HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: NHS Property Services, HC 2043

Monday 9 September 2019

Ordered by the House of Commons to be published on 9 September 2019.

Watch the meeting

Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Chris Evans; Shabana Mahmood; Nigel Mills; and Gareth Snell.

Gareth Davies, Comptroller and Auditor General; Adrian Jenner, Director, Parliamentary Relations, National Audit Office; Leon Bardot, Manager of Health Value for Money Work, National Audit Office; and David Fairbrother, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-156

Witnesses

I: Ian Ellis, Chair, NHS Property Services Limited; Elaine Hewitt, Chief Executive, NHS Property Services Limited; and Julian Kelly, Chief Financial Officer, NHS England and NHS Improvement.

II: Steve Oldfield, Chief Commercial Officer, Department of Health and Social Care; and Sir Chris Wormald, Permanent Secretary, Department of Health and Social Care.

HOUSE OF COMMONS

Report by the Comptroller and Auditor General

NHS Financial Sustainability (HC 1867)

Examination of witnesses

Witnesses: Ian Ellis, Elaine Hewitt and Julian Kelly.

Chair: Good afternoon, and welcome to the Public Accounts Committee session of Monday 9 September 2019. This may be our last one for a few weeks, which is unfortunate, but that's democracy for you, I suppose. We are delighted to look at any issue of great interest to lots of people up and down the country—they may not all be aware of it—and certainly to MPs, namely NHS Property Services.

NHS Property Services Ltd was set up as part of the Lansley reforms, to maintain and manage 2,900 properties with an estimated value of £3.8 billion. That is about 12% of the NHS estate. In simple terms, while other foundation trusts, GP practices and others run parts of the estate that they own themselves, other parts that were not allocated to those local owners were scooped up into NHS Property Services, which properly came into existence in 2012.

Since 2015, Elaine Hewitt and Ian Ellis have been running that. Elaine Hewitt, sitting in the centre of the panel, is the chief executive officer of NHS Property Services Ltd. To her left, Ian Ellis is the chair of NHS Property Services Ltd. Julian Kelly is also on the first panel; he is the chief financial officer for NHS England.

Our second panel will be from the Department of Health; I am glad to see the permanent secretary in the room. We felt it would be helpful to hear how things have been and are working, what your future plans are and any brakes there may be on your achieving a certain aim, so we can put those issues to the Department. We envisage that this panel will last for between 40 minutes and an hour, depending on how we go. If you agree with each other on something, you do not need to repeat it. If you could answer briefly, we would appreciate it; we will endeavour to ask crisp questions and if you could endeavour to answer those crisply, you will get away earlier and the public will get clear answers, which is the main point. Without further ado, I ask Sir Geoffrey Clifton-Brown to kick off.

Q1 **Sir Geoffrey Clifton-Brown:** Good afternoon everybody. My first question is for you as chairman, Mr Ellis. This is an organisation that has some pretty terrible statistics. Some 70% of its properties do not have any leases—up from two thirds when it was founded. It has £576 million—over half a billion pounds—of debt. It is taking 214 days to get people to pay. It has a £1 billion backlog, and it has written off £110 million. For every £1 it builds, it gets only 58p back.

You have had two previous jobs: one in a big private family property

portfolio and one in a private FTSE company. In those other jobs, would you have put up with some of the powers that you do or do not have?

Ian Ellis: I think, actually, that the powers are not the crux of the issue. In both those other big organisations, we would not have started in the legacy position of having a very important estate occupied by some very important businesses, with no idea of what space they occupied and what services they had. That would be documented in a way that led to the clarity to manage that estate in the way you would normally manage an estate.

If we had a commercial proposition with those statistics, the board would not exist, because it would not have the legacy issue to deal with. Left with that legacy issue, what Elaine and the board have carefully done is thought about what we need to correct that position. We have made some amazing achievements elsewhere, outside landlord and tenant, which Elaine has acknowledged. The big challenge to us has been to get clear understanding of who occupies what space and what services they have, and to make sure that we understand the true cost of the estate to the NHS so we can get real value for the NHS. I would not like the statistics, but they are the reality of what we started with. The key thing is that we have a plan to recover that position.

Q2 **Sir Geoffrey Clifton-Brown:** I do take issue with you: you do not have the correct powers. You and I are commercial property people, and if we cannot compel our tenants to agree what space they occupy with a lease agreement and what they should be paying for that, how are you ever going to sort out the legacy position? In fact, the legacy position has got worse since you took over, hasn't it? When you took over, two thirds of tenants did not have leases, but that has gone up to 70%.

Ian Ellis: Sir Geoffrey, that is an excellent clarification, thank you. The issue is that we have commercial powers inasmuch as if we had a lease in place, we could use those powers to evict somebody. At the end of the day, we are part of the NHS, so we have to have regard to the question: is it right to turn off a very important medical service just because we do not have that in place?

We want to work with both NHS England and the Department to make sure that when we have that clarity on the space they occupy and the services we have, we get that documented in a way that means that, with the system, we can make sure that the appropriate costs are reimbursed. It is vital to the system to understand those costs. It is equally vital that the occupiers understand what it really costs them to use space so we get best value out of the estate. We may technically have the legal powers, but we would not want to use them in that way.

Q3 **Sir Geoffrey Clifton-Brown:** Precisely, but surely you need a lease in place so you have an agreed basis on what the occupancy is—the space, the amount of rent, the reviews, and who is to maintain what. If you don't have a lease in place, surely you cannot begin to manage those properties properly.

Ian Ellis: Whether we have a lease or some document—you are absolutely right—that co-ordinates and tells us what we have got, we need to have that in place. Actually, what we need to do is work with the Department to make sure that, having now got better information on what people occupy and what services they have, we can work with occupiers to get that documented in a way that everybody clearly understands. If we don't get it in place—you are absolutely right—things continue to change and we will never get certainty of income recovery or the right costs in the estate. We need to have that documentation and the NAO has pointed out that by next March we would like to have that in place. What Elaine has been working on very closely with NHS England and the Department is how can we make that happen, but that is the ideal we are aiming for.

Q4 **Sir Geoffrey Clifton-Brown:** You had a review of every single property, which you visited, apparently, according to the Report, and that was supposed to finish in 2017. Did that happen with every property, and are you likely to be able to meet the NAO's recommendation that there should be proper documentation of some sort, whether it is a deemed arrangement or a lease—we will go into that in a minute—by next year?

Ian Ellis: In terms of the floor areas, we have produced plans on everything in the timescale we set. What we have just finished is the service delivery part—what FM services people had. We are now content that we have very good information on that. What we want to do is engage with the occupiers and say, "Do you agree that this is your space? Do you agree that these are services you have or the services you want?" We would then like to get that documented and the crucial thing we are trying to do is to make sure that we have support from the system to make that happen.

Q5 **Sir Geoffrey Clifton-Brown:** That is the first stage, isn't it—agreeing who occupies what and how much of it they occupy? You could be doing that with deemed arrangements, which are exactly that, without all the other bits of the lease that we have just discussed. Is that your direction of travel, to try to get at least these occupancy agreements in place?

Ian Ellis: Yes, and to give some clarity we did issue 3,500 heads of terms which set out our understanding of what we would like occupiers to acknowledge is the position—and they are responsible for that space. Whether that is converted to a formal lease or some other document that gives that clarity is, I think, still to be discussed, but absolutely we need to get to that first stage.

Q6 **Sir Geoffrey Clifton-Brown:** What response did you get to those 3,500 documents?

Ian Ellis: Can I ask Elaine to give that detail? It was not 100%—

Elaine Hewitt: We did have some positive response to that and we have created over 1,750 new occupation agreements of various forms over the last few years. What we have also done, to try and get more take-up, is progressively create a succession of softer, more tenant-friendly forms of occupation agreement to try to encourage engagement and take-up. That

is having some effect, but it is not getting us to where we want to be, to have the estate fully regularised. To achieve that, we have to have a solid basis of data, which we believe we are now landing on, but we also have to have some engagement from the occupiers and some support from the system.

To add a bit more context to that, we are also seeing quite significant churn on contractual agreements within the portfolio. Provider contracts are relatively short term, so some of those are expiring and need to be renewed, and so on—so while we are adding, some are also expiring.

Q7 **Sir Geoffrey Clifton-Brown:** That still leaves quite a gap, doesn't it? You have only had 1,700 returns, you have about 400 deemed agreements and you have about 2,900 actual leases in place, so that still leaves you with quite a gap. What are you doing about the remainder that didn't bother to respond to you?

Elaine Hewitt: It does indeed. We have been proactively contacting each of our undocumented occupiers to offer a suite of occupancy agreements, including a pure rental agreement, for absolute simplification. We have been working with NHSE and the Department of Health to agree a sort of joint action plan going forward, and we think there are four key elements to that. One is we would like NHSE and the Department to pre-endorse that suite of occupancy documents and say, "We believe these are documents that you should consider entering into."

Secondly, we are continuing to improve our data. That is an ongoing challenge for a number of reasons, and we have improved it. One of the ongoing issues is around occupation change control. We did that exercise you referred to, back in 2017, when we recaptured all our rent and area data across our 7,000 sites. To give you a sense of the scale, we recaptured about 3 million data points. That was a point-in-time data capture exercise and the problem with that is that it can degrade over time. So we asked the health system to support an occupation change control process, to keep that occupation data up to date, but unfortunately it wasn't fully adopted.

The problem that presents for us is that it means that changes do not automatically feed into our billing, so one of the points of the new action plan is to make sure that that is fully embraced and adopted. There are two other positive steps that we are taking now. We are all collectively in agreement that we should impose a strict "no lease, no occupancy" policy going forward, because we need to get the go-forward position on a much more regularised footing.

Q8 **Sir Geoffrey Clifton-Brown:** I hear all that, but I really take issue with the chair's comment at the beginning of this session that you have sufficient powers. All of this is done on a wing and a prayer, because you have no enforcement powers. Just look at the arbitration. How many properties have you taken to arbitration this year?

Elaine Hewitt: In total, we have proposed around 60—not this year.

Q9 **Sir Geoffrey Clifton-Brown:** You proposed 60; you actually took 19 to arbitration. That shows how little power you have. Do you have any mechanism within your organisation to say to the Department, "We cannot operate without the following powers"? Have you suggested any increased powers to the Department to tighten up on this business of leases agreements, who occupies what, who pays what when, and whether they pay it on time? These are all dreadful statistics. What have you been saying to the Department that you need in terms of extra powers?

Elaine Hewitt: We have been having many ongoing discussions with the Department and we have been getting good support. On the question of powers, theoretically, as a limited company, we do have enforcement powers, but in practice we are required, quite rightly, to refer enforcement proposals, and indeed arbitration cases, to the Department of Health, who consult NHS England, because there is a balance to be struck here. Income and cost recovery is clearly important, but equally the Department and the national health system need to balance that against ongoing local primary care delivery. In the GP space, we are particularly cognisant currently of some of the pressures the GP community are under.

Q10 **Sir Geoffrey Clifton-Brown:** Yes. But just because you have the power to make people pay, it is surely up to the Department to sort that out, by some form of reimbursement. You, as a property manager, need people to pay for the space that they occupy. What recommendations have you made to the Department for new powers? Let's just take the last year. Have you, in the last year—or since you have been chief executive—made any recommendations to the Department that you need new powers?

Elaine Hewitt: We have had a number of discussions, and one thing we are all agreed on, and which would be an effective route to resolution, is direct payment. There is a very complex funding flow in the national health system, where funds are given to an occupier to pay on to us. That does not always happen, for a whole host of reasons, so one of the things that has been agreed is that we will look at direct payment routes where it makes sense to do so. I am sure Julian will add some more information on that.

Obviously, as a property company, we have been working with the Department to say, "If we do our bit and get the data right and put draft documents in front of occupiers, which we believe are very tenant-friendly and reasonable, it would be helpful to us if there were some sort of requirement that they enter into those agreements, and that there was more joint focus on debt resolution." I believe that we do now have a debt resolution plan that we are all signed up to.

Q11 **Gareth Snell:** On three occasions you have said, "We are now all in agreement." Everything that you have suggested so far about a "no rent, no occupancy" arrangement and about a much more standardised rent-only arrangement seems eminently sensible. I am just wondering, if you are now all in agreement, who was not in agreement beforehand? Who could possibly have thought that those things were not the right thing to

do?

Elaine Hewitt: I don't think we were not in agreement, but there was a sort of incremental approach taken to it. We looked at some interim fixes that were put in place, some of which worked and some of which did not. We progressively looked at a range of solutions. Where I think we got to—

Q12 **Gareth Snell:** Sorry—what does that mean? What you have suggested is eminently sensible and a very simple way forward—to try to codify some of the rather amorphous arrangements that you have. You mention an incrementally progressive solution. Either you are in favour of what you are suggesting or you are not; it seems to be a very binary approach. Who was it who was dragging their feet and not being as incrementally progressive as you would like?

Elaine Hewitt: If we take "no lease, no occupancy" as one example, it is something that we have spoken about for some time. The Department were very supportive about that. One of the issues, in terms of applying that policy, is that there is a lot of push-back from the NHS, who clearly want to prioritise clinical service delivery and want NHS occupiers to take occupation to deliver services. There were concerns about imposing that, whereas I think there is strong agreement around that now.

The other challenge we have had in that space is that we do not have sight of the recommissioning cycles. When one provider leaves and another provider takes over, that is a point of leverage where you can say, "You cannot occupy this space without a lease being in place." Again, we have been working with NHSE to make sure that we take those opportunities to fix the problem.

Q13 **Gareth Snell:** Thank you. You say push-back from the NHS, but obviously the NHS is not a singular thing anymore. Was it NHS England? Was it NHSI? Is it the local commissioners? Is it the national representation of the CCGs as a whole? Where is the push-back coming from specifically?

Elaine Hewitt: It tends to be from local commissioners or providers. It is completely understandable from their perspective. They are focused on ensuring that there is ongoing clinical care, which they regard as the priority—and clearly it is the priority, fundamentally—but that is our opportunity to regularise and document an occupation.

Q14 **Chair:** You talk about local providers. Certainly, my CCG owes you £1.2 million for the St Leonard's Hospital site, which is a former workhouse and a major site that you took over in Shoreditch, but most of that is disputed. It is not great for their finance director to be carrying that. They want it to be resolved. It is not good for anybody to have that amount of money in dispute.

If we look at the £110 million that you have written off, we see that you do not seem, from when we have spoken to people and taken evidence, to be nailing those things down in 2019, but you have been going since 2012 and you have been in post for the last four years. Why is it taking so long to deal with things like that when you have a major proper CCG

with a good finance director and you cannot resolve it?

Elaine Hewitt: You are quite right that it is not good for anyone for us or them to be in that position. We have made a lot of progress in terms of debt recovery. For example, in 2018-19, we billed about £800 million and recovered about £600 million, so we recovered about—

Q15 **Chair:** Debt recovery is one thing, but it is not good for the organisation that owes you. They are having to make provision in their accounts for that.

Elaine Hewitt: Exactly right.

Q16 **Chair:** It is not doing any patient or anyone any good at the moment.

Elaine Hewitt: The joint action plan that we have developed with the Department, NHSE and NHSI looks at a whole range of fixes for that. One is looking at intra-NHS settlements to make sure that they are quickly and sensibly resolved. I am moving into areas outside my expertise—I think Julian can add some more on that—but we are looking at how we fix the intra-NHS settlement position. It is also important that when we fix debt, we have a clear go-forward position. I come back to the point that it is really critical that occupation agreements are in place so that there are no go-forward disputes.

Q17 **Gareth Snell:** I suppose I was going to ask the question that the Chair asked, which is this. The organisation has had seven years and you, Ms Hewitt, have had four years. When will there be significant and substantial change in the way the organisation is functioning to have those occupancy agreements where you will start to see significant levels of tenancy agreements in place and the debt level will start to come down to a much more sustainable footing? What are you working towards?

Elaine Hewitt: We have made progress on occupation regularisation and debt, albeit that there is churn happening at the same time. Really good progress has been made over the last six months. For example, we have looked at a number of specific cases of intra-NHS settlements with Julian and his team. A large number of those have been resolved or are very close to being resolved, so we have seen some positive movement over the last six months. As I said, we are also going to look at a range of other approaches, being more robust on recovering the debt. One thing we are all agreed on is that the dispute resolution process needs to work better than it does at the moment in speed and outcome.

Q18 **Gareth Snell:** Going back, if I may, to the point Sir Geoffrey made, if one of your streams of activity is to be more robust, but you yourself, as Mr Ellis says, do not want to use the powers that you have available to you, and you have to refer disputes and various things up to NHSE, how can you be more robust when it appears that you do not want to use the powers that you have, and even when you wish to, you have to get sign-off from somebody else who is possibly looking at a different picture?

Elaine Hewitt: There are two parts to the response to that question. One is that we need to be more robust in our charging data. We are going

through a massive exercise at the moment—we are calling it the check-in process—and I have mobilised 350 people on my team to sit down with 2,000 customers and agree the charges we have issued in our annual charging schedule for this year. That gives an absolutely robust platform on which to charge. We will also have a check-out process: as we issue our annual charging schedules for 2021, rather than just issuing them we will sit down with 2,000 customers and pre-agree those charges to remove scope for dispute.

On enforcement, we make a series of proposals as to what we think is the appropriate action in each case. Inevitably, each case is different, but we have to do what is right for the health system, and it is ultimately for the Department and NHSE to decide what they think the right course of action is. A number of the cases that have been referred have been resolved, either because the tenant has made a part payment or because there has been a funding top-up because it has been identified that there is a funding gap. Progress is being made, but I think we would all agree that it is not as speedy as we would like.

Q19 **Sir Geoffrey Clifton-Brown:** Mr Kelly, in your role as the chief financial officer, what do you think of an organisation that has £576 million of debt, up from £210 million in March 2014; that takes an average of 214 days to get its repayments, up from 91 days in 2015; and that has had £110 million written off and, by the sound of it, is likely to have more written off? As the chief financial officer, how do you view this organisation?

Julian Kelly: It is clearly just not a great position to be in. I am not about to entirely criticise Elaine directly. There have been issues with the service provision—Elaine has just articulated some of them—and I recognise the position that the Chair articulated at the outset about the foundations on which it has been built. Between us all, it is incumbent upon us to resolve the basic information upon which we are now charging.

Q20 **Sir Geoffrey Clifton-Brown:** That was the point I was trying to labour at the beginning: unless you have proper agreements in place, the parties occupying the properties do not know how much they are occupying, the value of that property and what rent they should be paying, even if there is a recharging mechanism within the NHS.

Julian Kelly: Absolutely. That is why, from my perspective, the focus has to be on agreeing where we are today and what charging we are doing, looking ahead, almost before you even get into the conversation about, "Now how am I going to resolve the past?" We have to stop the current situation getting worse and put in place proper arrangements. By the way, I don't underestimate the scale of the challenge of doing that. Will we have agreements in place for every client and organisation by March 2020? I will be really straight, I am not quite going to hold my breath on that, but we need to have made really material progress.

We also need to have got to the bottom of where, in doing that, it is possible that we will find some situations where someone can agree the

space they are occupying and the services they are receiving, but may still not agree that they are going to pay the bill, because we will also have to go back and slightly unpick who was paying what and when, even five and six years ago. All of that has to be sorted out, which is why I think it is actually between NHS Improvement, NHS England, NHS Property Services and the Department to put in the appropriate time, pressure, encouragement and facilitation with regions and commissioners and individual organisations.

Q21 **Sir Geoffrey Clifton-Brown:** Have there been any discussions to write off any of the £576 million that is currently outstanding?

Julian Kelly: I have not been involved in any discussions about whether that money gets written off or not since I joined this role, I will be honest. I can go and find out, and if you want, I could provide what—

Q22 **Sir Geoffrey Clifton-Brown:** It will not look great if we come out of this inquiry and then find that in a week, a month or a year's time, you have suddenly written off another £200 million of that.

Julian Kelly: Sure. What I am saying is that I have not been involved in any discussions, and I am not aware, but I will go and check—

Q23 **Sir Geoffrey Clifton-Brown:** Could you let us have a note?

Julian Kelly: Yes.

Q24 **Sir Geoffrey Clifton-Brown:** Could I ask a more fundamental question? Do you think that this is the right model, full stop, given that it seems to be not functioning very well and not achieving its objectives in any way?

Julian Kelly: I will answer that question in two parts. I think we have to put in the effort to try to do what we have just said that we are going to do over the next six to 12 months. In the course of that, we also have all our local systems doing their local planning around what their future plans are for their local health economies. That needs to include their plans for their estates.

The question for me is: can we resolve the basic position over the next six to 12 months, and can we get the right working relationship between NHS Property Services, local regions, local systems and individual organisations? If we can, I do not see a reason why it should not be the right model. That is the acid test.

Q25 **Sir Geoffrey Clifton-Brown:** That answer rather seems to imply that the Department will put its best efforts into trying to sort it out in the next 12 months. However, if it is not sorted out in 12 months, you will have to think of a different solution.

Julian Kelly: If we are not making material progress in the plan we have just talked about after putting all our best endeavours behind it, with the Department and NHS Property Services, we will have to ask ourselves what the next step is. We just have to work through, but I don't see a reason why that shouldn't happen. If we do not make material progress,

we then have to ask how we are going to enable the NHS to work most effectively and with the least amount of noise.

Q26 **Sir Geoffrey Clifton-Brown:** I shall put that question to your boss when he comes on the stand in a minute or two. Can I come back to you, Mr Ellis? You have three functions. One is to manage this portfolio on a day-to-day basis. You and I understand that. The second is on a strategic basis.

Given that your huge property portfolio has a £1 billion backlog, I bet that there are some properties in there that would be better off being sold—because they are in city centres, are listed or are in such a bad state of repair—so that you could buy another site and build a modern building that would need far less maintenance. How much in your role are you able to suggest to the Department strategic property developments of that sort, and how much notice do they take? That may be to the Department or to the individual trust involved, but when you make suggestions, which I hope you do, how much notice is taken?

Ian Ellis: May I backtrack slightly to that last conversation? I was a bit concerned that we were focused on getting bills paid. The bill issue has come about because we are trying to understand how the estate is used—whether it is used efficiently and cost-effectively. That property management piece is an important part of the strategic planning as well.

As you say, the backlog maintenance—the life-cycle-type costs—are an important part of that. As we know, in our industry, if you have a lot of expenditure going forward, that is a big part of your 10 or 15-year cash flow, and you will say: "I am not going to bother to repair that. I only actually need half that space, because I am now really engaged with the occupier, and he doesn't need that space and doesn't want to pay for it."

Q27 **Sir Geoffrey Clifton-Brown:** I understand all that, as a property man. I just want to know whether, when you make a suggestion to the trust or to the Department, they actually take that suggestion seriously. Do you make such suggestions?

Ian Ellis: I think the suggestions come at the local level, in terms of trying to encourage people to free up space so that we can realise the capital receipt to reinvest in the estate. I think it would be fair to say that the degree of attention paid to that will depend upon how sophisticated the local people are in understanding the importance of rationalising the property estate.

Q28 **Chair:** There is no incentive locally to free up space for the capital receipt to go to NHS Property Services Ltd. There is no particular dividend for the local health economy.

Ian Ellis: No. That is an interesting point, because I think the way in which the Department deals with our capital receipt is that they look at how it can be deployed for the best use of the health sector across the whole piece. It is looked at as a national asset. I have some sympathy with the whole concept that if it is freed up locally, it should be part of that incentive. But that, again, is a departmental consideration.

Chair: I think you have just won the support of a lot of MPs for that position, but we are still sore about its being taken away in the first place.

Q29 **Gareth Snell:** I have a big hospital that needs selling in my constituency; if you want to give it back to me—not to me personally—that's fine.

I was going to argue that not only is there no incentive, but there is a disincentive, isn't there, given that the NAO Report clearly states that where a local commissioning group says there could be a clinical need for a building or a particular asset at some point, they can almost veto a sale? They are not paying for it now; they are not paying rent or service charge. Isn't the system geared up in such a way that, basically, if a clinical commissioning group decides that it wants to hold on to an asset that you are paying for because it might like it one day, there is nothing anyone can do because it can hide behind the veil of clinical requirement, regardless of what is in that building?

Elaine Hewitt: Most of our customers are paying us, which is the good news. Accumulating debt is the bad news for the people who don't pay us. In terms of disposals, we have really good engagement and traction with the local health system and the national bodies and, in fact, we have made really good progress, realising more than £400 million in capital receipts, which are all reinvested in the estate. Generally, occupiers do benefit from disposals, in the sense that they are immediately relieved of their operating costs, rent, service charge if appropriate and FM charges.

To try to drive estate optimisation, we have introduced a new initiative called the vacant space handback scheme, which is us saying to occupiers across the NHS, "If you have vacant space that you have no plans for, hand it back to us. We'll take on the cost and risk of it, and we will realise the value of it and flow that back to the system." The issue with receipts is a very real one because, as Ian said, we do feel very sensitive to local occupiers who might release something of significant value and not benefit in capital receipt terms. That is something we are exploring with the Department, to look at some sort of receipt share.

Q30 **Chair:** That rather illustrates the point. I want to raise St Leonard's Hospital in my constituency, which I mentioned earlier. It ended up with PropCo. It is a building a lot of which is empty, but you charge the CCG between £41 and £200 per square foot of void space, with no explanation about why there is a difference there. There have been long-standing plans to try to do something with that site, but since it got into the national picture there has been very little purchase on that—I know there are ongoing discussions.

First, can you explain—not specifically about St Leonards—how you charge such widely differing rates for space, including some dilapidated space that is not usable? In some cases, you are charging as much as £200 per square foot. I am using this as one example, but I am sure there are other examples around the country. In fact, we have had some evidence suggesting that as well.

Elaine Hewitt: I am not sure why the rates are different in that particular case, and I am happy to look into it.

Q31 **Chair:** It would be helpful if you could, but what worries me is that the people locally don't know why that is the case either. That is coming directly out of the local health economy to the centre.

Secondly, you talk about engaging locally on using sites more effectively, but the feedback from evidence we have had is that there is a lack of accountability. You are a national NHS body. If any of us as MPs or citizens have an issue with our local hospital, we know who to go to—similarly with our CCGs. Do you agree that there is an accountability deficit with your body? You are doing your job—you are paid to do your job—but it is very difficult for people to penetrate the organisation and find out what decision is being made when, and why.

Elaine Hewitt: I would agree that in the early years of this organisation, it was not very customer-focused or NHS-focused, partly due to the way it was originally steered, but we work really hard. I'm completely clear that our role is to support the NHS across both our remits of landlord and service provider. I have tried to turn the organisation to face outwards into the NHS.

We have 200 account managers for our biggest occupiers, to try to get those relationships working much better. Eighteen months ago, we introduced a customer service centre based in Stockport, which is the absolute direct route into the organisation to report any issue, make a request or make a complaint. I am intent on our capturing everything the national health service is saying to us, so we now have really good data around the issues that are arising.

Q32 **Chair:** That is nationally. What about the local accountability?

Elaine Hewitt: We have local account managers, too, and we have organised ourselves into regions. In each region we have a lead property manager, a lead FM manager and a lead finance manager. They form what we call a regional leadership team, who are tasked with ensuring that they are facing off into the NHS E and I regions, to ensure that those relationships are working much better. We get around 5,000 calls a week at our customer service centre.

Q33 **Chair:** And those are about rents, dilapidation and maintenance.

Elaine Hewitt: A whole range of issues. The majority of them are around FM tasks that need addressing, which is what you would expect in a state of this size.

Q34 **Chair:** May I take you up a level? Take one public estates programme: the St George's Hospital site in Hornchurch. I am sure you are familiar with this one. There was a big proposal by the local council to have social housing, a nursery school and a health centre. The council and local health services had agreed to match-fund any private bid that you got, but it was sold to Bellway Homes for £43 million, even though the local bodies had promised to match the funding. Was that your decision, or is

it that, because you are part of a bigger system, somebody else advised you to sell for private housing, rather than for the other services that could have benefited, such as social housing and a nursery? All of those have an impact on health, even if it is indirectly.

Elaine Hewitt: We really pushed that scheme to get the planning consents in place and to get to that £40 million-plus receipt. We regard that as one of our successes. By applying the professional expertise that this organisation has, we got to a bigger cash sum for the system.

Q35 **Chair:** But you had been promised by Havering Council, and the GLA would agree to top off any excess. Havering had put up £40 million.

Elaine Hewitt: I don't recall that.

Ian Ellis: Because this was a key point to the board, I certainly think that if there had been a matching offer, we would have followed that. We could look at it in detail, but I'm very sure the final figures did not match, pound for pound. The decision was that we had to get the best value for the taxpayer.

Q36 **Chair:** Okay. I'm not going to go into further detail on that. The point is: who knew what was happening, and when? Where was the transparency on a huge deal like that, with a site that is significant? We all have sites in our areas, of various significance. Health sites can be quite big, strategically located and good for public use—a double dividend: money for the taxpayer, but good health outcomes, too—but this site was sold as housing. Who is making the strategic decision? Is it the money or a health dividend that is the driver? You can do both. Or are you looking for a cash return for the NHS?

Elaine Hewitt: We actually retained part of the site for clinical use. It has been retained and is now being repurposed. It was part clinical, and part housing.

Ian Ellis: I think that was the point I was going to make. Also, within the planning system, we have maximised the affordable housing element of that at 15%. We also have a best endeavours requirement from Bellway to look at increasing that to match what the GLC was looking for at that point. We had done all we could in that commercial environment, and the Department stood alongside us in then authorising the final disposal.

Q37 **Chair:** But you can appreciate the frustration of people locally. Maybe we could meet separately about this and the St Leonard's site—or I could take over the whole meeting with my own constituency. That is a huge site, for which there have been a lot of proposals over the years, but as soon as it became something that NHS Property Services Ltd owned, there was no local control or accountability.

I have raised the issue with the Mayor of London, but he has no power over it either. We know there could be double dividends, and likewise on this site. How many large sites—Mr Snell mentioned one in his constituency—do you have that are of real strategic importance to a local area? You might not be able to give us that figure now, but have you got

a rough idea of the percentage? Some of them will be very small, but roughly how many of the biggest sites do you have?

Elaine Hewitt: Probably around 2% to 5% of our portfolio. It's relatively low, because this portfolio is quite unusual—

Q38 **Chair:** So small enough actually for a bit more of a fingertip approach to doing the work on this?

Elaine Hewitt: I would be really happy to follow up with you separately to run through the whole background. We felt that we were engaging locally. We weren't agreeing as to the best way forward locally, which has caused some of the ongoing issues. We will talk separately on that particular case.

Q39 **Sir Geoffrey Clifton-Brown:** Time is moving on; I've got a few issues I want to cover.

We have covered two of your management objectives, namely day-to-day management and overall strategic management of your estate. The third area you would get involved in is facilities management. Does it make sense for an organisation like yours to start directly employing cleaners, or wouldn't you be better hiving off the facilities management entirely to the individual trusts or GP practices, and letting them do the cleaning of their premises—rather than a big organisation like yours—while you just concentrate purely on property management?

Elaine Hewitt: We have been asked to fulfil both roles, as property manager and facilities manager. When the company was created, we inherited over 2,500 local FM service arrangements of different types, with a multitude of suppliers.

What we have done over time is to rationalise those down, so we now have less than 50 suppliers and we are trying to rationalise that further. We inherited a mixed-FM model. Part of it was in-house, which we had inherited already, and part of it was what we call out-house, rationalised to the big FM providers. The balance was a range of local SMEs, which provided FM support.

That is a very complex model to inherit, but it had its advantages, because it gave us great data—benchmark data—on how much it cost to have an in-house cleaner versus a Mitie cleaner, or an OCS cleaner versus a local cleaner. We have been making rationalisation decisions based on driving national economies of scale and not implementing a full insourcing or a full outsourcing policy, but looking at each strand of FM to see what the most cost-effective solution is.

For hard FM, for example, where you get into very technical territory, we have identified through our data that the best solution is to allow the experts in the outsource community to do that at the right cost. For cleaning, all our evidence tells us that generally—it varies by geography, but generally—it is better to have an in-house cleaner, not just because it is cheaper but because it is more effective.

We have got some really interesting data around this issue: if a cleaner wears an OCS badge, or a provider badge, and we put them into an NHS T-shirt, they perform differently. They are more engaged and more productive.

Q40 **Sir Geoffrey Clifton-Brown:** While that is interesting and you gave us the historical perspective, it did not actually answer my question: is it right that a property management organisation such as yourself should be involved in facilities management, or wouldn't it be better to let the local trust or GP practice do that?

Elaine Hewitt: I believe generally that it is right because we can deliver national economies of scale, either through letting national contracts or by operating on a national standards model, and we can drive costs down. We have driven costs down.

There are circumstances where it makes more sense for the local practice to deliver, and in that case we would absolutely support it. We are not resisting—

Sir Geoffrey Clifton-Brown: So there are changes going on as to who does what? Fine.

Q41 **Chair:** On that point, before we move on, how do the local services know when you are tendering a contract for FM—cleaning, or whatever?

Elaine Hewitt: We regularly talk to them about our plans, so they would know when we are looking at either a national or a local tender.

Q42 **Chair:** So you do approach them to bid? You would say you do that?

Elaine Hewitt: Yes, and the other thing that we are very keen to protect is SMEs' involvement in this supply chain as well, so we are trying to make sure it works on a number of levels.

Ian Ellis: May I make one comment, which comes back to my earlier answer to Sir Geoffrey? The important thing is that we need to work out what the cost of the FM delivery service is and to have that open dialogue with an occupier, whether it be a trust or a GP, saying, "Do you want these services? If you do, these are the costs." If they can getter value elsewhere, then we are not going to oblige them to use our services.

The second point I would make is that one of the benefits of us doing it nationally is a thing like compliance. Health and safety compliance was very poor across the NHS estate generally. We have not self-certified—we have done it externally—and we got 97%. It is a very effective model to do that on a national basis with that sort of expertise. If every trust replicated that it could be an expensive solution, but at the end of the day the trust will have that choice.

Q43 **Sir Geoffrey Clifton-Brown:** There are some other issues I wish to cover. How many purely commercial leases do you have from companies that are nothing to do with the NHS but happen to be occupying an NHS space?

Ian Ellis: Can I just clarify? Do you mean in terms of people providing NHS-type services?

Q44 **Sir Geoffrey Clifton-Brown:** No, it is invidious to give any commercial names, but a restaurant, food provider, book provider, chemist, whatever.

Ian Ellis: It is very few. I don't know if Elaine has anything to say.

Elaine Hewitt: Across the whole portfolio it would probably be sub-2%. We group our customers into NHS customers, GPs, and non-NHS. In the non-NHS bucket are commercial healthcare providers generally. We have a very small number of third-party non-health-related tenants.

Q45 **Sir Geoffrey Clifton-Brown:** All those have proper leases and pay a proper commercial rent? Yes, fine.

I finally want to ask about staff. You took on 3,200 staff and have a further 2,300 facilities management staff, so you currently have 5,500 staff. Do you have the right number of staff and the right skills mix? Have you got IT, financial, property management people to start to address some of the really serious and deep problems within your organisation?

Elaine Hewitt: Capability is such a key point and I am glad you have raised that. Out of the whole population we can divide it into the managerial professional team and the service delivery team. When I came on wards, the capability was not there pretty much at all managerial and professional levels. We had some good capability, but generally it was poor.

We have worked very hard to develop a strong team of expert professional property and facilities managers, but also, on your point, across finance, technology, data and HR. Building that broad-based capability has been absolutely critical. I think we have got to a really strong place on that and I have been absolutely delighted how we have been able to attract good people in, who want to be here for all the right reasons.

Q46 **Sir Geoffrey Clifton-Brown:** Given that Mr Kelly said that he is going to be looking at your organisation very carefully in the next 12 months, what are your key goals to achieve for the next 12 months?

Elaine Hewitt: Again, across the whole sphere of our operation, in the asset management space, we are introducing a new product called Open Space, which is a sort of service space type offering; I don't know if you have heard of it. We recognise a lot of NHS occupiers only want space on a short-term basis for part of the week.

We have developed an Open Space platform where you can go on and book a place for a half day or two days a week, or whatever. That responds to a need, which is good. It is pre-paid, which is also good. More importantly, it drives estate optimisation, as you will know. What we are trying to do at the very macro level is to move people from fixed space and fixed cost and owning space to more flexible space and flexible usage. That releases more land and buildings.

Q47 **Chair:** Do you let existing occupiers sub-let where they have space at weekends or on a Friday, or something? Are they allowed to sub-let? This is different. Open Space is like a shared work space, isn't it?

Elaine Hewitt: Open Space is a booking platform. You can go on and say, "I need this for so long."

Q48 **Chair:** Yes, but if I was a tenant in a property and a GP practice and I had a spare room on Fridays that could be used by a local group for baby massage or something, no one could book that?

Elaine Hewitt: They can put it on the system. We have done this entirely—

Q49 **Chair:** They can?

Elaine Hewitt: Yes.

Q50 **Chair:** So tenants, existing leaseholders, can do that?

Elaine Hewitt: Absolutely. We are piloting it at the moment and trying to make sure the technology works. We are piloting it across about 50 sites. We work with CCGs on this. Interestingly, the feedback from CCGs is it has given them all sorts of data on utilisation that they were previously unaware of. We hope to roll that out so people will be able to book space as and when they need it and pay only for what they use. I believe that that will present many more cash reduction and value generation opportunities for the NHS.

Q51 **Sir Geoffrey Clifton-Brown:** If you are sitting in front of us in a year's time, which you may well be, can I have some hard milestones of what you expect to achieve in the next year? We know, because Mr Ellis has already told us, that you are going to have a lease or a deemed agreement in place for every single one of your tenants by next year. What other key milestones are you going to have by this time next year?

Elaine Hewitt: We are going to work with our partners to endeavour to get the estate as regularised as we can. We also have a plan to tackle the debt pile and in recent months we have seen some really good progress on that, as I said.

In addition, we have a strong disposal and development pipeline that we've mapped out and agreed with the health system over the next three years. That could deliver around £200 million plus of additional value to the system. We are working with our health partners to make sure that those surplus sites are disposed of or redeveloped for NHS own use.

The other thing we have developed is a proposition around recycling capital. By that I mean that public capital is scarce; as you all appreciate, we need capital to unlock the estate, so we are looking innovatively at using the capital that is locked into our estate. If you look at the NHS estate as a whole, there is about £50 billion of capital locked in there. We are looking at ways where you can access that capital to deliver estate regeneration to support the delivery of the long-term plan.

Q52 **Sir Geoffrey Clifton-Brown:** Anything on your £570 million deficit?

Elaine Hewitt: The debt?

Q53 **Sir Geoffrey Clifton-Brown:** Yes. Any plans to reduce that or eliminate it?

Elaine Hewitt: We have agreed a joint action plan, as I said earlier. It has a number of elements to it. The first part is us continuing to get our underpinning billing data right. The second part is working with the system to get occupation change control really embedded. The third part is around intra-NHS settlements, which our finance colleagues are working on currently.

As I said, for me the key success is getting the occupation agreements in place. You can resolve debt and still fall into disputes, so we have to get those documents in place. It has all sorts of benefits.

Q54 **Sir Geoffrey Clifton-Brown:** Final question. You have some form of dispute with the British Medical Association at the moment. How are you going to resolve that? If you come back to my question at the beginning, it seems to me that if every occupant knew what space they were occupying and what they were expected to pay—even if it was a recharging mechanism to some other body in the NHS, so they didn't actually pay it—then we wouldn't have these sorts of dispute.

It is the sort of thing that the Chair mentioned. She said some of her health practitioners are appalled by the increase in costs. Nobody should ever be surprised by what they are being billed, because they should know in advance what they are going to pay. When are we going to get to this sort of system so that your customers can expect the charges you are going to make on them?

Elaine Hewitt: I have personally met the BMA a number of times over the last two years. We have had some quite attractive discussions. The first thing we did collectively is agree a GP generic lease, which the BMA adopted and promoted. I was confident that that would solve a big chunk of our unregularised estates. The BMA subsequently retracted their support for that agreement, and we are still in discussion with them around the reasons behind that.

They have also levelled claims at us, as you know, that our charges increased exponentially. We asked them to select six cases of their choosing so we could sit down and review them together to establish if that is the case, and if so why. They chose six cases; we sat down with them and we worked through all the data and financial analysis. While there were some billing discrepancies, which we corrected, in bottom line terms the charges were broadly correct. The BMA accepted that the charges were broadly correct.

The issue has arisen because in the very early days of NHSPS and in PCT days, property charge was levied as a single sum and invoiced to NHS occupiers and GPs. In an effort to be professional, open and transparent we split them out, as property people do, into rent, service charge and FM,

and inadvertently created some issues for some of our tenants. It created some funding complexities that we did not appreciate. When they refer to significant increases, sometimes it is us moving one chunk of cost from one pot to another. We did agree that we are not comparing like for like in those increases that are quoted.

Q55 **Sir Geoffrey Clifton-Brown:** One final question: do you think it is fair that one GP practice is paying a full rent on its commercial premises, and yet another GP practice down the road occupying broadly similar premises is being allowed by you to get away with not paying the full rent, and indeed not paying their rent? Is there any equity in that system?

Elaine Hewitt: I don't think it is equitable, but of course the starting position was very different. The GPs in commercial premises willingly entered into an agreement to enjoy the benefits of the occupation of those premises. In our case, they were already in occupation, the charging was unclear, the basis of occupation was unclear, and in the absence of any documentation, the enforcement route is unclear. We have tried to deal with all aspects of that, and as I said, we have made a number of proposals whereby we feel more direct, or commercial, enforcement action is necessary. We have had some support, but ultimately a decision needs to centre on protecting local clinical care delivery.

Q56 **Sir Geoffrey Clifton-Brown:** Going back to Mr Ellis, at the beginning we were talking about arbitration and the fact that only 19 cases have gone to arbitration, yet you have recommended to the Department that 60 cases go. I should think that is probably only the tip of the iceberg anyway. Would you not like to see much more co-operation from the Department about how many cases they let go to arbitration? Surely that would give you some sort of discipline in the system to make sure that people actually pay what they should for the premises that they occupy?

Elaine Hewitt: Yes. We have been working with the Department on how we make this process work better in terms of both speed and outcome. We have designed a new fast-track route to their resolution. I would like it to work better than it does, but I appreciate that taking a single property dimension view to it is not the right approach for the NHS as a whole. We have to balance cost and income recovery against ensuring that local practice continues to deliver.

Q57 **Gareth Snell:** A lot of that baffles me. By this time next year, what will the reduction be in the percentage of tenants that will have a signed agreement? Fundamentally your endeavours, your pipelines, your programmes and your proposals, laudable they are, are neither tangible nor something success can be measured against. Given that we have the Department next and having read the NAO Report and listened to your answers, I genuinely believe that you are trying to do as much as you can, but it does seem that you are trying to box with one hand tied behind your back.

Between them, the NHS, NHS England and the Department of Health and Social Care have tied your hands behind your back: they have set you this Herculean task, and then told you that you cannot really upset anybody as you do it. Have I understood correctly the context of what you said?

Elaine Hewitt: In terms of tangible outcomes on occupation regularisation, we have put all of the heads of terms out there for occupiers to sign up to. We presented a range of occupation documents.

Q58 **Gareth Snell:** Give me a number.

Elaine Hewitt: To cut to the question, we continue to press people to sign up. We cannot make them sign up. We are reliant on the Department and NHS England and NHS Improvement to help us with that. They are committed to helping us. We need a willing tenant.

Sir Geoffrey Clifton-Brown: Not all of them.

Q59 **Gareth Snell:** I would like a number. I appreciate that you cannot make them sign up, and as you said the Department needs to help you with that. Sir Chris Wormald is up next and he is good at defending himself, so obviously you do not need to do that for him. What target are you working towards for next year? On the basis that you cannot make them sign up, as you said, what are you expecting NHSE and the Department to do to help you reach that target?

Elaine Hewitt: We would like to get the whole estate regularised. As Julian says, I don't think that is realistic between now and the end of March.

Q60 **Gareth Snell:** So by April 2020. It was 70% that did not have an agreement by April 2019. What will that number be in April 2020?

Elaine Hewitt: I think it goes back to what Sir Geoffrey was saying, it depends on the basis on which you try to regularise. If we go down the deemed agreement route, which is what—

Q61 **Gareth Snell:** Sorry, I really am going to press you on this. I appreciate there are lots of various options, but you must have, somewhere in your office—

Elaine Hewitt: What I was about to give you was a commitment on deemed agreements. We should, on a deemed agreement basis, be able to agree 90% of those, which is an agreement around the charges.

Q62 **Gareth Snell:** So the percentage of tenants that have no signed rental agreement will be increased by 90%, is what you are trying to say?

Elaine Hewitt: No. I would aim to get to 90% of deemed agreements on rent and area.

Q63 **Gareth Snell:** Right.

Elaine Hewitt: But in terms of full occupancy regularisation, we are heavily dependent on the system helping us to encourage occupiers to

sign up. They have all the documents and we have the data. We will continue to help, support, enable.

Q64 **Sir Geoffrey Clifton-Brown:** Can I ask for clarification? It was my understanding that the deemed agreements only deal with area and occupancy and not finance, but you are now saying that you are going to get to 90% with area and occupancy and finance, in other words the rent.

Elaine Hewitt: Area and rent, yes.

Q65 **Sir Geoffrey Clifton-Brown:** The rental payable.

Elaine Hewitt: Yes.

Q66 **Sir Geoffrey Clifton-Brown:** And specifically, within those agreements, what they occupy and what they cease to occupy and what they will be occupying—in other words, any changes in occupancy. That is the real killer: if you don't know what the changes are, you are constantly behind the curve.

Elaine Hewitt: Hence my many references to the importance of having that occupation change control process in place. Because in a conventional world, you would have leases that can be varied only by agreement. In our world, we need some form of occupation notification process. We have good support from the Department and NHSE to ensure—

Q67 **Chair:** We should go to Mr Kelly then, because NHSE will be overseeing all the bodies that might let a contract to a different organisation, which would then take over the lease of a property. Do you have a mechanism in place for advising NHS Property Services Ltd when that happens?

Julian Kelly: I apologise, Chair—

Chair: Sorry, I'm not speaking clearly enough. If a service is tendered locally, that can change the provider. That does not necessarily change the terms of the lease; it just changes the provider, who would then take over, presumably, in some interesting way, just automatically take over the lease. Ms Hewitt is nodding, for the record. Mr Kelly, have you got a mechanism for liaising with NHS Property Services Ltd, so that they know who the new lessee is at that point?

Julian Kelly: Yes, and we have agreed how we are going to. We will be including, where we do a commissioned activity, that it will be a requirement that this is resolved in the way described earlier in the session. That on its own, by the way, turns relatively slowly, so that is not going to be the major answer to the thing we have just been discussing.

Q68 **Chair:** Can I go back to an earlier question? Sir Geoffrey lobbed you a takeover option and you were a bit diplomatic in how you answered that. You said you were looking at how things would go over the next six to 12 months. In all honesty would NHS England prefer to be running property services itself, and owning the property itself? Would that make life easier?

Julian Kelly: I actually do not think that is part of our plan.

Q69 **Chair:** Not part of your plan, but would it be easier? You are the finance director. Wouldn't you like to have hands on it?

Julian Kelly: There is a separate question, which is where local systems and providers actually say, "We want to take control of the property and we have agreed a policy for how we handle that." Certainly, as I have spoken to system leaders and local providers, there is quite a lot of appetite to do that. That would also solve where people want to do it—and the policy says we are up for facilitating that. It would help them go, "Okay, we see what we are controlling, managing, what we want to do with the future." It is their responsibility to maintain it.

Q70 **Chair:** How far down the road are those discussions? First please answer that. Then, Ms Hewitt, does that affect your financial planning, if you are going to lose a chunk of property because it might be given back to the area it came to you from? You held it in trust for a bit. How far advanced are those discussions?

Julian Kelly: I don't have the precise numbers of how many areas. I know at least one or two have been mentioned to me. Elaine might know more; this is relatively new.

Q71 **Chair:** Ms Hewitt, do you know how many are being discussed in that way?

Elaine Hewitt: I know that two have been agreed and are in the process of being implemented.

Q72 **Chair:** That means being handed back to the local commissioners or trusts.

Elaine Hewitt: Yes. A handful of others are under review by the Department, but the applications go straight into the Department so they are probably best placed.

Q73 **Chair:** Again, you are out of the loop on that.

Elaine Hewitt: Yes.

Q74 **Chair:** Would you like to be in the loop on that?

Elaine Hewitt: No. We are consulted at the appropriate point, but generally, our position on that is that if there is benefit to the local health economy from a site moving into local ownership, we would support that. There is no reason why we would not. The only other factor you have to take into account is that a strong pool of professional property and services management expertise resides in NHS Property Services and you would not want to lose the value that can generate over time. We have generated significant value in terms of strategic asset management.

Q75 **Chair:** You don't have a veto over the decisions made elsewhere.

Elaine Hewitt: No.

Q76 **Gareth Snell:** If those applications go straight into the Department of Health, how is any work done to make sure that NHS Property Services

and then the Department of Health are not having two separate conversations with either one owner, one occupier or one supplier about the same building, if they are trying to give the runaround to either of you?

Elaine Hewitt: I think generally people are being quite open about whether applications are being made or being considered. There have been cases where we are talking to local trusts and they will say "We are considering making an application for one of your properties." So generally, we are aware and the Department does share interest with us as it is lodged, to make sure they have got the full context.

Q77 **Sir Geoffrey Clifton-Brown:** Final question. Do you, as chief executive of NHS Property Services, subscribe to the strategy that every single NHS occupier should know precisely what property and area of property they are occupying and what the proper commercial rent for that property ought to be, even if it is reimbursed by some other part of the NHS?

Elaine Hewitt: Yes. I completely subscribe to that for a number of reasons. We are focused on cost and income recovery, which is important, but for me there are bigger reasons why you want to be in that position. You would get absolute clarity then on how this estate is being used, where the vacant space is, where the latent vacant space is and how you can optimise it, and what the opportunities are for the NHS to realise cost savings and generate value. There is a tactical reason for doing it, but there is also a strategic reason. You can then drive really good outcomes for the NHS on portfolio management because you have complete transparency of your level of occupation and utilisation.

Q78 **Sir Geoffrey Clifton-Brown:** Given the positivity of that answer, I must put to you the question I asked earlier again. What further powers do you need from the Department to achieve that?

Elaine Hewitt: We are asking the Department and NHSE to help us to require occupiers to sign up to occupation agreements of whatever form.

Q79 **Chair:** "Help you to require" is an interesting phrase.

Elaine Hewitt: Clearly, we would like the Department and NHSE to insist that these occupation agreements were in place.

Q80 **Sir Geoffrey Clifton-Brown:** Insist?

Elaine Hewitt: Whether that is possible within the NHS governance framework, I do not know, but I hope it is because I think it is really important, not just from an NHS Property Services point of view, but because it will have added benefits for the health system.

Chair: Thank you very much for your time. The transcript of this and the next bit of the session will be up on the website. We would normally expect to publish a report in a few weeks' time but with everything going on, I cannot predict that. I should say that the transcript goes up on the website uncorrected. You will need to get your sharp-eyed people to have a look at it to correct any factual issues, if they arise, which with our

excellent colleagues at *Hansard* is a very rare occurrence.

Thank you very much indeed for your time. You are very welcome to stay for the second half of the session if you want to switch with our Department of Health witnesses.

Examination of witnesses

Witnesses: Steve Oldfield and Sir Chris Wormald.

Q81 **Chair:** Welcome back to the Public Accounts Committee on Monday 9 September 2019. We are continuing to look at the work of NHS Property Services Ltd off the back of a National Audit Office inquiry into the organisation. That is something we have been keen to see for a while, so we are pleased to be discussing this. I should warn you, Sir Chris, that we all have a constituency interest. Welcome to our second set of witnesses, who are from the Department of Health and NHS England. Sir Chris Wormald is the Permanent Secretary at the Department of Health and Social Care, and Steve Oldfield—I think this is your first time in front of us, Mr Oldfield.

Steve Oldfield: Second.

Chair: Forgive me. Steve Oldfield is the Chief Commercial Officer at NHS England.

Sir Chris Wormald: No, the Department of Health.

Chair: Sorry. I thought that, but I have it written down here as NHS England. Forgive me. While we have you here, Sir Chris, with lots of things going on and Brexit day at the moment set for 31 October, we wanted to ask you a couple of quick questions about that. I am going to ask Sir Geoffrey to kick off on the issue of drug supply.

Q82 **Sir Geoffrey Clifton-Brown:** Sir Chris, good afternoon. A little bit of light relief for you: on Brexit preparations, and getting drugs in and out of this country in the event of no deal, there have been lots of lurid stories in the press that we are going to run out of diabetes drugs and so on. Can you give any reassurance to those patients who might be very worried about not getting their drugs on time?

Sir Chris Wormald: Yes. I will say a variety of things, and I will also ask Steve to comment, because, as it happens, he also runs our drug supply resilience programme.

The first thing to say is that reasonably shortly—I think, Gareth—the NAO will be publishing its report on our drug supply programme. Given the current debate, it will be particularly valuable to get a proper independent view of where we are with our preparations, so we very much look forward to that report. We hope it will endorse what we have been saying all along, which is that the issue of friction at the border—I emphasise that our issue is not particularly deal or no deal; it is friction at the border, for

whatever cause—clearly does present us with problems with the supply of both drugs and medical devices, given the quantity that has a touchpoint within the European Union.

We have an extensive mitigation strategy in place, which Steve and his colleagues in NHS England run. I expect I have described to you before that that is multi-layered, involving the creation of buffer stocks, new transport routes via the contracts that the Department for Transport runs, and a series of regulatory and operational changes within the Department and the NHS. We believe those are the appropriate mitigations, and if everyone does what they should, that should involve the supply of drugs and medical services being unhindered, but, as I have said repeatedly and will repeat again, we cannot give guarantees.

We cannot give guarantees for two reasons: first, because we rely on external partners, including our international partners, to make all this work smoothly; and secondly, because we have challenges in the drug supply anyway, regardless of Brexit. At any one time, and we have had several occasions recently, we are managing challenges in the drug supply that appear for completely unrelated reasons—normally production problems, but sometimes transportation problems. For that reason, we never issue guarantees, but we do believe we are taking all the appropriate steps to mitigate the risks we face.

Q83 **Sir Geoffrey Clifton-Brown:** Do you have more than one layer of contingency?

Sir Chris Wormald: Yes.

Q84 **Sir Geoffrey Clifton-Brown:** Suppose you cannot get a particular drug out of Europe for some reason. Do you have contingencies to get it somewhere else—from the United States, say—and fly it into this country?

Sir Chris Wormald: We do. As I said, we take a multi-layered approach to the whole thing—I will ask Steve to say a little more about that—and it is very important that our mitigations work on the interaction of all our layers. We want to build extra capacity to freight things in if there are problems at the short straits. That is not, in itself, sufficient, so we have buffer stocks so that we can, as it were, smooth any issues that appear as we are doing that. We then have a separate air channel for emergency supplies. Do you want to say a bit more about the layers?

Q85 **Chair:** The question, Mr Oldfield, is: what have you already stockpiled, with barely six weeks to go?

Steve Oldfield: What we have already stockpiled? You want me to focus on that particular question?

Chair: As well as continuing to answer the question.

Steve Oldfield: I was going to say that I have clearly briefed Chris well, because he is equally as capable of talking about the whole programme as I am. The question of stockpiling, as Chris mentioned, is just one of the

multiple layers. It is very easy to assume that you can stockpile your way out of a situation, which is clearly not the case, not least because a number of products—particularly some medicines—have a very short shelf life and cannot possibly be physically stockpiled, or they may be very bulky, in which case you would need enormous spaces in order to stockpile the levels.

On the medicines programme in particular, an ongoing audit is being done of every company and product, as you may remember from last time around. We have just short of 7,000 medicines that have an EU touchpoint of one form or another. That may be a quality control touchpoint, a manufacturing touchpoint, or so on.

Our aim is to have as clear a picture as possible on each and every one of those medicines, both in terms of levels of stockpile that are available at the time of EU exit and that are being built up, but also, importantly, in terms of the freight options available to each of those medicines and the approaches that each company is taking to the provision of freight options away from the short straits, which is where central Government have so far suggested that the majority of the potential disruption at the borders will be. Those different layers of the plan need to function independently and together.

The third big element that we have put a lot more emphasis on—not just as a Department but as central Government—this time around is trader readiness. How prepared are, in particular, third-party logistics companies, hauliers and people who actually have to get things across the border? How prepared are they to deal with new or changing customs requirements, licences, documentation that is required and so on? That is another layer of the multi-layered plans.

Q86 **Sir Geoffrey Clifton-Brown:** I do not want to labour this whole point, because that is not the purpose of the hearing, but I was a little bit surprised when you said—I do not know whether it was Sir Chris or you, Mr Oldfield—that air freight is not part of your contingency.

Steve Oldfield: It is part of the contingency.

Sir Geoffrey Clifton-Brown: It is?

Steve Oldfield: Yes. It is part of the contingency in the sense that, as you may have seen, two large procurements are currently under way, which were announced on 26 June in the written ministerial statement by the Chancellor of the Duchy of Lancaster. He suggested that, through the Department for Transport, the Government would undertake a cross-government freight procurement exercise, which is currently under way, consisting initially of building a framework and subsequently of putting in place call-off contracts.

In parallel, we as a Department recognise that there are certain specific circumstances in which we will need to get things into the country quickly. I have already alluded to one reason, which is the need to quickly bring in

products that have a very short shelf life, as well as where the company's own contingency plans may have failed, for example.

A large number of medical devices, in particular, are used in surgery and are brought in on a just-in-time basis. In other words, they are typically not held in the UK. They may be held in the manufacturers' facilities in Europe and will need to be brought in quickly, because they arrive just in time for the surgery to take place. We have put in place a parallel procurement exercise to provide additional capacity for those particular circumstances. Again, the idea is that the two complement each other.

Q87 **Chair:** Can you tell us how much you have spent on these contingency plans so far?

Steve Oldfield: Those plans are not finalised yet. At the moment, both the Department for Transport and the Department are going through the process of building those plans. I believe that it was announced publicly that the total contract value over a four-year period for the framework that DFT is putting in place is around £300 million.

Q88 **Chair:** But that is just for the transport part of it. You will be paying more for certain products.

Steve Oldfield: That's not purely a Brexit-related issue—since your question started out relating to Brexit. That is a multi-layered contingency programme.

Q89 **Chair:** But presumably you are calculating that you will spend more on some of these drugs or bits of equipment because of the difficulty of getting them into the country.

Steve Oldfield: May I clarify what you mean by "spend more"?

Chair: If you have a normal supply chain that a hospital trust or whoever it is in the chain uses to get drugs into the country through the normal routes with the customs union in place, and all those systems break down and, as Sir Geoffrey suggested, you are having to ship in from another part of the world or, indeed, from Europe with tariffs attached, presumably you have calculated an additional on-cost for those tariffs or other sources?

Steve Oldfield: Again, I don't wish to be pedantic, but if you are referring to a cost that is added to the cost of the product, the answer is not necessarily, because the prices of some of those products—particularly branded medicines, for example—are very clearly controlled through a newly negotiated value pricing and access scheme.

Q90 **Chair:** But then presumably you have worked out what the different tariff options could be under WTO rules or—

Steve Oldfield: Information about the future tariffs is emerging as we speak.

Q91 **Chair:** So you have made provision for that, in the Department?

Steve Oldfield: As I say, if I take the example of branded medicines, there is no provision to be made, because the prices are regulated by a separate scheme.

Q92 **Chair:** But the tariff would be additional, on top of that?

Steve Oldfield: In the case of branded medicines, for example, at the moment the tariff would be absorbed by the manufacturers.

Chair: Did you want to come in on that, Mr Snell?

Q93 **Gareth Snell:** No, not on that issue; we would be here all day. Sir Chris, on the Chancellor's recent announcement about all that extra lovely cash for social care, he announced that there would be increased capacity. It subsequently emerged that a good proportion of that will be expected to be raised through local precept arrangements. What is the split that the Department is working on which will come from new Government cash, as opposed to precepts being raised in local authorities?

Sir Chris Wormald: I will have to write to you on that, sorry. I have the numbers, but not with me. I think that it was set out in the Budget statement, what the split was—in the Red Book. I will check.

Q94 **Gareth Snell:** Before the announcement was made, what discussions were you having with the Ministry of Housing, Communities and Local Government, or even the LGA, about the capacity to raise cash through the precept to meet that?

Sir Chris Wormald: As you know, it is MHCLG that leads the local government settlement. We have an extensive set of arrangements with them for feeding into that. We share all our data with them and vice versa. We have very extensive conversations with them and the Treasury, just like a normal spending review.

Chair: We will certainly be keeping a close eye on this. There are many more questions that we could ask you, but we want to get on with the business in hand. Thank you for sitting through the pre-panel. I will now ask Mr Snell to pick up with you from that panel.

Q95 **Gareth Snell:** I will start with you, Sir Chris. Obviously, the evidence that we heard from Ms Hewitt and her team is from an organisation that we can say is definitely trying its best. It is definitely trying to do what it can. However, trying its best is not necessarily yielding the results which, I think, anybody would have hoped for. How concerned are you about the pace at which progress is being made, and what do you see your role and the Department's role as being in helping progress to go more quickly and further?

Sir Chris Wormald: A combination of the National Audit Office Report and the panel you have just mentioned gives a very fair picture of where this issue is, and also what the challenges and tensions are going forward. I am sure that we will come back to some of them. I don't think it is disputed by anyone that this got off to an extremely difficult start. I don't think it was widely understood how little information about the previous

system was going to be handed over to NHS Property Services and therefore how much remedial work would need to be done. As the National Audit Office Report sets out, there were significant management changes made within NHS Property Services, which were also necessary to make progress.

I don't think anyone will deny that this has been slow and hard and difficult, and slower than anyone would have wanted. This did come out of the pre-panel hearing, but I will put it slightly more bluntly: to make progress, on this issue, all those things about data that you talked about with the pre-panel have to—I repeat, have to—be in place. Sir Geoffrey has made this point forcefully, but you cannot really make progress on anything until you have that base data in place, and we are now well on track to do that. That is point 1.

Point 2, which also came out of the questions, is that the solutions have to be case by case in this area, and unfortunately that will mean, in the way that the panel described, working relentlessly through each individual contract and case to work out what is the right answer in that situation. Point 3, which goes to the powers question that you were discussing, is that the solution has to be a joint solution between property services and commissioners.

For the reasons that were described—I think that was a very fair discussion—Property Services cannot act in the way that a "normal" property company would, because of the public interests involved, and we have to make up for the powers that you cannot use as if you were running a business with the commissioning side, which Julian was describing. The Department's job is to ensure that all that happens.

Q96 **Chair:** Which is why Mr Snell wants to ask a question.

Sir Chris Wormald: We think we have made a lot of progress over the past six months but, as you have identified, there is a lot more to be done.

Chair: That is an understatement.

Q97 **Gareth Snell:** I thank you for a lot of those words, Sir Chris—and there were a lot there.

Sir Chris Wormald: I am trying to give you a full answer.

Chair: Pity you don't get paid for the word count.

Q98 **Gareth Snell:** No, you get honours instead.

Going back to the third point about the powers of enforcement, the picture that was painted, at least for me, quite clearly by Ms Hewitt and Mr Ellis was of an organisation that has carrot and stick, and it is definitely trying to make best use of the carrot, but its stick has been taken away by the Department, snapped in half and put in a drawer and they have been told, "You can't have that back." Why does it not have any teeth? Why are you muzzling the organisation from taking enforcement through not only the dispute resolution process, to be taking its—

Sir Chris Wormald: As I said in my very long previous answer, which I will not repeat, for perfectly sensible public policy reasons, we do not allow NHS Property Services to act like a normal property company. The insight here, which has been going over the past six months and, as Elaine described, has made quite a lot of progress, is that we need to replace those sticks with what we do on the commissioning side of the equation.

That is why the answer to this cannot be just within NHS Property Services. They have to do their job of getting all the data into the right place and ensuring that they are billing properly and all the things that were described. Then the wider system has to help NHS Property Services with the enforcement side in the way that Julian was describing, because they cannot do what a normal property company does.

That is not really the basis on which this was set up in the first place—it was much more expected to act like a property company—but, for reasons that your previous panel described, that will have to be the way of operating going forward. The solution to all this has to be both Property Services and the wider system, the Department, and NHSE and NHSI particularly, effectively helping it out on the enforcement side.

Q99 **Gareth Snell:** I understand that, but we are not talking about enforcement in a lock-change eviction sense. We are not talking about NHS Property Service suddenly going into an organisation and turfing out the tenants. We are talking about arbitration and processes that essentially still allow for the provision of services to run as far as the public and the patients are concerned, but place a little bit of pressure on the provider of those services to enter into an agreement.

Sir Chris Wormald: That is exactly what we are talking about.

Q100 **Gareth Snell:** But why are you not doing that? You have only had 19 cases go to arbitration.

Sir Chris Wormald: Steve, do you want to talk about the arbitration bit?

Steve Oldfield: Strictly speaking, we feel that arbitration should really be the end of the line—when we have exhausted all other possibilities of what Elaine refers to as "friendly landlordship". The number 60 was quoted earlier as the number of cases that had been put forward, with 19 that have been resolved with arbitration. That is because the rest, one way or another, have reached a level of satisfactory conclusion without going as far as formal arbitration. What you have heard from Julian, Elaine and Ian is a willingness to adopt that approach.

As Chris has said, there is no blanket approach that the property company alone can apply here in order to solve all the problems. It really needs to be a joint effort, because of the fact that sitting at the heart of the situation is this natural tension between a property company, which expects people to pay rent and pay for the services that they are providing, and which also happens to be a Government-owned property company—the last thing we want to do is to see a Government-owned property company turfing people out of their properties.

Sir Chris Wormald: But your general point, we agree with. The rest of the system does have to put pressure on behalf of NHS Property Services to help these cases be resolved.

Q101 **Gareth Snell:** Sir Geoffrey made a point earlier about the distinction between where you may have one GP who is playing by the rules and has entered into commercial negotiations, has got a contract, has got a lease, is paying their rent and is paying for their facilities management in one place, and then a mile up the road, another one who is simply refusing or not engaging. How long can they hide behind the provision that "clinical service is important—more important than me paying my bills"?

Sir Chris Wormald: It comes back to the point you discussed previously about actually unpicking what happened in those cases. The straight answer to the question is exactly as with your previous panel. Is there the capacity for unfairness there? Yes, there is. That is one of the reasons why we moved from, in the early days of property services, simply replicating exactly what PCTs and strategic health authorities had done previously to going to a charging system at all.

That is the only reason there is a debt; it is because we actually moved things on to a more commercial basis. Now, many of these cases are disputed by the BMA and others, as Sir Geoffrey pointed out, and they are two sides to that argument. I am sure if you had some of the GPs who are in dispute sitting here, they would say, "When it was originally agreed that we occupy the property, it was not on the basis of this charging regime, and you are being unfair to us." That would be their argument. It is one that is disputed, but that is why it is essential that this is done with proper data, and case by case.

With the help of the commissioning side, we have to work through each of those cases, and actually decide where fairness lies. Again, on your basic point—is there the potential for unfairness?—as your previous panel answered, yes there is.

Q102 **Gareth Snell:** Could you talk me through, Sir Chris, and maybe Mr Oldfield as well, what it is that the Department is doing, practically and tangibly, to assist NHS Property Services to go through them on a case-by-case basis—to come to those resolutions that prevent arbitration, and to see the number of cases without an agreement go down?

The number without an agreement is going up. That obviously has to be reversed. There has to be a change. What is it that your Department is doing to allow the property services company to actually achieve the public policy goal—to have more people in a regularised occupation with documents, with leases, that mean that the NHS is not writing off large amounts of money each year and that public money is being spent efficiently on an estate and the estate is generating what it should be doing for patient care?

Steve Oldfield: Strictly speaking, the role of the Department specifically is to ensure oversight in the way that the affairs of the company are run, which, as you have seen from the NAO Report, we do through a series of

accountability meetings, governance committees and the presence of directors and representatives of the Department on both the board and the rem com of the company.

Beyond that, we see one of our key roles as a convening role. Certainly, one of the things we do as a result of what we hear and review as part of the accountability meetings, which thankfully are exactly the same things that we see emerging in the National Audit Office Report, is to make sure the parties that can get together and solve them are actually getting together and solving them.

One of the key roles that we have is to make sure that interaction is taking place. What you have heard from Elaine and Julian today is a good example of that. It is the recognition that the company, the NHS, the commissioners and the tenants themselves, supported by the Department, are having the right kind of interactions to solve the fundamental problems that we have regarding occupancy regularisation and fair rents.

Q103 **Gareth Snell:** Which is all very laudable, but by Sir Chris's own admission the Department has intentionally told the property services company that it cannot operate in a way that, commercially, competitors could do. If that is the case, are you content that the Department is doing all it actually can to achieve the aim that you have just so eloquently highlighted?

Steve Oldfield: As Chris said, there is a lot more still to do, and the NAO Report clearly highlights that.

Q104 **Gareth Snell:** But this organisation has existed for seven years. It has been seven years in the making, and we are only now talking about direct payments between different Departments and the NHS for rental arrangements. We are only now talking about what Ms Hewitt described, which to me sounded like an Airbnb arrangement of being able to book usable space at short notice—"AirGP" perhaps. These are things that shouldn't have taken seven years and lots of very clever civil servants to come up with. How is it that we are at this point seven years later?

Steve Oldfield: With the greatest respect, debt collection is not the only thing that the company does. I refer back to the NAO Report, which I think is a very fair and balanced Report in pointing out that the company has made significant progress in terms of asset utilisation, disposals, land sales, compliance with the appropriate regulations, and in resolving a number of data quality and systems issues.

It would be wrong of us to focus exclusively on the question of debt recovery. That is one of the key roles and objectives of the company, but significant progress has been made on many of the other aspects—not least on the question of asset utilisation. You may have seen that vacant space has come down from over 12% to around 6% now.

There have been some significant improvements in the way that space is used. I point in particular to the question of compliance as a key achievement, because of course the first duty of care that we all have is

that tenants are able to practise their clinical activities in a compliant and safe environment. We must not underestimate the importance of that in the list of priorities of everything that the company has had to do over the previous years.

Q105 **Gareth Snell:** You raised the issue, Mr Oldfield, of land supply for house building. After its first two years, the organisation did not have a particular target for how much land it should be able to release for housing requirements. Obviously, we heard from Ms Hewitt about the potential problems with the release of land and where capital goes. Are you comfortable that that is a system that is working properly to allow your Department to play its part in the Government scheme for releasing public land for housing?

Steve Oldfield: I will confirm the figures exactly, but I think as a Department we have a target of about 23,000 house equivalents to deliver as part of that scheme. I believe that NHS Property Services has delivered about 20%—4,600 properties in total. Because of the particular rules of what counts and doesn't count towards the target, it is probably in the region of about 1,800 properties.

Sir Chris Wormald: 1,921.

Q106 **Gareth Snell:** 1,921?

Sir Chris Wormald: As counting towards the target.

Steve Oldfield: Correct. Property Services on its own has contributed about 20% of the total delivery so far.

Q107 **Gareth Snell:** Again, thinking about taking that forward, is the Department going to take a greater role in helping to facilitate those capital disposals? We have all got our constituency interests in a particular area that we would like to be taken forward. Where does the Department see its own responsibilities for that?

Steve Oldfield: Absolutely: we take the responsibility very, very seriously, but as has been pointed out by the previous speakers, it is a case-by-case proposal that comes forward. Because it is a departmental target that we take very seriously, we are very open to the possibility of any disposals that have a strong business case behind them and where benefit can be shown to accrue by doing the disposal.

Q108 **Chair:** When you say "benefit", do you mean financial benefit or wider benefit?

Steve Oldfield: Wider benefit. It has to be right for all parties. It is not just about disposing for the sake of disposing—

Chair: I am just laying down some markers for my meeting with NHS Property Services.

Q109 **Gareth Snell:** I do not want you to think that I am trying in any way to diminish the work that I can see Ms Hewitt and her team have done in difficult circumstances, but it feels like a lot is put upon a particular

organisation that does have one arm tied behind its back. This bothers me.

I appreciate what you are saying about not necessarily wanting it to operate like a commercial company, because you want to ensure there is a clinical benefit. You want to make sure that the system is working around individual tenants to apply soft pressure. But are you confident that that system of soft pressure and "hug them tightly and hope to get an answer out that way" will generate the results that you want in an acceptable timeframe? I appreciate that data is important, but we are talking about seven years in and there is not a great deal of change in some parts of the organisation. In some, yes, but not in others. It feels as though you are hamstringing the organisation, and by the time it gets around to doing something, we could be talking another seven to 10 years in the future.

Steve Oldfield: I think there are really two parts to your question. I do not agree with your contention that we are somehow hamstringing the organisation or limiting its ability to solve problems. That has never been an intention and remains not to be one of our intentions—quite the contrary. I come back to my earlier answer about our role as convenors.

I think—I hope—what you will have observed as a result of today's meetings is that there is a genuine and state willingness now for all parties to do what it takes to make as many inroads as we can to solving the core issue that Sir Geoffrey pointed to right at the beginning of the meeting: the question of the regularisation of how much space you are occupying, what a fair rent is to pay for that and how much you might expect to pay for the services that go with it.

A key part of that will be not just establishing what those numbers are—that is about Julian's role, as representative of the commissioners in the NHS—but who is going to pay for it.

Sir Chris Wormald: Your challenges are completely fair. The only thing I would add is that the thing we can point to is that the type of approach that our colleagues were describing is what they have been moving to over the last six months, and they have been showing progress. I agree with what Julian Kelly said. There is no reason why this approach should not work. And for the last six months, when we have been doing it mainly with trusts, actually, rather than the large number of GPs, we have seen progress, as Elaine and others described. So we have reasons to be confident that that approach will work going forward.

I cannot promise you that it will, because as we have said this is an extremely complex and difficult area and various things that have been tried before have not worked. There is absolutely no reason for complacency in these areas at all, but we have good reason to believe that if all the organisations work as they have described they will, this is an approach that can make the kinds of progress that Elaine was describing, and those milestones.

Q110 **Gareth Snell:** One last point. I want to quote to you paragraph 1.6 of the

Report. The NAO says that, "The Service is restricted in the action it can use to enforce occupancy contracts and charges. It is retrospectively trying to agree leases with occupiers already in situ and told us that there are no incentives for tenants to agree leases."

Sir Chris Wormald: That is the bit we have to solve.

Q111 **Gareth Snell:** You say that quite quickly: "That is the bit we have to solve." That is quite the big bit to solve. That is the elephant in the room, isn't it?

Sir Chris Wormald: No, I don't think it is an elephant at all, because it was actually what was said at the pre-panel, in the NAO Report and here. Our view, having discussed it with both Property Services and NHS England, is that given the constrictions with which we work, which have been described, the only way to address that problem is for it to be seen and managed as just as much a problem for the commissioners, and NHS England and their teams, to solve as it is for Property Services to solve.

Given the limitations we have, which I don't think anyone particularly disagrees with, the only way to answer that paragraph is to work in the way that was just described, and to have a joint solution between the company and the commissioners about how to move forward in each individual case. That is going to be slow and boring, and it is not going to be a silver bullet that you can announce as a sort of grand fanfare—"The problem is solved"—but I do not see any other way that we can, as it were, give teeth to the process in the way you describe without the commissioners being at the table and enforcing it.

Q112 **Gareth Snell:** Can I just say, though—

Chair: Very last point.

Gareth Snell: Chris, you say "slow and boring". The third adjective is "inefficient". Unfortunately, when we come back to this, what we have here is organisations running around chasing each other for public money to be moved from one pot to another. That is a lot of time and a lot of energy, all of which costs money that could be better used. I appreciate that you say it is slow and boring, but it is also wasting taxpayers' money.

Sir Chris Wormald: I do not agree with that bit—well, I agree with it to some extent. Would it be far better—

Q113 **Chair:** You're in front of the Public Accounts Committee. I was just thinking, "Watch your phrasing." You do not think it is wasting public money to have people employed just to chase money around the system?

Sir Chris Wormald: Sorry, let me be clear. Would it be better were we not in this situation? Of course it would; of course, we would not want to be in that situation.

Gareth Snell: That is very big of you, Sir Chris.

Sir Chris Wormald: However, getting in place the basic disciplines of how you manage property, which is actually what we are doing and was

described by your previous panel, is a public good and leads to the more efficient use of property, just as it does in every other sector. While of course it would be better if we did not have to go through this process of going through "Who's occupying what space?" and whatever, the creation of that information—I am not a property person, but there are people who advise me who are—is what allows you to utilise space efficiently, make correct strategic decisions about your estate and so on. It is not wasted work; it is putting yourself in the position where you can manage your estate on a rational and efficient basis.

Q114 **Sir Geoffrey Clifton-Brown:** I have some precise questions, to try to get some precise answers and some precise actions.

Sir Chris Wormald: I might ask Steve to answer them.

Sir Geoffrey Clifton-Brown: First, do you agree with the proposition that Elaine Hewitt agreed 100% with me about at the end: it is good business practice that there should be an agreement of some sort between every single NHS occupier about what space they occupy, under what terms they occupy it and how much rent they are paying for it?

Sir Chris Wormald: Yes.

Steve Oldfield: Yes.

Q115 **Sir Geoffrey Clifton-Brown:** Albeit they might be reimbursed by some other parts of the NHS.

Sir Chris Wormald: Yes.

Q116 **Sir Geoffrey Clifton-Brown:** She then went on to say that within a year, 90% of those occupiers would have some form of agreement, whether a deemed agreement or a full lease. Now, if she is to get there, I put it to you that the Department is going to have to do something different to what it is doing now. What is the Department going to do differently to help her?

Steve Oldfield: Back to my earlier comment, one of our roles is to make sure that all the parts of the system are putting in the time, the effort and the intent, and gathering the right data required in order to get to that point. We can do that through the accountability meetings or through operational-type meetings, working with the NHS and the company itself, but the intent will be to significantly accelerate the speed at which we are able to get to that point.

Q117 **Sir Geoffrey Clifton-Brown:** But the only way you are going to get that is for you as the Department to put pressure on the NHS Property Services agency's customers, the NHS occupiers, so that they have to comply with this arrangement that they are going to give these details. So precisely what differently will you do as a Department to convince those customers, those occupiers, those NHS practitioners and so on that they have to comply with this information?

Steve Oldfield: Again, it was probably more of an operational question for the previous—

Sir Geoffrey Clifton-Brown: No, it is a departmental one, because otherwise the system will go on as it is. It is a departmental question.

Q118 **Chair:** Mr Oldfield, you talked about everyone working together. What Sir Geoffrey is asking is: what is the Department going to do?

Sir Geoffrey Clifton-Brown: Otherwise, we go on with the same as we have at the moment. Nothing will change.

Steve Oldfield: What the Department will do is provide the oversight that can assure everybody that things are moving forward at the right pace, and that may be—

Q119 **Sir Geoffrey Clifton-Brown:** With respect, the oversight is not the answer, Mr Oldfield. It is convincing the NHS occupiers that they have to provide this occupation, so in the words of Mr Snell, there has to be some more "stick" on those occupiers, otherwise they won't provide that information.

Steve Oldfield: Yes, and as Chris pointed out, that stick is not exclusively wielded by the Department; it is wielded also by NHS England, and it is wielded through NHS England on to the commissioners who are responsible for, in part, paying the bills of the tenants because, as you are aware, part of the costs that the tenants pay are recoverable costs from, in this case, the commissioners. So everyone has a part to play in ensuring that the stick is wielded at the right time.

Q120 **Chair:** But Mr Oldfield, as Sir Geoffrey is driving at, it is a circular thing. The CCGs and the commissioners are saying that they don't get the right paperwork from NHS Property Services Ltd, and NHS Property Services Ltd is having struggles with some of its tenants, with NHS England and potentially with the Department. It is a circular thing. There is a log jam. Everyone is blaming everyone else.

Sir Chris Wormald: Your questions are exactly right. I was going to say that the only way through that is for NHS England to act differently, but it is not that because that is what they have been doing. It is for NHS England to do exactly the things that Julian Kelly described to you in the previous hearing. They are the national body that has purchase on the commissioners and the GPs.

There is a bit of this that goes, "We don't see this as a problem for NHS Property Services exclusively; it has to be a shared problem between the commissioner side and NHS Property Services", and NHS England, as Julian has been doing over the past six months—as I described—has to play its part in bringing exactly the pressures that you describe to bear, to get everyone to play their part in sorting the problem.

The bottom line is that we agree with you. The only way through this is for the national bodies, including NHS Property Services, to take this issue as something they jointly have to solve, by putting pressure all through the

system. We have to do that in a way that does not damage clinical services, but we have to get to the point that your previous panel described, and on which you rightly challenged us: that people ought to know what space they are occupying, and the cost. So it is that bit of commissioning—

Q121 **Sir Geoffrey Clifton-Brown:** So can we have it absolutely from you, Sir Chris, that the Department, NHS England and NHS Property Services are working together to find a mechanism so that you will deliver on that 90% of occupiers within a year that Ms Hewitt was talking about?

Sir Chris Wormald: I am not going to give an absolute promise that we will deliver on it, because there are lots of other parties involved and, as you know, court cases, but that is undoubtedly our intention. On whether we are working jointly together to do that, yes, is the answer.

Q122 **Sir Geoffrey Clifton-Brown:** Given that they are wholly owned by the Department, it has got to be the Department that is responsible for delivering that. So can we have a commitment from you that you will expect to deliver that objective?

Sir Chris Wormald: Yes, that is what we want to deliver.

Q123 **Sir Geoffrey Clifton-Brown:** Right. The second part of our strategic objectives is strategic management of the estate. There were some questions around that, but it seems that there is a fruitful amount of benefit for the Department and the taxpayer and for delivering houses in your tasking them with giving you advice as to which bit of their estate could be strategically managed to deliver at least the £200 million that was described today, so that we can deliver money for the taxpayer, money into the Department and more houses. What are you going to do as a Department to help them?

Sir Chris Wormald: Steve, do you want to pick up on what we do?

Steve Oldfield: If I can. Can I just clarify the question you are asking?

Q124 **Sir Geoffrey Clifton-Brown:** The question is: how are you going to help NHS Property Services to deliver their strategic objectives to sell £200 million-worth of property by listening to and taking their advice and delivering that benefit to the taxpayer and the Department and delivering houses? That's the figure that was given today—£200 million-worth of assets to be sold. I don't know in what period; it wasn't said, but it would be useful to know over what period.

Steve Oldfield: I couldn't comment on the period. Our role is to ensure that NHS Property Services has the platform on which it can make those recommendations, that those recommendations are heard and taken seriously and, if they are deemed to have merit, are moved as quickly as possible, and that the appropriate reviews and approvals are put in place as quickly as possible to facilitate those disposals. There was nothing in the NAO Report to suggest that anything we were doing at the moment was getting in the way of that.

Q125 **Sir Geoffrey Clifton-Brown:** No, but I suspect that to deliver that target is going to require considerable effort from the Department, NHS Property Services and NHS England. Given the way that the health service works, if you wanted to sell off significant property in a particular trust area, I can see all sorts of objections to doing that, so it is going to require some strategic vision to deliver it. Can I have your assurance that the Department will be wholly on board to deliver that objective?

Steve Oldfield: Absolutely, they are.

Sir Geoffrey Clifton-Brown: The third part of their objectives is this facilities management. I suggested to the previous panel, and I am asking both of you the question, whether it wouldn't make more sense to hive off facilities management to the individual trust. After all, you don't get an individual school being cleaned by some department of the Department for Education—it's done locally—so what on earth is the strategic sense in getting a huge national body to start making sure hospitals are cleaned and so on and so forth? Why not just simply hive off facilities management to the local trust at a far greater rate than was being discussed? I think there are five cases in the pipeline; surely there ought to be 500 or 5,000 cases being considered.

Steve Oldfield: Elaine, in her answer to the question previously, suggested two things. First, a significant amount of progress has been made from what the company inherited, with the, I think, over 250 providers of facilities management down to a much more consolidated number, working across a broader portfolio, in a much more efficient manner. I think the company is to be commended for that. She also pointed out that more tenants are happy with and pay for their services than are not. Therefore, we need to be careful not to create a problem out of something that is currently not a problem.

As to whether it should remain a strategic priority for the company to continue to provide facilities management services, again we as a Department are agnostic as to what the answer is. We will be guided by the strategic plans of the company and the recommendations that the company makes. They are the ones that are closest to understanding what the market looks like and what the benefits of providing those services are.

Elaine also referred to the fact that, as a result of providing those services, they have gained invaluable insight into the costs of those services in the market, what they should be charging, how those costs vary from supplier to supplier, and so on. There are some collateral benefits to providing those services, which Elaine has referred to.

Q126 **Sir Geoffrey Clifton-Brown:** Sir Chris, Mr Julian Kelly said— either advertently or inadvertently; I'm not quite sure which—that you or he were going to pay very close attention to what this organisation is doing within the next year, and the inference from that was that if things don't improve you'll consider different models. Is that the case?

Sir Chris Wormald: Not quite, as you probably got from my expression—

Q127 **Sir Geoffrey Clifton-Brown:** That's why I am asking you the question.

Sir Chris Wormald: I will distinguish several things. As the National Audit Office put in its Report, we are doing one of our periodic reviews of this company this autumn. It was originally planned to be done by 31 October. That may not be the best date, so it may be a little later in the autumn, but we are looking at these structures and how they work. That is theme 1.

On theme 2, I think it is very important to distinguish issues of organisational form from underlying issues that would have an effect regardless of organisational form. You can clearly make an argument, as you were beginning to, about whether it was a good idea in the first place to set up something that would look like a company rather than some other structure. Is it better to do these things entirely locally or nationally or whatever? Quite clearly, you can have that debate.

None of that would have affected all the things that were described as actually getting in the way of delivery, or the fact that in 2012 and subsequently there was no paperwork around how a lot of tenants were occupying buildings, regardless of the organisational form that you have adopted. You could have different arguments about what is the right organisational form and whether a commercial company is the right thing or whatever.

You would still have most of the problems that we are currently dealing with. Therefore, quite clearly, in the short to medium term, the most important thing is to focus on those problems and whether we can solve them. It would be quite a high bar to say that simply because something was a different type of organisation it would be better at solving those underlying problems.

Clearly, you can have questions about whether this is the right organisational form, but I think that is a different set of arguments or a different set of questions from the issues we are addressing here.

Q128 **Sir Geoffrey Clifton-Brown:** Again, that timetable sounds as though it is slipping. You are going to do a three-year review, but it will not be October; it will probably be sometime in the new year.

Sir Chris Wormald: No, the intention is it will be this year. It is just that 31 October—

Q129 **Sir Geoffrey Clifton-Brown:** And when will the review complete?

Sir Chris Wormald: We intend to complete it this year.

Q130 **Sir Geoffrey Clifton-Brown:** Will that be accompanied by key performance indicators that you will require this organisation to—

Sir Chris Wormald: We already have key performance indicators.

Q131 **Sir Geoffrey Clifton-Brown:** You do? I have still not got a sense—maybe it's my brain playing tricks. Mr Snell asked you questions around this; the Chair has asked you questions, and I have asked questions. What is the

Department going to do differently to assist this organisation to achieve those KPIs?

Sir Chris Wormald: I think we are talking at cross purposes. Our very clear view that we have expressed several times is that the only way on this part of the company's performance—as Steve pointed out, on a lot of the other areas they have actually made a serious amount of progress. The thing that has to be different is the commissioners have to be at the table helping to solve the problem. The most fundamental thing we can do is ensure that the commissioners are at the table helping to solve the problem.

At this precise moment that is not a difficult thing to do, because, as Mr Kelly described, he is at the table helping to solve this problem. That came about through a series of discussions between us, the property company and NHS England, so we think we are in a good place for things to be different going forward. The most important thing that the Department can therefore do is to ensure that all that happens, that the commissioners are at the table, and if we are not between the three of us delivering what we have said we would deliver, we will take that up with NHS England and others and ensure that they do. That is the thing that will be different.

Steve Oldfield: I would like to add to that. I have mentioned on a number of occasions the question of oversight. One of you suggested that it was not a question of oversight, but it is. Key to achieving what Chris has just outlined are three things. Is the right intent there on the part of all the parties?

We can look at that. We can almost play a bit of an independent role as a Department and say, "Do we feel that people are coming to the table with the willingness to solve this?", in terms of all the parties. Are the data there that we need in order to form the view that we need to solve the occupancy regularisation and the bases for future charging? Are the systems there to collect that data and is it being collected in an appropriate way? We can look at that through all the accountability meetings.

Finally, are we implementing the decisions that come out of that process? Are the tenants paying on time? Is the company billing on time? Is it billing with the right levels of accuracy? Those are KPIs that we can and do routinely measure. Is the NHS playing its part in holding the commissioners to account to sort out who will pay for the different bits of the rents that are agreed? That is where we have a role to play to ensure that each of the bits of the solution are being progressed at an appropriate pace.

Q132 **Sir Geoffrey Clifton-Brown:** I just do not get a sense from either of you of any really positive actions that you will take to resolve the situation. Some 70% of the tenants do not have an agreement. There is a deficit of £576 million, which has gone up from £210 million since 2014. All the metrics are going the wrong way. They now take 214 days to be paid, whereas it was 91 days in 2015. Some £110 million has been written off.

There is another billion pounds-worth of backlog in maintenance. All the metrics are going the wrong way. It is not as if the organisation looks as though it is improving; it looks as though it is going the wrong way. I just don't get any sense from the Department of how you intend to ensure that that is reversed. As with Mr Snell, I am not putting the blame on the organisation in saying all that. I think the Department has to take some different action from what it is taking now. With great respect, Sir Chris, I don't get the sense from you that you really have a grip on the property situation, which is such an important part of the NHS, and that something is going to change.

Sir Chris Wormald: I'm afraid I don't agree with any of that. As we have said before, if you look across the performance of NHS Property Services in all its objectives, a lot of things are going in the right direction.

Q133 **Sir Geoffrey Clifton-Brown:** Those statistics, I agree with the NAO, are all going in the wrong direction.

Sir Chris Wormald: Yes, but you have not quoted any of the statistics that the NAO put in its Report that are going in the right direction, a number of which—

Q134 **Sir Geoffrey Clifton-Brown:** There are some, yes—

Sir Chris Wormald: Quite a lot, actually, and some of the most important ones. I don't really know what to say differently. In terms of what we want to be different, and what the Department has been driving at—this might be coming off as not exciting enough because we were pushing at an open door.

As Mr Kelly described, the NHSE wants to help us solve this problem and is taking actions to do so, which is exactly what we want. We have not been in the position of needing to force the NHSE to come to the table or say, "Actually, this position can be resolved only if the commissioners are there. We are working through with the commissioners, case by case." Those are all things on which we and the NHSE agree. As far as we are concerned, we think that things have to be different in the way that I have described. We have a clear plan to do so, which is exactly what the previous panel described.

Our job is to ensure that the plan is implemented and delivers the kind of results that the previous panel described to you. We think that we have a clear plan for how it will be different, and ways of measuring it. Is it going to be really hard? Yes, it is, for all the reasons that we have described, but we do think we have a plan that we have shown in the last six months has delivered results. We can now press forward with going on into the future.

Q135 **Sir Geoffrey Clifton-Brown:** So let me ask you the acid question. There is a deficit of £576 million in the organisation at the moment. What is your deficit reduction target, and are you intending to write off any of that deficit?

Sir Chris Wormald: As was previously described, I don't think there are any current discussions about write-off, but we have written off some of

that in the past. It might be that, as a part of this process, we will want to write off some of that and give a clear start, but that has to be the end result of the process I have described, not the beginning. So we want to work through how much of that we can regularise via the process I have described, then consider whether there is a case for writing off.

Q136 **Sir Geoffrey Clifton-Brown:** I want a very clear answer from you. What target are you setting the organisation to reduce the deficit to?

Sir Chris Wormald: That is one of things we are going to be doing as part of the review that we mentioned and we will be publishing later this year.

Q137 **Sir Geoffrey Clifton-Brown:** That is not a clear answer.

Sir Chris Wormald: Well, it's a truthful answer.

Q138 **Sir Geoffrey Clifton-Brown:** When are we likely to see the results of this review?

Sir Chris Wormald: As I said, we intend to publish the results of our review by the end of this calendar year.

Chair: It was going to be by 31 October. We understand that there might be a delay.

Q139 **Sir Geoffrey Clifton-Brown:** Is that a clear commitment, or does it depend on other events?

Chair: Other than Brexit.

Sir Chris Wormald: I am not going to comment on other events and their ability to derail us from things. That is our clear intention. As I say, there are a lot of other events that have impacted on things, but our intention is to do that, for exactly the reason that you say.

Q140 **Gareth Snell:** First of all, I think Sir Geoffrey is absolutely right to point out the indicators that are going the wrong way, because often those are the areas where there is concern about efficiency. You have said that there is no immediate target for deficit reduction, and that a plan is in place—the review will be published, but the timetable for the creation of that plan is different.

Given that originally this organisation was going to be financially self-sufficient a long time ago, how long is the Department willing to entertain a continuation of the current arrangement if those indicators that Sir Geoffrey has rightly pointed out do not turn around, or the organisation is unable to start to wash its own face?

Sir Chris Wormald: What we want to do—as I say, we have got a clear plan, we have a lot of milestones over next year, and we will want to see whether that works—in terms of the financial sustainability, clearly is to be in a position where this is financially stable. But as you yourselves have pointed out, this is all about the distribution of money within the NHS—no

money is being lost to the system. What we really want to do is something you were pointing to earlier—

Q141 **Gareth Snell:** Some money is being lost in the system.

Sir Chris Wormald: Not in the parts that are the GPs and the trusts elements—that is about the distribution of money around the NHS.

The reason we want to get to a financially stable position and get all this done is not particularly to make the numbers add up, but to get the efficient use. I know some people will not like that, but it is to get to the point where you have an efficient, rational use of capital—

Q142 **Gareth Snell:** Shall I try again, Sir Chris? I don't know whether you forgot the original question, or whether you are simply trying to talk around it. How long is the Department willing to continue with the current arrangement of an organisation that is not financially stable and for which key indicators are going in the wrong direction? You have got a review—that is coming by the end of the year; fine—but at what point does the Department pull the plug and say, "Actually, we need to rethink how we manage the estates across the piece"?

Sir Chris Wormald: I will give you a very simple answer: we do not have a date for that.

Q143 **Gareth Snell:** But it is something you would consider.

Sir Chris Wormald: We are reviewing the organisation in the way that was described. We are not— I don't want anyone to take an inference from this, that there is a different plan or whatever. We are focused on the organisation delivering—

Q144 **Chair:** Mr Kelly talked about certain local health communities—I suppose we are talking about STPs taking over some of the properties, back into local ownership. Is that what the Department is looking at, reducing its base by giving properties back?

Sir Chris Wormald: The position is exactly as your previous panel described. There is not a general policy of doing that across the board, but where there is an agreed and sensible proposal in an individual area for that to happen, we are in favour of it.

Q145 **Chair:** Do you have a definition of what "an agreed and sensible proposal" is in a local area?

Sir Chris Wormald: They come to us for agreement, and we would look around at the business case of that area. As was described in the previous panel, if that case stacks up and there is a good public interest in doing it, we are in favour—

Q146 **Chair:** Then I think you, Ms Hewitt and Mr Kelly might be dealing with a lot of bids as we publicise the fact around Parliament that if people come together with a good case, they may get—

Sir Chris Wormald: That is reasonably well known already. As I said before, I think one of the problems in this area has been the creation of national solutions. I can see in some parts of the country, where there are well developed ICSs or STPs, it would be a very sensible thing to take on the property, but in other areas that may not be the case. What I want to see is—this is partly why I cannot answer Mr Snell's question, and why it would be much better—much more of an evolutionary process, in which we work out what the right answer in the right place is, rather than—

Q147 **Chair:** Such a Whitehall way of working.

Sir Chris Wormald: Well, to be honest, Chair, that has not been the NHS way of working, which has been big-bang changes—

Chair: Fair point. You are saying not another Lansley reform, but an evolutionary process. Mr Snell, do you want to come in on evolution, because we are straying across subjects?

Q148 **Gareth Snell:** Evolution, Sir Chris, tends to take millions of years—*[Laughter]*—which would be in line with what I understand of the NHS and the Department—

Sir Chris Wormald: I might have to admit defeat on this question, but carry on—

Q149 **Gareth Snell:** Permit me to ask this, then, just so that I am clear. At the moment, the review that will be published on 31 October or at the end of this calendar year will include a series of expected, agreed improvement levels, in terms of the KPIs that Sir Geoffrey raised, and a clear timetable by which you would expect those programmes to be met.

Sir Chris Wormald: Yes. We have KPIs continuously with the company, so there are existing KPIs, against which their performance is measured. We will be wanting to set out—a number of them have been set out during this hearing—for the plan that we have going forward, what the milestones are and what the success criteria for them are.

Q150 **Gareth Snell:** Will we be able to see a copy of that?

Sir Chris Wormald: We intend to publish the results of the review that we—yes. I think, given it has been in the NAO Report and we have mentioned it—

Chair: Now you have told us that you will publish it, we will be on the case very sharply.

Q151 **Sir Geoffrey Clifton-Brown:** I am sorry if my questions are tedious, but I have never heard a permanent secretary, who is the chief accounting officer, say, "Our function is not to make the figures add up."

Sir Chris Wormald: What I was trying to get at here was this. As I say, the money is mainly intra-NHS money, so it's about the distribution of money around the system; and in accounting terms, it all balances. That is not the point, as it were.

Q152 **Sir Geoffrey Clifton-Brown:** That is the myth that I wanted to dispel; that was the purpose of the question, because there is leakage out of the system, isn't there? If this organisation is not able to operate effectively, it is costing the taxpayer money. It is sitting on £3.8 billion-worth of assets. If somebody who knew what they were talking about with property got involved, I would be very surprised if they could not turn this around, with the appropriate help from the Department and NHS England. And that is the whole purpose of this session. This is not a neutral thing; it's a positive—

Sir Chris Wormald: Well, with one exception, we are in agreement. Maybe I chose my words badly, but the point I was making was that it is exactly those questions—are you actually managing the estate properly and strategically, are your operating costs as low as possible and are you getting on with the health and safety things?—that are the real value-for-money questions here, as opposed to the money question about moving around the NHS, which we do have to solve, but the purpose of solving that is to put the rigour in the system that you are describing.

Q153 **Chair:** So you are recognising that there is a double dividend, potentially, for some of these sites.

Sir Chris Wormald: Exactly. The one point in your comment I do have to dispute is this. I don't think it is fair on NHS Property Services to describe them as not knowing what they are doing and not being property specialists.

Q154 **Sir Geoffrey Clifton-Brown:** I didn't say that.

Sir Chris Wormald: I'm afraid you did actually say that.

Q155 **Sir Geoffrey Clifton-Brown:** Well, if I did, I retract it. I think they do know what they are doing, but I don't think they are being given the powers with which to do it. That is the problem.

Sir Chris Wormald: When we are looking at the past, we agree with you: we do think we need to have a different approach here. But as I say, the purpose of this is exactly as you describe: it is to get to efficient and effective property management. That is where the real public value lies in this, as opposed to, "Does the debt go up and down?" That is a signal as to whether you have rigorous management, because you have the data systems in place, you have agreements and so on.

Q156 **Chair:** We will finish there, but I think you have probably picked up that we are keen on this subject—

Sir Chris Wormald: As are we.

Chair: Well, we are and we hope, Sir Chris, that you have your focus on it as much as we will have, because I think we will be looking at this again, and possibly some of our recommendations will set dates as to when we want to come back. This issue is absolutely critical to MPs and communities up and down the country. This portfolio isn't just about money or buildings; it is actually about the services to patients, and any

money wasted or any inefficiencies have an impact on patient services. That is what we have to remember when looking at this.

I thank you for your time. As ever, the transcript will be up on the website in the next couple of days. I can't tell you exactly when the report will be published, because we will have a long Prorogation, but it will be as soon as we can when we meet next, so it is likely to be the middle of October. Thank you very much.