



Ministry of
JUSTICE

National Offender
Management Service

National Offender Management Service

Annual Report
and Accounts
2011–2012

National Offender Management Service

Annual Report and Accounts 2011–2012

Annual Report presented to the House of Commons by Command of Her Majesty.

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Preventing victims by changing lives

Our Statement of Purpose

The National Offender Management Service is an Executive Agency of the Ministry of Justice. Our role is to commission and provide offender management services in the community and in custody ensuring best value for money from public resources. We work to protect the public and reduce reoffending by delivering the punishment and orders of the courts and supporting rehabilitation by helping offenders to reform their lives.

Our Vision

We will work collaboratively with providers and partners to achieve a transformed Justice system to make communities safer, prevent victims and cut crime.

Our Values

In delivering offender management services, we will:

- be objective and take full account of public protection when assessing risk
- be open, honest and transparent
- incorporate equality and diversity in all we do
- value, empower and support staff, and work collaboratively with others
- treat offenders with decency and respect
- embrace change, innovation and local empowerment
- use our resources in the most effective way, focusing on outcomes and delivering value for money for the taxpayer

Foreword

by the Chief Executive



This is the fourth annual report following the creation of the National Offender Management Service as an Executive Agency of the Ministry of Justice in April 2008.

NOMS commissions and delivers services in a challenging, demanding and complex operating environment. Across the organisation our staff are working, on a daily basis, with difficult, vulnerable and sometimes dangerous people, and 2011–2012 saw some exceptional demands.

The total probation caseload fell slightly (by two per cent) but the transition to a more diverse and complex case mix continued with a further increase in the proportion of offenders being supervised following release from prison. There was a 2.5 per cent increase in the number of those held in custody across England and Wales, and a record prison population of 88,252 was recorded in November 2011. Staff in probation trusts, prisons and in headquarters played a key part in responding to the serious public disturbances which occurred across England in August. It was to the enormous credit of our staff and systems that we were able to meet this challenge, support the police and courts to deliver swift justice, and manage an unprecedented rise in the prison population over a very short period of time.

We were required to deliver a high level of budget savings and achieve greater levels of efficiency than ever before. Again, all parts of NOMS, custody services, community services and headquarters, contributed to meeting savings targets, while maintaining the quality of core services and performance.

At the same time, in line with the Ministry of Justice's Transforming Justice agenda, we are taking forward an ambitious reform programme – opening up public services to a wider base of providers and changing the way we fund and commission services so that we are focused on outcomes rather than processes, increasingly aiming to pay providers for the results they achieve.

In key areas our performance continues to improve, most significantly on reoffending rates, where the 12 month reoffending rate now shows a five percentage point improvement on the 2000 baseline for adult offenders discharged from prison or commencing a court order.

However, we do record two escape incidents involving Category A prisoners. In January 2012 a Category A prisoner escaped from escort and remains at large and in May 2012 a Category A prisoner escaped from court but was pursued and recaptured by the police within 45 minutes. These are the first Category A escapes since 1996 and clearly a matter of serious concern, but they must be viewed in the context of an excellent record over



recent years in preventing escapes and protecting the public. We have undertaken an extensive review of these incidents and our procedures generally to ensure lessons are learned and our overall security record is maintained going forward.

We know there is more to be done to break the cycle of reoffending. Prisons must increasingly become places of activity and meaningful work where drug abuse is tackled. Community punishments must enjoy the confidence of the public and we must develop more effective ways to reduce reoffending. We have plans in place to achieve these aims. Our major competition programme across both custody and community is designed to drive innovation and improvement as well as to reduce costs. We have launched ambitious plans for working prisons and in 2012–2013 we will also be taking forward the reform of community provision following the outcome of the consultation on probation services.

Most importantly, I know that staff across the Agency are committed and care deeply about the work they do, which too often goes unrecognised. On a daily basis they seek to ‘Prevent Victims by Changing Lives’ and this will remain our driving force as we work with our partners to transform the Justice System over the years to come.

Michael Spurr
Chief Executive
National Offender Management Service

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About the National Offender Management Service

As an Executive Agency of the Ministry of Justice (MoJ), NOMS is responsible on behalf of the Secretary of State for Justice for commissioning and delivering prison and probation services in England and Wales. The Agency co-ordinates prison and probation services, enabling offender services to be delivered more effectively, and strengthening and streamlining commissioning to improve efficiency and a clear focus on results.

NOMS delivers offender management services through:

- Probation trusts – 35 trusts responsible for the delivery of probation services at local level
- Attendance centres – 131 centres for offenders aged between 10 and 24
- Public sector prisons – 117 prisons which provide around 86 per cent of prison places
- Private sector organisations – operating 14 prisons under contract and providing other significant services, including prisoner escorts and electronic monitoring of offenders
- Partnerships – with a range of public sector agencies, including local authorities, health and education services, and with organisations in the voluntary and social enterprise sector

NOMS is also contracted by the Youth Justice Board to provide and manage custodial places for young offenders and by the UK Border Agency to provide three removal centres with more than 850 places for immigration detainees.

The organisational shape of the Agency changed significantly in 2011–2012 as a result of restructuring the NOMS headquarters from a regional to a functional model, enabling a £91 million budget reduction over the four years of the current Spending Review period. Radical prison service workforce reforms will see new pay structures and job designs for operational staff. These were finalised in February and will be implemented from April 2013.

For clarity the high level organisational structure at 1 April 2012 is shown on page 105.

NOMS' strategic direction is set in the Ministry of Justice Corporate Vision for 2011–2015: "To deliver a transformed justice system and a transformed department – more efficient, more effective, less costly and more accountable and responsive to the public".

The Agency's part in putting this commitment into practice is set out in the NOMS Business Plan. The following sections report on performance against the Business Plan's operational delivery and transformation priorities for 2011–2012.

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Operational Performance 2011–2012

NOMS' operational priorities cover delivering the punishments and orders of the courts, security, safety and public protection and reducing reoffending.

The Agency again demonstrated strong operational performance in 2011–2012 against agreed key performance measures, as set out in the table below.

NOMS Performance Outcomes¹

MEASURE	2000	JULY 2008 –JUNE 2010 COHORT
One-year proven reoffending rate for adult offenders discharged from prison or commencing a court order ²	40.9%	35.9%
MEASURE	OUTCOME 2010–2011	OUTCOME 2011–2012
The percentage of orders and licences successfully completed	75.8%	76.3%
The percentage of prisoners held in overcrowded accommodation across the prison system	23.8%	23.9%
The rate of self-inflicted deaths per 100,000 prisoners (3-year rolling average)	70	70
The rate of drug misuse in prisons as reflected by those testing positive in mandatory drug tests	7.1%	7.0%
The number of Category A escapes ³	0	1
The number of escapes from prison and prison escorts	2	4
The rate of escapes from prison and prison escorts as a proportion of the average prison population	0.002%	0.005%
The number of escapes from contractor escorts	10	13
The rate of escapes from contractor escorts as a proportion of the throughput of prisoners	1 in 99,577 prisoner movements	1 in 72,510 prisoner movements
The percentage of offenders in employment at the end of their sentence, order or licence	37.6%	37.9%
The percentage of offenders in settled or suitable accommodation at the end of their sentence, order or licence	86.7%	87.2%
The average number of working days lost through sickness absence in public prisons and probation trusts	9.78	9.75
The proportion of black and minority ethnic staff in NOMS Agency	9.2%	9.1%

¹ Full NOMS performance will be published in a Management Information Addendum on the Ministry of Justice website.

² www.justice.gov.uk/downloads/statistics/reoffending/proven-reoffending-jul-09-jun-10.pdf

³ A further Category A escape, which occurred in May 2012 and is referred to in the foreword, is not shown in the above table as it falls within the 2012–2013 financial year.



The MoJ Proven Reoffending Statistics Quarterly Bulletin provides key statistics on repeat offending in England and Wales, covering proven reoffending rates for adult offenders released from prison or commencing a court order. For the most recent reporting period, between July 2009 and June 2010, there were 190,000 adult offenders who were discharged from prison or commenced a court order. Around 69,000 of these offenders were proven to have committed a further offence within a year. Between the year 2000 baseline and the 12 months ending June 2010 there was a 5.0 percentage point decrease (from 40.9 per cent to 35.9 per cent) in the proven reoffending rate.

The probation service continued its impressive record of recent years in enforcing the sentence of the court where the offender fails to comply: 95 per cent of breached orders and licences were correctly enforced within 10 working days of breach. Effective targeting of offenders to interventions in the community has meant that 95 per cent of offenders who required an accredited programme were placed on the specific programme that best addressed their offending behaviour in 2011–2012. This compared to 94 per cent in 2010–2011 and 84 per cent in 2008–2009, the first year of the NOMS agency.

2011–2012 saw a small increase in the number of escapes from prisons, prison escorts and contractor escorts compared to 2010–2011. The numbers remain low in the context of the past two decades which have seen a marked improvement in security. The escape of a Category A prisoner in January 2012 was the first Category A escape since 1996 (see chart below). We have instigated a comprehensive review to learn the lessons from these incidents and ensure our focus on security remains strong. While there was a small increase in the rate of escapes from contract escorts, the level was still low relative to performance over the past 16 years as set out below.

The number of absconds in the open prison estate was reduced to a new low of 179 in 2011–2012, down from 240 in 2010–2011. For comparison, there were 1,310 absconds in 2003–2004.



Despite the pressures of record prison populations, measures of safety and decency in custody show a degree of stability. There was only a slight increase in the percentage of prisoners in overcrowded accommodation, from 23.8 per cent in 2010–2011 to 23.9 per cent in 2011–2012. The three-year rate of self-inflicted deaths at March 2012 (70 per 100,000 population) is stable compared to a year earlier and the longer term trend is downward.

Against a background of efficiency savings the Agency maintained or improved its performance in 2011–2012 compared to the previous year against a range of indicators. The completion rate for offenders on orders and licences increased slightly, from 75.8 per cent to 76.3 per

cent. The year also saw a lower rate of prisoners tested positive for drugs: 7.0 per cent in 2011–2012 compared to 7.1 per cent in 2010–2011.

Across both custodial and community settings the Agency has worked with DWP and local authorities and partners to slightly improve the percentage of offenders in employment at end of sentence (from 37.6 per cent in 2010–2011 to 37.9 per cent in 2011–2012) and the proportion of offenders in settled and suitable accommodation at end of sentence (from 86.7 per cent to 87.2 per cent).

Rates of staff sickness continue to fall across the Agency, from an average 9.78 days per member of staff in 2010–2011 to 9.75 days in 2011–2012.

³ The Category A escapes in 1995–1996 and 2011–2012 are included in the total escapes for those years.

Demand for services and managing capacity

NOMS' commitment is to provide enough prison and probation places for those whom the courts judge should receive a custodial or community sentence. NOMS operates a system that is consistently responsive to demand which can fluctuate quickly and significantly – notably following the civil disorder in Summer 2011 after which prisoner numbers peaked at 88,252. Alongside providing capacity to meet demand, NOMS made progress in replacing inefficient, costly prisons with more modern, cost effective accommodation.

During 2011–2012:

- At the start of the year NOMS completed the closure of HMP Lancaster Castle and HMP Ashwell (and HMP Morton Hall was reclassified as an immigration removal centre). In the Autumn, HMP Latchmere House, and the houseblock at HMP Hewell formerly known as HMP Brockhill, were closed. The closures have enabled £29 million budget savings
- Arrangements were finalised for the opening of two new prisons, HMP Thameside and HMP Oakwood, and additional accommodation at HMP Moorland, to deliver an additional 2,685 places in total.

The new prisons met NOMS' objective of providing decent and safe accommodation that facilitates activities to address offending behaviour. The new prisons also provide good value with HMP Oakwood providing 1,605 places expected to be around £13,000 per place when fully operational, which is the lowest unit cost across the estate.

The prison population rose by 2.5 per cent from 85,400 on 31 March 2011 to 87,531 on 31 March 2012. This increase includes the impact of the public disorder in English cities from 6 to 9 August 2011 which was followed by an unprecedented rise in the prison population.

The probation caseload fell by two per cent from 238,973 on 31 December 2010 to 234,528⁴ on 31 December 2011. This comprised 125,444 offenders on court orders in the community, 70,785 on pre-release supervision and 40,049 on post-release licence. Between 31 December 2010 and 31 December 2011, the number of offenders on community orders (down eight per cent) and suspended sentence orders (down four per cent) reduced, while the number of offenders on pre and post-release supervision increased, by three and eight per cent respectively.

⁴ Probation caseload numbers for 31 March 2012 will be published on 24 July 2012
An offender can be subject to several types of supervision, thus the sum of the numbers receiving each type of court order supervision exceeds the number receiving court order supervision in total.

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Improving efficiency and reducing costs

During 2011–2012 NOMS continued to make substantial cost reductions achieving savings of £228 million on budgets (6 per cent). These savings were delivered while overall performance was maintained with effective offender management in the community and prisons continuing to provide safe decent secure custody.

We achieved improved efficiency and substantial cost reduction through:

- Driving out £159 million efficiency savings from front line services (£99 million for public prisons and £60 million for probation trusts). This was achieved by setting clear specifications for all custodial and community offender services, enabling benchmarking of costs and supporting evidence-based commissioning, ensuring that we only fund services that offer value and evidence of a positive impact on changing lives, together with a rigorous review of all expenditure. There was a reduction of 2,714 directly employed NOMS staff and a reduction of 655 staff employed by probation trusts
- The complete restructure of our headquarters (with new structures in place from 1 April 2012, with 649 fewer posts). This delivered £41 million savings in 2011–2012 and will achieve a reduction of 37 per cent (£91 million) in headquarters costs over the Spending Review period
- Finalising the closure of four prisons and a houseblock (formerly known as HMP Brockhill) at HMP Hewell (delivering a reduction in running costs of £29 million)
- Increasingly sophisticated capture of service delivery costs enabling better targeting of scarce resources
- A review of all major contracts and delivering savings from the Competitions programme including re-competing of the prisoner escorts contract

Transformation of services and preparing for the future

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By developing new and innovative ways to commission and manage services NOMS has made, and continues to make, a significant contribution to the government's ambitious programme to transform the justice system and deliver better outcomes at reduced cost to the taxpayer.

NOMS is achieving this through opening up public services to a wider range of providers to improve offender services and improve outcomes. This includes greater involvement of the private and voluntary sectors in the rehabilitation of offenders.

Central to this are new ways of working, concentrating on results not processes and supporting local freedoms with competition and payment by results driving efficiency and effectiveness.

Competition driving efficiency

Competitive commissioning and co-commissioning of offender services is at the heart of this process. In 2011–2012 two major competitions were concluded:

- Phase One of the Prisons Competition Programme, which is forecast to reduce the cost of provision by 16 per cent over the life of the contracts. This included the transfer of HMP Birmingham to the private sector, and the re-tenders of HMP Doncaster and HMP Buckley Hall. Additionally the contracted prisons HMP Oakwood and HMP Thameside were opened on schedule
- New Prisoner Escort and Custody Services contracts were implemented in August 2011 with two new providers, Serco Wincanton and GeoAmey. The contracts are forecast to deliver gross cashable savings of around 20 per cent over the minimum seven year contract period

Following the publication of the MoJ Competition Strategy for Offender Services in July 2011, work began on further competitions. These included the competing of eight prisons in Phase Two of the Prison Competition Programme, the largest custodial competition to date, and the tendering of Electronic Monitoring contracts across England and Wales.



Each attracted significant private sector bidders, including new entrants, thereby extending the offender services market, seeing an increase in both competition and innovation.

Coupled with tendering for the provision of Community Payback services in London, this activity represents an unprecedented level of competition for offender services.

Payment by results

At the same time work began promoting and testing new services focused on what works to tackle reoffending. A range of innovative Payment by Results pilots were progressively rolled out by NOMS and MoJ in 2011–2012:

- Two projects for offenders released from prison at HMP Doncaster and HMP Leeds, (building on the groundbreaking Social investment Bond pilot underway at HMP Peterborough) and a financial incentives pilot at HMP High Down
- Two Justice Reinvestment pilots, in Greater Manchester and five London Boroughs, launched in July 2011, where local agencies work together to reduce reoffending, sharing a proportion of the savings made for reinvestment in further preventative work
- Two pilot projects covering offenders managed on community sentences, in Wales, and Staffordshire and West Midlands, for formal commissioning by November 2012
- Eleven pilot projects introducing drug recovery wings in prisons, focused on abstinence, remaining drug-free and connecting offenders with community drug recovery services on release
- Work with the Department of Work and Pensions and Jobcentre Plus exploring incentivisation of work programme providers to reduce reoffending
- ‘Innovation’ pilots now being procured, seeking proposals involving new forms of finance and a mix of providers

Working prisons

Prisons currently provide a wide range of purposeful activity to maintain a healthy environment to support rehabilitation, (including provision of resettlement; education/vocational training courses; and offending behaviour programmes), and to maintain domestic services (such as catering and cleaning). NOMS intends to maintain these activities with an increasing focus on rehabilitation while at the same time significantly expanding industrial/commercial work in prisons.

At present some 9,000 prisoners are employed in industrial workshops across the prison estate engaged in a wide range of activity, from printing to commercial laundry, textile production, manufacturing and distribution, supported by 1,000 trained instructors. Our aim is to at least double that number over the next decade, at no additional cost to the taxpayer. We are setting up a new organisation – One3One Solutions – to transform prison industries, market products and develop the Working Prison concept across both publically and privately managed prisons.

NOMS is also implementing the Prisoners' Earnings Act 1996, ensuring that offenders make reparation to victims from earnings during their sentence. Initially from September 2011 this has been through deductions from the wages of low-risk prisoners working on licence in the community, with the money administered by Victim Support. In the first six months the scheme has raised nearly £387,000 for Victim Support.

Strategic commissioning

Underpinning the development of new ways to reduce reoffending, the Agency's first commissioning round under its new functional structure was initiated in November 2011 with the publication for the first time of a Commissioning Intentions document setting out service priorities across prison and probation, followed by negotiation and refreshing of contracts and service level agreements focused on matching provision to core demand and priorities.

NOMS also worked closely with the Department of Health and emerging new commissioning arrangements in both the NHS and local government to prepare for the implementation of the Health and Social Care Act 2012, changing the delivery of health and wellbeing services for offenders nationally and locally.



The market for offender services in the community remains less developed than for custodial services, and this was addressed in the Government's consultation document 'Punishment and reform: effective probation services' published in March 2012.

These far-reaching proposals aim to extend the principles of competition into community-based offender services, leveraging in private and voluntary sector expertise and developing clear commissioner and provider separation to promote increased efficiency and effectiveness.

Following consultation NOMS will take these proposals forward during 2012–2013.

In Wales the Agency continues to work closely with the Welsh Assembly Government to deliver devolved functions such as health, substance misuse and learning and skills.

Improvements to Information, Communication and Technology Infrastructure

In 2011–2012 upgrades were completed to the Information, Communication and Technology (ICT) infrastructure across all prisons and the majority of probation trusts. For the first time there is now an integrated ICT platform for all probation trusts. This will be used to underpin deployment of the new national case management and risk management applications that are now under development.

A leaner, more efficient organisation

Over 2011–2012, the reorganisation of NOMS headquarters delivered a substantially new structure, based on a functional rather than a regional model. This work resulted in a streamlined structure with 649 fewer posts, and costs set to be 37 per cent reduced by the end of the Spending Review period.

Coupled with these changes a complete overhaul of NOMS' public provider side, HM Prison Service, was undertaken, to deliver a leaner and more efficient organisation in response to competitive pressures.

We have implemented a radical package of workforce reforms for prisons and headquarters staff underpinned by a new job evaluation scheme. These 'Fair and Sustainable' reforms involving new pay structures and job design for some 43,000 staff were successfully finalised in February 2012, and endorsed by the Prison Service Pay Review Board, Prison Governors Association and the Prison Officers' Association. Following successful 'early adopter' and pilot work, the new structures will be operative from April 2013. They will deliver the most far reaching changes to the structure and organisation of public prisons for 25 years, introducing much leaner management structures and rebaselining pay to reflect current market rates. The new arrangements will significantly reduce the future paybill costs to the taxpayer.

Accounts

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Management Commentary

Statutory background

On 1 April 2008 the National Offender Management Service (NOMS) became an Executive Agency of the Ministry of Justice (MoJ), bringing together the National Probation Service, the former NOMS HQ and the Prison Service to enable more efficient and effective delivery of services.

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FRoM) issued by HM Treasury and in accordance with a direction given by HM Treasury pursuant to Section 7(2) of the Government Resources and Accounts Act 2000.

Preventing victims by changing lives

Our Statement of Purpose

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- Value, empower and support staff, and work collaboratively with others
- Treat offenders with decency and respect
- Embrace change, innovation, and local empowerment, and
- Use our resources in the most effective way, focusing on outcomes and delivering value for money for the taxpayer

Operational Performance during 2011–2012

An analysis of performance outcomes is summarised in the Annual Report on pages 11–13.

Results for the year

The Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) for the year is shown on page 52. The Statement of Changes in Taxpayers' Equity is shown on page 55.

Operating costs

The net operating cost before tax for 2011–2012 stands at £3,935m compared to £4,192m for 2010–2011. This year on year decrease in net operating costs of £257m (6.1%) was achieved by setting clear specifications, benchmarking costs and a vigorous review of all expenditure, maintaining tight controls over staff numbers and running early departure schemes in NOMS core agency and the Probation Trusts.

Statement of Financial Position

The Statement of Financial Position and Statement of Cash Flows are on pages 53 and 54.

The net asset position has decreased from £4,685m at March 2011 to £4,487m at March 2012. The largest single movement in net assets is the increase in the Probation Trusts' pension liability of £397m.

Payment of creditors

In the year to 31 March 2012, NOMS paid 471,179 trade invoices with a value of £3.5bn. 84% were paid in line with the Government directive on prompt payment, which requires payment within five business days. This is an improvement on the performance for 2010–2011 where 76% of invoices were paid within 5 business days.

The percentage of undisputed invoices paid within 30 days by the Probation Trusts is shown below in 5% ranges:

RANGE (%)	No. of Boards/Trusts within range	
	2011–2012	2010–2011
95–100	13	14
90–94.9	11	10
85–89.9	4	7
80–84.9	4	0
75–79.9	2	0
70–74.9	1	3
55–59.9	0	1
Total reported	35	35

Treatment of Pension Liabilities

Present and past employees of NOMS, excluding Probation Trusts, receive pension benefits covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. NOMS meets the cost of pension cover provided for the staff employed, by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

Past and present employees of the Probation Trusts are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme, and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

The annual recalculation of the individual Trusts' pension liabilities has resulted in the net pension liability increasing from £800m in 2010–2011 to £1,197m in 2011–2012. The largest single element of this change is due to a fall in discount rates, partially offset by a fall in the interest rate assumptions.

Further information can be found in the Remuneration Report, Accounting Policies and in Note 21 to the Accounts.

Significant changes to NOMS reporting

The reporting in 2010–2011 of individual Probation Trusts' early departure and pension provisions was not in accordance with IAS 19 and this has led to a prior year restatement of these balances; details are given in Note 30 in the accounts.

As part of a rationalisation some functions previously within NOMS were moved to the MoJ centre at 1 April 2011; details are given in Notes 3, 4, 5 and 6 in the accounts.

Sickness absence data

The average levels of absence due to staff sickness were 9.75 days across public prisons, NOMS HQ and Probation Trusts (2010–2011: 9.78).

Personal data related incidents

The following gives a summary report of significant personal data related incidents in 2011–2012, which were formally reported to the Information Commissioner’s Office (ICO).

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
August 2011	Details of offenders sent by email to 3 separate members of the public in error.	Personal information relating to prisoners.	1,182 offenders.	Incident contained, data deleted and ICO investigation ongoing.
August 2011	Compromise of residents’ handover sheet.	The data included offenders name, room number and details of offence.	15 offenders.	ICO decided no formal action to be taken.
August 2011	Disclosure of information relating to the identity of a sex offender to a member of the public.	Confirmed that a man living in the neighbourhood was a sex offender known to the authorities.	One. Plus potentially other family members of the victim.	Reported to the local police and to NOMS. An internal investigation was conducted and appropriate action taken.
October 2011	Loss of back up media. It had not been used in 18 months but contained historical records.	Personal information relating to prisoners.	16,000 offenders.	An approved encrypted backup disk was installed and correct procedures initiated. The data loss is still under investigation.
December 2011	Personal information on job applications submitted to a Trust website appeared publicly when the website was searched.	Personal details of job applicants.	Unknown.	ICO concluded that while the Trust did allow personal information to be made available they took all reasonable steps to resolve the issue and to ensure it cannot happen again. No further action is deemed necessary by the ICO.
January 2012	Loss of offender data on public transport.	Documents included witness statements, police interview notes, prison reports and parole reports.	4 offenders. Unknown number of witnesses.	The loss was reported to British Transport Police but the documents have not been recovered. The policy and procedures for removing documents from Trust offices has been reviewed and guidelines issued.
February 2012	Disclosure of offender data in an incorrectly redacted Subject Access Request.	Data relating to another offender who was known to the requester.	1 offender.	An internal investigation was conducted and appropriate action taken.
February 2012	A restricted document was taken out of the establishment and disclosed to a journalist from a local newspaper.	The data included a public protection list that identified prisoners and their offences.	101 offenders.	The police have recovered the document and NOMS wrote to the newspaper which has cooperated fully on this matter. The ICO has decided no formal action will be taken.

In all the above cases, a risk assessment was carried out to assess who, if anyone, should be notified and to ensure measures were in place to mitigate risk to individuals and prevent recurrence of the incident. All MoJ staff undertake a compulsory Information Assurance training course when joining the department and an annual refresher course.

Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

As at the date of the Certificate and Report of the Comptroller and Auditor General, no reportable events have occurred.

Sustainable development

NOMS falls within the scope of reporting under the Greening Government commitment. As such we have produced a separate sustainability report showing performance against sustainability targets for greenhouse gas emissions, waste minimisation and management and the use of finite resources and their related expenditure.

The Sustainability Report is shown on pages 99 to 104.

Future developments

As an Executive Agency of the MoJ, our strategic direction is set out in the MoJ Corporate Strategy for 2011–2015. The strategy sets out a single objective: ‘To deliver a transformed justice system and a transformed department – more efficient, more effective, less costly and more accountable and responsive to the public’.

Underpinning that overarching Transforming Justice objective the MoJ Business Plan 2011–2015 sets out five major commitments:

- Introduce a rehabilitation revolution
- Reform sentencing and penalties
- Reform courts, tribunals and legal aid, and work with others to reform delivery of criminal justice
- Assure better law
- Reform how we deliver our services.

The NOMS Business Plan sets out the important part NOMS will play in putting these commitments into practice and provides detail on the following eight business priorities that the NOMS Agency Board agreed for 2012–2013.

Transformation

- 1 Rehabilitation – Breaking the Cycle
- 2 Re-balancing Capacity
- 3 Commissioning and Competition
- 4 Organisational Restructure

Operational Delivery

5. Delivering the punishment and orders of the courts
6. Security, Safety and Public Protection
7. Reducing Reoffending
8. Improving Efficiency and Reducing Costs

The NOMS Business Plan can be found at:
www.justice.gov.uk

NOMS is building on the work it has completed in 2011–2012 to meet Ministerial objectives and the Government’s ambitious reform agenda for Transforming Justice. As the largest Agency of the Ministry of Justice the scale of NOMS’ contribution towards meeting the reform agenda is significant. NOMS will deliver its contribution through:

- Concentrating on results not processes
- Supporting local freedoms to pursue what works
- Improving accountability and transparency throughout the system
- Harnessing innovation from all our providers, and improving efficiency including through greater competition across public, private and third sectors and the progressive implementation of Payment by Results
- Reducing costs and becoming more efficient in all that we do

NOMS undertook a complete restructure of its HQ, with the new structures in place from 1 April 2012

Research and development

Following the NOMS Organisational Restructure, NOMS has maintained devolved budgets for research/evaluation (and some researchers remain embedded within business areas), but accountability now rests with the Deputy Director – NOMS Planning and Analysis, who is accountable to the MoJ Director of Analytical Services. To discharge this function and provide sufficient oversight, a new National Research Board (NRB) has been established. The NRB, which will meet quarterly and

has representation from all the NOMS Directorates and from MoJ Analytical Services Directorate, had its first meeting in February 2012. An initial Agency Research Plan for 2012–2013 was presented to the NRB and the direction of travel agreed. Moving forward, the NRB will approve and own the strategic research priorities for NOMS; and approve and own the annual research plans, creating a co-ordinated programme of work which is fully costed, in line with NOMS business priorities and which provides value for money.

Revised terms of reference for the NOMS National Research Committee (NRC) have also been agreed. The NRC quality assures all proposed internal and external research projects, considering whether approval should be given, disseminating the results and conclusions of research across NOMS. The aims of the NRC are to:

- Standardise the application process, ensuring that it is efficient for both the researcher and those tasked with reviewing research applications
- Improve the scrutiny of research proposals to ensure:
 - The applicant and NOMS attain best value from the research conducted
 - The resource implications and impact of the research on NOMS operations is considered
 - Matters of data protection/security and research ethics are dealt with in a consistent manner

More information can be found at www.justice.gov.uk/publications/research-and-analysis/noms

Communications and employee involvement

NOMS continues to attach great importance to engaging and communicating effectively with its staff and partners, particularly in a time of significant change.

Our approach is to embed staff engagement into our normal ways of working, and we continue to strive for greater levels of staff involvement in our transformation agendas. We ensure visible leadership to all parts of the agency and its partners through a variety of channels. These include regular senior leadership briefings at all levels, surveys, cascade messaging, phone-ins, forums for the different

functional areas of the agency, directorate and team level 'listen to improve' sessions, enhanced intranet and communications and information provision.

2011–2012 also saw the introduction of a new quarterly e-bulletin for stakeholders and the staging of a major conference for offender services providers from all sectors, representing the increasing diversity of provision, focused on Government plans to break the cycle of offending and addressed by the Secretary of State.

Staff diversity

During 2011–2012 NOMS introduced a revised equalities policy framework, including Agency Instruction 11/2011/Prison Service Instruction 33/2011 Ensuring Equality for Employees; which sets out how we meet the requirements of the Equality Act 2010 in the way that we manage our staff. This is supplemented with guidance on the NOMS intranet.

The NOMS annual staff survey reported a lower incidence of discrimination, bullying and harassment amongst respondents.

NOMS also achieved recognition from Stonewall as one of the top 100 employers for lesbian, gay and bisexual staff.

For the first time, staff equalities data was published alongside data on outcomes for prisoners in the NOMS Equalities Annual Report 2010–2011, available at www.justice.gov.uk/publications/corporate-reports/noms/equality

9.1 per cent of staff employed directly or indirectly by NOMS are of black or minority ethnic backgrounds. (2011–2012: 9.2 per cent)

As the result of a reorganisation that reduced the size of the NOMS headquarters, in February 2012, 77 staff were issued notices that their employment was 'at risk'. NOMS continued to work with these staff, with some leaving the organisation and others re-assigned. Currently only seven staff remain at risk.

Audit

In accordance with the direction given by the Treasury, these accounts have been prepared in accordance with the FReM. The Certificate and Report of the Comptroller and Auditor General to the House of Commons is attached to the Accounts.

Total audit fees reported in the Accounts are £1,596,000. This is made up of:

- the notional cost of the National Audit Office's audit of the NOMS 2011–2012 Agency Accounts is £300,000
- invoiced fees of £22,000 paid to the National Audit Office for audit work in respect of central NOMS re-charges to individual Probation Trusts, and
- invoiced fees of £1,274,000 paid to the Audit Commission, their appointed auditors, and the Wales Audit Office as auditors of the individual Probation Trusts

As Accounting Officer, I have taken all steps to ensure that:

- I am aware of any relevant audit information
- the Auditor is aware of that information, and
- there is no relevant audit information of which the Auditor is unaware.

The National Offender Management Service Agency Board and Executive Management Committee

The governance arrangements within NOMS for the period April 2011 to March 2012, as agreed by the Permanent Secretary of the MoJ and the NOMS Agency Management Board, included the following:

- A monthly NOMS Agency Board meeting focusing on strategic Agency priorities including change, performance, risk and investment
- A weekly NOMS Executive Management Committee meeting to support the Chief Executive Officer in the day to day running of the Agency
- A comprehensive range of sub-committees reporting to the Board and Executive Management Committee

The Chief Executive Officer was appointed by the Permanent Secretary of the MoJ in June 2010, under the terms of the Senior Service Management Code.

The Chief Executive Officer's pay is determined under the rules set out in chapter 7.1 Annex A of the Senior Civil Service Management Code. Other members of the NOMS Agency Board and the Executive Management Committee are appointed by the Chief Executive Officer with agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the Management Board and the Executive Management Committee are set out in the Remuneration Report on pages 33 to 38.

Membership of the Agency Board and Executive Management Committee is set out in the table on page 32.

My thanks and appreciation is extended to all past and present members of the Executive Management Committee and the Agency Board for their hard work and effort during this reporting year.

Michael Spurr
Agency Accounting Officer
5 July 2012

During 2011–2012, the following were members of the NOMS Agency Board, and the NOMS Executive Management Committee.

			At 31 March 2012	
			NOMS Agency Board	NOMS Executive Management Committee
Chief Executive Officer	Michael Spurr		✓	✓
Director of Probation and Contracted Services	Colin Allars	from 1 April 2011	✓	✓
Director of Change and ICT	Martin Bellamy		✓	✓
1 Director of National Operational Services	Phil Cople	1. to 31 July 2011		
2 Director of Probation Review and Organisational Restructure		2. from 1 August to 31 October 2011	✓	✓
3 Director of High Security		3. from 1 November 2011		
Director of Finance and Analysis - Interim	Andrew Emmett	from 7 November 2011	✓	✓
Director of National Operational Services	Digby Griffith	from 1 August 2011	✓	✓
Director of Commissioning and Commercial	Ian Porée		✓	✓
Director of Public Sector Prisons	Steve Wagstaffe	from 1 April 2011	✓	✓
MoJ Group HR Director	Robin Wilkinson		✓	✓
Director of Offender Health	Richard Bradshaw ²		✓	✓
Director of High Security	Danny McAllister	until 31 October 2011	✓	✓
Director of Finance	Camilla Taylor	until 9 August 2011	✓	✓
MoJ Director General, Finance and Commercial	Ann Beasley ¹		✓	
Non-Executive Director	David Hadfield		✓	
Non-Executive Director	Mike Hawker		✓	
Non-Executive Director	Elizabeth McLoughlin		✓	

- 1 All MoJ Executive Management Board members have a standing invitation to attend the NOMS Agency Board when there are agenda items relevant to their area.
- 2 Employed by the Department of Health and not shown within the NOMS Remuneration Report.

Ex-officio members

			At 31 March 2012	
			NOMS Agency Board	NOMS Executive Management Committee
Head of Communications	Lisa Appleyard		✓	✓
Head of MoJ Audit and Corporate Assurance	Joyce Drummond-Hill ¹		✓	
Head of Planning and Analysis Group	Paul Ibrahim (from 6 September 2011)		✓	
Media advisor	Debbie Kirby ¹			✓
Legal Advisor	John Crane (to 22 November 2011) ¹			✓
Legal Advisor	Jane Hill (from 4 January 2012) ¹			✓
Chief Executive's Office	Ken Everett		✓	✓
Secretary to the Board and Committee	Katherine Savidge		✓	✓

- 1 Employed by the Ministry of Justice

Remuneration Report

Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- The funds available to departments as set out in the Government's departmental expenditure limits
- The Government's inflation target

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retirement age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

- 1 Phil Copple held three director posts in the year: Director of National Operational Services from 1 April 2011 to 31 July 2011; Director of Probation Review and Organisational Restructure from 1 August 2011 to 31 October 2011; and from 1 November 2011 he was appointed Director of High Security.
- 2 As an interim, Andrew Emmett is remunerated through a third party agency. His annualised remuneration is based on a daily rate applied over 261 working days, less a deduction for the number of holiday days commensurate with NOMS annual leave policy. The amounts stated are net of irrecoverable VAT (£16,000 on 2011–2012 fees) and exclusive of agency fees (£2,325 on 2011–2012 fees).

NON-EXECUTIVE DIRECTORS' REMUNERATION

	2011–2012			2010–2011		
	Salary (as defined below)	Bonus	Benefits in kind (rounded to nearest £100)	Salary (as defined below)	Bonus	Benefits in kind (rounded to nearest £100)
	£'000	£'000	£	£'000	£'000	£
Mike Hawker Non-Executive Director and Chair of the Audit Committee	15–20	–	2,400	15–20	–	2,500
David Hadfield Non-Executive Director	15–20	–	800	10–15	–	–
Elizabeth McLoughlin Non-Executive Director	15–20	–	900	15–20	–	–

Salary

'Salary' includes the gross salary; overtime; reserved rights to London weighting or London allowances; termination payments; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. Directors' bonuses are determined by the MoJ SCS Pay Committees – Chaired by Robin Wilkinson for SCS payband 1 and chaired by Suma Chakrabarti for SCS paybands 2 and 3, working within the set parameters for the management of senior level pay.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits received are in respect of costs for accommodation, travel and the pecuniary liability in respect of tax paid under the employer PAYE settlement agreement with HM Revenue and Customs.

B) PENSION BENEFITS – AUDITED

	Total accrued pension at pension age as at 31 March 2012 & related lump sum	Real increase/ (decrease) in pension & related lump sum at pension age	CETV at 31 March 2012	CETV at 31 March 2011 ¹	Real increase/ (decrease) in CETV after adjustment for inflation & changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Michael Spurr Chief Executive Officer	50-55 plus lump sum of 160–165	0-2.5 plus lump sum of 0–2.5	929	851	3
Colin Allars Director of Probation and Contracted Services (from 1 April 2011)	30-35 plus lump sum of 100–105	(0–2.5) plus lump sum of (0–2.5)	604	565	(10)
Martin Bellamy Director of Change and ICT	15–20	0–2.5	304	251	28
Philip Cople Director (from 1 April 2011)	25–30 plus lump sum of 75–80	(0–2.5) plus lump sum of (0–2.5)	354	328	2
Digby Griffith Director of National Operational Services (from 1 August 2011)	40–45	0–2.5	662	592	10
Danny McAllister Director of High Security (until 31 October 2011)	30–35 plus lump sum of 90–95	(0–2.5) plus lump sum of (0–2.5)	688	674	(6)
Ian Porée Director of Commissioning and Commercial	10–15	0–2.5	123	91	21
Camilla Taylor Director of Finance (until 9 August 2011)	5–10	0–2.5	48	36	9
Steve Wagstaffe Director of Public Sector Prisons (from 1 April 2011)	40–45 (plus lump sum of 125–130)	(0–2.5) plus lump sum of (2.5–5)	880	830	(20)
Robin Wilkinson Director of Human Resources	30–35 plus lump sum of 90–95	(0–2.5) plus lump sum of (0–2.5)	448	418	(6)

Note 1: The actuarial factors used to calculate CETVs were changed during 2011–2012. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's accounts, which was calculated using the previous factors.

Note 2: Andrew Emmett is not an employee and has accrued no pension entitlement with NOMS.

Note 3: None of the Non-Executive Directors have pension entitlements in NOMS.

Civil Service Pensions

Present & past employees of the NOMS Agency, excluding Probation Trusts, receive pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). Until 30 July 2007, civil servants had the choice of one of three statutory 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Consumer Price Index. New entrants after 30 July 2007 may no longer join a 'final salary' scheme and instead may choose between Nuvos, a defined benefit scheme based on members average earnings or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (Partnership Pension Account).

Past and present employees of the Probation Trusts are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme, and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

(i) Nuvos Scheme

Pension accrues at the rate of 2.3% of pensionable pay earned in the scheme year (April-March). There is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum limit set by HM Revenue and Customs (HMRC) which is currently 25% of the total notional value of members pension benefits (the commutation rate is £12 of lump sum for each £1 of pension given up). Members pay contributions of 3.5% of pensionable earnings and pension benefits will be limited to 75% of final pay. The minimum pension age is 65. Pensionable earnings elements will be as 'premium' except that they will not be limited by reference to the earnings cap. On 31 March each year the balance on the pension account at that date is increased in line with the Consumer Price Index for the year to the previous September. On death, pensions

are payable to the surviving spouse usually at 3/8ths of the member's pension. On death in service, the scheme pays either twice the final pay (less any lump sums already paid) or five times the accumulated pension. In the event of Medical Retirement on the grounds of ill health the pension will be paid early without reduction. If the higher award is due because the member cannot ever work again, an enhancement may be made up to age 65. Camilla Taylor is a member of the NUVOS scheme.

(ii) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions. Michael Spurr, Colin Allars, Philip Copple, Danny McAllister, Steve Wagstaffe and Robin Wilkinson are members of the Classic Scheme.

(iii) Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum limit set by HMRC which is currently 25% of the total notional value of the member's pension benefits, subject to the Lifetime Allowance (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three

times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60. Martin Bellamy, Digby Griffiths and Ian Poree are members of the Premium Scheme.

(iv) Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

(v) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% of the employee's pensionable earnings (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum, subject to the Lifetime Allowance.

(vi) The Local Government Pension Scheme

This scheme provides benefits on a 'final salary' basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay of every year of total membership is payable on retirement. The scheme permits employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Members pay contributions of between 5.5% and 7.5% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses current market valuation factors for the start and end of the period.

Michael Spurr
Agency Accounting Officer
5 July 2012

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the National Offender Management Service (NOMS) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NOMS and of its income and expenditure, Statement of Financial Position and Cash Flows for the financial year.

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FRoM), and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards, as set out in the FRoM, have been followed and disclose and explain any material departures in the accounts
- Prepare the accounts on a going concern basis

The Principal Accounting Officer of the Ministry of Justice has appointed the Chief Executive Officer as the Accounting Officer of NOMS.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding NOMS assets, are set out in Managing Public Money published by HM Treasury.

Governance Statement

1. Introduction

1.1 As Agency Accounting Officer, I have put in place sound governance arrangements which comply fully with the relevant sections of the Corporate Governance Code. I have policies and procedures in place which enable me to maintain a sound system of internal control that supports the achievement of National Offender Management Service (NOMS) policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my letter of delegation and in Managing Public Money.

1.2 My Executive Management Committee colleagues support me and the Agency Board in the day to day management of Agency business and quickly identify and resolve issues that could impact on the delivery of the Agency's core objectives. For example, during the year both the Committee and Board have kept a very close eye on expenditure to ensure that meeting the NOMS' contribution to the Department's Spending Review savings target allowed for the delivery of safe, decent and secure custodial services and that public protection in the community was prioritised. Where savings plans have had to change, for example the inability to close further inefficient custodial capacity because of increase in the prison population, the associated risks were regularly reviewed and mitigating actions taken where necessary. The pace and scale of the Government's Offender Services Competition strategy has also focused the Committee and Board's attention from both a strategic perspective and an operational one as new contracts are implemented and new providers look to take over existing services. The Board also has regard to Public Accounts Committee (PAC) recommendations.

1.3 I have reported, later in the statement, some of the issues that I consider were significant enough to impact on the welfare of the Agency. I have included issues around the mobilisation of two major contracts and the operational challenges posed by the civil unrest during the summer and

described what action we took when we had our first Category A escape for a number of years.

1.4 In the forthcoming year the Agency is going to face many challenges, including continuing to live within our testing Spending Round 2010 (SR2010) settlement and planning for the next round of competitions.

1.5 This statement sets out in more detail the arrangements I have put in place to govern NOMS and how we have reviewed our risks to ensure that we maintain our focus on the areas that are most likely to prevent us from achieving our objectives. I am confident that we have the governance, risk management and assurance arrangements in place to ensure that we can rise to the challenges we face.

2. Governance Framework

NOMS Agency Board

2.1 Overall responsibility for the NOMS Agency rests with me as Chief Executive. I chair the NOMS Agency Board (NAB). Membership includes the Directors and Agency Non-Executive Board members.

2.2 I am also a member of the Ministry of Justice (MoJ) Executive Management Committee which is chaired by the Permanent Secretary and a member of the MoJ Departmental Board which is chaired by the Secretary of State for Justice. I also have regular meetings with the Minister with responsibility for Prisons and Probation and with the Secretary of State.

2.3 The Agency Board is the main decision making body at Agency level. It is responsible for the NOMS Agency's strategic direction; performance management (including finance); and risk assessment and management, within the context of overall MoJ strategy. The Board gives direction to, and ensures achievement of the objectives of the Agency's operations and major change programmes, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and compliance with legislative and corporate governance requirements. The Board supports the Executive Management Team and ensures that in the

delivery of prison and probation services the Agency's Vision and Values are upheld.

2.4 As well as regular oversight of the change portfolio, performance, risk and finance, among the matters considered by the Agency Board in 2011–2012 were:

- NOMS Job Evaluation and Pay and Grading Reform
- Prison Capacity Management Strategy
- Review of Probation Services
- Probation IT system issues
- Operational Workforce Strategy
- Competition Strategy

NOMS Executive Management Committee (NEMC)

2.5 To support the Board and manage the day-to-day business of NOMS, I chair weekly meetings of the NEMC, which all Directors attend. As well as regular oversight of performance, finance and staff/stakeholder communications, among the matters considered by the Executive Management Committee in 2011–2012 were:

- Commissioning Capability and Culture in NOMS
- Costed Service Specifications as part of the Specification, Benchmarking & Costing (SBC) programme
- Payment by Results pilots
- Deaths in Custody including unclassified deaths
- Cost and Delivery Context for Spending Review Planning
- Working Prisons
- Staff Engagement
- Probation and prison response to the 2011 disturbances

Sub-committees of the Board

2.6 A sub-committee structure to support the Board was established in September 2009 and revised in April 2011 when the Agency re-structured. The Board agree an annual work programme for each committee and evaluate their performance at the end of the year. The committee membership is shown on pages 48 and 49 of the annual report.

2.7 The sub-committees report on their work to the Board quarterly and during 2011–2012 the highlights have included:

Change Delivery Committee – maintains an overview of all change delivery, regularly reviews the status of the portfolio, provides a decision making forum to address key portfolio risks and issues, decides which programmes enter and leave the portfolio and agrees the direction on key programme activities such as tolerance setting, benefits management and realisation and integrated assurance. The programmes include:

- The Organisational Restructure Programme, which aims to provide a service that both minimises the cost of delivering offender management in line with SR2010; and enables a significant contribution to the feasibility of delivery of the Government’s Rehabilitation Revolution
- Capacity Management, aims to increase capacity, reconfigure establishments and deliver prison closures to enable a closer match between capacity and population in terms of size, function and geographical spread
- Offender Services Competitions, includes programmes and projects such as Prison Competitions, Payment by Results, Community Payback, Electronic Monitoring, Prison Escort and Custody Services
- SBC, which contributes to improvements in efficiency and effectiveness, enables effective commissioning of prison and probation services and improves understanding and management of the costs of services by publishing service specifications, benchmarked operating models and costings for the prison and probation services funded by NOMS
- NOMIS, to provide prison and probation staff with new and improved access to the information they need to manage offenders efficiently and effectively throughout the system
- OMNI-T, to deliver significant improvements to approximately 26,000 users within probation

- ‘Enable’, aiming to help front line organisations achieve cost reductions, speedier, more flexible and better focused working, and enhanced effectiveness

Financial Management Committee – provides detailed and in-depth review of financial aspects of the Agency and investment proposals.

- **In Year Reporting** – NOMS went into 2011–2012 with a projected £52m funding shortfall. The FMC has monitored the in year position through the monthly management accounts to ensure that appropriate decisions and measures were in place to close the funding gap in year. The management accounts have been refined throughout the year to focus on the key risk – or opportunity – areas. These have been managed successfully with NOMS delivering an under spend in the order of £22m (under 1%) in 2011–2012
- **Major Programmes** – The FMC has also been responsible for the financial oversight of the current and prospective major programmes that aim to deliver the required SR2010 savings. Due to the limited resources available the eight full and outline business cases of prospective programmes have faced significant challenge prior to approval and when deemed not to be delivering significant benefits or not essential to NOMS business priorities have been discontinued. One programme has been discontinued this financial year while two have received approval to continue subject to fulfilling prescribed requirements. The FMC reviews the financial performance of the NOMS Major Programmes quarterly. The risks to current and future year financial plans have been considered with an aim to mitigate these risks
- **Future Year Allocations** – NOMS faces an even tougher challenge to live within the future year budget allocations of the SR2010 settlement. This challenge has been a focus of the FMC with significant risks identified that would cause NOMS to exceed the allocated budget and the identification of measures required to prevent this happening

Workforce Committee – has oversight of all issues relating to the NOMS workforce, including strategic workforce planning; developing people capability to deliver now and in the future; staff equality and diversity; pay and reward strategy; and employee relations strategy – though, in 2011–2012, developments in a number of those areas were managed by the OR Programme Board, rather than by the Workforce Committee.

Among the matters considered by the Committee in 2011–2012 were:

- Prison Officer recruitment requirements
- Improving local workforce data reporting and planning
- Comparing workforce and financial projections with SR 2010 requirements
- Outputs from the re-launched Talent Management Framework
- The development of a HQ talent pool
- Voluntary early departure scheme proposals for 2012–2013
- Identifying critical posts and potential successors in the Senior Civil Service

Audit Committee – an advisory body, which has an entirely independent non-executive membership. It provides independent advice on risk, control and governance issues and the Internal Audit work programme, and considers key recommendations from Internal Audit Reports and those of the National Audit Office. During the year the Committee has actively monitored progress against the accounts production timetable and has challenged management on the achievability of the deadlines set. The Committee has continued to focus on the implementation of internal audit, Public Accounts Committee (PAC) and NAO recommendations. Progress has improved significantly since the committee took an active interest and this is a standing agenda item at each of its meetings.

2.8 Full details of Agency board and committee membership including attendance records can be found in the tables in section 5 of this statement on page 48.

Board Effectiveness

2.9 Internal Audit and Assurance are conducting a formal review of the the governance of NOMS, which included a review of the overall effectiveness of the Board. The review concluded that the Board was operating effectively, although it was still developing in some areas – notably strategy. Similar reviews of effectiveness are carried out by the supporting boards.

2.10 NAB is satisfied that it has sound governance in place, that NOMS is compliant with the relevant sections of the Corporate Governance Code. As it is not a main Department, it is not chaired by a minister but by the Chief Executive Officer. Nor does it have a specific remuneration committee as the scope for making decisions on pay is limited and decisions on remuneration and bonuses are ratified by the MoJ Remuneration Committee.

3. Oversight and Assurance arrangements

3.1 The Board exercises oversight of the performance of the Agency by:

- Using the integrated performance and planning framework to check the progress against delivery of the NOMS’ key priorities. This includes monitoring performance using a balanced scorecard which has been developed with the Board to meet their needs. NAB has been asked to make decisions when performance is off track, in particular if there were potential implications for front line delivery or living within the SR2010 Settlement
- Receiving up to date reports on the in year financial position and regular updates on the progress of major change projects and programmes. They have made decisions, based on agreed thresholds, on any issues that arise. They have also discussed issues that exceed the agreed thresholds (e.g. overspend, significant risks to delivery)
- Agreeing delegations to Directorates and throughout the governance structure to ensure the right decisions are being taken by the right people in the right place, while ensuring NAB is provided with the appropriate level of assurance

3.2 NAB is satisfied that the data with which they are provided is adequate, timely and comprehensive. There are robust arrangements for reviewing and checking data which are subject to internal audit.

3.3 The Board take assurance from a range of external sources which include:

- HM Chief Inspector of Probations
- HM Chief Inspector of Prisons
- the Independent Monitoring Boards
- the Prisons and Probation Ombudsman
- National Audit Office

3.4 One of the key sources of independent assurance within NOMS comes from the integrated audit and assurance activities of the Internal Audit and Assurance team, which meets the Government Internal Audit Standards. The audit and assurance programme is closely linked to the key risks to NOMS and arrangements are in place to ensure that I am made aware of any significant issues which indicate that key risks are not being effectively managed. I have bi-lateral meetings with the Head of Internal Audit and Assurance, who reports direct to me on all audit matters, to discuss emerging issues. The Head of Internal Audit has concluded in her annual report that, although she reported a number of weaknesses in the areas reviewed, she was satisfied that actions were in place to remedy them, and therefore she was able to give a reasonable assurance on the adequacy, effectiveness and reliability of risk management, control and governance.

3.5 Sources of internal assurance from which I draw include:

- Annual assurance statements from each of the Directors covering the key systems for which they are responsible
- Bi-lateral meetings with Non-Executive Directors to discuss any concerns they may have
- Regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects

- For prisons, a process which requires all Governors to provide assurance on their compliance with the mandatory elements of those specifications which they consider key to the delivery of their objectives in the form of assurance statements on selected key systems to Deputy Directors of Custody. The assurance statements are subject to review by Internal Audit and Assurance
- For Probation Areas/Trusts a self assessment process which requires staff to assess the quality of a sample of their casework;
- Implementation of a robust prioritisation methodology for actions based on risk ranking and cost-benefit analysis
- A report from the Chair of the Audit Committee concerning risk management and internal control
- Attendance at Audit Committee meetings

4. Risk Management

4.1 NAB drives the risk management process. They review the key risks to NOMS on a quarterly basis (more often if necessary) and consider whether any new risks are emerging. The risks to our strategic priorities were identified at a workshop at the beginning of May as part of the planning process and included risks such as those related to a shortfall of skills/resources to deliver the Breaking the Cycle agenda, capacity not meeting demand and Industrial Relations as well as overarching risks to delivering both change and business as usual, such as risks around the IT infrastructure and failing to meet our duty of care. At that workshop the Board discussed the need to articulate their level of risk tolerance for each of the corporate risks and the need to make the link between risk management and business and financial planning more evident.

4.2 One of the key risks was around mobilisation of major contracts as we were transferring one prison from the public to private sector following a competition and were about to mobilise a major contract for Prisoner Escort Custody Services. The former also increased one of our other key risks around industrial action. Both contracts are now in place and the following summarises how the risks around them were managed:

HMP Birmingham

As part of Prison Competitions Phase 1, HMP Birmingham became the first operating prison to be transferred to the private sector. The competition had the potential to disrupt operations at both the prison and across the estate through the act of privatising a public sector prison but also by awarding a contract to an operator that might not effectively manage the transfer or deliver a regime that met NOMS requirements.

The Programme took a number of steps to minimise the risk from such a major change, primarily:

- Robust Evaluation of Bidder Proposals during the Competition
- Close monitoring of contract mobilisation by an experienced NOMS team
- Active involvement of key stakeholders in Programme Governance
- The decision to transfer operations was based upon an assessment of progress throughout mobilisation, a review of current status and a risk assessment at the time of transfer and external independent assurance from the OGC Gateway™ process
- A dedicated Contract Manager helped ensure the operator adhered to the contract

Before and during the competition, there had been a threat of industrial action in the event that the prison was privatised; however, the transfer took place without any significant industrial action or negative impact on operation on 1 October 2011. An on site Controller reports on performance to the Deputy Director of Contracted Prisons, a member of the Prison Competitions Programme Board. That Board is chaired by the Head of Custodial Services Commissioning Group and provides continuity across Phases of Prison Competition. Future competitions will benefit from the lessons learned activity undertaken at Birmingham and in the wider Prison Competitions Programme.

Prisoner Escort and Custody Services

This purpose of the project was to re-compete both the Prisoner Escort and Custody Services (PECS) contracts and the Inter Prison Transfer (IPT) contracts.

Around one million prisoner movements a year are handled through the contracts. Both the PECS and IPT services are business critical and the new contracts commenced on 29 August 2011.

The Project took a number of steps to minimise the risk from the change, primarily:

- Robust Evaluation of Bidder Proposals during the Competition
- Close monitoring of the operator's mobilisation activity through weekly checkpoint meetings
- Active involvement of key stakeholders in Programme Governance
- The decision to transfer operations was based upon an assessment of progress throughout mobilisation, a review of current status and a risk assessment at the time of transfer and external independent assurance from the OGC Gateway™ process
- Contract Management by NOMS Directorate of Contracted Services follows the proven approach adopted by the previous generations of these contracts

Operational service delivery has improved month on month as new operating procedures have been successfully implemented, and this view is supported by key stakeholders.

4.3 A further key risk was to do with our business infrastructure being inadequate to support our future operating model and this materialised when there were significant IT issues experienced by a number of Probation Trusts, including the London Probation Trust:

ICT Delivery to the Probation Service

The existing structure, established in April 2008, was appropriate for the then re-launched Programme and fitted with the accountability model in place at that time. At this stage, the Programme had been re-launched following a review of the budgetary issues surrounding the delivery of C-NOMIS.

The scope of the Programme, emanating from a Written Ministerial Statement in January 2008, envisaged a portfolio approach to reducing the complexity and risk attached to the original

C-NOMIS Project with the ability to flex the programme within funding constraints and deliver in stages.

By the end of 2011, the programme was to have been delivered through a portfolio of five projects. Progress to date is summarised as follows:

Delivered:

- Prison-NOMIS – An improved, centralised prisons case management system now fully rolled out (project completed)
- Data Share System (DSS) – Enabling probation staff to access the core Prison-NOMIS information they need for effective offender management (phase 1 completed, phase 2 subsumed into PCMS: project completed)
- Inmate Information System – Replacement (IIS-R) – the existing system has been re-platformed and modifications have been made to the Public Protection Unit Database (project completed)

Remaining projects:

- Probation Case Management System (PCMS) – Replacing 43 deployments of five types of case management systems with one centralised system for probation
- Offender Assessment System Replacement (OASys-R) – Improved, shared system for offender risk assessment across both prisons and probation

Due to severe delays to the delivery of the final two projects the programme entered into exception in September 2011 and recovery actions were initiated as follows:

- Augmented programme leadership with additional senior individuals with relevant experience from comparable projects
- Commissioned revised OASys-R and PCMS end to end project schedules to ensure realistic and achievable delivery dates with explicit contingency
- Commissioned and completed two independent reviews: Major Project Authority and Actica (the latter undertook a deep dive review into the project planning approach with

their findings feeding into the MPA review)

- Entered into commercial negotiations regarding the delays. These are advanced on both projects and are near to signing the heads of agreement state. Any agreement is in principle and subject to approval by HM Treasury and Cabinet Office
- Commenced an impact assessment of delays on the business case including alternative delivery options including starting with new systems (utilising the MoJ Future IT Sourcing – FITS-strategy), continuing with legacy systems & Cloud computing options
- Communicated issues and recovery actions to NOMS Agency Board (NAB), MoJ Permanent Secretary and Minister. NAB is actively monitoring the progress of recovery phase, with the next review on 31 July 2012)

The Major Project Authority review commended the action taken by the Board to grip the project and recommended that a new governance framework was necessary to support a re-launched and expanded programme post-recovery. This has been put in place. The expanded programme now incorporates phase IV of the OMNI-T (Transformation) programme, the OMNI infrastructure improvement initiative, and includes work streams covering initiatives to review the validity of the OMNI infrastructure and improvement in the live service provision.

The NOMIS ICT governance framework has been updated to reflect these changes and the requirements of the wider NOMS Programme. These provisions will become extant following the necessary approvals from the NOMS Agency Board post 24 April 2012.

4.4 Category A Escapes

A third key risk which materialised during the year and the action taken to manage it is described below:

On 23 January 2012, a GEO Amey escort vehicle was ambushed by three armed men shortly after having left HMP Hewell. During the incident the perpetrators facilitated the escape of a Category A prisoner on remand who was due for a court appearance. This was the first Category A escape for more than 16 years. The prisoner remains at large.

In the aftermath of the incident it became clear that, despite his formal categorisation, HMP Hewell had not applied appropriate Category A procedures to the prisoner. If these procedures had been properly applied it is considered that the risk of escape would have been very significantly reduced. The focus of immediate remedial actions was on ensuring that all prisons appropriately apply Category A procedures. The formal investigation has made a total of 30 recommendations, all of which have been accepted by the commissioning manager and are now in the process of being implemented.

On 30 May 2012, a convicted Category A prisoner who was appearing at Cambridge Crown Court, facing charges of assaulting prison staff, escaped from the court building. He was pursued but remained at large for approximately 45 minutes before being recaptured by the police.

In the short-term the focus of NOMS will be on implementing the recommendations from the formal investigation into the escape. In the medium-term a wider-ranging piece of work around the security of prison escorts is being carried out; any learning from this project will be used to further strengthen the procedures in place. In the longer-term security procedures will remain subject to continual review in order to identify emerging threats and develop effective countermeasures to ensure the risk of a future such escape remains low.

4.5 Response to civil disturbances

Business Continuity Plans to manage the risk of disruption to business are continually developed and tested. In the event of disruption, the plans focus on maintaining key service delivery. Changes in threat levels and the status alert are communicated across the department and business areas have built upon central guidance to ensure local staff input into plans. The effectiveness of our plans was demonstrated during the civil unrest in the summer. A summary of events and our response is outlined in the following paragraphs:

Impacts on the NOMS and the MoJ during the disorder included:

- Significant increases to volumes through both courts and prisons
- Disruption to court activity and the need for extended opening and night courts, and
- Need for extended opening hours in reception departments in prisons

In the weeks and months following the disorder the MoJ experienced significant rises in the prison population with the estimated impact of around 1,100 places requiring the deployment of contingency capacity and delay in plans to effect already announced closures and the postponement of plans for further closures within the financial year.

MoJ is significantly dependent on savings generated by Capacity Reductions to operate within the SR resource levels. There are potentially significant short-term implications from the civil disorder and the increases in population this has generated. These include:

- Inability to further reduce capacity in the short-term
- Costs associated with purchasing extra capacity to cope with the immediate unanticipated rise in numbers

During the civil disorder a strategic command function based around NOMS Gold arrangements was set up.

The capacity risk continues to be monitored as a key Agency Risk and Managing/Rebalancing Capacity is one of NOMS priority areas in the 2012–2013 Business Plan. Within the National Operational Services Directorate (NOS) the Operational Services and Interventions Group leads on the Capacity Management Portfolio which manages aspects of capacity management within NOMS.

NOMS Board has regular feedback and briefing from NOS and is active in considering plans for ensuring enough space is available to manage those sent to custody by the courts.

The continued operation of a centralised population management function ensures that available space is deployed in the most effective way. This function has been further integrated

into the capacity management portfolio of work to strengthen delivery.

Contingency plans have been implemented to actively reduce the impacts on capacity management from disorder. This has allowed for the continuation of closures at HMP Latchmere House and Hewell Houseblock 7 contributing to approximately £29m in savings from closure activity in the financial year.

Plans for alternative activity to reduce costs have been progressed at a NOMS and more latterly at an MoJ level. Progress on small scale investments to further increase contingent capacity has also been made.

A Population Management working group made up of Directors and Deputy Directors from across MoJ is now in place to develop strategies around Population Management and is working towards a business case on 'New for Old' which can be shared with the Departmental Board.

Plans for a CJS Strategic Command based on the model used during the Civil Disorder are also at an advanced stage and will ensure effective management of any future incidents of this nature.

Continuous engagement with key stakeholders, including with HM Treasury, continues to take place.

Currently, there are enough places in the prison estate to manage the present and projected prison populations in the short term. There are plans in development to ensure that capacity can track heightened levels of population in the medium terms and there are plans being drawn up to create space on a 'New for Old' basis in the longer term.

4.6 Our response shows how we reviewed not only the way we responded to incidents but also how we managed one of our other key risks to do with capacity management.

Information Assurance

4.7 The NOMS Executive Management Board (NEMC) took a close interest in information assurance over the reporting period. This included their reviewing and approving a number of new policies which were not previously in place: this contributed to NOMS reaching level 1 of the IAMM model in 2011–2012. Eight incidents were reported to the Information Commissioner's Office during the year.

4.8 During 2011–2012, the Agency took the following steps to improve arrangements:

- Publication of a retention, archiving and disposal policy for probation trusts, together with updating the retention policy for prison records
- Review of the retention periods for prison visitor data, and policy proposals agreed with the Information Commissioner's Office
- Introduction of a corporate standard approach to electronic records management across NOMS HQ to help ensure that records are kept securely and are accessible by appropriate staff. This had the additional benefit of providing a sound foundation for documenting HQ information asset registers
- In March 2012 commencement of a two-year project to address information-sharing issues

4.9 During the coming year the Agency will continue to improve by:

- Working towards a target of achieving IAMM level 2, with progress to be monitored by NEMC
- Continuing to operate a pro-active incident management service
- Undertaking an information assurance awareness campaign to highlight the new policies and associated good practice, with the aim of embedding adherence to these in day-to-day operations

4.10 NEMC will continue to receive and review periodic reports on information assurance.

5. Board Attendance

5.1 The tables below show the membership of the Agency Board, NEMC and sub-committees and the attendance records of members at meetings during the period 1 April 2011 to 31 March 2012. The respective Chairs invited other officials to attend when required but these attendees are not recorded below.

Agency Board (NAB) and NEMC

Name	Role	Meetings attended	
		NEMC	NAB
Michael Spurr	CEO	31/36	8/8
Steve Wagstaffe	Director of Public Sector Prisons	28/36	7/8
Robin Wilkinson	HR Director	27/36	5/8
Danny McAllister	To October 31: Director of High Security	16/21	3/4
Phil Cople	April–July: Director of National Operational Services	30/36	7/8
	Aug–Oct: Director – Senior Business Owner, NOMS OR Programme		
	Nov–March: Director of High Security		
Digby Griffith	From August 1: Director of National Operational Services	18/23	4/6
Camilla Taylor	To August 8: Director of Finance	8/13	2/3
Andrew Emmett	From November 8: Director of Finance and Analysis	15/15	3/3
Ian Poree	Director of Commissioning & Commercial	28/36	4/8
Colin Allars	Director of Probation & Contracted Services	25/36	7/8
Richard Bradshaw	Director of Offender Health	24/36	6/8
Martin Bellamy	Director, Change and ICT	29/36	7/8
Lisa Appleyard	Head of NOMS Communications	27/36	4/8
Debbie Kirby	Media Advisor	1/36	N/A
John Crane	To November 22: Legal Advisor	10/24	N/A
Jane Hill	From January 4: Legal Advisor	1/9	N/A
Ken Everett	CEO's office	31/36	8/8
Katherine Savidge	Board Secretary	30/36	7/8
David Hadfield	NOMS Non-Executive Director	N/A	8/8
Mike Hawker	NOMS Non-Executive Director	N/A	7/8
Elizabeth McLoughlin	NOMS Non-Executive Director	N/A	7/8
Paul Ibrahim	Head of Performance, Information and Analysis Group	N/A	8/8
Joyce Drummond-Hill	MoJ Head of Internal Audit and Assurance	N/A	4/8
Ann Beasley	MoJ Finance DG (as with all MoJ DGs, has a standing invite to attend the NAB when subjects relevant to her area are discussed)	N/A	3/8

Workforce Committee

Name	Role	Meetings attended
Michael Spurr	CEO	4/5
Steve Wagstaffe	Director of Public Sector Prisons	2/5
Robin Wilkinson	HR Director	5/5
Danny McAllister	Director of High Security (until October 2011)	0/1
Phil Cople	Director of National Operational Services (until July 2011)	2/3
	Director of High Security (from November 2011)	
Digby Griffith	Director of National Operational Services (from August 2011)	3/3
Camilla Taylor	Director of Finance (until August 2011)	0/2
Andrew Emmett	Director of Finance (from November 2011)	2/2
Ian Poree	Director of Commissioning & Commercial	1/2
Colin Allars	Director of Probation & Contracted Services	2/2
Richard Bradshaw	Director of Offender Health	0/2
Martin Bellamy	Director, Change and ICT	0/2
Liz McLoughlin	Non-Executive Director	4/5
Martin Beecroft	Deputy HR Director	4/5
Linda Kelly	Head of Employee Relations, Reward & Engagement	3/5
Jim Heavens	Head of HR Operations	5/5
Chris Barnett-Page	Women & Equalities Group (acting Head of Group until October)	3/4
Debra Baldwin	From November: Head of Women & Equalities	1/2
Stephen Seddon	HR Operations	5/5
Farha Bhatt	Head of Reward	2/3
Paul Ibrahim	Head of Planning & Analysis	2/3
Val Woodcock	Head of Organisational Development & Change	2/2
Rachel White	National Manager, Leadership Development	2/2
John Robinson	Senior Career & Talent Manager	2/3
Munazzah Choudhary	Talent Manager	2/2

NOMS workforce committee members

The NOMS Workforce Committee has two different types of meeting with different memberships:

- Talent Management – All executive Directors, the nominated non-executive Director, the Head of OD & Change, the National Leadership Development Manager, the Senior Career & Talent Manager, and the Talent Manager
- Core meetings dealing with other workforce issues – the CEO and the Directors of Public Sector Prisons, HR, Finance and National Operational Services, the non-executive Director, the Head of Reward and the Head of Planning & Analysis.

In 2011–2012, three core and two talent management meetings were held.

Change Delivery Committee

Full Board Members:	Name	Role	Meetings attended
	Michael Spurr	Chair	6/7
	Colin Allars	SRO	4/7
representative	John Scott		1/1
	Ian Poree	SRO	0/7
	Ian Blakeman	DD Service Development	4/7
representative	Martin Beecroft	DD Organisational Development	4/7
	Phil Cople	SBO	0/7
	Digby Griffiths	SRO	1/7
representative	Mark Read	DD National Operations Group	6/7
	Martin Bellamy	SRO, Director Change and ICT	1/5
	Andrew Emmett	Interim Director of Finance	1/5
representative	Alison Hamer	Finance Directorate	2/2
	Ian Mullholland	DD Business Development	1/7
representative	William Payne		2/6
	Adrian Scott	DD Reward & Restructure	6/7
	Martin Copsey	DD Offender Engagement Programme	4/7
	Ian Maris	DD Business & Strategic Planning	6/7
	Lisa Appleyard	DD National Communications	1/7
	Julie Brett	Prisons Business Change Manager	3/7
	Robin Derrett	Probation Business Change Manager	3/7
	Andrew Sinclair	Head of Change and Information Capability Group	5/5
	Amy Rees	Head of NOMS Change Portfolio (to Dec 2011)	7/7
As required:	John Powls	Enable Programme	3/3

Financial Management Committee

Name	Role	Meetings attended
Camilla Taylor	Chair – Finance Director (until August 2011)	1/2
Michael Spurr	Chair – Chief Executive Officer (August to November 2011)	1/3
Andrew Emmett	Chair – Interim Finance Director (from November 2011)	4/4
Robin Wilkinson	HR Director	1/8
Ian Poree	Director of Commissioning and Commercial	5/8
Martin Bellamy	Director, Change and ICT	5/8
Colin Allars	Director of Probation and Contracted Services	5/8
Steve Wagstaffe	Director, Public Sector Prisons	0/8*
Phil Cople	Director of National Operational Services (until July 2011). Director, High Security Prisons (from November 2011)	4/7
Digby Griffith	Director, National Operational Services (from August 2011)	4/6
Danny McAllister	Director, High Security Prisons (until October 2011)	2/3
Ted Kirby	Financial Controller	8/8
Liam Orme	Head of Audit Operations – NOMS	

* Steve Wagstaffe delegated attendance and was therefore represented at the meetings

Audit Committee

Name	Position	Meetings attended
Members		
Mike Hawker	Non-Executive Director (Chair)	4/4
Elizabeth McLoughlin	Non-Executive Director	4/4
David Hadfield	Non-Executive Director	4/4
In attendance		
Michael Spurr	Chief Executive	4/4
Robin Wilkinson	HR Director	1/4
Camilla Taylor	Finance Director (until August 2011)	1/1
Andrew Emmett	Interim Finance Director (from November 2011)	3/3
Joyce Drummond-Hill	Head of Internal Audit and Assurance	4/4
Liam Orme	Head of Audit Operations	4/4
Sajid Rafiq	Director, National Audit Office	4/4
Aileen Murphie	Director, National Audit Office	2/4
Gareth Caller – National Audit Office	Audit Manager, National Audit Office	2/3
David Locke – National Audit Office	Audit Manager, National Audit Office	1/1
Sebert Cox	Chair, Probation Association	3/4
Various	Audit Commission Reps	2/4

Michael Spurr
Agency Accounting Officer
5 July 2012

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the National Offender Management Service and of its group for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Agency and Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Offender Management Service's and the group's circumstances and have been consistently applied and adequately

disclosed; the reasonableness of significant accounting estimates made by the National Offender Management Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Offender Management Service's and the group's affairs as at 31 March 2012 and of the Consolidated and Agency net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the ‘Management Commentary’ and the ‘About the National Offender Management Service’ sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I 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 part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

9 July 2012

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

Notes	2011–2012			2010–2011		
	Core Agency		Consolidated	Core Agency		Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Administration costs						
3	66,090		66,090	92,637		92,637
4	55,413		56,567	56,000		57,446
6	(4,239)	117,264	(4,239)	(11,663)	136,974	(11,663) 138,420
Programme costs						
3	1,617,114		2,291,971	1,751,132		2,471,226
5	2,592,924		1,954,844	2,608,909		1,979,297
6	(398,976)	3,811,062	(430,750)	(366,465)	3,993,576	(397,820) 4,052,703
Net operating costs before taxation		3,928,326	3,934,483	4,130,550		4,191,123
Taxation		0	240		0	1,057
Net operating costs after taxation		3,928,326	3,934,723	4,130,550		4,192,180

Other Comprehensive Expenditure

Notes	2011–2012			2010–2011		
	Core Agency		Consolidated	Core Agency		Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Net (gain)/loss on revaluation of property, plant and equipment	(50,158)		(50,225)	(79,933)		(80,354)
Net (gain)/loss on revaluation of intangibles	(294)		(301)	0		0
Net (gain)/loss on revaluation of available for sale financial assets	2,385		2,385	0		0
Pension actuarial (gain)/loss	0		389,541	0		(690,110)
Total comprehensive expenditure for the year ended 31 March 2012		3,880,259	4,276,123	4,050,617		3,421,716

The notes on pages 56 to 97 form part of these accounts

Consolidated Statement of Cash Flows for the year ended 31 March 2012

	Notes	2011–2012				2010–2011 Restated			
		Core Agency		Consolidated		Core Agency		Consolidated	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities									
Net Operating Cost		(3,928,326)		(3,934,723)		(4,130,550)		(4,192,180)	
Adjustments for non-cash transactions	4,5	331,523	336,905	285,331		290,765			
Adjustment for pension actuarial gain/loss*		0	7,318	0		62,582			
(Increase)/Decrease in trade and other receivables									
Movement in trade receivables		(87,253)	(76,515)	(116,034)		(121,382)			
Less: impairments in trade and other receivables		(25)	(25)	816		816			
Change in fair value of financial assets		0	0	(246)		(246)			
(Increase)/Decrease in inventories	13	(748)	(748)	(2,496)		(2,496)			
Increase/(Decrease) in trade payables									
Movement in trade and other payables		54,539	25	(147,077)		(137,029)			
Less: Movements on capital elements of payments in respect of finance leases and on-balance sheet (CSoFP) PFI and service concession contracts		51,241	51,221	54,647		58,332			
Less: Movement in property, plant and equipment payable		(18,682)	(18,885)	23,306		23,306			
Less: Payments of amounts due to the Consolidated Fund to MoJ		172	172	153		263			
Utilisation of provisions	20	(24,267)	(27,007)	(9,044)		(12,362)			
Less: Movements in provisions opening balances relating to restatement of prior years		0	0	33,438		33,438			
Net cash outflow from operating activities		306,500	272,461	122,794		195,987			
Cash flows from investing activities									
Purchase of property, plant and equipment		(291,970)	(292,473)	(440,342)		(440,970)			
Purchase of intangibles	8	(18,258)	(18,381)	(16,043)		(16,043)			
Proceeds on disposal of property, plant and equipment		7,076	7,156	75,788		75,788			
Proceeds of disposal of financial assets		85	85	0		0			
Net cash outflow from investing activities		(303,067)	(303,613)	(380,597)		(381,225)			
Cash flow from financing activities									
Net funding received from MoJ		4,035,000	4,035,000	4,392,531		4,392,531			
Payments of amounts due to the Consolidated Fund to MoJ		(172)	(172)	(153)		(263)			
Capital element of payments in respect of finance leases and on-balance sheet (CSoFP) PFI and service concession contracts	16a,16b	(51,241)	(51,221)	(54,647)		(58,332)			
Net financing		3,983,587	3,983,607	4,337,731		4,333,936			
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		58,694	17,732	(50,622)		(43,482)			
Cash and cash equivalents at the beginning of the period		(73,449)	14,031	(22,827)		57,513			
Cash and cash equivalents at the end of the period		(14,755)	31,763	(73,449)		14,031			
(Decrease)/Increase in cash		58,694	17,732	(50,622)		(43,482)			

* The adjustment for pension actuarial gain/loss includes a non-cash gain/loss of (£133,449) 2010-11 (£201,177).

The notes on pages 56 to 97 form part of these accounts

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	General Fund		Revaluation Reserve		Total Reserves	
	Core Consolidated Agency		Core Consolidated Agency		Core Consolidated Agency	
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2010	4,184,375	2,775,765	904,817	906,232	5,089,192	3,681,997
Changes in accounting policy	44	71	0	0	44	71
Restated balance as at 1 April 2010	4,184,419	2,775,836	904,817	906,232	5,089,236	3,682,068
Changes in taxpayers' equity for 2010-11						
Net operating cost for the year to 31 March 2011	(4,130,550)	(4,192,180)	0	0	(4,130,550)	(4,192,180)
Net gain/(loss) on revaluation of property, plant and equipment	0	0	79,933	80,354	79,933	80,354
Movement in year of donated asset reserves	(7)	(7)	0	0	(7)	(7)
Discovered assets	1,019	1,019	0	0	1,019	1,019
Release of reserves to the general fund	30,712	32,498	(30,712)	(32,498)	0	0
Other movements on revaluation of non-current tangible assets	0	0	13,626	14,872	13,626	14,872
Pension actuarial (loss)/gain	0	690,110	0	0	0	690,110
Funding from the Consolidated Fund (Supply)	4,392,531	4,392,531	0	0	4,392,531	4,392,531
Notional Items						
Auditor's remuneration	4	300	0	0	300	300
Corporate overhead charges	4	16,081	0	0	16,081	16,081
Restated balance as at 31 March 2011	4,494,505	3,716,188	967,664	968,960	5,462,169	4,685,148
Changes in taxpayers' equity for 2011-12						
Net operating cost after tax for the year to 31 March 2012	(3,928,326)	(3,934,723)	0	0	(3,928,326)	(3,934,723)
Net gain/(loss) on revaluation of property, plant and equipment	0	0	50,158	50,225	50,158	50,225
Net gain/(loss) on revaluation of intangible assets	0	0	294	301	294	301
Net gain/(loss) on revaluation of assets held for sale	0	0	(2,385)	(2,385)	(2,385)	(2,385)
Release of reserves to the general fund	24,486	24,594	(24,486)	(24,594)	0	0
Release of reserves to the general fund in respect of disposal of investments	105	105	(105)	(105)	0	0
Pension actuarial (loss)/gain	0	(389,541)	0	0	0	(389,541)
Funding from the Consolidated Fund (Supply) – current year	4,035,000	4,035,000	0	0	4,035,000	4,035,000
Notional Items						
Auditor's remuneration	4	300	0	0	300	300
Corporate overhead charges	4, 5	42,824	0	0	42,824	42,824
Balance as at 31 March 2012	4,668,894	3,494,747	991,140	992,402	5,660,034	4,487,149

The notes on pages 56 to 97 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2011–2012 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow International Financial Reporting Standards (IFRS) as at the reporting date to the extent that it is meaningful and appropriate to the public sector.

Where the FRoM permits a choice of accounting policy, the policy which has been judged to be the most appropriate to the particular circumstances of the National Offender Management Service (NOMS) for the purpose of giving a true and fair view has been selected. NOMS' accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

NOMS has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

1.1 Accounting convention

NOMS is an Executive Agency to the Ministry of Justice (MoJ). NOMS takes the view that the going concern concept applies. The future financing of NOMS activities is met by the MoJ from voted funds, annually under the relevant Appropriation Act. These accounts have been prepared on an accruals basis under the historical cost convention, and modified to account for the revaluation of non-current assets, assets held for sale and inventories, where material, at their value to the business. The functional and presentational currency of NOMS is the British pound sterling.

1.2 Basis of consolidation

Under Treasury direction, these accounts comprise a consolidation of NOMS Core Agency and the Probation Trusts, which are Non-Departmental Public Bodies (NDPBs).

The income, expenditure, assets, liabilities, equity and reserves are consolidated in full into the appropriate lines in the accounts.

Under NOMS' interpretation of IAS27, intra-group eliminations have been applied at Consolidated level only. All intra-group balances and transactions, including unrealised losses arising from intra-group transactions, have been eliminated in full.

Where the Probation Trusts' accounting policies are not aligned with those of NOMS, they are adjusted upon consolidation, where the effects are material.

A full listing of the NDPBs consolidated by NOMS is given in Note 32.

1.3 Accounting Estimates and Assumptions

The Accounts reflect estimates and assumptions concerning the future. By definition, estimates are unlikely to be the same as actual results. Estimates are continually evaluated and are based on historical experience and other relevant factors including expectations of future events that are believed to be reasonable under the circumstances.

1.4 Changes in Accounting Policies & restatement of comparatives

With effect from 1 April 2010, early retirement costs should have been included within the actuarial pension valuation and calculated on the same basis as the pension fund scheme assets and liabilities, in accordance with IAS 19 'Employee Benefits'. However, the Probation Trusts had not fully adopted the policy in 2010–2011. This has now been addressed from 1 April 2011 and as a result the pension figure for 2010–2011 has been restated to ensure valuation has been made on the same basis.

Further details are included within Note 21 Consolidated Pension Liability and Note 30 Prior period adjustment.

With effect from 1 April 2011, and in accordance with the 2011–2012 FReM, donated assets are no longer credited to a separate reserve in the Consolidated Statement of Taxpayers' Equity (CSoTE), but are capitalised at fair value and charged to the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE). The balance of the Donated Asset Reserve at 31 March 2011 transferred to the General Fund; comparative figures have been restated as required by the FReM.

With effect from 1 April 2011, NOMS has complied with the FReM requirement to capitalise employee and overhead costs that are directly attributable to bringing an asset into working condition. Previously, these costs were expensed as incurred. In 2011–2012, this change in accounting policy has resulted in a decrease in Staff costs of £1.6m and an offsetting increase in Property, plant and equipment of £1.6m. The 2010–2011 comparative figures have not been restated in this respect, as the effect is not material.

1.5 Machinery of Government changes and restatement of comparatives

Machinery of Government (MoG) changes, which involve the transfer of functions or responsibilities between two or more government departments, are accounted for using merger accounting principals in accordance with the FReM. The prior year comparatives would be restated as appropriate, so that it appears that the entity has always existed in its present form.

There were no MoG changes to NOMS Accounts during 2011–2012.

Transfer of functions to MoJ

As part of wider MoJ rationalisation some functions previously within NOMS – for example estates and procurement – were moved to the MoJ centre on 1 April 2011. From 2011–2012, these functions are integrated centrally to provide services across the MoJ group. The costs of these centralised overheads continued to be recorded within NOMS 2011–2012 accounts.

The costs of the services provided by these central MoJ functions to NOMS are shown as a recharge from MoJ in these accounts.

See notes 3, 4, 5 and 6 for further details.

1.6 Tangible non-current assets

Valuation basis

Non-current assets are stated at fair value which is as determined by the application of modified historic cost accounting.

Valuation method

Land and buildings are included at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted for each property at least once every five years. Professional valuations are undertaken using the Royal Institution of Chartered Surveyors; (RICS) 'Red Book' (RICS Appraisal and Valuation Standards).

Farms and surplus freehold land, prison officers' quarters – including some leaseholds – and some other non-specialised buildings are included at open market valuations. Freehold prison buildings, which are specialised buildings, are included at depreciated replacement cost in accordance with the Red Book, adjusted for functional obsolescence.

Probation HQ properties (£53m) are included at fair value using the Tender Price Index of Public Sector Buildings (Non-Housing).

Non-property assets, mainly equipment in excess of £10,000, are included at cost upon purchase and are restated at each CSoFP date using the Price Index Numbers for Current Cost Accounting (Office for National Statistics).

Assets under construction

Building projects in progress at the year end are carried forward as assets under construction at cost to date and are not subject to depreciation until they are available for use. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then transferred to the respective asset category. Depreciation is then charged on the asset in accordance with the stated accounting policy.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as relevant employee costs and an appropriate portion of relevant overheads.

Capitalisation threshold

The threshold for capitalising individual assets is £10,000 (including irrecoverable VAT). A materially significant purchase of individual items may arise in connection with a single project. In accordance with IAS 16, NOMS accounts for such a materially significant purchase and treats this type of purchase as a grouped asset. These grouped assets fall into two categories:

- an integrated system of diverse equipment designed to deliver a specific solution, for example, an IT equipment refresh project
- a materially significant acquisition of furniture or IT at a single site. The threshold for capitalising grouped assets is £1 million (including irrecoverable VAT)

All other new furniture is now charged directly to the CSoCNE.

Componentisation

NOMS identifies those significant parts of an asset that it considers will be replaced sooner than and separately from the rest of the asset. These are parts that have a cost that is significant in relation to the total cost of the asset.

Revaluation of non-current assets

The Revaluation Reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments of non-current assets. Upward revaluations are credited to the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised as operating income in the CSoCNE. Downward revaluations are charged to the revaluation reserve if there is a prior credit balance; otherwise they are charged to the CSoCNE.

Gains and losses recognised in the revaluation reserve are reported in the CSoCNE as an item of other comprehensive income.

Donated Assets

Donated tangible non-current assets are capitalised at fair value on receipt, and this value is credited to the CSoCNE and debited to the appropriate class of non-current assets. Donated assets are revalued and depreciated in line with this class of non-current assets.

This is a change in policy from 2010–2011, and the comparator year data has been restated as required by the FReM (see Note 30).

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to write off the value of assets less estimated residual value evenly over their estimated useful lives or for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or assets categories are reviewed annually and any changes are discussed with the asset holders to ensure that budgeting implications have been properly considered. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life.

Asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings including Dwellings	Shorter of remaining life or up to 60 years (up to 55 years for dwellings) depending on building
Grouped assets	Depending on individual asset types comprising this asset
Leasehold buildings including Dwellings	Shorter of remaining life, remaining lease period or up to 50 years (up to 55 years for dwellings); whichever is appropriate
Information technology	3 to 15 years depending on individual asset type
Plant & equipment	3 to 15 years depending on individual asset type
Vehicles	5 to 15 years depending on individual asset type
Furniture, fixtures & fittings	3 to 15 years depending on individual asset type
Assets under construction	Not depreciated

Impairment

An impairment reflects a permanent diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential. At each reporting date, NOMS assesses all assets, including assets under construction, for indications of impairment. If any such indication exists, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts. Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount. Property, plant and equipment and intangible assets are subject to an annual impairment review.

The recoverable amount of an asset is the higher of its “fair value less costs to sell” and “value in use”. For the purposes of the public sector, the FReM defines the “value in use” of a non-cash-generating asset as the present value of the asset’s remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Any impairment loss is charged directly to other programme costs in the CSoCNE. If the impaired asset has previously been revalued, any balance on the revaluation reserve (up to the level of the impairment loss) is transferred to the general fund.

At each reporting date NOMS also assesses whether there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. If any such indication exists, the recoverable amounts of the assets in question are reassessed. The reversal of an impairment loss is then recognised, in the CSoCNE, if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment test was carried out. The amount of any reversal is restricted to increasing the carrying value of the relevant assets to the carrying value that would have been recognised had the original impairment not occurred (that is, after taking account of normal depreciation that would have been charged had no impairment occurred).

1.7 Non-current assets held for sale

NOMS identifies non-current assets held for sale as assets whose carrying amount will be recovered through sale rather than through continuing use. Non-current assets held for sale are not subject to depreciation. Depreciation is reinstated and retrospectively applied to any assets which are subsequently not sold and re-classified as in use.

Assets held for sale are stated at fair value on the basis of market value as defined at Valuation Standard 3.2.

In 2011–2012 non-current assets held for sale were valued at £10.1m (2010–2011: £13.6m). See Note 9 Assets held for sale.

1.8 Intangible non-current assets

NOMS recognises intangible assets only if it is probable that future service potential will flow to NOMS and the cost of the asset can be measured reliably. The future service potential can be defined as a direct contribution of the intangible asset to the delivery of services to the public. These intangibles mainly comprise internally developed software for internal use and licenses for purchased software.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as software development employee costs and an appropriate portion of relevant overheads.

The useful lives of intangible assets are assessed to be finite. As there is no active market for these intangible assets, their fair value is assessed at the re-valued amount less any accumulated amortisation and accumulated impairment losses.

The re-valued amount and indications of impairment are determined from an annual appraisal of the assets’ underlying business case using discounted future economic benefits (cost savings). The net present value of the project is compared with the total current cost, and impaired accordingly.

The intangible assets are amortised using the straight-line method over its anticipated useful life. The useful lives of the software range from 3 to 10 years.

Intangible assets are indexed at each CSoFP date using Office for National Statistics IT price indices.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases are leases where substantially all of the risks and rewards incidental to ownership of leased non-current assets are transferred from the lessor to the lessee when assessed against the qualitative and quantitative criteria in IAS 17. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits of ownership.

Finance leases

NOMS' finance lease rights and obligations are initially recognised at the commencement of the lease term as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments determined at the inception of the lease. The assets are disclosed as leased and are depreciated over the period during which NOMS is expected to benefit from the use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the outstanding lease liability, according to the interest rate implicit in the lease or the HM Treasury rate where a rate could not be extrapolated from the lease.

Finance lease liabilities are allocated between current and non-current components. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

Operating leases

NOMS has entered into a number of operating lease arrangements. Rentals under operating leases are charged to the CSoCNE on a straight-line basis. Assets provided under operating leases are not recognised on NOMS CSoFP.

Operating leases – incentives

NOMS treats lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) as an integral part of the consideration for the use of the leased asset. The incentives are accounted for as an integral part of the net consideration agreed for the use of the leased asset over the lease term, with each party (the lessor and lessee) using a single amortisation method applied to the net consideration.

1.10 IFRIC 4 Determining whether an arrangement contains a lease

In determining whether NOMS holds a lease, contracts that use assets are assessed to determine whether the substance of the arrangements contain a lease. The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The arrangement is then assessed under IAS 17 to determine whether it should be accounted for as a finance or operating lease.

1.11 Service concessions and PFI transactions

Service concession arrangements

Contracts that use assets are assessed to determine whether NOMS holds service concession arrangements. The contract is recognised in the CSoFP if, in our judgment, it meets the conditions of IFRIC 12.

The Electronic Monitoring Services (EMS), Prisoner Escort and Custody Services (PECS) and IT and Telephony System contracts meet these conditions and are recognised in these accounts as Service Concession Arrangements.

The infrastructure assets related to these contracts are recognised as non-current assets. These assets are valued, indexed and depreciated consistently with other assets in the same class. Initial recognition of the underlying assets' value was at the estimate provided by the contractors or in the contract forecast.

Leased assets under service concession arrangements are recognised at the present value of the lease payments. The useful economic life was determined as the shorter of the life of the asset or the duration of the contract, while the interest rate used is derived from the FReM by adding an assumed cost of capital rate of 3.5% to the inflation rate.

Private Finance Initiatives

NOMS accounts for Private Finance Initiative (PFI) transactions in accordance with the FReM and IFRIC 4.

Where NOMS regulates the service provided and controls the PFI infrastructure, or has a residual interest in the infrastructure, the asset is recognised on the CSoFP. For assets not owned by NOMS, the asset is treated as a finance lease in accordance with IAS 17: Leases, and the asset and corresponding liability is capitalised.

Contract payments are apportioned between the imputed finance lease charge, the service charge and the reduction in the liability, and disclosed in note 17b. The interest expense is calculated using the HM Treasury rate for PFIs.

Where the PFI infrastructure is not capitalisable, but the contract contains a lease arrangement under IFRIC 4, the contract is accounted for as an operating lease.

In all other circumstances, NOMS recognises the expenditure as and when it falls due.

1.12 Antiques and works of art

Only antiques and works of art, single or grouped, with a value (hammer price) of £10,000 (including VAT where appropriate) or more are accounted for as non-current assets. The policy is only to capitalise works of art purchased after 1 April 2005. Items acquired before that date regardless of current value are not held on the CSoFP but are subject to inventory controls.

NOMS currently has seven items classified as works of art, all of which were acquired prior to 1 April 2005, and are therefore not recognised in the financial statements. These items are not subject to depreciation and have a combined fair value assessed to be £164,500.

1.13 Inventories and Work-in-Progress

Inventories comprise raw materials, work-in-progress, finished goods and consumable stores. Inventories are valued at the lower of current replacement cost and net realisable value. Current replacement cost is not considered materially different to historical cost.

1.14 Cash and cash equivalents

Cash and cash equivalents recorded in the CSoFP and Consolidated Statement of Cash Flows (CSoCF) includes cash in hand, deposits held at call with banks, and bank overdrafts.

1.15 Employee benefits

Pensions – PCSPS

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees. The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits. NOMS recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from the employees' services by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

Probation LGPS Defined Benefit Plan

Past and present employees of the Probation Trusts are covered by the provisions of the Local Government Pension Scheme (LGPS) via locally administered pension funds. This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

Under the LGPS Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last formal actuarial valuation was at 31 March 2010 and the results will impact upon the following three years' accounts.

The Probation Trusts annually recalculate the pension position at the reporting date. This work is currently carried out by four independent actuaries. There are differences in the assumptions underpinning each set of actuarial calculations for each Probation scheme. These calculations and assumptions are subject to review by the Audit Commission as part of each Trust's annual reporting process. There is a risk to NOMS of delays in this process, and pre-audit calculations may be included in the consolidated NOMS accounts.

To address the risk of a material movement in the pension liability as a result of using draft data, NOMS has commissioned Deloitte Total Reward and Benefits Ltd to evaluate the LGPS disclosures supplied by the Probation Trusts. This review evaluates the reasonableness of the assumptions and methods used by the actuaries against those used by peer organisations, and assesses the impact and risks to NOMS associated therewith.

Pensions – Defined Contribution Schemes

Under defined contribution plans NOMS' legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits is borne by the employee.

In respect of the defined contribution schemes, NOMS recognises the contributions payable as an expense in the year in which it is incurred.

Pension benefits – Indexation

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public sector pensions through the statutory link to the indexation of the Second State Pension.

Early Departure Costs

NOMS is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme has been announced and is binding on NOMS. The estimated cash flow is discounted using HM Treasury's discount rate of 2.8% in real terms.

Untaken leave

Under IAS19 Employee Benefits all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave at the year end. The cost of untaken leave is derived from leave records.

1.16 Operating income

Operating income is income that relates directly to the operating activities of NOMS. It predominantly comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It includes both income up to 20% in excess of the Estimate and income due to the Consolidated Fund, which in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT. Any income more than 20% in excess of the Estimate or outside the ambit is surrendered to the Consolidated Fund.

Operating income also includes other income such as that from investments, receipts from the Youth Justice Board for the provision of places for juvenile offenders, from the UK Border Agency for the provision of custodial services, from the Department for Education and the Department for Business, Innovation and Skills for the provision of education services, and from the Department of Health, Primary Care Trusts and Welsh Assembly Government for the provision of healthcare services.

Income in respect of services rendered is recovered in line with the related service level agreement (SLA) on full cost basis. Invoices are sent after the costs have been incurred by NOMS, and/or invoiced to NOMS by the supplier. Where these costs are related to construction works in progress, the supplier invoices are independently certified stating a stage of completion.

The Probation Trusts' income comprises rent receivables, income from EU sources, income from other government departments and miscellaneous income. The Probation Trusts can earn interest from various sources, including any interest from the investment of funds.

1.17 Administration and programme expenditure

The CSoCNE is analysed between administration and programme income and expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in the Spending Review by HM Treasury.

Administration budgets cover the costs of all NOMS administration including the provision of a corporate management and governance framework, policy setting, legislative reporting and associated back office support services.

Programme budgets are defined as the costs of direct frontline service provision (e.g. public and private prison establishments, probation trusts, prisoner escort & electronic monitoring) or support activities that are directly associated with frontline service delivery.

Examples of support activities that are directly associated with frontline services are:

- Centralised shared services
- Caseworking units (e.g. Mental Health Unit, Interventions)
- Operational training
- Management and delivery of custodial capacity and property maintenance.

The operating costs – see note 4 and 5 – reflect the notional recharges of MoJ central services – for example, NOMS' notional share of Private Office costs, Finance, HR, Expenses, Procurement, Procure-to-Pay, Estates and IT.

1.18 Statement of Operating Costs by operating segments

Statement of operating costs by operating segments – see note 2 – presents the financial information based on the structure reported to the NOMS Management Board. The segments reflect the main directorate structure within NOMS allowing the Board to have a clear view on the costs of front-line operations.

1.19 Foreign exchange

Transactions that are denominated in a foreign currency are translated into Sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into Sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in a foreign currency at the CSoFP date are translated at the rates at that date. These translation differences are dealt with in the CSoCNE. Given the immaterial values of any foreign currency transactions we do not consider them to be a financial risk.

1.20 Non-cash costs

Non-cash costs in the CSoCNE include the external auditors' remuneration, which represents the cost of the audit of the financial statements carried out by the National Audit Office.

1.21 Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when NOMS has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation. We discount provisions where applicable at the discount rates set by HM Treasury (see Note 20).

1.22 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, NOMS discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote as required by Managing Public Money.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be reported under IAS 37 are stated at the amount reported to Parliament.

1.23 Value Added Tax

Most of the activities of NOMS are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.24 Corporation Tax

Under the Offender Management Act 2007, Probation Trusts are defined as corporate bodies, and as such fall in scope for Corporation Tax. These accounts include estimates of Corporation Tax liabilities. See note 31.

1.25 Third party assets

NOMS holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised on the CSoFP and are disclosed within note 28.

1.26 Consolidated Fund Extra Receipts (CFERs)

Consolidated Fund extra receipts balances are calculated on an accruals basis, unless stated otherwise. Where income over and above 20% of budgeted levels is received these amounts are treated as CFERs and are surrendered to HM Treasury.

1.27 Financial instruments

In addition to cash, NOMS has two categories of financial assets:

Loans and Receivables

Trade receivables, other receivables, impositions outstanding and loans that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the CSoFP date, which are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Financial Assets at Fair Value through Profit and Loss

Financial Assets – derivatives relating to the sale of land were realised in year, NOMS have no outstanding financial assets relating to derivatives. Share Investments including milk production quotas acquired by NOMS as a result of trading activities at no cost are disclosed in note 10 of the accounts and are held at Fair Value. Fair Value is equal to the market value at the reporting date, and the movement in the value of the assets is recognised immediately in the CSoCNE, as income or as an expense.

NOMS has one category of financial liabilities:

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Finance lease liabilities and trade payables are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.28 Impending application of newly issued accounting standards not yet effective

The Agency provides disclosure that it has not yet applied a new accounting standard and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on NOMS consolidated financial statements.

2. Statement of Operating Costs and Net Assets by Operating Segment

	Public Sector Prisons				Probation and Contracted Services				HQ				Budgets Held by MoJ				Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Gross expenditure	2,247,778	2,290,852	1,506,552	1,488,259	246,976	406,638	0	0	4,001,306	4,185,749								
Income	(331,836)	(291,176)	(83,311)	(47,322)	(12,169)	1,970	0	0	(427,316)	(336,528)								
Net expenditure	1,915,942	1,999,676	1,423,241	1,440,937	234,807	408,608	0	0	3,573,990	3,849,221								
Total assets	158,649	151,140	192	6	541,130	498,756	0	0	699,971	649,902								
Total liabilities	(113,667)	(123,360)	(73,851)	(62,564)	(208,606)	(277,374)	0	0	(396,124)	(463,298)								
Net assets	44,982	27,780	(73,659)	(62,558)	332,524	221,382	0	0	303,847	186,604								

2(a). Reconciliation between operating segments and CSoCNE/CSoFP

	Public Sector Prisons				Probation and Contracted Services				HQ				Budgets Held by MoJ				Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Total net expenditure per statement of operating costs by operating segment as reported to Board	1,915,942	1,999,676	1,423,241	1,440,937	234,807	408,608	0	0	3,573,990	3,849,221								
Reconciling items not reported to management board:																		
Structural differences between operating segments and CSoCNE/CSoFP																		
PFI prisons and service concessions accounting treatment	0	0	(9,202)	(2,012)	(18,000)	(22,726)	0	0	(27,202)	(24,738)								
NOMS depreciation costs where the budget is held within MoJ	0	0	0	0	0	0	199,635	164,149	199,635	164,149								
Restate property leasehold provision	0	0	0	0	0	0	0	(33,438)	0	(33,438)								
NOMS Other costs where the budget is held within MoJ	0	0	0	0	0	0	190,871	236,989	190,871	236,989								
Other	0	0	0	0	0	0	(2,571)	(3)	(2,571)	(3)								
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	1,915,942	1,999,676	1,414,039	1,438,925	216,807	385,882	387,935	367,697	3,934,723	4,192,180								
Total net assets per statement of financial position by operation segment as reported to Board	44,982	27,780	(73,659)	(62,558)	332,524	221,382	0	0	303,847	186,604								
Reconciling items not reported to management board:																		
Structural differences between operating segments and CSoFP																		
PFI prisons and service concessions accounting treatment	0	0	11,811	2,628	198,081	180,094	0	0	209,892	182,722								
NOMS net assets where the budget is held within MoJ	0	0	0	0	0	0	5,142,235	5,094,307	5,142,235	5,094,307								
Probation Trusts' net assets	0	0	(1,172,885)	(778,317)	0	0	0	0	(1,172,885)	(778,317)								
Other	0	0	(2)	(168)	0	0	4,062	0	4,060	(168)								
Total net assets per Consolidated Statement of Financial Position	44,982	27,780	(1,234,735)	(838,415)	530,605	401,476	5,146,297	5,094,307	4,487,149	4,685,148								

3. Staff numbers and related costs

Staff costs consist of:				
			2011–2012	2010–2011
	Permanently employed staff	Others	Total	Total
	£'000	£'000	£'000	£'000
Core Agency				
Wages and salaries	1,328,095	41,331	1,369,426	1,477,725
Social security costs	100,000	0	100,000	101,894
Other pension costs, voluntary early departures and severance payments	276,447	0	276,447	267,639
Sub-total	1,704,542	41,331	1,745,873	1,847,258
Less recoveries in respect of staff transferred to MoJ	(52,331)	(7,222)	(59,553)	0
Less recoveries in respect of outward secondments	(3,116)	0	(3,116)	(3,489)
Total net costs	1,649,095	34,109	1,683,204	1,843,769
Core Agency				
Administration related staff costs	62,182	3,908	66,090	92,637
Programme related staff costs	1,586,913	30,201	1,617,114	1,751,132
Total net costs	1,649,095	34,109	1,683,204	1,843,769
Consolidated				
Wages and salaries	1,870,669	55,024	1,925,693	2,078,860
Social security costs	141,546	0	141,546	146,529
Other pension costs, voluntary early departures and severance payments	366,332	0	366,332	385,335
Sub-total	2,378,547	55,024	2,433,571	2,610,724
Less recoveries in respect of staff transferred to MoJ	(52,331)	(7,222)	(59,553)	0
Less recoveries in respect of outward secondments	(15,957)	0	(15,957)	(46,861)
Total net costs	2,310,259	47,802	2,358,061	2,563,863
Consolidated				
Administration related staff costs	62,182	3,908	66,090	92,637
Programme related staff costs	2,248,077	43,894	2,291,971	2,471,226
Total net costs	2,310,259	47,802	2,358,061	2,563,863

In April 2011, NOMS Headquarters staff within the shared service centre, estates capacity, procurement, ICT, internal audit and taxation were transferred to the MoJ, which amounted to £59.6m in the year.

Details of the salary and pension entitlements of the most senior managers of NOMS are shown in the remuneration report.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the National Offender Management Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2011–2012, employer's contributions of £237.7m were payable to the PCSPS (2010–2011: £257.8m) at one of four rates in the range of 16.7 per cent to 24.3 per cent (2010–2011: 16.7 per cent to 24.3 per cent) of pensionable pay (25.8 per cent for prison officer grades with reserved rights) based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent (2010–2011: 3 per cent to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

The Local Government Pension Schemes (LGPS) for the Probation Trusts are funded multi-employer defined benefit schemes. The Probation Trusts' share of the underlying assets and liabilities is shown in note 21.

For 2011–2012 employers' contributions of £97.6m were paid to the LGPS (2010–2011: £97.3m) in a range from 10.1 to 26.2 per cent (2010–2011: 13.5 to 25.2 per cent). The scheme's actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

In cases of public interest transfers staff may be entitled to benefits in kind including housing loans. The balance of housing loans outstanding as at 31 March 2012 is shown within the receivables note 14a.

173 persons retired early on ill-health grounds (2010–2011: 176). The total additional accrued pension liabilities in the year amounted to £0.8m (2010–2011: £0.6m).

Average number of persons employed

The average number of whole time equivalent persons (including senior management) employed during the year was as follows:

Core Agency	2011–2012			2010–2011		
	Admin	Programme	Total	Admin	Programme	Total
Administration	1,596	5,251	6,847	2,154	6,281	8,435
Industrial	578	2,744	3,322	712	2,862	3,574
Unified and Operational Grades*	463	31,504	31,967	571	33,090	33,661
Specialist	184	2,695	2,879	191	2,929	3,120
Agency and Contract Staff	44	293	337	126	432	558
Total	2,865	42,487	45,352	3,754	45,594	49,348
Consolidated						
Administration	1,596	22,724	24,320	2,154	24,393	26,547
Industrial	578	2,744	3,322	712	2,862	3,574
Unified and Operational Grades*	463	31,504	31,967	571	33,090	33,661
Specialist	184	3,431	3,615	191	3,789	3,980
Agency and Contract Staff	44	795	839	126	999	1,125
Total	2,865	61,198	64,063	3,754	65,133	68,887

* This includes all officer grades, operational managers and operational support grades.

In April 2011, NOMS Headquarters staff within the shared service centre, estates capacity, procurement, ICT, internal audit and taxation were transferred to the MoJ. The transfer was affected on 1 April 2011. The 2010–2011 figures presented here will therefore vary from other published sources of NOMS staff numbers.

3a. Reporting of Civil Service and other compensation schemes - exit packages

For the Core Agency, redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Principal Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

For Probation Trusts, redundancy and other departure costs have been paid in accordance with the trust's redundancy policy. The trusts pay the statutory minimum redundancy allocation based on age and length of service as set out in the Employment Rights Act 1996 and, where applicable, and subject to the Pension Plan and Redundancy rules, meet the additional costs of early retirement. Ill-health retirement costs are met by the pension scheme and are not included in the table below. Exit costs are accounted for in full in the year the exit package is confirmed.

Core Agency	2011–2012			2010–2011		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Exit package cost and band						
<£10,000	0	63	63	0	7	7
£10,001 – £25,000	0	243	243	0	165	165
£25,001 – £50,000	0	198	198	0	194	194
£50,001 – £100,000	0	194	194	0	263	263
£100,001 – £150,000	0	56	56	0	104	104
£150,001 – £200,000	0	23	23	0	40	40
£200,001 – £250,000	0	10	10	0	15	15
£250,001 – £300,000	0	1	1	0	3	3
£300,001 – £350,000	0	0	0	0	3	3
£350,001 – £400,000	0	0	0	0	0	0
£400,001 – £450,000	0	0	0	0	0	0
£450,001 – £500,000	0	0	0	0	1	1
Total number of exit packages	0	788	788	0	795	795
Total cost of exit packages (£'000s)	0	38,317	38,317	0	43,729	43,729
Consolidated						
Exit package cost and band						
<£10,000	15	198	213	6	133	139
£10,001 – £25,000	6	385	391	1	338	339
£25,001 – £50,000	1	300	301	5	344	349
£50,001 – £100,000	5	225	230	1	303	304
£100,001 – £150,000	0	62	62	0	106	106
£150,001 – £200,000	0	24	24	0	40	40
£200,001 – £250,000	0	10	10	0	15	15
£250,001 – £300,000	0	1	1	0	3	3
£300,001 – £350,000	0	0	0	0	3	3
£350,001 – £400,000	0	0	0	0	0	0
£400,001 – £450,000	0	0	0	0	0	0
£450,001 – £500,000	0	0	0	0	1	1
Total number of exit packages	27	1,205	1,232	13	1,286	1,299
Total cost of exit packages (£'000s)	604	47,821	48,425	286	55,340	55,626

4. Other administrative costs

	Notes	2011–2012		2010–2011	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Accommodation and maintenance costs		3,717	3,717	7,511	7,511
Rentals under operating leases		54	54	54	54
PFI and managed prisons service charges		1,449	1,449	1,689	1,689
Interest Charges		57	57	75	75
IT services		14,932	14,932	18,348	18,348
Auditor's remuneration		22	1,296	24	1,470
Communications		1,055	1,055	1,623	1,623
Travel, subsistence and hospitality		4,863	4,863	3,528	3,528
Professional services		1,691	1,691	2,462	2,462
Other staff related costs		6,288	6,288	3,996	3,996
Recoveries in respect of business units transferred to MoJ		(11,419)	(11,419)	0	0
Other costs		13,429	13,309	1,758	1,758
		36,138	37,292	41,068	42,514
Non cash items					
Depreciation	7	102	102	1,635	1,635
Amortisation	8	923	923	370	370
(Profit)/Loss on disposal of non-current assets		(18)	(18)	(3,394)	(3,394)
Impairments on trade receivables		(346)	(346)	0	0
Impairments on other receivables		190	190	(60)	(60)
Auditor's remuneration		300	300	300	300
MoJ overhead recharges		18,124	18,124	16,081	16,081
		19,275	19,275	14,932	14,932
Total other administration costs		55,413	56,567	56,000	57,446

Rentals under operating leases are in respect of office equipment. There was no auditor's remuneration for non-audit work.

5. Other programme costs

	Notes	2011–2012		2010–2011 Restated	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Accommodation and maintenance costs		280,552	354,450	289,523	361,472
Rentals under operating leases		2,491	3,633	2,410	3,760
PFI and managed prisons service charges		579,615	579,615	526,772	526,772
Interest charges		19,716	19,716	22,615	22,615
IT services		130,181	162,919	134,165	166,533
Communications		8,445	25,063	8,934	27,067
Offender related costs		327,623	343,810	337,866	364,483
Intra-NOMS transactions*		853,025	0	902,678	0
Travel, subsistence and hospitality		13,158	27,582	17,164	36,987
Professional services		19,889	31,190	20,720	31,764
Other staff related costs		40,322	52,683	44,568	59,386
Recoveries in respect of business units transferred to MoJ		(21,566)	(21,566)	0	0
Other costs		27,225	58,121	31,095	102,625
		2,280,676	1,637,216	2,338,510	1,703,464
Non cash items					
Depreciation	7	229,870	232,162	219,098	221,724
Amortisation	8	21,992	22,552	22,708	23,281
(Profit)/ loss on disposal of non-current assets		1,049	1,229	1,214	1,596
Provisions created net of releases	20	(4,835)	(2,487)	21,273	23,126
Impairments on trade receivables		181	181	(756)	(756)
Net impairment of non-current tangible and intangible assets and assets held for sale		39,314	39,314	6,862	6,862
(Increase)/decrease in value of investments	10	(23)	(23)	0	0
MoJ overhead recharges		24,700	24,700	0	0
		312,248	317,628	270,399	275,833
Total other programme costs		2,592,924	1,954,844	2,608,909	1,979,297

* Intra-NOMS transactions relate to funding arrangements between NOMS and the Probation Trusts.

6. Income

6a. Operating income

	2011–2012		2010–2011	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Administration income				
Youth Justice Board	3,078	3,078	4,128	4,128
Home Office	6,572	6,572	6,605	6,605
Probation Trusts	649	0	0	0
Revenue earned by business units transferred to MoJ	(7,342)	(7,342)	0	0
Other income	1,282	1,931	930	930
Total administration income	4,239	4,239	11,663	11,663
Programme income				
Youth Justice Board	136,795	136,795	149,535	149,535
Ministry of Justice	604	926	0	0
Department for Business, Innovation and Skills	426	426	18,573	18,573
Department of Health	0	0	67	67
Home Office	6,929	6,929	879	879
Department for Work and Pensions	885	885	0	0
Primary Care Trusts	109,146	109,146	69,777	69,777
Welsh Assembly	6,450	6,450	6,811	6,811
UK Border Agency	31,298	31,298	7,222	7,222
Non-Central Government	2,669	2,669	0	0
Probation Trusts	316	0	0	0
European Social Fund	42,899	45,464	31,864	31,864
External sales of industries	7,209	7,209	6,776	6,776
Retail prison shop income	43,745	43,745	42,499	42,499
Revenue earned by business units transferred to MoJ	(7,590)	(7,590)	0	0
Other income	17,195	46,398	32,462	63,817
Total programme income	398,976	430,750	366,465	397,820
Total operating income	403,215	434,989	378,128	409,483

6b. Consolidated Fund income

The amounts collected by NOMS acting as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were £3k (2010–2011: £431k).

7. Property, plant and equipment

	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
As at 1 April 2011	665,820	4,923,755	42,795	149,729	249,231	40,966	436,414	6,508,710
Additions	0	77,499	0	9,545	48,147	24	175,437	310,652
Disposals	0	0	0	(137)	(13,247)	(136)	0	(13,520)
Transfers	0	0	0	0	0	0	(31,450)	(31,450)
Reclassification	(1,892)	459,524	(2,826)	0	5,710	30	(476,731)	(16,185)
Impairments	(1,622)	(2,695)	(271)	(77)	(1,310)	(405)	(26,053)	(32,433)
Indexation/Revaluation	(3,983)	(133,145)	2,221	(1,018)	443	605	0	(134,877)
As at 31 March 2012	658,323	5,324,938	41,919	158,042	288,974	41,084	77,617	6,590,897
Depreciation								
As at 1 April 2011	0	(287,738)	(26)	(95,015)	(162,118)	(22,881)	0	(567,778)
Charge in year	0	(174,544)	(992)	(25,064)	(23,013)	(6,359)	0	(229,972)
Disposals	0	0	0	135	11,789	108	0	12,032
Transfers	0	0	0	0	0	0	0	0
Reclassification	0	347	57	0	15	(15)	0	404
Impairments	0	0	0	8	718	284	0	1,010
Indexation/Revaluation	0	184,875	39	769	(218)	(430)	0	185,035
As at 31 March 2012	0	(277,060)	(922)	(119,167)	(172,827)	(29,293)	0	(599,269)
Carrying value								
As at 31 March 2012	658,323	5,047,878	40,997	38,875	116,147	11,791	77,617	5,991,628
As at 1 April 2011	665,820	4,636,017	42,769	54,714	87,113	18,085	436,414	5,940,932
Asset financing								
Owned	658,086	4,479,482	40,672	24,947	86,244	11,791	77,617	5,378,839
Finance leased	237	7,544	325	13,928	29,903	0	0	51,937
On-balance sheet (SoFP) PFI contracts	0	560,852	0	0	0	0	0	560,852
Carrying value								
As at 31 March 2012	658,323	5,047,878	40,997	38,875	116,147	11,791	77,617	5,991,628

(continued)

	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
As at 1 April 2011	665,820	4,923,758	42,795	150,628	268,160	42,284	436,407	6,529,852
Additions	0	77,499	0	9,595	48,630	190	175,444	311,358
Disposals	0	0	0	(181)	(14,777)	(142)	0	(15,100)
Transfers	0	0	0	0	0	0	(31,450)	(31,450)
Reclassification	(1,892)	459,521	(2,826)	0	5,710	30	(476,731)	(16,188)
Impairments	(1,622)	(2,695)	(271)	(77)	(1,310)	(405)	(26,053)	(32,433)
Indexation/ Revaluation	(3,983)	(133,145)	2,221	(1,018)	549	628	0	(134,748)
As at 31 March 2012	658,323	5,324,938	41,919	158,947	306,962	42,585	77,617	6,611,291
Depreciation								
As at 1 April 2011	0	(287,738)	(26)	(95,513)	(173,605)	(24,173)	0	(581,055)
Charge in year	0	(174,544)	(992)	(25,199)	(25,143)	(6,386)	0	(232,264)
Disposals	0	0	0	179	13,188	108	0	13,475
Transfers	0	0	0	0	0	0	0	0
Reclassification	0	347	57	0	15	(15)	0	404
Impairments	0	0	0	8	718	284	0	1,010
Indexation/Revaluation	0	184,875	39	769	(264)	(446)	0	184,973
As at 31 March 2012	0	(277,060)	(922)	(119,756)	(185,091)	(30,628)	0	(613,457)
Carrying value								
As at 31 March 2012	658,323	5,047,878	40,997	39,191	121,871	11,957	77,617	5,997,834
As at 1 April 2011	665,820	4,636,020	42,769	55,115	94,555	18,111	436,407	5,948,797
Asset financing								
Owned	658,086	4,479,482	40,672	25,263	91,968	11,957	77,617	5,385,045
Finance leased	237	7,544	325	13,928	29,903	0	0	51,937
On-balance sheet (SoFP) PFI contracts	0	560,852	0	0	0	0	0	560,852
Carrying value								
As at 31 March 2012	658,323	5,047,878	40,997	39,191	121,871	11,957	77,617	5,997,834

Tangible non-current assets with a carrying value of £31,450k transferred to MoJ in the year. These assets related to IT hardware included within assets under construction. Tangible non-current assets with a carrying value of £15,781k were reclassified from tangible non-current assets to intangible assets under construction (£2,447k) and assets held for sale (£13,334k).

Included in land above are two non-operational sites with a combined value of £18.5m. These sites are now vacant, but do not yet meet the criteria for classification as assets held for sale.

(continued)

	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
As at 1 April 2010	680,303	4,606,562	40,402	108,860	233,891	43,199	443,635	6,156,852
Additions	0	3,705	0	7,498	734	0	409,697	421,634
Disposals	(33,516)	(48,420)	(1,418)	(1,842)	(10,614)	(2,034)	(2,334)	(100,178)
Transfers	(3,812)	354,886	4,929	25,254	16,770	52	(414,584)	(16,505)
Reclassification	0	0	(1,105)	0	0	0	0	(1,105)
Impairments	0	(97,799)	(902)	2,619	4,170	866	0	(91,046)
Indexation/Revaluation	22,845	104,821	889	7,340	4,280	(1,117)	0	139,058
As at 31 March 2011	665,820	4,923,755	42,795	149,729	249,231	40,966	436,414	6,508,710
Depreciation								
As at 1 April 2010	0	(164,808)	0	(68,463)	(135,359)	(18,155)	0	(386,785)
Charge in year	0	(167,359)	(1,011)	(21,481)	(24,416)	(6,466)	0	(220,733)
Disposals	0	18,006	10	1,311	9,332	1,604	0	30,263
Transfers	0	78	23	3,963	(6,856)	0	0	(2,792)
Reclassification	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0
Indexation/Revaluation	0	26,345	952	(10,345)	(4,819)	136	0	12,269
As at 31 March 2011	0	(287,738)	(26)	(95,015)	(162,118)	(22,881)	0	(567,778)
Carrying value								
As at 31 March 2011	665,820	4,636,017	42,769	54,714	87,113	18,085	436,414	5,940,932
As at 1 April 2010	680,303	4,441,754	40,402	40,397	98,532	25,044	443,635	5,770,067
Asset financing								
Owned	665,587	4,158,400	42,519	43,748	83,650	18,085	436,414	5,448,403
Finance leased	233	24,904	250	10,966	3,463	0	0	39,816
On-balance sheet (SoFP) PFI contracts	0	452,713	0	0	0	0	0	452,713
Carrying value								
As at 31 March 2011	665,820	4,636,017	42,769	54,714	87,113	18,085	436,414	5,940,932

(continued)

	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
As at 1 April 2010	680,303	4,606,562	40,402	109,607	252,691	44,534	443,635	6,177,734
Additions	0	3,705	0	7,581	2,616	0	409,698	423,600
Disposals	(33,516)	(48,420)	(1,418)	(1,914)	(13,161)	(2,034)	(2,334)	(102,797)
Transfers	(3,812)	354,889	4,929	25,306	16,782	35	(414,592)	(16,463)
Reclassification	0	0	(1,105)	0	0	0	0	(1,105)
Impairments	0	(97,799)	(902)	2,619	4,170	866	0	(91,046)
Indexation/Revaluation	22,845	104,821	889	7,429	5,062	(1,117)	0	139,929
As at 31 March 2011	665,820	4,923,758	42,795	150,628	268,160	42,284	436,407	6,529,852
Depreciation								
As at 1 April 2010	0	(164,808)	0	(68,802)	(146,139)	(19,317)	0	(399,066)
Charge in year	0	(167,359)	(1,011)	(21,617)	(26,768)	(6,604)	0	(223,359)
Disposals	0	18,006	10	1,383	11,357	1,604	0	32,360
Transfers	0	78	23	3,925	(6,804)	9	0	(2,769)
Reclassification	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0
Indexation/Revaluation	0	26,345	952	(10,402)	(5,251)	135	0	11,779
As at 31 March 2011	0	(287,738)	(26)	(95,513)	(173,605)	(24,173)	0	(581,055)
Carrying value								
As at 31 March 2011	665,820	4,636,020	42,769	55,115	94,555	18,111	436,407	5,948,797
As at 1 April 2010	680,303	4,441,754	40,402	40,805	106,552	25,217	443,635	5,778,668
Asset financing								
Owned	665,587	4,158,403	42,519	44,149	91,092	18,111	436,407	5,456,268
Finance leased	233	24,904	250	10,966	3,463	0	0	39,816
On-balance sheet (SoFP) PFI contracts	0	452,713	0	0	0	0	0	452,713
Carrying value								
As at 31 March 2011	665,820	4,636,020	42,769	55,115	94,555	18,111	436,407	5,948,797

Valuation

Land and buildings (including dwellings) are shown at fair value, based on professional valuations. The Valuation Office Agency (VOA), which is independent of NOMS, conducts valuations as at 31 March each year in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Probation HQ properties (£53m) were indexed in-house as at 31 March 2012 using the Tender Price Index of Public Sector Building (Non-Housing). All other assets are valued as at 31 March each year using indices.

7(a). Common user estate property

Freehold properties occupied by the agency which are part of the former Common user estate are not included on the CSoFP as they are considered to be assets of the Home Office. The Home Office made no charge in respect of these buildings.

8. Intangible assets

	Internally generated software	Software	Licences	Payments on account & assets under construction	Total
Core Agency	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2011	0	139,405	10,812	17,922	168,139
Additions	0	19	912	17,327	18,258
Disposals	0	(21)	0	0	(21)
Reclassification	0	(5,029)	5,029	2,447	2,447
Indexation/Revaluation	0	511	60	0	571
Transfers	0	0	(912)	(37,696)	(38,608)
As at 31 March 2012	0	134,885	15,901	0	150,786
Amortisation					
As at 1 April 2011	0	(44,338)	(5,908)	0	(50,246)
Charge in year	0	(19,095)	(3,820)	0	(22,915)
Disposals	0	21	0	0	21
Reclassification	0	2,813	(2,813)	0	0
Indexation/Revaluation	0	(230)	(47)	0	(277)
Transfers	0	0	106	0	106
At 31 March 2012	0	(60,829)	(12,482)	0	(73,311)
Carrying value					
As at 31 March 2012	0	74,056	3,419	0	77,475
As at 1 April 2011	0	95,067	4,904	17,922	117,893
Asset financing					
Owned	0	73,883	3,419	0	77,302
Finance leased	0	173	0	0	173
Carrying value as at 31 March 2012	0	74,056	3,419	0	77,475
Consolidated	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2011	139	141,343	11,488	17,922	170,892
Additions	0	166	888	17,327	18,381
Disposals	(116)	8	(23)	0	(131)
Reclassification	0	(5,029)	5,029	2,447	2,447
Indexation/Revaluation	0	521	60	0	581
Transfers	0	0	(912)	(37,696)	(38,608)
As at 31 March 2012	23	137,009	16,530	0	153,562
Amortisation					
As at 1 April 2011	(72)	(44,852)	(6,064)	0	(50,988)
Charge in year	(6)	(19,520)	(3,949)	0	(23,475)
Disposals	66	(80)	23	0	9
Reclassification	0	2,813	(2,813)	0	0
Indexation/Revaluation	0	(233)	(47)	0	(280)
Transfers	0	0	106	0	106
As at 31 March 2012	(12)	(61,872)	(12,744)	0	(74,628)
Carrying value					
as at 31 March 2012	11	75,137	3,786	0	78,934
As at 1 April 2011	67	96,491	5,424	17,922	119,904
Asset financing					
Owned	11	74,963	3,786	0	78,760
Finance leased	0	174	0	0	174
Carrying value as at 31 March 2012	11	75,137	3,786	0	78,934

Assets with a carrying value of £38,502k were transferred to MoJ in the year. These assets related to IT licences and assets under construction.

(continued)

	Internally generated software	Software	Licences	Payments on account & assets under construction	Total
Core Agency	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2010	0	145,667	6,035	0	151,702
Additions	0	16,043	0	0	16,043
Disposals	0	(555)	(3,047)	0	(3,602)
Reclassification	0	(17,922)	0	17,922	0
Indexation/Revaluation	0	2,422	77	0	2,499
Transfers	0	(6,250)	7,747	0	1,497
As at 31 March 2011	0	139,405	10,812	17,922	168,139
Amortisation					
As at 1 April 2010	0	(29,415)	(4,044)	0	(33,459)
Charge in year	0	(22,242)	(836)	0	(23,078)
Disposals	0	42	3,047	0	3,089
Reclassification	0	0	0	0	0
Indexation/Revaluation	0	(771)	(30)	0	(801)
Transfers	0	8,048	(4,045)	0	4,003
As at 31 March 2011	0	(44,338)	(5,908)	0	(50,246)
Carrying value					
As at 31 March 2011	0	95,067	4,904	17,922	117,893
As at 1 April 2010	0	116,252	1,991	0	118,243
Asset financing					
Owned	0	94,722	4,904	17,922	117,548
Finance leased	0	345	0	0	345
Carrying value					
As at 31 March 2011	0	95,067	4,904	17,922	117,893
Consolidated	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2010	9	148,370	6,035	0	154,414
Additions	0	16,043	0	0	16,043
Disposals	0	(555)	(3,047)	0	(3,602)
Reclassification	0	(17,922)	0	17,922	0
Indexation/Revaluation	2	2,456	90	0	2,548
Transfers	128	(7,049)	8,410	0	1,489
As at 31 March 2011	139	141,343	11,488	17,922	170,892
Amortisation					
As at 1 April 2010	(1)	(29,582)	(4,044)	0	(33,627)
Charge in year	(44)	(22,616)	(991)	0	(23,651)
Disposals	0	42	3,047	0	3,089
Reclassification	0	0	0	0	0
Indexation/Revaluation	(1)	(778)	(31)	0	(810)
Transfers	(26)	8,082	(4,045)	0	4,011
As at 31 March 2011	(72)	(44,852)	(6,064)	0	(50,988)
Carrying value					
As at 31 March 2011	67	96,491	5,424	17,922	119,904
As at 1 April 2010	8	118,788	1,991	0	120,787
Asset financing					
Owned	67	96,146	5,424	17,922	119,559
Finance leased	0	345	0	0	345
Carrying value					
As at 31 March 2011	67	96,491	5,424	17,922	119,904

9. Assets held for sale

	2011–2012		2010–2011	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April	13,647	13,647	14,221	14,221
Disposals	(6,619)	(6,619)	(5,907)	(5,907)
Reclassifications	13,334	13,334	(41)	(41)
Impairments	(7,891)	(7,891)	0	0
Indexation/Revaluation	(2,385)	(2,385)	5,374	5,374
As at 31 March	10,086	10,086	13,647	13,647

NOMS has committed to a plan to sell various surplus properties consisting of properties to be sold for commercial use and domestic dwellings. The properties are available for sale in their present condition and the sales are highly probable to occur within one year from the date of classification as an asset held for sale.

10. Financial assets

	2011–2012			2010–2011		
	Financial assets at fair value	Derivatives	Total	Financial assets at fair value	Derivatives	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Agency						
As at 1 April	299	105	404	144	14	158
Disposals	0	(85)	(85)	0	0	0
Fair value adjustment recognised in income/expenditure	43	(20)	23	0	0	0
Revaluation of financial assets through taxpayers' equity	0	0	0	155	91	246
As at 31 March	342	0	342	299	105	404
Consolidated						
As at 1 April	299	105	404	144	14	158
Disposals	0	(85)	(85)	0	0	0
Fair value adjustment recognised in income/expenditure	43	(20)	23	0	0	0
Revaluation of financial assets through taxpayers' equity	0	0	0	155	91	246
As at 31 March	342	0	342	299	105	404

Financial assets at fair value consist of quoted and unquoted shares relating to the sale of milk and milk quotas. Whilst NOMS produce and provide milk for sale, these assets are not held for sale. These assets were acquired by NOMS as a result of trading activities at no cost.

11. Financial instruments

11(a) Categories of financial instruments

	Notes	31 March 2012		31 March 2011	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Financial assets					
Cash	15	(14,755)	31,763	(73,449)	14,031
Loans and receivables:					
Trade receivables	14	4,688	6,739	9,471	13,275
Other receivables	14	335,031	339,895	204,547	210,229
		324,964	378,397	140,569	237,535
Financial assets at fair value through profit and loss:					
Quoted and unquoted shares in milk trading	10	342	342	299	299
Derivative financial instruments	10	0	0	105	105
		342	342	404	404
Carrying amount of financial assets		325,306	378,739	140,973	237,939
Financial liabilities					
Financial liabilities at amortised cost					
Finance lease liabilities	16a,16b	784	784	959	979
PFI liabilities	16a,16b	362,699	362,699	311,283	311,283
Trade payables	16a	353,249	365,999	347,009	423,767
Carrying amount of financial liabilities		716,732	729,482	659,251	736,029

Quoted and unquoted shares in milk trading relate to the Milk Investment Board. Whilst NOMS produce and provide milk for sale, these assets are not held for sale. These investments were acquired by NOMS as a result of trading activities at no cost.

Trade receivables and other receivables include short and long-term debt.

Finance liabilities include short and long-term liabilities.

11(b) Maturity of consolidated financial assets as at 31 March 2012

	Not past due or impaired	Past due 1–30 days	Past due 31–60 days	Past due 61–90 days	Past due 90+ days	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Not impaired						
Cash	31,763	0	0	0	0	31,763
Trade receivables	5,414	485	459	56	325	6,739
Other receivables	291,395	39,682	2,266	3,899	2,653	339,895
Total	328,572	40,167	2,725	3,955	2,978	378,397

CREDIT RISK

NOMS is exposed to minimal credit risk as loans and receivables are comprised of trade and other debtors. The maximum exposure to credit risk is the risk that arises from potential default of a debtor and is equal to the total amount of these outstanding. NOMS manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship. NOMS has no collateral to mitigate against credit risk.

INTEREST RATE RISK

Most of NOMS' cash balances carry nil or fixed rates of interest. It is not therefore exposed to significant interest rate risk.

11(c) Maturity of consolidated financial liabilities as at 31 March 2012

	On demand	Within 1 year	Between 1 to 5 years	After more than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Finance lease liabilities	0	29,019	111,731	222,733	363,483
Trade payables	365,999	0	0	0	365,999
Total	365,999	29,019	111,731	222,733	729,482

Liquidity risk

NOMS' financial liabilities are trade payables, other payables, accruals and finance leases. It is unlikely that NOMS will encounter difficulty in meeting its obligations associated with these liabilities as it is financed by the MoJ, whose resources and capital are voted annually by Parliament.

Foreign currency risk

NOMS undertook only a small number of foreign currency transactions and is not therefore exposed to significant exchange rate risk.

12. Impairments

Impairment charges for 2011–2012 have arisen predominantly in assets under construction, which incurred a net impairment charge of £26.0m. This included the effects of the cancellation of a proposal to build a new prison at Maghull, and a write off of ground works undertaken at HMP Thameside.

The impairment of land, buildings and dwellings resulted in a net charge to the CSocNE of £4.6m, and the impairment of other assets resulted in net charge to the CSocNE of £0.8m.

Assets held for sale were subject to impairment of £7.9m.

This resulted in a total net impairment of £39.3m, all of which was charged to the CSocNE. In 2010–2011 there was a total net impairment of £91.0m, of which £6.9m was charged to the CSocNE and the remainder to the revaluation reserve in the CSocTE.

13. Inventories

	2011–2012		2010–2011	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Industries and farms				
Raw materials	1,858	1,858	1,375	1,375
Work-in-progress	1,842	1,842	1,889	1,889
Finished goods	4,119	4,119	3,723	3,723
	7,819	7,819	6,987	6,987
Consumables	33,272	33,272	33,356	33,356
	41,091	41,091	40,343	40,343

14. Trade receivables and other current assets

14(a). Analysis by type

	2011–2012	2010–2011 Restated
Core Agency	£'000	£'000
Amounts falling due within one year		
Trade receivables	4,688	9,471
VAT	72,175	80,739
MoJ intra-group receivables	223,147	73,364
Other HM government receivables	17,048	1,660
Staff receivables	1,745	2,582
Other receivables	14,743	17,645
Prepayments	3,587	26,336
Accrued income	31,504	0
	368,637	211,797
Amounts falling due after more than one year		
Other receivables	0	0
Staff receivables	2,586	2,221
	2,586	2,221
	2011–2012	2010–2011 Restated
Consolidated	£'000	£'000
Amounts falling due within one year		
Trade receivables	6,739	13,275
VAT	72,603	80,915
MoJ intra-group receivables	218,793	68,135
Other HM government receivables	21,574	9,045
Staff receivables	2,174	2,983
Other receivables	15,843	17,645
Prepayments	6,255	29,153
Accrued income	23,337	0
	367,318	221,151
Amounts falling due after more than one year		
Other receivables	3	0
Staff receivables	2,650	2,353
	2,653	2,353

14(b). Intra-government receivables

	2011–2012		2010–2011 Restated	
	Receivables: amounts falling due within one year	Receivables: amounts falling due more than one year	Receivables: amounts falling due within one year	Receivables: amounts falling due more than one year
Core Agency	£'000	£'000	£'000	£'000
Balances with other central government bodies	320,088	0	152,475	0
Balances with local authorities	2,232	0	82	0
Balances with NHS bodies	18,568	0	3,206	0
Balances with public corporations & trading funds	0	0	0	0
	340,888	0	155,763	0
Balances with bodies external to government	27,749	2,586	56,034	2,221
	368,637	2,586	211,797	2,221

	2011–2012		2010–2011 Restated	
	Receivables: amounts falling due within one year	Receivables: amounts falling due more than one year	Receivables: amounts falling due within one year	Receivables: amounts falling due more than one year
Consolidated	£'000	£'000	£'000	£'000
Balances with other central government bodies	307,109	0	149,920	0
Balances with local authorities	5,365	0	4,402	0
Balances with NHS bodies	19,263	0	3,711	0
Balances with public corporations & trading funds	34	0	62	0
	331,771	0	158,095	0
Balances with bodies external to government	35,547	2,653	63,056	2,353
	367,318	2,653	221,151	2,353

15. Cash and cash equivalents

	31 March 2012	31 March 2011
Core Agency	£'000	£'000
Balance as at 1 April	(73,449)	(22,827)
Net change in cash and cash equivalents	58,694	(50,622)
Balance as at 31 March	(14,755)	(73,449)
The following balances at 31 March were held at:		
Government Banking Service	2,458	3,202
Commercial banks and cash in hand	1,338	1,348
Cash at bank and in hand	3,796	4,550
Overdraft	(18,551)	(77,999)
Cash at bank and in hand	(14,755)	(73,449)

(continued)

	31 March 2012	31 March 2011
Consolidated	£'000	£'000
Balance as at 1 April	14,031	57,513
Net change in cash and cash equivalents	17,732	(43,482)
Balance as at 31 March	31,763	14,031
The following balances at 31 March were held at:		
Government Banking Service	2,458	3,202
Commercial banks and cash in hand	47,856	88,828
Cash at bank and in hand	50,314	92,030
Overdraft	(18,551)	(77,999)
Cash at bank and in hand	31,763	14,031

NOMS overdraft relates to uncleared items as at 31 March 2012.

16. Trade payables and other current liabilities

16(a). Amounts falling due within one year

	31 March 2012		31 March 2011 Restated	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Trade payables	28,373	46,776	88,507	69,510
VAT	0	28,093	0	36,256
Imputed finance lease element of on balance sheet (SoFP) PFI contracts	28,941	28,941	41,230	41,230
Current part of finance lease	79	79	73	73
MoJ intra-group payables	60,399	318	9,999	10,264
HM government payables	1,989	4,231	6,345	6,345
Other payables	1,725	1,725	1,870	9,062
Other taxes and social security	3	8,341	0	7,852
Accruals	260,760	276,515	240,288	284,478
Deferred income	1,405	11,178	4,437	4,437
	383,674	406,197	392,749	469,507
Amounts due to the Consolidated Fund:				
Consolidated Fund Extra Receipts (CFERs)	262	262	172	431
	383,936	406,459	392,921	469,938

Included above is £262k (2010–2011: £431k) that is due to the MoJ for payment to the Consolidated Fund.

16(b). Amounts falling due after more than one year

	31 March 2012		31 March 2011 Restated	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Imputed finance lease element of on-balance sheet (SoFP) PFI contracts	333,758	333,758	270,053	270,053
Finance leases	705	705	886	906
	334,463	334,463	270,939	270,959

16(c). Intra-government payables

	31 March 2012				31 March 2011 Restated			
	Core Agency		Consolidated		Core Agency		Consolidated	
	Payables: amounts falling due within one year	Payables: amounts falling due over one year	Payables: amounts falling due within one year	Payables: amounts falling due over one year	Payables: amounts falling due within one year	Payables: amounts falling due over one year	Payables: amounts falling due within one year	Payables: amounts falling due over one year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances with other central government bodies	90,502	0	38,020	0	10,931	0	61,285	0
Balances with local authorities	3,312	0	4,704	0	2,059	0	4,981	0
Balances with NHS bodies	2,526	0	2,653	0	3,354	0	3,777	0
Balances with public corporations & trading funds	0	0	68	0	0	0	117	0
	96,340	0	45,445	0	16,344	0	70,160	0
Balances with bodies external to government	287,596	334,463	361,014	334,463	376,577	270,939	399,778	270,959
	383,936	334,463	406,459	334,463	392,921	270,939	469,938	270,959

17. Commitments under PFI contracts and other service concession arrangements

17(a). On-balance sheet (CSoFP) PFI contracts and other service concession arrangements

Project name	Contract start date	Duration (years)	Carrying value (£m)	Description
HMP Altcourse	December 1995	25	59.8	Design, build, finance and operate an 800 place category B prison at HMP Altcourse
HMP Parc	December 1995	25	86.8	Design, build, finance and operate an 840 place category B prison near Bridgend, South Wales
HMP Lowdham Grange	November 1996	25	51.3	Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham
HM/YOI Ashfield	June 1998	25	24.4	Design, build, finance and operate a 400 place young offenders and juveniles 'category B prison at Pucklechurch, near Bristol
HMP Forest Bank	July 1998	25	47.6	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agecroft power station
HMP Rye Hill	July 1999	25	35.0	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	September 1999	25	72.2	Design, build, finance and operate an 1060 place category B prison and therapeutic community facility at HMP Dovegate Marchington
HMP Bronzefield	December 2002	25	45.7	Design, build, finance and operate an 500 place category B prison at Ashford in Middlesex
HMP Peterborough	February 2003	25	67.1	Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire
HMP Thameside	March 2012	25	71.0	Design, build, finance and operate an 900 place category B prison at Woolwich in London
Prison Escort Service	August 2011	7	38.5	The supply and running of the Prison Vans and Escorts
Electronic Monitoring System	April 2005	8	3.5	The supply of Electronic tagging system
IT and Telephony System	July 2000	12	2.0	The supply of IT and telephony system

The Heat/Energy PFI Contracts were terminated on the 30 August 2011. NOMS is negotiating continuity of service beyond the end of the current IT and Telephony System contract.

17(b). Commitments under PFI and other service concession contracts

	2011–2012		2010–2011	
	Core Agency	Consolidated	Core Agency	Consolidated Restated
	£'000	£'000	£'000	£'000
Not later than one year:	47,208	47,208	60,977	60,977
Later than one year but not later than 5 years:	166,898	166,898	151,573	151,573
Later than 5 years:	273,061	273,061	240,163	240,163
	487,167	487,167	452,713	452,713
Less interest element	(124,468)	(124,468)	(141,430)	(141,430)
Present value of obligations	362,699	362,699	311,283	311,283

Present value of obligations under on-balance sheet (CSoFP) PFI and service concession arrangements for the following periods comprises:

Not later than one year:	28,941	28,941	41,234	41,234
Later than one year but not later than 5 years:	111,376	111,376	93,168	93,168
Later than 5 years:	222,382	222,382	176,881	176,881
Total present value of obligations	362,699	362,699	311,283	311,283

17(c). Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the CSoCNE in respect of on-balance sheet (CSoFP) PFI and other service concession arrangements transactions was £600,837k (2010–2011: £551,151k). Of this total the service element was £581,064k (2010–2011: £528,461k) and the interest charges were £19,773k (2010–2011: £22,690k).

Payments in respect of the service element within PFI contracts to which the agency is committed is as follows:

	2011–2012		2010–2011	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Not later than one year:	383,967	383,967	562,705	562,705
Later than one year but not later than 5 years:	1,554,871	1,554,871	1,631,946	1,631,946
Later than 5 years:	2,694,467	2,694,467	2,820,467	2,820,467
	4,633,305	4,633,305	5,015,118	5,015,118

18. Commitments under leases

18(a). Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

		2011–2012		2010–2011	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Obligations under operating leases comprise:					
Land and Buildings	Not later than one year:	15,579	15,579	23,543	23,543
	Later than one year but not later than 5 years:	49,116	49,116	75,675	75,675
	Later than 5 years:	42,605	42,605	144,347	144,347
		107,300	107,300	243,565	243,565
Other	Not later than one year:	1,342	1,919	959	1,706
	Later than one year but not later than 5 years:	1,541	2,310	992	1,532
	Later than 5 years:	5	5	49	49
		2,888	4,234	2,000	3,287

18(b). Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

		2011–2012		2010–2011	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Obligations under finance leases comprise:					
Land and Buildings	Not later than one year:	130	130	130	130
	Later than one year but not later than 5 years:	498	498	522	522
	Later than 5 years:	590	590	696	696
		1,218	1,218	1,348	1,348
Less interest element		(434)	(434)	(491)	(491)
Present value of obligations		784	784	857	857
Other	Not later than one year:	0	0	75	95
	Later than one year but not later than 5 years:	0	0	27	27
	Later than 5 years:	0	0	0	0
		0	0	102	122
Less interest element		0	0	0	0
Present value of obligations		0	0	102	122

Present value of obligations under finance leases for the following periods comprises:

Land and Buildings	Not later than one year:	79	79	73	73
	Later than one year but not later than 5 years:	354	354	352	352
	Later than 5 years:	351	351	432	432
Total present value of obligations		784	784	857	857
Other	Not later than one year:	0	0	75	95
	Later than one year but not later than 5 years:	0	0	27	27
	Later than 5 years:	0	0	0	0
Total present value of obligations		0	0	102	122

19. Other financial commitments

NOMS has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of services including: the management of prisons which are owned by NOMS, and other contracted out services. Avon and Somerset Probation Trust has entered into non-cancellable contracts (which are not leases) for payroll services, occupational health for staff, translation services and legal services. The payments to which NOMS and Trusts are committed are as follows:

	2011–2012		2010–2011	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Not later than one year:	158,627	158,726	205,265	205,368
Later than one year but not later than 5 years:	370,533	370,545	374,837	374,935
Later than 5 years:	1,102,832	1,102,832	850,106	851,122
	1,631,992	1,632,103	1,430,208	1,431,425

20. Provisions for liabilities and charges

	2011–2012				2010–2011 Restated			
	Early Departure costs	Leasehold property dilapidations	Other provisions	Total	Early Departure costs	Leasehold property dilapidations	Other provisions	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	32,815	42,843	52,101	127,759	22,445	49,592	43,493	115,530
Provided in year	764	0	26,582	27,346	13,658	0	31,784	45,442
Provisions not required written back	(3,068)	(9,558)	(19,700)	(32,326)	0	(6,749)	(17,912)	(24,661)
Provisions utilised in year	(9,348)	(1,209)	(13,710)	(24,267)	(3,780)	0	(5,264)	(9,044)
Borrowing costs (unwinding of discount)	594	(449)	0	145	492	0	0	492
Balance as at 31 March	21,757	31,627	45,273	98,657	32,815	42,843	52,101	127,759

	2011–2012				2010–2011 Restated			
	Early Departure costs	Leasehold property dilapidations	Other provisions	Total	Early Departure costs	Leasehold property dilapidations	Other provisions	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	32,815	42,843	59,108	134,766	22,445	49,592	51,965	124,002
Provided in year	764	0	29,973	30,737	13,658	0	34,955	48,613
Provisions not required written back	(3,068)	(9,558)	(20,743)	(33,369)	0	(6,749)	(19,230)	(25,979)
Provisions utilised in year	(9,348)	(1,209)	(16,450)	(27,007)	(3,780)	0	(8,582)	(12,362)
Borrowing costs (unwinding of discount)	594	(449)	0	145	492	0	0	492
Balance as at 31 March	21,757	31,627	51,888	105,272	32,815	42,843	59,108	134,766

20(a). Analysis of expected timing of discounted flows

	2011–2012				2010–2011 Restated			
	Early Departure costs	Leasehold property dilapidations	Other provisions	Total	Early Departure costs	Leasehold property dilapidations	Other provisions	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year:	5,474	11,322	15,432	32,228	6,651	20,079	9,315	36,045
Later than one year but not later than 5 years:	14,058	8,964	24,737	47,759	18,122	11,791	42,155	72,068
Later than 5 years:	2,225	11,341	5,104	18,670	8,042	10,973	631	19,646
Balance as at 31 March	21,757	31,627	45,273	98,657	32,815	42,843	52,101	127,759

	2011–2012				2010–2011 Restated			
	Early Departure costs	Leasehold property dilapidations	Other provisions	Total	Early Departure costs	Leasehold property dilapidations	Other provisions	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year:	5,474	11,322	21,572	38,368	6,652	20,079	14,777	41,508
Later than one year but not later than 5 years:	14,058	8,964	25,212	48,234	18,121	11,791	43,149	73,061
Later than 5 years:	2,225	11,341	5,104	18,670	8,042	10,973	1,182	20,197
Balance as at 31 March	21,757	31,627	51,888	105,272	32,815	42,843	59,108	134,766

Early departure costs

NOMS meets the additional costs of benefits beyond the normal PCSPS benefits and for employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. NOMS provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by HM Treasury discount rate of 2.8% (2010–2011: 2.9%) in real terms. Trusts use the pension rate applicable to each trust to discount their early departure costs.

Early departure costs provided by Probation Trusts in 2010–2011 totalling £27,274k were re-classified from provisions to pension deficit liability as required under IAS19. This resulted in a restatement of 2010–2011 amounts. See note 30.

Leasehold dilapidations

Dilapidation costs are an estimate of the expenditure required to return vacated leased buildings to their original condition. The movement in year is as a result of updated information relating to property vacations.

Other provisions

Other provisions primarily comprise legal claims against the Core Agency and Probation Trusts. This provision reflects all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated. The figures represent the best estimate of the amount payable in respect of the claims indicated. As the claims are subject to litigation which could affect the time period of utilisation, legal claims which are likely to succeed with a lesser degree of certainty or cannot be estimated reliably are disclosed as contingent liabilities in note 24. Other provisions are not discounted on the basis that claims are expected to crystallize within twelve months.

21. Consolidated Pension Liability

As part of the terms and conditions of employment of its officers and other employees, the 35 Probation Trusts offer retirement benefits. Although these will not actually be payable until employees retire, the Trusts have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The provisions of the Local Government Pension Schemes (LGPS), which are statutory and fully

funded, cover present and past employees. The 35 Probation Trusts participate in the Local Government Pension Schemes administered by various bodies.

The Local Government Pension Schemes provide benefits on a final salary basis at a normal retirement age of 65. Benefits accrue at the rate of one-sixtieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three-eighths of final pay of every year of total membership is payable on retirement. The schemes permit employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Members pay contributions ranging from 5.5% to 7.5% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

A full actuarial valuation was carried out at 31 March 2010 by various actuaries. For 2011–2012, employers' contributions of £97.6m were paid to the LGPS (2010–2011 £97.3m) in a range from 10.1% to 26.2%. The schemes' actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect the past experience of the schemes.

Partnership accounts are excluded under IAS 19.

The impact of the change from using RPI to CPI to estimate future pension costs in 2010–2011 resulted in a gain in that year of £297m.

The current year's employers' contributions and an approximate value for the next two years are within the ranges as follows:

- Employers' contributions for 2011–2012 were 10.1% to 26.2% of salaries, plus a fixed amount of £8.1m
- Employers' contributions for 2012–2013 will be 10.1% to 26.5% of salaries, plus a fixed amount of £8.6m, and
- Employers' contributions for 2013–2014 will be 10.1% to 27.8% of salaries, plus a fixed amount of £8.9m

21(a). The major long-term assumptions used by the actuaries were in the ranges of:

	2011–2012	2010–2011
	%	%
Inflation assumption	2.5–3.3	2.7–3.7
Rate of increase in salaries	4.0–5.1	2.7–5.2
Rate of increase for pensions in payment and deferred pensions	2.4–5.9	2.7–6.9
Discount rate	4.6–5.5	5.4–5.6

21(b) The assets in the scheme and the expected rate of return were:

	Expected long term rate of return at 2011–2012	Value at 2011–2012	Expected long term rate of return at 2010–2011	Value at 2010–2011 Restated
	%	£'000	%	£'000
Equities	6.1–8.1	1,576,176	7.2–8.4	1,548,391
Government bonds	3.1–7.6	249,168	4.3–4.9	223,267
Other bonds	3.1–5.3	197,856	4.9–6.4	187,750
Property	3.0–7.6	164,909	3.0–7.9	151,644
Other	3.0–7.0	118,539	0.5–8.0	126,037
Total		2,306,648		2,237,089
(Present value of scheme liabilities)		(3,502,514)		(3,036,908)
Surplus/(Deficit) of the scheme		(1,195,866)		(799,819)
Adjustment for restatement of comparatives, following publication of Probation Trust accounts		(812)		27,100
Net pension asset/(liability) per published accounts 2010–2011				(772,719)
Net Pension Asset/(Liability) as at 31 March 2012		(1,196,678)		(799,819)

21(c). Pension Cost

	2011–2012	2010–2011 Restated
	£'000	£'000
Current service cost	82,642	104,815
Past service cost (gain in change from RPI to CPI)	0	(296,392)
Past service cost (other)	2,635	(229)
Effect of curtailment	3,750	2,630
Effect of settlement	1,356	360
Total operating charge	90,383	(188,816)

21(d) Analysis of finance charges credited to other finance income or debited to the Consolidated Statement of Comprehensive Net Expenditure

	2011–2012	2010–2011
	£'000	£'000
Expected return on pension scheme assets	(153,446)	(143,482)
Interest on pension scheme liabilities	167,063	187,118
Net return	13,617	43,636

21(e). Changes to the present value of liabilities during the year*

	2011–2012	2010–2011 Restated
	£'000	£'000
Opening present value of liabilities	3,036,908	3,522,397
Current service cost	82,642	104,815
Interest cost	167,063	187,118
Contributions by members	31,064	32,668
Actuarial (gains)/losses on liabilities as reported by Probation Trusts	280,738	(409,371)
Changes in accounting policy and timing differences on consolidation	(812)	0
Benefits paid	(101,426)	(106,473)
Past service cost (gain in change from RPI to CPI)	0	(296,392)
Past service cost (other)	2,635	(229)
Unfunded benefits paid	(1,517)	(629)
Curtailments	3,863	2,644
Settlements	1,356	360
Closing present value of liabilities	3,502,514	3,036,908

21(f). Changes to the fair value of assets during the year*

	2011–2012	2010–2011 Restated
	£'000	£'000
Opening fair value of assets	2,237,089	2,100,845
Expected return on assets	153,446	143,482
Actuarial gains/(losses) on assets as reported by Probation Trusts	(109,615)	(30,145)
Contributions by the employer	97,564	97,326
Contributions by members	31,064	32,889
Benefits paid	(101,862)	(106,678)
Unfunded benefits paid	(1,038)	(837)
Curtailments	0	207
Closing fair value of assets	2,306,648	2,237,089

* The comparative figures in (e) and (f) above are based on the Probation Trusts' accounts, which are published later than the consolidated NOMS accounts. They include a number of re-classifications between headings, which give rise to a difference of £14,492k between the past service costs and net actuarial gain disclosed above (£675,618k) and that shown in the CSOTe (£690,110k).

21(g). Actual return on assets

	2011–2012	2010–2011 Restated
	£'000	£'000
Expected return on assets	153,446	143,482
Actuarial gain/(loss) on assets	(109,615)	(30,145)
Actuarial return on assets	43,831	113,337

21(h) History of asset values, present values of liabilities, surplus/deficit and experience gains and losses

	2011–2012	2010–2011 Restated	2009–2010 Restated	2008–2009 Restated	2007–2008 Restated
	£'000	£'000	£'000	£'000	£'000
Fair value of assets	2,306,648	2,237,089	2,100,845	1,499,483	1,834,841
Present value of liabilities	3,502,514	3,036,908	3,522,397	2,208,045	2,322,985
Surplus/(Deficit)	(1,195,866)	(799,819)	(1,421,552)	(708,562)	(488,144)
Experience gains/(losses) on scheme assets:	(99,121)	3,072	418,220	(439,482)	(229,490)
Experience gains/(losses) on scheme liabilities:	(17,572)	178,282	88,547	(34,460)	108,521
Percentage experience gains/(losses) on scheme assets:	-4%	0%	20%	-29%	-13%
Percentage experience gains/(losses) on scheme liabilities:	-1%	6%	3%	-2%	5%

22. Capital commitments

Commitments for capital expenditure and major maintenance works for which no provision has been made in these accounts were as follows:

	2011–2012		2010–2011	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Property, plant and equipment	79,244	79,244	156,947	156,947

23. Related party transactions

The Ministry of Justice (MoJ), the parent entity, provided funding of £4,035m during the year (2010–2011: £4,393m). In addition, MoJ provides a number of shared services to NOMS. These services of £42.8m (2010–2011: £16.1m) are recharged notionally by MoJ and are included in notes 4 and 5. During the year, NOMS provided custodial services to the Youth Justice Board (part of MoJ) and UK Border Agency (part of the Home Office). In addition, NOMS received funding from other Government Departments for education, healthcare and resettlement services. Income from these Departments is shown in note 6.

Martin Blake, Head of Corporate Procurement within London Probation Trust, is an in-law to a director of Reed Consultancy, providers of agency staff. London Probation Trust incurred transactions with Reed Consultancy totalling £2,990,555.

During the year, the following members of the London Probation Trust Management Board, members of key management staff or other related parties, or their related parties have undertaken material transactions with the Trust as detailed. Julie Dent Trust Chair – Director of Probation Association incurred transactions totalling £187,919; Chairman of User Voice incurred transactions totalling £179,112. Mark Johnson Board Member – CEO of User Voice incurred transactions totalling £179,112. In addition, Paul Davies Board Secretary – seconded from Essex County Council to London Probation Trust incurred transactions totalling £404,597.

Kent Probation Trust made payments amounting to £181,600 to an organisation called Break the Cycle, a social enterprise originally set up by the trust to reduce re-offending. The Director of Business Development and another Board Member of the trust are also directors of Break the Cycle.

Two members of the Essex Probation Trust management board reported a related party interest in relation to Essex Offender Services, a community interest company in which they are directors. This company was provided with a grant approved by the trust of £35,000 to assist in its development as an organisation providing support to offenders and ex-offenders.

During the year, the Chair of Cumbria Probation Trust served as one of the four Trustees within Cumbria Reducing Offending Partnership Trust Limited. In 2011–2012 Cumbria Probation Trust provided assistance to CROPT by way of grant funding and personnel secondment to the value of £17,967 (2010–2011: £49,471) as well as some limited back office services.

Full details of individual Probation Trust related parties are disclosed in the individual trust report and accounts.

During the year, no Board member, key manager or other related parties have undertaken any material transactions with the Agency.

24. Contingent liabilities

NOMS has the following contingent liabilities:

Claims for injury to staff, prisoners and the public amounting to £33.5m (2010–2011: £34.7m) have been indicated to NOMS, where the likelihood of a liability arising is possible but not likely. Other claims for compensation where it is more likely than not that a liability will arise, have been provided for in the accounts – see Note 20.

New contracts were awarded for Payment by Results (PbR) schemes at HMP Doncaster and HMP Peterborough. The contract stipulates a mechanism by which an additional payment or claw back would be payable to or from the contractor. The first cohort of offenders at HMP Doncaster runs from 1 October 2011 to 30 September 2012. The period over which the offenders' re-offending will be monitored runs for 18 months from the end of the first cohort until 31 March 2014. The first cohort of offenders at HMP Peterborough runs from 9 September 2010 to 9 September 2012. The period over which the offenders' re-offending will be monitored runs until 9 September 2013. NOMS considers that at 31 March 2012 any liability arising from the success of the scheme, in conjunction with its timing, is uncertain.

Other contingent liabilities reported to Parliament:

An indemnity of up to £50m, in respect of any one accident, has been given to the British Airports Authority (BAA). This is in respect of damage or injury caused to third parties arising out of the negligence of NOMS in their use of vehicles travelling airside for the repatriation

of prisoners. The likelihood of a liability arising from these contingencies is considered to be uncertain.

NOMS would be liable as underwriter of last resort to meet losses incurred by the privately managed prisons.

Probation Trusts have the following contingent liabilities:

London Probation Trust (LPT) considers that it is not liable to pay corporation tax on its activities for 2011–2012 nor in previous years, this is contrary to HMRC advice and LPT is currently in discussion with HMRC and NOMS. The Trust has therefore included a contingent liability in respect of corporation tax. The value of any liability is still to be determined.

25. Events occurring after the reporting period

As at the date of the Certificate and Report of the Comptroller and Auditor General, no reportable events had occurred.

26. Financial targets

There were no key financial targets for the Core Agency or Probation Trusts.

27. Losses and special payments

The following losses and special payments are included within the CSoCNE:

Core Agency	2011–2012		2010–2011	
	Cases	£'000	Cases	£'000
Cash losses	1,678	908	1,459	452
Losses of accountable stores	4,005	844	3,225	1,756
Fruitless payments and constructive losses	500	81	387	77
Claims waived or abandoned	65	327	128	915
Administrative write-offs	0	0	0	0
Losses statement	6,248	2,160	5,199	3,200

Special payments	5,063	23,448	4,475	14,556
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Consolidated	2011–2012		2010–2011	
	Cases	£'000	Cases	£'000
Cash losses	1,702	914	1,474	453
Losses of accountable stores	4,007	844	3,230	1,758
Fruitless payments and constructive losses	509	82	393	82
Claims waived or abandoned	102	352	138	921
Administrative write-offs	27	18	48	18
Losses statement	6,347	2,210	5,283	3,232

Special payments	5,215	23,452	4,667	18,487
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In 2011–2012 there were two (2010–2011: one) special payments over £250,000, as follows:

- A compensation payment of £277,842 to a member of NOMS staff; and
- A compensation payment of £1,167,063 in respect of a prisoner claim

A total of £255,604 was written off as a result of an imbalance created during the merger of NOMS and Prison Service HQ.

28. Third party assets

NOMS holds third parties' monies of £11.4m (£10.3m in 2010–2011). This relates to monies held on behalf of prisoners and is therefore not included in the financial statements.

A number of assets are held by Probation Trusts on behalf of third parties. These assets are not therefore included in the accounts. The assets held at the reporting date comprised monetary assets, such as bank balances and monies on deposit, listed securities, trust funds and amenity funds.

Cheshire Probation Trust, Humberside Probation Trust, Northumbria Probation Trust and Wales Probation Trust administer trust funds. Kent Probation Trust and Norfolk & Suffolk Probation Trust administer amenity funds. Manchester Probation Trust, Avon & Somerset Probation Trust, Warwickshire Probation Trust and West Mercia Probation Trust have monetary assets such as bank balances and monies on deposits, listed securities, trust funds and amenity funds.

The combined value of these third party assets is set out in the table below:

Consolidated	2011–2012		2010–2011	
	£'000		£'000	
Balance as at 1 April	145		167	
Funds paid in during the year	56		4	
Funds paid out during the year	(45)		(26)	
Balance as at 31 March	156		145	

29. Fees and charges

NOMS is required, in accordance with HM Treasury's Managing Public Money, to disclose results for the areas of its activities where fees and charges are made. NOMS details on fees and charges relating to the provision of healthcare, education within prisons, together with the income received for operating juvenile places on behalf of the Youth Justice Board are set out in this note. NOMS fee recovery targets are 100% in all cases.

	2011–2012			2010–2011		
	Gross Income	Full Cost	Surplus/ (deficit)	Gross Income	Full Cost	Surplus/ (deficit)
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000
Department for Business, Innovation and Skills	426	426	0	18,573	18,853	(280)
Primary Care Trusts	109,146	109,146	0	69,777	69,343	434
Youth Justice Board	139,873	139,873	0	153,663	145,890	7,773

This information is provided for fees and charges purposes, not for IFRS 8 'Operating Segments' purposes.

30. Prior period adjustment

During 2011–2012 NOMS made the following restatements to the 2010–2011 consolidated financial statements:

A change of accounting policy and timing differences between the publication of the NOMS and Probation Trust financial statements gave rise to a £174k increase in the actuarial gain within the net pension liability.

A change of accounting policy led to the re-classification of the balance of the Probation Trusts' early retirement liability of £27.3m from provisions to the pension liability.

With effect from 1 April 2011, and in accordance with the 2011–2012 FReM, donated assets are no longer credited to a separate reserve in the Consolidated Statement of Taxpayers' Equity (CSoTE). Due to the immaterial balances held within the reserve, the donated asset reserve of £64k as at 31 March 2011 has been transferred to the general fund reserve.

Extract from the 2011–2012 consolidated financial statements before correction of the errors.

Extract from the statement of changes in taxpayers' equity – general fund:	2010–2011	2010–2011
	Core Agency	Consolidated
	£'000	£'000
Extract from the 2011–2012 consolidated financial statements before restatement	4,494,468	3,715,950
Transfer of donated assets reserve to general fund	37	64
Increase in pension actuarial gain/loss	0	174
Extract from the 2011–2012 consolidated financial statements after restatement	4,494,505	3,716,188

Extract from the statement of changes in taxpayers' equity – donated asset reserve:	2010–2011	2010–2011
	Core Agency	Consolidated
	£'000	£'000
Extract from the 2011–2012 consolidated financial statements before restatement	37	64
Transfer of donated assets reserve to general fund	(37)	(64)
Extract from the statement of changes in taxpayers' equity donated asset reserve after restatement	0	0

Extract from the statement of financial position:	2010–2011	2010–2011
	Core Agency	Consolidated
	£'000	£'000
Provisions – balance at 31 March 2011 before restatement	(127,759)	(162,040)
Reclassification of Probation Trust early retirement liability as pension liability	0	27,274
Provisions – balance at 31 March 2011 after restatement	(127,759)	(134,766)
Pension deficit liability – balance at 31 March 2011 before restatement	0	(772,719)
Reclassification of Probation Trust early retirement liability as pension liability	0	(27,274)
Increase in pension actuarial gain/loss	0	174
Pension deficit liability – balance at 31 March 2011 after restatement	0	(799,819)
Total taxpayers' equity at 31 March 2011 before restatement	5,462,169	4,684,974
Increase in pension actuarial gain/loss	0	174
Total taxpayers' equity at 31 March 2011 after restatement	5,462,169	4,685,148

31. Taxation

Probation Trusts are within the remit to pay corporation tax. Within 2010–2011 this liability was consolidated and a group relief scheme operated in this year. HMRC have subsequently reviewed their opinion and the ability of Trusts to benefit from group relief in 2011–2012 has been removed.

The charge in year is estimated to be £240k (£1,057k in 2010–2011).

32. The Agency boundary

Entities within the Agency boundary:

National Offender Management Service	Leicestershire and Rutland Probation Trust
Avon and Somerset Probation Trust	Lincolnshire Probation Trust
Bedfordshire Probation Trust	London Probation Trust
Cambridgeshire and Peterborough Probation Trust	Merseyside Probation Trust
Cheshire Probation Trust	Norfolk and Suffolk Probation Trust
Cumbria Probation Trust	Northamptonshire Probation Trust
Derbyshire Probation Trust	Northumbria Probation Trust
Devon and Cornwall Probation Trust	Nottinghamshire Probation Trust
Dorset Probation Trust	South Yorkshire Probation Trust
Durham Tees Valley Probation Trust	Staffordshire and West Midlands Probation Trust
Essex Probation Trust	Surrey and Sussex Probation Trust
Gloucestershire Probation Trust	Thames Valley Probation Trust
Greater Manchester Probation Trust	Wales Probation Trust
Hampshire Probation Trust	Warwickshire Probation Trust
Hertfordshire Probation Trust	West Mercia Probation Trust
Humberside Probation Trust	West Yorkshire Probation Trust
Kent Probation Trust	Wiltshire Probation Trust
Lancashire Probation Trust	York and North Yorkshire Probation Trust

Sustainability Report 2011–2012



Introduction

This is the first sustainability report for the National Offender Management Service (NOMS), prepared in accordance with 2011–2012 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ published at: www.hm-treasury.gov.uk/frem_sustainability.htm

NOMS’ sustainability focus is on achieving government targets, reducing environmental impact and reducing costs. Priorities include reducing carbon emissions, water consumption and waste to landfill.

This report covers 117 public prison sites across England and Wales, NOMS’ London headquarters and the 35 probation trusts, which produce individual sustainability reports aggregated here.

As at 31 March 2012, 14 prisons were operated by private contractors. These are not covered here, but will be incorporated into the 2012–2013 report. Shared occupations are not accounted for due to the limitations of extrapolating reliable utility, waste and cost data from service charges supplied by landlords. In addition, HM Courts and Tribunals Estate is obliged to supply office space free of charge to probation trusts. As these are modest in size there is little, if any, benefit from isolating their sustainability data. NOMS does not consider that the exclusion of these areas has a material impact on sustainability reporting for the NOMS Agency as a whole.

Fugitive emissions from the probation estate are not included at this stage. Systems are in place to gather this data for 2012–2013.

The performance reports below are split as follows: ‘Core Agency’ accounting for the public prisons and London headquarter offices; and ‘Consolidated’ accounting for the core agency and probation trusts.

Governance, responsibilities and internal assurance

NOMS has established clear governance protocols and responsibilities regarding sustainability reporting. Overall governance and assurance is managed by NOMS Financial Planning team with assurances delivered by the MoJ Sustainable Development Delivery team.

HM Prison Service (HMPS) has extensive sustainability data-gathering systems based on meter readings and reconciled against costs, and environmental impact is included in the prisons’ key performance management regime. The probation estate is managed by facilities contractors on behalf of the Home Office Property Group, managing day to day estate operations including voluntary and mandated sustainability reporting. There remain some limitations to the accuracy of our financial and non-financial sustainability data and we continue to improve the quality of our internal controls, for example through internal audit.

Greening Government Commitments

The Greening Government Commitments launched on 1 April 2011 require Departments to take action to significantly reduce their own impact on the environment by 2014–2015 (compared to a 2009–2010 baseline). These commitments can be found at: <http://sd.defra.gov.uk/gov/green-government/commitments/>. The 2009–2010 baseline figures are under review; MoJ is working with DEFRA to confirm its departmental baseline.

Climate Change Adaptation and Mitigation

The MoJ Sustainable Development Delivery Team (SDDT) has drafted a Statement for Climate Change Adaptation; and set their built and non-built estate challenging objectives as follows:

- To enable the MoJ estate to evaluate risks to its strategy for programme delivery on vulnerable flood plains and evaluate its baseline for future adaptation of its targets and actions against climate change
- To enable the MoJ estate to prioritise its management of high risk sites and where necessary divert and recalculate important and fragile resources where they are vital to operational delivery
- To identify where stakeholders and central partners need to act to facilitate further or additional actions to protect against climate change

- To establish a strategic process by which MoJ can put in place measures necessary to adapt to future climate change

In addition, NOMS is addressing the fine ecological and geological balances across its rural estate with regard to drought and water restrictions. These may affect commercial agricultural and horticultural enterprises and NOMS is liaising with its lead partners on planning and rationale for change.

Biodiversity action planning

SDDT has now implemented a strategy for biodiversity across the MoJ estate to deliver against the Greening Government Transparency Targets. All sites on the estate that have designated sites either by right of ownership or neighbouring designated sites are continuing to deliver Biodiversity Action Plans (BAPs). The SDDT will also be drafting Site Management Agreements at each designated site to fulfil its obligations under the Wildlife & Countryside Act 1981 Section 28 and the Natural Environment and Rural Communities Act 2006 Section 40 “Biodiversity Duty” with specific attention to Section 41, Priority species and habitats.

To date, NOMS has 30 BAPs in place at its nationally designated and biodiversity significant sites. An ongoing process to audit these BAPs is also in place, which is now monitored through a data information team. The site audits are conducted by Area Biodiversity Coordinators who are

also coordinating the Biodiversity Action Reporting System, under the direction of the SDDT ecologist who is the MoJ national biodiversity coordinator.

The MoJ estate is now a member of the National Biodiversity Network which is administered through the SDDT.

Carbon Reduction Commitment

The Carbon Reduction Commitment (CRC) is managed by the MoJ although associated carbon allowances are accrued by each reporting entity including HMPS and probation trusts. The budget accrual associated with CRC allowances for HMPS is £3,840,000 based on actual emissions. Probation has accrued £192,000 based on estimates taken from 2010–2011.

Sustainable procurement

NOMS has signed the Hospitality and Food Service Sector Voluntary Agreement, (a DEFRA initiative designed to tackle issues caused by food waste) and will be considering the most appropriate strategy to encourage existing and future catering service providers to endorse the Agreement, taking account of Government Buying Standards.

Carbon Management Plan (CMP)

A CMP is a systematic approach to reducing Greenhouse Gas emissions, integrating technical, regulatory, financial, corporate governance and communications planning within an overarching strategy. CMPs are in place for the public prison service and probation

trusts, developed in partnership with the Carbon Trust and following the Trust's nationally recognised framework for effective carbon reduction.

These will be kept under regular review.

Sustainable construction

All major refurbishments and new builds are required to be BREEAM assessed, to the 'very good' standard for refurbishments and 'excellent' standard for new builds. In addition, the department is committed to reducing construction waste to landfill and ensures that all major refurbishment and new build projects have clauses requiring details on waste streams.

Social and environmental awareness

The MoJ SDDT has drafted a statement for social and community partnership, which also encourages external partnerships to promote learning and skills training in all areas of sustainable development. The MoJ SDDT has also implemented initiatives for its lead and central partners to agree Memoranda of Understandings that promote restorative justice, reduce reoffending and support further progress towards UK sustainability targets.

Environmental Management System (EMS)

The MoJ Sustainable Delivery Team has an ongoing EMS implementation programme, and is looking to develop a more streamlined EMS that fully meets the requirements while reducing resource impacts on front line services.

2011–2012 SR Output

GREENHOUSE GAS (GHG) EMISSIONS		Core Agency		Consolidated	
		2010–2011	2011–2012	2010–2011	2011–2012
Non-Financial Indicators (tCO ₂ e)	Total gross emissions for scopes 1 & 2	384,743	337,844	414,088	371,835
	Electricity: green/renewable	7,153	6,974	10,921	11,030
	Total net emissions for scopes 1 & 2 (i.e. having removed renewable element)	377,590	330,870	403,168	360,805
	Gross emissions scope 3 travel	5,519	5,586	10,360	10,427
	Total gross reported emissions	390,262	343,430	424,448	382,262
Non-Financial (mWh)	Electricity: Purchased. Grid, CHP & non-renewable	318,430	322,662	346,204	353,664
	Electricity: renewable	13,119	13,294	20,301	21,025
	Gas	836,471	727,454	896,421	782,307
	Other energy sources	123,583	102,329	123,583	102,329
	Total energy	1,291,603	1,165,738	1,386,509	1,259,325
Financial indicators (£,000)	Expenditure on energy (including CRC)	58,754	78,217	63,959	84,008
	Expenditure on official business travel	15,294	13,785	25,181	23,672

Performance Commentary (including targets)

NOMS is committed to achieving the Greening Government Commitments by 2014–2015 (based on a 2009–2010 baseline – NOMS has yet to establish a baseline for carbon). The above figures show a 10% reduction in scope 1 and 2 gross carbon emissions between 2010–2011 and 2011–2012. This reduction can be attributed to numerous projects in both the HMPS & Probation estates such as voltage optimisation, boiler upgrades, installation of water heaters, BMS reviews and awareness campaigns. A significant reduction in gas can also largely be attributed to the milder winter throughout the UK during 2011–2012 compared to 2010–2011. It should also be noted that prison population has risen by 3% during the same timescales.

Normalised Performance (against FTE)

2010–2011: 68,887 FTE's & 424,448 tCO₂e = 6.16 tCO₂e per FTE. 2011–2012: 64,063 FTE & 382,262 tCO₂e = 5.97 tCO₂e per FTE.

Controllable Impacts Commentary

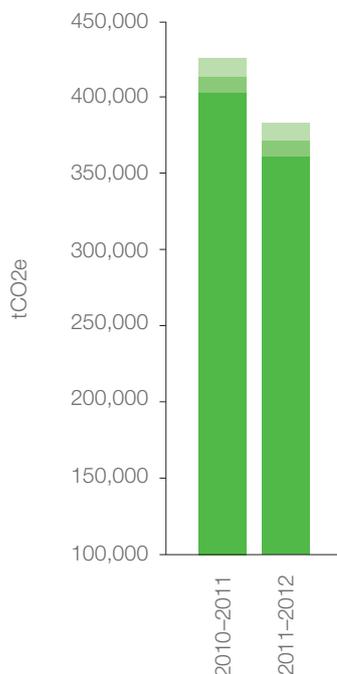
Delivering cost and carbon savings remains a priority of NOMS. Sustainable Development matters and energy reduction targets are central to the key performance targets managed by Governor grades at each prison. The key performance indicators highlight the GGC 2014–2015 targets as a key deliverable.

Overview of Influenced Impacts

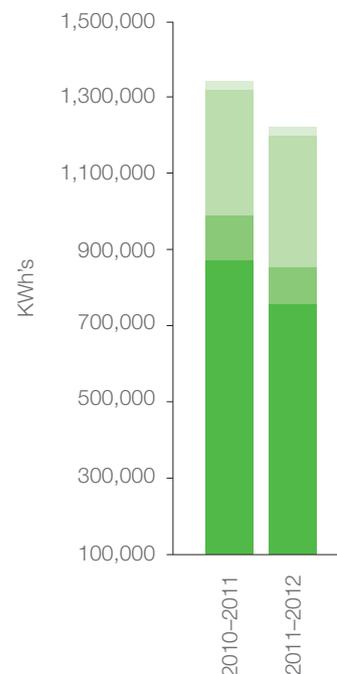
NOMS Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the NOMS Procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Greenhouse Gas Emissions Graphical Analysis (consolidated)

Emissions by scope with renewables highlighted



Split by units of consumption



KEY

- Renewable electricity (scope 2)
- Scope 3 travel
- Net scopes 1 and 2 (without renewable electricity)
- Gas
- Other energy sources
- Grid electricity
- Renewable electricity

WASTE			Core Agency		Consolidated	
			2010–2011	2011–2012	2010–2011	2011–2012
Non-Financial Indicators (tCO2e)	Hazardous waste	Hazardous waste	177	3,443	177	3,443
	Non-hazardous waste	Landfill waste	14,392	15,062	16,933	17,525
		Reused/recycled waste	19,591	14,904	22,246	17,670
		Energy from waste	88	319	88	319
Total Waste Arising			34,248	33,728	39,444	38,957
Financial Indicators	Total waste costs (£,000)		2,463	2,540	3,062	3,105

Performance Commentary (including targets)

NOMS waste targets are led by the Government's Greening Government Commitments which require a 25% reduction in waste arising by 2014–2015 based on 2009–2010. NOMS is currently showing a significant decrease in waste arising between 2010–11 and 2011–2012. Waste costs cover the primary accounts – systems do not currently allow the breakdown of different costings although it is intended this reporting will improve for 2012–2013.

Average waste arisings per operational capacity reported is 0.589 tonne per annum per place. Total weight of waste diverted away from disposal to reuse, recycling and recovery per operational capacity reported is 0.337 tonne per annum per place.

2011–2012: Average waste arisings per operational capacity reported is 0.793 tonne per annum per place. Total weight of waste diverted away from disposal to reuse, recycling and recovery per operational capacity reported is 0.558 tonne per annum per place.

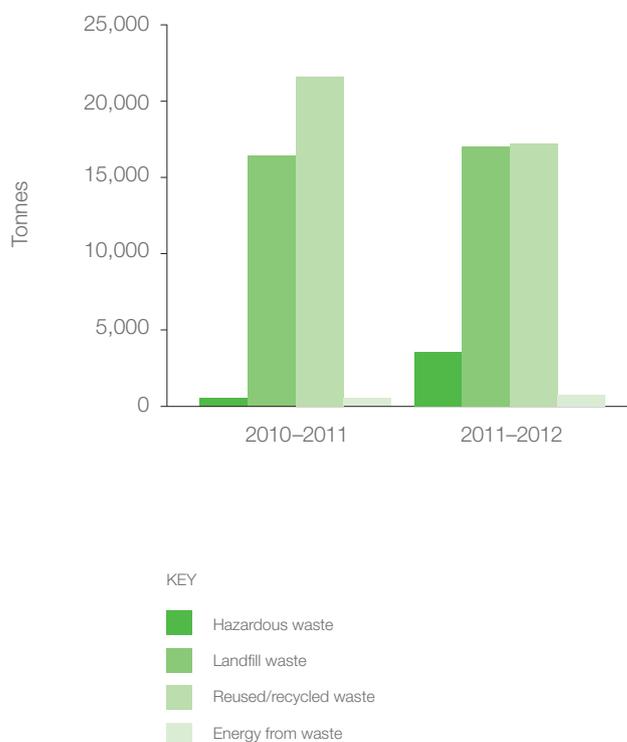
Controllable Impacts Commentary

Waste data is gathered via a central management system. The figures are uplifted based on the proportion of offices that supply full monthly data. The 'waste management report' is NOMS waste monitoring structure which enables accurate reporting and assured monitoring.

Overview of Influenced Impacts

NOMS Procurement liaise with suppliers to reduce the environmental impact of our operations. Where possible the procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Waste by type and final disposal (consolidated)



WATER			Core Agency		Consolidated	
			2010–2011	2011–2012	2010–2011	2011–2012
Non-Financial Indicators (cubic meters)	Water consumption	Supplied	7,819,206	7,853,387	8,126,707	8,108,048
		Abstracted	7,637	185,738	7,637	185,738
	Total water consumption		7,826,843	8,039,125	8,134,344	8,293,786
Financial Indicators	Total water supply costs (£,000)		17,920	19,083	18,772	19,801

Performance Commentary (including targets)

The above data is estimated based on financial returns. NOMS targets are led by the Government's Greening Government Commitments which require benchmark performance to be established by 2014–2015. The target is to reduce water consumption from a 2009–10 baseline, and report on office water use against best practice benchmarks – ≥ 6 m³ water consumption per FTE is defined poor practice, 4m³ to 6m³ per FTE considered good practice and ≤ 4 m³ per FTE is best practice. The department is expected to report the percentage of offices meeting each benchmark. NOMS currently operate at 173 cubic meters of water per FTE. MoJ does not feel that normalisation against FTE is suitable in respect of the Prison estate which houses an increasing number of prisoners 24 hours each day – this includes all practical water consumption associated with domestic consumption including laundry services.

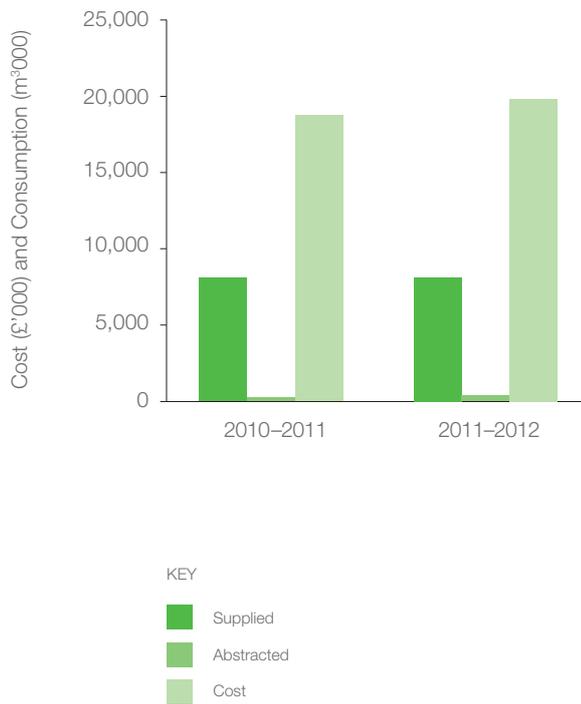
Controllable Impacts Commentary

Reducing water consumption is a NOMS priority. Water consumption figures are available for a portion of the estate based on invoice data – the data available through this process is limited but due to increase. The installation of smart water meters will allow for accurate monitoring and targeting in line with the above reporting requirements.

Overview of Influenced Impacts

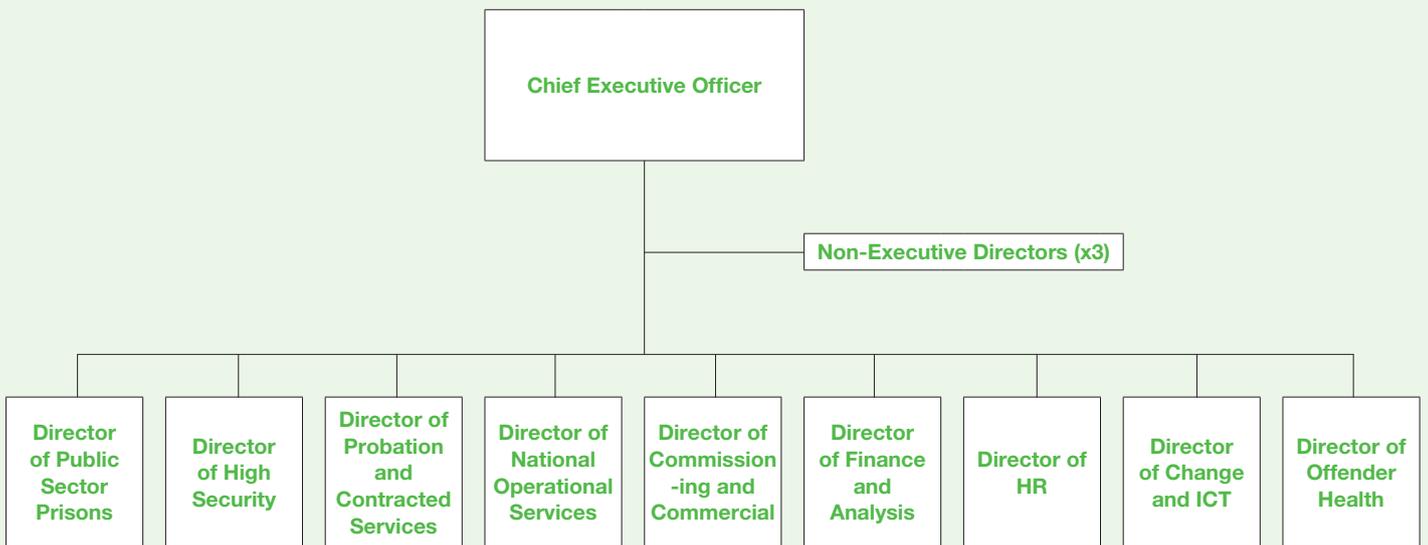
NOMS Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the NOMS procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction. Water reporting systems are due to be upgraded to enhance our monitoring in line with the targets set by government.

Water: consumption by source and cost (consolidated)



Annex A

NOMS structure 1 April 2012





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