Gov Facility
Services Limited

Company registration number 11061429

Annual report and accounts

2022/23

CP 947

Gov Facility Services Limited annual report
and accounts 2022/23
Company registration number 11061429

Presented to Parliament
by the Secretary of State for Justice
by Command of His Majesty

November 2023

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Section 1

Strategic report

Highlights of the year

CRED teams complete around 700 reactive jobs, a 40% increase from the prior year

Year on year improvement on gender pay gap

Apprenticeship programme extended to include ILM Level 3 and Level 5 for Management training

£38.1 million worth of project work delivered

NEW
e-learning system launched for all staff

78
internal promotions

Prisoner working groups in 31 establishments

Chief Executive Officer appointed

Chair’s statement

As in every year since Gov Facility Services Limited (GFSL) was established, the last year has been full of change.

We have appointed a new Chief Executive Officer and used the opportunity afforded by the departure of our previous Operations Director to re-structure our senior team. We were deeply saddened by the death of Mike Barker our Financial Controller and would like to note on behalf of the board our appreciation for the work he did for GFSL. We have made huge strides in our recruitment processes, developing strong links with the armed services and securing the Defence Employee Recognition Scheme silver award. While we previously saw month-on-month net staff losses, this trend has been reversed since the start of 2023.

As this report records, we have delivered a substantial volume of maintenance and project work across the prison estate, including the Modular Unit Demolition and Replacement Programme and the delivery of radon remedial work. We delivered what was expected of us financially, despite significant inflationary pressures. Our people do a great job day-to-day in maintaining the estate. They are the unsung heroes of our success. We were pleased that we were able to make a one-off £1,500 cost of living payment to our people in July 2023, in common with the Civil Service.

We have continued to invest in supporting prisoner rehabilitation through the Clean, Rehabilitative, Enabling and Decent (CRED) Programme. This provides meaningful work, enables prisoners to train and develop skills while in custody, and better equips them for post-release employment.

Disappointingly, the rate of injury and accidents for our people in the workplace rose during the year. In response we have developed a robust improvement plan which is currently tracking slightly better than the trajectory we set for ourselves. The safety of our people and all who are affected by our work remains our number one priority.

At the time of reporting, the Ministry of Justice (MOJ) has announced its intention to tender for facilities management services under its Property Transformation Programme. This is expected to lead to the transfer of our services to new suppliers in 2026. In the meantime, we will continue to deliver our services, supporting safe and effective prison operations, and we will do all that we can to support our employees through the process.

Colin Allars
Chair, GFSL

Chief Executive Officer's overview of 2022/23: a year in progress

Introduction

As the new Chief Executive Officer of GFSL, I would firstly like to highlight the considerable efforts of our business over the past 12 months. We deliver essential services to the prison estate every day and, as is the nature of prison operations, this is largely unseen outside the walls of the establishment. I am extremely proud to be able to present the annual report of GFSL, reflecting on a positive year of progress in terms of employee engagement, purposeful service delivery, and stronger and deeper relationships with His Majesty's Prison and Probation Service (HMPPS).

This report outlines our commitment to delivering valued estates and facilities management solutions, through our engaged employees, our dedication to customer satisfaction, and our relentless pursuit of excellence and assurance in all aspects of our operations.

1. The GFSL business plan

While GFSL's business plan was robust, with vision, mission and value statements that continue to serve us well, we took the opportunity to refresh and simplify the narrative surrounding our key objectives and priority deliverables so that we could move into 2023/24 with a renewed focus. A considerable amount of work was done in the last quarter of 2022/23 which culminated in us launching the plan to every employee through a series of site roadshows with presentations delivered via a large cross section of our managers. I would like to thank those who organised and participated in these events – from personal experience I know how much our employees valued the opportunity to discuss in person how GFSL is performing and how the business plan would shape our future.

2. Commitment to safety

The health and safety of our employees and the prison community we serve is of paramount importance. GFSL's reported injury performance across 2022/23 did not achieve the standards acceptable for a business such as ours, and especially one with our capabilities. However, I am pleased to report that through a constant and concerted effort, GFSL has embedded a sustainable safety recovery plan (Work Safe, Home Safe) to tackle root causes on a number of fronts. Our monthly reported safety performance is now improving and we are aiming to reach or be better than our performance goal by the end of the calendar year 2023.

3. Customer satisfaction and building stronger relationships

With a large proportion of GFSL people embedded within prison operations, it is evident that our customer hugely values the efforts and contributions of the business. Through my ongoing visits to the prison estate, this fact has become apparent through the feedback I receive from governors and their leadership teams. However, due to ongoing funding constraints and an ageing infrastructure, we must strive to work smarter as well as harder to improve levels of performance satisfaction. We recently concluded a GFSL satisfaction survey with governors and prison group directors. The feedback will help us focus on

areas of process improvement which are so essential for us to refine ways of working, remove ineffective processes and speed up decision making.

4. Performance focus

As we moved into 2023, GFSL embarked on a sustained programme to transform the business from one that is currently data-rich to one which is increasingly using insight from its data to improve. Our ambition is to arm our frontline teams with relevant and outcome-focused performance data and business intelligence that supports our employee and customer engagement and shows our value contribution.
To enable this, a number of process and workflow improvement initiatives are underway which include adopting new and enhanced digital tools and platforms to reduce our reliance on inefficient paper-based processes. We have put in place a cross-functional approach within the GFSL central team to ensure that we have a truly collaborative mindset when it comes to how we understand and report our performance, be that at the site level or to the GFSL board.

5. Our people

GFSL's performance and success are built on the skills, knowledge and dedication of our employees. Throughout the year, the people team has been working to an eight-point people plan which is designed to attract, retain and develop our talent through fair pay, relevant training and career development, and effective management and leadership. Our recently concluded employee engagement survey has shown that this plan is working with a significant improvement in engagement levels. However, GFSL recognises that the plan has some way to go. We remain resolutely committed to advancing our remuneration and employment proposition and how it compares favourably to the marketplace we operate in.

6. Financial and cost control

GFSL's financial performance and cost controls are robust and considering the ongoing funding constraints, the business should be proud of its achievements. With the new financial year well underway and further cost pressures on available budgets, the requirement to work smarter is ever more relevant. Through a number of complementary initiatives such as improved management information, cost management training, shared best practice and improved customer engagement, GFSL is tackling the financial year challenges head on. As the Accounting Officer I am acutely aware of our responsibility and duty to spend public money wisely. Through our strong customer relationship and deep understanding of the challenges in operating an aged estate, I am confident that the robust controls we have demonstrated in the past will enable us to meet the funding challenge.

7. Assurance control framework

The 'three lines of defence' model has been in place at GFSL since it was formed. Year on year it has strived to tighten its grip over all facets of our business. As GFSL ended 2022/23 and moved into 2023/24, we have taken a further step forward and launched a new assurance control framework which has increased the visibility and stewardship of all first, second and third line assurance activities across our business. Clearly as we improve we will learn more about the effectiveness of our processes and controls and in doing so be able to continually improve how we operate.

8. Property Transformation Programme

MOJ's Property Transformation Programme is planning to transform facilities management delivery across the prison, probation and MOJ headquarters estate. In June 2023, MOJ published a Prior Information Notice, stating their intention to tender facilities management services, including the services provided by GFSL. This is expected to lead to the transfer of services currently delivered by GFSL to new suppliers in 2026. This is not a reflection on GFSL's performance: it is a decision that the private sector is best placed to meet MOJ's future needs for large-scale facilities management delivery.
I want all GFSL people to feel very proud of what you deliver, every day, in challenging circumstances.

The service that we provide is vital to safe, compliant, and effective prison operations and the decent housing of prisoners. Our work will continue to be of the utmost importance all the way through to the expected transfer in 2026.

Conclusion

I would like to say thank you to our valued people, customers, board and stakeholders for their continued support. The past year has been a testament to our resilience, focus, adaptability and commitment to service. Looking ahead, we remain dedicated to providing customer-centric and sustainable facilities management solutions that support the prison estate, while working with MOJ to assist in delivering the Property Transformation Programme.

Neil Edmond
Chief Executive Officer

Performance overview

What we do

Gov Facility Services Limited (GFSL) is a not-for-profit company established by the Ministry of Justice (MOJ). We work within a framework agreement that sets out the key responsibilities between us and MOJ and describes how our relationship works, including matters on governance, finance and management, which expands on our articles of association.

GFSL provides facilities management services across 48 prison sites in four regions in the South of England, which includes Greater London, Kent and Sussex, the South West and the East of England.

Our primary aim is to support His Majesty’s Prison and Probation Service (HMPPS) and MOJ to deliver safe, high-quality and value-driven facilities services in the justice sector. We do this by delivering in two primary areas: our core services and variable services.

The core services are delivered within a fixed annual budget that covers planned preventative maintenance (PPM) and reactive repair activities up to the value of £2,000 per repair. This includes:

- hard facilities management – building infrastructure, asset maintenance and assurance

- soft services, such as cleaning, landscape maintenance and waste management
- stores management and prisoner working

The variable services are not covered by the annual budget we receive and are generally undertaken with instruction from HMPPS. This includes:

- reactive repairs over £2,000 per repair
- minor project works that are instructed by the client
- project services – including capital investment type works, which are approved in advance by the client and in some cases are significant in size and value

What we are aiming to achieve

GFSL's executive issued the 2022/23 business plan which aligns to six strategic aims, setting clear objectives to all the core functions:

- value for money – efficient and quality services within budget
- reliability – effective service delivery
- people – our most important asset
- customer – being a trusted provider
- safety – everyone goes home safe
- corporate social responsibility – achieve a balance of economic, environmental and social imperatives

We aim to ensure that everything we do improves our performance against one or more of these strategic aims.

Our approach continually evolves and adapts to ensure we are delivering services that are aligned to the needs of the prison service. We use the annual business planning process to set out our near-term objectives and prioritise the focus for our change programme.

The key business priorities are incorporated into our business plan and cascaded throughout the business, forming staff personal objectives.

Our vision, mission and values

Our vision

To support a world-class justice system by being the best-value provider for facilities services.

Our mission

To deliver safe, high-quality and value-driven facilities services in the justice sector.

Our values

Our values are what we believe in as an organisation, and how we aspire to be as individuals. They form the basis of GFSL's working culture, reflecting how we want to work. They will help us to meet our challenges ahead as one team.

GFSL values

Pride in people

Do the right thing

One team

Our strategic aims

The following table outlines the strategic aims for 2022/23, how GFSL delivered against these objectives and how these are related to the 2023/24 strategic goals.

2022/23 strategic aims	2022/23 business plan priorities	2022/23 performance	Related 2023/24 strategic goal
Value for money	• Deliver our service within the agreed budget • Improve financial and commercial process compliance • Improve the efficiency of our service delivery	• Budget requirements met • Finance and commercial compliance under continuing review with good progress in many areas • Efficiency of service delivery improved through Oracle enhancements and other measures	Value

2022/23 strategic aims	2022/23 business plan priorities	2022/23 performance	Related 2023/24 strategic goal
Reliability	• Improve priority service delivery performance • Improve levels of statutory compliance across all sites • Improve ineffective processes	• Delivery against key performance indicators (KPIs) and statutory compliance levels continued to be a key focus for the business • Process reviews undertaken, with the Built by You Programme overhauling key facilities management operational processes	Excellence

2022/23 strategic aims	2022/23 business plan priorities	2022/23 performance	Related 2023/24 strategic goal
People	• Ensure all staff have a personal development conversation • Improve our staff engagement score in every business area • Ensure teams are resourced properly	• Personal development conversation process well established • Net losses have reversed, with more starters than leavers at year end • Engagement score improved • Resourcing of teams under constant review	People
Customer	• Improve the key areas of customer dissatisfaction • Improve the perception of our project delivery	• Net promoter score eroded in-year • Perceptions of project delivery remain mixed	Customer

2022/23 strategic aims	2022/23 business plan priorities	2022/23 performance	Related 2023/24 strategic goal
Safety	• Continuously reduce the likelihood of injury or damage • Complete all statutory health and safety training • Address workplace hazards through safety inspections • Ensure all new starters understand their health and safety responsibilities	• Accident incident rate worsened in-year • Statutory health and safety training completed • Improved level of safety inspections • Improved induction launched	Safety

2022/23 strategic aims	2022/23 business plan priorities	2022/23 performance	Related 2023/24 strategic goal
Corporate social responsibility	• Improve our management of environmental risk • Support rehabilitation through our work with serving prisoners • Measure our supply chain partners' level of engagement	• Environmental management improved and evidenced • Continued strong level of prisoner working • Positive feedback from suppliers	Environmental, social and governance

As part of our 2023/24 business planning process, we reviewed the suitability and priority of these objectives and have realigned our 2023/24 business plan around the following strategic goals:

- safety – to ensure safety is at the forefront of everything we do
- people – to positively influence employee experience through every interaction
- customer – to build strong relationships and deliver value to our customers
- value – to achieve the optimum combination of quality and affordability
- excellence – to deliver exceptional performance through consistent effort and improvement
- environmental, social and governance – to promote and measure sustainable and socially responsible practices

These six strategic goals are supported by 13 business priorities, detailed on pages 31 and 32, which are being managed throughout the 2023/24 business plan year with a programmatic approach, led by our business change Project Management Office.

Business plan 2023/24

Our vision

is to support a world-class justice system by being the best value provider for facilities services.

Our mission

is to deliver safe, high-quality and value-driven facilities services in the justice sector.

Our values are

- pride in people
- do the right thing
- one team

Strategic goals

Safety
To ensure safety is at the forefront of everything we do.

Customer
To build strong relationships and deliver value to our customers.

Value
To achieve the optimum combination of quality and affordability.

Excellence
To deliver exceptional performance through consistent effort and improvement.

People
To positively influence employee experience through every interaction.

Environmental, social and governance
To promote and measure sustainable and socially responsible practices.

Priorities

- Address key factors impacting our **safety performance**.
- Create a culture of positive leadership that inspires and **motivates employees**.
- Strengthen our **environmental, social and governance impact** and take action to improve our performance.
- Drive greater **value** through improving our commercial maturity.
- Implement an effective **assurance control framework**.
- Create **greater alignment** and clearer communication with MOJ and HMPPS.
- Improve the effectiveness and consistency of our **processes**.
- Work with all parties to mitigate and address **compliance** risks.
- Evolve the **organisational design** to adapt with changing business needs.

- Develop and **utilise data analytics** to drive and create greater value.
- Collaborate with stakeholders to ensure **successful project outcomes**.
- Create an **IT roadmap** to drive productivity and efficiency gains.
- Develop an enhanced asset management and maintenance plan.

Performance analysis

Operational performance

Operational performance is viewed through three key lenses:

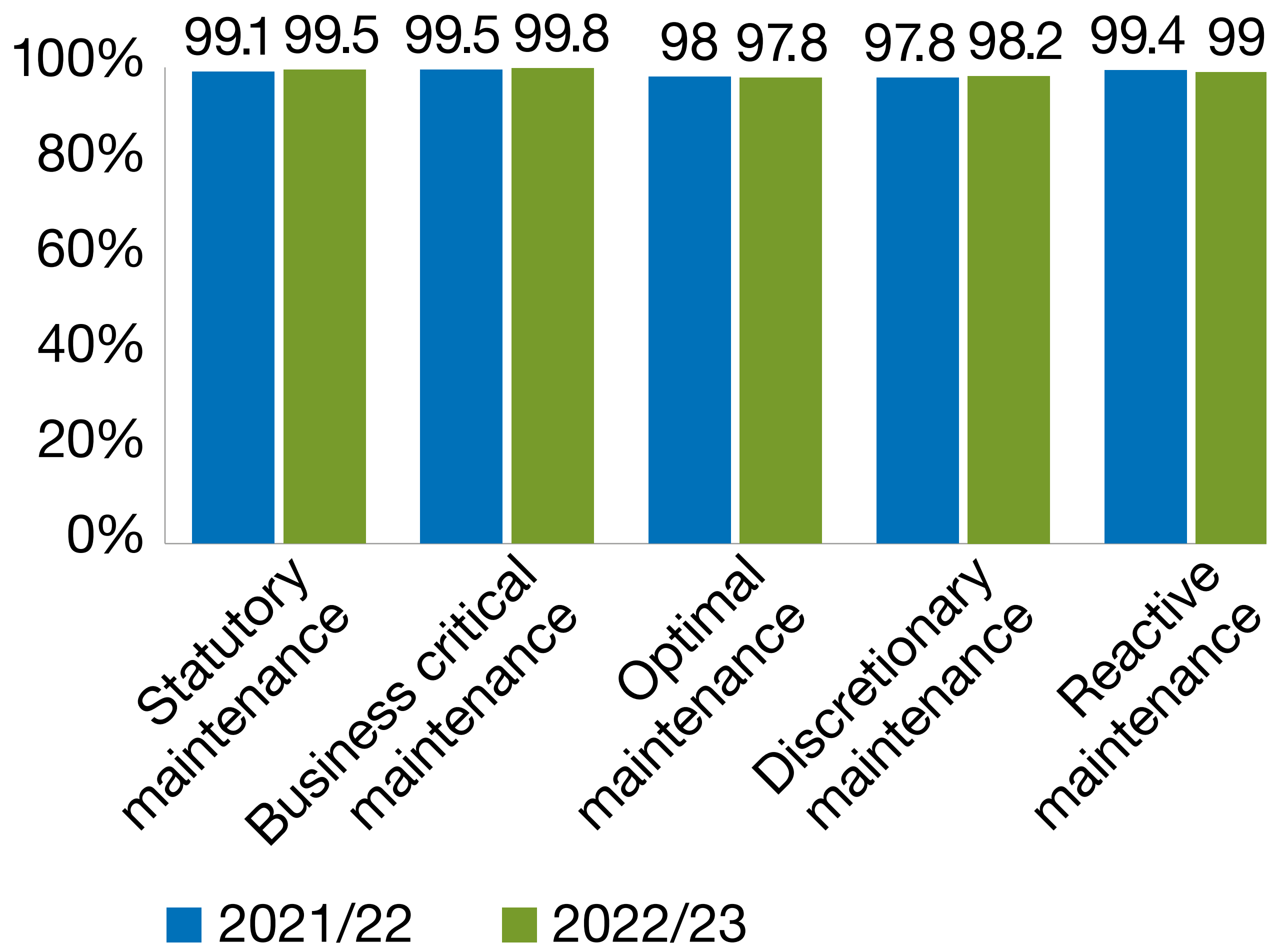
- maintenance work being completed
- KPIs, which measure our performance in completing statutory and high-priority maintenance activities within specific timescales
- ensuring the premises we maintain comply with laws and regulations, for example in relation to water, heating and electrical systems

Maintenance completion

- Completion measures whether the required task has been completed.
- During the operational period April 2022 to March 2023 inclusive, the business completed 99% of all ‘statutory’ and ‘business critical’ planned preventative maintenance (PPM) work, equating to around 80,000 maintenance tasks across the operational portfolio. This type of maintenance is essential in ensuring compliance with regulatory requirements and supporting the ‘safe and decent’ requirement within the prison portfolio.

- The business also completed 97.8% of ‘optimal’ and 98.2% of ‘discretionary’ works, equating to a further 33,500 maintenance tasks in aggregate. This work supports the effective operation of plant and equipment, proactively maintaining to mitigate risk of failure and subsequent costs.
- The operational period April 2022 to March 2023 inclusive saw an increase in demand for reactive maintenance services, a notable 5% increase compared to the previous year. In aggregate, demand for reactive maintenance reached around 289,000 tasks, with 99% of them being completed.

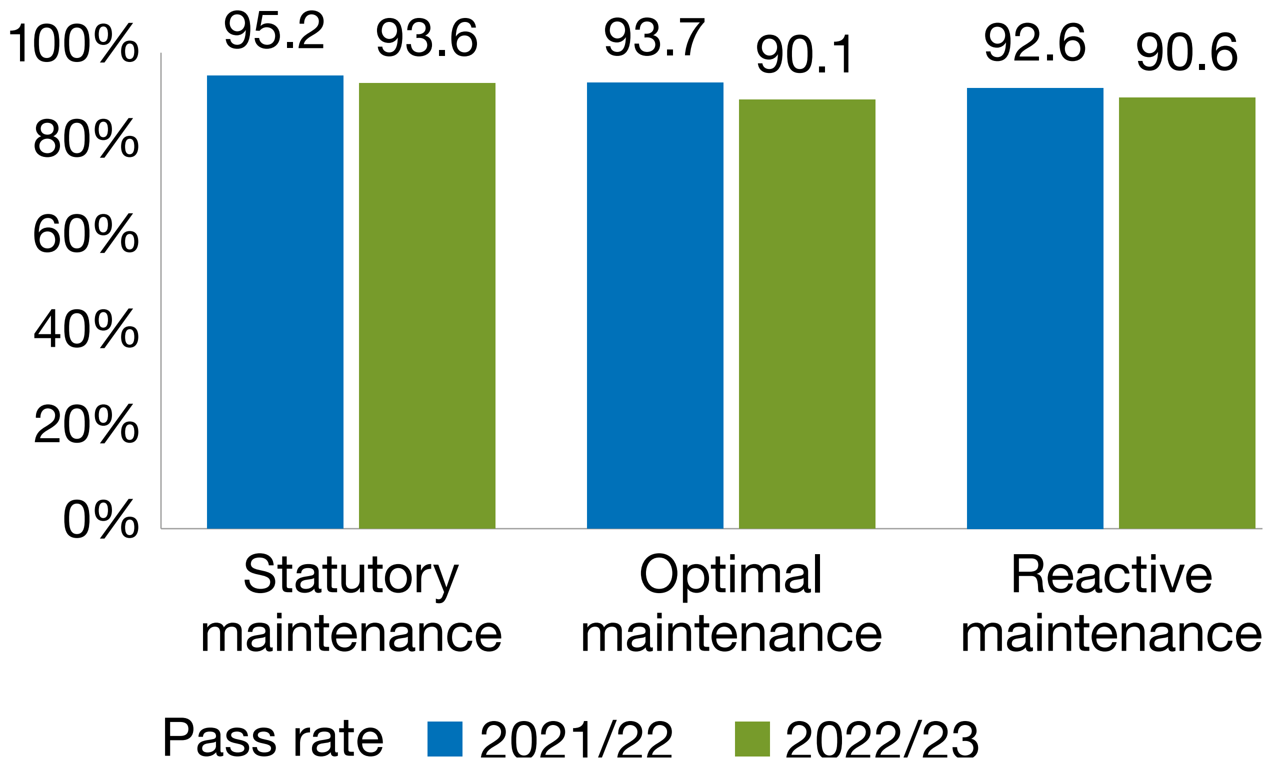
2022/23 completion performance



KPI performance

- KPI performance measures whether the required task has been completed within the relevant timescale.
- Through the same operational period, April 2022 to March 2023, 93.6% of statutory maintenance that was due was completed within the required timescale.
- 90.1% of optimal maintenance was completed within the required timescale.
- The KPI for ‘high priority’ reactive maintenance measures the speed of response (i.e. attending and making safe where appropriate).
- Performance against this measure was 90.6%, which is better than the 90% KPI target.

2022/23 KPI performance



* The targets for KPIs are 100% for statutory and optimal maintenance and 90% for reactive maintenance.

Reactive KPI performance is impacted by the extent of work arising from vandalism/misuse, which equates to approximately 26% (around 75,000 tasks) of all reactive maintenance demand during the reporting year April 2022 to March 2023 inclusive.

Statutory compliance

Statutory compliance is a key responsibility of our business which enables our customers to ensure that the premises they occupy, together with the systems which support that occupation, are compliant to applicable laws and regulations. By implementing our compliance measures we provide an environment that is suitable and safe for use for all residents and colleagues who live and work in the buildings we maintain.

GFSL has completed over 18,500 inspections within the estate to ensure that buildings and systems comply with current statutory legislation. As a result, we completed 13,714 remedial actions for the 2022/23 financial year.

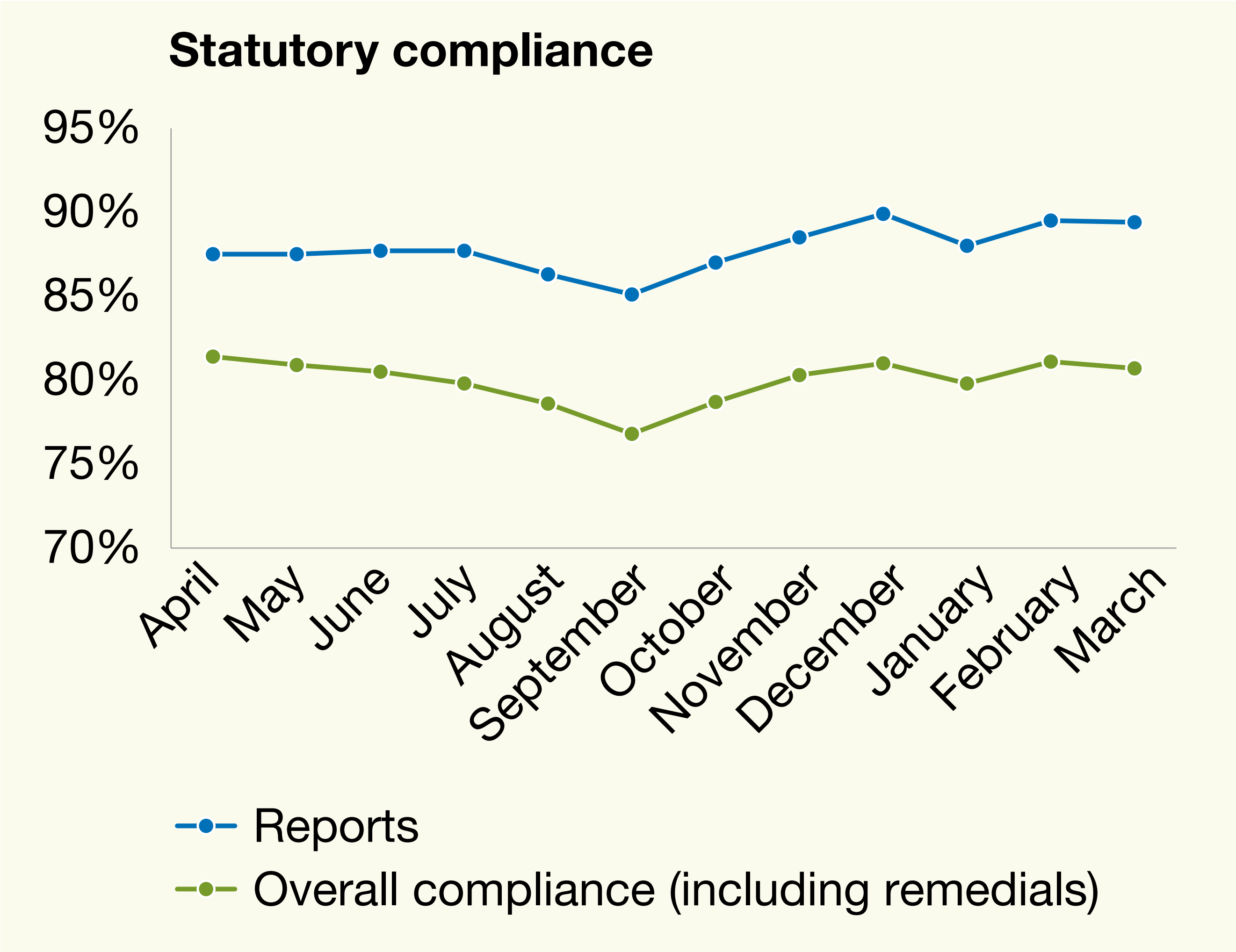
The completion of these inspections and resulting actions is measured by GFSL to provide assurance of certification.

We measure two elements of statutory compliance independently via a third party:

- statutory PPM activities as a ‘reports only’
- statutory PPM and completed remedial repair requirements as ‘overall compliance’

Statutory compliance is measured from the total reports required. Each report may represent one or multiple assets that require certification. ‘Overall compliance’ is achieved when the report and all assets it includes are certified, with no outstanding repairs.

The statutory compliance graph represents our reported compliance position, measuring the assets that are fully certified and compliant against the total measured reports for the estate. The graph shows our compliance across the year. Overall compliance at the end of the year was 80.7%, a 0.6% decrease from the previous reporting period. The reports only compliance at the end of the year was 89.4%, an increase of 1.4% from last year.



Purposeful prisoner working - Clean, Rehabilitative, Enabling and Decent (CRED) Programme

GFSL's CRED Programme continues to expand across the southern prison estate. In 31 establishments, GFSL directly oversees prisoner working programmes that help prisoners gain, retain and enhance their skills in a variety of trade disciplines. Over the past year our CRED teams have continued to deliver invaluable and essential planned and reactive work, recording around 700 reactive jobs each month, an increase of 40% year on year. The delivery of this work has not only benefited the day-to-day running of the prison but more importantly provided prisoners with a sense of purpose in undertaking physical work within the environment where they serve their custodial sentence. GFSL has continued to develop stronger partnerships with HMPPS and its internal, such as education, skills and working, and prison activities, so that it can broaden the reach of this innovative programme expanding the deployment of available prisoner working time to estates and facilities work activities. Alongside the practical and commercial advantages of utilising a willing and available resource from within the prison, there is also the social value benefit for GFSL employees who support a programme that enhances the wellbeing of prisoners as they complete purposeful work.

CRED case study

The CRED team refurbished an accommodation hut at HMP Springhill, during August 2022 to February 2023, with the help of a GFSL supervisor and some subcontractor labour. The refurbishment included new windows, showers and toilets, a full electrical rewire, pipework, stud walls and plastering, painting, flooring, tiling, doors, architrave and skirting replacements.

Health and safety

Our commitment to ensuring a safe and secure work environment remains a top priority at GFSL. Throughout the year, we have implemented a range of initiatives to actively reduce the likelihood of injuries or damages.

Our primary measurement of safety on site is the accident incidence rate (AIR). Our target is to have an AIR at or below the industry standard for facilities management, which is 450 per 100,000 employees. Our AIR was above that level during the year. To address that, we have refocused our management team on the wider task of developing and implementing a revised safety plan to improve leadership and management, monitoring and reporting, culture and behaviour, and tools and resources. We expect to see the benefits of this focus in 2023/24. Our AIR is now falling and we expect to reach our target rate by the end of calendar year 2023.

We have made progress in completing statutory health and safety training, ensuring that every employee has the necessary knowledge and skills to maintain a safe workplace.

In our efforts to continuously improve, we have improved governance and focus on our incident investigation process to promptly address any incidents that occur.

Proactively addressing workplace hazards has been another key aspect of our approach. We have increased emphasis on conducting regular safety inspections to identify potential risks and promptly implement appropriate control measures that mitigate them.

We also recognise the importance of instilling a strong health and safety culture from the start. As part of the onboarding process, we ensure that all new staff members fully comprehend their health and safety responsibilities from day one.

At GFSL, we are dedicated to maintaining the highest standards of health and safety. Our ongoing efforts in training, hazard identification, incident investigation and promoting a culture of responsibility reflect our commitment to providing a secure work environment for our valued employees.

Projects

2022/23 was a challenging and busy year for the projects team, who delivered a mix of asset replacement, refurbishment and new accommodation projects. Across the GFSL establishments, we delivered projects with cumulative costs of £38.1 million to HMPPS and MOJ customers, spread across capital, resource and modular accommodation budget lines. We also provided escorts to support the work of other MOJ contractors undertaking larger projects on our sites.

In particular, the Modular Unit Demolition and Replacement Programme continued through the year with GFSL being allocated additional work and sites. Our team and suppliers responded well and successfully delivered to programme through close collaboration with MOJ.

Other exceptional projects that support health and safety and life-critical systems have been scoped, tendered, procured and programmed, including the delivery of radon remedial work, fire pump alarms and telemetry.

The recruitment of escorts for short-term positions supporting projects undertaken by GFSL and/or MOJ main contractors continues to be a challenge. Our newly-established escort management and co-ordination team have made a marked difference in a matter of months, establishing strong relationships and resulting in better control of resource and cost reconciliation.

To ensure we are delivering projects with the optimum duration, including the time taken to scope, price and mobilise works, we have enabled access to five frameworks for design services providing off-the-shelf procurement, while still meeting all assurance and governance requirements. This supports our overall objective and priority to reduce the programme time from concept to handover and to increase our customer satisfaction rating.

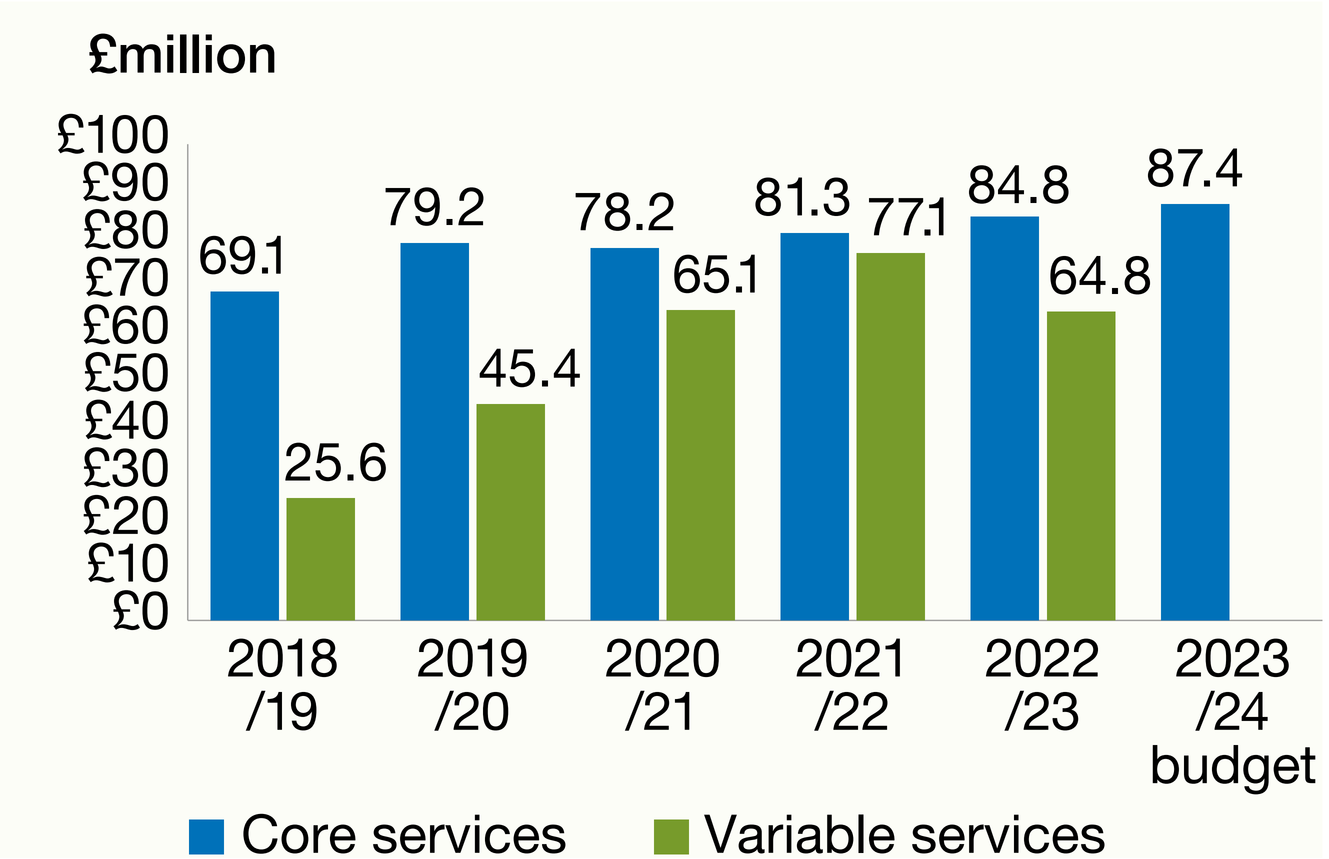
Projects case study

HMP Send was the final site on the Modular Unit Demolition and Replacement Programme which commenced in January 2023. Its delivery was phased later than the other sites due to the need to respect the nesting season of resident house martins. The final account forecast figure is £1.54 million, which includes the demolition of the existing life-expired modular units and replacement with new accommodation. The new installation includes 31 prefabricated units, of which 24 are containerised prefabricated en-suite accommodation units, while the remainder provide offices, kitchens and laundries.

Financial summary

Under the framework agreement with MOJ, GFSL's costs in providing facilities management services to the 48 prison sites we are responsible for are funded in full by MOJ. Therefore, our income will normally match our expenditure and we will normally break even each year.

Income and expenditure relates to the two main services we provide: the core service and variable work.



Core costs rose by £3.5 million in 2022/23, from £81.3 million to £84.8 million, an increase of 4.2%. Our budget for core costs for 2023/24 is £87.4 million, a 3.1% increase on 2022/23. These below-inflation increases require us to consider ways in which we can sustain service levels in a challenging environment. We are addressing the pressure on our core budget through cost control and efficiency measures, reducing reliance on sub-contracted labour and working with our supply chain.

Variable services costs fell by £12.3 million, or 16%, from £77.1 million in 2021/22 to £64.8 million in 2022/23. Variable costs are demand-led and budgeted for by MOJ.

All of our costs in 2022/23 are recoverable from MOJ under the framework agreement, so our total expenditure of £149.6 million was matched by our income. We bill MOJ monthly for our services, which enables us to pay our staff and suppliers promptly. Our cash balance at the year end was £11.9 million higher than at 31 March 2022, because we have improved our process for billing MOJ for variable services, reducing the accrued income balance.

The full financial statements are in section 3, at pages 113 to 169.

Sustainability report

GFSL is out of scope from preparing and submitting a sustainability report under the Greening Government Commitments as our contributions are de-minimis and fall below the minimum threshold for reporting.

However, sustainability is at the heart of our values, both in terms of our own headquarters estate and the work we do while on the prison estate. We have carefully considered the Greening Government Commitments when delivering our services in a sustainable way. The reporting boundary includes our headquarters and staff travel. MOJ includes in their report the carbon dioxide (CO2) emissions for work done on their estate, and it is not possible to separate GFSL's contribution from MOJ's own contribution or that of other subcontractors. To avoid double-counting, these operations are not within our sustainability reporting boundary.

Greenhouse gases

CO2 from travel is the main source of our emissions. In 2022/23 our staff travelled around 197,414 miles by rail, producing 7.01 tonnes of CO2 equivalent, and 285,698 miles by car, producing 56.44 tonnes of CO2 equivalent (measures are based on 2022/23 CO2 equivalents from the Greening Government Commitment). We are unable to report on our energy costs as they are included in our rental costs for the Sheffield office and Petty France.

We have adopted a longer-term target to reduce carbon emissions from our office estate and domestic business travel by at least 30% by 2027. We have introduced a policy to reduce CO2 equivalent emissions from travel, including increased use of Teams meetings and a new car policy that focuses on more efficient hybrid vehicles.

Our sustainability targets support our strategic goals to 'deliver value to the UK taxpayer' and 'manage the facilities of the prison estate to reduce energy consumption and carbon emissions'. In 2023/24 we aim to further refine our corporate waste reduction plans, help to increase the waste recycling of the prison estate we manage, and meet other environmental compliance targets, especially by supporting reduced food waste in line with government requirements.

Biodiversity

GFSL is working closely with MOJ's ecology department to develop ecological management plans for our estate by overseeing tree planting in several prison establishments.

Waste

All prison waste is accounted for by HMPPS but is managed by us to ensure compliance with all legal requirements. Waste from our office is separated at source to ensure as much as possible is recycled. We are working closely with MOJ and HMPPS to increase the proportion of waste that can be recycled and are also working to eliminate the disposal of food waste to landfill by introducing biodigesters.

Sustainability

We provide goods and services in a way that:

- supports our achievement of the Greening Government Commitments
- conserves energy, water, wood, paper and other resources
- reduces waste
- avoids the use of ozone depleting substances
- minimises the release of greenhouse gases, volatile organic compounds and other substances damaging to health and the environment

Environmental, social and governance

In 2023/24 our focus is moving from sustainability to the broader environmental, social and governance agenda. Social and governance aspects are referenced in other areas of this report, for example within the section 172 statement, CRED Programme and the staff and remuneration section.

Sustainability case study

To support MOJ's commitment to meet net carbon zero targets by 2025, GFSL has been successfully installing Sabien M2G boiler optimisers across a range of our establishments over the year. GFSL has installed over 500 optimisers in the last few years and they have led to a 10% to 12% reduction in gas used and CO_2 emissions. Across the estate we maintain, this has saved in excess of 10,000 tonnes of CO_2.

Section 172 statement

This statement outlines how the directors have had regard to the matters set out in section 172 of the Companies Act 2006. They consider the impact of the company's activities on the environment they operate and seek to act in good faith to promote the success of the company for the benefit of the shareholder and stakeholders in the long term.

The likely consequences of any decisions in the long term.

There has been significant work around the annual business plan to drive forward GFSL as a business. Each business plan priority has a senior responsible owner driving it to completion by the end of March 2024.

At every board meeting we discuss the actions they have agreed to ensure they are in the best interests of the employees, company and shareholder.

The interests of the company's employees.

The directors believe that it is important to create a working environment where colleagues want to work and remain. These objectives are linked to the business plan priorities and although not yet where the business needs to be, there is an improving trend around retention.

We have continued with the employee forum where representatives from all areas of the business are encouraged to attend and express their view.

The need to foster the company's business relationships with suppliers, customers and others.

Strong relationships between GFSL and its suppliers are vital to the success of the company. GFSL recently conducted a survey with its suppliers and found a positive net promoter score among a substantial number of suppliers.

The Chief Executive Officer is keen to foster and improve the relationships with HMPPS and MOJ stakeholders.

The impact of the company's operations on the community and environment.

The directors support the work being conducted under the environmental, social and governance part of the business plan. GFSL continues to work with MOJ in their aim to become net carbon zero by 2025. Further information on this work is in the sustainability report.

GFSL continues to support prisoner working and believes in the value of prisoner rehabilitation to the prison service. It is something we are proud to be involved in.

The desirability of the company maintaining a reputation for high standards of business conduct.

The directors consider the GFSL values to be at the heart of the company and they underpin how the business conducts itself and how employees should behave.

Staff have access to the company's code of conduct which details how they are required to conduct themselves in the workplace.

The need to act fairly between members of the company.

The directors acknowledge in overseeing the business plan and its strategic objectives that the long-term performance improvements are sustainable.

The directors meet regularly with the sole shareholder to update them on the progress of the company against its business objectives.

By order of the board as at the date of the signature.

Neil Edmond
Accounting Officer
7 November 2023

Section 2

Accountability report

This section explains the governance structures in GFSL and how they support the achievement of our objectives.

Board of directors as of 31 March 2023

Name	Job title	Date joined the board	Date left the board
 **Colin Allars**	Chair	8 February 2018	N/A
 **Maura Sullivan**	Senior Independent Non-Executive Director	1 April 2019	N/A
 **James Hayward**	Independent Non-Executive Director	1 April 2020	N/A
 **Ian Deninson**	Independent Non-Executive Director	24 May 2021	N/A

Name	Job title	Date joined the board	Date left the board
 **Neil Edmond**	Chief Executive Officer	23 January 2023	N/A
 **Stephanie Hill**	Finance Director	8 February 2018	N/A
 **Don Keigher**	Change and Transition Director	4 April 2019	N/A
 **Len Bridges**	Operations Director	1 December 2020	31 May 2023
 **Jennie Oliver**	People Director	15 February 2022	N/A

Paul Ryder left the business on 18 April 2022. Matthew Garner was appointed to Interim Chief Executive Officer from 9 May 2022 to 30 September 2022. Len Bridges left the business on 31 May 2023. James Hayward held the position of acting Chief Executive Officer until the permanent position was filled. Alison Wedge, who is GFSL's shareholder Non-Executive Director, resigned and left the business on 26 September 2022. GFSL does not have a company secretary as this is not required by our articles of association, but the duties of the company secretary are undertaken within the business.

There are currently two open roles for non-executive directors which are being recruited for during 2023/24.

Directors' report

The directors present their report together with the audited financial statements for the period 1 April 2022 to 31 March 2023.

The principal activities of the company are set out in the 'What we do' section of the strategic report on page 19.

The principal risks and uncertainties of the company are set out on pages 74 to 76.

Financial reporting

The company has prepared its 2022/23 financial statements in accordance with the International Financial Reporting Standards (IFRS). The audited financial statements for the period are set out on pages 113 to 169.

During the 2022/23 financial year, GFSL has made no significant changes to financial controls and policies.

Dividends

GFSL will not be making any dividend payments in respect of this period.

Directors' and officers' liability insurance

MOJ maintains directors' and officers' liability insurance. The company articles of association provide that MOJ shall cover its directors and officers against liabilities relating to company matters. It was not necessary to exercise these provisions during 2022/23.

Going concern

The directors have concluded that it is appropriate to prepare the accounts on the going concern basis, having received confirmation from MOJ of their intention to continue to use GFSL to provide facilities management services in line with existing arrangements for at least the next two years. In considering going concern, the directors have also noted the expected impact on GFSL of MOJ's Property Transformation Programme which plans to transform facilities management delivery across the prison, probation and MOJ headquarters estate. In June 2023, MOJ published a Prior Information Notice, stating their intention to tender hard and soft facilities management services. The tender is expected to include the services provided by GFSL. The estimated date for publishing the contract notice is July 2024. Contracts are expected to be awarded in 2025. Any transfer of services currently provided by GFSL to new suppliers, as an outcome of the Property Transformation Programme, is not expected to take place before 2026.

Statement of directors' and Accounting Officer's responsibilities

The directors and Accounting Officer are responsible for ensuring that the annual report and accounts are prepared in accordance with applicable law and regulations and that proper accounting records are maintained that disclose, with reasonable accuracy at any time, the financial position of GFSL and which enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are responsible for preparing the strategic report and the directors' report.

They are also responsible for safeguarding the assets of GFSL and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors and Accounting Officer are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and distribution of financial statements may differ from legislation in other jurisdictions.

The Accounting Officer of MOJ has directed the Accounting Officer of GFSL to prepare for each financial period a set of financial statements in the form and on the basis set out in the relevant Accounts

Direction. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of the business and of its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing accounts, the directors and Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and the Companies Act 2006, and in particular to:

- observe the Accounts Direction issued by MOJ, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a consistent and reasonable basis
- confirm that applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- ensure that the annual report and accounts are fair, balanced and understandable
- prepare the financial statements on a going concern basis

MOJ's Principal Accounting Officer, acting on behalf of HM Treasury, has designated the Chief Executive Officer of GFSL as its Accounting Officer. The duties of an Accounting Officer, as set out in HM Treasury's publication 'Managing Public Money', include responsibility for the propriety and regularity of public finances, keeping proper records and safeguarding GFSL's assets.

The Accounting Officer confirms that the annual report and accounts are fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Disclosure of information to auditor

In accordance with legislation in the UK, each of the directors confirms that:

- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware
- the director has taken all the necessary steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

By order of the board as at the date of the signature.

Neil Edmond
Accounting Officer
7 November 2023

Governance statement

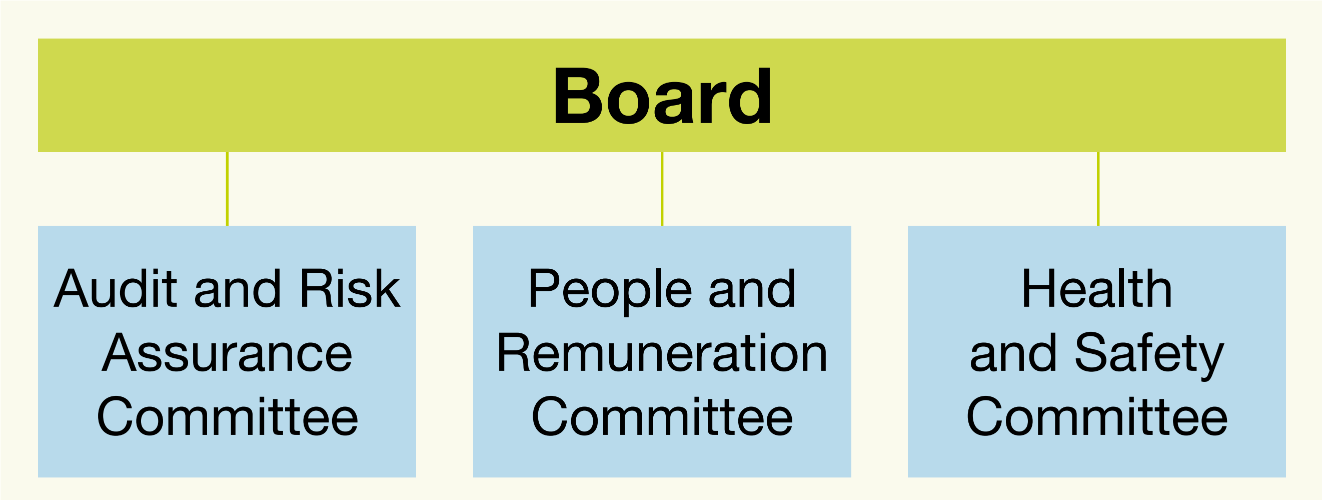
This governance statement sets out the key features of the governance operated in 2022/23.

GFSL maintains robust governance arrangements to support the delivery of the company's strategic objectives and priorities. The governance framework:

- provides leadership and direction, giving a clear vision of what we are trying to achieve
- promotes transparency and accountability that maintains stakeholders' trust and confidence
- sets out details of our corporate governance, assurance and risk management
- works within the framework document which has been agreed between us and MOJ

GFSL governance structure as of March 2023

The board is supported by three sub committees as detailed below.



Role of the board

The board supports and advises the Accounting Officer in meeting his statutory responsibilities. The board is supported by the Audit and Risk Assurance Committee, the Health and Safety Committee, and the People and Remuneration Committee to which it has delegated specific responsibilities.

GFSL has a board in line with good standards of corporate governance and as set out in its articles of association. The role of the board is to deliver the objectives as set out in the framework document and to provide strategic leadership to the business.

Key activities during the year have included:

- supporting and reviewing the company's performance against its objectives as set out in the business plan
- reviewing the activities completed by each of the three sub-committees
- reviewing the framework document and ensuring that the company acts within it
- reviewing the performance of the company across all areas

Role of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) provides independent advice and challenge to the board on the business's governance, risk management, and financial and internal control effectiveness. It also monitors the implementation of recommendations from both internal and external audit.

Key activities during the year have included:

- monitoring the integrity of the financial statements of the company
- reviewing the company's internal controls, risk management, assurance regime and governance frameworks, including reviewing the strategic risks and progress made against each area

- monitoring the work conducted by the internal and external audit partners
- ensuring that the annual report and accounts, taken as a whole, is fair, balanced and understandable
- reviewing all whistleblowing allegations

Role of the People and Remuneration Committee

The People and Remuneration Committee is responsible for the oversight of staff and directors' terms and conditions of employment. It also advises the board on strategic people-related issues.

Key activities during the year have included:

- supporting and agreeing any pay or performance awards before submission to MOJ
- reviewing and approving director remuneration
- gender pay gap reporting and measures to improve
- oversight of the people metrics and actions needed within the business

Role of the Health and Safety Committee

The Health and Safety Committee is responsible for the safety management of the company, in compliance with all necessary health and safety policies and laws.

Key activities during the year have included:

- reviewing and challenging safety performance and actions the company needs to take to improve
- progressing against the health and safety business priorities as set out in the business plan
- reviewing the training requirements for the business and monitor compliance
- supporting initiatives for both mental and physical wellbeing

Board effectiveness review

The board reviewed its effectiveness in the year and agreed a set of recommendations to take forward.

Board appointments

All executive and non-executive directors are required to declare any personal direct or indirect interests they may have. There were no declarations of significant company directorships or other interests that may have conflicted with their responsibilities as directors of GFSL. No member of the board had any related party interests.

Board meetings

The table below advises the names and titles of the executive and non-executive directors who have had responsibility for the company in the financial year 2022/23. It also includes the number of meetings attended during the year.

Board member	Board of directors	Audit and Risk Assurance Committee	People and Remuneration Committee	Health and Safety Committee
Meetings attended per member out of those eligible to attend				
Non-executive directors				
Colin Allars	4 of 4	4 of 4	5 of 5	1 of 1
Maura Sullivan	4 of 4	4 of 4	5 of 5	–
James Hayward	4 of 4	4 of 4	–	4 of 4
Alison Wedge	0 of 1	2 of 2	–	–
Ian Deninson	3 of 4	–	5 of 5	–
Executive directors				
Paul Ryder – Chief Executive Officer	0 of 0	0 of 0	0 of 0	0 of 0

Board member	Board of directors	Audit and Risk Assurance Committee	People and Remuneration Committee	Health and Safety Committee
Matthew Garner – Interim Chief Executive Officer	2 of 2	2 of 2	2 of 2	1 of 1
Neil Edmond – Chief Executive Officer	1 of 1	1 of 1	1 of 1	1 of 1
Stephanie Hill – Finance Director	4 of 4	4 of 4	–	–
Don Keigher – Change and Transition Director	4 of 4	–	–	4 of 4
Len Bridges – Operations Director	4 of 4	–	–	2 of 4
Jennie Oliver – People Director	4 of 4	–	5 of 5	–

The provision of information and data to the board

We recognise that the board and sub-committees need to have a variety of information provided to make the meetings effective. The secretariat ensures that all information collated is of good quality and distributed before the meetings. The structure and agenda items for these meetings have been reviewed and updated during the year.

The chairs of the sub-committees provide a verbal update each quarter to the board and highlight to them the key points from the sub-committee meetings and any areas that require support or action.

Risk management and assurance

GFSL's risk management framework sets out our risk management system within the organisation and ensures alignment to HM Treasury's Orange Book: Management of Risks – Principles and Concepts.

Our approach helps us identify, evaluate, report and monitor the risks within a live corporate risk register. The executive team reviews on a monthly basis all strategic risks and monitors actions against them. The ARAC receives and reviews the risk register and is informed of any emerging risks each quarter, which are then discussed at the board meeting.

Risk management is considered an essential part of our governance and leadership and is fundamental to the progression of our business. Throughout the year, GFSL has continued to improve on the maturity of its risk management by supporting the board and the ARAC with open and honest communication to be more informed and insightful.

Executive directors are specifically responsible for identifying and monitoring risks arising in their directorate. Quarterly they consider emerging and existing risks of an operational and strategic nature, based on impact and likelihood, and decide on escalation to the ARAC.

GFSL's risk tolerance measures are updated quarterly and refreshed yearly.

We operate a three lines of defence model of assurance. One of the business plan priorities is to "implement an effective assurance framework". During 2022/23 we appointed an assurance manager to lead and mature our approach. They will enhance engagement across the whole business, review the effectiveness of process and procedures, and embed a culture of continuous improvement.

Principal risks and uncertainties

Our principal risks have been considered and are reported to the ARAC each quarter. The principal risks and mitigating actions identified during 2022/23 were as follows.

Risk category	Risk title	Mitigating actions and controls
Health and safety	Failure of health and safety processes leading to serious incidents to staff and assets	• Refreshed health and safety plan in place to improve culture and knowledge in the business • Refresh of induction for all new starters to promote safe working processes • Trend analysis of accident and incident reports to support improvements
Operational	Failure to meet and adhere to statutory compliance	• Work underway with all parties to mitigate and address compliance risks
	Impact of MOJ Property Transformation Programme	• GFSL is engaging with MOJ to understand impacts to GFSL

Risk category	Risk title	Mitigating actions and controls
Reputational	Failure to manage stakeholder expectations	• The new Chief Executive Officer has regular meetings with key stakeholders to discuss the work that GFSL is currently doing • Create greater alignment and have clearer communications between GFSL, MOJ and HMPPS
Financial	Failure to deliver current services within budget	• Monthly business unit reviews in place to discuss budgets and forecasting with early warning for additional spend requirements • Prompt billing and payments made
	Clarity on the GFSL service scope and commercial management	• Additional commercial training rolled out to all relevant staff • Working with the client around end-of-life assets and lifecycle management

Risk category	Risk title	Mitigating actions and controls
People	Failure to retain staff and nurture talent	• Revised induction in place for all new staff to the business • Employee forum in place to look at staff engagement
	Failure to attract staff in a marketplace where better terms and conditions are offered	• Campaigns in place to attract staff from all areas including military

Internal audit

We commission the Government Internal Audit Agency (GIAA) for an independent and objective internal audit service, who operate to the standards and methodology documented in the Public Sector Internal Audit Standards. They completed the 2022/23 annual audit plan based on analysis of our risk areas and in consultation with the business, which was then endorsed by the ARAC and approved by the Chief Executive Officer.

GFSL chooses to use GIAA for their services, governed by a memorandum of understanding.

GIAA provides us with opportunities to improve our processes and internal controls, and actions are taken forward, monitored and implemented.

GIAA provides an annual report to the Accounting Officer, which gives the annual opinion of the framework of governance, risk management and control. The rating is based on GIAA activities throughout the year and on information supplied to the ARAC.

The report for 2022/23 concluded an annual rating of ‘moderate’ and all of the audits conducted in the year received a moderate rating, which is an improvement from previous years. Moderate is defined as: “Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.”

Government functional standards

GFSL is mindful of the requirements of the functional standards and has developed an annual review of each standard where relevant to the company.

Information assurance, data loss and freedom of information

GFSL is committed to ensuring effective information management and works closely with the MOJ team.

GFSL's Senior Information Risk Owner updates the ARAC with any data breaches that have been notified. We review all these breaches to understand the root cause so they are not repeated.

There were no GFSL security incidents reported to the Information Commissioner's Office in the year.

All information assets have a designated owner. We manage this through a regular information asset owner steering group, which gives the asset owners an opportunity to discuss their areas and any new risks that have arisen.

We received one freedom of information request throughout the year, which was answered within the statutory timescales.

Whistleblowing

GFSL staff and others who provide services to us can raise a concern without fear of reprisal. The whistleblowing policy sets out what staff should do if they wish to raise a concern of any wrongdoing and where to go to report it, which can be done anonymously.

Our Whistleblowing Nominated Officer maintains a record of any concerns received and ensures that anonymity is maintained where it has been requested.

All whistleblowing concerns are discussed at the ARAC for any common themes and actions taken.

Fraud, bribery and corruption

We continue to work closely with the MOJ Fraud Centre of Expertise to ensure that GFSL aligns with the government standards for fraud. All staff are required to declare quarterly any gifts or hospitality that they have been offered, accepted or declined. This is reviewed by the Accounting Officer as part of his responsibilities.

All staff must declare whether they have any outside interests that could affect their job at GFSL.

Modern slavery statement

As an arm's length body of MOJ, our modern slavery statement is incorporated within their statement and reporting, which can be found on GOV.UK.

Independent oversight of assurance arrangements

GFSL is subject to independent oversight by:

- the National Audit Office which reports on the annual report and accounts
- GIAA which reports on process areas linked to our strategic risk areas, which also includes value for money
- HMPPS, MOJ and other external bodies which also conduct audits and feed in any actions, including statutory compliance
- business performance reviews with the MOJ sponsor, acting on behalf of the shareholder

The Accounting Officer's review of effectiveness

As Accounting Officer, I am responsible for ensuring there is an effective process in place for the monitoring and escalation of any governance issues. I am personally responsible for safeguarding the public funds under my control, and for ensuring propriety, regularity and value for money in the handling of those public funds. I am supported by the executive directors and senior leadership team who have delegated financial and risk management authority appropriate to their roles.

To prepare the company's governance statement I am provided with feedback from the following areas:

- review with all the executive directors around their assessment of the risks and challenges within their area of responsibility
- challenge from our non-executive directors on our risk management, governance, assurance activity and financial controls
- the updating and review of risk registers throughout the business to provide escalation of risks to the executive

- enhancement of our assurance regime by putting resource into our internal assurance processes to highlight any deficiencies and put in actions to resolve
- external assurance from GIAA and the National Audit Office

The company continues to review and improve its financial and risk controls and I am satisfied that governance is effective, any areas of non-compliance are identified and appropriate actions are put in place.

The Corporate Governance Code recommends that a board effectiveness evaluation is completed each year. This was conducted with actions reviewed to further enhance the board's performance.

Neil Edmond
Accounting Officer
7 November 2023

Parliamentary accountability (audited)

The following sections are included to satisfy parliamentary reporting requirements and are subject to audit.

Fees and charges

We make no fees or charges, other than to HMPPS and MOJ, which are fully disclosed and explained in the financial statements.

Remote contingent liabilities

As required by Managing Public Money, we disclose for parliamentary reporting purposes contingent liabilities for which the likelihood of economic benefit is remote.

There are no remote contingent liabilities beyond those disclosed in the accounts. This is subject to audit.

Losses and special payments

No losses or special payments have been made over £300,000, which is the threshold that Managing Public Money mandates for financial statements prepared under the Government Financial Reporting Manual. For full details see Note 20.

During the year the company made no charitable or political contributions.

Staff and remuneration report

People and remuneration policies

GFSL continues to operate under its own set of terms and conditions, as an authority delegated to us from MOJ. GFSL was supported by MOJ, Cabinet Office and HM Treasury in July 2022 to harmonise terms and conditions. 41% of affected staff chose to change their conditions.

Equity, diversity and inclusion

GFSL is committed to promoting equity, diversity and inclusion in the workplace so everyone can thrive. Our vision created this year is as follows:

> **“We are committed to treating everyone fairly and creating a future where everyone feels respected, valued and can be their authentic selves in the workplace.**
>
> **To do this, we should all feel able to make a full contribution and be accepted for who we are.**
>
> **Creating a diverse and inclusive workplace is imperative to make GFSL a place where everyone can belong.”**

We have refreshed our equity, diversity and inclusion policy and launched new e-learning mandatory training for all employees, to ensure that nobody is discriminated against (either directly or indirectly) due to a protected characteristic in line with the Equality Act 2010. We offer guaranteed interview schemes for disabled applicants, and we are a Disability Confident Employer preparing to apply for the next level. We offer equal opportunities to all staff, enabling them to access training to develop their careers and skills. We have embedded the collation of our workforce statistical profile in our onboarding process, which has increased the integrity of our data and provided helpful insights into our workforce demographics.

We have a new Equity, Diversity and Inclusion Committee which discusses any issues, raises awareness of upcoming events and has wide representation across the business.

We have improved our collation of biographical data and we will use this to improve our knowledge about appropriate diversity interventions.

Gender pay gap reporting

Gender pay gap publication was introduced in April 2017 and is a legislative requirement each year for all employers with over 250 employees. The gender pay gap is the difference between the average earnings of men and women, expressed relative to men's earnings. GFSL's gender pay gap as of the snapshot date of 5 April 2023 is:

	2021	2022	2023
Mean pay gap	15.5%	14.0%	11.4%
Median pay gap	23.2%*	22.3%	18.8%

* Upon reviewing the data as of 5 April 2021, it has been identified that the median pay gap figures were incorrect. The median pay gap figures above show the accurate representation of the rate of progress in regard to the gender pay gap report.

Mean is the average in the data set, and median is the middle number in the data set.

Our commitment to gender equality comes from the top of the organisation. Two out of five members of our executive team are women, and one out of four non-executive directors is also a woman. They and other senior women in GFSL provide visible role models for women in the organisation, which supplements initiatives in place to improve our position. The monitoring of the numbers is the mandatory element that we must do. Addressing the gender pay gap is at the forefront of GFSL's mind and an issue we are passionate about. While the above metrics clearly demonstrate a positive trend, we will continue to take deeper analysis to understand the root cause of GFSL's gap and to deliver improvements. We have ongoing initiatives that will ensure our policies and practices promote inclusivity within all areas of the business. These include:

- clear career pathways
- learning and development
- recruiting from diverse channels
- encouraging the uptake of shared parental leave
- offering mentoring and sponsorship
- promoting networking opportunities
- setting internal targets to improve our data and understanding of our workplace demographics

- reviewing our gender attrition in the last 12 months to assess whether any changes need to be implemented – we will continue to review this regularly
- using gender neutral job adverts via a gender decoder tool
- improving our workplace flexibility for women and men, providing training to line managers to support this and meet the needs of the business

Last year we had 78 internal promotions on a permanent basis, of which 22% were female and 78% were male. This broadly represents the gender split across the organisation.

Remuneration policy and committee

The People and Remuneration Committee continues to meet at least quarterly to review and approve remuneration arrangements within GFSL in line with its pay policy. This outlines the company's approach to pay and benefits, while monitoring that we remain competitive to appropriately skilled talent in the wider facilities management marketplace. The committee reviews and supports the business with improvements around diversity and inclusion, succession planning and gender pay gap reporting.

The committee also reviews our staff turnover, which totalled 26.3% for 2022/23. This is outside of GFSL's risk appetite but was a reduction of 3% from the previous year. GFSL has a People Director who has realigned the people function capability and created a compelling retention strategy, working closely with all areas of the business to drive it forward.

GFSL employee experience to drive retention

01 Identify talent
Hire the right people efficiently
Apprenticeships
Graduate routes

02 Pay competitively
Align pay and benefits with the facilities management marketplace

03 Onboard effectively
Embed people into the business, providing the right tools, IT, training and kit to perform successfully

04 Performance culture
Embed a performance culture through focused personal development conversations

05 Leadership
Raise the bar of our leadership cadre across the organisation

06 Reward and recognition
Ensure meaningful, transparent and timely recognition for all employees

07 Wellbeing
Put wellbeing and employee experience at the heart of the organisation

08 Professional development
Grow talent and create interesting career pathways across the organisation

The People and Remuneration Committee takes account of the evidence it receives about wider economic considerations and affordability of its recommendations.

GFSL employee relationships

GFSL does not recognise any trade unions under a formal agreement. The formal communication route for our employees is through our established employee forum which meets on a regular basis. The forum has been integral to supporting the activity that sits within the retention strategy, developing induction guides, participating in reward workshops, providing input to developing a pay progression framework and selecting a charity of the year for 2023.

Health and wellbeing

The business is committed to providing a workplace that supports both the physical and mental health of our workplace. Studies have shown that an employer's actions and policies have a significant impact on employees' mental, emotional and physical health, comparable to that of their personal relationships. GFSL has enhanced its workplace provision with Unmind, Smart Health and PAM Assist (GFSL's free life management and personal support service for employees) so employees can access a range of support as and when they need it.

The rollout of mental health training has begun across the business and it will become a mandatory module for all employees in 2023.

Positive employee wellbeing also has a significant impact on business benefits such as employee engagement, productivity, attrition and absence. Employee wellbeing is a key GFSL people priority and there are a wide range of benefits available to staff.

Communication has greatly improved over the last year, but more can be done. GFSL has a short-term strategy to build a solid foundation. The long-term wellbeing strategy will build further on these basics, focusing on five pillars:

- working environment (inclusive culture and physical environment)
- mental wellbeing
- physical wellbeing
- financial wellbeing
- career development

The average number of working days lost due to sickness absence per employee excluding COVID-19 sickness absence was 10.3 days, which was a slight increase on 2022 data.

Talent management and succession

GFSL is committed to ensuring robust and effective talent management and career progression arrangements to promote an environment where everyone can fulfil their career ambitions. We have extended our apprenticeship programme this year to include ILM Level 3 and Level 5 for management training, and this will form a key part of GFSL's future talent identification. We had 16 apprentices at GFSL as at March 2023. We have invested in professional development across the business and will be extending this provision to ensure all managers receive high-quality training. Our current apprentices have grown from being purely focused on operational roles within the business, such as electricians and plumbers, to also including corporate roles such as Level 5 CIPD People Management.

Employee experience

Employee experience has been a driving force at GFSL this year because improving this will improve employee wellbeing, employee engagement, productivity, happiness, customer experience, and health and safety outcomes. To do this we have put our employees at the heart of everything we do, through reviewing workflows and systems, improving communication, revising policies, resetting culture, implementing the Leadership Charter, and training and supporting managers to achieve one aim – make GFSL a great place to work. This will continue to improve retention levels, while building trust, fostering inclusion and enhancing delivery.

Board remuneration (audited)

Executive directors – April 2022 to March 2023

	Fees and salary (£'000)		Bonus payment (£'000)		Taxable benefit (£'000)		Pension contribution (£'000)		Total (£'000)	
Full name	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Paul Ryder	5-10	150-155	–	10-15	–	1.5	0-5	5-10	5-10	170-175
Matthew Garner	85-90	–	–	–	0.8	–	–	–	85-90	–
Neil Edmond	25-30	–	–	–	0.7	–	0-5	–	30-35	–
Stephanie Hill	125-130	120-125	0-5	-	14.7	17.0	5-10	5-10	145-150	140-145

	Fees and salary (£'000)		Bonus payment (£'000)		Taxable benefit (£'000)		Pension contribution (£'000)		Total (£'000)	
Full name	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Don Keigher	130-135	125-130	0-5	0-5	3.6	3.3	10-15	10-15	145-150	145-150
Len Bridges	130-135	125-130	0-5	–	4.5	8.4	5-10	5-10	145-150	145-150
Jennie Oliver	100-105	10-15	–	–	3.5	0.9	5-10	0-5	110-115	10-15

Paul Ryder left GFSL on 18 April 2022. The annualised amount of his salary for 2022/23 is £150,000 to 155,000.

Matthew Garner was appointed as Interim Executive Director of GFSL from 9 May 2022. He then left GFSL on 30 September 2022. The amount shown is the fees paid to the agency for his services, which includes the agency's commission and employer's National Insurance as well as Mr Garner's fees and other benefits. The annualised total amount of those fees is £215,000-£220,000.

Neil Edmond was appointed as Executive Director of GFSL from 23 January 2023. The annualised amount of his salary is £140,000 to £145,000.

Neither Paul Ryder or Matthew Garner received a payment on leaving their director positions.

The amount disclosed is the total remuneration paid by GFSL to the individual when employed as a director in the period between 1 April 2022 and 31 March 2023.

All executive director contracts do not have an expiry date.

'Salary' includes gross salary, recruitment and retention allowances, and any other allowance that is subject to UK taxation.

All pension contributions relate to GFSL's contribution into a defined contribution scheme with Royal London.

Non-executive directors' fees (audited)

Non-executive member	Expiry date of current contract	Fees £'000 2022/23	Fees £'000 2021/22	All taxable benefits £'000 (to nearest £100)	Total 2022/23 £'000	Total 2021/22 £'000
Colin Allars	31 March 2025	28	21	–	28	21
Maura Sullivan	31 March 2025	12	12	–	12	12
James Hayward	31 March 2026	32	14	–	32	14
Ian Deninson	25 April 2024	8	5	–	8	5

Alison Wedge resigned from her position of Non-Executive Director on 26 September 2022. There were no fees paid to Alison Wedge as she sat in an ex-officio capacity and her employment was with MOJ.

The increase in remuneration for James Hayward was due to him covering the Chief Executive Officer position on an interim basis.

James Hayward was re-appointed for a further three years effective from 1 April 2023.

All non-executive director contracts are for a three year period. Non-executive directors do not receive pension benefits.

Pension entitlements (audited)

Staff transferred to GFSL were participants in several pension schemes, including the Principal Civil Service Pension Scheme (PCSPS) where the individuals had previously been employees of HMPPS. GFSL has set up a new defined contribution scheme operated by Royal London under a group personal pension agreement, which replaced the Carillion legacy schemes. This scheme is available to all staff who are not members of a Civil Service pension scheme.

Fair pay disclosures (audited)

The banded remuneration of permanent employees (including performance pay and bonuses but excluding pension benefits) in GFSL ranged from £15,000-£20,000 to £140,000-£145,000 (2021/22: £15,000-£20,000 to £160,000-£165,000).

Percentile salary and pay ratios (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

	Lower quartile 2022/23	Median 2022/23	Upper quartile 2022/23	Lower quartile 2021/22	Median 2021/22	Upper quartile 2021/22
Salary	£24,977	£29,290	£36,509	£21,197	£26,978	£34,172
Ratio	5.7:1	4.9:1	3.9:1	7.2:1	5.6:1	4.5:1
Total pay including bonuses	£25,314	£29,689	£36,509	£21,197	£26,978	£34,172
Ratio	5.6:1	4.8:1	3.9:1	8.0:1	6.0:1	4.7:1

The pay ratio is between the respective staff quartile total pay and benefits and the midpoint of the banded remuneration of the highest paid director.

The median and quartile remuneration of GFSL's staff is based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff).

Percentage increase (audited)

Highest paid director	Salaries and allowances 2022/23	Salaries and allowances 2021/22	Percentage change
Salary and allowances	£140,000 to £145,000	£150,000 to £155,000	-6.6%
Performance pay and bonuses	Nil	£10,000 to £15,000	N/A*
Total pay including bonuses	£140,000 to £145,000	£160,000 to £165,000	-12.3%

Average of other employees	Salaries and allowances 2022/23	Salaries and allowances 2021/22	Percentage change
Salary and allowances	£32,980	£30,001	9.9%
Performance pay and bonuses	£223	£25	792.0%

Average of other employees	Salaries and allowances 2022/23	Salaries and allowances 2021/22	Percentage change
Total pay including bonuses	£33,203	£30,026	10.6%

* The highest paid director did not receive bonus payments in 2022/23, making it impossible to calculate separate percentage increases in performance pay and bonuses for 2022/23. The calculations for the highest paid director are based on the mid-point of the band for each of salary and performance pay and bonuses payable.

The calculations for employees’ salary and allowances are based on the total for all employees on an annualised basis, excluding the highest paid director, divided by the full-time equivalent number of employees (also excluding the highest paid director).

The calculations for employees’ performance pay and bonuses payable are based on the total for all employees, excluding the highest paid director, divided by the full-time equivalent number of employees (also excluding the highest paid director).

Staff costs (audited)

	Permanent staff (£'000) 2022/23	Permanent staff (£'000) 2021/22	Others (£'000) 2022/23	Others (£'000) 2021/22	Total (£'000) 2022/23	Total (£'000) 2021/22
Wages and salaries	43,500	40,820	10,197	13,232	53,697	54,052
Social security costs	4,728	3,979	–	–	4,728	3,979
Pension costs	2,833	3,038	–	–	2,833	3,038
Total	**51,061**	**47,837**	**10,197**	**13,232**	**61,258**	**61,069**

Average number of people employed (audited)

	Number 2022/23	Number 2021/22 (restated)
Permanently employed staff	1,499	1,378
Agency and temporary staff	313	303
Total	1,812	1,681

The average number of agency and temporary staff in 2021/22 has been restated. It was originally reported as 36, but that excluded escorts. Our staff and contractors are escorted for security purposes while working inside prisons and we engage those through employment agencies. The restated number includes the 267 agency escorts on average that we engaged during 2021/22. The 2022/23 number includes 241 agency escorts.

Gender split of employees

	Male 2022/23	Male 2021/22 (restated)	Female 2022/23	Female 2021/22 (restated)	Total 2022/23	Total 2021/22 (restated)
Directors	6	6	3	3	9	9
Other senior staff	11	9	6	6	17	15
Employees	1,094	1,042	378	341	1,472	1,383
Total	**1,111**	**1,056**	**387**	**350**	**1,498**	**1,407**

The number of directors in 2021/22 has been restated. It was originally reported as three male directors and two female directors, but that counted only the executive directors. The restated numbers include both the non-executive and executive directors, as do the 2022/23 numbers.

Spend on consultancy staff and contingent labour

	2022/23 £'000	2021/22 (restated) £'000
Fees paid to an agency to engage Matthew Garner, Interim Chief Executive Officer	85	–
Agency escort costs	8,741	10,471
Sub-contracted labour costs	3,725	2,690
Other consultancy staff or contingent labour	1,371	2,761
Total	**13,922**	**15,922**

The 2021/22 figure has been restated. In the published 2021/22 annual report, agency escort costs were excluded from the scope of the disclosure.

Off-payroll engagements

Table 1: Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater

Number of existing engagements as of 31 March 2023	13
Of which:	
Number that have existed for less than one year at time of reporting	9
Number that have existed for between one and two years at time of reporting	2
Number that have existed for between two and three years at time of reporting	1
Number that have existed for between three and four years at time of reporting	1

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

Number of new engagements, or those that reached six months in duration, between 1 April 2022 and 31 March 2023	34
Of which:	
Subject to off-payroll legislation and determined as in scope of IR35	34
Subject to off-payroll legislation and determined as out of scope of IR35	–
Number of engagements reassessed for compliance or assurance purposes during the year	–
Of which:	
Number of engagements that saw a change to IR35 status following review	–

Exit packages (audited)

There have been no exit packages within the period.

By order of the board as at the date of the signature.

Neil Edmond
Accounting Officer
7 November 2023

Section 3

Financial statements

Statement of comprehensive net expenditure (SoCNE)

For the period ended 31 March 2023

	Note	Total 2022/23 £'000	Total 2021/22 £'000
Income	**2**	**149,593**	**158,434**
Expenditure			
Staff costs	3	(61,258)	(61,069)
Other operating costs	4	(87,334)	(96,430)
Non-cash items	5	(1,001)	(935)
Total expenditure		**(149,593)**	**(158,434)**
Net deficit before taxation		–	–
Taxation	**6**	**–**	**–**
Net deficit after taxation		**–**	**–**

The notes on pages 121 to 169 form part of these financial statements.

Other comprehensive net expenditure

For the period ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Net deficit after taxation		–	–
Net (gain)/loss on revaluation of property, plant and equipment	7	–	–
Net (gain)/loss on revaluation of intangibles	8	–	–
Total comprehensive income and expenditure		–	–

The notes on pages 121 to 169 form part of these financial statements.

Statement of financial position

For the period ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Non-current assets			
Property, plant and equipment	7	–	157
Intangible assets	8	1,151	1,578
Total non-current assets		**1,151**	**1,735**
Current assets			
Inventories		1,489	1,331
Trade and other receivables	9	13,132	26,739
Cash and cash equivalents	10	25,555	13,683
Total current assets		**40,176**	**41,753**
Total assets		**41,327**	**43,488**
Current liabilities			
Trade and other payables	11	(21,598)	(23,062)
Provisions	12	(1,345)	(1,183)
Total current liabilities		**(22,943)**	**(24,245)**
Total current assets less total current liabilities		17,233	17,508

	Note	2022/23 £'000	2021/22 £'000
Total assets less current liabilities		**18,384**	**19,243**
Non-current liabilities			
Trade and other payables	11	(911)	(1,217)
Total non-current liabilities		(911)	(1,217)
Total assets less total liabilities		**17,473**	**18,026**
Taxpayers' equity			
Share capital	13	–	–
General fund		–	–
Capital contribution		17,473	18,026
Total taxpayers' equity		**17,473**	**18,026**

The notes on pages 121 to 169 form part of these financial statements.

Neil Edmond
Accounting Officer
7 November 2023

Statement of changes in taxpayers' equity

For the period ended 31 March 2023

	Share capital £'000	Capital contribution £'000	General fund £'000	Total 2022/23 £'000	Total 2021/22 £'000
Balance at the beginning of the period	–	18,026	–	18,026	18,359
Net deficit for the year (SoCNE)	–	–	–	–	–
Capital contribution from MOJ	–	(553)	–	(553)	(333)
Balance at the end of the period	**–**	**17,473**	**–**	**17,473**	**18,026**

The notes on pages 121 to 169 form part of these financial statements.

Capital contribution consists of the initial start-up funding provided by MOJ. This is reducing as GFSL utilises the balance to fund approved capital investment projects.

The general fund is nil brought forward and carried forward as a consequence of GFSL's funding arrangements. GFSL has one customer, HMPPS, who funds all of GFSL's expenditure. GFSL therefore recognises income to match its expenditure, and breaks even every year.

Statement of cash flows

For the period ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Cash flows from operating activities			
(Deficit) for the year		–	–
Non-cash charges	5	1,001	935
Net cash flows from operating activities		**1,001**	**935**
(Increase) / decrease in trade and other receivables	9	13,607	(4,328)
(Increase) / decrease in inventories		(158)	(118)
Increase / (decrease) in trade and other payables	11	(1,770)	(5,877)
Utilisation of provisions	12	(255)	–
Net cash inflows/(outflows) from operating activities		**12,425**	**(9,388)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	–	–
Purchase of intangible assets	8	–	–

	Note	2022/23 £'000	2021/22 £'000
Net cash inflows/(outflows) from investing activities		**–**	**–**
Cash flows from financing activities			
Capital contribution from MOJ		(553)	(333)
Net cash inflows/(outflows) from financing		**(553)**	**(333)**
Net increase/(decrease) in cash		**11,872**	**(9,721)**
Cash and cash equivalents at the beginning of the period	**10**	**13,683**	**23,404**
Cash and cash equivalents at the end of the period	**10**	**25,555**	**13,683**

The notes on pages 121 to 169 form part of these financial statements.

Notes to the accounts

1. Accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

Where the Companies Act and the Government Financial Reporting Manual permit a choice of accounting policy, the Companies Act will usually take precedence. Where appropriate, the policy which has been judged to be most relevant to the company and for the purposes of MOJ's consolidated statements, and which gives a true and fair view, has been chosen and applied consistently in dealing with matters considered material to the accounts.

The functional and presentational currency of GFSL is the British pound sterling (£). As allowed by International Accounting Standard (IAS) 1, we have presented the SoCNE using different headings from those suggested by the Companies Act to provide more clarity for the reader.

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention.

1.3 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue to operate for at least the next two years. An assessment has been undertaken to support this view and has considered the following points.

- Regulatory and legal – the directors do not envisage any changes to the current regulatory or legal regime that will adversely impact the operation of the company within the next 12 months.
- Continuation of services – GFSL operates under a framework agreement with our sponsor department, MOJ, to provide services to HMPPS, with a small number of ad-hoc services to other areas of MOJ. GFSL has delegated funding and equal expected revenue via a budget delegation letter from the MOJ Chief Property Officer to support the company's activities until March 2024. In June 2023, MOJ published a Prior Information Notice about their Property Transformation Programme, stating their intention to tender hard and soft facilities management services, including the services provided by GFSL. The estimated date for publishing the contract notice is July 2024. Contracts are expected to be awarded in 2025. Any transfer of services currently provided by GFSL to new suppliers, as an outcome of the Property Transformation Programme, is not expected to take place before 2026. GFSL has received confirmation from MOJ that they intend to continue to use GFSL to provide facilities management services in line with existing arrangements for at least the next two years and that they do not anticipate significant changes in the value of services consumed by MOJ or to GFSL's budget.
- Working capital – GFSL receives its revenue from HMPPS. This is expected to continue in line with the continuation of services and will support the company liquidity position. Continued work on billing supports the healthy bank position of GFSL.

From this assessment the directors are satisfied that the company is a going concern and the company financial statements have been prepared on that basis.

1.4 Changes in accounting policy and disclosures

Changes in accounting policies

There have been no changes in accounting policies for the year ended 31 March 2023.

New or amended standards adopted

There have been no new or amended standards adopted for the year ended 31 March 2023.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2022 and not early adopted

IFRS 17 Insurance Contracts sets out requirements for the recognition and measurement of contracts and associated revenue where an entity accepts insurance risk from another party. GFSL has not entered into insurance contracts and does not currently expect to be affected by the new standard. IFRS 17 is applicable for reporting periods beginning from 1 January 2023.

Changes in presentation and reclassifications

There have been no changes in presentation or reclassifications.

1.5 Property, plant and equipment

Initial recognition and capitalisation threshold

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided it is probable that the useful economic life including service potential associated with the item will flow to GFSL and the cost of the item can be measured reliably.

Property, plant and equipment, including subsequent expenditure on existing assets, are initially recognised at cost. GFSL's capitalisation threshold for all classes of assets is £10,000.

Property, plant and equipment usually comprise single assets. However, capitalisation is applied on a grouped basis using a threshold of £10,000 where the elements in substance form a single asset. Further, where an item includes material components with significantly different useful economic lives, those components are capitalised separately and depreciated over their specific useful economic lives. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as incurred.

Measurement

Property, plant and equipment are valued in accordance with IAS 16 Property, Plant and Equipment. They are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, where an obligation to dismantle or remove the asset arises from its acquisition or usage

From then on, assets are carried in the balance sheet based on depreciated historical cost.

Depreciation

Depreciation is provided on all tangible non-current assets, apart from assets under construction, from the date they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its useful economic life. Assets that are under construction are not depreciated until they are available for their intended use.

GFSL reviews and updates the remaining useful economic life of all its assets each year. This is the period for which the asset provides economic benefits that will flow to GFSL from its use.

GFSL does not currently own any fully depreciated useful assets.

Impairment

Property, plant and equipment are monitored throughout the year for any indication that an asset may be impaired. At the end of each reporting period, GFSL performs an impairment review across all significant asset categories. If indicators of impairment exist, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts.

When an asset’s carrying value decreases due to a clear consumption of economic benefit or service potential, the decrease is charged directly to net operating costs in the SoCNE.

Disposal of non-current assets

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised in the SoCNE.

1.6 Intangible assets

Recognition

Expenditure on intangible assets which are non-monetary assets without physical substance and identifiable are capitalised where the cost is £10,000 or more. This is applied on a grouped basis using the threshold of £10,000 where the elements in substance form a single asset. Subsequent acquisitions of less than £10,000 in value which are of the same nature as existing grouped assets are appended. Otherwise, expenditure on intangible assets which fall below £10,000 is charged as an expense in the SoCNE.

For GFSL, intangible assets primarily comprise software developed by third parties.

Measurement

Intangible assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management. All intangible assets are valued based on amortised historic cost as an approximation of fair value.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by GFSL are capitalised when they meet the criteria specified in IAS 38 Intangible Assets.

Other expenditure that does not meet these criteria is recognised as an expense when incurred. Costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The useful economic life of software products is no more than 10 years.

Amortisation

Amortisation is provided on all non-current assets from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its useful economic life. In accordance with IAS 38 Intangible Assets, GFSL reviews the useful economic life of its intangible assets each financial year. This is the period for which the asset provides economic benefits that will flow to GFSL from its use.

Purchased, on-premise software licences are recognised when it is probable that future service potential will flow to GFSL and the cost of the licence can be measured reliably. Such licences are initially measured at cost. Purchased on-premise software licences are amortised over the licence period.

Cloud-based software licences, outside any implementation period, are recognised as an operating expense over the license period.

GFSL's capitalisation threshold for software projects is £100,000.

1.7 Leases

Scope and exclusions

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value (less than £10,000 when new). The assets are described as 'right-of-use' assets and are presented under property, plant and equipment.

Initial recognition

At the start of a lease, GFSL recognises a right-of-use asset and a lease liability.

The lease liability is measured at the value of the remaining lease payments, discounted by the interest rate implicit in the lease. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options GFSL is reasonably certain to exercise and any termination options GFSL is reasonably certain not to exercise.

The right-of-use asset is measured at the value of the lease liability, adjusted for: any lease payments made before the start date, any lease incentives received, any incremental costs of obtaining the lease, and any costs of removing the asset and restoring the site at the end of the lease.

Subsequent measurement

The lease liability is adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments are reappraisals of the probability of the options given by the existing lease contract, while modifications are changes to the lease contract.

Reassessments and modifications are accounted for by discounting the revised cash flows. A revised discount rate is used where GFSL becomes or stops being reasonably certain to exercise or not exercise an extension or termination option, or the lease is modified to amend the non-cancellable period, change the term of the lease or change the consideration or the scope. The existing discount rate is used where there is a movement in an index or rate that will alter the cash flows, or the amount payable under a residual value guarantee changes.

After initial recognition, the right-of-use asset is measured using the fair value model. GFSL considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value, in the

case of non-property leases, and for property leases of less than five years or with regular rent reviews. For other leases, the asset will be carried at a revalued amount.

The value of the asset is adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described above. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised in expenditure.

Expenditure for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right-of-use asset, together with any impairment of the right-of-use asset and any change in variable lease payments that was not included in the measurement of the lease payments during the period in which the triggering event occurred. Rental payments in respect of leases of low value items, or with a term under 12 months, are also expensed.

Estimates and judgements

As discussed above, GFSL has determined the lease term by assessing the level of certainty as to whether termination or extension options will be exercised. In making these judgements, reliance has been placed on the professional judgement of estates staff, supported by information on corporate asset management plans, other business strategies, investment already made in the underlying asset, ongoing business needs and market conditions.

1.8 Inventories

Inventories comprise higher valued consumable stores. Current replacement cost is not considered materially different from replacement cost due to the short period these items are held for before they are consumed.

Higher valued consumable items, minor spare parts and servicing equipment are typically carried as inventory and recognised in the SoCNE as consumed. Low valued items that are regularly consumed are immediately expensed and recognised in the SoCNE. Major spare parts and stand-by equipment are carried as property, plant and equipment when GFSL expects to use them during more than one period, or when they can be used only in connection with an item of property, plant and equipment.

1.9 Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year end. For the company, they typically include wages, salaries, and paid annual, flexi and sick leave. These are recognised in the year in which the employee provided these services for the company. An accrual has been made for the cost of holiday entitlement (including any flexi leave entitlement) earned by employees but not taken before the year end, which employees can carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable because of the company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy if offered.

Pension schemes

Principal Civil Service Pension Scheme

Some employees who were HMPPS employees before transferring to Carillion under the Transfer of Undertakings (Protection of Employment) Regulations are covered by the provisions of the PCSPS. GFSL recognises contributions payable to defined contribution schemes as an expense in the year in which it is incurred, and the legal or constructive obligation is limited to the amount it agrees to contribute to the fund. While the PCSPS is an unfunded defined benefit scheme, GFSL is unable to identify its share of liabilities in these multi-employer schemes so accounts for its expenses as if the schemes were on a defined contribution basis, as required by IAS 19. Expenditure accrues to the extent that contributions are payable by GFSL as an employer.

Royal London Pension Scheme

Since 2018, GFSL employees have been enrolled into a defined contribution pension scheme administered by Royal London. GFSL recognises contributions to the scheme as an expense in the year in which it is incurred.

Early departure and injury benefit costs

Some employees who were HMPPS employees before transferring to Carillion under the Transfer of Undertakings (Protection of Employment) Regulations are covered by the Civil Service Injury Benefits Scheme, which requires GFSL to pay benefits to any individual who is injured in connection with their employment.

Benefits are paid only in respect of loss of earning capacity, and a provision is made for expected future costs.

For seconded employees, MOJ is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The total cost is provided in full when the early departure programme has been announced and is binding on MOJ, not GFSL.

1.10 Turnover

GFSL turnover is stated net of value added tax (VAT) and is categorised as follows.

Core income

This represents the main part of the GFSL business and is for services as documented in the core contract, the provision of PPM, and minor reactive and remedial repairs up to the value of £2,000 per repair. This value was temporarily increased to £5,000 per repair for a period of three months.

Core income is recognised over the life of the service monthly as agreed with HMPPS.

Variable income

This is for all services that are not covered by the scope of the core service, at the request of the client for project work, and repairs over the £2,000 per repair threshold. This value was temporarily increased to £5,000 per repair for a period of three months. Variable income also includes any additional work which we carry out on approved premises and is not for the benefit of HMPPS. Variable income is recognised in line with the degree of completion of the related project or repairs.

Deferred income

An MOJ grant was provided in 2018/19 to cover exceptional expenditure for setting up the company. This was deferred and has continued to be released during 2021/22 and 2022/23 when GFSL incurs costs that the funding is intended to cover.

Operating income is recognised as revenue in the SoCNE in accordance with IFRS 15 Revenue from Contracts with Customers. In accordance with paragraph 35 of IFRS 15, operating income from project activities is recognised over time, as GFSL does not have control of the asset being improved, which is typically a building on the prison estate. Revenue is recognised using an input method, namely costs incurred.

1.11 Provisions

Provisions are recognised when GFSL has a present legal or constructive obligation, because of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

GFSL has not provided for a bad debt provision or credit loss at 31 March 2023. All interdepartmental debt is expected to be fully recovered and always has been fully recovered. A breakdown of the current provisions is detailed in Note 12.

1.12 Contingent liabilities

In accordance with IAS 37, GFSL discloses, as a contingent liability, those possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within its control. GFSL also discloses those present obligations arising from past events not recognised because it is either not probable that an outflow of resources will be required to settle the obligation, or the amount cannot be measured with sufficient reliability.

1.13 Contingent assets

A contingent asset arises when an event has taken place that gives the company a possible asset, whose existence will only be confirmed by the occurrence of uncertain future events, not wholly in control of the company.

1.14 Taxation

VAT

Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. GFSL has adopted the domestic VAT reverse charge for building and construction services from 1 March 2021.

Construction Industry Scheme

GFSL operates in accordance with the Construction Industry Scheme operated by HM Revenue and Customs. GFSL works with new and existing suppliers to ensure that the appropriate tax deductions are made from supplier payments and timely payments are made to HM Revenue and Customs.

Corporation tax

GFSL is a limited company which operates in accordance with the Companies Act 2006. GFSL operates as a not-for-profit company and is therefore not expected to incur any corporation tax liability to HM Revenue and Customs. However, GFSL is still required to perform a calculation to confirm this is the case and make an appropriate return.

1.15 Financial instruments

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), and are entered into in accordance with GFSL's normal purchase, sale or usage requirements, are recognised when performance occurs. All other financial assets and liabilities are recognised when GFSL becomes party to the contractual provisions to receive or make cash payments.

De-recognition

Financial assets are de-recognised when the contractual rights to receive future cash flows have expired or are transferred, and GFSL has transferred substantially all the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and measurement of financial assets

In addition to cash and cash equivalents, GFSL has two categories of financial assets.

Loans and receivables

Loans and receivables comprise trade receivables, other receivables and accrued income with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment, in accordance with IFRS 9 Financial Instruments.

Financial assets at fair value through profit and loss

Fair value is equal to the market value at the reporting date. The movement in the value of the assets is recognised immediately in the SoCNE, as income or as an expense.

Impairment of financial assets

At the end of each reporting period, GFSL assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If this is the case, GFSL recognises the impairment in the SoCNE as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The credit risk on GFSL's financial assets which are with government departments has been deemed low, and as a result, no credit loss allowance has been charged in 2022/23 (2021/22: nil).

Classification and measurement – financial liabilities

GFSL has financial liabilities consisting of trade payables, other payables and accruals. All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method.

Where the effect is material, the estimated cash flows of financial liabilities are discounted.

1.16 Events after the reporting period

Events after the reporting period are those that occur between the end of the reporting period and the date that the statement of accounts is authorised for issue. There are two types of events that can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect these changes where material
- those that are indicative of conditions that arose after the reporting period – the statement of accounts are not adjusted, but where a category of events would have a material impact, disclosure is made in the notes of the nature of the events and their estimated financial effect

Any events after the authorisation of issue are not included in this statement of accounts.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. GFSL makes estimates and assumptions concerning the future. The resulting accounting estimates will, by

definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions for liabilities and charges

The recognition and measurement of provisions rely on the application of professional judgement, historical experience and other factors expected to influence future events. Where the likelihood of a liability crystallising is probable and can be measured with reasonable certainty, a provision is recognised. Estimates and assumptions applied in these models are continually evaluated and reviewed. Further information is set out in Note 12.

Provisions for liabilities for goods purchased

The recognition and valuation of accrued liabilities for goods purchased and services received are based on receiving delivery dockets and other appropriate documentation before receiving supplier invoices. Where this is not available, accrued liabilities are based on GFSL's best estimate at the balance sheet date.

2. Operating income

For the period ended 31 March 2023

	2022/23 £'000	2021/22 £'000
Income		
Core income	84,555	81,083
Variable services income	64,839	77,128
Total before release of deferred income	**149,394**	**158,211**
Release of deferred income	199	223
Total income	**149,593**	**158,434**

Core income represents revenue for provision of minor PPM and reactive repair activities up to the value of £2,000 per repair.

Variable services income is for all services not covered by the scope of the core contract.

A £4 million grant was received from MOJ to fund the exceptional costs relating to the set-up of GFSL. It was deferred and is being released to income in accordance with IAS 20.

3. Staff costs

For the period ended 31 March 2023

	Permanently employed £'000	Others £'000	Total 2022/23 £'000	Total 2021/22 £'000
Wages and salaries	43,500	10,197	53,697	54,052
Social security costs	4,728	–	4,728	3,979
Pension costs	2,833	–	2,833	3,038
Total ordinary staff costs	**51,061**	**10,197**	**61,258**	**61,069**

	2022/23			2021/22		
	Core £'000	Variable £'000	Total £'000	Core £'000	Variable £'000	Total £'000
Wages and salaries	44,905	8,792	53,697	43,250	10,802	54,052
Social security costs	4,728	–	4,728	3,979	–	3,979
Pension costs	2,833	–	2,833	3,038	–	3,038
Total staff costs	**52,466**	**8,792**	**61,258**	**50,267**	**10,802**	**61,069**

Details of the directors' salaries and the average number of people employed are provided within the staff and remuneration report on pages 84 to 111.

Further information on the staff numbers and costs can be found on pages 106 and 107 in the staff and remuneration report.

Pension costs consist of £1,447,000 of a defined contribution Royal London scheme, and £1,386,000 to various Principal Civil Service Pension Schemes.

4. Other operating costs

For the period ended 31 March 2023

	2022/23			2021/22		
	Core £'000	Variable £'000	Total £'000	Core £'000	Variable £'000	Total £'000
Direct costs of service						
Other direct costs[1]	22,088	31,500	53,588	20,168	26,467	46,635
Materials costs[2]	5,416	24,547	29,963	5,233	39,859	45,092
Total direct costs of service	**27,504**	**56,047**	**83,551**	**25,401**	**66,326**	**91,727**
Other employment costs						
Vehicle costs	310	–	310	319	–	319
Travel and subsistence	730	–	730	619	–	619

1 Other direct costs of service are almost entirely subcontract labour costs.

2 Materials costs include £158,000 of inventory charged to the SoCNE.

	2022/23			2021/22		
	Core £'000	Variable £'000	Total £'000	Core £'000	Variable £'000	Total £'000
IT and telecommunications	733	–	733	985	–	985
Uniforms and personal protective equipment	228	–	228	218	–	218
Training costs	684	–	684	491	–	491
Other staff-related costs	598	–	598	612	–	612
Total other employment costs	**3,283**	–	**3,283**	**3,244**	–	**3,244**
Headquarters and other overhead costs						
Accommodation, maintenance and utilities	22	–	22	203	–	203

	2022/23			2021/22		
	Core £'000	Variable £'000	Total £'000	Core £'000	Variable £'000	Total £'000
Auditor's remuneration and expenses	94	–	94	119	–	119
Other overhead costs	176	–	176	945	–	945
Professional fees[3]	208	–	208	192	–	192
Total headquarters and other overhead costs	**500**	–	**500**	**1,459**	–	**1,459**
Total other operating costs	**31,287**	**56,047**	**87,334**	**30,104**	**66,326**	**96,430**

3 Professional fees include the costs of those individuals classified as consultants under Cabinet Office definitions.

5. Non-cash expenditure

For the period ended 31 March 2023

	2022/23 £'000	2021/22 £'000
Depreciation – property, plant and equipment	157	197
Amortisation – intangible assets	427	378
Provision for liabilities		
Provided in year*	1,005	841
Provisions written back*	(588)	(481)
Total non-cash expenditure	**1,001**	**935**

* The published annual report and accounts for 2021/22 shows the net movement of £360,000 rather than a breakdown of what has been provided in year and provisions written back.

* All non-cash expenditure relates to the core service.

6. Taxation

For the period ended 31 March 2023

Current taxation	2022/23 £'000	2021/22 £'000
UK corporation tax	–	–
Total UK corporation tax	–	–
Factors affecting the tax charge for the period		
Net expenditure on ordinary and extraordinary activities	–	–
Tax at the standard rate of corporation tax in the UK (19%)	–	–
Income and expenditure not subject to corporation tax	–	–
Total taxation charge	**–**	**–**

GFSL incurs costs on providing facilities management services to HMPPS, and recovers these costs on a 'no profit or loss' basis. Consequently, GFSL is not expected to incur taxation.

7. Property, plant and equipment

For the period ended 31 March 2023

IT equipment	2022/23 £'000	2021/22 £'000
Cost brought forward at the beginning of the period	**291**	**291**
Disposals	(291)	–
Total cost carried forward at the end of the period	**–**	**291**
Depreciation brought forward at the beginning of the period	**291**	**266**
Charge in year	–	25
Disposals	(291)	–
Total depreciation carried forward at the end of the period	**–**	**291**
Net book value at the beginning of the period	**–**	**25**
Net book value at the end of the period	**–**	**–**
Building lease		
Cost brought forward at the beginning of the period	401	401
Disposals	(401)*	–
Total cost carried forward at the end of the period	**–**	**401**
Depreciation brought forward at the beginning of the period	**244**	**72**
Charge in year	157	172
Disposals	(401)*	–
Total depreciation carried forward at the end of the period	**–**	**244**
Net book value at the beginning of the period	**157**	**329**
Net book value at the end of the period	**–**	**157**

* The building lease expired on 28 February 2023 at which time a rolling month-to-month contract was entered into. The building was vacated on 31 August 2023.

8. Intangible assets

For the period ended 31 March 2023

Software and development	2022/23 £'000	2021/22 £'000
Cost brought forward at the beginning of the period	**2,794**	**2,794**
Total cost carried forward at the end of the period	**2,794**	**2,794**
Amortisation brought forward at the beginning of the period	**1,216**	**838**
Charge in year	427	378
Total amortisation carried forward at the end of the period	**1,643**	**1,216**
Net book value at the beginning of the period	**1,578**	**1,956**
Net book value at the end of the period	**1,151**	**1,578**

9. Trade and other receivables

For the period ended 31 March 2023

Amounts falling due within one year	2022/23 £'000	2021/22 £'000
Prepayments	268	277
Other receivables	71	137
Accrued income[4]	12,793	26,325
Total	**13,132**	**26,739**

10. Cash and cash equivalents

For the period ended 31 March 2023

	2022/23 £'000	2021/22 £'000
Opening balance	13,683	23,404
Net cash inflow/(outflow)	11,872	(9,721)
Balance at the end of the period	**25,555**	**13,683**

GFSL banks with the Government Banking Service.

4 Accrued income is income recognised and agreed but not invoiced at the year end with our customer HMPPS.

11. Trade payables and other liabilities

For the period ended 31 March 2023

Amounts falling due within one year	2022/23 £'000	2021/22 £'000
Trade payables	(6,141)	(8,309)
Accruals	(2,703)	(4,850)
Goods received not invoiced	(7,398)	(5,811)
Taxation and social security	(4,704)	(3,099)
IFRS 16 liabilities	(47)	(358)
Deferred income*	(199)	(198)
Other payables	(406)	(437)
Total current payables	**(21,598)**	**(23,062)**

Amounts falling due after more than one year	2022/23 £'000	2021/22 £'000
Deferred income*	(911)	(1,110)
IFRS 16 liabilities	–	(107)
Total non-current payables	**(911)**	**(1,217)**
Total trade payables and other liabilities	**(22,509)**	**(24,279)**

* Deferred income is the value remaining from the £4 million government grant received from MOJ in 2018/19 to cover the cost of depreciation and amortisation of capital costs. £199,000 will be released over the next 12 months and the remaining amount of £911,000 will be released in future years.

12. Provisions for liabilities and charges

For the period ended March 2023

Claim provision	Personal injury / employment tribunal claims 2022/23 £'000	Historical disputed purchase ledger invoices 2022/23 £'000	Total 2022/23 £'000	Total 2021/22 £'000
Balance at the start of the period	(1,033)	(150)	(1,183)	(823)
Provisions in the period	(965)	(40)	(1,005)	(1,074)
Provisions written back	519	69	588	481
Provisions utilised in the period	174	81	255	233
Balance at the end of the period	**(1,305)**	**(40)**	**(1,345)**	**(1,183)**

Claim provision	Personal injury / employment tribunal claims 2022/23 £'000	Historical disputed purchase ledger invoices 2022/23 £'000	Total 2022/23 £'000	Total 2021/22 £'000
Analysis of expected timings of cashflow				
Not later than one year	(435)	(40)	(475)	(494)
Later than one year and not later than five years	(870)	–	(870)	(689)
Later than five years	–	–	–	–
Total	**(1,305)**	**(40)**	**(1,345)**	**(1,183)**

The provision comprises two different elements.

£1,305,000 relates to GFSL's potential liability resulting from a small number of personal injury claims and employment tribunal claims, all of which are open as of 31 March 2023.

£40,000 relates to a provision made for several historical purchase ledger invoices which are outstanding and in dispute as of 31 March 2023.

GFSL anticipates that all will be concluded by 31 March 2026.

13. Share capital

For the year ended 31 March 2023

	Nominal	Value 2022/23 £	Value 2021/22 £
Ordinary shares of £1 each	100	100	100

100 ordinary shares were issued at nominal value, of which £99 was fully paid up as of 31 March 2023. All the shares are held by the Secretary of State for Justice.

14. Financial instruments

IFRS 7 requires disclosures about the nature and extent of credit risk, liquidity risk and market risk that GFSL faces in undertaking its activities.

GFSL aims to maintain minimal holdings of cash equivalents appropriate to its short-term needs, and cash requirements are largely met by the cost-recovery arrangement in place with HMPPS. GFSL has no significant receivables, aside from those trade receivables arising with HMPPS as part of the normal course of business. None of these significant receivables are impaired or present a material credit risk.

GFSL has no borrowings or investments, so has very limited exposure to interest rate or market risk. Financial assets and liabilities are generated by ordinary operating activities. GFSL is considered to have no material credit, liquidity, interest rate or market risk. All cash holdings are lodged in a banking scheme entity.

15. IFRS 16 disclosures

As of 31 March 2023, GFSL has two leases which have been classified under IFRS 16. These are the rent for our Sheffield office which expired in February 2023, and the licence for our Oracle system which expired in August 2023.

In May 2023, a new Oracle lease was entered into which will expire in June 2028. In September 2023, a new lease for office space in Sheffield was entered into which expires in September 2028, and has a break clause in September 2026. The rent is £30,000 per annum.

	Class of underlying asset					
	Building 2022/23 £'000	IT 2022/23 £'000	Total 2022/23 £'000	Building 2021/22 £'000	IT 2021/22 £'000	Total 2021/22 £'000
Brought forward amount of right-of-use assets	157	269	426	329	449	778
Depreciation charge for right-of-use assets	157	227	384	172	180	352
Interest expense on lease liabilities	2	5	7	6	8	14
Total cash outflows for leases	167	188	355	176	188	364
Additions to right-of-use assets	–	–	–	–	–	–

	Class of underlying asset					
	Building 2022/23 £'000	IT 2022/23 £'000	Total 2022/23 £'000	Building 2021/22 £'000	IT 2021/22 £'000	Total 2021/22 £'000
Carrying amount of right-of-use assets	**–**	**42**	**42**	**157**	**269**	**426**
A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented below Amounts falling due						
Less than one year	–	47	47	176	188	364
One to five years	–	–	–	15	94	109
More than five years	–	–	–	–	–	–
Less interest element	–	–	–	(3)	(5)	(8)
Balance as at 31 March 2023	**–**	**47**	**47**	**188**	**277**	**465**

	Class of underlying asset					
	Building 2022/23 £'000	IT 2022/23 £'000	Total 2022/23 £'000	Building 2021/22 £'000	IT 2021/22 £'000	Total 2021/22 £'000
Lease liabilities presented in the statement of financial position						
Current	–	47	47	174	184	358
Non-current	–	–	–	14	93	107
Total lease liabilities	**–**	**47**	**47**	**188**	**277**	**465**

GFSL also has one photocopier which is classified as a low value lease and is exempt from IFRS 16.

16. Related party transactions

MOJ publishes a consolidated annual report and accounts for the core department each year. GFSL is classified within MOJ's consolidation boundary, meaning that transactions within the group are considered related party transactions.

All of GFSL's revenue of £149,593,000 (£158,434,000 in 2021/22) relates to charges to HMPPS for work undertaken in the period.

GFSL has a credit of £65,000 presented within staff costs for an employee seconded to MOJ core (debit of £74,000 in 2021/22 for employees seconded from MOJ core).

Staff costs also include a further £157,000 (£44,000 in 2021/22) from HMPPS which relates to the National Offender Management Service Programme, and £58,000 (£53,000 in 2021/22) from MOJ core which relates to the 2022/23 casework costs.

Other operating costs include £16,000 (£0 in 2021/22) which relates to phone call costs and line rental, and £19,000 (£0 in 2021/22) from MOJ core which relates to administration and printing for the annual report.

At the balance sheet date, GFSL had a balance of £2,000 owing to HMPPS presented within trade and other payables (£80,000 in 2021/22 owing to HMPPS and MOJ core). Also presented within trade and other payables are accruals of £7,000 for HMPPS relating to the National Offender Management Service Programme, and £6,000 for MOJ core relating to phone costs (both £0 in 2021/22).

At the balance sheet date, GFSL had an accrued income balance of £12,793,000 (£26,325,000 in 2021/22) due from HMPPS, which is presented within trade and other receivables.

No board members, key managers or other related parties have undertaken any material transactions with the company during the period. There are no conflicts of interest to report.

17. Financial commitments

For the period ended 31 March 2023

	2022/23 £'000	2021/22 £'000
Financial commitments (excluding capital commitments)	273	343
Property, plant and equipment	–	–
Intangible assets	–	–
Contracted capital commitments at the end of the period	–	–

18. Contingent assets

As of 31 March 2023, GFSL has no contingent assets to declare (£0 in 2021/22).

19. Contingent liabilities

GFSL has assessed our contingent liabilities. In September 2023, GFSL received a threatened pre-action claim for £500,000, including interest from a supplier for disputed invoices from 2018/19. GFSL has disputed the invoices because there was insufficient evidence that goods and services to the value claimed had actually been delivered. The threatened claim is disputed. As of 31 March 2023, GFSL has no other contingent liabilities to declare.

20. Losses and special payments

The statement of comprehensive income includes the following losses and special payments.

(a) Losses statement	2022/23 Number of cases	2022/23 Total £'000	2021/22 Total £'000
Interest, legal fees and court fees relating to late payments	–	–	1
Extended hire costs due to GFSL staffing issues	–	–	6
Ex gratia	9	7	0
Total losses	**9**	**7**	**7**

(b) Special payments	2022/23 Number of cases	2022/23 Total £'000	2021/22 Total £'000
Personal injury claim	10	170	59
Employment tribunal claim	4	17	42
Total special payments	**14**	**187**	**101**

21. Events after the reporting period

Events after the reporting period are considered up to and including the date on which the accounts are authorised for issue. This is interpreted as the date of the audit report.

Our consideration included MOJ's Prior Information Notice about their Property Transformation Programme issued in June 2023.

Section 4

Independent Auditor's report

Independent Auditor's report to the members of Gov Facility Services Limited

Opinion on financial statements

I have audited the financial statements of Gov Facility Services Limited (GFSL) for the year ended 31 March 2023 by agreement, under the Companies Act 2006.

The financial statements comprise GFSL's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Other Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion the financial statements:

- give a true and fair view of the state of GFSL's affairs as at 31 March 2023 and its result for the year then ended; and

- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of GFSL and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report (which is contained within section 2: Accountability report).

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' and Accounting Officer's responsibilities (which is contained within section 2: Accountability report), the directors are responsible for:

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

- providing the C&AG with unrestricted access to persons within GFSL from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Staff and Remuneration Report, in accordance with the Companies Act 2006; and
- assessing GFSL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of GFSL’s accounting policies.
- inquired of management, GFSL’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to GFSL’s policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the GFSL’s controls relating to GFSL’s compliance with the Companies Act 2006 and Managing Public Money.
- inquired of management, GIAA’s head of internal audit for GFSL and those charged with governance whether:

  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- testing the completeness and appropriate recognition of non-payroll expenditure.

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

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

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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

Greg Wilson (Senior Statutory Auditor)
13 November 2023

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)
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