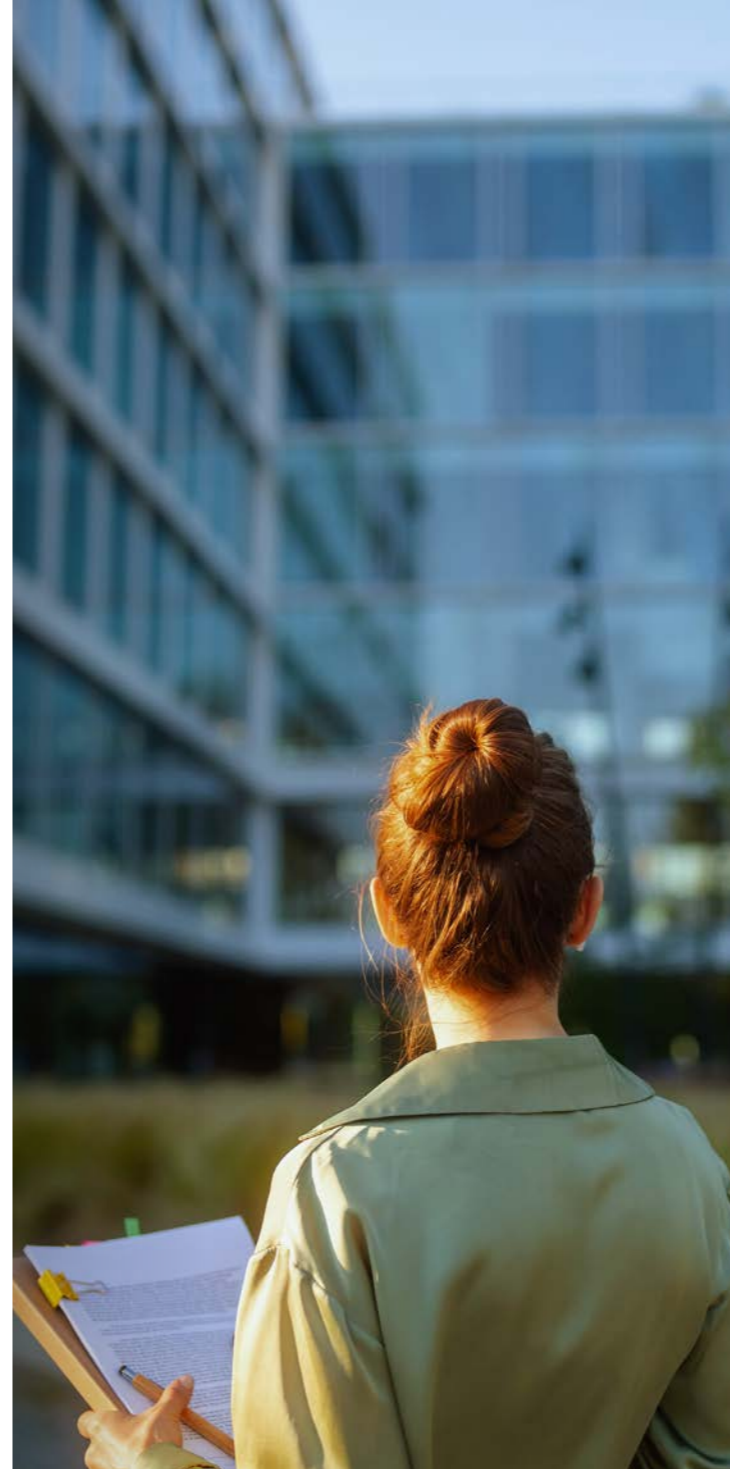
Below is a summary of our past three years' performance metrics for total energy use, carbon dioxide emissions, and intensity ratio based on our 2017/18 baseline data.

We annually report our greenhouse gas (GHG) emissions, according to the GHG Reporting Protocol Accounting and Reporting Standard.

These emissions fall into two main categories: Scope 1 and Scope 2. Scope 1 covers emissions directly produced by our activities, while Scope 2 includes indirect emissions from the electricity we purchase. NHS Property Services Limited considers all the areas we control and where we can influence energy procurement. This includes leased buildings where we pay energy bills. However, emissions from certain other leased properties categorised as Category 8 Upstream Leased Assets are excluded. To calculate emissions, we use location based emission factors based on the type of fuel used. Estimations are made when exact data is unavailable, using factors like property size and expected energy use.

The opportunities of climate change include generating renewable energy on our estate. We are endeavouring to produce renewable energy through the installation of solar electricity panels (photovoltaics) and other renewable sources. Being the first year of disclosure, there is **0.36%** of self-produced energy production in total consumption. In the future, we will investigate installing renewable electricity systems on site to reduce costs, enhance price stability, and reduce carbon intensity.

| Annual statistics | Energy use (kWh) | Associated carbon dioxide emissions (tCO2e) | Intensity ratio (tCO2e/m²) |
|--|------------------|---|----------------------------|
| 2017/18 | 603,957,213 | 156,351 | 57.46 |
| 2021/22 | 485,734,874 | 103,535 | 46.99 |
| 2022/23 | 443,075,370 | 84,600 | 39.69 |
| 2023/24 | 426,288,604 | 82,072 | 40.00 |
| % variance since previous year (2022/23) | -4% | -3% | 1% |
| % variance since baseline (2017/18) | -29% | -48% | -30% |



Conclusion

In the past few years, we've recognised the impact that climate change would have on our properties. The initiation of detailed risk assessments at high-risk sites and the development of a management process have been the top priorities within our organisation. These initiatives will help mitigate the risk of damaging our assets and provide a healthy and safe environment for our customers, colleagues and patients.

As suggested by the TCFD-aligned disclosure application guidance Phase 1, quantitative disclosure is mandatory in Phase 3 reporting. In preparation for this mandatory reporting, we completed the initial run of the financial assessment to develop the appropriate process and procedures, as well as to determine the level of quality assurance required. The findings of the assessment allow us to understand the costs related to flood risk and develop long-term planning to minimise the loss brought by the risk.

NHS Property Services Limited is an organisation committed to sustainable development and climate resilience. As such, we've taken significant strides in integrating Climate-related Financial Disclosures as recommended by the TCFD. Our proactive approach to climate adaptation and mitigation actions reflects our dedication to transparency and responsibility. We will continue to refine our strategies and operations to not only meet but exceed the evolving standards of sustainability reporting, contributing to a more sustainable and resilient economy.

What's next

We will be reporting the targets used to manage climate-related risks and opportunities and performance against targets. Longer term, we will continue to work on the Scope 3 emission assessment to further understand the emissions of upstream and downstream activities. This would also include water consumption on our estates. In future, we will assess the potential to increase on-site electricity generation using technologies like Solar Photovoltaics (Solar PV) across our estate, wherever feasible. This initiative will enable cost reduction, stabilise prices and lower the carbon intensity of our electricity consumption.

Martin Steele
Chief Executive Officer
NHS Property Services Limited

28 November 2024

Chief Financial Officer's Report

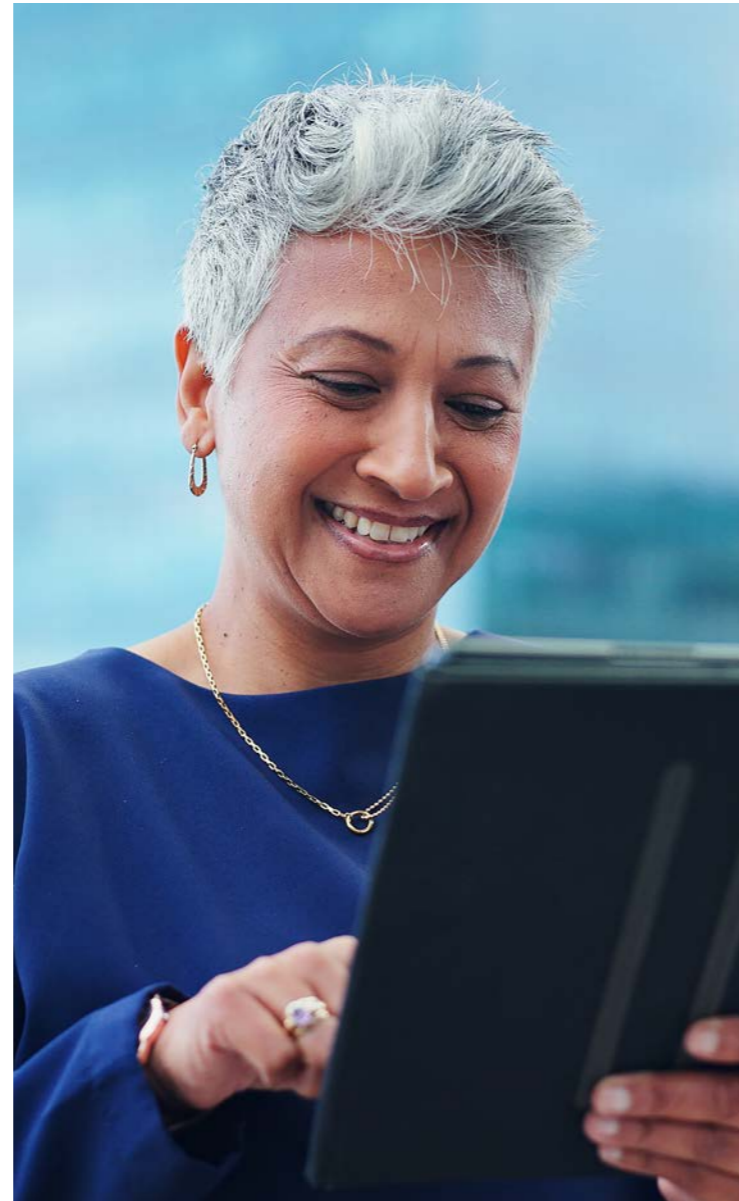
Our qualitative results

Our financial vision is always to provide efficient, effective and economic business services that place the customer at the heart of everything we do. This includes:

- putting the customer experience at the forefront of how we operate
- optimising end-to-end service delivery, and
- embedding accountability and ownership in the way we work.

In 2022/23, as well as rising to meet the increasing needs and expectations of our customers and stakeholders, we have had to deal with the other challenges. While the rate of inflation decreased throughout the year, prices remain high. Energy and utilities costs are significant, if not as bad as feared. Internally we've been embedding the organisational changes of 2022/23, upskilling colleagues and getting used to our new ways of working.

Despite these challenges, we have delivered a strong financial performance in year, exceeding our targets. We kept our costs low, had robust cash collections and delivered a targeted balance of surplus disposals and capital reinvestments. We maintained high standards of service delivery and customer satisfaction, as evidenced by our improved Net Promoter Score and stable transactional CSAT.



This report will highlight some of the key achievements and initiatives we have delivered in 2023/24, under the following themes:

- Changes in how we operate
- Enhancing our customer experience
- Progressing debt and collections
- Continuous improvement of the basics

Changes in how we operate

The reorganisation undertaken in 2022/23 gave us the right-fit structure, reducing layers and silos and creating more clarity and accountability for each function. In 2023/24 this enabled the empowerment of our Senior Leadership Team (SLT). We have fostered a stronger sense of collaboration and ownership among our senior leaders, who have embraced their roles as drivers of the business. The SLT community meets regularly to share best practices, learn from each other, and align on strategic issues and opportunities. They also support and challenge each other to deliver on our commitments and achieve our goals.

Some practical manifestations of that SLT collaboration are:



Longer term horizon for planning

We have developed and agreed five-year strategies for each of our core functions, aligned with our corporate strategy and objectives. These strategies provide a clear direction and roadmap for each function, and set out the key priorities, initiatives, and outcomes for the next five years. They also enable us to plan and allocate our resources more effectively, and to monitor and measure our progress and performance more consistently.



Strategy and demand pipeline and forum

We have established a cross-functional forum to review and prioritise the strategic projects and initiatives that are proposed by the regions and functions, and to ensure alignment with our corporate strategy and objectives. The forum helps funnel approved projects and initiatives to the most appropriate delivery mechanism, and enables us to have a more holistic and transparent view of our planned and active improvements and the resources they require.



Drive towards data responsibility, ownership and assurance

Recognising that data is one of our most valuable assets, and that we need to ensure its quality, accuracy, and security, as well as its effective and appropriate use, we

launched a data governance programme. The aim has been to create a culture of data responsibility, ownership, and assurance across the organisation. The programme has involved defining and implementing data policies, standards, and procedures, establishing data roles and responsibilities, and providing data training and awareness to our colleagues. The programme has also involved enhancing our data systems and platforms to enable better data collection, storage, analysis, and reporting.



Approval efficiency

One of the areas where we have seen a notable improvement in efficiency and effectiveness is in our governance process that covers the approval of all real estate transactions. Following a thorough review of feedback and underlying data, the team redesigned and optimised the process, moving away from a one-size-fits-all, towards a risk-based approach.

Automating right-size governance and sign-off has led to quicker low-risk compliance-based approvals, whilst more time is being dedicated earlier to high-risk decision making. We have saved a full working week on average in our approval times, a **20%** improvement, and the team continues to target further efficiencies.

Ultimately this is all to the benefit of our customers, as their requests are being addressed and progressed more swiftly.



Enhancing our customer experience

The key objective of our organisational change in 2022/23 was to enhance our customer experience, by putting customers at the heart of everything we do and better understanding and meeting their needs. In 2023/24, we have built on this intention, embedding our regional model, forming strategic partnerships with our customers, delivering improvements that have increased customer satisfaction, and thinking innovatively about our estate.



Regional model

Much of the year was spent embedding our new regional model, ensuring that all colleagues had the skills, the tools and the support they needed to succeed in their new roles and networks. We have empowered our regional teams and devolved much decision-making to the regional level, where we are closer to our customers and can respond more quickly and flexibly to their needs. We have seen the benefits of this approach, as our regional teams have demonstrated greater ownership, accountability and collaboration, and delivered better outcomes for our customers and the organisation.



Strategic customer relationships

Our new Customer function developed and implemented a customer segmentation model, ensuring all customers are appropriately considered and managed. Dedicated relationship management teams have been working all year with the ICSs and key strategic customers, deepening our understanding of their wants and needs, and building the foundations of long-term mutually beneficial partnerships. We have also demonstrated our unique value to some of these key customers, through actively supporting the creation of their estate strategies: aiming to support **15** but instead delivering **23** by the end of the year.



Business improvements

We continued with our programme of customer-experience focussed improvement work, delivering over **70%** of the existing recommendations and applying our mapping methodology to new customer journeys to identify a further pipeline of opportunities. The near-**300** improvements in-year included enhancements in the way we communicate and engage with our customers, how we manage and resolve customer queries and complaints, the way we bill and collect charges from our customers, and the way we deliver and monitor our services and projects.



Asset level forecasting

As we continue to mature, it's important we have a longer-term view of the financial viability and effectiveness of the **£3b** of assets we own and control, the decision-making relating to those assets, and the investment required to maintain and improve the portfolio to continue to meet the needs of customers and the wider system.

To that end, in 2023/24 we had conception, sign off and phase one of the build of an asset level forecasting tool. This is a new way of managing and optimising our property portfolio, based on the value and performance of each property, aligned with the long-term strategic intent of our customers. It crucially allows us to make better decisions around investments and capital allocations that support what our customers need from their estates into the future.

Progressing debt and collections

Recovering charges from our customers remains a perennial challenge: an issue that affects not only our liquidity, but also our customer relationships and our reputation. The Primary Care sector continues to pose the greatest test where we have a significant amount of current and historic debt, which again increased in-year.

As much as we look to support our customers and provide innovation in our service provision, we too strive for improvements in dealing with our debt and collections. In 2023/24 we achieved substantially higher cash collections than in the prior year (**£76m more**), driven by higher billings and an improved recovery rate. And while our net debt position increased from unpaid 2023/24 bills, we succeeded in reducing our prior year debt by **£140m**. These efforts were made possible by our unrelenting quest for improvements in our billing accuracy and timeliness and in our credit control processes and systems, and by providing more payment options and incentives to our customers, supported by more efficient escalations and dispute resolutions.

One particular upgrade that will provide results, is our new Annual Reconciliation Report. Designed and developed in-year, this is a comprehensive and transparent document that provides our customers with a detailed breakdown and explanation of their annual charges, and how they have been reconciled with their in-year payments. The report also includes a summary of the services and value we have delivered to our customers in the year, and the feedback and satisfaction scores we have received from them. The report aims to improve our customers' understanding and trust of our charges, and to reduce the number and severity of disputes and queries.

Continuous improvement of the basics

We recognise the essential importance of stakeholder confidence in our role as the trusted custodians of financial governance, controls and assurance that protect our resources. We have therefore continued to focus on improving the basics by ensuring that we have the right policies, processes, systems, and controls in place, and that we comply with the relevant standards and regulations. We have also continued to develop and support our colleagues by providing them with the necessary training, tools, and resources, and by creating a culture of learning and excellence.


In 2023/24 some of the areas we have further strengthened are:

 **Development of our shared services**

Continuing to build on the excellent work of the previous year, we have expanded and enhanced our Finance shared services, increasing the scope and quality of the services we offer through standardising and automating our processes, implementing best practices and benchmarks, and really focussing on a customer-centric approach. The growth and maturity of the team is well evidenced by the level of supportive analytics they now provide, stepping beyond transactional understanding and offering recommendations to the business based on customer insights.

 **Finance efficiency**

While maintaining or improving our service levels and quality, we have managed to achieve efficiency savings, rising from the organisational changes and our ongoing shared services transformation. From the start of the reorganisation in September 2022 to end March 2024, we have brought our headcount down by **5%** and our monthly payroll costs down by **15%**, despite pay increases in that period.

 **Value reporting functionality**

The Value team worked with the Digital and Data function to create an automated Microsoft Power BI reporting solution for our Driving Value financial achievements. The solution allows our stakeholders and the Value team to view their Value pipeline and achievement against target in a user-friendly format. The system refreshes daily, so the teams do not have to wait until month-end to understand achievement against target and the easy-to-use front end allows the user to investigate their data, saving time delving into large data files.

 **Cross-functional integration**

Our aspiration was to deliver **£150m** of Unlocked Value for the wider NHS during 2023/24. Unlocking Value was a new measure for our organisation, capturing where we use our expertise or partner with customers to unlock opportunities for our customers and the wider NHS. The Value team, as part of a cross-functional team, developed guidelines for the Unlocking Value measure and created a pipeline and reporting process to capture the great value that our colleagues brought.

Conclusion

We have continued to pursue our vision of being the first-choice estate service delivery provider to the NHS, and our mission of unlocking value for the NHS. We have done this by building on the foundation of the organisational change we implemented in 2022/23, which aligned our structure and culture with our customer-centric strategy.

We have also made significant progress in improving our capabilities, processes, and systems, to enable us to deliver more value to our customers and stakeholders, and to support the wider NHS agenda of integration, transformation, and sustainability.

I am very proud of what we have achieved in 2023/24, and I would like to thank all our colleagues, customers, and partners for their hard work, dedication, and support. I am also very optimistic about the future, and I look forward to working with you all to achieve our goals and aspirations in 2024/25 and beyond.



Emma Dexter
Interim Chief Financial Officer
NHS Property Services Limited

28 November 2024



Our results in figures

Income

In 2023/24, our incoming resources excluding finance income were **£808m**, a **£58m (8%)** increase on prior year (2022/23: **£750m**). The increase is driven by higher chargeable direct property expenses, predominantly energy costs and frontline staff costs.

Expenditure

Total operating expenditure for the year was **£890m** (2022/23: **£810m**), an increase of **£80m (10%)**. This is made up of an increase of **£22m** in other operating expenses, a **£10m** decrease in administrative expenses, a **£70m** increase in direct property expenses, and a **£3m** decrease in expected credit loss allowances expenditure.

Increases in other operating expenses of **£22m** are primarily due to significant impairments resulting from the property revaluation. Decrease in administrative expenses of **£10m** are mainly due to a decrease in staff costs from non-recurring pay awards made in the prior year and not made in this year. Increases in direct property expenses of **£70m** are made up of increases across energy and utility costs, frontline staff costs, and depreciation (because of property revaluations).

Loss for the year

In 2023/24, we reported a loss of **£175m**, an **£88m (102%)** increase from the previous year's **£87m** loss. This increase was primarily driven by a **£66m (201%)** increase in finance costs, a **£36m** reduction in credits from unwinding of discounts on dilapidation provisions, and a **£30m** increase in PFI-related finance costs due to revised accounting treatments. Additionally, a **£24m (41%)** increase in operating loss which includes a rise in impairment costs was due to in-year revaluations, partially offset by **£7m** in administrative cost savings from our 2022/23 restructuring efforts.

NHS Property Services Limited makes a loss predominantly due to the level of non-trading expenditure such as expected credit loss

allowance expenses and unwinding of discounts on provisions. NHS Property Services Limited seeks to mitigate the loss by ensuring timely and accurate cost recovery of relevant costs from customers and the position this year is in line with the budget set by our parent organisation, the Department of Health and Social Care.

Capital receipts and investment in our estate

During the year, NHS Property Services Limited completed sales of surplus properties which realised capital proceeds of **£34m** (2022/23: **£42m**) generating an accounting profit of **£4m** (2022/23: **£4m**).

NHS Property Services Limited increased its investment in the estate during the year with total capital investments of **£152m** (2022/23: **£149m**).

The programme delivers improvements to the property portfolio for our customers and ensures that the estate is consistently fit for purpose, so that healthcare professionals can focus on delivering excellent patient care.

Property revaluations

The annual revaluation exercise generated a net unrealised gain in the revaluation reserve of **£127m** (2022/23: **£170m**) and **£5m** (2022/23: **£23m**) in the profit and loss.

We are now in the fifth and final year of our revaluation cycle. We continue to work alongside our professional advisors to get additional insight into our properties. In the fifth year of this cycle, we have revalued **44%** of sites which make up the revaluation population, **22%** were revalued on a desktop basis, and the other **22%** were inspected.

For 2023/24, **438** sites were revalued, this represents **33%** by net book value of the NHS Property Services Limited portfolio.

The **£132m** increase to Fixed Assets represents

an overall **3.10%** increase to NBV of the entire portfolio and an overall **10%** increase to NBV of the 2023/24 sample.

As well as the annual revaluation exercise, we have applied indexation to the remaining properties in our portfolio. In the revaluation portfolio there was an increase in build costs offset by a decrease in land values and so it was deemed appropriate to apply indexation as these movements had a material impact. The indexation led to a further increase in NBV of **£17m**, **£18m** was recognised in the revaluation reserves and **-£1m** impacted the profit and loss.

At 31 March 2024, there was an overall impairment movement per the statutory accounts of **£22m** – there were additional charges during the year in relation to assets transferring to held for sale, AUC impairments and lease exits offsetting the gain above.

The 2024 revaluation exercise resulted in a closing value of the company's portfolio of **£4,431m** (2023 **£4,473m**).

Debt positioning and funding

At year-end, we had trade receivables of **£473m** (2022/23: **£454m**), an increase of **£19m**. Of the 2023/24 year-end trade receivables, **£449m** was past due, which is an increase of **£13m** compared to the prior year (2022/23: **£436m**).

The organisation withdrew **£30m** from the available flexible loan facility, extended by the Secretary of State for Health and Social Care, to support operational requirements and ongoing capital investments. This prudent measure ensures sufficient liquidity and financial flexibility to navigate evolving business needs while maintaining a strong balance sheet position. The outstanding loan balance reflects a proactive approach to capital management, enabling NHS Property Services Limited to continue delivering high-quality services and infrastructure improvements for the benefit of its stakeholders.

Audit qualification removal

I am pleased to report the removal of the audit qualification that has been present in our financial statements since 2021/22. This achievement reflects our dedicated efforts to address the concerns raised regarding our compliance with IFRS 16 – Leases.

During 2023/24, we implemented a comprehensive approach to recognise 225 informal occupation arrangements as right-of-use assets and lease liabilities, applying this treatment retrospectively to the 2022/23 accounts. Our methodology involved a thorough 'core, flex, tail' assessment of properties, utilising evidence-based scoring on quality, fitness for purpose, future proofing, and alignment with clinical strategy. It is important to note that this remains a highly judgmental area, however, our robust approach not only addresses the previous audit concerns but also demonstrates our commitment to transparent and accurate financial reporting.

The additional information provided and the methodology we employed have enabled the auditors to resolve their limitation of scope, resulting in the removal of the qualification.



Emma Dexter
Interim Chief Financial Officer
NHS Property Services Limited

28 November 2024

Accountability Report

We are committed to achieving high standards of governance and business integrity in all its activities. This Accountability Report comprises the following key sections:



Corporate Governance Report

The Corporate Governance Report sets out the structure and governance framework of our organisation, providing details of the Board, roles and responsibilities, Board Committees, Directors' appointment, tenure, induction and training and directors ability to seek independent advice.



Modern Slavery and Human Trafficking Statement

The Modern Slavery and Human Trafficking Statement provides details of how NHS Property Services Limited fully supports the Government's objectives to eradicate modern slavery and human trafficking.



Risk Management Report

The Risk Management Report details our approach to risk management and internal controls.



Section 172 Statement

The Section 172 Statement provides a description of how directors have had regard to the matters set out in s.172(1)(a) to (f) in the Companies Act 2006 when performing their duties under that section.



Remuneration Report

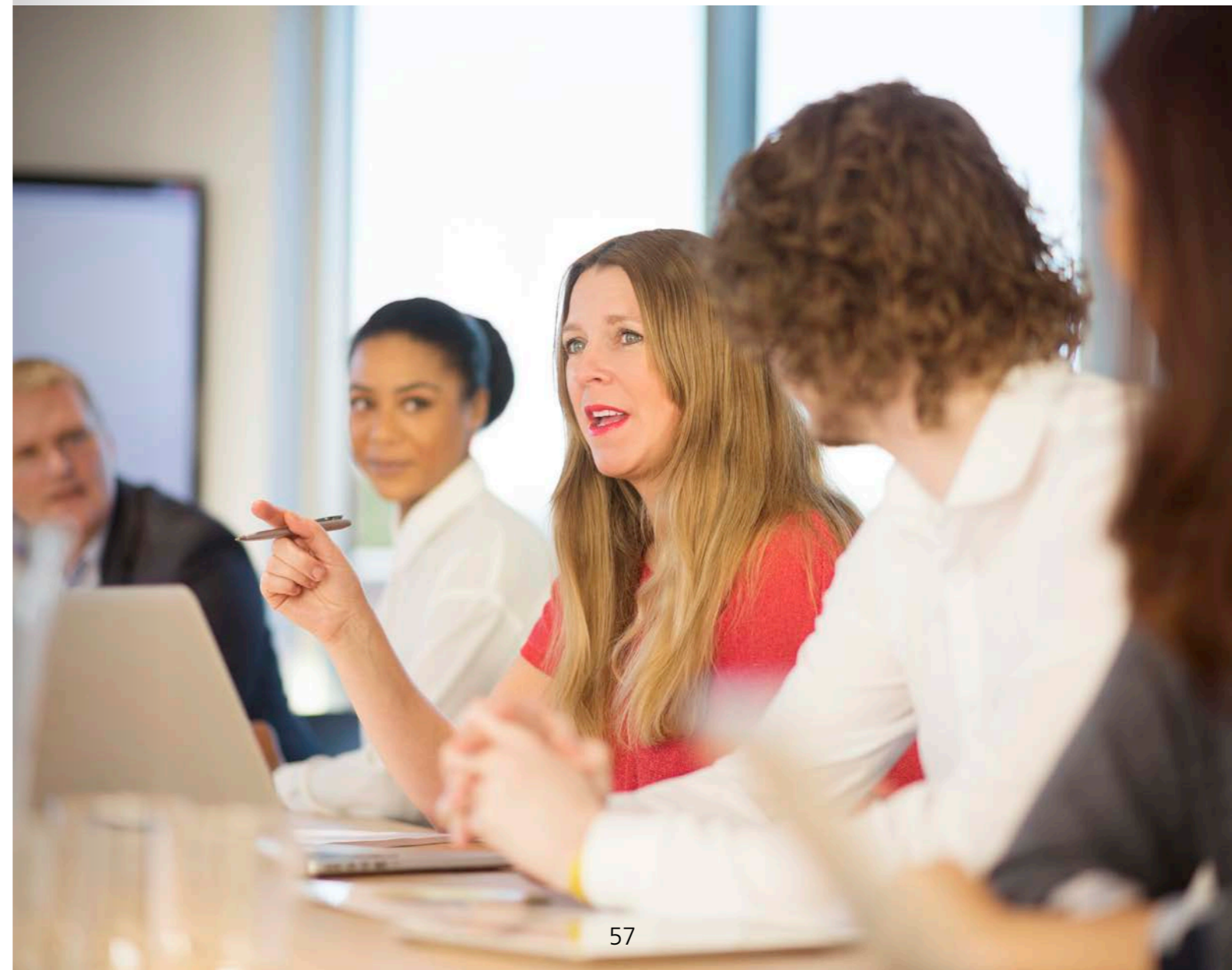
The Remuneration Report sets out our remuneration policies for Non-Executive Directors and Executive Directors and how these policies have been reviewed and implemented for the reporting period, including salary information and pension liabilities.

Corporate Governance Report

Company structure

NHS Property Services Limited was incorporated under the laws of England and Wales on the 20 December 2011 with the Company Registration Number 07888110 and has a registered office address of Regent House, Heaton Lane, Stockport, Cheshire SK4 1BS. We are a Private Limited Company wholly owned by the Secretary of State for Health and Social Care.

The Board has implemented standards of corporate governance and policies applicable to the Company's position as a private company wholly owned by a government body. The latest Articles of Association (Articles) were approved by the sole member of the Company by special resolution on 25 May 2023 and provide guidance on Directors powers and responsibilities, and Shareholder Reserve Powers. In addition, the Secretary of State appointed a Department Director to the Board, and all Board Resolutions require the approval of that Director.



The Board

Introducing the Board members

As of the financial year end (31 March 2024), the Board of NHS Property Services Limited was composed of four executive and eight non-executive members (including the Chair and Shareholder Director).



Jane Hamilton
Independent Non-Executive Director and Chair

Committee membership:

- Strategy and Investment
- Nomination and Remuneration



David Godden
Independent Non-Executive Director (retired 31 July 2023)

Committee membership:

- Strategy and Investment
- Audit and Governance
- Nomination and Remuneration



Adrian Belton
Independent Non-Executive Director

Committee membership:

- Strategy and Investment (Chair)
- Audit and Governance



Eleanor Mason
Non-Executive Shareholder Director (appointed 26 March 2024)

Committee membership:

- Nomination and Remuneration



Ben Masterson
Non-Executive Shareholder Director (retired 25 March 2024)

Committee membership:

- Nomination and Remuneration



Jacqui Rock
Non-Executive Director (appointed 1 June 2023, resigned 30 April 2024)



Caroline Wehrle
Independent Non-Executive Director

Committee membership:

- Audit and Governance (Chair)
- People
- Nomination and Remuneration (until 22 November 2023)



Lakh Jemmett
Independent Non-Executive Director (appointed 1 August 2024)

Committee membership:

- Strategy and Investment
- Customer



Mark Lomas
Independent Non-Executive Director

Committee membership:

- People (Chair)
- Nomination and Remuneration



Nick Moberly
Independent Non-Executive Director

Committee membership:

- Nomination and Remuneration (Chair)
- Customer (Chair)



Emma Dexter
Interim Chief Financial Officer and Executive Director (appointed 8 March 2024)

Committee membership:

- Strategy and Investment



Jackie Ducker
Chief Customer Officer and Executive Director (appointed 24 April 2023)



Mark Smith
Chief Financial Officer and Executive Director (resigned 7 March 2024)

Committee membership:

- Strategy and Investment



Martin Steele
Chief Executive Officer and Executive Director

Committee membership:

- Strategy and Investment
- Customer

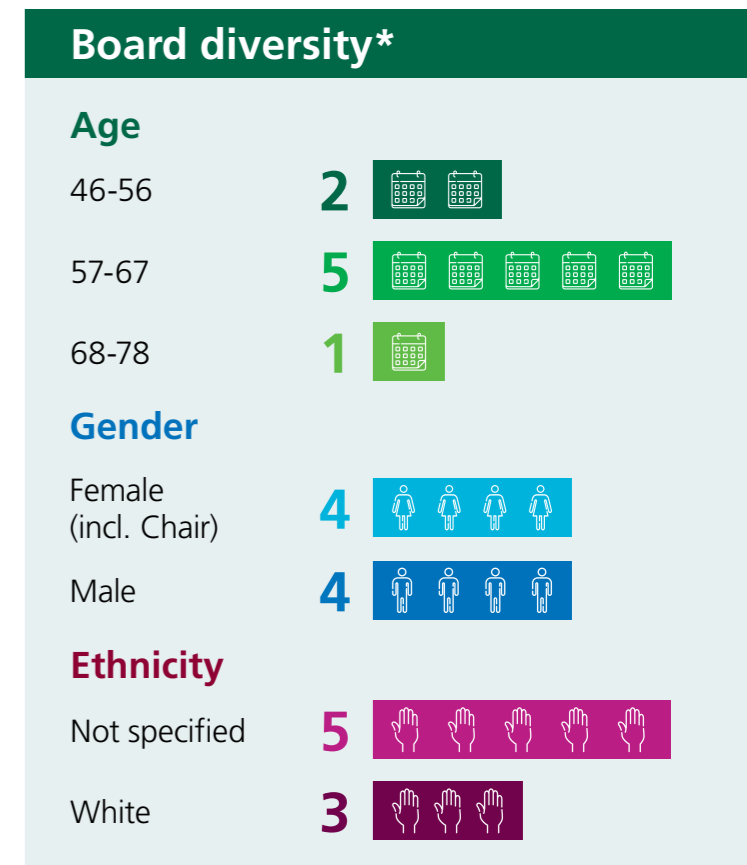


Trish Stephenson
Chief Operating Officer and Executive Director

Committee membership:

- People

Biographies for the Board of Directors can be found at www.property.nhs.uk/about/the-board-of-directors



* As of 31 March 2024. Includes Non-Executive Directors only – diversity information for Executive members can be found on page 63.



Roles and responsibilities

The Board

The Board is the senior decision-making body of NHS Property Services Limited and has a responsibility to support our strategic direction. It delegates day-to-day responsibility to Executive Management, although a number of matters are reserved for the Shareholder Director and the Board.

To support its strategic leadership to the organisation and the Shareholder Director, the Board:

- approves the Annual Strategic Business Plan and monitors NHS Property Services Limited's performance against it
- ensure high standards of corporate governance and personal conduct
- approves the annual budget and capital expenditure budgets
- approves large capital expenditure and proposals over **£10m**, and
- approves matters of major strategic importance.

The roles and responsibilities of the Board Members are as follows:

Chair

The Chair leads the Board and is responsible for its overall effectiveness in directing the Company.

Shareholder Director

The Secretary of State appointed a Departmental Director to the NHS Property Services Limited Board from the Company's formation.

Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day operational management of NHS Property Services Limited and is the senior Executive Director on the Board.

Non-Executive Director

The Non-Executive Directors provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Company Secretary

The Company Secretary has a direct reporting line to the Chair, and the Chair and the Company Secretary meet periodically.

Board Committees

The Board has delegated specific responsibilities to five Board Committees focusing on specific areas of the Board's responsibilities.



Audit and Governance Committee

Provides assurance to the Board on the adequacy and effectiveness of the Company's risk framework, its systems and culture of internal control, corporate governance processes and the integrity of its financial statements. It also oversees the functions of both internal and external audit.



People Committee

Supports the delivery of our customer plans and helps the NHS transform.

To get, grow, keep great people to support our culture of an engaged, enabled high-performing team, placing the customer at the heart of everything we do.



Customer Committee

The Committee is responsible for ensuring our customers are receiving a value service from NHS Property Services Limited by overseeing the operational and business delivery priorities. It also ensures that NHS Property Services Limited is executing in-line with the agreed Strategic Business Plan.



Strategy and Investment Committee

Reviews the medium and long-term strategic intent of the company to help ensure it remains fit for purpose by monitoring both the internal and external environments. It also provides assurance on all material and strategic investment case decisions across all aspects of the Delivery, Advisory functions and Business Operations to optimise value from the NHS Property Services Limited estate.



Nomination and Remuneration Committee

Ensures that the business has a compliant remuneration policy that is clear, transparent and supports the attraction and retention of the high calibre talent whilst upholding the strategic intent and values of the business.

The committee also leads the process for appointments to the Board, ensuring that the skills match the ambition and requirements of the business, the shareholder and our customers.

Executive Management Committee

The Board has delegated the operational running of NHS Property Services Limited to the CEO. Except for the reserved matters as stated within the company's Articles of Association and/or matters which are reserved for the Board, and delegated authorities as updated from time to time by the Department of Health and Social Care.

The CEO is responsible to the Board in relation to the operations of our organisation. He may delegate any of his powers to the Executive Committee members, who may in turn sub-delegate. The Executive Committee is not a formal committee of the Board but is critical to the operational effectiveness of NHS Property Services Limited.

The CEO, Chief Financial Officer, Chief Operating Officers and Chief Customer Officer are members of the Board and attend Board Meetings, other Executive Management Committee members are not part of the Board decision making process but do attend Board meetings as and when required to report on specific operational matters.

The Executive Committee consists of the CEO, CFO, COO, CCO and the following Executive Members:



Jon Hay-Campbell
Director of Communications and Marketing



Roslyn Churchill
Chief Information Officer



Kieran Kinsella
Director of Advisory Services



Dr Shamir Ghumra
Director of Responsible Business



Rina Pandya
Chief People Officer (interim appointment 1 October 2023, permanently appointed 1 January 2024)



Helen McCarthy
Chief People Officer (appointed on 3 April 2023, resigned on 31 December 2023)



Hilary Stables
Chief People Officer (resigned on 30 June 2023)

Biographies for the Executive Committee can be found at www.property.nhs.uk/about/the-executive-team

Executive Management Committee diversity*

Gender

Female



Male



Ethnicity

Other



White British or Irish



Board and Committee membership and attendance during the financial reporting period:

| Name | Number of meetings attended | Total number of meetings required to attend |
|--------------------------------|-----------------------------|---|
| Jane Hamilton | 7 | 7 |
| Ben Masterson** | 7 | 7 |
| Eleanor Mason | 1 | 1 |
| David Godden | 2 | 2 |
| Nick Moberly | 5 | 7 |
| Adrian Belton | 7 | 7 |
| Caroline Wehrle | 6 | 7 |
| Mark Lomas | 5 | 7 |
| Lakh Jemmett | 5 | 5 |
| Jacqui Rock | 2 | 7 |
| Martin Steele | 7 | 7 |
| Mark Smith | 7 | 7 |
| Trish Stephenson | 7 | 7 |
| Jackie Ducker | 7 | 7 |
| Emma Dexter | 1 | 1 |
| Standing attendee | | |
| Paolo Fazzi, Company Secretary | 7 | 7 |

* As of 31 March 2024

**Matthew Cooper represented the DHSC as the shareholder director representative on 25 January 2024.



The following tables detail membership and the number of meetings attended by each member during the financial reporting period.



Audit and Governance Committee

| Number of times Committee met during the financial year: 7 | | |
|--|-----------------------------|--------------------------|
| Name | Number of meetings attended | Total number of meetings |
| Caroline Wehrle | 7 | 7 |
| Jennifer Nicholls* | 7 | 7 |
| Matthew Cooper** | 2 | 2 |
| David Godden | 2 | 2 |
| Adrian Belton | 6 | 7 |

* Shareholder Representative to October 2023. Independent Director from October 2023.

** Shareholder Representative from October 2023.



Customer Committee

| Number of times Committee met during the financial year: 5 | | |
|--|-----------------------------|--------------------------|
| Name | Number of meetings attended | Total number of meetings |
| Nicholas Moberly | 5 | 5 |
| David Godden | 2 | 2 |
| Matthew Cooper (Shareholder Representative) | 5 | 5 |
| Lakh Jemmett | 3 | 3 |
| Martin Steele | 4 | 5 |
| Rina Pandya | 2 | 2 |



Nomination and Remuneration Committee

| Number of times Committee met during the financial year: 1 | | |
|--|-----------------------------|--------------------------|
| Name | Number of meetings attended | Total number of meetings |
| Nick Moberly | 1 | 1 |
| Jane Hamilton | 1 | 1 |
| Ben Masterson | 1 | 1 |
| David Godden | 1 | 1 |
| Nick Moberly | 1 | 1 |
| Adrian Belton | 1 | 1 |
| Caroline Wehrle | 1 | 1 |
| Mark Lomas | 1 | 1 |



People Committee

| Number of times Committee met during the financial year: 4 | | |
|--|-----------------------------|--------------------------|
| Name | Number of meetings attended | Total number of meetings |
| Mark Lomas | 4 | 4 |
| Caroline Wehrle | 4 | 4 |
| Trish Stephenson | 3 | 4 |
| Shamir Ghumra | 3 | 4 |



Strategy and Investment Committee

| Number of times Committee met during the financial year: 5 | | |
|--|-----------------------------|--------------------------|
| Name | Number of meetings attended | Total number of meetings |
| Adrian Belton | 5 | 5 |
| David Godden | 1 | 2 |
| Jane Hamilton | 5 | 5 |
| Lakh Jemmett | 3 | 3 |
| Matthew Cooper (Shareholder Representative) | 5 | 5 |
| Mark Smith | 5 | 5 |
| Martin Steele | 5 | 5 |



Openness and transparency statement

NHS Property Services Limited is committed to openness and transparency and provides information in a way which reflects the needs of our key stakeholders wherever possible. Both our public website and our intranet provide information around how we are governed, our policies, our finances and how we deliver services to help the NHS deliver their long-term plan. We continue to monitor the provision of information and update where appropriate in a timely manner.

Directors' and Officers' liability insurance

NHS Property Services Limited is a member of the NHS Risk Pooling Scheme which includes Directors' and Officers' liability as permitted by the Companies Act 2006. The Shareholder has granted rolling indemnity to the Chairman, Executive Directors and Non-Executive Directors in relation to certain losses and liabilities which they may incur while acting as officers of the company.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Director conflicts

The 2006 Companies Act provides that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may conflict, with a company's interests. Any potential conflict of interest between the role of an officer working for the Department of Health and Social Care and their role as either the Shareholder Director or his representative in the company is registered and managed in an appropriate way.

All Board members have completed and signed a declaration of interest form and are required to notify and record any interests relevant to their role on the Board. As part of NHS Property Services Limited's commitment to openness and transparency, a Register of Members' Interests, is maintained. The register is reviewed at each Board meeting. In addition, members of the Board and the executive are required at the commencement of each Board meeting, and whenever relevant matters are raised, to declare any personal interest they may have in any business on the agenda and abstain from related Board discussion as required.



Risk Management Report

Risk governance

The Board is responsible for the company's systems of internal control and risk management and for reviewing each year the effectiveness of those systems. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The system can provide only reasonable, and not absolute, assurance against material misstatement or loss. The process in place for reviewing the systems of internal control includes procedures designed to identify and evaluate failings and weaknesses.

Risk management framework

Risk management enables NHS Property Services Limited to identify the possibility of future events happening which will impact the achievement of our objectives, as well as the controls in place to mitigate this and develop action plans which will enable us to make better business decisions that consider the effect of uncertainty.

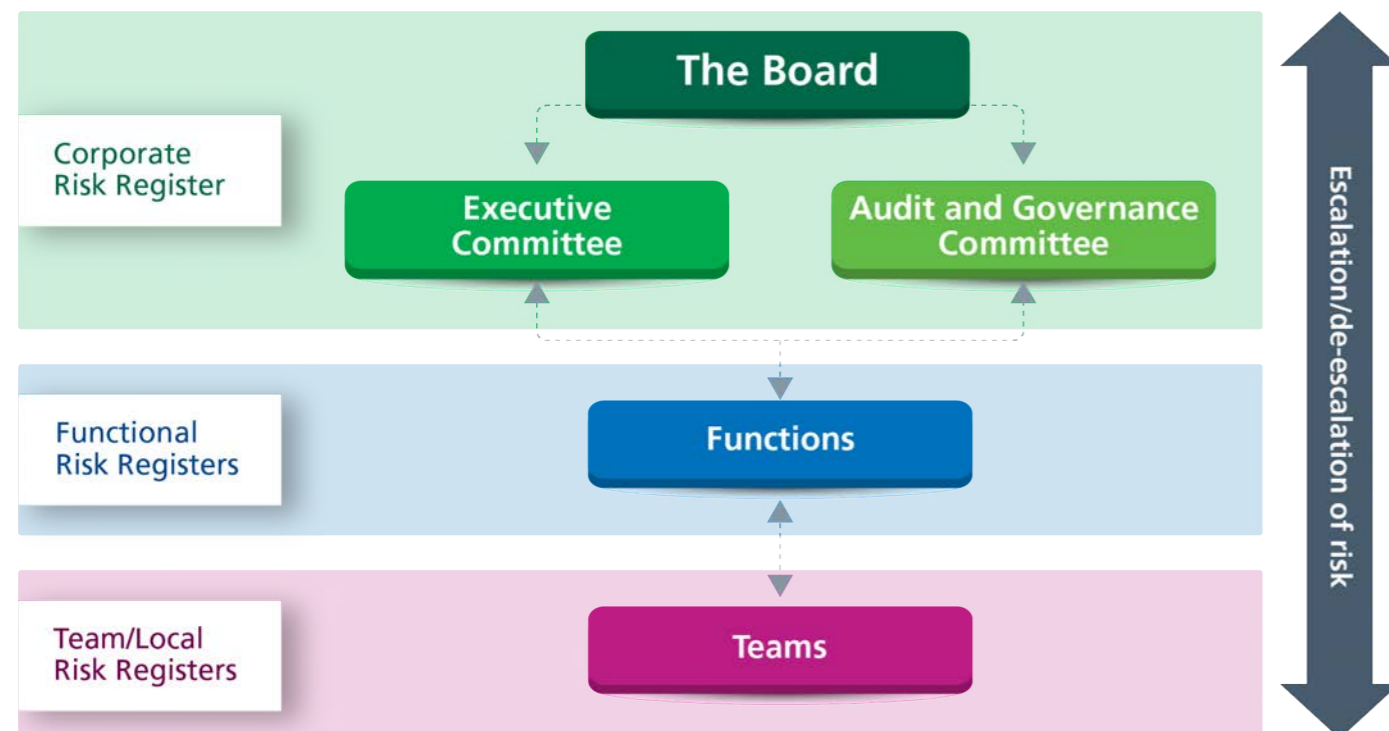
We continue to review our risk framework to enhance awareness and focus on our Directorate Risk Registers that feed into our Corporate Risk Register. The Board also recognises the importance of a framework for risk management and review the full Corporate Risk Register every six months. The Board also undertakes an annual Board Workshop on Risk. In 2023/24 this took place on 3 March 2024.

The Executive Directors are responsible for delivering our organisation's strategy, and managing risks which may stop this being achieved. The Executive Directors in turn place reliance on their teams to monitor and manage operational risks on an ongoing basis, as well as identifying emerging risks. All risks on the Corporate Risk Register are owned by an Executive Director and the Executive Committee is committed to review and approve that Corporate Risk Register on a quarterly basis.

Functional risk registers provide a framework for teams to feed into this process, recognising all colleagues have shared responsibility for effective management of risk in delivering our strategy. At an operational level, risks are reviewed together with the level of control necessary to mitigate, where possible, the level of risk.

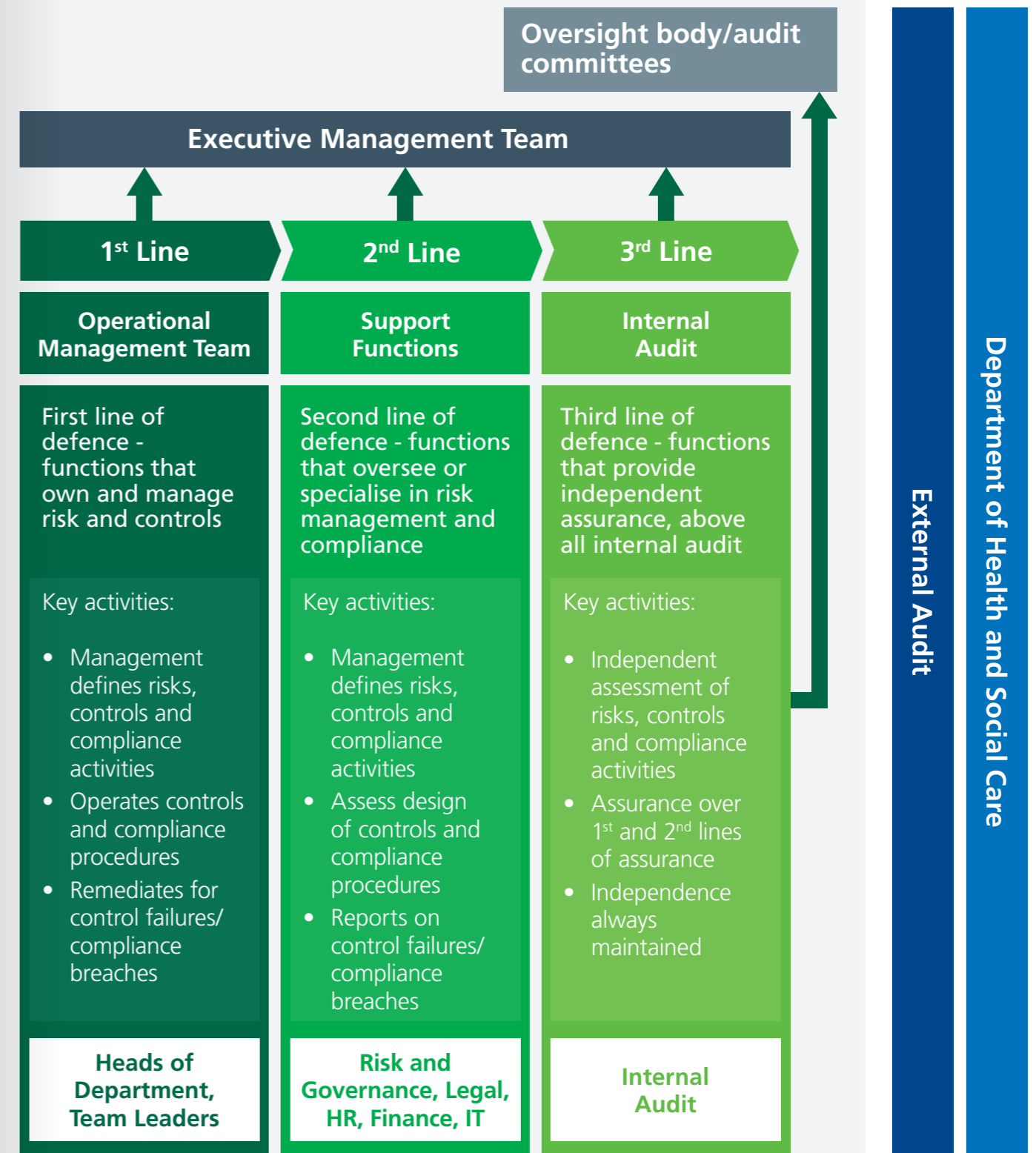
Two Risk Forums operate below the Corporate Risk level, one at functional level which reviews functional risk registers and discusses cross-functional risks, and the second forum which focuses on financial risks across the different teams in the Finance function. This ensures that our approach to risk management is integrated, embedded and proactive, and that risk management is a driver for improvement in controls and performance across the organisation.

The financial impact of certain risks has been transferred through insurance arrangements. The company is a member of the NHS Resolution Risk Pooling Scheme (Previously NHS Litigation Authority), which covers third party and employer liabilities, and property-related risk exposure.



Three lines of defence







NHS Property Services Limited's Risk Management Framework provides for continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved, cost effective, public services. The Three Lines of Defence model as illustrated below has been adopted to manage risk and control as well as provide assurance over the delivery of services.









Principal risks

NHS Property Services Limited's financial performance and operations are influenced by a range of risk factors. We aim to mitigate the exposure through appropriate risk management strategy and internal controls.

Principally, the key risks of NHS Property Services Limited fall in the financial, operational, capability and technological areas and programmes and actions have been implemented to mitigate the risks where appropriate.

| Risk | Detail | Mitigation | Risk Trend |
|--|--|--|---|
|  Market deterioration | Market deterioration impacting corporate disposal programme and reducing funds for reinvestment. | <ul style="list-style-type: none"> Continuous review of property market conditions, both nationally and locally. Tailor town planning strategy to changing market risk appetite. Adapt disposal programme where high value sites may be vulnerable to market deterioration. |  Risk is decreasing from an initial Risk score of 16 to a current score of 12 |
|  Business liquidity | Customers do not pay impacting the liquidity of the business. | <ul style="list-style-type: none"> Strategic Debt Management approach supported by DHSC and NHSE/I. ACS check-In process. Implementation of Debt Assurance Panel by DHSC and NHSE. |  Risk is decreasing from an initial Risk score of 16 to a current score of 12 |
|  Health and Safety | Although progress is being made by NHS Property Services Limited in implementing its Health and Safety Management system, the culture is still relatively immature and safety is not yet fully embedded, meaning there is a risk to colleague safety, service quality, productivity and profitability. | <ul style="list-style-type: none"> Implementation of Health and Safety Management System. Focused communications and training. Focus on risk assessment process on high-risk activities. |  Risk is decreasing from an initial Risk score of 15 to a current score of 9 |

| Risk | Detail | Mitigation | Risk Trend |
|---|---|---|---|
|  Fire Safety | There is a risk of non-compliant buildings due to fire safety as a result of inadequate fire compartmentation. | <ul style="list-style-type: none"> Fire Compartmentation survey Programme has been launched to understand compliance across the estate with an accompanying remedial work programme also underway. |  Risk is decreasing from an initial Risk score of 20 to a current score of 10 |
|  Data Governance and Information Governance | Inaccurate and undocumented data, combined with a lack of understanding of governance and assurance protocols may adversely impact operational performance. Non-compliance with Information Governance Regulations may also result in financial penalties and reputational risk. | <ul style="list-style-type: none"> Data awareness and mapping GDPR Policy and wider IG policies Retention scheduling. Development and delivery of a data strategy for NHS Property Services Limited |  Risk is decreasing from an initial Risk score of 16 to a current score of 12 |
|  Cyber Security | There is a risk of cyber security incidents occurring because existing systems or processes are either ineffective or a new circumvention has been found. This could lead to a detrimental impact on the confidentiality, integrity and/or availability of NHS Property Services Limited systems and/or data. | <ul style="list-style-type: none"> Improved and verifiable security posture. Implementation of Environments and Disaster Recovery programme Detection Analysis tooling |  Initial and current Risk scores of 16 |

Risk scoring is based on 5x5 matrix (total risk score from 1 to 25) and determined by assessing likelihood of risk occurring (from 1-rare to 5-almost certain) and the related impact (from 1-negligible to 5-catastrophic).



Internal controls

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives.

We continue to work with our Internal and External Audit partners to strengthen our internal control framework. The 2023/24 internal audit plan has been focussed on key risk areas, covering the efficiency and effectiveness of the governance, risk management and internal control frameworks.

Internal audit plays a key role in providing independent assessment and challenge of the governance, risk, and internal control frameworks at NHS Property Services Limited. A key objective of the internal audit function through its assurance and investigation activities, is to safeguard value by protecting our assets, reputation, and sustainability in relation to our organisation's objectives.

The internal audit plan for the year ending 31 March 2024 focused on known risk areas for the organisation as per the Corporate and Functional Risk Registers and was approved by the Audit and Governance Committee at the start of the year. Eight audits were completed in year; Asset Disposal Programme received a rating of 'Significant Assurance'. Key Financial

Controls. Functional Risk Management, Cyber Security and Customer/Patient Satisfaction Scores received a rating of 'Significant Assurance with Minor Improvements'. Employee Pay variations and Procurement Audits (two audits) received scores of 'Partial Assurance with improvements required'.

Internal Audit provides update reports to each Audit and Governance Committee with key findings from completed audits. Further, they have provided an annual report, including the Head of Internal Audit Opinion, in relation to our organisation's framework of governance, risk management and internal control. The overall opinion for 2023/24 was that of significant assurance with minor improvements for the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Team objectives and scorecards are linked to the completion of internal audit actions and the implementation status of audit actions is presented to the Executive team on a monthly basis, further strengthening our organisational culture to address control weaknesses.

Counter fraud

Counter fraud services were brought in house on 01 April 2024 with two colleagues dedicated to both proactive and reactive activities. Over 2023/24, a total of **18** cases were investigated, a significant increase in case activity compared with previous years. A clear reason for this has been the relaunch and marketing of the Whistleblowing Service. This now offers multiple routes for the reporting of concerns. In Quarter 3, a Fraud Risk Assessment was conducted to identify business areas most susceptible to fraud. This exercise has formed the basis of the 2024/25 Counter Fraud plan.

Information and data governance

Information Governance continues to be an important part of the business. The Information Governance team has continued to embed sensible and practical guidance to ensure NHS Property Services Limited not only remains compliant in relation to data protection, records management, and information security activities, but is striving for best practice. The team is increasing in maturity across all IG policies and processes and continues to build on the strong foundations established to bring all colleagues on the journey.

NHS Property Services Limited is required to submit an annual attestation to meeting requirements of the NHS Data Security and Protection Toolkit, which again achieved a satisfactory measure against statutory requirements. The team is focused on upskilling and empowering the wider business to continue the protection of our customers, colleagues and company data and information.

NHS Property Services Limited is registered as a Data Controller with the Information Commissioner's Office and confirms that there was one reportable data breach during the year, which the ICO did not require further action on.

Modern Slavery and Human Trafficking statement

NHS Property Services Limited fully supports HM Government's objectives to eradicate modern slavery and human trafficking.

This is our Slavery and Human Trafficking statement for the financial year ending 31 March 2024.

Organisation structure and supply chains

NHS Property Services Limited is committed to ensuring that there is no modern slavery or human trafficking in our supply chain or in any part of our business. Our internal policies replicate our commitment to acting ethically and with integrity in all our business relationships.

Our procurement approach follows good practices and have been updated to reflect the latest requirements of PPN 02/23. These include a mandatory exclusion question regarding the Modern Slavery Act 2015.

When procuring goods and services, we expect our suppliers to comply with the Modern Slavery Act 2015. For all capital and construction appointments (including consultants) we have a mandatory requirement for them to be construction line registered, which is a government accredited process and covers modern slavery. In addition, we use a Modern Slavery Assessment Tool which is built into our Contract Review Process.

Policies in relation to slavery and human trafficking

We operate a whistleblowing policy so that all employees know that they can raise concerns about how colleagues or people receiving our services are being treated, or about practices

within our business or supply chain, without fear of reprisals. We collaborate with other HM Government organisations and departments on the Social Value Process, of which Modern Slavery is a key theme. Our whistleblowing policy offers multiple channels for colleagues or customers to engage, and this includes, post, email, telephone or via an online form.

We have introduced a Safeguarding Policy as part of our commitment to:

- Prevention** against harm and abuse through training and safety protocols
- Protection** by signposting how you can report any concerns of harm or abuse
- Support** for those who have been affected by harm and ensuring their voices are heard
- Compliance** by showing how our safeguarding practices adhere to laws, regulations and ethical standards

The policy also covers our commitment to protecting the those involved in safeguarding concerns by ensuring their personal information is kept safe and secure.

Due diligence processes

We operate a robust recruitment process; confirming the identities of all new employees and their right to work in the United Kingdom.

As part of our initiative to identify and mitigate risk we ask all potential or new suppliers to provide information about modern slavery, their approach and compliance with this legislation. This area has been subject to an internal audit for added assurance.

We have a zero-tolerance attitude to slavery and human trafficking. We encourage colleagues and members to speak up and have assigned the responsibilities of the Raising Concerns Guardian to the Company Secretary.

In FY2023/24, the company launched a risk-based approach to checking Colleague rights to work in the United Kingdom. This involved an update of the Right to Work Policies and Line Manager upskilling to ensure compliance protocols are followed for all existing and new Colleague hires across the organisation.

Key performance indicators

We will continue to monitor the effectiveness of the steps we are taking to ensure that slavery and/ or human trafficking is not taking place within our business or supply chain.

We will annually review the statement and any related policies to ensure they remain fit for purpose and in line with current legislation and best practice.

Training

Through our whistleblowing policy, our colleagues and members are encouraged to identify and report any suspicions or potential breaches of our antislavery and human trafficking policy.

We are looking at ways to continuously increase awareness within our organisation, and to

ensure a high level of understanding of the risks involved with modern slavery and human trafficking in our supply chains and in our business.

In March 2024 we launched an updated e-learning on safeguarding for all our frontline colleagues. The course covers:

- what we mean by safeguarding and why it's important
- how to identify different types of abuse, and
- What to do if you have concerns or suspicions.

Often, abuse is hidden and because of that, we do not know the true extent of those who experience abuse. This is why it's so important to raise awareness and understanding of the issue of abuse.

This statement is made pursuant to s54 of the Modern Slavery Act 2015 and sets out the steps that NHS Property Services Limited has taken to prevent the occurrence of modern slavery and human trafficking within our business or supply chain.

Martin Steele
Chief Executive Officer
NHS Property Services Limited

28 November 2024



Section 172 Statement

s172(1) reporting

The directors are bound by their duties under the Companies Act 2006 and the manner in which these have been discharged, particularly their duty to promote the success of the Company for the benefit of its Shareholder, the Department of Health and Social Care, and its customer, the NHS, as well as environment and sustainability. These elements have formed the core themes of our 2023/24 Annual Report.

The Chair is responsible for leading the Board, ensuring that it discharges its duties efficiently and that it delivers the strategy agreed by the Board. The Chief Executive Officer is responsible for directing and controlling operations, managing the day-to-day business, and ensuring it is aligned to the strategy. The Shareholder Director brings vital insights

and represents shareholder interests to the board. This distinction between the Chair, the Chief Executive Officer and the Shareholder Directors is key to governance accountability. The directors both individually and collectively act in the way they consider, in good faith, would be most likely to promote the success of the Company for its member with regard also to the stakeholders and matters as set out in s172(1)(a-f) on the following page.

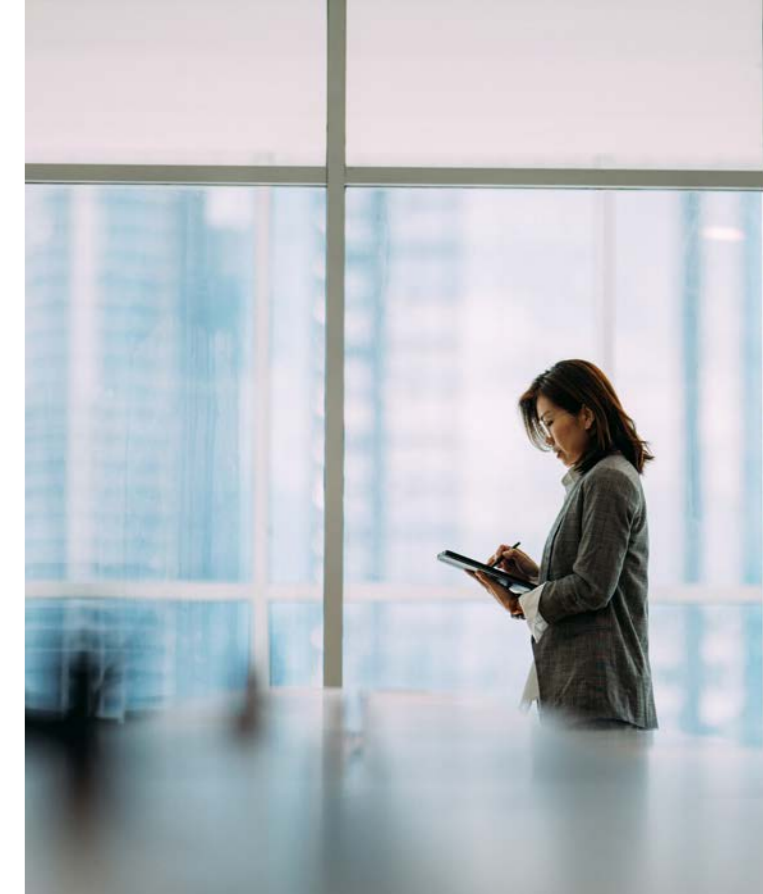
The Accountability Report on page 56 details how our Board has governed during the accounting period, which includes details on Directors, membership, the governance framework and how they support achievement of our objectives as detailed on pages 8 to 9.

The Risk Management Report details our approach to risk as well as our approach to Information and Data Governance, and Modern Slavery; with internal controls and internal audit procedures outlined on page 72.

Decisions are made by the Board reaching a consensus. Where appropriate, and as stated within the company's Articles of Association, the Secretary of State for Health and Social Care is required to provide written approval for certain decisions as detailed within the Reserve Matters.

The Board have access to both an internal legal team, external legal expertise and a Company Secretary, who are responsible for advising the Board on all governance matters and ensuring that the Board procedures are complied with. Directors can also seek independent advice on their performance duties.

Throughout the various sections of our 2023/24 Annual Report, you will see evidence of the principal decisions made by the Board during the reporting period, the progress and/or outcomes of those decisions along with case studies in support. The Board aligns these principal decisions with the strategy, vision and values of NHS Property Services Limited with the purpose of supporting our NHS colleagues and supporting the delivery of the NHS Long Term Plan. Our colleagues are integral to the outcomes as shown within our key achievements detailed in our strategy report at pages 8 to 9.



Section 172

Duty to promote the success of the company.

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regards (amongst other matters) to factors (a) to (f).

- a. The likely consequences of any decision in the long term,
- b. The interests of the company's employees,
- c. The need to foster the company's business relationship with suppliers, customers and others,
- d. The impact of the company's operations on the community and the environment,
- e. The desirability of the company maintaining a reputation for high standards of business conduct, and
- f. The need to act fairly as between members of the company.

Examples of Principal Decisions undertaken by the NHS Property Services Limited Board year ending 31st March 2024

| Principal decisions and s172 considerations | Supporting information |
|--|---|
| Strategy Stakeholders considered: <ul style="list-style-type: none"> Customers Colleagues Community Environment Shareholder Government/Regulators Suppliers | <ul style="list-style-type: none"> Board approval of the new strategic direction, following three Board Workshops over the course of the financial year. Board review of the Risk Management Framework and Corporate Risk Register of key Strategic Risks on a bi-annual basis, including an Annual Risk Management Workshop for Board Members. Health, Safety and Wellbeing is the first subject-matter agenda item discussed at every meeting of the company Board. Board endorsement of the 'Greener NHS' Programme, to substantially reduce NHS Property Services Limited's carbon footprint and meet NHS and wider HM Government net zero targets. |
| Governance Stakeholders considered: <ul style="list-style-type: none"> Customers Colleagues Community Environment Shareholder Government/Regulators Suppliers | <ul style="list-style-type: none"> Audit and Governance Committee approval of the 2023/24 Risk Management Framework, Counter Fraud, Internal Audit and External Audit plans. Board approval of the FY2022/23 Annual Report and Accounts and Letter of Representation. Board approval for Lakh Jemmett as a Non Executive Director Dedicated agenda item for Shareholder updates now included at every Board meeting |
| Equality, Diversity and Inclusion Stakeholders considered: <ul style="list-style-type: none"> Customers Colleagues Community Suppliers | <ul style="list-style-type: none"> Launch of listening groups across the organisation to better understand the views of minority colleagues. Appointment of a dedicated Head of Inclusion and associated team in the Responsible Business Team Launch of Colleague Forum Pilots in the Midlands |

| Principal decisions and s172 considerations | Supporting information |
|--|---|
| Sustainability Stakeholders considered: <ul style="list-style-type: none"> Customers Colleagues Community Environment Shareholder Government/Regulators Suppliers | <ul style="list-style-type: none"> Board endorsement and continued review/support of the Greener NHS Programme. The Board reviews the financial performance of the business at every meeting to ensure sustainability of the current and go-forward financial position. Board and Committee review and endorsement of the Value Programme. |
| Engagement Stakeholders considered: <ul style="list-style-type: none"> Customers Colleagues Community Environment Shareholder Government/Regulators Suppliers | <ul style="list-style-type: none"> NHS Property Services Limited engagement across all the Integrated Care Boards in England. Development of Estates Strategies with several ICBs across England. Continued issuing of Customer Feedback surveys for each Work Order completed, as well as the Annual Customer Satisfaction Survey to all NHS Property Services Limited customers. NHS Property Services Limited now actively tracks customer satisfaction at multiple levels, including NPS and Patient Satisfaction. |
| Investment Stakeholders considered: <ul style="list-style-type: none"> Customers Colleagues Community Environment Shareholder Government/Regulators Suppliers | <ul style="list-style-type: none"> NHS Property Services Limited delivered a wide range of Property Development projects in year-for our customers. This included Board approval for Hinckley Community Diagnostic Centre and the Catterick Integrated Health Campus. |

Directors' Report

Board of Directors

A list of Directors who served during the year are included below. The Corporate Governance Report on page 57 details further how NHS Property Services Limited is governed and provides additional details of its Board members and committee structure, the frequency of meetings of the Board and its committees, attendance records at these meetings and the highlights the work carried out by committees.

| Directors of the Board | Appointment to the Board | Retirement/Resignation during the financial period |
|------------------------|--|--|
| Jane Hamilton | 22 March 2021 (appointed Chair on 25 March 2021) | - |
| Ben Masterson | 31 January 2017 | Retired 25 March 2024 |
| Eleanor Mason | 26 March 2024 | - |
| David Godden | 26 July 2018 | Retired 31 July 2023 |
| Adrian Belton | 4 May 2021 | - |
| Mark Lomas | 1 September 2021 | - |
| Nicholas Moberly | 4 May 2021 | - |
| Caroline Wehrle | 1 September 2021 | - |
| Jacqui Rock | 1 June 2023 | Resigned 29 April 2024 |
| Lakh Jemmett | 1 August 2023 | - |
| Martin Steele | 4 July 2017 | - |
| Mark Smith | 1 May 2019 | 7 March 2024 |
| Trish Stephenson | 29 March 2023 | - |
| Jackie Ducker | 24 April 2023 | - |
| Emma Dexter | 08 March 2024 | - |

Corporate governance statement

As we seek to implement robust levels of governance assurance commensurate to the size, scale and complexity of business operations, our Governance Framework also seeks compliance with The Wates Corporate Governance Principles 2018 for large private companies and having regard to The Corporate Governance Code 2018. We have summarised below how NHS Property Services Limited's Governance Framework aligns to these benchmark compliance areas.



Wates Principle: Purpose and leadership

A Board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.

NHS Property Services Limited Corporate Governance Statement and Framework

The Chair of the NHS Property Services Limited Board and the CEO have made our strategy, values and culture a key focus during 2023/24 to ensure we remain in line with the changing landscape of the NHS.



Wates Principle: Board composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

NHS Property Services Limited Corporate Governance Statement and Framework

The Board reviewed board composition, skills matrix and Board knowledge and training as part of the Governance Workshop in March 2024. Deliverables were actioned and reviewed throughout the financial year.



Wates Principle: Director responsibilities

The Board and individual Directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

NHS Property Services Limited Corporate Governance Statement and Framework

Refresh of Directors Duties occurred in FY2023/24 by the Company Secretary and reinforced by the Board and Committee evaluation undertaken in Quarter 3.



Wates Principle: Opportunities and risk

A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

NHS Property Services Limited Corporate Governance Statement and Framework

The Board and Audit and Governance Committee ensure regular updates with regard to risk and internal controls. A Board Workshop on risk took place in March 2024 to further identify opportunities to create and preserve value, along with further discussions around oversight for the identification and mitigation of risks.



Wates Principle: Remuneration

A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

NHS Property Services Limited Corporate Governance Statement and Framework

The Board has delegated the responsibility of monitoring and reviewing remuneration to the Remuneration Committee which is chaired by a Non-Executive Director. Remuneration approval for all Directors and colleagues earning more than £150,000 base salary per year is reserved to the Secretary of State for Health and Social Care or any senior civil servant acting with the Secretary of State's authority. The remuneration of directors and any pensions contributions is reported within our Annual Report each year. Appropriate and fair levels of remuneration are applied throughout the organisation to reinforce the shared purpose of all colleagues.



Wates Principle: Stakeholder relationships and engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taken decisions.

NHS Property Services Limited Corporate Governance Statement and Framework

The Board have sought greater engagement during 2023/24 with key stakeholders, particularly with the newly emerging ICBs. The Board will seek to further this engagement during 2024/25 to develop effective relationships aligned to the company's strategy. The Board always have regard to stakeholders where appropriate during their decision making.



Results and dividends

The results for the year are shown in the Statement of Comprehensive Income. The company has not paid any dividends during the year and no dividends are proposed by the Directors.

Share capital

The total issued share capital of the company is **274,632,332** £1 ordinary shares. The Secretary of State for Health and Social Care owns **100%** of the issued share capital. The Board and Shareholder approved an increase of **14,791,000** in share capital during the financial period as detailed within the Company's s172 Statement on page 76. Details of the company's share capital are set out in note 18 to the financial statements.

Political and charitable contributions

There were no political or charitable contributions made by NHS Property Services Limited during the period ending 31 March 2023.

Statement on engagement with suppliers, customers, and others in a business relationship within the company

For NHS Property Services Limited, effective stakeholder engagement is about building sustainable relationships with the people who are affected by what we do, the services we provide, and those who make our services possible. This relies on a commitment to engage, listen, respond, and communicate openly and honestly with all of our stakeholders.

Our organisation is deeply focussed on the continuous improvement of customer service engagement, including realigning our regions, which allows direct alignment with our NHS colleagues.

As an organisation we recognise that one of our greatest assets is our colleagues. To ensure we engage with these key stakeholders we have carried out several projects which include the introduction of an online employee survey platform called Your Voice, a review of our company values, recognition scheme and leadership programme.

We have been improving how suppliers engage and work with us. We now have a single effective supplier helpdesk, and we have resolved backlogs and improved our payment cycles to ensure suppliers are paid when they should.

Going concern

NHS Property Services Limited's going concern status for 2023/24 is supported by several key factors. The company maintains a strong liquidity position with **£79m** in net current assets and access to a **£250m** loan facility from the Department of Health and Social Care (DHSC), of which **£220m** remains available. Robust cash flow projections indicate over **£100m** in cash balances through March 2026, and the company holds a substantial **£3.4b** net asset position, derived mainly from its **£3b** property portfolio.

While the company is forecasting operating deficits, primarily driven by non-cash depreciation charges, this is not expected to significantly impact cash flows or future viability. Despite budgeting an operating loss in 2024/25 driven by depreciation, the company's overall financial health, financing access, cash flows, and asset backing mitigate any significant going concern risks. The financial position for the current year aligns with the budget set forth by its parent organisation, the Department of Health and Social Care.

NHS Property Services Limited is wholly owned by the Secretary of State for Health and Social Care, who has provided an undertaking that supports the organisation's going concern status. Specifically, an indemnity has been issued committing the Secretary of State to provide funding for all property-related liabilities and obligations, either inherited or arising from future projects, in the event other income sources are insufficient.

The Directors have reviewed the company's current financial position, cash flow projections, and loan facilities. They believe the organisation is well-placed to manage its business risks successfully and have a reasonable expectation that adequate resources are available to continue operations for the foreseeable future. As a result, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The company's business activities, factors affecting future development and performance are further outlined in the Chief Financial Officer's Report on page 48 and the financial statements.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor appointed is the Comptroller and Auditor General.

Pursuant to the Articles of Association section 5 the approval and or change of the auditors is a matter reserved to the Shareholder Director.

Statement of Directors' responsibilities in respect of the Company Financial Statements

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law, the Directors must not approve the financial statements unless they are satisfied that these give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information.
- Make judgements and estimates that are reasonable and prudent.
- State whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company.

They are also responsible for ensuring that the financial statements and the remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statements under the disclosure and transparency rules

Each of the current Directors confirms that, to the best of their knowledge:

- The financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.
- The Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

In addition, having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Directors are satisfied that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for the Shareholder Director to assess the company's performance, business model and strategy.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.



Emma Dexter
Interim Chief Financial Officer
NHS Property Services Limited

28 November 2024



Remuneration Report

Statement from the Chair of the Remuneration Committee

The Board's Remuneration and Nomination Committee is chaired by Nick Moberly, Non-Executive Director. The committee is responsible for reviewing the terms and conditions of office of our Executive Directors, including salary, pensions, termination and/or severance payments and allowances. The committee meets routinely once a year, in May, with extraordinary meetings as required. Attendance at meetings held in during 2023/24 can be found on page 65. Outside of this cycle and in exceptional circumstances, changes to/new salaries are ratified by the committee at its next meeting.

Throughout the year, we have ensured that our remuneration policies align with the company's strategic objectives, promotes long-term sustainable success, and appropriately rewards and retains our top talent. We believe that our decisions reflect a fair balance between the interests of our Executive Directors and those of our shareholder (DHSC).

I would like to thank my fellow committee members for their diligence and commitment. We remain dedicated to maintaining the highest standards of corporate governance and transparency in our remuneration practices.

Remuneration for Executive Directors in 2023/24

For the financial year 2023/24 the Board Nominations and Remuneration Committee:

- Approved the annual performance related salary awards for the Executive Directors in line with the Senior Salaries Pay Review Body (SSRB) recommendations.
- Approved the bonus payments for the Executive Directors (together with senior managers) in line with the delivery of the Corporate Objectives agreed with the shareholder.
- Approved the salary for the interim Chief People Officer (CPO) together with the package on appointment to the substantive role.
- Approved the salary for the interim Chief Financial Officer (CFO).

Details of remuneration, including the salaries and pension entitlements of NHS Property Services Limited Board Directors are provided on page 90. The context within which these approvals were agreed is explained below under the Executive Director remuneration section of this annual report.

Executive Director remuneration

The committee determines the remuneration of Executive Directors after taking into account any changes to their responsibilities and market comparisons. There is scope for adjusting remuneration, after appointment, through the application of performance related pay.

The only non-cash element of the remuneration package is the employer contribution to the NHS Property Services Limited Group Personal Pension Plan (GPPP). Where matched contributions are into the scheme by both the employer and employee in accordance with statutory regulations.

Affordability is also considered in determining pay uplifts for Executive Directors ensuring they remain in line with those for very senior managers (VSM's) as per the recommendations of the SSRB.

Performance is closely monitored and discussed through both annual and ongoing appraisal processes. All Executive Directors' remuneration is subject to performance – they are employed on contracts of employment and are substantive employees of the company. Their contracts are open-ended employment contracts, which can be terminated by either party with six months' notice.

The company's redundancy policy is consistent with NHS redundancy terms for all colleagues. All Executive Directors are employed with a probationary periods in line with the practice applied across the company.

As Chair of the Board's Nominations and Remuneration Committee, I commend this report to you for the year 2023/24.

Nick Moberly
Non-Executive Director
Chair of the Board's Nominations
and Remuneration Committee

28 November 2024

Remuneration policy

This Remuneration Report covers members of the NHS Property Services Limited Board. The following elements of the Remuneration Report are subject to audit:

- Salaries (including performance pay) and allowances.
- Compensation for loss of office.
- Non-cash benefits.
- Pension contributions
- Amounts payable to third parties for the services of senior managers.

Remuneration approval for all Directors and people earning more than **£150,000** base salary per year is reserved to the Secretary of State for Health and Social Care or any senior civil servant acting with the Secretary of State's authority.

Senior management

The structure of pay for senior managers is designed to reflect the long-term nature of our business and the significance of the challenges we face. Executive salary surveys and periodic assessments are conducted by independent remuneration consultants. Uplift to salary for Directors is approved at the Remuneration and Nomination Committee where the Shareholder Director is a member.

Salary awards for colleagues in front line services were applied in-year.

Colleagues appointed post 1 April 2013 have been employed on company terms and conditions of service.

A company-wide bonus (and performance-related pay scheme) was introduced during 2016/17. Executive bonuses were endorsed by the Remuneration Committee in May 2022 based on delivery of corporate and personal objectives.



Service contracts

The individual contracts for Non-Executive Directors set out the fees and duration for their term of office. Fees are not pensionable. There is also no compensation provision for early termination. Notice periods are shown in the table below:

The details of Directors' service contracts, term and notice periods are shown in the following table. Executive Directors hold open-ended appointments. Non-Executive Directors are appointed on a three-term basis which will then be renewed or extended.

Early termination, other than for misconduct, would result in the individual receiving compensation. This is a reserved matter as set out in the Articles of Association section 5.3.2(j) and the company's Delegated Authorities.

| Company Directors | Period as a Company Director | Current Term | Notice periods |
|-------------------------|------------------------------|--------------|--|
| Martin Steele | 4 July 2017 to present | n/a | Terminable by either party on giving 6 months' notice. |
| Emma Dexter | 08 March 2024 to present | n/a | Terminable by either party on giving 6 months' notice. |
| Trish Stephenson | 29 March 2023 to present | n/a | Terminable by either party on giving 6 months' notice. |
| Jackie Ducker | 24 April 2023 | n/a | Terminable by either party on giving 6 months' notice |
| Jane Hamilton | 22 March 2021 to present | 1 | Terminable by either party giving 3 months' notice |
| Ellie Mason | 31 January 2017 to present | n/a | The Shareholder Director is a senior civil servant at the Department of Health and Social Care and receives no remuneration from the company. There were also no recharges. Any potential conflict of interest is registered and managed in an appropriate way - see Directors' conflicts. |
| Adrian Belton | 4 May 2021 to present | 1 | Adrian Belton's contract has been renewed to 04 May 2026. Either party can give 3 months' notice. |
| Nick Moberly | 4 May 2021 to present | 1 | Nick Moberly's contract has been extended to 04 May 2025. Either party can give 3 months' notice. |
| Mark Lomas | 1 September 2021 to present | 1 | Initial period of 3 years. Either party can give 3 months' notice. |
| Caroline Wehrle | 1 September 2021 to present | 1 | Caroline Wehrle's contract has been extended to 01 September 2027. Either party can give 3 months' notice. |
| Lakh Jemmett | 01 August 2023 to present | 1 | Initial period of 3 years. Either party can give 3 months' notice. |

Term details for Executive and Non-Executive Directors as of 31 March 2024

There are no other service agreements, letters of appointment or material contracts, between the company and any of the Directors. There are no arrangements or understandings between any Director and any other person pursuant to which any Director was selected to serve. There are no family relationships between the Directors.

Remuneration of Board Members (Audited)

| | 2023/24 | 2022/23 |
|--------------------------|---|---------|
| Jane Hamilton | | |
| Salary £'000 | 45-50 | 45-50 |
| Bonus £'000 | Nil | Nil |
| Allowances £'000 | 0-5 | 0-5 |
| Pension benefits £'000 | 3 | 3 |
| Total remuneration £'000 | 50-55 | 50-55 |
| Comments | | |
| Ben Masterson | | |
| Salary £'000 | Nil | Nil |
| Bonus £'000 | Nil | Nil |
| Allowances £'000 | Nil | Nil |
| Pension benefits £'000 | Nil | Nil |
| Total remuneration £'000 | Nil | Nil |
| Comments | Resigned as Shareholder Representative in March 2024 | |
| Eleanor Mason | | |
| Salary £'000 | Nil | N/A |
| Bonus £'000 | Nil | N/A |
| Allowances £'000 | Nil | N/A |
| Pension benefits £'000 | Nil | N/A |
| Total remuneration £'000 | Nil | N/A |
| Comments | Appointed as Shareholder Representative in March 2024 | |
| Nicholas Moberly | | |
| Salary £'000 | 25-30 | 25-30 |
| Bonus £'000 | Nil | Nil |
| Allowances £'000 | Nil | Nil |
| Pension benefits £'000 | Nil | Nil |
| Total remuneration £'000 | 25-30 | 25-30 |
| Comments | Appointed as NED May 2021 | |

| | 2023/24 | 2022/23 |
|--------------------------|---------------------------------|---------|
| Adrian Belton | | |
| Salary £'000 | 25-30 | 25-30 |
| Bonus £'000 | Nil | Nil |
| Allowances £'000 | Nil | Nil |
| Pension benefits £'000 | Nil | Nil |
| Total remuneration £'000 | 25-30 | 25-30 |
| Comments | Appointed as NED May 2021 | |
| Caroline Wehrle | | |
| Salary £'000 | 25-30 | 25-30 |
| Bonus £'000 | Nil | Nil |
| Allowances £'000 | Nil | Nil |
| Pension benefits £'000 | 1 | 1 |
| Total remuneration £'000 | 25-30 | 25-30 |
| Comments | Appointed as NED September 2021 | |
| Mark Lomas | | |
| Salary £'000 | 25-30 | 25-30 |
| Bonus £'000 | Nil | Nil |
| Allowances £'000 | Nil | Nil |
| Pension benefits £'000 | Nil | Nil |
| Total remuneration £'000 | 25-30 | 25-30 |
| Comments | Appointed as NED September 2021 | |
| Lakh Jemmett | | |
| Salary £'000 | 15-20 | N/A |
| Bonus £'000 | Nil | N/A |
| Allowances £'000 | Nil | N/A |
| Pension benefits £'000 | 1 | N/A |
| Total remuneration £'000 | 20-25 | N/A |
| Comments | Appointed as NED August 2023 | |

Remuneration of Executive Directors (Audited)

| | 2023/24 | 2022/23 |
|--------------------------|--|---------|
| Mark Smith | | |
| Salary £'000 | 195-200 | 185-190 |
| Bonus £'000 | 15-20 | 15-20 |
| Allowances £'000 | 15-20 | 15-20 |
| Pension benefits £'000 | 20 | 19 |
| Total remuneration £'000 | 250-255 | 240-245 |
| Comments | Resigned from NHS Property Services Limited Board March 2024 | |
| Martin Steele | | |
| Salary £'000 | 230-235 | 215-220 |
| Bonus £'000 | 30-35 | 25-30 |
| Allowances £'000 | 15-20 | 15-20 |
| Pension benefits £'000 | 19 | 13 |
| Total remuneration £'000 | 295-300 | 275-280 |
| Comments | | |
| Emma Dexter | | |
| Salary £'000 | 15-20 | N/A |
| Bonus £'000 | 0 | N/A |
| Allowances £'000 | 0-5 | N/A |
| Pension benefits £'000 | 1 | N/A |
| Total remuneration £'000 | 15-20 | N/A |
| Comments | Appointed to Board 1 March 2024 | |
| Trish Stephenson | | |
| Salary £'000 | 165-170 | 0-5 |
| Bonus £'000 | 10-15 | 0 |
| Allowances £'000 | 15-20 | 0-5 |
| Pension benefits £'000 | 17 | 1 |
| Total remuneration £'000 | 215-220 | 0-5 |
| Comments | Appointed to Board March 2023 | |

Total Board Directors' remuneration for 2023/24: £1,151,988 (2022/23: £707,806)

Directors' bonuses reported in FY2023/24 were calculated based on 2022/23 targets and paid in June 2023.

The Shareholder Director is a senior civil servant at the Department of Health and Social Care and receives no remuneration from NHS Property Services Limited

The values reported for Emma Dexter have been pro-rated to reflect the remuneration received during their time as a serving board member. The FTE values for Emma Dexter for 23/24 were Salary £185-£190k, Allowances £5-10k and Pension Benefits £19k, resulting in Total remuneration of £210-£220k.

Median Remuneration (Audited)

NHS Property Services Limited are required to disclose the relationship between the remuneration of the most highly paid individual and their organisation and the median earning of the organisation's workforce. The table below details audited median earnings for the company.

Remuneration includes salary, non-consolidated performance related pay, and allowances. It does not include voluntary settlements, employer's pensions contributions and the cash equivalent transfer of pensions. The pay ratio calculations do not include agency workers or non-permanent staff.

| Highest paid Director | 2023/2024 | 2022/2023 |
|---|---------------------|---------------------|
| Mid-point Highest earner's total remuneration | £275,000 - £280,000 | £260,000 - £265,000 |
| % Increase/decrease on previous year | 5.71% | -5.45% |

| Average percentage change taken from workforce as a whole | 2023/2024 | 2022/2023 |
|--|------------|------------|
| Average pay and allowances | £32,810.87 | £29,443.86 |
| % Increase on previous year | 11.44% | 7.70% |
| Average performance related pay (bonus) | £495.30 | £443.61 |
| % Increase on previous year | 11.65% | 2.09% |

| Pay ratios 2023/24 | 25 th percentile pay | Median pay | 75 th percentile pay |
|---|---------------------------------|------------|---------------------------------|
| Percentile of total employee remuneration (excluding highest paid Director) | 22,383 | 23,576 | 36,556 |
| Mid-point of Highest earner's total remuneration | 277,500 | 277,500 | 277,500 |
| Ratio | 12.4 | 11.77 | 7.6 |
| | 12.4:1 | 11.8:1 | 7.6:1 |

This report has been prepared in accordance with the Companies Act 2006.

Independent Auditor's report to the members of NHS Property Services Limited

Opinion on financial statements

I have audited the financial statements of NHS Property Services Limited for the year ended 31 March 2024.

The financial statements comprise NHS Property Services Limited's:

- Statements of Financial Position as at 31 March 2024;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the NHS Property Services Limited's affairs as at 31 March 2024 and its loss for the year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the NHS Property Services Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the NHS Property Services Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the directors' assessment of NHS Property Services Limited's ability to continue to adopt the going concern basis of accounting included assessing working capital, shareholder support, profit forecasts, net asset position and recoverability of debts. Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the NHS Property Services Limited'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.

My responsibilities and the responsibilities of the directors 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 but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the NHS Property Services Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit

- providing the C&AG with unrestricted access to persons within the NHS Property Services Limited from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- preparing the Annual Report, which includes the Directors' Remuneration Report in accordance with the Companies Act 2006; and
- assessing the NHS Property Services Limited'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 directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK)).

My 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 a report that includes my 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the NHS Property Services Limited accounting policies.
- inquired of management, NHS Property Services Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the NHS Property Services Limited's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the NHS Property Services Limited's controls relating to NHS Property Services Limited's compliance with the Companies Act 2006.
- inquired of management, NHS Property Services Limited's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and

- they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant internal and external specialists, including property valuation experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the NHS Property Services Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the NHS Property Services Limited's framework of authority and other legal and regulatory frameworks in which the NHS Property Services Limited operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the NHS Property Services Limited. The key laws and regulations I considered in this context included Companies Act 2006, employment law, pensions legislation, and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Governance Committee and [in-house] legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;

- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my 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 my report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Peter Morland
(Senior Statutory Auditor)
28 November 2024

For and on behalf of the
Comptroller and Auditor
General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Annual Accounts

Statement of comprehensive income

For the year ended 31 March 2024

| | | 2024 | Restated 2023 |
|--|-------|------------------|-----------------|
| | Notes | £000 | £000 |
| Operating revenue | 2 | 807,940 | 750,393 |
| Direct property expenses | 3 | (748,250) | (678,121) |
| Administrative expenses | 4 | (85,595) | (95,178) |
| Other operating expenses | 5 | (16,266) | 5,932 |
| Expected credit loss allowance expense | 12 | (39,947) | (42,964) |
| Operating loss | | (82,118) | (59,938) |
| Finance income | 7 | 2,062 | 1,952 |
| Finance costs | 7 | (98,755) | (32,823) |
| Gain on disposal of property, plant and equipment | | 4,226 | 4,207 |
| Loss before tax from continuing operations | | (174,585) | (86,602) |
| Taxation expense | 8 | - | - |
| Loss for the year | | (174,585) | (86,602) |
| Other comprehensive income, net of income tax | | | |
| <i>Items that will not be recycled to profit and loss:</i> | | | |
| Revaluation of property, plant and equipment | | 106,127 | 234,051 |
| Other comprehensive income, net of income tax | | 106,127 | 234,051 |
| Total comprehensive profit/(loss) for the year | | (68,458) | 147,449 |

The above relates wholly to continuing operations.

Notes 1 to 27 form part of these financial statements.

The prior period has been restated to reflect a change in accounting policy in respect of measuring PFI liabilities and IFRS 16 errors in respect of held over leases and finance lease receivables that is disclosed in Note 27 on pages 140 to 144.

Statement of financial position

As at 31 March 2024

| | | 2024 | Restated 2023 | Restated 1 April 2022 |
|------------------------------------|-------|------------------|------------------|-----------------------|
| | Notes | £000 | £000 | £000 |
| Non-current assets | | | | |
| Property, plant and equipment | 9 | 2,996,834 | 3,024,975 | 2,942,562 |
| Right of Use Assets | 10 | 1,434,013 | 1,448,181 | 1,435,895 |
| Intangibles | | 5,754 | 8,386 | 9,170 |
| Trade and other receivables | 12 | 105,682 | 97,686 | 104,569 |
| | | 4,542,283 | 4,579,228 | 4,492,196 |
| Current assets | | | | |
| Trade and other receivables | 12 | 291,292 | 298,205 | 301,113 |
| Cash and cash equivalents | | 121,861 | 141,941 | 172,842 |
| | | 413,153 | 440,146 | 473,955 |
| Assets classified as held for sale | 13 | 20 | 20 | 2,190 |
| Total assets | | 4,955,456 | 5,019,394 | 4,968,341 |
| Current liabilities | | | | |
| Trade and other payables | 14 | 186,024 | 185,075 | 155,245 |
| Borrowings | 15 | 124,171 | 54,035 | 83,018 |
| Provisions | 16 | 23,503 | 22,993 | 12,464 |
| | | 333,698 | 262,103 | 250,727 |
| Non-current liabilities | | | | |
| Trade and other payables | 14 | 15,450 | 13,138 | 14,675 |
| Borrowings | 15 | 1,119,460 | 1,176,242 | 1,210,747 |
| Provisions | 16 | 43,617 | 50,566 | 98,285 |
| | | 1,178,527 | 1,239,946 | 1,323,707 |
| Total liabilities | | 1,512,225 | 1,502,049 | 1,574,434 |
| Net assets | | 3,443,231 | 3,517,345 | 3,393,907 |
| Equity | | | | |
| Share capital | 18 | 274,632 | 259,841 | 259,841 |
| Retained earnings | | (1,464,592) | (1,324,444) | (1,275,148) |
| Revaluation reserve | | 1,644,875 | 1,573,257 | 1,376,512 |
| Capital contribution reserve | 19 | 2,988,316 | 3,008,691 | 3,032,702 |
| Total equity | | 3,443,231 | 3,517,345 | 3,393,907 |

Notes 1 to 27 form part of these financial statements.

The prior period has been restated to reflect a change in accounting policy in respect of measuring PFI liabilities and IFRS 16 errors in respect of held over leases and finance lease receivables that is disclosed in Note 27 on pages 140 to 144.

These financial statements were approved by the Board of Directors on 28 November 2024 and signed on its behalf by:



Emma Dexter
Interim Chief Financial Officer
NHS Property Services Limited

28 November 2024

Company Registered Number: 07888110

Statement of cash flows

For the year ended 31 March 2024

| | | 2024 | Restated 2023 |
|---|--------|------------------|------------------|
| | Notes | £000 | £000 |
| Operating Activities | | | |
| Loss for the year | | (174,585) | (86,602) |
| Adjustments for Non-cash Transactions: | | | |
| (Gain)/loss on disposal of Property, Plant and Equipment | | (4,226) | (4,207) |
| Depreciation and Amortisation | 9,10 | 264,563 | 254,383 |
| PFI Liability FReM annual remeasurement | 7 | 60,351 | 34,854 |
| Indexation of Property, Plant and Equipment adjustment | | (72) | - |
| Movement on Provisions and Write-offs | 16 | (27,827) | (49,174) |
| Expected Credit Loss on Receivables | 12 | 39,947 | 42,964 |
| Impairments of Non-current Assets | 5 | 21,554 | (17,589) |
| Working Capital Adjustments: | | | |
| Interest Received (shown below) | 7 | (2,062) | (1,952) |
| Interest Paid (shown below) | 7 | 44,651 | 40,428 |
| (Increase)/decrease in Trade and Other Receivables | 12 | 1,877 | (14,763) |
| Increase/(decrease) in Trade and Other Payables | 14 | 100 | 31,332 |
| Increase/(decrease) in Tax Payable | 12, 14 | 1,042 | 109 |
| Provisions Utilised | 16 | (4,996) | (1,324) |
| Net cash inflow from operating activities | | 220,317 | 228,459 |
| Investing activities | | | |
| Interest Received | 7 | 2,062 | 1,952 |
| (Payments) for Property, Plant and Equipment | | (141,011) | (142,255) |
| Proceeds from disposal of Property, Plant and Equipment | | 37,003 | 32,135 |
| Net cash (outflow) from Investing Activities | | (101,946) | (108,168) |
| Financing Activities | | | |
| Increase/(decrease) in Loans | 15 | 30,000 | - |
| Capital element of Payments in respect of Leases and PFI | | (123,800) | (110,764) |
| Interest Paid | 7 | (44,651) | (40,428) |
| Share Issue | 18 | - | - |
| Net cash (outflow) from Financing Activities | | (138,451) | (151,192) |
| Decrease in Cash and Cash Equivalents for the year | | (20,080) | (30,901) |
| Cash and Cash Equivalents at start of year | | 141,941 | 172,842 |
| Cash and Cash Equivalents at end of year | | 121,861 | 141,941 |

Notes 1 to 27 form part of these financial statements.

The prior period has been restated to reflect a change in accounting policy in respect of measuring PFI liabilities and IFRS 16 errors in respect of held over leases and finance lease receivables that is disclosed in Note 27 on pages 140 to 144.

Statement of changes in equity

For the year ended 31 March 2024

| | Share capital | Retained earnings | Capital Contribution Reserve | Revaluation Reserve | Total |
|---|------------------|----------------------|------------------------------------|------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2023 | 259,841 | (1,324,444) | 3,008,691 | 1,573,257 | 3,517,345 |
| Total comprehensive income for the period | | | | | |
| Retained profit/(loss) for the year | - | (174,585) | - | - | (174,585) |
| Net gain/(loss) on revaluation of property, plant and equipment | | | | 106,127 | 106,127 |
| Transfers between reserves | | 34,509 | | (34,509) | - |
| Transfers and adjustments | | (72) | (20,375) | | (20,447) |
| Other comprehensive income | | | | | - |
| Total comprehensive loss for the period | - | (140,148) | (20,375) | 71,618 | (88,905) |
| Transactions with owners, recorded directly in equity | | | | | |
| Issue of shares | 14,791 | - | - | - | 14,791 |
| Total contributions by owners | 14,791 | - | - | - | 14,791 |
| Balance at 31 March 2024 | 274,632 | (1,464,592) | 2,988,316 | 1,644,875 | 3,443,231 |

| | Share capital | Retained earnings | Capital Contribution Reserve | Revaluation Reserve | Total |
|---|------------------|----------------------|------------------------------------|------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2022 (Restated) | 259,841 | (1,275,148) | 3,032,702 | 1,376,512 | 3,393,907 |
| Total comprehensive income for the period | | | | | |
| Retained profit/(loss) for the year | - | (86,602) | - | - | (86,602) |
| Net gain/(loss) on revaluation of property, plant and equipment | - | - | - | 234,051 | 234,051 |
| Transfers between reserves | - | 37,306 | - | (37,306) | - |
| Transfers and adjustments | - | - | (24,011) | - | (24,011) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the period | - | (49,296) | (24,011) | 196,745 | 123,438 |
| Transactions with owners, recorded directly in equity | | | | | |
| Issue of shares | - | - | - | - | - |
| Total contributions by owners | - | - | - | - | - |
| Balance at 31 March 2023 (Restated) | 259,841 | (1,324,444) | 3,008,691 | 1,573,257 | 3,517,345 |

Notes 1 to 27 form part of these financial statements.

The prior period has been restated to reflect a change in accounting policy in respect of measuring PFI liabilities and IFRS 16 errors in respect of held over leases and finance lease receivables that is disclosed in Note 27 on pages 140 to 144.

Notes to the Financial Statements

Note 1 - Accounting policies

Corporate information

NHS Property Services Limited (“the company”) is incorporated and domiciled in the UK. The company’s registered office is at Regent House, Heaton Lane, Stockport, Cheshire, United Kingdom, SK4 1BS.

The company was incorporated on 20 December 2011. However, it did not start trading until 1 April 2013. The company is wholly owned by the Secretary of State for Health and Social Care. The parent entity is the Department of Health and Social Care.

The principal activities of the company are to manage, maintain and improve NHS properties and facilities, working in partnership with NHS organisations to create safe, efficient, sustainable and modern healthcare and working environments.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except where modified by the revaluation of land and buildings measured at fair value.

The company’s financial statements are presented in sterling, which is the company’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Statement of compliance

The company’s financial statements have been prepared under International Financial Reporting Standards (“IFRS”) as adopted by the European Union and applied in accordance with the Companies Act 2006.

Going concern

The financial statements have been prepared on a going concern basis as the Directors consider that there are no material uncertainties about the company’s ability to continue as a going concern.

NHS Property Services Limited's going concern status for 2023/24 is supported by its strong liquidity position with £172 million net current assets, access to a £250 million loan facility from the Department of Health and Social Care with £220 million remaining available, robust cash flow projections showing over £100 million in cash balances through March 2026, the ongoing financial support from its parent DHSC which has indemnified funding shortfalls, and its substantial £3.4 billion net asset position derived mainly from its £3 billion property portfolio. While the company is forecasting operating deficits driven largely by depreciation charges, this is not expected to significantly impact cash flows or future viability, as the deficits relate primarily to non-cash expenses. Despite budgeting an operating loss in 2024/25 driven by depreciation, the company's overall financial health, financing access, cash flows, and asset backing mitigate any significant going concern risks.

The company is wholly owned by the Secretary of State for Health and Social Care who has given an undertaking that supports the ‘going concern’ view of the company. Specifically, an indemnity has been issued that commits the Secretary of State for Health and Social Care to provide funding, in the event of other sources of income being insufficient, for all property related liabilities and obligations either inherited by the company or which arise in relation to future projects.

The Directors have a reasonable expectation that the company has adequate resources

to continue in operational existence for the foreseeable future. As such, the financial statements have been prepared on a going concern basis.

Standards adopted during the year

IFRS 17 Insurance Contracts is effective for annual reporting periods beginning on or after 1 January 2023. This standard predominantly affects companies that write insurance contracts therefore it does not have any impact on NHS Property Services Limited.

Standards in issue but not effective

At the date of authorisation of the financial statements, the following New Standards - IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures were in issue but not yet effective as IFRS S1 and S2 are effective for annual reporting periods beginning on or after 1 January 2024.

Significant accounting policies

a. Leases

Leases are recognised under the leasing standard IFRS 16, applied on the 1 April 2019.

The company as lessee

Under IFRS 16 leases are recognised as a right of use asset with a corresponding lease liability on the balance sheet. The asset and liability are initially and subsequently measured using the cost model. Each lease payment is allocated between a reduction of the liability and the interest expense. The interest expense is charged to the Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each

period. The right of use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight line basis.

The company has applied the exemption for short-term leases (less than 12 months) and low value assets. In these cases, the leases are accounted for as short-term leases and the lease payments associated with them are recognised as an expense from short-term leases.

The company as lessor

Amounts due from lessees under leases are recorded as receivables at the amount of the company’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company’s net investment outstanding in respect of the leases. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Contingent rentals are recognised as revenue when earned.

b. Income

Revenue is recognised to the extent that performance has been provided and it is probable that economic benefits will flow to the company which can be reliably measured. Revenue is measured at the fair value of the consideration receivable.

The main source of revenue for the company is from rental income, the provision of facilities management and service charges. Rental income is outside the scope of IFRS 15 and is reported under IFRS 16.

Revenue has been disaggregated by major service line. The company typically satisfies performance obligations as services are rendered. There are no significant financing components of any contracts carried out. Due to the nature of the services provided, revenue relates to services provided in the financial year, therefore no contract assets or liabilities arise. As contracts run in line with the financial year, there are no unsatisfied obligations at

the year end. There are no obligations for warranties, refunds, returns or any other related obligations. For all revenue streams, cash flows match the provision of services and a receivable is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the company. The below table describes the revenue from contracts.

Sessional Space income is included in rental income and relates to the use of space by customers, on an ad hoc basis. Users of sessional space are billed based on the time and amount of space they use. Revenue is recognised over time as the customer simultaneously receives and consumes all of the benefits provided therefore satisfying the performance obligation.

| Services | Nature, timing of satisfaction of performance obligations and significant payment terms |
|-------------------------------------|---|
| Facilities Management Income | Facilities management (FM) income relates to FM services carried out within the space that the customer is occupying. In most instances these are billed to customers upon completion of the service. If there is a formal contract in place, these charges follow the same principle as service charge income and are recognised over time as the customer simultaneously receives and consumes the benefits provided. |
| Service Charge Income | This represents service charges that arise on multi-tenanted properties and covers costs relating to the common parts, shared areas and services. Service charges are normally outlined in the relevant lease. Revenue is recognised over time, in line with the overall lease rental revenue as the customer simultaneously receives and consumes all of the benefits provided by the company as they are performed. Cash flows relating to this revenue stream match the provision of services rendered and are recognised as a receivable when the amount can be reliably measured, and it is probable that future economic benefits will flow to the company. |
| Management Fees | Management fees are charged on top of the cost that is passed onto tenants on rent, service charges, FM and additional sums, based on the charging policy. These follow the pattern of the income they relate to and are covered in the above categories, either being recognised over time or upon completion of the service. |
| Capital funding income | The company receives grants in order to carry out capital investment in its own premises to support the provision of healthcare. The company has adopted the deferred income model per IAS 20 to account for these grants, whereby deferred income from the grant is credited to the Statement of Comprehensive Income in a pattern equal to the consumption of value of the capital investment created by the grant. |
| Other Fees and Charges | Other income is primarily made up of catering income, car park income and other invoices. These contracts tend to be ad hoc and relate to specific goods or services. The transaction price is determined in the contract and is recognised at the point in time when the customer takes possession of the asset. Cash flows match the provision of services and a receivable is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the company. |

c. Finance income and expenses

Finance income is mainly comprised of interest income on lease receivables.

Finance costs are comprised of interest payable on borrowings, lease and Private Finance Initiatives (PFI) liabilities. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

d. Other expenses

Operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

e. Financial assets

Specialist buildings, for which there is no external market, are valued at depreciated replacement cost. Land and non-specialist buildings are valued at fair value, interpreted as market value for existing use.

Financial assets are initially recognised at fair value.

Financial assets are derecognised when the contractual rights have expired, or the asset has been transferred.

Cash and cash equivalents

Cash and cash equivalents are defined as cash balances with original maturities of three months or less. The company has no other investments with banks or bank overdrafts.

Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Further information on trade receivables is included in note 1q).

f. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Assets which are being actively marketed, but where the sale is unlikely to complete within one year are recognised in line with IAS 16. Information on a potential sale price is considered as part of the fair value assessment of those properties.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Comprehensive Income. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

The gain or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income.

g. Property, plant and equipment

Recognition and measurement

Property, plant and equipment asset classes predominantly consist of land, buildings, plant and equipment and furniture and fittings.

The company has recognised its property, plant and equipment in accordance with IAS 16.

Land is measured at fair value, and buildings are measured at fair value less accumulated

depreciation and impairment losses unless they are considered to be specialist buildings, for which there is no external market and are therefore valued at depreciated replacement cost. However, where an external market has been established for specialist buildings, or a more appropriate measure of market value is available for land and non-specialist buildings, then this source of information will be used for valuation purposes.

Buildings are considered specialised where they are constructed, laid out and/or contain specialised plant and engineering services, specifically to deliver healthcare services (including, where applicable, ancillary support services to healthcare).

Non-specialised buildings are generally office accommodation or residential accommodation.

Leasehold improvements, which are a separate class of asset to Buildings are measured at cost, less accumulated depreciation and impairment losses. Where leasehold improvements form part of a finance lease arrangement with a lessee as described in note 1q), these assets are reclassified to ROU assets before derecognition as the risk and rewards of the asset transfer to the lessee.

Assets under construction and development scheme work in progress are carried at cost. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. An impairment review is performed when the asset is ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for intended use.

All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Revaluation

Land and buildings, including PFI, are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.

The company has adopted a 5 year rolling programme of revaluations across its portfolio.

The company has adopted the following bases of valuation:

- Specialised buildings – depreciated replacement cost (modern equivalent asset)
- Land and non-specialised buildings – market value (existing use value)

Within this programme approximately 40% of properties are revalued each year. In the current year we applied indexation to the non-valued DRC and EUV element of the portfolio. Additional indexation was also applied to the valued DRC building element of the portfolio to reflect movements in the BCIS used in the valuation to ensure the portfolio was held at fair value at reporting date.

The revaluation results for an asset are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the profit or loss. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then recognised in other comprehensive income.

Right of Use (ROU) assets including leases provided to the company on a peppercorn basis, excluding PFIs, are held under the cost model.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that service potential associated with the item will

flow to the company and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Income as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the net carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to retained earnings.

Impairment

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for indicators of impairment as at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the company shall estimate the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is treated as a revaluation decrease (see above).

For assets not carried at a revalued amount, the impairment loss is recognised in the profit or loss.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than non-leased land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Where the useful lives and associated depreciation rates of major classes of property, plant, and equipment have not been advised by our external property valuers, or are not estimated based on the leased asset to which they relate, they have been estimated as follows:

| | |
|-------------------------------|---------------|
| Buildings: | |
| • Buildings main structure | 10 – 60 years |
| • Engineering works | 10 – 25 years |
| • External works | 10 – 50 years |
| Plant and equipment | 5 – 15 years |
| Furniture and fittings | 5 – 10 years |

Depreciation is charged monthly, and additions are depreciated from the date they are brought in to use.

h. Intangible Assets

Intangible non-current assets are non-monetary assets without physical substance that are capable of sale separately from the rest of the company's business or arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the company; where the cost of the asset can be measured reliably; and where the cost is at least £5,000. Intangible non-current assets acquired separately are initially recognised at cost. Software that is integral to the operation of hardware is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware is capitalised as an intangible asset. Following initial recognition, intangible assets are amortised over their useful lives determined to be a minimum of two years and maximum of five years. Intangible assets are carried at depreciated historic cost as a proxy for fair value.

i. Private Finance Initiatives (PFI) transactions

The company accounts for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The company therefore recognises the PFI asset as a right of use asset, together with a liability to pay for it. The fair values of services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- Service charge
- Repayment of capital
- Interest element (using the interest rate implicit in the contract)

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within operating expenses.

Assets

The assets are measured initially at the present value of the minimum lease payments, and subsequently measured at fair value. These transactions fall within the scope of IFRIC 12 and are therefore not within the scope of IFRS 16. PFI assets are shown under Right of Use assets for disclosure purposes only.

Where the operator enhances assets already recognised in the Statement of Financial Position, the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Where the PFI asset is owned by the PFI company and the company has an option to purchase the asset at the end of the term, the company has assumed that this option would be exercised. The asset is held as a financial instrument which is off-set against the lease

liability and depreciated for the length of the contract period.

Liabilities

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the present value of the minimum lease payments and is subsequently measured as a lease liability with reference to the "Accounting for PPP arrangements, including PFI contracts, under IFRS" guidance outlined in the Financial Reporting Manual (FReM) for grantors.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period and is charged to finance costs within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Lifecycle replacement

An element of the unitary fee payment is allocated to lifecycle replacement costs. This is considered to be an expense when it is paid, with any changes to asset valuations being made through our programme of professional valuations.

IFRS 16 does not provide explicit guidance regarding Private Finance Initiatives (PFIs). Consequently, the application of IFRS 16 to PFI's has been conducted in accordance with the directives outlined in the Financial Reporting Manual (FReM).

j. Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the company becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

The company has financial liabilities, comprising

finance lease liabilities, PFI liabilities, loans and trade and other payables.

Trade and other payables

Trade and other payables are recorded at their face value.

Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method.

k. Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

l. Superannuation schemes

Defined benefit scheme

Employees who have been TUPE transferred over to the company are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the company commits itself to the retirement, regardless of the method of payment.

Defined contribution plan

Employees who join the company on or after 1 April 2013 are automatically enrolled into the Scottish Widows group personal pension scheme. This is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

m. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that the company will be required to settle the 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 expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where the effect is material, when a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rates as set by HM Treasury's annual Public Expenditure System paper (PES) as the basis plus inflation. The PES rates have been used as these best reflect the market and risks specific to NHS Property Services Limited.

Dilapidations

For a number of the company's leased premises, the company is required at the expiry of the lease term to make good any damage caused to the premises and to remove any furniture and fittings installed by the company. Refer to note 16 for more information.

Restructuring

A restructuring provision is recognised when the company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

n. Equity and reserves

Share capital

Ordinary share capital is classified as equity.

Retained Earnings

Retained earnings represents the cumulative earnings of the business over time.

Capital contribution

The capital contribution reserve is not a distributable reserve and cannot be applied to fund expenditure. This is in line with section 830(2) of the Companies Act 2006, as this reserve does not consist of realised profits. The reserve reflects the value of assets transferred to the company at nil cost by NHS entities. Where further information is subsequently identified about the value of the assets at the date of transfer the reserve is adjusted to reflect this.

Revaluation Reserve

The revaluation reserve captures unrealised gains or losses from asset revaluations. It reflects changes in fair value of assets and is recorded in the equity section. The purpose of this reserve is for increased transparency, capital maintenance, comparability, and compliance with distribution restrictions.

o. Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. A contingent asset is disclosed where an inflow of economic benefits is probable.

p. Taxation

Corporation tax

Tax on the Statement of Comprehensive Income for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the

temporary difference can be utilised.

Value added tax (VAT)

Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT. Where input tax is not recoverable, VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

q. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in the key accounting policies above and in the Accounting Policies in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 to be 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 it affects only that period or in the period and future periods if it affects both current and future periods.

Critical accounting judgements

The following are the critical accounting judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

IFRS16

Significant judgements applied include the methodology underlying the incremental borrowing rate for the company. Having significant numbers of commercial entities as the lessor counterparty, as a lessee it is not readily possible to determine the interest rate implicit in a lease. The discount rates applied as of the transition date are predominantly based

on the company's incremental borrowing rate. The weighted average discount rate was 1.46% on the existing stock of leases. In determining an incremental borrowing rate the company considers that it secures borrowing exclusively from its parent: the Department for Health and Social Care. Any hypothetical borrowing which would be secured to finance purchase of leased assets rather than lease them would have been secured at the current weighted average discount rate of 4.72% for the period 1st January to 31st March 2024 and 3.51% for the period 1st April to 31st December 2023. These rates are derived from the rates promulgated and set annually by HM Treasury in a PES paper.

As a lessee, held over leases are headleases where the original contract has expired but the premises remains occupied by the lessee and rental payments continue to be made to the lessor. These leases are initially recognised at the point of contract expiry and remeasured at reporting date when the term length is reassessed using the latest available discount rate for each valuation. In lieu of an active contract, informal terms or the terms of previously concluded leases are followed as a best estimate of tenure as this length has been stable in recent years. For this purpose, the held over lease population has been split into three categories in accordance with NHS England guidance.

The assessment of this categorisation is based on scoring of the property's quality, fitness for purpose, future proofing and clinical strategy as shown below:

- **Core** – Good quality, fit-for-purpose and future-proof estate that aligns with the long-term plan and Integrated Care Systems' clinical strategy.
- **Flex** – Estate that is of an acceptable quality, or provides unique access to services, but that does not fully enable the ambitions of the long-term plan.
- **Tail** – Poor quality estate that is not fit-for-purpose or for patient-facing services and should be phased out when alternative estate is available.

To account for these headleases under IFRS 16, each category has been assigned an estimated lease term based on historic lease additions and

renewal term lengths: Core, 10 years; Flex, 7 years; Tail, 0 years. This judgement is aligned with the IFRS 16 requirement for lessee's to identify where a lease exists and assess the enforceable term, including any reasonably certain intention to exercise an extension option. The value of these held over leases are recognised as a right of use asset and lease liability.

As a lessor, where the company has entered into finance lease arrangements the readily available rate implicit in the leases is used. The judgement criteria for determining whether as a lessor, there exists a finance sublease, is the proportion of the headlease term that is covered by the sublease arrangement. The company determines that a period greater than or equal to 75% of the headlease term should be a necessary qualifying criterion.

Property, plant and equipment

98% of the building portfolio is valued on a depreciated replacement cost (DRC) basis, the inputs for this process are described in note 9. The valuation is built up on the basis of each asset having a modern equivalent asset derived from building surveys and cost indices from the build cost information service (BCIS), the type or class of building, the age and minimum and maximum age of a building as well as consideration for the overall condition of the building. These inputs mean the building values are sensitive to a number of areas of estimation including the following:

- **Build cost information service (BCIS) indices**

BCIS cost indices are used as input within the DRC valuation as described in note 9. BCIS are derived from historic build cost data and judgement is required to apply the correct index based on the build type and location. NHS Property Services Limited relies on expert input for the application of the indices.

- **Useful economic life**

NHS Property Services Limited makes assumptions about minimum and maximum building ages as well as our valuation experts relying on historic information and asset surveys to determine building ages, this is further

outlined in note 1g. These inputs are used to derive a building's useful economic life which when considered with the modern equivalent asset value informs the depreciated replacement cost.

- **Building type classification**

Each building must be assigned a building type which informs other variables such as the BCIS index to use or the useful economic life. This classification is an area of judgement where NHS Property Services Limited relies on expert input.

Impairment of Receivables

NHS Property Services Limited uses the simplified approach available under IFRS 9 for short-term trade receivables, employing a provision matrix to calculate the expected credit loss allowance. The company impairs trade receivables based on an assessment of their recoverability.

Impairments are applied to receivables where events or circumstances indicate that the carrying amounts may not be recoverable. Management specifically assesses the recoverability of receivables for each customer as follows:

1. Each customer is assigned a risk rating that assesses the likelihood of default.
2. For NHS customers, the risk rating is based on management's judgment and previous experience.
3. For non-NHS customers, the risk rating incorporates external credit risk ratings in addition to management's assessment.
4. A recovery percentage based on the age of debt and risk rating is then applied to determine the expected credit loss.

This approach ensures that the company's credit risk management practices align with the requirements of IFRS 9 and provide a comprehensive assessment of expected credit losses for trade receivables.

Management considers a trade receivable to have no reasonable expectation of recovery when one or more of the following indicators are present:

- The customer is experiencing significant financial difficulty.
- The customer has filed for bankruptcy or other financial reorganisation.
- Legal actions to recover the debt have been unsuccessful or deemed unlikely to succeed.

The company defines default for trade receivables as when the customer has filed for bankruptcy or other financial organisations. These definitions were selected based on the company's historical experience with payment patterns and the different risk profiles of NHS and non-NHS customers.

When an amount is deemed irrecoverable, the balance is written off, using management judgement on a case-by-case basis.

The company has assessed its lease receivables, which are recognised where it acts as a lessor and that lease is a finance lease, for lifetime expected credit losses and in management's view no impairment to these receivables is required. These lease receivables represent arrangements where the transfer of risks and rewards are clear under the terms of a lease. Unlike other occupancy arrangements the company may hold with customers, based on management's previous experience, these payments are regularly received without delinquency.



Note 2 – Operating revenue

The following is an analysis of the company's revenue for the year from continuing operations.

| | 2024 | Restated 2023 |
|---|----------------|----------------|
| | £000 | £000 |
| Rental income | 290,741 | 292,788 |
| Facilities management and service charge income | 355,376 | 313,520 |
| Other fees and charges | 6,772 | 6,529 |
| Capital Funding Income | 20,055 | 16,443 |
| PFI Income | 134,996 | 121,113 |
| | 807,940 | 750,393 |

| | 2024 | Restated 2023 |
|---------------------------------------|----------------|----------------|
| | £000 | £000 |
| Revenue from Contracts with Customers | 517,199 | 457,605 |
| Other Revenue | 290,741 | 292,788 |
| | 807,940 | 750,393 |

The company does not have any contract assets or liabilities arising from contracts with customers.

The balance as at 31 March 2024 of receivables from contracts with customers is £302m (2023: £272m).

Please see note 27 for further information on restatement.

Note 3 – Direct property expenses

| | | 2024 | Restated 2023 |
|---|------|----------------|----------------|
| | Note | £000 | £000 |
| Depreciation of property, plant and equipment | 9 | 159,386 | 150,876 |
| Depreciation of right of use assets | 10 | 99,916 | 97,451 |
| Amortisation | | 2,999 | 3,743 |
| Rental expense | | 28,399 | 28,597 |
| Lease contingent rent expense | | 12,100 | 11,616 |
| Facilities management | | 160,202 | 145,380 |
| Utilities | | 76,132 | 54,105 |
| Rates | | 38,297 | 37,599 |
| Repairs, maintenance and insurance | | 29,228 | 23,832 |
| External construction costs | | 20,168 | 16,064 |
| Staff Costs | 6 | 118,751 | 106,445 |
| Legal and Professional | | 2,672 | 2,413 |
| | | 748,250 | 678,121 |

Please see note 27 for further information on restatement.

Note 4 – Administrative expenses

| | | 2024 | 2023 |
|---|------|---------------|---------------|
| | Note | £000 | £000 |
| Staff costs | 6 | 63,854 | 69,551 |
| Legal and professional fees | | 4,345 | 7,541 |
| Chairman and non-executive directors' costs | | 209 | 221 |
| External audit fees | | 550 | 481 |
| Internal audit fees | | 176 | 172 |
| Other professional fees | | 88 | 93 |
| Depreciation of property, plant and equipment | 9 | 995 | 932 |
| Amortisation | | 1,267 | 1,381 |
| Office Costs | | 4,660 | 4,434 |
| Software, Systems and Maintenance | | 6,873 | 5,774 |
| Other administrative expenses | | 2,578 | 4,598 |
| | | 85,595 | 95,178 |

Note 5 – Other operating expenses

| | | 2024 | 2023 |
|--|------|---------------|----------------|
| | Note | £000 | £000 |
| Impairment (reversal) of property, plant and equipment | | 21,554 | (17,589) |
| Dilapidations movements | | (6,164) | 1,686 |
| Doubtful Debt movements | | (752) | 4,211 |
| Other | | 1,628 | 5,760 |
| | | 16,266 | (5,932) |

Further detail on impairment of property, plant and equipment, included within Note 9.

Note 6 – Staff costs

| | 2024 | 2023 |
|---|----------------|----------------|
| | £000 | £000 |
| Wages and salaries | 153,733 | 151,566 |
| Agency staff costs | 3,901 | 1,442 |
| Social security costs | 15,105 | 13,587 |
| Contributions to defined contribution plans | 9,866 | 9,401 |
| | 182,605 | 175,996 |

Directors remuneration is disclosed in the remuneration report on page 86.

Staff costs is included in both Direct Property Expenses £118,751k (2023: £106,445k) and Administrative Expenses £63,854k (2023: £69,551k)

Employee pension costs have been reclassified to wages and salaries from contributions to defined contribution plans.

Average Number

The monthly average number of staff employed by the company (including directors) during the year was:

| | Headcount | Headcount |
|------------------|--------------|--------------|
| | 2024 | 2023 |
| Permanent staff | 5,483 | 5,722 |
| Contractor staff | 24 | 23 |
| | 5,507 | 5,745 |

Note 7 – Finance income and costs

| | 2024 | Restated 2023 |
|--|---------------|---------------|
| | £000 | £000 |
| Finance income | | |
| Interest on Leases | 2,049 | 1,919 |
| Interest income | 13 | 33 |
| | 2,062 | 1,952 |
| Finance costs | | |
| Interest on loans | 210 | - |
| Interest on obligations under PFI contracts and Leases | 104,792 | 75,282 |
| Unwinding of discounts on provision | (6,247) | (42,459) |
| | 98,755 | 32,823 |

Please see note 27 for further information on restatement.

Note 8 – Corporate tax

| | 2024 | Restated 2023 |
|--|------|---------------|
| | £000 | £000 |
| Recognised in the statement of comprehensive income | | |
| Current tax expense | | |
| In respect of the current year | - | - |
| In respect of prior years | - | - |
| | - | - |

The corporation tax expense for the year can be reconciled to the accounting profit as follows:

| Reconciliation of effective tax rate | | |
|---|-----------|----------|
| Loss before tax from continuing operations | (174,585) | (86,602) |
| Corporation tax expense/(Credit) calculated at 19% (2023:19%) | (33,171) | (16,454) |
| Effect of income that is exempt from taxation | 803 | 799 |
| Effect of expenses that are not deductible in determining taxable profits | 25,540 | 16,568 |
| Unutilised losses for which no deferred tax asset has been provided | 6,828 | (913) |
| | - | - |

As at 31 March 2024, the company has a corporation tax receivable of £Nil (2023: £Nil). The company has unrecognised deferred tax assets of £6,931k (2023: £3,836k).

The Loss before tax from continuing operations has been restated. Please see note 27 for further information on restatement.

Note 9 – Property, plant and equipment

| | Land | Buildings | Leasehold improvements | Assets under construction | Development schemes work in progress | Plant and equipment | Furniture and fittings | Total |
|---|------------------|------------------|------------------------|---------------------------|--------------------------------------|---------------------|------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost as at 1 April 2023 | 1,112,158 | 1,565,579 | 252,058 | 207,182 | - | 9,704 | 1,737 | 3,148,418 |
| Reclassifications | 3,788 | 154,192 | 7,734 | (203,050) | 11,560 | - | - | (25,776) |
| Additions | 105 | 263 | (80) | 148,893 | 2,066 | 885 | - | 152,132 |
| Revaluation increase | 16,920 | 90,410 | (96) | - | - | - | - | 107,234 |
| Disposals | - | - | - | (53) | - | - | - | (53) |
| In year transfer to / from other bodies and other transfers | (7,993) | (19,515) | - | - | - | (29) | - | (27,537) |
| Impairment | (95,490) | (105,181) | (4,735) | 786 | (702) | (104) | (2) | (205,428) |
| Reclassifications to assets held for sale | (23,723) | (8,572) | (860) | - | - | - | - | (33,155) |
| As at 31 March 2024 | 1,005,765 | 1,677,176 | 254,021 | 153,758 | 12,924 | 10,456 | 1,735 | 3,115,835 |
| Depreciation as at 1 April 2023 | 9 | 4,496 | 111,184 | - | - | 6,089 | 1,665 | 123,443 |
| Reclassifications | - | - | (15,178) | - | - | - | - | (15,178) |
| Charged during the year | - | 144,586 | 14,372 | - | - | 1,420 | 3 | 160,381 |
| Revaluation | - | (129,722) | (545) | - | - | - | - | (130,267) |
| Disposals | - | - | - | - | - | - | - | - |
| In year transfer to / from other bodies and other transfers | - | (1,129) | - | - | - | (18) | - | (1,147) |
| Impairment | - | (14,298) | (3,831) | - | - | (101) | (1) | (18,231) |
| Reclassifications to / from assets held for sale | - | - | - | - | - | - | - | - |
| As at 31 March 2024 | 9 | 3,933 | 106,002 | - | - | 7,390 | 1,667 | 119,001 |
| Net book value as at 31 March 2024 | 1,005,756 | 1,673,243 | 148,019 | 153,758 | 12,924 | 3,066 | 68 | 2,996,834 |

Depreciation of property plant and equipment is included in both direct property expenses £159,386k (2023: £150,876k) and Administrative Expenses £995k (2023: £932k).

Note 9 – Property, plant and equipment (continued)

| | Land | Buildings | Leasehold improvements | Assets under construction | Development schemes work in progress | Plant and equipment | Furniture and fittings | Total |
|---|------------------|------------------|------------------------|---------------------------|--------------------------------------|---------------------|------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost as at 1 April 2022 | 1,134,342 | 1,492,056 | 243,047 | 175,550 | - | 7,022 | 1,737 | 3,053,754 |
| Reclassifications | - | 114,409 | - | (114,409) | - | - | - | - |
| Additions | - | (1,502) | 144 | 147,397 | - | 3,196 | - | 149,235 |
| Revaluation increase | 33,958 | 60,420 | - | - | - | - | - | 94,378 |
| Disposals | - | - | - | (1,356) | - | - | - | (1,356) |
| In year transfer to / from other bodies and other transfers | (9,598) | (14,003) | - | - | - | (235) | - | (23,836) |
| Impairment | (19,086) | (58,721) | (5,629) | - | - | (279) | - | (83,715) |
| Reclassifications to / from assets held for sale | (27,458) | (27,080) | 14,496 | - | - | - | - | (40,042) |
| As at 31 March 2023 | 1,112,158 | 1,565,579 | 252,058 | 207,182 | - | 9,704 | 1,737 | 3,148,418 |
| Depreciation as at 1 April 2022 | 9 | 3,508 | 100,964 | - | - | 5,049 | 1,662 | 111,192 |
| Reclassifications | - | - | - | - | - | - | - | - |
| Charged during the year | - | 136,738 | 13,579 | - | - | 1,488 | 3 | 151,808 |
| Revaluation | - | (133,287) | - | - | - | - | - | (133,287) |
| Disposals | - | - | - | - | - | - | - | - |
| In year transfer to / from other bodies and other transfers | - | (274) | - | - | - | (210) | - | (484) |
| Impairment | - | (2,189) | (3,359) | - | - | (238) | - | (5,786) |
| Reclassifications to / from assets held for sale | - | - | - | - | - | - | - | - |
| As at 31 March 2023 | 9 | 4,496 | 111,184 | - | - | 6,089 | 1,665 | 123,443 |
| Net book value as at 31 March 2023 | 1,112,149 | 1,561,083 | 140,874 | 207,182 | - | 3,615 | 72 | 3,024,975 |

Note 9 – Property, plant and equipment (continued)

In the year ended 31 March 2024 44% of the company's freehold land and buildings by value underwent a valuation review. The company obtains valuations performed by external property valuers, Montagu Evans LLP, in order to determine the fair value of its land and building portfolio. The effective date of the revaluation is 31 March 2024.

Total impairment charge in the year per Note 5 is £21,554k (2023: £(17,589)k), due to revaluation upwards £44,408k (2023: £51,378k) and revaluation downwards £65,962k, (2023: £33,789k).

All valuations are undertaken in accordance with the following Standards:

- International Financial Reporting Standards published by the International Accounting Standards Board;
- Valuation - Professional Standards (January 2014) of the Royal Institution of Chartered Surveyors;
- International Valuation Standards published by the International Valuation Standards Committee.

Specialist buildings, for which there is no external market, are valued at depreciated replacement cost. Land and non-specialist buildings are valued at fair value, interpreted as market value for existing use.

Had the cost model been used the carrying amount of the land and building assets as at 31 March 2024 would have been £743m for Land (2023: £784m) and £1,523m for Buildings (2023: £1,539m).

Fair value hierarchy

The different valuation method levels are defined below. These levels are specified in accordance with IFRS 13 'Fair Value Measurement':

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Inputs other than quoted prices

included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between fair value hierarchy levels during the year.

Where land and buildings are considered to be non-specialised, level 2 inputs are used to calculate Existing Use Value. The determination of fair value is primarily based on market values for comparable properties, if they were to be sold between two parties, without compulsion, but with a view that they would remain in their current (existing) use; or, when this is not appropriate for buildings, the income approach is used.

Where buildings are considered to be specialised by their nature, level 3 inputs are used as there is little or no market data available for valuation inputs. The determination of fair value is based on the current cost of replacing the asset with its modern equivalent asset (depreciated replacement cost), less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

98% of the buildings revalued were derived from the BCIS Indices (level 3 inputs) adjusted for location and condition. The remaining 2% were revalued at level 2.

Unobservable inputs

BCIS Indices which provide the "mean UK new build figures per sq. ft." The Indices are broken down across various building types and provide an accurate average figure across the UK.

BCIS location weighting the construction costs. This weighting reflects regional differences in build costs.

Assumptions

The construction of the replacement buildings are assumed to be undertaken on a cleared site,

Note 9 – Property, plant and equipment (continued)

ready for development, and an 'instant build' basis. As such, there is no allowance for site clearance and preparation, or for finance on the build costs.

The replacement buildings would be constructed at the date of valuation without phasing or lead in periods.

The replacement buildings will be constructed in compliance with current building standards and requirements which are likely to differ in appearance and construction type from those buildings that presently exist on site(s).

The replacement buildings being of the same floor area as those existing and offering the same service potential.

There is a minimum ten-year residual useful life for all assets subject to revaluation.

Movement in level 2 and level 3 assets

| | Level 2 EUV £'000 | Level 3 DRC £'000 | TOTAL £'000 |
|--|-------------------------|-------------------------|------------------|
| Net book value as at 1 April 2023 | 58,626 | 2,755,478 | 2,814,104 |
| Reclassifications | 1,603 | 179,289 | 180,892 |
| Additions | - | 290 | 290 |
| Charged during the year | (2,426) | (156,532) | (158,958) |
| Revaluations | 3,547 | 233,954 | 237,501 |
| Disposals | - | - | - |
| In year transfer to/from other bodies and other transfers | - | (26,380) | (26,380) |
| Impairment | (5,727) | (181,548) | (187,275) |
| Reclassifications to/from assets held for sale | (7,133) | (26,022) | (33,155) |
| Net book value as at 31 March 2024 | 48,490 | 2,778,529 | 2,827,019 |
| Net book value as at 1 April 2022 | 62,149 | 2,702,813 | 2,764,962 |
| Reclassifications | 1,496 | 112,913 | 114,409 |
| Additions | 7 | (1,366) | (1,359) |
| Charged during the year | (2,090) | (148,226) | (150,316) |
| Revaluations | 10,722 | 216,943 | 227,665 |
| Disposals | - | - | - |
| In year transfer to/ from other bodies and other transfers | - | (23,327) | (23,327) |
| Impairment | (1,471) | (76,417) | (77,888) |
| Reclassifications to/ from assets held for sale | (12,187) | (27,855) | (40,042) |
| Net book value as at 31 March 2023 | 58,626 | 2,755,478 | 2,814,104 |

Note 10 – Right of use assets

| | ROU | Peppercorn | PFI | Total |
|---|-----------|------------|----------|-----------|
| | £'000s | £'000s | £'000s | £'000s |
| Cost as at 1 April 2023 | 1,089,549 | 83,648 | 677,491 | 1,850,688 |
| Additions | 19,040 | 166 | 95 | 19,301 |
| Disposals | (10,528) | - | - | (10,528) |
| Revaluation | - | - | 16,979 | 16,979 |
| Remeasurement | 55,550 | - | - | 55,550 |
| In year transfer to/from other bodies and other transfers | - | 4,495 | (1,180) | 3,315 |
| Impairment | 1,433 | (1,858) | (7,288) | (7,713) |
| Reclassifications to assets held for sale | - | (925) | - | (925) |
| As at March 2024 | 1,155,044 | 85,526 | 686,097 | 1,926,667 |
| Depreciation as at 1 April 2023 | 381,200 | 19,322 | 1,987 | 402,509 |
| Charged during the year | 72,682 | 2,669 | 24,565 | 99,916 |
| Revaluation | - | - | (24,185) | (24,185) |
| Remeasurement | 15,178 | - | - | 15,178 |
| In year transfer to/from other bodies and other transfers | - | - | (16) | (16) |
| Impairment | - | (748) | - | (748) |
| Reclassifications to assets held for sale | - | - | - | - |
| As at 31 March 2024 | 469,060 | 21,243 | 2,351 | 492,654 |
| Net book value as at 31 March 2024 | 685,984 | 64,283 | 683,746 | 1,434,013 |
| | ROU | Peppercorn | PFI | Total |
| | £'000s | £'000s | £'000s | £'000s |
| Cost as at 1 April 2022 Restated | 1,084,559 | 81,805 | 595,783 | 1,762,147 |
| Additions | 11,999 | 1,843 | - | 13,842 |
| Disposals | (4,725) | - | - | (4,725) |
| Revaluation | - | - | 80,846 | 80,846 |
| Remeasurement | (2,284) | - | - | (2,284) |
| In year transfer to/from other bodies and other transfers | - | - | 1,182 | 1,182 |
| Impairment | - | - | (318) | (318) |
| Reclassification | - | - | - | - |
| As at March 2023 Restated | 1,089,549 | 83,648 | 677,493 | 1,850,690 |
| Depreciation as at 1 April 2022 Restated | 306,771 | 17,306 | 2,175 | 326,252 |
| Charged during the year | 74,429 | 2,016 | 21,005 | 97,450 |
| Revaluation | - | - | (21,193) | (21,193) |
| Remeasurement | - | - | - | - |
| Impairment | - | - | - | - |
| Reclassification | - | - | - | - |
| As at 31 March 2023 Restated | 381,200 | 19,322 | 1,987 | 402,509 |
| Net book value as at 31 March 2023 Restated | 708,349 | 64,326 | 675,506 | 1,448,181 |

Please see note 27 for further information on restatement.

Note 11 – Lease liabilities

| | | 2024 | Restated 2023 | Restated 1 April 2022 |
|---|------|-----------|---------------|-----------------------|
| | Note | £'000s | £'000s | £'000s |
| Lease Liabilities | | | | |
| Current | | | | |
| Lease Liabilities | 15 | 94,171 | 54,034 | 83,018 |
| Non-Current | | | | |
| Lease Liabilities | 15 | 1,119,460 | 1,176,244 | 1,210,748 |
| Total lease liabilities | | 1,213,631 | 1,230,278 | 1,293,766 |
| Undiscounted lease payments to be received | | | | |
| Less than one Year | | 153,435 | 152,045 | 151,724 |
| One to Five years | | 585,088 | 596,372 | 605,029 |
| More than Five years | | 923,673 | 1,038,956 | 1,150,984 |
| Discount | | (448,565) | (557,095) | (613,972) |
| | | 1,213,631 | 1,230,278 | 1,293,765 |

The company has leases for land and buildings. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right of use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

The nature of the company's activities, both as a freeholder and as a lessee, is that of managing properties to let to tenants within the healthcare sector, including NHS providers and the GP sector.

There are no extension options which are judged likely to be taken by the company as lessee. There are 9 leases at 31/03/2024 with a lease liability value of £2,101k where the company judges it is likely to exercise the break; and savings of £2,971k net of any penalties in the event of all being exercised. As a lessee the company has recorded that it does not have the ability to extend. The company as a lessee does not enter into giving residual value guarantees.

The company seeks to minimise its retained risk of entering into agreements for right of use assets by either transferring substantially all of the risk and rewards through sub leasing to tenants or through similar arrangements. The company does not enter into arrangements as

lessor speculatively.

The company manages the liquidity risk inherent in the maturity analysis through entering into agreements which either transfer substantially all of the risk and rewards through formal sub leasing to tenants or through similar arrangements. The company also seeks to match terms for the assets and liabilities, when entering into arrangements which creates finance lease receivables, with those of the headlease. Finally, the company operates rigorous credit management procedures.

For new leases, in accordance with paragraph 24(d) of IFRS16, where relevant, potential cash outflows in respect of restoring underlying assets are included in the initial measurement of the right of use asset and systematically depreciated over the term of the lease. Being classed as dilapidations provisions, these are not reflected in the measurement of lease liabilities.

Held Over Leases

For leases that are held over as described in note 1q) a balance of £50.9m (2023: £45.9m restated, 1 April 2022: £50.3m restated) is included within right of use assets and lease liabilities. This value is determined using Core, Flex, Tail categorisation and estimated lease term lengths. Held over leases were not

recognised on the balance sheet in 2022-23 or previous years which resulted in an audit qualification in these years. In 2023-24 the policy noted in 1q has been developed and implemented to address this. The impact on prior years can be seen in note 27.

While holding all other assumptions constant if each Core, Flex, and Tail category was reallocated by 10% up (down), the value of the company's held over lease portfolio will increase (decrease) by £4.2m. If the term lengths were Core, 12 years; Flex, 8 years; Tail, 3 years, the company's held over lease portfolio will increase by £16.3m. If the term lengths were Core, 8 years; Flex, 6 years; Tail, 0 years, the company's held over lease portfolio will (decrease) by £7.3m.

Lease payments not recognised as a liability

The company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

| | 2024 | 2023 |
|----------------------------|---------------|---------------|
| | £'000s | £'000s |
| Short-term leases | 28,399 | 28,597 |
| Leases of low value assets | 4 | 12 |
| Total | 28,403 | 28,609 |

Total cash outflow for leases for the year ended 31 March 2024 was £168,255k (2023: £129,568k).

Refer to note 7 for income from sub leasing right of use assets.

Refer to note 7 for interest expense on lease liabilities.

Please see notes 15 and 27 for further information on restatement.

Note 12 – Trade and other receivables

| | Note | Current | | Non-Current | |
|--------------------------------------|------|----------------|----------------|----------------|---------------|
| | | 2024 | Restated 2023 | 2024 | Restated 2023 |
| | | £000 | £000 | £000 | £000 |
| Trade Receivables | | 472,993 | 454,010 | - | - |
| Less: Expected Credit Loss Allowance | | (243,584) | (230,021) | - | - |
| Capital receivables | | 16,340 | 14,608 | - | - |
| Other receivables | | 7,506 | 5,846 | 19,207 | 4,096 |
| Accrued income | | 3,900 | 16,704 | - | - |
| Prepayments | | 17,958 | 20,673 | - | - |
| VAT Receivables | | - | - | - | - |
| Tax | | - | - | - | - |
| Lease receivables | 20 | 16,179 | 16,385 | 86,475 | 93,590 |
| | | 291,292 | 298,205 | 105,682 | 97,686 |

The carrying value of trade and other receivables approximates their fair value.

The below table shows the split of trade receivables between contract receivables and rent receivables.

| | Current | | Non-Current | |
|----------------------|----------------|----------------|-------------|------|
| | 2024 | 2023 | 2024 | 2023 |
| | £000 | £000 | £000 | £000 |
| Contract Receivables | 302,324 | 272,345 | - | - |
| Rent Receivables | 170,669 | 181,665 | - | - |
| | 472,993 | 454,010 | - | - |

Due to the nature of the customer profile, credit risk rates are not available for the majority of customers and therefore the below table has been included to show debts that are past due.

The aging profile of trade receivables at year end is detailed below.

| | Not past due | | Past due | |
|--------------------------------|---------------|---------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| | £000 | £000 | £000 | £000 |
| Trade receivables | 23,926 | 17,596 | 449,067 | 436,414 |
| Expected credit loss allowance | (4,578) | (4,952) | (239,006) | (225,069) |
| | 19,348 | 12,644 | 210,061 | 211,345 |

All trade receivables greater than 30 days in age are considered to be past due.

Note 12 – Trade and other receivables (continued)

The movements for Expected Credit Loss Allowances are as follows:

| | 2024 | 2023 |
|-------------------------------------|----------------|----------------|
| | £000 | £000 |
| As at 1 April | 230,021 | 200,365 |
| Increase in provision | 39,947 | 42,964 |
| Amounts written off during the year | (26,384) | (13,308) |
| As at 31 March | 243,584 | 230,021 |

Sensitivity analysis shows if all customers were rated high risk, the expected credit loss allowance would be £267m (2023: £251m) and if all customers were rated low risk, the expected credit loss allowance would be £193m (2023: £183m). These risk ratings reflect the likelihood of recoverability with high risk customers being most unlikely to recover and low risk customers being more likely to recover the outstanding balance.

The Sublease break dates adjustment relates to Lease receivables. Please see note 27 for further information on restatement.

Note 13 – Assets held for sale

| | Land | Buildings | Total |
|--|-----------|-----------|-----------|
| | £000 | £000 | £000 |
| As at 1 April 2023 | 20 | - | 20 |
| Plus: assets classified as held for sale in the year | 24,241 | 9,839 | 34,080 |
| Less: assets sold in the year | (24,241) | (9,839) | (34,080) |
| Less: impairment of assets held for sale | - | - | - |
| As at 31 March 2024 | 20 | - | 20 |
| As at 1 April 2022 | 1,705 | 485 | 2,190 |
| Plus: assets classified as held for sale in the year | 27,459 | 12,584 | 40,043 |
| Less: assets sold in the year | (28,998) | (13,069) | (42,067) |
| Less: impairment of assets held for sale | (146) | - | (146) |
| As at 31 March 2023 | 20 | - | 20 |

The company has 1 property (2023: 1 property) held for sale. The decision as to whether one of the company's properties is surplus to NHS operational requirements resides with the commissioners, i.e. NHS England or a Clinical Commissioning Group. A property will only be released for disposal once commissioners have confirmed that it is no longer required for the delivery of NHS services.

Note 14 – Trade and other payables

| | Current | | Non-current | |
|-----------------------|----------------|----------------|---------------|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| | £000 | £000 | £000 | £000 |
| Trade payables | 38,800 | 43,228 | - | - |
| Capital payables | 5,259 | 3,140 | - | - |
| Other payables | 5,036 | 6,604 | - | - |
| VAT Payables | 3,151 | 2,109 | - | - |
| Accruals | 114,699 | 114,380 | - | - |
| Deferred income | 15,495 | 12,257 | 15,450 | 13,138 |
| Social security costs | 3,584 | 3,357 | - | - |
| | 186,024 | 185,075 | 15,450 | 13,138 |

Note 15 – Borrowings

| | | Current | | | Non-current | |
|-------------------|--------|----------------|-----------------------|---------------|------------------|-----------------------|
| | 2024 | Restated 2023 | Restated 1 April 2022 | 2024 | Restated 2023 | Restated 1 April 2022 |
| | Note | £000 | £000 | £000 | £000 | £000 |
| Loans | | 30,000 | - | - | - | - |
| PFI liabilities | 11, 21 | 8,345 | (33,722) | (9,497) | 474,697 | 438,150 |
| Lease liabilities | 11 | 85,826 | 87,757 | 92,515 | 701,545 | 772,597 |
| | | 124,171 | 54,035 | 83,018 | 1,176,242 | 1,210,747 |

Please see note 27 for further information on restatement. The Held Over Leases adjustment relates to Lease Liabilities and the PFI liability remeasurement relates to PFI liabilities.

Note 16 – Provisions

| | Dilapidations | Restructuring | Legal claims | Total |
|-------------------------------------|---------------|---------------|--------------|---------------|
| | £000 | £000 | £000 | £000 |
| As at 1 April 2023 | 69,148 | 3,680 | 731 | 73,559 |
| Arising during the year | 6,075 | 32 | 826 | 6,933 |
| Utilised during the year | (1,135) | (3,680) | (181) | (4,996) |
| Reversed unused | (1,617) | - | (403) | (2,020) |
| Unwinding of discounts on provision | (6,356) | - | - | (6,356) |
| As at 31 March 2024 | 66,115 | 32 | 973 | 67,120 |
| Current | 22,498 | 32 | 973 | 23,503 |
| Non-current | 43,617 | - | - | 43,617 |
| As at 31 March 2024 | 66,115 | 32 | 973 | 67,120 |
| As at 1 April 2022 | 110,238 | 24 | 487 | 110,749 |
| Arising during the year | 4,733 | 3,656 | 568 | 8,957 |
| Utilised during the year | (1,270) | - | (54) | (1,324) |
| Reversed unused | (2,202) | - | (270) | (2,472) |
| Unwinding of discounts on provision | (42,351) | - | - | (42,351) |
| As at 31 March 2023 | 69,148 | 3,680 | 731 | 73,559 |
| Current | 18,582 | 3,680 | 731 | 22,993 |
| Non-current | 50,566 | - | - | 50,566 |
| As at 31 March 2023 | 69,148 | 3,680 | 731 | 73,559 |

Dilapidations

On the expiry of leases where title does not pass, the company is required to make good any damage caused to the premises and to remove any furniture and fittings installed by the company.

The company's provision is calculated based on an average rate per square metre of floor space. The rate is calculated based on historic settlements of dilapidations on expired occupations.

While holding all other assumptions constant if the average rate per square metre of floor space was 10% higher (lower), the company's dilapidation provision will increase (decrease) by £5.3m. If the inflation rate was 1% higher or the discount rate was 1% (lower), the company's dilapidation provision will increase by £4.6m. If the inflation rate was 1% (lower) or the discount rate was 1% higher, the company's

dilapidation provision will (decrease) by £3.5m.

No adjustment is made to the existing provision under IFRS 16.

Restructuring

The provision represents the obligation to pay employee exit costs. The company reviews its organisation structure in order to improve the efficiency of its business.

Legal claims

The provision for legal claims represents the estimated cost of settling outstanding claims against the company. It has been created due to the uncertainty over these cases as the liability depends on the likelihood of the claims being paid. Where the likelihood of the claims being paid is low, the company has disclosed it as a contingent liability (refer to note 25).

Note 17 – Employee benefits

Employees who have TUPE transferred to the company and those who joined on or before the 31 March 2013 are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the schemes can be found on the NHS Pensions website at <https://www.nhsbsa.nhs.uk/nhs-pensions>. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the government Financial Reporting Manual (FRM) requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2023, is based on valuation data as 31 March 2022, updated to 31 March 2023 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FRM interpretations, and the discount rate prescribed by HM Treasury have also been used

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The scheme regulations allow for the level of contribution rates to be changed by the Secretary of State for Health and Social Care, with the consent of HM Treasury, and consideration of the advice of the scheme actuary and appropriate employee and employer representatives as deemed appropriate.

A full actuarial (funding) valuation is undertaken every four years and its purpose is to assess the liability in respect of the benefits due under the Schemes and to recommend contribution rates payable by employees and employers. The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2020 and the results of this valuation set the employer contribution rate payable from 1 April 2024 at 23.7% of member pensionable pay. The results for the Scheme were set out in the Government Actuary's Department report of 19 October 2023, which stated that whilst the core cost cap was outside the 3% corridor specified in the HMT regulations the economic cost cap was not similarly breached and so no changes to benefits or member contributions were required.

Note 17 – Employee benefits (continued)

Future contributions

Expected contributions to the pension plan for the financial year ending 31 March 2025 are £3.1m (2024: £4.4m). The expected contribution for the year ending 31 March 2025 has been calculated including the 3.1% increase in employer contributions from 1 April 2024.

Scottish Widows

All NHS Property Services Limited employees who join the company on or after 1 April 2013 are automatically enrolled into the Scottish Widows group personal pension scheme. This is a defined contribution plan.

Note 18 – Share capital

| | 2024 | 2023 |
|--|---------|---------|
| | £000 | £000 |
| Issued during the year to 31 March | 14,791 | - |
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | 274,632 | 259,841 |
| Specialist buildings, for which there is no external market, are valued at depreciated replacement cost. Land and non-specialist buildings are valued at fair value, interpreted as market value for existing use. | - | - |
| Shares classified in shareholders' funds | 274,632 | 259,841 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The company has issued 14,791,000 £1 ordinary shares in the year ending 31 March 2024 (2023: £nil).

The company has one shareholder which is the Secretary of State for Health and Social Care.

Dividends

The company has not paid dividends this period and after the Statement of Financial Position date no dividends were proposed by the Directors (2023: £nil).

Note 19 – Capital contribution reserve

The capital contribution reserve is not a distributable reserve and cannot be applied to fund expenditure. This is in line with section 830(2) of the Companies Act 2006

| | 2024 | 2023 |
|----------------------------|------------------|------------------|
| | £000 | £000 |
| Balance at 1 April | 3,008,691 | 3,032,702 |
| Transfers and adjustments | (20,375) | (24,011) |
| Balance at 31 March | 2,988,316 | 3,008,691 |

The transfers and adjustments above relate to transfer out of Bognor Regis, Washington PCC, Princess Royal Hospital, Ellesmere Port Hospital and transfer in of Pennine Care and Gill Rise

Note 20 – Lease obligations

Lease obligations as lessor

The company leases 151 (2023: 152) properties under lease arrangements.

| | Minimum lease payments | | | Present value of minimum lease payments | | |
|--|------------------------|----------------|-----------------------|---|----------------|-----------------------|
| | 2024 | Restated 2023 | Restated 1 April 2022 | 2024 | Restated 2023 | Restated 1 April 2022 |
| Note | £000 | £000 | £000 | £000 | £000 | £000 |
| Amounts receivable under finance leases (Buildings) | | | | | | |
| Within one year | 18,114 | 18,375 | 19,245 | 16,179 | 16,385 | 18,123 |
| 1-2 years | 17,263 | 16,880 | 16,867 | 14,780 | 14,735 | 14,820 |
| 2-3 years | 15,434 | 15,570 | 14,862 | 13,214 | 13,591 | 13,038 |
| 3-4 years | 12,720 | 14,037 | 13,833 | 10,891 | 12,254 | 12,123 |
| 4-5 years | 10,714 | 11,201 | 12,404 | 9,173 | 9,778 | 10,851 |
| After five years | 60,858 | 68,140 | 81,377 | 38,417 | 43,232 | 51,337 |
| Less: future finance charges | (32,449) | (34,228) | (38,296) | - | - | - |
| | 102,654 | 109,975 | 120,292 | 102,654 | 109,975 | 120,292 |

| | 2024 | Restated 2023 | Restated 1 April 2022 |
|---------------------------------------|----------------|----------------|-----------------------|
| | £000 | £000 | £000 |
| Included in | | | |
| Current finance lease receivables | 12 | 16,179 | 16,385 |
| Non-current finance lease receivables | 12 | 86,475 | 93,590 |
| | 102,654 | 109,975 | 120,292 |

| | 2024 | 2023 |
|--|----------------|----------------|
| | £000 | £000 |
| Amounts receivable under operating leases | | |
| Within one year | 54,858 | 55,689 |
| 1-2 years | 51,215 | 51,057 |
| 2-3 years | 48,643 | 48,066 |
| 3-4 years | 45,762 | 45,462 |
| 4-5 years | 42,551 | 42,708 |
| After five years | 269,749 | 318,159 |
| | 512,778 | 561,141 |

All future minimum lease receipts disclosure relate to revenue for which the company will hold legal entitlement through a valid lease. A number of the company's tenants have undocumented occupancy arrangements or a business transfer arrangement without an end date. Although income from such property arrangements is expected to continue, in the absence of a formal document affirming legal entitlement, the company has not included them as expected revenue for future periods in its disclosure of future minimum lease receipts. However, it is expected that the overall rental revenue recognised in 2023/24 for all occupations will continue to remain similar in 2024/25.

In the 2023/24 financial year, there were 41 finance leases identified with expired or incorrect break dates used in the valuation of lease receivables. This has now been correctly valued at reporting date with a balance of £41.7m and restated in the 2022/23 period (31 March 2023: £46.1m, 1 April 2022: £49.7m).

Please see notes 12 and 27 for further information on restatement.

Note 21 – Private Finance Initiatives

The company is party to 27 (2023: 29) Private Finance Initiative (PFI) arrangements, where the company controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and are accounted for in accordance with IFRIC 12 service concession arrangements (IFRIC 12).

The company therefore recognises PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

| Contract name | Start dates | End dates |
|--|-------------|-----------|
| Willesden Centre for Health and Care | 2005 | 2035 |
| Queen Mary's Hospital | 2005 | 2035 |
| Mansfield Community Hospital | 2006 | 2043 |
| Johnson Hospital | 2008 | 2039 |
| Danetre Hospital | 2007 | 2037 |
| City Care Centre | 2008 | 2043 |
| Epping Forest Unit, St Margaret's Hospital | 2006 | 2035 |
| Brentwood Community Hospital | 2008 | 2039 |
| Bishop Stortford Hertfordshire | 2003 | 2034 |
| Whitegate Health Centre | 2009 | 2039 |
| Batley Health Centre | 2005 | 2036 |
| Cleckheaton Health Centre | 2005 | 2036 |
| Dewsbury Health Centre | 2005 | 2036 |
| Eddercliffe Health Centre | 2005 | 2036 |
| Ravensthorpe Health Centre | 2005 | 2036 |
| Sedgefield Community Hospital | 2002 | 2032 |
| Stanley Primary Care Centre | 2009 | 2039 |
| Cornerstone Centre | 2000 | 2025 |
| Redcar Primary Care Hospital | 2009 | 2039 |
| Gravesham Community Hospital | 2005 | 2036 |
| New Forest Lymington Hospital | 2006 | 2037 |
| Bicester Community Hospital | 2014 | 2040 |
| West Mendip Community Hospital | 2005 | 2035 |
| Liskeard Hospital | 2003 | 2033 |
| Farnham Hospital and Centre for Health | 2003 | 2029 |
| Tiverton Hospital | 2004 | 2034 |
| Savernake Community Hospital | 2005 | 2035 |

Note 21 – Private Finance Initiatives (continued)

| | 2024 | Restated 2023 | Restated 1 April 2022 |
|---|----------------|----------------|-----------------------|
| Note | £000 | £000 | £000 |
| Service element charged to in-year operating expenses | 40,374 | 35,411 | |
| Total obligations for PFI contracts due: | | | |
| Within one year | 60,144 | 57,280 | 53,158 |
| Between one and five years | 240,115 | 242,004 | 234,926 |
| After five years | 492,170 | 553,627 | 614,373 |
| Less: future finance charges | (320,645) | (411,936) | (473,804) |
| | 471,784 | 440,975 | 428,653 |
| Payments committed to in respect of the service element: | | | |
| Within one year | 42,751 | 40,583 | 35,049 |
| Between one and five years | 174,758 | 173,105 | 169,665 |
| After five years | 374,303 | 418,708 | 462,731 |
| | 591,812 | 632,396 | 667,445 |
| Included in | | | |
| Current borrowings | 15 | 8,345 | (33,722) |
| Non-current borrowings | 15 | 463,439 | 474,697 |
| | 471,784 | 440,975 | 428,654 |

The amounts in respect of future service charge commitments are shown inclusive of an anticipated annual inflation rate as per the first quarterly GDP deflators at market prices forecast from ONS. The actual inflation rate incorporated into the Unitary Payment is based on the Retail Price Index (RPI) issued in the month stated in each contract preceding the financial year, therefore the figures above relating to future service charge commitments will vary depending on the actual rate issued.

On 1 April 2023, NHS Property Services Limited have changed its accounting policy in respect of measuring PFI Liabilities. This change aligns how index linked payments are recognised as PFI Liabilities to their treatment under IFRS 16. The decision to change this accounting policy has come as part of consultation with the Department of Health and aligning this to the group accounting policy, which for the Department of Health is determined by the Financial Reporting Manual (FRM). This policy has been applied retrospectively as required by IAS 8 which has resulted in a remeasurement to the 2023 brought forward 1 April 2022 opening balance, increasing PFI Liabilities by £150m and decreasing both the Revaluation Reserve by £112m and Retained Earnings by £38m. PFI Liabilities are now measured under the cost model, with any liability remeasurement being matched in finance cost as per the FRM guidance.

Please see note 27 for further information on restatement.

Note 22 – Financial instruments

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

The company is not exposed to significant financial risk factors arising from financial instruments.

Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the entity in undertaking its activities.

| Categories of financial assets and liabilities | 2024 | Restated 2023 |
|---|------------------|------------------|
| | £000 | £000 |
| Financial assets measured at amortised cost | | |
| Trade and other receivables | 379,016 | 375,218 |
| Cash and cash equivalent | 121,861 | 141,941 |
| | 500,877 | 517,159 |
| Financial liabilities measured at amortised cost | | |
| Trade and other payables | 163,794 | 167,352 |
| Loans | 30,000 | - |
| PFI and finance lease liabilities | 1,213,631 | 1,230,278 |
| | 1,407,425 | 1,397,630 |

a. Fair value of financial instruments

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

b. Credit risk

Credit risk is the risk that a third party will default on its obligations to the company causing it to incur a loss.

In the normal course of business, exposure to credit risk arises from cash and investments with banks and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

The company's trade receivables are with a large number of customers spread across various geographical areas. Government funded entities, NHS England and Clinical Commissioning Groups make up a significant portion of the company's receivables. The company has assessed these entities as low risk due to being government funded.

The company has recognised the expected credit losses of trade receivables for certain receivables balances. The company have implemented a credit vetting process for new tenants and guarantors.

No collateral or other credit enhancements are held for financial instruments that give rise to credit risk.

c. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty raising liquid funds to meet commitments as they fall due.

Note 22 – Financial instruments (continued)

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding.

The company mostly manages liquidity risk by continuously monitoring forecast cash flow requirements and management of the flexible loan facility with the Department of Health and Social Care.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. The figures relating to PFI contractual cash flows include an inflation rate incorporated into the Unitary Payment which is based on the Retail Price Index (RPI) issued in the month stated in each contract preceding the financial year, therefore the figures above relating to future service charge commitments will vary depending on the actual rate issued.

| | Carrying amount | Contractual cash flow | Within 1 year | 1-5 years | After 5 years |
|--------------------------|------------------|-----------------------|----------------|----------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| 2024 | | | | | |
| Trade and other payables | 163,794 | 163,794 | 163,794 | - | - |
| Leases | 741,847 | 869,767 | 93,291 | 344,973 | 431,503 |
| PFI | 471,784 | 792,429 | 60,144 | 240,115 | 492,170 |
| | 1,377,425 | 1,825,990 | 317,229 | 585,088 | 923,673 |
| 2023 Restated | | | | | |
| Trade and other payables | 167,352 | 167,352 | 167,352 | - | - |
| Leases | 789,303 | 934,463 | 94,765 | 354,369 | 485,329 |
| PFI | 440,975 | 852,910 | 57,280 | 242,004 | 553,627 |
| | 1,397,630 | 1,954,725 | 319,397 | 596,373 | 1,038,956 |

d. Market Risk

Market risk arises when changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the company's income or the value of its holdings of financial instruments.

The company's transactions are all undertaken in sterling and so it is not exposed to foreign exchange risk. It holds no significant investments other than bank deposits. Other than cash balances and flexible loan facility agreement, the company's financial assets and liabilities are carried at fixed rates of interest and its operating cash flows are consequently independent of changes in market interest rates.

However, the company is exposed to movements in the property market as the company's assets consist predominantly of land and buildings and contingent rents are affected by any changes in market rents. Refer to the risk management report on page 67 as to how the company has managed this risk.

Please see notes 15 and 27 for further information on restatement. The Held Over Leases adjustment relates to Leases and the PFI liability remeasurement relates to PFI.

Note 23 – Related party transactions

The company is required to disclose transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence the company or to be controlled, indirectly controlled or significantly influenced by the company.

NHS Property Services Limited is a private limited company, wholly owned by the Secretary of State for Health and Social Care, making it the company's ultimate controlling party. The parent entity is the Department of Health and Social Care, with its registered office at 39 Victoria Street, London, SW1H 0EU.

The company maintains an interests register for the directors, to record any interests they may have in any organisations which the company transacts with.

Details of related party transactions are as follows:

| Director | Organisation | Purchases from related party £000 | Sales to related party £000 | Amounts owed to related party £000 | Amounts due from related party £000 |
|---------------|--|--------------------------------------|--------------------------------|---------------------------------------|--|
| 2024 | | | | | |
| Jane Hamilton | Government Property Agency | 3,168 | - | (651) | - |
| Adrian Belton | Chesterfield Royal Hospital NHS Foundation Trust | - | 88 | - | - |
| Jacqui Rock | NHS England | 124 | - | - | 6,036 |
| Ben Masterson | Department of Health | 297 | 1,247 | - | 699 |
| Emma Dexter | BT | 722 | - | (46) | - |
| | | 4,311 | 1,335 | (697) | 6,735 |
| 2023 | | | | | |
| Jane Hamilton | Government Property Agency | 2,822 | - | (607) | - |
| Adrian Belton | Chesterfield Royal Hospital NHS Foundation Trust | - | 57 | - | 3 |
| Ben Masterson | Department of Health | 705 | 5,161 | 302 | 3,788 |
| Ben Masterson | NHS Shared Business Services C/O Steria Limited | - | - | - | - |
| Ben Masterson | NHS Shared Business Services | (26) | - | - | (34) |
| Mark Smith | BT | 824 | - | 194 | - |
| | | 4,325 | 5,218 | (111) | 3,757 |

In relation to related parties, the company has a provision of doubtful debts of £nil (2023: £nil) of which the expense recognised in 2024 is £nil (2023: £nil). In 2024, the company has also written off £nil (2023: £nil) of the debt outstanding related to the previous year.

Details of the remuneration paid to Board members can be found in the Remuneration Report on page 86.

Note 23 – Related party transactions (continued)

The Secretary of State for Health and Social Care, as the company's ultimate controlling party, is regarded as a related party. During the year, the company had a significant number of material transactions with entities for which the Secretary of State for Health and Social Care is regarded as the parent Department. Most of these transactions have been with Department for Health and Social Care, Community Health Partnerships Limited, Public Health England, Special Health Authorities, NHS England, NHS Trusts and NHS Foundation Trusts.

| Organisation | Purchases from related party £000 | Sales to related party £000 | Amounts owed to related party £000 | Amounts due from related party £000 |
|--------------------------------------|--------------------------------------|--------------------------------|---------------------------------------|--|
| 2024 | | | | |
| Department of Health and Social Care | 297 | 3,447 | 30,000 | 1,887 |
| Health Education England | - | - | 12 | - |
| UK Health Security Agency | 12 | (44) | 1 | (16) |
| Special Health Authorities | 3 | - | 2 | (128) |
| NHS England | 1,062 | 195,119 | 248 | 42,776 |
| NHS Trusts | 1,996 | 90,153 | 980 | 32,898 |
| NHS Foundation Trusts | 11,358 | 288,553 | 5,540 | 65,542 |
| Other Group Bodies | - | 6,241 | - | 3,964 |
| | 14,728 | 583,469 | 36,783 | 146,923 |
| 2023 | | | | |
| Department of Health and Social Care | 705 | 5,161 | 302 | 3,788 |
| Health Education England | (7) | 4,362 | 12 | 449 |
| UK Health Security Agency | 41 | 61 | - | 28 |
| Special Health Authorities | 226 | 189 | 14 | - |
| NHS England | 1,728 | 171,218 | 502 | 46,380 |
| NHS Trusts | 2,986 | 84,683 | 1,918 | 31,766 |
| NHS Foundation Trusts | 10,893 | 264,553 | 6,213 | 73,285 |
| Other Group Bodies | - | 3,235 | - | 1,804 |
| | 16,572 | 533,462 | 8,961 | 157,500 |

In conducting its activities, the company is required to pay various taxes and levies to the HM Revenue and Customs. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers and therefore has not been disclosed above.

Note 24 – Commitments

Capital commitments

Specialist buildings, for which there is no external market, are valued at depreciated replacement cost. Land and non-specialist buildings are valued at fair value, interpreted as market value for existing use.

| | 2024 | 2023 |
|-------------------------------|---------------|---------------|
| | £000 | £000 |
| Property, plant and equipment | 50,761 | 97,868 |
| | 50,761 | 97,868 |
| No later than one year | 44,694 | 83,065 |
| Between one and five years | 6,067 | 14,803 |
| After five years | - | - |
| | 50,761 | 97,868 |

Note 25 – Contingencies

a. Quantifiable contingencies

| | 2024 | 2023 |
|-------------------------------|------------|------------|
| | £000 | £000 |
| Contingent liabilities | | |
| Legal claims | 25 | 79 |
| | 25 | 79 |
| Contingent assets | | |
| Legal claims | 134 | 392 |
| | 134 | 392 |

Contingent assets

The contingent asset relates to legal claims that the company has against third parties.

b. Unquantifiable contingencies

Contingent liabilities

The company has been engaged in ongoing reviews in its ability to claim capital allowance deductions on assets inherited from Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs). While the company maintains it should be entitled to these deductions, supported by legal opinions from tax experts, HMRC has recently indicated its intent to refer the matter to an internal Tax Dispute Resolution Board (TDRB) to begin the formal closure of the dispute. Despite this development, there is still significant uncertainty inherent in the dispute, no timeline for resolution has been agreed, and any potential tax liability is not readily estimable.

Note 26 – Events after the reporting period

Non-adjusting event: Change in Board Chair

On 31 July 2024, Jane Hamilton stepped down as Chair of the Board of NHS Property Services Limited. Effective 1 August 2024, Caroline Wehrle assumed the role of Interim Chair of the Board.

A recruitment campaign to appoint a permanent Chair was launched in the Spring/Summer of 2024. The recruitment process involved a number of selection rounds with candidates assessed via a panel comprising Colleagues from both NHS Property Services Ltd and the Department of Health and Social Care. In September 2024, the recruitment process was successfully concluded with Secretary of State for Health and Social Care nominating Nick Moberly as Chair of the Board of Directors, effective from 01 October 2024.

These changes occurred after the balance sheet date and do not affect the financial statements for the year ended 31 March 2024. The Board does not anticipate that this change will have a material impact on the operations or financial position of the company.

These financial statements were authorised for issue on 28 November 2024.

Note 27 – Prior period restatement

Management have changed its accounting policies in respect of measuring PFI liabilities and IFRS 16 errors in respect of held over leases and finance lease receivables that impacted the prior year financial statements. These have been restated as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The opening position at 1 April 2022 has been restated across several lines, taken together with the restatement at 31 March 2023, there was an impact on operating loss for the restated 2022/23 financial year of £25.4m.

Please see notes 1q and 11 for further information on the recognition of held over leases in accordance with IFRS 16.

Please see note 20 for further information on the IFRS 16 impact arising from incorrect sublease break dates.

Please see note 21 for further information on the change in accounting policy in respect of measuring PFI Liabilities.

The impact of the restatement to the 2022/23 financial statements are as follows:

Impact to the statement of comprehensive income

| | | Per Signed Accounts 2023 | Sublease break dates adjustment | PFI liability measurement | Restated 2023 |
|--|-------|-----------------------------|---------------------------------------|------------------------------|------------------|
| | Notes | £000 | £000 | | £000 |
| Operating revenue | 2 | 754,309 | (3,916) | - | 750,393 |
| Direct property expenses | 3 | (702,661) | 3,432 | 21,108 | (678,121) |
| Administrative expenses | 4 | (95,178) | | - | (95,178) |
| Other operating expenses | 5 | 5,932 | | - | 5,932 |
| Expected credit loss allowance expense | 12 | (42,964) | - | - | (42,964) |
| Operating loss | | (80,562) | (484) | 21,108 | (59,938) |
| Finance income | 7 | 1,468 | 484 | | 1,952 |
| Finance costs | 7 | 13,726 | | (46,549) | (32,823) |
| Gain on disposal of property, plant and equipment | | 4,207 | | | 4,207 |
| Loss before tax from continuing operations | | (61,161) | - | (25,441) | (86,602) |
| Taxation expense | 8 | - | | | - |
| Loss for the year | | (61,161) | - | (25,441) | (86,602) |
| Other comprehensive income, net of income tax | | | | | |
| <i>Items that will not be recycled to profit and loss:</i> | | | | | |
| Revaluation of property, plant and equipment | | 234,051 | | | 234,051 |
| Other comprehensive income, net of income tax | | 234,051 | - | - | 234,051 |
| Total comprehensive income for the year | | 172,890 | - | (25,441) | 147,449 |

Note 27 – Prior period restatement (continued)

Impact to the statement of financial position

| | | Per Signed Accounts 2023 | Held over leases adjustment | Adjustment Sublease break dates adjustment | PFI liability remeasurement | Restated 2023 |
|------------------------------------|-------|--------------------------------|-----------------------------------|--|--------------------------------|------------------|
| | Notes | £000 | | | | £000 |
| Non-current assets | | | | | | |
| Property, plant and equipment | 9 | 3,024,975 | | | | 3,024,975 |
| Right of Use | 10 | 1,448,371 | 45,883 | (46,073) | | 1,448,181 |
| Intangibles | | 8,386 | | | | 8,386 |
| Trade and other receivables | 12 | 58,475 | | 39,211 | | 97,686 |
| | | 4,540,207 | 45,883 | (6,862) | - | 4,579,228 |
| Current assets | | | | | | |
| Trade and other receivables | 12 | 291,343 | | 6,862 | | 298,205 |
| Cash and cash equivalents | | 141,941 | | | | 141,941 |
| | | 433,284 | | 6,862 | - | 440,146 |
| Assets classified as held for sale | 13 | 20 | | | | 20 |
| Total assets | | 4,973,511 | 45,883 | - | - | 5,019,394 |
| Current liabilities | | | | | | |
| Trade and other payables | 14 | 185,075 | | | | 185,075 |
| Borrowings | 15 | 96,431 | 5,795 | | (48,191) | 54,035 |
| Provisions | 16 | 22,993 | | | | 22,993 |
| | | 304,499 | 5,795 | - | (48,191) | 262,103 |
| Non-current liabilities | | | | | | |
| Trade and other payables | 14 | 13,138 | | | | 13,138 |
| Borrowings | 15 | 912,512 | 40,088 | | 223,642 | 1,176,242 |
| Provisions | 16 | 50,566 | | | | 50,566 |
| | | 976,216 | 40,088 | - | 223,642 | 1,239,946 |
| Total liabilities | | 1,280,715 | 45,883 | - | 175,451 | 1,502,049 |
| Net assets | | 3,692,796 | - | - | (175,451) | 3,517,345 |
| Equity | | | | | | |
| Share capital | 18 | 259,841 | | | | 259,841 |
| Retained earnings | | (1,261,404) | | | (63,040) | (1,324,444) |
| Revaluation reserve | | 1,685,668 | | | (112,411) | 1,573,257 |
| Capital contribution reserve | 19 | 3,008,691 | | | | 3,008,691 |
| Total equity | | 3,692,796 | - | - | (175,451) | 3,517,345 |

Note 27 – Prior period restatement (continued)

Impact to the statement of financial position

| | Notes | Adjustment | | | | Restated 2022 £000 |
|------------------------------------|-------|----------------------------------|-----------------------------|---------------------------------|-----------------------------|-----------------------|
| | | Per Signed Accounts 2022 £000 | Held over leases adjustment | Sublease break dates adjustment | PFI liability remeasurement | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 9 | 2,942,562 | | | | 2,942,562 |
| Right of Use | 10 | 1,435,295 | 50,322 | (49,722) | | 1,435,895 |
| Intangibles | | 9,170 | | | | 9,170 |
| Trade and other receivables | 12 | 62,338 | | 42,231 | | 104,569 |
| | | 4,449,365 | 50,322 | (7,491) | - | 4,492,196 |
| Current assets | | | | | | |
| Trade and other receivables | 12 | 293,622 | | 7,491 | | 301,113 |
| Cash and cash equivalents | | 172,842 | | | | 172,842 |
| | | 466,464 | | 7,491 | - | 473,955 |
| Assets classified as held for sale | 13 | 2,190 | | | | 2,190 |
| Total assets | | 4,918,019 | 50,322 | 0 | - | 4,968,341 |
| Current liabilities | | | | | | |
| Trade and other payables | 14 | 155,245 | | | | 155,245 |
| Borrowings | 15 | 101,236 | 6,024 | | (24,242) | 83,018 |
| Provisions | 16 | 12,464 | | | | 12,464 |
| | | 268,945 | 6,024 | - | (24,242) | 250,727 |
| Non-current liabilities | | | | | | |
| Trade and other payables | 14 | 14,675 | | | | 14,675 |
| Borrowings | 15 | 992,197 | 44,298 | | 174,252 | 1,210,747 |
| Provisions | 16 | 98,285 | | | | 98,285 |
| | | 1,105,157 | 44,298 | - | 174,252 | 1,323,707 |
| Total liabilities | | 1,374,102 | 50,322 | - | 150,010 | 1,574,434 |
| Net assets | | 3,543,917 | - | - | (150,010) | 3,393,907 |
| Equity | | | | | | |
| Share capital | 18 | 259,841 | | | | 259,841 |
| Retained earnings | | (1,237,549) | | | (37,599) | (1,275,148) |
| Revaluation reserve | | 1,488,923 | | | (112,411) | 1,376,512 |
| Capital contribution reserve | 19 | 3,032,702 | | | | 3,032,702 |
| Total equity | | 3,543,917 | - | - | (150,010) | 3,393,907 |

Note 27 – Prior period restatement (continued)

Impact to the statement of cash flows

| | Notes | Per Signed Accounts 2023 £000 | Sublease break dates adjustment £000 | PFI Liability remeasurement £000 | Other adjustments £000 | Restated 2023 £000 |
|---|-------|----------------------------------|---|-------------------------------------|---------------------------|-----------------------|
| Operating activities | | | | | | |
| Loss for the year | | (61,161) | | (25,441) | | (86,602) |
| Adjustments for non-cash transactions: | | | | | | |
| (Gain)/loss on disposal of property, plant and equipment | | (4,207) | | | | (4,207) |
| Depreciation and amortisation | 9,10 | 257,815 | (3,432) | | | 254,383 |
| PFI Liability FReM annual remeasurement | | - | | 34,854 | | 34,854 |
| Movement on provisions | 16 | (35,866) | | | (13,308) | (49,174) |
| Expected credit loss on receivables | 12 | 42,964 | | | | 42,964 |
| Impairments of non-current assets | 5 | (17,589) | | | | (17,589) |
| Working Capital adjustments: | | | | | | |
| Interest received (shown below) | 7 | (1,468) | (484) | | | (1,952) |
| Interest paid (shown below) | 7 | 28,733 | | 11,695 | | 40,428 |
| Decrease in trade and other receivables | | (16,635) | 1,872 | | | (14,763) |
| Increase/(decrease) in trade and other payables | 14 | 31,332 | | | | 31,332 |
| Increase/(decrease) in tax payable | 12,14 | 109 | | | | 109 |
| Provisions utilised | 12,16 | (14,632) | | | 13,308 | (1,324) |
| Net cash inflow from operating activities | | 209,395 | (2,044) | 21,108 | 0 | 228,459 |
| Investing activities | | | | | | |
| Interest received | 7 | 1,468 | 484 | | | 1,952 |
| (Payments) for property, plant and equipment | | (142,255) | | | | (142,255) |
| Proceeds from disposal of property, plant and equipment | | 32,135 | | | | 32,135 |
| Net cash (outflow) from investing activities | | (108,652) | 484 | - | - | (108,168) |
| Financing activities | | | | | | |
| Increase/(decrease) in loans | 15 | - | | | | - |
| Capital element of payments in respect of leases and PFI | | (102,911) | 1,560 | (9,413) | | (110,764) |
| Interest paid | 7 | (28,733) | | (11,695) | | (40,428) |
| Share Issue | 18 | - | | | | - |
| Net cash (outflow) from financing activities | | (131,644) | 1,560 | (21,108) | - | (151,192) |
| Decrease in cash and cash equivalents for the year | | (30,901) | | | | (30,901) |
| Cash and cash equivalents at start of year | | 172,842 | | | | 172,842 |
| Cash and cash equivalents at end of year | | 141,941 | | | | 141,941 |

Note 27 – Prior period restatement (continued)

Impact to the statement of changes in equity

| | Per Signed Accounts 2023 | PFI Liability remeasurement | Restated 2023 |
|---|-----------------------------|--------------------------------|--------------------|
| | £000 | £000 | £000 |
| Retained Earnings Balance at 1 April 2022 | (1,237,549) | (37,599) | (1,275,148) |
| Total comprehensive income for the period | | | |
| Retained profit/(loss) for the year | (61,161) | (25,441) | (86,602) |
| Net gain/(loss) on revaluation of property, plant and equipment | - | - | - |
| Transfers between reserves | 37,306 | | 37,306 |
| Transfers and adjustments | - | | - |
| Other comprehensive income | - | | - |
| Total comprehensive income for the period | (23,855) | (25,441) | (49,296) |
| Transactions with owners, recorded directly in equity | | | |
| Issue of shares | - | - | - |
| Total contributions by owners | - | - | - |
| Balance at 31 March 2023 | (1,261,404) | (63,040) | (1,324,444) |
| Revaluation Reserve Balance at 1 April 2022 | 1,488,923 | (112,411) | 1,376,512 |
| Total comprehensive income for the period | | | |
| Retained profit/(loss) for the year | - | | - |
| Net gain/(loss) on revaluation of property, plant and equipment | 234,051 | | 234,051 |
| Transfers between reserves | (37,306) | | (37,306) |
| Transfers and adjustments | - | | - |
| Other comprehensive income | - | | - |
| Total comprehensive income for the period | 196,745 | - | 196,745 |
| Transactions with owners, recorded directly in equity | | | |
| Issue of shares | - | - | - |
| Total contributions by owners | - | - | - |
| Balance at 31 March 2023 | 1,685,668 | (112,411) | 1,573,257 |

Appendix

Corporate advisors 2023/24

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Property Services