

Climate-related Financial Disclosure (CRFD) Report

NHSPS 2023/24



Foreword

This report is our first climate-related financial disclosure, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We want to share with you how NHS Property Services (NHSPS) are managing the risks and opportunities that climate change poses to our organisation. And how we are aligning our strategy, governance, and operations with the UK's net-zero emissions target by 2050.

NHSPS provides strategic estates services to enable excellent patient care. As part of the NHS, we help Integrated Care Boards, Trusts and GPs to better assess, adapt and manage circa 3,000 buildings – safely and sustainably. In this report, we cover the following aspects of our climate-related financial disclosure:



Governance

How **our board and senior management** oversee and assess the climate-related risks and opportunities, and how they integrate them into the decision-making process.



Strategy

How we **identify, evaluate, and prioritise** the climate-related risks and opportunities, and how they affect our business model, strategy, and financial planning. We also describe our scenario analysis approach and the main outcomes of applying two scenarios (a 1.5°C and a 4°C warming scenario) to our portfolio.



Risk Management

How we manage the **climate-related risks and opportunities**, and how we integrate them into our overall risk management framework. We also provide an overview of the key climate-related risks and opportunities that we face. Such as:

- Physical risks (e.g., flooding, heat stress, extreme wind, extreme precipitation)



Climate impacts are connected and woven into every major risk we face as a society, in organisations and as nations. By adopting a holistic approach to our estate and climate related risks, we can make changes that will positively impact buildings, services and patients across the entire NHS.



- Transition risks (e.g., policy and regulatory changes, technological innovation, market shifts)
- Positive opportunities (e.g., energy efficiency, renewable energy, green procurement, carbon offsetting)



Metrics and Targets

How we measure and monitor our climate-related performance, and how we **set and track our targets and objectives**. We disclose our greenhouse gas (GHG) emissions inventory, our carbon footprint reduction target, our energy consumption and efficiency indicators, and our progress towards achieving the NHS Net Zero Carbon Building Standard.



Conclusion

A summary of our **main achievements and challenges** in addressing the climate-related risks and opportunities. As well as our future plans and commitments to enhance our climate-related financial disclosure and performance.

We trust this report provides valuable, relevant information for all our stakeholders: our customers, colleagues, suppliers, investors, regulators, and the public.

We would welcome feedback on enhancing our climate-related financial disclosure and performance.

Please contact us at sustainability@nhsp.s.uk with your suggestions.

Dr Shamir Ghumra

Executive Director of Responsible Business

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Introduction

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 experiencing their warmest years since records began in 1884. This trend continued into the early months of 2024, with predictions indicating that temperatures could rise even further.

These warmer temperatures have led to a series of environmental changes. For instance, 2023 was 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 NHSPS's 2023/24 Climate-related Financial Disclosures (CRFD). It covers four thematic areas:



governance,



strategy,



risk management,



metrics and targets;

in line with the Taskforce on Climate-Related Financial Disclosure (TCFD) recommendations.

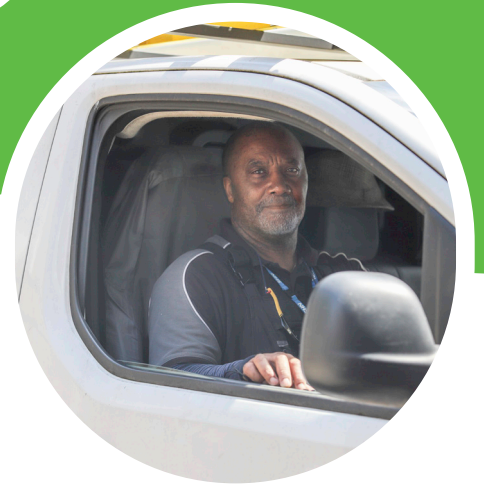
To understand how climate change affects NHSPS, we undertook an **assessment to identify the likely physical and transition risks to our properties**. The findings showed that flood risk is the immediate 'material' risk faced by our organisation until 2050. Beyond 2050, heat stress is the most common 'chronic' risk faced by NHSPS properties. In the long term, almost all the properties in our 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 via 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 relating to the impacts brought on by climate change this year.

This is the first year of mandatory reporting in line with the Companies (Strategic Report) Climate-related Financial Disclosure Regulations 2022. We are **prioritising understanding the material physical risk, transition risks and opportunities to NHSPS** with the associated financial impacts. The findings are presented in the strategy section of this report on page [7](#).

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

We're committed to increasing the resilience of our assets and providing a healthy and safe environment for our customers and their patients.



About us

NHS Property Services provides strategic estates services to help NHS organisations deliver excellent 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 **£150 million** for our customers 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 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.



c.3,000
buildings



£150m
Unlocked



5,500
experts

Governance

This section discloses our organisation's governance around climate-related issues and opportunities:

- The board's oversight of climate-related risks and opportunities.
- Management's role in assessing and managing climate-related risks and opportunities.

At NHSPS, 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.



Be held accountable for the delivery of the climate adaptation strategy.

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

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

SteerCo members include the Chief Operating Officer, the Director of Responsible Business,

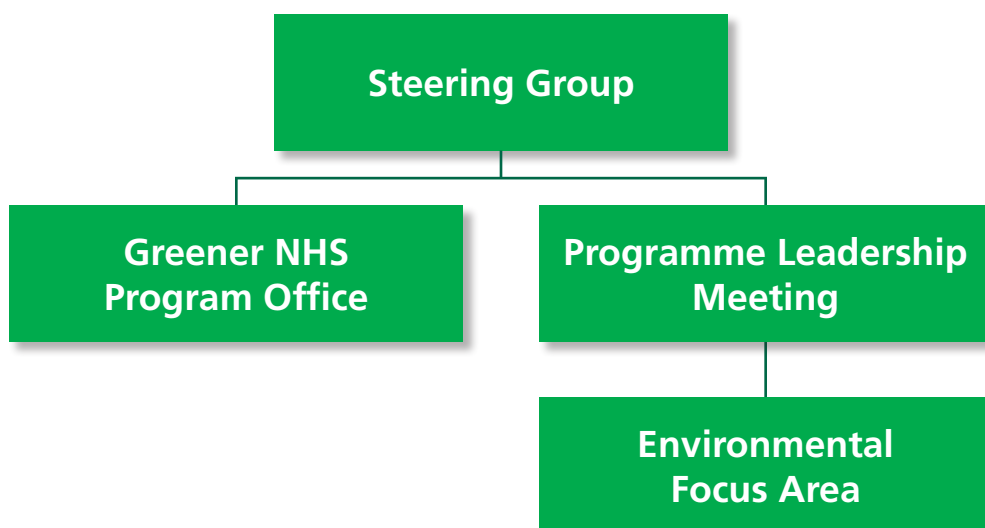
and the Head of Energy and Environment. The SteerCo was established to **provide governance** for the delivery, implementation and embedding phases of our Delivering a Greener NHS Programme, sponsoring the required changes to **realise the benefits** outlined in The Programme plan. Meetings are held every second month and are informed via updates from our programme leadership meeting.

Climate adaptation projects sit within **our environmental focus area as a workstream**. 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.



Governance structure diagram within the Climate Adaptation Strategy and wider Delivering a Greener NHS Programme:



What's Next

- NHSPS's Climate Adaptation Policy Statement will be reviewed annually to appropriately manage and govern climate risks and opportunities.
- NHSPS 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.

Strategy

This section discloses the actual and potential impacts of climate-related risks and opportunities on our operations, strategy and financial planning:

- The climate-related risks and opportunities our organisation has identified over the short, medium and long term.
- The impact of climate-related risks and opportunities on our organisation's businesses, strategy, and financial planning
- The resilience of our organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

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 below, 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 physical risks and transition risks** faced by NHSPS'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 assessments 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

Heat risk is, at this stage, deemed to only become a material risk in the **medium term**. Therefore 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 in any given year for a coastal or riverine flood event to occur. **15 sites** that are long term holds and freeholds 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 NHSPS 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, temporary tenant relocation costs during the repairs. Figures are inclusive of VAT (on the basis sites are not opted to tax so VAT is not recoverable).

The 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 Property Expenses Scheme Arrangements** which would provide a level of financial cover, subject to excess and total loss terms. To the extent that tenants are documented via leases, there may also be separate insurance coverage from tenants' own policies.

	15 sites	Avg per site	£/SM GIA
Repair/clean-up cost	£2.9m	£0.2m	£159/sqm
Temp accommodation cost	£14.1m	£0.9m	£758/sqm
Total	£17.8m	£1.2m	£962/sqm

Transition Risk

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

- i. increased costs of compliance with increased energy efficiency standards, and
- ii. increased demand for low carbon heating impacting NHSPS' business model.

In 2023 our board **endorsed our Greener NHS Programme**, to substantially reduce NHSPS's 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 NHSPS will be captured in the cost of delivering our own **Net Zero Plan by 2040**.

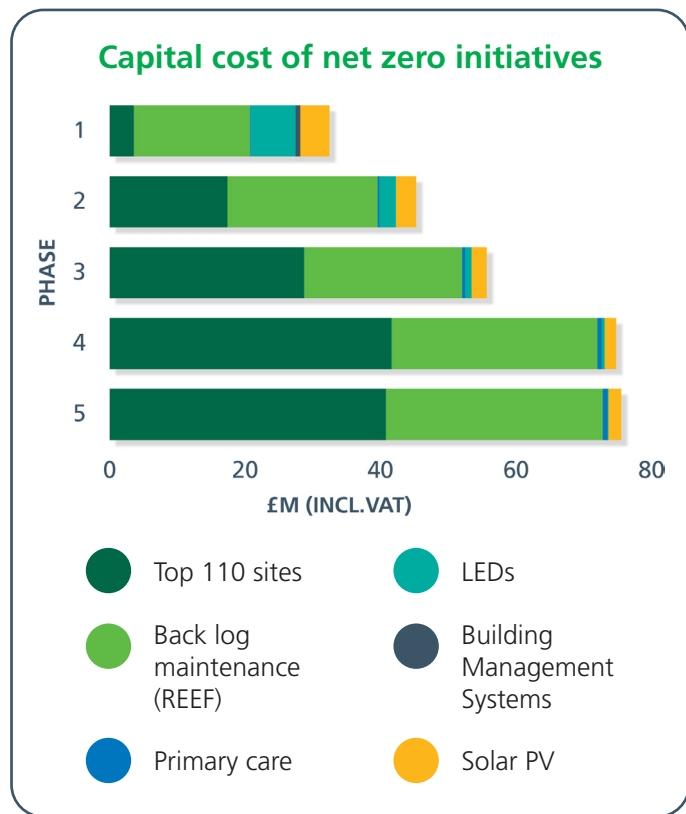
The principal elements of our Net Zero plan are:

Net Zero Initiative	Detail	Capital Cost Impact	Emissions reduction Contribution
Grid decarbonisation	National Grid aims to fully decarbonise by 2030, 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	Decarbonisation works at these sites which account for 50% of NHSPS' total gas emissions alone	High	High
Backlog works	Enhanced replacements of end-of-life assets with low carbon and energy efficient items	High	Medium - High
Primary care	Energy efficient works	High	Medium - High
LEDs	Reduced energy usage 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** (e.g. due to economies of scale) pressures built in.

The total capital cost of implementing the Net Zero Initiatives by 2040 is estimated to be **c. £284 million**. The spend by type of initiative and phasing is shown in the following graph. Each phase is a 3-year cycle, with phase 1 beginning in FY 25/26.



Opportunity

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 NHSPS will be driven by **reductions in consumption, the energy mix, as well as relative pricing of gas vs 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 2 and 3 are on the basis that government intervention and market drivers reduce the relative price of electricity.

Scenario 1

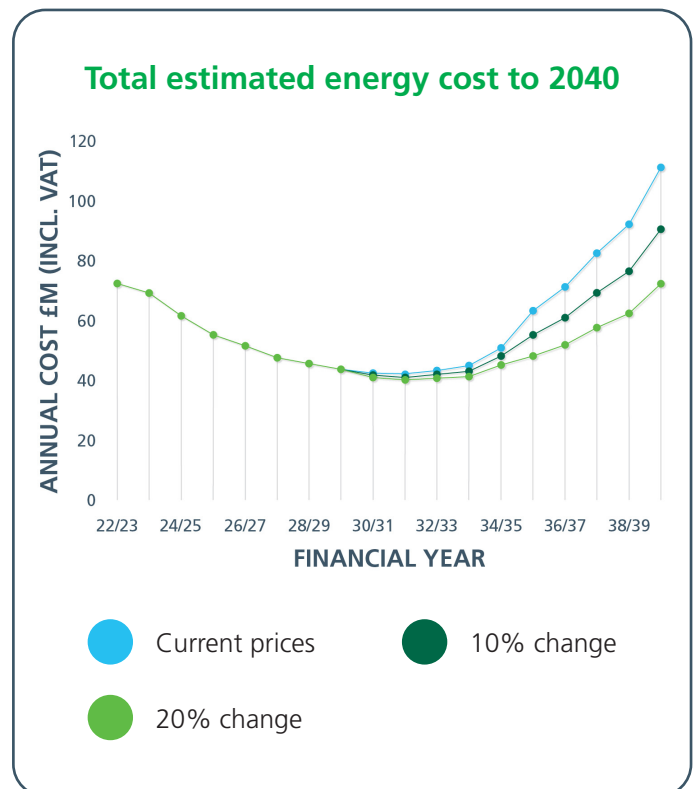
No change to current gas and electricity prices, through to 2040.

Scenario 2

A **10% increase** to current gas prices and a **10% decrease** to current electricity prices, applied at both 2030 and 2035.

Scenario 3

A **20% increase** to current gas prices and a **20% decrease** to current electricity prices, applied at both 2030 and 2035.



Results

Scenario 1

Annual energy costs will **increase by 54%** in 2040 as a result of decarbonisation, which is equivalent to c£39 million (including VAT). Increased costs will be recovered through customer charges except for costs for NHSPS' own occupations.

Scenario 2

Energy costs will increase by **26% by 2040**.

Scenario 3

Energy costs will broadly be **maintained at today's levels**.

Any changes to costs will be recovered through customer charges except for costs relating to NHSPS' own occupations.

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 2-3 times more efficient than gas boilers), which reduces overall consumption of gas and electricity, and thus **reduces overall costs** (e.g. 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 (e.g., heat pumps).
- Electricity is **3-4 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. It 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

This section discloses how our organisation identifies, assesses and manages climate-related risks.

- *Processes for identifying and assessing climate-related risks.*
- *Processes for managing climate related risks.*
- *How processes for identifying, assessing and managing climate-related risks are integrated into our organisation's overall 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 NHSPS 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 NHSPS 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 5 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 mitigate 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 as would any other risks that can potentially disrupt our organisation.



Metrics and Targets

The section discloses how metrics and targets are used to assess and manage relevant climate-related risks and opportunities where such information is material.

- *The metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process.*
- *Scope 1 and Scope 2 emissions, and related risks.*
- *The targets used to manage climate-related risks and opportunities and performance against targets.*

To assess and manage climate risks and opportunities, the CRFD Working Group sets climate goals and targets that we annually report on. 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), identifying 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, NHSPS developed a Net Zero Carbon Strategy to achieve Net Zero by 2040. The plan includes the estimated capital cost required to deliver it and interim carbon reduction targets, split into five phases.

Table 1 is a summary of our past 3 year's performance metrics for total energy use, carbon dioxide emissions, and intensity ratio based on our 2017/18 baseline data.

NHSPS annually reports our greenhouse gas 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 NHSPS activities, while **Scope 2** includes indirect emissions from the electricity we purchase. We consider 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 across our estate. We are endeavouring to **produce renewable energy** through the installation of Solar PV panels (photovoltaics) and other renewable sources. Being the first year of disclosure, there is 0.36% of self produced renewable 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 stats	2017/18	2021/22	2022/23	2023/24	% Variance of 23/24 since previous year (22/23)	% Variance of 23/24 since baseline year (17/18)
Energy use (kWh)	603,957,213	485,734,874	443,075,370	426,288,604	-4%	-29%
Associated Carbon Dioxide emissions (tCO2e)	156,351	103,535	84,600	82,072	-3%	-48%
Intensity Ratio (tCO2e/m2)	57.46	46.99	39.69	40.00	1%	-30%

Table 1



What's Next

- We will be reporting the targets used to manage climate-related risks and opportunities, as well as 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 NHSPS 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.

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 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 processes and procedures, as well as to determine the level of quality assurance. 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.

NHSPS 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, therefore contributing to a more sustainable and resilient economy.



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