

# Ministry of Justice - National Offender Management Service Annual Report and Accounts 2009/10

Laid in the House of Commons 9 September 2010  
 HC 160 Session 2010-11 ISBN: 9780102967197

## ERRATUM

Page 9, Operational performance

It has been identified that in HC160 National Offender Management Service Annual Report and Accounts 2009/10, an error was made in calculating the outcome against the Key Performance Indicator (KPI) on the rate of escapes from contractor escorts.

The original document gave the figure as 1 in 81,499 journeys; the corrected rate is 1 in 97,799 journeys, as shown in the amended table of KPI outcomes.

### NOMS Key Performance Indicator targets and outcomes 2009/2010

MEASURE	TARGET	OUTCOME
<b>PUBLIC PROTECTION</b>		
The number of Category A escapes and total escapes as a proportion of the prison population	To ensure no escapes of Category A prisoners	No Category A escapes
	Total escapes from prisons and prison escorts to be below 0.05% of the average prison population	0.01%
	Escapes from contractor escorts to be fewer than one in 20,000 journeys	<b>1 in 97,799</b>
<b>SAFETY AND DECENCY IN CUSTODY</b>		
The number of serious assaults on staff, prisoners and others as a proportion of the average prison population	Serious assaults in prison to be no more than 1.9% of average prison population	1.67%
The % of prisoners held in accommodation units intended for fewer prisoners	No more than 26% of prisoners to be in overcrowded accommodation	24%
<b>OFFENDER MANAGEMENT AND INTERVENTIONS</b>		
The rate of positive results from random mandatory drug testing	Rate of positive mandatory drug testing to be below 9.3%	7.8%
The proportion of offending behaviour programme starts in the community that meet the relevant programme criteria	80% of programme starts to meet programme criteria	89%
Compliance with community orders and licences	At least 70% of orders and licences to be successfully completed	75%
<b>PATHWAYS TO REDUCING REOFFENDING</b>		
The % of offenders in employment at the end of their order or licence or upon release	At least 35% of offenders to be in employment at the end of their sentence	35%
The % of offenders in settled or suitable accommodation at the end of their order or licence or upon release	At least 79% of offenders to be in settled or suitable accommodation at the end of their sentence	84%
<b>CORPORATE</b>		
The average number of working days lost through sickness absence in public prisons and probation	Staff sickness to be 10.5 working days or fewer per person	10.48 days
The proportion of ethnic minority staff in NOMS Agency	At least 8.5% ethnic minority staff in NOMS Agency	9.1%





Ministry of  
**JUSTICE**

National Offender  
Management Service

# **National Offender Management Service**

Annual Report  
and Accounts  
2009–2010

# National Offender Management Service

## Annual Report and Accounts 2009–2010

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

Accounts presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000.

Ordered by the House of Commons to be printed on 9 September 2010.

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# Preventing victims by changing lives

The National Offender Management Service operates through providers and partners in the public, private and third sectors to manage offenders in an integrated way. Our work protects the public and victims, reduces reoffending and makes communities safer. What work needs to be done and who does the work is based on evidence and driven by ensuring value for money.

## Our Statement of Purpose

We work to protect the public and reduce reoffending by delivering the punishment and orders of the courts and by helping offenders to reform their lives.

## Our Vision

As part of the wider justice service we will give the public confidence in our ability to protect the public and reduce reoffending.

## Our Values

In delivering prison and probation 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 and empower staff, and work collaboratively with others
- Treat offenders with decency and respect
- Embrace change and innovation
- Use our resources in the most cost effective way

# Foreword

by the Chief Executive



**This is the second annual report following the creation of the National Offender Management Service agency in April 2008.**

Our objective as an agency is to “Prevent victims by changing lives”, and over the last 12 months we have made a significant contribution to reducing crime and keeping the public safe.

Offenders in the community are being managed professionally by dedicated probation staff, supervising and working with offenders to provide effective interventions to reduce their risk to the public.

In prisons, despite continued population growth, overcrowding and the inevitable operational pressures, we have maintained really effective security, balanced by a continued focus on decency. In addition, we have worked with a wide range of partners to deliver programmes and interventions designed to reduce reoffending.

The work undertaken by staff in probation and in prisons often goes unnoticed and unappreciated by the wider public, but it is vital work undertaken by dedicated and professional staff who want to make a difference.

The annual report is an opportunity to record the achievements of the agency over the year. This year however, to reduce costs and avoid unnecessary overheads, we have chosen to report solely on our key performance indicators and some examples of the type of work which prisons and probation do with offenders to meet the complex challenges of protecting the public and reducing reoffending.

These achievements could not have been made without the resilience, drive and determination provided by my predecessor Phil Wheatley, who retired in June 2010. Phil Wheatley has provided outstanding leadership to the National Offender Management Service and to prisons and probation. He leaves the organisation well placed to meet the many challenges which it will inevitably face over the coming years.

As an agency we are determined to build on these achievements and to continue to improve the work we do to “Prevent victims by changing lives”.

*Michael Spurr*

**Michael Spurr**  
Chief Executive  
National Offender Management Service



# About the National Offender Management Service

## Who we are

The National Offender Management Service (NOMS) is an executive agency of the Ministry of Justice (MoJ), bringing together prison and probation services to deliver the punishment and orders of the courts in custodial and community settings in England and Wales.

NOMS operates through a number of providers, including:

- Probation services across England and Wales
- HM Prison Service; 125 prisons whose 45,000<sup>1</sup> staff are directly employed by NOMS
- Private sector companies managing 11 contracted out prisons
- Contractors providing services including prisoner escort, bail accommodation and electronic monitoring of offenders
- Public, private and voluntary/community agency partners including health, employment and training providers

## How we work

NOMS provides and enables offender management at the most local level possible, engaging with local partners and services to tackle the causes of reoffending in a joined-up way. We set frameworks and standards for what needs to be done; and we use the market – through public, private and voluntary sector providers – in an

increasingly evidence-based way to deliver what works and thereby reduce risk to the public and reduce reoffending.

## NOMS in context

NOMS oversees a probation caseload of over 240,000, with more than 205,000 new offenders entering the system over the year, and 182,000 offenders received into prisons, on remand or as sentenced offenders. At least 165,000 offenders started court order supervision in the community, with 67,700 completing Community Payback unpaid work requirements. A total of 106,000 offenders were electronically tagged, and there were 977,986 escort movements of prisoners.

Offenders entering the system present a range of challenges. For example:

- Forty eight per cent have a reading age at or below the level expected of an 11-year-old<sup>2</sup>
- Eighty two per cent have a writing level at or below that expected of an 11-year-old<sup>2</sup>
- Sixty two per cent of newly sentenced prisoners report using a drug during the four week period before custody (28 per cent heroin; 25 per cent crack cocaine)<sup>3</sup>
- Forty four per cent need help with alcohol misuse<sup>4</sup>
- Twenty two per cent of newly sentenced prisoners want help with a mental health problem<sup>3</sup>

# 1

## 67,700

offenders  
completed over

## 8.9m

hours of unpaid  
work in 2009–10

During 2009–10

## 35%

of offenders were  
in employment  
at the end of  
their sentence

<sup>1</sup> Full Time Equivalent at 31 March 2010

<sup>2</sup> Reducing Reoffending by Ex-prisoners, Social Exclusion Unit, 2002

<sup>3</sup> Stuart, D, Problems and Needs of Newly Sentenced Prisoners, MoJ, 2008

<sup>4</sup> A Compendium of Research and Analysis on the Offender Assessment System, 2006–2009, MoJ, 2009



# 2

## Operational performance

The agency met all key performance targets in 2009–10:

MEASURE	TARGET	OUTCOME
<b>PUBLIC PROTECTION</b>		
The number of Category A escapes and total escapes expressed as a proportion of the prison population	To ensure no escapes of Category A prisoners	No Category A escapes
	Total escapes from prisons and prison escorts to be below 0.05% of the average prison population	0.01%
	Escapes from contractor escorts to be fewer than one in 20,000 journeys	1 in 81,499
<b>SAFETY AND DECENCY IN CUSTODY</b>		
The number of serious assaults on staff, prisoners and others as a proportion of the average prison population	Serious assaults in prison to be no more than 1.9% of average prison population	1.67%
The % of prisoners held in accommodation units intended for fewer prisoners	No more than 26% of prisoners to be in overcrowded accommodation	24%
<b>OFFENDER MANAGEMENT AND INTERVENTIONS</b>		
The rate of positive results from random mandatory drug testing	Rate of positive mandatory drug testing to be below 9.3%	7.8%
The proportion of offending behaviour programme starts in the community that meet the relevant programme criteria	80% of programme starts to meet programme criteria	89%
Compliance with community orders and licences	At least 70% of orders and licences to be successfully completed	75%

(Continued on next page)

## £50m

package for employment and training secured for offenders

MEASURE	TARGET	OUTCOME
<b>PATHWAYS TO REDUCING REOFFENDING</b>		
The % of offenders in employment at the end of their order or licence and upon release	At least 35% of offenders to be in employment at the end of their sentence	35%
The % of offenders in settled or suitable accommodation at the end of their order or licence and upon release	At least 79% of offenders to be in settled or suitable accommodation at the end of their sentence	84%
<b>CORPORATE</b>		
The average number of working days lost through sickness absence in public prisons and probation	Staff sickness to be 10.5 working days or fewer per person	10.48 days
The proportion of ethnic minority staff in NOMS agency	At least 8.5% ethnic minority staff in NOMS agency	9.1%

### Meeting population demand

NOMS delivered 2,905 additional prison places, including 259 in the first phase of opening a new prison, HMP Bure in Norfolk, 480 at a new Young Offender Institution, HMYOI Littlehey in Cambridgeshire and 2,166 in 26 prisons through more effective use of the estate. This programme increased the useable operational capacity of the prison estate to nearly 87,000 places by April 2010. Average occupancy in male prisons (excluding Category A) was more than 96 per cent throughout the year, and 97 per cent in open prisons.

### Reducing offending behaviour

Since 2000 there has been a 15.9 per cent fall in the national rate of adult reoffending. Latest official figures for the offender cohort of 2008 show that reoffending rates have risen slightly since 2006<sup>5</sup>, but the latest local reoffending data, for 2009–10<sup>6</sup>, shows reoffending across England and Wales down by 2.88 per cent against the 2007–08 benchmark.

Reductions in the numbers of proven reoffences committed by juveniles have been maintained<sup>7</sup>.

<sup>5</sup> Reoffending of Adults: Results from the 2008 Cohort England and Wales, Ministry of Justice Statistics Bulletin, MoJ, 18 March 2010

<sup>6</sup> Local adult reoffending 1 April 2009 – 31 March 2010 England and Wales, Ministry of Justice Statistics Bulletin, MoJ, 17 August 2010

<sup>7</sup> Reoffending of Juveniles: Results from the 2008 Cohort England and Wales, Ministry of Justice Statistics Bulletin, MoJ, 18 March 2010

NOMS provides a range of opportunities to help offenders change their lives and tackle the underlying causes of their offending behaviour. In 2009–10:

- 16,600 offenders completed drug treatment programmes in custody and in the community
- 26,500 completed programmes to address their offending behaviour, either in custody or under probation
- 5,500 offenders completed alcohol treatment requirements as part of community orders or suspended sentences

### Managing serious offenders in the community

Some 11,000 offenders who have been convicted of the most serious sexual and violent offences are managed under the Multi Agency Public Protection Arrangements (MAPPA), under which the police, probation and prison services collaborate with other local agencies to assess and manage risk. Serious reoffending is low, with 48 charged with a serious further offence according to latest figures<sup>8</sup>.

### Tackling violent extremism

To meet this particular challenge, NOMS works with the police, security agencies and local delivery partners to manage some 120 extremists in prison and around 25 offenders under probation supervision.

### Better outcomes for local communities

In 2009–10 more than 67,700 offenders completed over 8.9 million hours of unpaid work in their local communities under the Community Payback scheme.

### Reintegrating offenders into the community

Thirty five per cent of offenders were in employment at the end of their sentence in 2009–10, despite the challenging economic climate, and 84 per cent were in settled and suitable accommodation. Work on employment and training of offenders in prison and in the community was supported by £11.44 million secured by NOMS from the European Social Fund (ESF) in 2009–10. NOMS won Co-Financing (CFO) status in January 2009 and secured a further £50 million of ESF money in April 2009 running through to December 2011.

### Diverting women from custody

Thirty six new local voluntary sector projects across the country are developing community-based alternatives to custody for women, alongside support to help women turn away from crime.

### Improving efficiency and value for money

NOMS achieved savings of £171 million in 2009–10 through a range of efficiency measures, including significant restructuring of our workforce and reducing management overheads.

<sup>8</sup> National Statistics for Multi Agency Public Protection Arrangements Annual Report 2008–09, National Probation Service 2009



# Accounts

# 3

## 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 (FRM) issued by the Treasury and in accordance with a direction given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

### Statement of Purpose and Vision Preventing victims by changing lives

The National Offender Management Service operates through providers and partners in the public, private and third sectors to manage offenders in an integrated way. Our work protects victims, reduces reoffending and makes communities safer. What work needs to be done and who does the work is based on evidence and driven by the need to ensure value for money.

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- Value and empower staff, and work collaboratively with others
- Treat offenders with decency and respect
- Embrace change and innovation
- Use our resources in the most cost effective way

### Performance against Key Performance Indicators (KPIs) during 2009–10

An analysis of the KPI targets and results are summarised in the Annual Report on pages 9 to 10.

### Results for the year

The Operating Cost Statement for the year is shown on page 33. The Statement of Changes in Taxpayers Equity is shown on pages 36 and 37.

### Operating costs

The net operating cost for 2009–10 stands at £4,902m compared to the IFRS restated £4,919m in 2008–09, a decrease of 0.35%.

### Statement of Financial Position

The Statement of Financial Position and Statement of Cash Flows are on pages 34 and 35.

### Payment of creditors

In the year to 31 March 2010 NOMS paid c492,000 trade invoices with a value of c£3.5bn, of which 88% (c432,000) were paid within 30 days (69% in 2008–09). Of the trade invoices received 98% were loaded onto the system within two days. Further technology is planned in 2010–11 to aid the resolution of disputed invoices in a more timely manner in keeping with the amended prompt payment target of payment within 10 days.

The percentage of undisputed invoices paid within 30 days by Probation Boards and Trusts is shown below in 5% ranges.

RANGE (%)	No. of Boards/Trusts within range	
	2009–2010	2008–2009
95–100	18	17
90–94.9	11	12
85–89.9	6	8
80–84.9	5	2
75–79.9	1	2
70–74.9	1	1
<b>Boards reported</b>	<b>42</b>	<b>42</b>

### Treatment of Pension Liabilities

Present and past employees of NOMS, excluding Probation Boards and 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 Boards and 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 individual Boards' and Trusts' pension liabilities has resulted in the pension liability increasing from £719m to £1,390m. The reasons for this are the flattening out of the projected yields from corporate bonds and an expected decrease in the post-retirement mortality rate.

The triennial actuarial valuation of the Probation Boards' and Trusts' LGPS contributions is due to take place from 31 March 2010.

Further information can be found in the Remuneration Report, Account Policies and in note 16 to the Accounts.

### Sickness absence data

The average levels of absence due to staff sickness were 10.48 days across NOMS against a target of 10.5 days.

## Personal data related incidents

The following gives a summary report of significant personal data related incidents in 2009–10, which were formally reported to the Information Commissioner's Officer.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
September	Theft of unencrypted laptop containing sensitive personal data relating to psychotherapy sessions	Names, prisoner numbers, details about role plays in which offenders re-enact their crimes and past experiences	30	Police informed and affected individuals identified and informed
October	Probation: Break-in at local probation office	Offender file stolen from locked cabinet	Offender plus named individuals where contact details recorded	Action taken against facilities management contractor for failure to properly set burglar alarm
November	Probation: Offender file transported by courier lost and subsequently found by member of the public	Offender file	Offender plus named individuals where contact details recorded	Formal investigation held, including contractor performance, procedures reviewed and standards re-stated
January	Loss of unencrypted floppy disk used to back up IT system	Prisoner number, sentence, prisoner name, current location, date of birth, home address, description of offence	500	Disk was recovered so individuals were not informed

In 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 re-occurrence of the incident. Since the last reporting year all MoJ staff now undertake a compulsory Information Assurance training course when joining the department.

## 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.

- Completion of the Probation Trusts programme – with effect from 1 April 2010, the remaining 34 Probation Boards achieved Trusts status. Taking five mergers into account, from 1 April 2010 there will be 35 Probation Trusts delivering the work of the previous 8 Trusts and 34 Boards
- On 8 June 2010 Michael Spurr was appointed as the first Chief Executive of the NOMS Agency
- The former Director General of NOMS Phil Wheatley retired from NOMS at the end of June 2010
- On 8 June 2010, the Chief Executive announced restructuring within the Agency
- The post of Chief Operating Officer has been abolished
- As part of a wider cross-MoJ review of the operating model the following functions will in future be managed by the MoJ: HR and finance transactional services – incorporating the Shared Service Centre in Newport; procurement services and transactions; Information, communication technology; and estates capacity function and services

- On 7 June 2010 Martin Bellamy was appointed as Director of Information and Communications Technology. David Kennedy's interim appointment ended on 18 June 2010
- On 5 July 2010 Camilla Taylor was appointed Director of Finance. Paul Ibrahim's interim appointment as Director of Finance and Performance was ended and he reverted to his former position
- In 2010, two new Non-Executive Directors were appointed, to replace Vic Luck and Colin Muid whose appointments both ended on 31 March 2010. Elizabeth McLoughlin was appointed on 26 April 2010 and David Hadfield was appointed on 12 May 2010
- Details of the revised NOMS organisation are shown on page 76 of this Annual Report and Accounts
- NOMS will be seeking to further reduce its costs in 2010–11 by £68m and reduce capital expenditure by £45m, as a contribution to the £325m of savings required of the MoJ announced on 24 May 2010. Part of the capital reduction will come from the decision not to build a new custodial facility for juvenile offenders alongside HMP Glen Parva near Leicester
- As part of a cross-MoJ programme to reduce the size and cost of the administrative estate, NOMS HQ began relocating to spare capacity in MoJ and Home Office occupied buildings on 4 June 2010. It is management's intention to sell the present NOMS HQ buildings which will contribute to overall cost savings. NOMS HQ property is not classified as held for sale at the reporting date
- It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Probation Trusts provide to employees

## Sustainable development

Sustainable development continues to be a priority for NOMS forming part of its drive for efficiency and effectiveness as well as reducing its adverse environmental impacts and meeting Government targets for sustainability.

Implementation of its sustainable development policy is overseen by the Sustainable Development Working Group, a sub-committee of the NOMS Management Board, chaired by the Director of Estate Capacity and which meets quarterly. Membership includes senior representatives from those areas with significant environmental impacts along with colleagues from the operational line and with the central MoJ also represented. NOMS continues to make significant steps in its operational response to the Government's environmental agenda and integrating sustainable development into everyday business and also plays its part in contributing to the MoJ's own sustainability aims.

Fresh Government targets for sustainable development were introduced in March 2010 and these along with a new requirement for departmental Annual Reports and Accounts to include performance in reducing greenhouse gas emissions will ensure that sustainability continues to be a significant area of work.

Full details of NOMS' achievements are published in a separate Annual Sustainable Development Report.

## Future developments

For 2010–11 and beyond the MoJ has set out five departmental priorities in its Structural Reform Plan, which will underpin the work and organisation of NOMS in the coming period, specifically:

### Priority 1.

#### **Reform of sentencing and penalties**

Ensure that the justice system protects the public and reduces reoffending by introducing more effective sentencing policies and considering the use of restorative justice for adult and youth crimes.

## Priority 2.

### Rehabilitation revolution

Establish an offender management system that harnesses the innovation of the private and voluntary sectors, including options for using payment by results, to cut reoffending.

## Priority 4.

### Reform of the prison estate

Review the prison estate's contribution to rehabilitation and reducing reoffending, developing a sustainable and cost-effective prison capacity strategy as part of the Spending Review.

The Plan will be finalised in the autumn of 2010.

## Research and development

The National Research Committee (NRC), comprising cross departmental representation, continues to work to the Agency's strategic research priorities. The current priorities consist of: decency; diversity and equality; organisational effectiveness; public protection; offender management and reducing reoffending; security; maintaining order and control; health; and mental health.

Research continues to play a pivotal role in enhancing policy development and programme evaluations. Ongoing work to streamline the application process is in the final stages. Consultation with stakeholders to review the rewritten Prison Service Order (PSO), creating a single NOMS-wide approach regarding external research applications, is underway. This work will result in a parallel Prison Service Instruction (PSI) and Probation Instruction (PI) to facilitate the development of a single approach. To make certain the NRC continues to sanction only high quality business beneficial studies the focus for 2010–11 is to embed the PSI/PI, concurrently introducing the use of an Integrated Research Application System (IRAS) resulting in current and accurate management information.

## Communications and employee involvement

NOMS attaches great importance to communicating effectively with its staff and partners. To do this a variety of channels are used including online content, on intranets and external internet sites, global email messaging, printed publications and face-to-face events.

These channels are used to engage and inform staff working in prisons and headquarters as well as non-directly employed staff in probation boards and trusts, and stakeholders.

## Staff diversity

During the year 2009–10 the main focus of work on staff diversity has been to deliver the formal action plan agreed with the Equalities and Human Rights Commission to deal with sexual harassment in NOMS.

In addition, we have:

- Established a firm foundation for tackling harassment and unacceptable behaviour through our "Challenge It, Change It" training package
- Introduced a new disability staff support network to help identify and address disability issues
- Delivered an outreach programme aimed at changing perceptions about working in NOMS and to provide a consistent message in recruitment

At the end of March 2010 black and minority ethnic (BME) representation was 9.1% of staff with known ethnicity, which exceeds the 2009–10 target of 8.5%.

## Audit

In accordance with the direction given by the Treasury, these accounts have been prepared in accordance with the Government Financial Reporting Manual (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 £1.979m. This is made up as follows:

- The notional cost of the National Audit Office's audit of the NOMS 2009–10 Agency Accounts is £285,000
- The notional cost of the National Audit Office's audit of NOMS' Trigger Point 4 conversion to International Financial Reporting Standards is £70,000
- The notional cost for the National Audit Office's audit of the consolidated National Probation Service Accounts 2009–10 is £67,000
- Actual fees of £25,000 payable to the National Audit Office for audit work in respect of central NOMS re-charges to individual Probation Boards and Trusts
- Actual fees of £1.532m paid or payable to the Audit Commission's and Wales Audit Office's appointed auditors of the individual Probation Boards and Trusts which are consolidated within the NOMS Agency Accounts

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
- 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 the National Offender Management Service Agency were reviewed as part of the NOMS Restructure Programme last year.

The Permanent Secretary of the MoJ and the then NOMS Agency Management Board agreed the following changes to be put in place from 1 September 2009:

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

The Director General'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 National Offender Management Service Agency Board and the Executive Management Committee are appointed by the Director General 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 21 to 25.

Membership of these bodies is set out in the table on page 19.

From 1 April 2009 to 31 March 2010 the following were members of the NOMS Agency Board, NOMS Executive Management Committee and the former NOMS Agency Management Board:

			At 31 March 2010		
			NOMS Agency Board (from 1 Sept 2009)	NOMS Executive Management Committee (from 1 Sept 2009)	NOMS Agency Management Board (to 31 Aug 2009)
Director General	Phil Wheatley		✓	✓	✓
Chief Operating Officer	Michael Spurr		✓	✓	✓
Director of High Security	Steve Wagstaffe	until 7 April 2009			✓
Director of High Security	Danny McAllister	from 8 April 2009		✓	✓
Director of HR	Robin Wilkinson		✓	✓	✓
Director of Finance and Performance	Ann Beasley	until 31 January 2010	✓	✓	✓
Director of Finance and Performance	Paul Ibrahim (interim)	from 1 February 2010	✓	✓	
Director of Estate Capacity ***	John Aspinall		✓	✓	✓
Director of Operational Policy and Commissioning	Ian Porée		✓	✓	✓
Director of ICT	David Kennedy (interim)	from 15 February 2010 until 18 June 2010	✓	✓	
Director-General Criminal Justice Group	Helen Edwards**	from 1 September 2009	✓		
Director General, Business Transformation	Jonathan Slater**	from 1 September 2009 until 31 January 2010	✓		
MoJ Corporate Management Board representative					
Director-General, Finance and Commercial	Ann Beasley** (interim)	from 1 February 2010	✓		
MoJ Corporate Management Board representative					
Director of Offender Health	Richard Bradshaw *			✓	✓
Non-Executive Director	Vic Luck	until 31 March 2010	✓		✓
Non-Executive Director	Colin Muid	until 31 March 2010	✓		✓
Non-Executive Director	Richard Rosser	until 31 August 2009			✓
Non-Executive Director	Mike Hawker	from 13 July 2009	✓		✓

\* Employed by the Department of Health and therefore not within the NOMS Remuneration Report

\*\* Employed by the Ministry of Justice

\*\*\* The Estates Capacity Directorate became part of the MoJ on 1 July 2010

*(Continued on next page)*

Ex-officio members

At 31 March 2010

			NOMS Agency Board (from 1 Sept 2009)	NOMS Executive Management Committee (from 1 Sept 2009)	NOMS Agency Management Board (to 31 Aug 2009)
Race and Equalities Adviser	Matt Wotton (interim)	from 2 April 2009 until 9 April 2010	✓	✓	✓
Head of Communications	Pamela Herries (interim)	until 4 January 2010	✓	✓	✓
Head of Communications	Lisa Appleyard	from 5 January 2010	✓	✓	
Head of Audit and Corporate Assurance	Joyce Drummond-Hill	from 1 September 2009	✓		
Media Adviser	Debbie Kirby **			✓	✓
Legal Adviser	Andrew Dodsworth **			✓	✓
Director-General's Office	Helen Pickles	until 31 July 2009			✓
Director-General's Office	Ken Everett	from 1 August 2009	✓	✓	✓
Secretary to the Board	Ken Everett	until 31 July 2009			✓
Secretary to the Board	Helen Pickles	from 1 August 2009 until 20 December 2009	✓	✓	✓
Secretary to the Board	Katherine Savidge	from 21 December 2009	✓	✓	

\*\* Employed by the Ministry of Justice

Beverley Thompson served as Race and Equalities Adviser on the Agency Management Board until 31 March 2009

Roger Hill served as Director of Probation until 31 March 2009

Ann Beasley was appointed permanently as Director-General, Finance and Commercial on 9 July 2010

My thanks and appreciation are 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  
2 September 2010

## 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](http://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 retiring age of 60. 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](http://www.civilservicecommissioners.gov.uk)

The salary and pension entitlements of the most senior managers of the National Offender Management Service (NOMS) were as follows:

**A) REMUNERATION – AUDITED**

	2009–2010		2008–2009	
	Salary (as defined below)	Benefits in kind (rounded to nearest £100)	Salary (as defined below)	Benefits in kind (rounded to nearest £100)
	£'000	£	£'000	£
Phil Wheatley Director General	170–175	–	170–175	–
Michael Spurr Chief Operating Officer	140–145	17,900	130–135	35,200
Steve Wagstaffe Director of High Security Prisons (until 7 April 2009)	10–15 (full year equivalent 105–110)	1,600 (full year equivalent 20,800)	100–105	45,000
Danny McAllister Director of High Security Prisons (from 8 April 2009)	100–105 (full year equivalent 100–105)	29,700	N/A	–
Ann Beasley Director of Finance & Performance (until 31 Jan 2010)	105–110 (full year equivalent 125–130)	–	130–135	–
Paul Ibrahim Director of Finance & Performance Interim (from 1 Feb 2010)	10–15 (full year equivalent 85–90)	–	N/A	–
Robin Wilkinson Director of Human Resources	110–115	–	110–115	–
Ian Porée Director of Commissioning & Operational Policy	150–155	–	145–150	–
John Aspinall Director of Estate Capacity	120–125	–	50–55 (full year equivalent 100–105)	–
David Kennedy Director of ICT – Interim (from 15 Feb 2010)	50–55 <sup>1</sup> (full year equivalent 370–375)	–	N/A	–
Vic Luck Non-Executive Director <sup>2</sup>	10–15	–	10–15	–
Colin Muid Non-Executive Director <sup>2</sup>	10–15	–	10–15	–
Richard Rosser Non-Executive Director <sup>2</sup> (until 31 August 2009)	5–10	–	10–15	–
Mike Hawker Non-Executive Director & Chair of Audit Committee (from 13 July 2009) <sup>2</sup>	10–15	–	N/A	–

Bonus payments made in 2009–10 are for bonuses awarded in 2008–09. Bonus payments made in 2008–09 are for bonuses awarded in 2007–08.

The post of Director of Probation ceased on 31 March 2009. Roger Hill became Director of Offender Management for the South East Region.

1. This post was newly created on 15 February 2010. It is currently filled by a contractor.

2. The amount paid to the Non-Executive Directors relates to fees in respect of work relating to the Agency Board (and MoJ Audit Committee for Mike Hawker).

Richard Bradshaw, Director of Health and member of the NOMS Executive Management Committee, is paid by the Department of Health and is included on their remuneration report. Helen Edwards, Jonathan Slater and Ann Beasley (from 1 February 2010) are all Ministry of Justice staff who are paid by the MoJ and are included on their remuneration report. Helen Edwards (DG, Criminal Justice Group) and Ann Beasley (DG, MoJ Finance) are current members of the NOMS Board. Jonathan Slater (DG, MoJ Business Transformation) was a member until 31 January 2010.

## Salary

“Salary” includes the gross salary; performance pay or bonuses; 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. Director’s bonuses are determined by the Ministry of Justice SCS Pay Committees – Chaired by Carolyn Downs for SCS payband 1 and chaired by Suma Chakrabarti for SCS paybands 2 and 3, working within the parameters set by the Senior Salaries Review Body. The bonuses allocated to the above Directors vary within the range of 0% and 11.8% of their annual gross salary as at 31 March 2010.

## 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 by Mr Spurr, Mr Wagstaffe and Mr McAllister 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 age 60 at 31 March 2010 & related lump sum	Real increase in pension & related lump sum at age 60	CETV at 31 March 2010	CETV at 31 March 2009*	Real increase in CETV after adjustment for inflation & changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Phil Wheatley Director General	80–85 plus lump sum of 240–245	2.5–5 plus lump sum of 10–12.5	1,891	1,808	81
Michael Spurr Chief Operating Officer	40–45 plus lump sum of 130–135	7.5–10 plus lump sum of 22.5–25	762	592	127
Steve Wagstaffe Director of High Security Prisons (until 7 April 2009)	35–40 plus lump sum of 105–110	0–2.5 plus lump sum of 0–2.5	709	697	2
Danny McAllister Director of High Security Prisons (from 8 April 2009)	25–30 plus lump sum of 85–90	2.5–5 plus lump sum of 10–12.5	677	589	94
Ann Beasley Director of Finance & Performance (until 31 Jan 2010)	40–45 plus lump sum of 125–130	0–2.5 plus lump sum of 5–7.5	815	721	31
Paul Ibrahim Director of Finance & Performance Interim (from 1 Feb 2010)	20–25 plus lump sum of 70–75	0–2.5 plus lump sum of 2.5–5	382	340	20
Robin Wilkinson Director of Human Resources	25–30 plus lump sum of 85–90	0–2.5 plus lump sum of 5–7.5	397	350	22
Ian Porée Director of Commissioning and Operational Policy	5–10 plus lump sum of 0–5	0–2.5 plus lump sum of 0–2.5	65	38	21
John Aspinall Director of Estate Capacity	35–40 plus lump sum of 115–120	10–12.5 plus lump sum of 30–32.5	701	488	181
David Kennedy Director of ICT – Interim (from 15 Feb 2010)	N/A**				

\* The figure may be different from the closing figure in last year’s accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values)(Amendment) Regulations 2008.

\*\* David Kennedy is a contractor and is not paid through the payroll. Therefore, there are no pension entitlements with NOMS.

None of the Non-Executive Directors have pension entitlements with NOMS.

## Civil Service Pensions

Present and past employees of the NOMS Agency, excluding Probation Boards and 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 based “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 Retail Prices 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 Boards and 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). 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 earning cap. Interest is added on 31 March of every year, reflecting the balance on the pension account as that date. On death, pensions are payable to the surviving spouse usually at 3/8ths of the members pension. On death in service, the scheme pays either twice the final pay (less any lumps 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 will be made up to age 65.

### (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. All Board members, except Ian Porée, are members of the Classic Scheme. David Kennedy has no pension entitlement, as a contractor, as mentioned above.

### (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 of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (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. Ian Porée is a member 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% (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.

#### (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 1/80th 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 6% 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. The CETV figure for 31 March 2009 is not the same as the figure quoted last year in some cases as the factors used to calculate the CETV were revised during the year.

#### 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  
2 September 2010

## 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, recognised gains and losses 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 (FReM), 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 FReM, 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 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 the Accounting Officer's Memorandum issued by HM Treasury and published in Managing Public Money.

## Statement on Internal Control

### 1. Scope of responsibility

I was appointed Accounting Officer on 8 June 2010 but prior to that I was Chief Operating Officer for the National Offender Management Service (NOMS) and have attended Audit Committee meetings for a number of years so took up my post with a good understanding of the control environment within the Agency and of the risks facing it.

As Agency Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of 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.

I have bi-lateral meetings with the Permanent Secretary of the MoJ and with the Minister with responsibility for Prisons and Probation. The results of NOMS risk reviews are shared with the MoJ.

### 2. Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of NOMS policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in NOMS for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

### 3. Capacity to handle risk

The NOMS Agency Board (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 review involves an assessment of the effectiveness with which the systems in place to manage the risks are operating. The Board also assess the extent to which they have control over the management of the risk and in a number of cases have concluded that they have only partial control. There is a process in place whereby the Agency is able to escalate key risks, over which the Board has only partial control, to the Ministry's risk register – if the Board are agreed that there is little more action they can take to reduce the likelihood of the risk materialising or its impact if it is realised. The risk register has been reviewed in its entirety more than once during the year to ensure that any new or emerging risks as a result of the need to restructure to realise the efficiencies necessary to operate within a tight budget are incorporated. The risks were revised towards the end of 2009–10 as part of the planning round and include risks related to the accommodation pressures, industrial relations and the extent of change being implemented in the Agency. The Agency Board will be reviewing their risks in light of the recent budget decisions and the new Government's priorities.

A regular programme of risk awareness training, in the form of facilitated workshops is available to all staff in HQ, Prisons and Probation, and a description of the process is available on the intranet or, for Probation, on Staff EPIC. However, there is still scope to strengthen training given to first line managers to ensure that they understand how the process can help them to manage better.

### 4. The risk and control framework

The key elements of the risk management strategy at the NOMS corporate level are:

- Corporate risks identified at a workshop comprising all members of NAB
- Agreed criteria for assessing likelihood and impact

- Risk owners identified at director level for key risks responsible for reporting back to NAB on what is in place to manage the risk and how well those systems and processes are working
- Risk owners assess how well the risk is being managed overall and, on the basis of actions proposed to improve risk management, forecast any change to impact and likelihood by the end of the next quarter
- Assessments – particularly changes – reviewed by the Board monthly at summary level and quarterly at a detailed level and agreed (or changed) following discussion and challenge
- Process for escalating and down-rating risks
- Regular consideration of new risks that may be emerging
- Risk workshops held at least annually (or more often if necessary) to validate the risk register
- A process for mapping Programme/Project risks against business risk registers

Although operational risk management is well understood in Prisons and Probation, there are a number of ways in which business risk management is being embedded in the organisation:

- The requirement to identify, assess and evaluate key risks built into the planning guidance, meaning that key risks are being identified and managed throughout the Agency
- The process followed by the Board is replicated at every level
- Maintenance of an organisation-wide register of key risks
- A regular programme of facilitated workshops to identify and keep up to date the record of key risks facing the organisation
- Internal Audit provide advice and guidance on the development and maintenance of risk registers as part of their audit activity

The most significant of the risks, in terms of high likelihood and high impact, managed during the year included the risks associated with capacity, industrial action and the scale and pace of change. The Board have sought to

strengthen their management of these risks and two of them were on target for being effectively managed by the end of the year. However, the risk of industrial action remains high in the longer term because of the challenges around agreeing workforce reforms.

## 5. Review of effectiveness

As Agency Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, and the executive managers who have responsibility for the development and maintenance of the internal control framework, Standards Audit and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review and the effectiveness of the system of internal control by the Board, the Audit Committee, which includes four independent members (one of whom chairs it), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I have established the following processes to maintain and review the effectiveness of the system of internal control and risk management:

- An Executive Management Committee which meets weekly to discuss and consider current business issues
- An Agency Board which meets monthly to consider the plans and strategic direction of the Agency and, each quarter, to review performance and key risks. During 2009–10 the Board comprised the Director General, the Chief Operating Officer, the Directors of HR, Finance, IT, Capacity and Operational Policy & Commissioning, representatives from the Ministry of Justice and the three Non-Executive Directors
- Annual assurance statements from each of the Directors covering the key systems for which they are responsible
- Reports from independent bodies which include HM Inspector of Probation (HMIP), HM Chief Inspector of Prisons (HMCIP), the Independent Monitoring Board, the Prisons Ombudsman and National Audit Office
- Regular bi-laterals with the Chief Inspector of Prisons and with the Prisons Ombudsman
- Regular reports by Internal Audit, to standards defined in the Government Internal Audit Standard, which include the Head of Audit & Corporate Assurance's independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement
- Bi-lateral meetings with Non-Executive Directors to discuss any concerns they may have
- Bi-lateral meetings with the Head of Audit & Corporate Assurance, who reports direct to me, to discuss emerging issues
- 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 self audit process which requires all establishments, to assess their compliance with applicable standards which, for the first time in 2009–10, is supplemented by assurance statements on selected key systems to Directors of Offender Management. Both processes are subject to review by Internal Audit and compliance is monitored by Standards Audit
- 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
- Establishment of key performance indicators and regular review of performance against them
- A report from the Chair of the Audit Committee concerning risk management and internal control
- Attending Audit Committee meetings

## 6. Information Assurance

I have appointed a Senior Information Risk Officer to advise me on the effectiveness with which we manage the risks associated with information. He is informed by the work of an Information Assurance Team and by the work of Internal Audit. We have achieved ISO 27001 stage 1 accreditation and each of the Agency's 239 business units has a detailed information

asset register. We have established a small team to deal with all aspects of non-IT related risk management. Part of its role is to provide an advice service for business units and a data incident reporting service. The team provides a remediation service for significant unmanaged risks and has contributed to implementing the recommendations made in an Internal Audit of Document Security where significant weaknesses were identified. Information Assurance is explicitly covered in the NOMS Statement on Internal Control, in Governors' Assurance Statements and in each of the Probation Area/Trust Statements on Internal Control. Four incidents have been reported to the Information Commissioner's Office.

## 7. Significant control issues

The Head of Audit and Corporate Assurance 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.

NOMS Internal Audit have been consulted about the following significant potential control issues identified by management for inclusion in this statement, and confirm that from the evidence of their work there are no other key issues to be included of which they are aware:

### Industrial action

Industrial action (IA) takes significant management and legal resources to resolve, puts NOMS' reputation and the safety of staff and prisoners at risk. This risk has been identified and the countermeasures are legislative restrictions on operational staff taking IA, governance for collective TU bargaining and proactive industrial relations monitoring. Operational and legal contingency plans are also in place. However, the legal framework alone cannot prevent industrial action by operational staff, as evidenced by the action in the North West area in November 2009 and other instances of action short of strike across the estate, including (April 2009) the Prison Officer Association's work to rule in opposition to market testing.

Significant work has been invested into strengthening the Agency's legal contingency arrangements to control the impact of IA. These will undoubtedly be tested again over the coming period as IA materialises. However, the revised control framework is now sufficiently robust to respond quickly to any unlawful industrial action by prison officers.

### Agency response to the failure of workforce reform

The rejection of the Workforce Modernisation Programme in 2008–09 put the reputation of the organisation at risk as the extant workforce infrastructure was unsustainable and the need for reform, paybill restraint and mitigation of equal pay risk remained. However, revised plans to implement a series of reforms to achieve the intended outcomes were developed and have been implemented in 2009–10 in a way that did not require the agreement. In order to manage the risks down, NOMS proceeded with a cumulative approach to reform, staging changes over a slightly longer timeframe, and focusing on changes that did not affect terms and conditions of existing staff. The changes already implemented in 2010 and those planned for 2011 will mean that we have achieved the outcomes intended through Workforce Modernisation, but at lower cost and with a better long-term return.

### Impact of Sonnex

The Sonnex Case posed a significant control issue with considerable reputational and resource impact for NOMS and London Probation. Following publication of the NOMS case review and before the outcome of the trial the Agency and London Probation had put into place various counter-measures to maintain public confidence and manage risk. These included placing the area on Directed Improvement and commissioning an independent review of Risk of Harm management by HMIP. They have implemented the findings of the various reviews. The findings from the HMIP report confirmed that London Probation needed to further improve the quality of Risk of Harm assessment and management work, and an action plan to do this is in place. HMIP carried out their follow-up inspection of

the London Probation Trust in July 2010. The report will be published in September 2010. Further work has been completed nationally with improved mechanisms to monitor arrangements for supervising higher risk offenders.

### **HMP Ashwell**

The serious disturbance at HMP Ashwell which began in the early hours of 11 April 2009 and lasted through to the following evening led to a significant loss of Category C prison places (more than 400). The subsequent investigation, undertaken at SCS level in the Agency, concluded that the incident could not have been foreseen, but identified some management weaknesses at the prison (for example around contingency planning) and made recommendations for mitigating the risk of disturbances in non-cellular Category C prison accommodation. Action to implement the recommendations of the investigation is either completed or in hand.

### **Movement of prisoners prior to inspections**

The discovery that Wandsworth and Pentonville had exchanged prisoners to affect the outcome of their inspections caused significant reputational embarrassment to NOMS, and risked compromising the very constructive relationship between the custodial arm of NOMS and the Inspectorate. The Agency responded swiftly with an unequivocal message from the Director General making clear that the practice was unacceptable. This was followed up by a full disciplinary investigation into this incident (and a subsequent incident discovered at HMP Brixton) with formal disciplinary action taken against a number of managers. An independent review across the Prison estate confirmed that this practice was not widespread and the action taken has ensured that this will not be repeated. HMCIP have amended their inspection routine to increase unannounced inspections as a further preventative measure.

### **National Offender Management Information System**

The entire C-NOMIS programme (including the subsequent rescope NOMIS programme) was examined by the NAO during 2008–09. The Public Accounts Committee (PAC) hearing took place on 6 May 2009 and their subsequent report was published on 3 November 2009.

The PAC report made 12 recommendations. The government formally responded to the report through a Treasury Minute which was published on 28 January 2010. NOMS has implemented eight recommendations and is currently taking four forward. These recommendations relate to business change, using Treasury's finance guidance, possible enhanced data sharing and recording future benefits and financial savings. Each recommendation has been assigned an owner to take forward and progress is reviewed regularly. All recommendations are expected to have been implemented by the end of 2012.

### **Financial accounting**

For the past two years there have been major changes which have impacted on our ability to produce the annual accounts in line with the timetable agreed with the National Audit Office. We experienced difficulties when producing the 2008–09 accounts because of the requirement to consolidate the financial information from the 42 Probation Areas into the NOMS accounts and in 2009–10 the issue of preparing for the International Financial Reporting Standards (IFRS) impacted on the production of the Agency accounts. We recognise that there are likely to be further changes over coming years and are committed to reviewing our arrangements to ensure that we have the capacity to deal with them without them having any adverse impact on our ability to deliver accurate and complete accounts to meet agreed timetables.

Michael Spurr  
Agency Accounting Officer  
2 September 2010

## 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 (NOMS) Agency for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows 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 Chief Executive and auditor

As explained more fully in the Statement of Chief Executive Responsibilities, the Chief Executive 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 the financial statements in accordance with applicable law and 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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements.

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

### Opinion on Regularity

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

### Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2010, and of the net operating cost, changes in taxpayers' equity and cash flows 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 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit;
- the statement on Internal Control 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

7 September 2010

## Operating Cost Statement

	Notes	For the year ended 31 March 2010		Restated For the year ended 31 March 2009	
		£'000	£'000	£'000	£'000
<b>Administration costs</b>					
Staff costs	3	90,803		104,402	
Other operating costs	5a	55,580		68,637	
Operating income	6	(11,552)	134,831	(13,948)	159,091
<b>Programme costs</b>					
Staff costs	3	2,472,003		2,425,165	
Other operating costs	5b	2,725,857		2,705,067	
Operating income	6	(430,651)	4,767,209	(370,475)	4,759,757
<b>Net operating cost for the year</b>			<b>4,902,040</b>		<b>4,918,848</b>

All income and expenditure relates to continuing operations.

The notes on pages 38 to 70 form part of these accounts.

## Statement of Financial Position

	Notes	As at 31 March 2010		Restated As at 31 March 2009		Restated As at 1 April 2008	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>							
Property, plant and equipment	7	5,803,940		6,412,914		7,579,705	
Intangible assets	8	120,804		7,732		10,980	
Financial assets	10a	158		132		211	
Receivables falling due after more than one year	12	2,636		2,307		2,507	
<b>Total non-current assets</b>			5,927,538		6,423,085		7,593,403
<b>Current assets</b>							
Assets classified as held for sale	9	14,221		18,948		9,500	
Inventories	11	37,847		38,278		30,689	
Trade and other receivables	12	99,486		105,799		86,328	
Cash and cash equivalents	13	57,513		33,074		52,149	
<b>Total current assets</b>			209,067		196,099		178,666
<b>Current liabilities</b>							
Trade and other payables	14a	(577,567)		(577,414)		(678,527)	
<b>Total current liabilities</b>			(577,567)		(577,414)		(678,527)
<b>Non-current assets plus/(less) net current assets/liabilities</b>			5,559,038		6,041,770		7,093,542
<b>Non-current liabilities</b>							
Other payables	14b	(325,609)		(361,291)		(411,927)	
Provisions	15	(128,222)		(110,215)		(100,464)	
Pension deficit liability	16	(1,389,689)		(718,602)		(502,540)	
<b>Total non-current liabilities</b>			(1,843,520)		(1,190,108)		(1,014,931)
<b>Total assets less liabilities</b>			3,715,518		4,851,662		6,078,611
<b>Taxpayers' equity</b>							
General fund			2,809,215		3,562,259		3,851,411
Revaluation reserve			906,232		1,289,314		2,227,127
Donated asset reserve			71		89		73
<b>Total Taxpayers' Equity</b>			3,715,518		4,851,662		6,078,611

The notes on pages 38 to 70 form part of these accounts.

Michael Spurr  
Agency Accounting Officer  
2 September 2010

## Statement of Cash Flows

	Notes	For the year ended 31 March 2010		Restated For the year ended 31 March 2009	
		£'000	£'000	£'000	£'000
<b>Net Operating Cost</b>			<b>(4,902,040)</b>		<b>(4,918,848)</b>
<b>Adjustments for non-cash transactions</b>					
Non-cash administration costs	5a	8,928		10,110	
Non-cash programme costs	5b	988,734		1,024,977	
Change in value of investments	10a	(26)		79	
Adjustment for NPS Pension funding		30,721		25,024	
<b>Adjustment for movements in working capital other than cash</b>			<b>1,028,357</b>		<b>1,060,190</b>
(Increase)/Decrease in Inventories	11	431		(7,589)	
(Increase)/Decrease in Receivables	12a	5,984		(22,483)	
Increase/(Decrease) in Payables	14a	36,250		(108,872)	
Utilisation of Provisions	15	(14,549)		(13,916)	
			28,116		(152,860)
<b>Net cash outflow from operating activities</b>			<b>(3,845,567)</b>		<b>(4,011,518)</b>
Purchase of Property, Plant & Equipment and Intangibles	7c	(648,460)		(554,761)	
Proceeds of Disposals of Non-current Assets	7b	5,212		11,078	
<b>Net cash outflow from investing activities</b>			<b>(643,248)</b>		<b>(543,683)</b>
			<b>(4,488,815)</b>		<b>(4,555,201)</b>
<b>Cash flow from financing activities</b>					
Net funding received from Ministry of Justice		4,562,840		4,595,047	
Payments to the Consolidated Fund - prior year surrender		(1,854)		(2,837)	
Payments to the Consolidated Fund - current year surrender		(11)		(72)	
Capital element of payments in respect of long-term liabilities		(47,721)		(56,012)	
			4,513,254		4,536,126
<b>(Decrease)/Increase in cash</b>			<b>24,439</b>		<b>(19,075)</b>
Cash as at 1 April 2009			33,074		52,149
Cash as at 31 March 2010			57,513		33,074
<b>Movement in cash</b>			<b>24,439</b>		<b>(19,075)</b>

Movements in working capital other than cash exclude overdrafts and amounts due to Government funding.

The notes on pages 38 to 70 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

		General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserve
	Notes	£'000	£'000	£'000	£'000
Balance under UK GAAP at 31 March 2008		3,982,090	2,226,865	73	6,209,028
Changes in accounting policy		(130,679)	262	-	(130,417)
Restated balance at 1 April 2008		3,851,411	2,227,127	73	6,078,611
<b>Changes in taxpayers' equity for 2008–09</b>					
Net operating cost for the year		(4,918,848)			(4,918,848)
Net gain/(loss) on revaluation of property, plant and equipment and intangible assets			(937,813)		(937,813)
Receipt of donated assets	7c			16	16
Release of reserves to the operating cost statement					-
Notional Items					-
Cost of capital charge – Administration costs	5a	2,397			2,397
Cost of capital charge – Programme costs	5b	222,872			222,872
Auditor's remuneration	5a	357			357
Payroll administration	5a & 5b	4,507			4,507
Funding from the Consolidated Fund (Supply) – current year	3,278,000				
Funding in respect of Probation	710,264				
Funding in respect of units transferred	606,783	4,595,047			4,595,047
Found assets	7c	9,600			9,600
Pension Actuarial (Loss)/Gain		(192,614)			(192,614)
Income not appropriated in aid paid to Consolidated Fund	6	(4,484)			(4,484)
Machinery Of Government Changes		(7,986)			(7,986)
<b>Balance as at 31 March 2009</b>		<b>3,562,259</b>	<b>1,289,314</b>	<b>89</b>	<b>4,851,662</b>

The notes on pages 38 to 70 form part of these accounts.

## Changes in Taxpayers' Equity for 2009–2010

		General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserve
	Notes	£'000s	£'000	£'000s	£'000s
Changes in taxpayers' equity for 2009–10					
<b>B/F Balance as at 1 April 2009</b>		<b>3,562,259</b>	<b>1,289,314</b>	<b>89</b>	<b>4,851,662</b>
<b>Net operating cost for the year</b>		<b>(4,902,040)</b>			<b>(4,902,040)</b>
Net gain/(loss) on revaluation of property, plant and equipment and intangible assets			(335,960)		(335,960)
Receipt of donated assets	7c			(18)	(18)
Release of reserves to the operating cost statement		47,122	(47,122)		-
Notional items					-
Cost of capital charge – administration costs	5a	2,519			2,519
Cost of capital charge – programme costs	5b	178,833			178,833
Auditor's remuneration	5a	422			422
Funding from the Consolidated Fund (Supply) – current year		4,562,840			4,562,840
Pension Actuarial (loss)/gain		(642,560)			(642,560)
Income not appropriated in aid paid to Consolidated Fund	6	(180)			(180)
<b>Balance as at 31 March 2010</b>		<b>2,809,215</b>	<b>906,232</b>	<b>71</b>	<b>3,715,518</b>

The notes on pages 38 to 70 form part of these accounts.

# Notes to the Accounts

## 1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2009–10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM 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.

### 1.1 Accounting convention

The accounts have been prepared on an accruals basis under the historical cost convention and modified to account for the revaluation of non-current assets and inventories, where material, at their value to the business.

### 1.2 Machinery of government changes and restatement of comparatives

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

HM Prison Service, the former NOMS HQ, National Probation Service Boards and Trusts have merged to form the National Offender Management Service (NOMS) Agency effective from 1 April 2008. The opening balances on consolidation have been restated, aggregating the book value of net assets of each party at 1 April 2008.

The National Probation Service Boards (excluding the Trusts) also publish their own consolidated accounts.

### 1.3 First-time adoption of IFRS

The Accounts have been prepared under the International Financial Reporting Standards (IFRS), which have been adopted for the first time in 2009–10.

The financial impact of adopting IFRS is disclosed in note 18.

Adjustments to the accounts in relation to the adoption of IFRS can be summarised as:

- Recognition of property available for sale as non-current assets held for sale
- Recognition of a liability for outstanding annual leave
- Reclassification of operating leases as finance leases as appropriate
- Recognition of service concession arrangements
- Recognition of intangible non-current IT assets
- Prior year comparatives have been restated in respect of the above changes

### 1.4 Tangible non-current assets

#### Valuation basis

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

#### Valuation method

Land and buildings are included at fair value 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 the functional obsolescence. The land upon which freehold buildings are sited is valued at the lower of alternative site values or market value in accordance with RICS Appraisal and Valuation Standards 6th Edition. The Valuation Office Agency (VOA) carried out a revaluation of all land and buildings as at 31 March 2009.

Land and buildings are restated at each Statement of Financial Position date using the Building Cost Information Service (BCIS) and RICS Price Indices. In 2009–10 the VOA carried out the indexation on behalf of NOMS and National Probation Service (NPS) property was indexed in-house.

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 the date of commissioning.

Non-property assets, mainly equipment in excess of £5,000, are included at cost upon purchase and are restated at each Statement of Financial Position date using the Price Index Numbers for Current Cost Accounting (Office for National Statistics).

### Capitalisation threshold

The threshold for capitalising individual assets is £5,000 (including VAT). A materially significant purchase of individual items may arise in connection with a single project. In accordance with IFRS, 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; they can be an integrated system of diverse equipment designed to deliver a specific solution, for example, an IT equipment refresh project; and, a materially significant acquisition of furniture or IT at a single site. The threshold for capitalising grouped assets is £1 million (including irrecoverable VAT).

Grouped assets must meet the threshold criteria above and include:

- A furniture pool, purchased for the fit out of a newly acquired property or the replacement of substantially all of the existing furniture at a property
- The acquisition, enhancement or replacement of an IT network
- IT and furniture refresh programmes where the planned spend exceeds the capitalisation threshold

Historically, office furniture and prison cell furniture, where individual items fell below the capitalisation threshold, were capitalised at a standard value per item based on numbers of staff and prisoners and were not depreciated. In line with the FReM and MoJ accounting policy, a one-off depreciation charge in respect of historic utilisation of the pool of existing office furniture and prison cell furniture has been recognised in 2009–10, with future depreciation occurring on a straight-line basis over the assets' remaining useful life.

An exception to this is the purchase of new furniture at the Shared Service Centre. This has been capitalised and is being depreciated over its useful life.

There has been a change of accounting policy in 2009–10, and all new furniture is now charged directly to the Operating Cost Statement.

### Componentisation

NOMS identifies those 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 Reserve

The Revaluation Surplus reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments in non-current assets and inventory (excluding donated assets).

## 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 relevant authorities 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	Shorter of remaining life or up to 60 years depending on building
Grouped assets	Depending on individual asset types comprising this asset
Leasehold buildings	Shorter of remaining life, remaining lease period or up to 50 years; 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 & fittings	3 to 15 years depending on individual asset type
Assets under construction	Not depreciated

## Impairment

All assets are assessed annually for indications of impairment as at 31 March. Where indications of impairment exist, the asset value is tested for impairment by comparing the book value to the recoverable amount. In accordance with IAS 36 the recoverable amount is determined as the higher of the “fair value less costs to sell” and the “value in use”. Where the recoverable amount is less than the carrying

amount, the asset is considered impaired and written down to the recoverable amount and an impairment loss is recognised. Any reversal of an impairment charge is recognised in the Operating Cost Statement to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in the Operating Cost Statement. The remaining amount is recognised in the Revaluation Surplus.

Indicators of impairment to property assets are typically associated with major incidents within the property which caused substantial damage to the building.

Under IAS 36, Intangible Assets under construction should be tested for impairment annually.

### 1.5 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. Depreciation on non-current assets held for sale ceases upon reclassification. Depreciation is reinstated and retrospectively applied to any assets which are subsequently not sold and re-classified as in-use.

At 31 March 2010 non-current assets held for sale were valued at £14m. See note 9.

NOMS HQ buildings were not judged to have met the assets held for sale classification criteria at the reporting date.

### 1.6 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 purchased software.

Expenditure is capitalised where it is directly attributable to bring an asset into working condition. Internal staff costs are expensed to the Operating Cost Statement, as are those of contractors and interims undertaking ongoing roles that might otherwise be filled by civil servants. The costs of external consultants engaged on projects are capitalised where appropriate.

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 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 restated at each Statement of Financial Position date using the Office for National Statistics IT price indices.

### 1.7 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.

#### 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 buildings 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 Operating Cost Statement on a straight-line basis.

#### 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 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.

### 1.8 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.

## 1.9 Service concessions and Private Finance Initiative transactions

### Service concession arrangements

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

In determining that Prisoner Escort and Custody Services (PECS) and Electronic Monitoring Services (EMS) met these conditions, NOMS sought the professional opinion of Deloitte LLP.

The infrastructural 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 contractor 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.

### 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 Statement of Financial Position. For non-owned assets, the asset is treated as a finance lease in accordance with IAS 17: Leases, and the asset and corresponding liability capitalised.

Contract payments are apportioned between the imputed finance lease charge, the service charge and the reduction in the liability and disclosed in note 14d. The interest expense is calculated using the HM Treasury rate.

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.

### 1.10 Donated assets

Donated tangible non-current assets are capitalised at their current value on receipt, and this value is credited to the donated assets reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement.

### 1.11 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 Statement of Financial Position but are subject to the inventory controls. Antiques and works of art are depreciated on an individual basis and should be professionally valued and re-lived over a period to be determined.

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.

### 1.12 Investments

NOMS holds a number of investments as a result of its trading activities. Quoted investments are valued at market value. Unquoted investments are valued on the basis of estimated realisable value. We do not hold highly liquid assets which could be described as a cash equivalent.

### 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 Employee benefits

#### Pensions – Defined Benefit Plan

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 local Probation Boards and 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.

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

The 42 Boards and 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 and Wales Audit Office (and their appointed auditors) as

part of each board or trust 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 result of using draft data, NOMS has commissioned Deloitte Total Reward and Benefits Ltd to evaluate the LGPS disclosures supplied by the Probation Boards and 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.

#### Early departure costs

NOMS is required to pay the additional cost of benefits beyond the normal PCSPS and LGPS 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 3.2% in real terms.

### 1.15 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 appropriated in aid 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.

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 Children, Schools and Families and 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 a 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 National Probation Service income comprises rent receivables, income from EU sources, income from other government departments and miscellaneous income. The National Probation Service can earn interest from various sources but, under the Criminal Justice and Court Services Act 2000, cannot retain any interest from the investment of funds received from the centre. This interest is surrendered as Consolidated Fund Extra Receipts (CFERs).

### **1.16 Administration and programme expenditure**

The Operating Cost Statement 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 (for example, public and private prison establishments, probation boards and trusts, prisoner escort and 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:

- Central shared services for Finance, HR, Expenses, Procurement, Procure to Pay and IT. The degree to which these services provide support to headquarters units is calculated on the basis of headcount which to date is apportioned in the ratio 1:9 HQ to frontline
- Caseworking units (for example, Mental Health Unit)
- Operational training
- Management and delivery of custodial capacity and property maintenance

Costs incurred by Director of Offender Management offices are attributed to programme or administration based on their nature. The ratio of programme to administration costs will therefore depend on the nature and scale of the work carried out at these levels.

### **1.17 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 Statement of Financial Position date are translated at the rates at that date. These translation differences are dealt with in the Operating Cost Statement.

## 1.18 Non cash-costs

### Capital charge

A charge reflecting the cost of capital utilised by NOMS is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets, less liabilities, except for:

- a. Tangible and intangible non-current assets where the cost of capital is based on opening values, adjusted pro-rata for in-year:
  - Additions at cost
  - Disposals at their opening Statement of Financial Position values (plus any subsequent capital expenditure prior to disposal)
  - Impairment at the amount of the reduction of the opening Statement of Financial Position value (plus any subsequent capital expenditure)
  - Depreciation
- b. Donated assets and cash balances with the Office of HM Paymaster General and the Government Banking Service, where the charge is nil
- c. Amounts due to or from the Consolidated Fund and liabilities in respect of advances from the Contingencies Fund
- d. The Pension Scheme Liability where the charge is set at 3.2% to reflect the central government pension scheme discount rate
- e. The Probation Boards use a discount rate of 2.2% for provisions for liabilities and charges

### Other

Other non-cash costs in the Operating Cost Statement include the external auditors' remuneration, which represents the cost of the audit of the financial statements carried out by the National Audit Office.

## 1.19 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, and a reliable best estimate can be made for the amount of the obligation.

## 1.20 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.

## 1.21 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.

## 1.22 Third party assets

NOMS holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised on the Statement of Financial Position and are disclosed within note 24.

## 1.23 Consolidated Fund Extra Receipts

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

## 1.24 Financial instruments

In addition to cash, NOMS has three 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 Statement of Financial Position 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 disclosed in note 10(a) of the accounts are held at Fair Value through Profit and Loss. 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 Operating Cost Statement, as income or as an expense.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in fixed assets unless management intends to dispose of the asset within 12 months of the Statement of Financial Position date. NOMS does not currently hold any assets in this class.

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.

## 2. Analysis of spend by section as reported to the Management Board

The following table presents the net cost of operations and total net assets by reportable operating segment for the year ended 31 March 2010

	2009–2010		2008–2009	
	Net Expenditure £'000	Total Assets £'000	Net Expenditure £'000	Total Assets £'000
Directorate				
Prisons and Probation	3,496,396	284,834	3,465,532	903,781
Capacity Programme	913,892	5,020,781	1,086,710	5,459,149
Finance & Performance	237,066	208,212	216,087	193,948
HQ and Policy	254,686	622,778	150,519	62,306
<b>Grand Total</b>	<b>4,902,040</b>	<b>6,136,605</b>	<b>4,918,848</b>	<b>6,619,184</b>

The segmental analysis shows the information based on the structure reported to the Management Board.

The Agency is split into directorates and the directorates' financial information is reported to the Management Board.

The operating segments' net cost of operations and assets are measured on the same basis as the corresponding amounts reported in the financial statements.

### 3. Staff costs

Staff costs consist of:	2009–2010	Restated 2008–2009
	£'000	£'000
Wages and salaries	1,955,377	1,926,109
Social security costs	149,158	146,675
Other pension costs	363,346	358,819
Staff on secondment, agency and contract staff	94,925	97,964
	<b>2,562,806</b>	<b>2,529,567</b>

	2009–2010	Restated 2008–2009
	£'000	£'000
Administration related staff costs	90,803	104,402
Programme related staff costs	2,472,003	2,425,165
	<b>2,562,806</b>	<b>2,529,567</b>

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 of the scheme was carried out at 31 March 2007 and details can be found in resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2009–10, normal employer contributions of £250.6m were payable to the PCSPS (£253.2m in 2008–09) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay (25.6 per cent for Prison Officer grades with reserved rights). The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred; and they reflect past experience of the scheme.

The Local Government Pension Schemes (for the National Probation Boards and Trusts) are funded multi-employer defined benefit schemes. The Probation Boards' share of the underlying assets and liabilities are shown below in note 16.

For 2009–10, employers' contributions of £95.9m were payable to the LGPS (£89.9m in 2008–09) in a range from 14.1 to 22.6 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.

One hundred and seventy two persons retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £1.1m (£1.9m in 2008–09).

In cases of Public Interest Transfers, staff may be entitled to benefits in kind including housing loans. The balance of housing loans outstanding at 31 March 2010 is shown within staff receivables in note 12(a).

#### 4. Staff numbers

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

	2009–2010			Restated 2008–2009		
	Admin	Programme	Total	Admin	Programme	Total
Administration	1,843	25,846	27,689	2,015	26,681	28,696
Industrial	451	3,178	3,629	440	3,153	3,593
Unified and operational grades*	652	33,926	34,578	642	34,168	34,810
Specialist	227	3,918	4,145	193	4,256	4,449
Agency and contract staff	286	1,155	1,441	228	1,215	1,443
	<b>3,459</b>	<b>68,023</b>	<b>71,482</b>	<b>3,518</b>	<b>69,473</b>	<b>72,991</b>

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

#### 5. Other Operating Costs

##### 5(a). Administration costs

	Notes	2009–2010		Restated 2008–2009	
		£'000	£'000	£'000	£'000
Accommodation and maintenance costs		3,071		12,769	
Rentals under operating leases		141		359	
PFI Service Charges		3,035		3,755	
PFI Finance Charges		116		155	
IT services		18,414		16,284	
Auditor's remuneration		1,557		1,538	
Communications		2,070		2,634	
Travel, subsistence and hospitality		4,996		6,442	
Professional services		1,820		1,474	
Other staff related costs		4,937		7,190	
Other costs		6,495	46,652	5,927	58,527
<b>Non cash items</b>					
Depreciation	7b	4,896		7,221	
Amortisation		1,108		234	
(Profit)/Loss on disposal of non current assets	7b	(17)		(549)	
Cost of capital charge		2,519		2,397	
Auditor's remuneration		422		357	
Payroll administration charges		-	8,928	450	10,110
<b>Total other administration costs</b>			<b>55,580</b>		<b>68,637</b>

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

## 5(b). Programme Costs

	Notes	2009–2010		Restated 2008–2009	
		£'000	£'000	£'000	£'000
Accommodation and maintenance costs		386,804		387,968	
Rentals under operating leases		3,156		4,626	
PFI service charges		530,388		503,424	
PFI finance charges		25,483		27,740	
IT services		142,177		133,476	
Communications		32,425		32,632	
Offender related costs		335,968		322,883	
Travel, subsistence and hospitality		41,549		47,688	
Professional services		35,924		41,969	
Other staff related costs		73,092		80,233	
Other costs		130,183	1,737,149	97,372	1,680,011
<b>Non cash items</b>					
Depreciation	7b	234,010		250,603	
Amortisation		19,513		4,124	
Loss/(profit) on disposal of non current assets	7b	2,396		1,998	
Provisions created net of releases	15	32,556		23,668	
Bad debt provisions		(3,628)		3,012	
Cost of capital charge		178,833		222,872	
Impairment charge		525,054		514,643	
Decrease/(Increase) in value of investments		(26)		79	
Payroll administration charges		-	988,708	4,057	1,025,056
<b>Total other programme costs</b>			<b>2,725,857</b>		<b>2,705,067</b>

The impairment charge for 2009–10 has arisen due to the following:

- The revaluation of land and buildings, resulting in an impairment of £525.1m (2008–09 £499m)
- The rescoping of the NOMIS project, resulting in an impairment of £0m (2008–09 £15.6m)

## 6. Operating Income

	2009–2010			Restated 2008–2009		
	Appropriated in aid	Not appropriated in aid	Total	Appropriated in aid	Not appropriated in aid	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Administration income</b>						
Youth Justice Board receipts	5,081	-	5,081	6,079	-	6,079
Home Office receipts	-	-	-	2,922	-	2,922
Other income	6,471	-	6,471	2,158	2,789	4,947
<b>Total administration income</b>	<b>11,552</b>	<b>-</b>	<b>11,552</b>	<b>11,159</b>	<b>2,789</b>	<b>13,948</b>
<b>Programme income</b>						
Youth Justice Board receipts	174,742	-	174,742	178,421	-	178,421
Dept. for Business, Innovation and Skills receipts	18,587	-	18,587	18,672	-	18,672
Dept. of Health receipts	10,919	-	10,919	46	-	46
Home Office receipts	15,030	-	15,030	4,597	-	4,597
Primary Care Trusts receipts	78,958	-	78,958	85,565	-	85,565
Welsh Assembly receipts	6,899	-	6,899	3,144	-	3,144
UK Border Agency receipts	6,526	-	6,526	5,098	-	5,098
European Social Fund receipts	11,437	-	11,437	3,526	-	3,526
External sales of industries	5,761	-	5,761	6,923	-	6,923
Retail prison shop income	42,151	-	42,151	13,304	-	13,304
Other income	59,461	180	59,641	49,484	1,695	51,179
<b>Total programme income</b>	<b>430,471</b>	<b>180</b>	<b>430,651</b>	<b>368,780</b>	<b>1,695</b>	<b>370,475</b>
<b>Total operating income</b>	<b>442,023</b>	<b>180</b>	<b>442,203</b>	<b>379,939</b>	<b>4,484</b>	<b>384,423</b>

Youth Justice Board receipts cover the cost of provision of juvenile custody. Department for Business, Innovation and Skills receipts cover the cost of provision of education services purchased from Local Education Authorities and other contractors. Department of Health and Welsh Assembly Government receipts and receipts from Primary Care Trusts cover the cost of the provision of healthcare.

## 7. Non-Current Tangible Assets

	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
<b>At 1 April 2009</b>	<b>738,740</b>	<b>4,823,274</b>	<b>105,906</b>	<b>228,938</b>	<b>41,008</b>	<b>713,435</b>	<b>6,651,301</b>
Additions	225	4,518	16,350	13,806	28	581,671	616,598
Disposals	(1,023)	(669)	(153)	(10,277)	(36)	-	(12,158)
Transfers	-	659,205	28,271	10,653	-	(826,209)	(128,080)
Re-classification	(651)	(1,761)	(10,168)	1,684	108	-	(10,788)
Impairment	-	(6,847)	-	-	-	-	(6,847)
Indexation/ Revaluation	(56,988)	(830,756)	(30,599)	7,887	3,426	-	(907,030)
<b>At 31 March 2010</b>	<b>680,303</b>	<b>4,646,964</b>	<b>109,607</b>	<b>252,691</b>	<b>44,534</b>	<b>468,897</b>	<b>6,202,996</b>
<b>Depreciation</b>							
<b>At 1 April 2009</b>	<b>-</b>	<b>(25,146)</b>	<b>(80,759)</b>	<b>(128,172)</b>	<b>(4,310)</b>	<b>-</b>	<b>(238,387)</b>
Charge in year	-	(180,709)	(18,789)	(24,400)	(15,016)	-	(238,914)
Disposals	-	8	130	8,786	36	-	8,960
Transfers	-	-	(1,184)	(128)	-	-	(1,312)
Re-classification	-	64	4,035	-	-	-	4,099
Indexation/ Revaluation	-	40,985	27,765	(2,225)	(27)	-	66,498
<b>At 31 March 2010</b>	<b>-</b>	<b>(164,798)</b>	<b>(68,802)</b>	<b>(146,139)</b>	<b>(19,317)</b>	<b>-</b>	<b>(399,056)</b>
<b>Net book value</b>							
<b>At 31 March 2010</b>	<b>680,303</b>	<b>4,482,166</b>	<b>40,805</b>	<b>106,552</b>	<b>25,217</b>	<b>468,897</b>	<b>5,803,940</b>
<b>At 1 April 2009</b>	<b>738,740</b>	<b>4,798,128</b>	<b>25,147</b>	<b>100,766</b>	<b>36,698</b>	<b>713,435</b>	<b>6,412,914</b>
<b>Asset financing</b>							
Owned	680,303	4,008,939	17,728	92,968	25,217	468,897	5,294,052
Finance leased	-	29,176	-	-	-	-	29,176
On-balance sheet PFI contracts	-	444,051	23,077	13,584	-	-	480,712
<b>Net book value at 31 March 2010</b>	<b>680,303</b>	<b>4,482,166</b>	<b>40,805</b>	<b>106,552</b>	<b>25,217</b>	<b>468,897</b>	<b>5,803,940</b>

## Non-Current Tangible Assets

	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
<b>At 1 April 2008</b>	<b>837,417</b>	<b>7,251,419</b>	<b>104,387</b>	<b>207,395</b>	<b>40,466</b>	<b>744,885</b>	<b>9,185,969</b>
Additions	8,934	-	5,623	12,349	58	539,562	566,526
Disposals	(507)	(2,068)	(33)	(8,350)	-	-	(10,958)
Transfers	5,981	538,795	-	8,625	-	(553,406)	(5)
Re-classification as Assets held for sale	(588)	(18,398)	-	-	-	-	(18,986)
Impairment	-	-	-	-	-	(15,613)	(15,613)
Indexation/ Revaluation	(112,497)	(2,946,474)	(4,071)	8,919	484	(1,993)	(3,055,632)
<b>At 31 March 2009</b>	<b>738,740</b>	<b>4,823,274</b>	<b>105,906</b>	<b>228,938</b>	<b>41,008</b>	<b>713,435</b>	<b>6,651,301</b>
<b>Depreciation</b>							
<b>At 1 April 2008</b>	<b>-</b>	<b>(1,427,489)</b>	<b>(67,084)</b>	<b>(108,220)</b>	<b>(3,471)</b>	<b>-</b>	<b>(1,606,264)</b>
Charge in year	-	(217,662)	(16,593)	(22,741)	(837)	-	(257,833)
Disposals	-	399	33	7,499	-	-	7,931
Re-classification	-	38	-	-	-	-	38
Indexation/ Revaluation	-	1,619,568	2,885	(4,710)	(2)	-	1,617,741
<b>At 31 March 2009</b>	<b>-</b>	<b>(25,146)</b>	<b>(80,759)</b>	<b>(128,172)</b>	<b>(4,310)</b>	<b>-</b>	<b>(238,387)</b>
<b>Net book value</b>							
<b>At 31 March 2009</b>	<b>738,740</b>	<b>4,798,128</b>	<b>25,147</b>	<b>100,766</b>	<b>36,698</b>	<b>713,435</b>	<b>6,412,914</b>
<b>At 1 April 2008</b>	<b>837,417</b>	<b>5,823,930</b>	<b>37,303</b>	<b>99,175</b>	<b>36,995</b>	<b>744,885</b>	<b>7,579,705</b>
<b>Asset financing</b>							
Owned	738,740	4,343,129	7,878	77,982	36,698	713,435	5,917,862
Finance leased	-	709	-	-	-	-	709
On-balance sheet PFI contracts	-	454,290	17,269	22,784	-	-	494,343
<b>Net book value at 31 March 2009</b>	<b>738,740</b>	<b>4,798,128</b>	<b>25,147</b>	<b>100,766</b>	<b>36,698</b>	<b>713,435</b>	<b>6,412,914</b>

### Buildings

The charge for Impairment relates to an incident in the early part of the year at HMP Ashwell.

In accordance with accounting standards the custodial estate and Probation commercial properties were subject to external revaluation as at 31st March 2009. Land and Buildings relating to the custodial estate were valued by Michael Hardman, FRICS of the Valuation Office Agency at £5,236m. An allowance for depreciation due to functional obsolescence was incorporated in the depreciated replacement cost (DRC) valuations of the operational prisons for the first time in 2008–09; this reduced the value by £773m. Prisons are valued at depreciated replacement cost adopting where appropriate alternative site locations, non operational surplus property is valued at market value and other properties at existing use value. The commercial Probation properties were revalued by DTZ Plc (Jonathan K Crawford MRICS & Jeremy D Payne FRICS) on an existing use basis with the exception of properties deemed surplus to requirements and accorded an aggregate value of £68m. Both valuations were in accordance with the RICS Valuation Standards 6th Edition. Approved Premises were last valued in 2006 and were subject to indexation.

### Lessors

The Agency holds, as lessor, properties with a value of £6.465m, these were all subject to revaluation as at 31 March 2010 (£6.725m, 2008–2009). No properties were acquired in the year for the purpose of letting.

### 7(a). Common User Estate Property

Freehold properties occupied by the agency which are part of the former Common User Estate have never been included on the Statement of Financial Position as they are considered to be assets of the Home Office. The Home Office has made no charge in respect of these buildings.

### 7(b). Depreciation and Other Charges in respect of Tangible and Intangible Non-Current Assets

	2009–2010		Restated 2008–2009	
	£'000	£'000	£'000	£,000
Depreciation and amortisation based on cost or valuation	259,535		262,191	
Depreciation on donated assets	(8)		(9)	
Depreciation charged to Operating Cost Statement		259,527		262,182
Net book value of disposals	7,591		12,527	
Proceeds on disposals	(5,212)		(11,078)	
Loss/(profit) on disposal of tangible non-current assets		2,379		1,449
<b>Depreciation and other charges in respect of tangible non-current assets</b>		<b>261,906</b>		<b>263,631</b>

### 7(c). Reconciliation of Asset Additions to Cash Flow

	2009–2010		Restated 2008–2009	
	£'000	£'000	£'000	£'000
Non current assets additions	623,110		567,929	
Less: Found assets			(9,600)	
Less: Donated assets		18		(16)
	623,128		558,313	
<b>Less: Movement in Property, Plant &amp; Equipment creditor</b>	<b>25,332</b>		<b>(3,552)</b>	
<b>Cash purchases of Property, Plant &amp; Equipment</b>	<b>648,460</b>		<b>554,761</b>	

## 8. Non-Current Intangible Assets

	Development	Software	Licences	2009–2010
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2009	-	18,389	9,748	28,137
Additions	9	5,243	1,260	6,512
Disposals	-	(210)	(4,721)	(4,931)
Impairment	-	-	-	-
Reclassification	-	8,018	-	8,018
Indexation/Revaluation	-	(12,665)	(252)	(12,917)
Transfers	-	129,595	-	129,595
<b>At 31 March 2010</b>	<b>9</b>	<b>148,370</b>	<b>6,035</b>	<b>154,414</b>
<b>Amortisation</b>				
At 1 April 2009	-	(11,985)	(8,420)	(20,405)
Charge in year	(1)	(20,078)	(542)	(20,621)
Disposals	-	144	4,721	4,865
Impairment	-	-	-	-
Reclassification	-	(3,873)	-	(3,873)
Indexation/Revaluation	-	6,227	197	6,424
<b>At 31 March 2010</b>	<b>(1)</b>	<b>(29,565)</b>	<b>(4,044)</b>	<b>(33,610)</b>
<b>Net book value</b>				
At 31 March 2010	8	118,805	1,991	120,804
At 1 April 2009	-	6,404	1,328	7,732

	Development	Software	Licences	Restated 2008–2009
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2008	-	18,014	9,545	27,559
Additions	-	800	603	1,403
Disposals	-	-	-	-
Impairment	-	-	-	-
Indexation/Revaluation	-	(425)	(400)	(825)
<b>At 31 March 2009</b>	<b>-</b>	<b>18,389</b>	<b>9,748</b>	<b>28,137</b>
<b>Amortisation</b>				
At 1 April 2008	-	(8,546)	(8,033)	(16,579)
Charge in year	-	(3,642)	(716)	(4,358)
Disposals	-	-	-	-
Impairment	-	-	-	-
Indexation/Revaluation	-	203	329	532
<b>At 31 March 2009</b>	<b>-</b>	<b>(11,985)</b>	<b>(8,420)</b>	<b>(20,405)</b>
<b>Net book value</b>				
At 31 March 2009	-	6,404	1,328	7,732
At 1 April 2008	-	9,468	1,512	10,980

## 9. Assets held for sale

	2009–2010	Restated 2008–2009
	£'000	£'000
<b>Cost or valuation</b>		
<b>At 1 April 2009</b>	<b>18,948</b>	<b>9,500</b>
Additions	5,960	18,948
Disposals	(4,327)	(9,500)
Re-classifications	(3,612)	-
Indexation	-	-
Revaluation	(2,748)	-
<b>At 31 March 2010</b>	<b>14,221</b>	<b>18,948</b>

NOMS has committed to a plan to sell various surplus properties consisting of commercial properties 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 to asset held for sale or sold within the Statement of Financial Position.

## 10(a). Investments

	Quoted	Unquoted	Total	31 March 2009
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2009</b>	<b>102</b>	<b>30</b>	<b>132</b>	<b>211</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Fair value adjustment recognised in expenditure	42	(16)	26	(79)
Movement in year	-	-	-	-
<b>Balance at 31 March 2010</b>	<b>144</b>	<b>14</b>	<b>158</b>	<b>132</b>

Quoted investments are stated at market value at 31 March 2010.

Unquoted investments relate mainly to the value of milk quota and are valued at estimated realisable value at 31 March 2010.

These investments were acquired by NOMS (as a result of trading activities) at no cost.

## 10(b). Financial Instruments

### Investments Categories of financial instruments

		31 March 2010	Restated 31 March 2009
	Notes	£'000	£'000
<b>Financial Assets</b>			
Cash	13	57,513	33,074
Loans and receivables		-	-
Trade receivables	12	23,647	31,608
Other receivables	12	78,475	76,498
National Loans Fund – capital		-	-
		102,122	108,106
<b>Financial assets at fair value through profit and loss</b>			
Derivative instruments milk quotas	10a	14	30
Quoted investments	10a	144	102
		158	132
<b>Available for sale financial assets</b>			
Quoted investments	10a	-	-
		-	-
Carrying amount of Financial Assets		159,793	141,312
<b>Financial Liabilities</b>			
<b>Financial Liabilities at amortised cost</b>			
Finance lease liabilities	14a,14b	370,593	409,012
Trade payables	14	172,521	266,680
National Loans Fund – capital		-	-
<b>Carrying amount of Financial Liabilities</b>		<b>543,114</b>	<b>675,692</b>

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

Finance liabilities include short and long-term liabilities. Liabilities disclosed under this note only refers to trade creditors and finance leases.

#### 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.

### Ageing of Financial Assets as at 31 March 2010

	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
<b>Not impaired</b>						
Cash	57,513	-	-	-	-	57,513
Trade receivables	13,984	5,286	959	1,508	1,910	23,647
Other receivables	2,140	57,816	8,706	8,706	1,107	78,475
<b>Impaired</b>						
<b>Total</b>	<b>73,637</b>	<b>63,102</b>	<b>9,665</b>	<b>10,214</b>	<b>3,017</b>	<b>159,635</b>

#### LIQUIDITY RISK

NOMS' financial liabilities are trade creditors and finance leases. The following table illustrates the maturities for financial liabilities. It is highly unlikely that NOMS will encounter difficulty in meeting its obligations associated with these liabilities.

## Maturity of Financial liabilities as at 31 March 2010

	On demand	Within 1 year	Between 1 to 5 years	After more than 5 years	Total
	£'000		£'000	£'000	£'000
Finance lease liabilities	-	44,985	124,500	201,108	370,593
Trade payables	-	172,521	-	-	172,521
<b>Total</b>	<b>-</b>	<b>217,506</b>	<b>124,500</b>	<b>201,108</b>	<b>543,114</b>

### MARKET 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.

#### Foreign currency risk

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

## 11. Inventories

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£'000	£'000	£'000
<b>Industries and farms</b>			
Raw materials	1,386	636	676
Work-in-progress	2,033	2,180	2,195
Finished goods	3,549	3,857	2,271
	<b>6,968</b>	<b>6,673</b>	<b>5,142</b>
<b>Consumables</b>	<b>30,879</b>	<b>31,605</b>	<b>25,547</b>
	<b>37,847</b>	<b>38,278</b>	<b>30,689</b>

## 12. Trade Receivables and other current assets

### 12(a). Analysis by type

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£'000	£'000	£'000
<b>Amounts falling due within one year</b>			
Trade receivables	23,647	31,608	12,937
HM Government Receivables	37,058	48,432	17,925
Staff Receivables	1,476	1,804	2,556
Other Receivables	11,555	5,924	25,688
Prepayments and accrued income	25,750	18,031	27,222
	<b>99,486</b>	<b>105,799</b>	<b>86,328</b>
<b>Amounts falling due after more than one year</b>			
Other receivables	496	-	-
Staff receivables	2,140	2,307	2,507
	<b>102,122</b>	<b>108,106</b>	<b>88,835</b>

Staff receivables due after more than one year represent amounts in respect of home purchase loans, which are repayable over periods up to 12 years. The total number of outstanding loans is 363 (538 in 2008–09).

## 12(b). Intra-Government Receivables

	31 March 2010		Restated 31 March 2009		Restated 1 April 2008	
	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	Receivables: amounts falling due within one year	Receivables: amounts falling due more than one year
	£'000	£'000	£'000	£'000	£'000	£'000
Balances with other central government bodies	48,468	-	62,450	-	19,062	-
Balances with local authorities	5,332	-	4,153	-	4,355	-
Balances with NHS bodies	5,704	-	13,220	-	10,761	-
Balances with public corporations & trading funds	31	-	15	-	257	-
	59,535	-	79,838	-	34,435	-
Balances with bodies external to Government	39,951	2,636	25,961	2,307	51,893	2,507
	<b>99,486</b>	<b>2,636</b>	<b>105,799</b>	<b>2,307</b>	<b>86,328</b>	<b>2,507</b>

## 13. Cash and Cash Equivalents

	31 March 2010	Movement	31 March 2009	1 April 2008
	£'000	£'000	£'000	£'000
Balance as at 1 April 2009	33,074	-	52,149	14,784
Net change in cash and cash equivalents	24,439	-	(19,075)	37,365
Balance as at 31 March 2010	57,513	-	33,074	52,149
The following balances at 31 March were held at:				
Office of Paymaster General	1,191,221	-	26,409	28,124
Government Banking Service	(1,207,305)	-	-	-
Commercial banks and cash in hand	74,001	-	48,742	43,872
Cash at bank and in hand	57,917	(17,234)	75,151	71,996
Overdraft	(404)	41,673	(42,077)	(19,847)
<b>Cash at bank and in hand</b>	<b>57,513</b>	<b>24,439</b>	<b>33,074</b>	<b>52,149</b>

Since November 2009 the Government Banking Service has provided a current account banking service and funding continuing to be drawn into the Office of the Paymaster General account.

The overdraft shown above arises as a result of unrepresented cheques and BACS payments at the Statement of Financial Position date.

In addition, NOMS holds third party monies of £10.4m (£9.5m in 2008–09), not included in the above balances. This relates to monies held on behalf of prisoners.

## 14. Trade Payables and other current liabilities

### 14(a). Amounts falling due within one year

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£'000	£'000	£'000
Trade payables	172,521	266,680	267,050
Current part of imputed finance lease element of on balance sheet PFI contracts	44,891	47,548	56,012
Current part of Finance lease	93	173	80
HM Government payables	11,806	9,542	8,641
Other payables	1,852	1,543	2,014
Accruals and deferred income	346,236	250,074	341,894
	<b>577,399</b>	<b>575,560</b>	<b>675,691</b>
Amounts due to the Consolidated Fund:			
Consolidated Fund Extra Receipts (CFERs)	168	1,854	2,836
	<b>577,567</b>	<b>577,414</b>	<b>678,527</b>

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

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£'000	£'000	£'000
Imputed finance lease element of on-balance sheet PFI contracts	324,756	360,366	410,943
Finance leases	853	925	984
	<b>325,609</b>	<b>361,291</b>	<b>411,927</b>

### 14(c). Intra Government Payables

	31 March 2010		Restated 31 March 2009		Restated 1 April 2008	
	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
Balances with other central government bodies	7,009	-	6,604	-	7,792	-
Balances with local authorities	22,264	-	34,880	-	11,261	-
Balances with NHS Trusts	1,133	-	2,819	-	11,110	-
Balances with public corporations & trading funds	105	-	140	-	174	-
	30,511	-	44,443	-	30,337	-
Balances with bodies external to government	547,056	325,609	532,971	361,291	648,190	411,927
	<b>577,567</b>	<b>325,609</b>	<b>577,414</b>	<b>361,291</b>	<b>678,527</b>	<b>411,927</b>

## 14(d). Commitments under PFI contracts and other service concession arrangements

### On-balance sheet PFI contracts

Project name	Contract start date	Duration (years)	Estimated Capital value (£m)	Description
HMP Altcourse	December 1995	27	54.6	Design, build, finance and operate an 800 place Category B prison at HMP Altcourse
HMP Parc	December 1995	27	56.6	Design, build, finance and operate an 840 place Category B prison near Bridgend, South Wales
HMP Lowdham Grange	November 1996	27	50	Design, build, finance and operate a 760 place Category B prison at HMP Lowdham Grange, Nottingham
HM/YOI Ashfield	June 1998	27	22	Design, build, finance and operate a 400 place young offenders and juveniles' Category B prison at Pucklechurch, near Bristol
HMP Forest Bank	July 1998	27	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	27	32.3	Design, build, finance and operate a 600 place Category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	September 1999	27	69.7	Design, build, finance and operate a 1,060 place Category B prison and therapeutic community facility at HMP Dovegate Marchington
HMP Bronzefield	December 2002	27	46	Design, build, finance and operate a 500 place Category B prison at Ashford in Middlesex
HMP Peterborough	February 2003	27	65.2	Design, build, finance and operate an 840 place Category B prison at Peterborough in Cambridgeshire
Prison service – Heat/Energy Tranche 1	November 1998	15	9	Installation and maintenance of boilers in prisons and the provision of heating/energy services
Prison service – Heat/Energy Tranche 2	August 2001	15	16	The installation and maintenance of boilers in prisons and the provision of heating/energy services
Prison Escort Service	August 2004	7	13.6	The supply and running of the Prison Vans and Escorts
Electronic Monitoring System	April 2005	7	10.7	The supply of electronic tagging system
IT and telephony system	July 2000	12	12.9	The supply of IT and telephony system

The estimated capital value of the Heat/Energy contracts is the original capital cost. The value of these is subsumed in the total building value of the relevant prison. All other values are at current depreciated cost.

### The total liability under on-balance sheet PFI contracts and other service concession arrangements for the following periods comprises:

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£'000	£'000	£'000
Not later than one year	67,632	73,675	86,933
Later than one year but not later than 5 years	191,658	212,453	247,377
Later than 5 years	274,771	310,845	348,987
	534,061	596,973	683,297
Less interest element	(164,414)	(189,059)	(216,343)
	<b>369,647</b>	<b>407,914</b>	<b>466,954</b>

## Charge to the Operating Cost Statement and future commitments

The payments in respect of the service element within the PFI contracts to which NOMS is committed, analysed by the period during which the commitment expires, is as follows:

	31 March 2010	Restated 31 March 2009
	£'000	£'000
Not later than one year	573,187	564,106
Later than one year but not later than 5 years	1,274,287	1,590,035
Later than 5 years	2,742,115	3,111,538
	<b>4,589,589</b>	<b>5,265,679</b>

## 14(e). Commitments under Leases

### Operating leases

Total future minimum lease payments under operating leases as given in the table below for each of the following periods:		2009–2010	Restated 2008–2009
		£'000	£'000
<b>Land and Buildings</b>	Not later than one year	28,176	23,905
	Later than one year but not later than 5 years	80,556	74,756
	Later than 5 years	156,723	176,670
		<b>265,455</b>	<b>275,331</b>
<b>Other</b>	Not later than one year	2,322	1,899
	Later than one year but not later than 5 years	2,594	2,341
	Later than 5 years	90	308
		<b>5,006</b>	<b>4,548</b>

### Finance leases

Total future minimum lease payments under finance leases as given in the table below for each of the following periods:		2009–2010	Restated 2008–2009
		£'000	£'000
<b>Obligations under finance leases comprise:</b>			
<b>Land and Buildings</b>	Not later than one year	155	155
	Later than one year but not later than 5 years	520	520
	Later than 5 years	815	945
		<b>1,490</b>	<b>1,620</b>
	Less interest element	(544)	(544)
		<b>946</b>	<b>1,076</b>
<b>Other</b>	Not later than one year	-	-
	Later than one year but not later than 5 years	-	-
	Later than 5 years	-	-
		-	-
	Less interest element	-	-
		-	-

## Other financial commitments

NOMS has entered into non-cancellable contracts (which are not leases or PFI contracts). The payments to which NOMS is committed during 2009–10, analysed by the period during which the commitment expires are as follows:

	2009–2010	Restated 2008–2009
	£'000	£'000
Not later than one year	230,730	150,486
Later than one year but not later than 5 years	351,961	272,184
Later than 5 years	11,996	33,369
	594,687	456,039

## 15. Provisions for Liabilities and charges

	2008–2009					
	Early retirement costs	Other provisions	Total	Early retirement costs	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009	49,961	60,254	110,215	46,211	54,253	100,464
Provided in year	16,236	36,628	52,864	8,817	28,823	37,640
Provisions not required written back	(76)	(20,232)	(20,308)	(9)	(13,964)	(13,973)
Provisions utilised in year	(6,018)	(8,531)	(14,549)	(5,058)	(8,858)	(13,916)
<b>Balance at 31 March 2010</b>	<b>60,103</b>	<b>68,119</b>	<b>128,222</b>	<b>49,961</b>	<b>60,254</b>	<b>110,215</b>

### Early retirement costs

The Agency meets the additional costs of benefits beyond the normal PCSPS benefits (Local Government Pension Scheme (LGPS) benefits for Probation Service) in respect of employees who retire early by paying the required amounts annually to the PCSPS/LGPS over the period between early departure and normal retirement date. NOMS provides for this in full when the early retirement programme becomes binding on the Agency by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.2% in real terms, where material.

### Other provisions

Provision has been made for various legal claims against the Agency. The 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 would affect the time period of utilisation. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 20.

## 16. Pension Liability

As part of the terms and conditions of employment of its officers and other employees, the 42 Probation Areas (34 Boards and eight Trusts) offer retirement benefits. Although these will not actually be payable until employees retire, the Areas have a commitment to make the payments that need to be disclosed at the time the 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 42 Probation Areas 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 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 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 of 6% 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 2007 by various actuaries. For 2009–10, employers’ contributions of £95.9m were payable to the LGPS (2008–09 £89.9m) in a range from 14% to 21.1%. 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 past experience of the schemes.

Partnership accounts are excluded under IAS 19.

The average for the current year’s employers’ contributions and an approximate average value for the next two years are as follows:

Employer’s contributions for 2009–10 were 17.8% of salaries  
 Employer’s contributions for 2010–11 will be 17.7% of salaries  
 Employer’s contributions for 2011–12 will be 17.9% of salaries

### The major assumptions used by the Actuary were:

	31 March 2010	31 March 2009
	%	%
Inflation assumption	3.7	3.2
Rate of increase in salaries	5.2	4.7
Rate of increase for pensions in payment and deferred pensions	4.2	3.7
Discount rate	5.6	6.9

### Mortality assumption

Life expectancy is based on PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners.

The assets in the scheme and the expected rate of return were:

	Expected long term rate of return at 31 March 2010	Value at 31 March 2010	Expected long term rate of return at 31 March 2009	Value at 31 March 2009	Value at 31 March 2008
	%	£'000	%	£'000	£'000
Equities	7.7	1,447,060	8.2	963,112	1,243,008
Government bonds	3.9	223,256	3.8	191,525	244,300
Other bonds	4.5	171,056	5.4	150,843	148,267
Property	5.9	138,374	5.3	120,745	137,726
Other	4.1	120,552	3.7	102,873	102,249
<b>Total</b>		<b>2,100,298</b>		<b>1,529,098</b>	<b>1,875,550</b>
(Present value of scheme liabilities)		(3,489,987)		(2,247,700)	(2,375,686)
Adjustment arising from merger and restatement of comparatives		-		-	(2,404)
Surplus/(deficit) of the scheme		(1,389,689)		(718,602)	(502,540)
Net pension Asset/(Liability)		(1,389,689)		(718,602)	(502,540)

	2009–2010	2008–2009	2007–2008
<b>Pension Cost</b>	£'000	£'000	£'000
Current service cost	58,295	75,458	88,078
Past service cost	4,536	12,167	13,024
Effect of Curtailment or Settlement	5,288	908	1,219
<b>Total operating charge</b>	<b>68,119</b>	<b>88,533</b>	<b>102,321</b>

	2009–2010	2008–2009	2007–2008
<b>Analysis of amount credited to other finance income or debited to other finance charge</b>	£'000	£'000	£'000
Expected return on pension scheme assets	(97,454)	(130,196)	(136,791)
Interest on pension scheme liabilities	155,923	156,597	135,442
<b>Net return</b>	<b>58,469</b>	<b>26,401</b>	<b>(1,349)</b>

	2009–2010	2008–2009	2007–2008
<b>Changes to the present value of Liabilities during the year</b>	£'000	£'000	£'000
<b>Opening present value of liabilities</b>	<b>2,247,700</b>	<b>2,375,686</b>	<b>2,492,880</b>
Current service cost	58,295	75,458	88,078
Interest cost	155,923	156,597	135,442
Contributions by members	34,012	33,366	28,916
Actuarial (gains)/losses on liabilities*	1,076,048	(329,634)	(310,960)
Benefits paid	(92,539)	(76,848)	(72,913)
Past service cost	4,536	12,167	13,024
Curtailments/settlements	5,288	908	1,219
Adjustment arising from merger and restatement of comparatives	724	-	-
<b>Closing present value of liabilities</b>	<b>3,489,987</b>	<b>2,247,700</b>	<b>2,375,686</b>

\* Includes changes to actuarial assumptions

	2009–2010	2008–2009	2007–2008
<b>Changes to the Fair Value of Assets during the year</b>	£'000	£'000	£'000
<b>Opening fair value of assets</b>	<b>1,529,098</b>	<b>1,875,550</b>	<b>1,958,555</b>
Expected return on assets	97,454	130,196	136,791
Actuarial (gains)/losses on assets	433,488	(522,248)	(272,048)
Contributions by the employer	95,867	89,910	90,299
Contributions by members	34,012	33,356	28,916
Benefits paid	(92,539)	(76,838)	(72,868)
Net increase from disposals and acquisitions	-	-	-
Settlements	127	-	-
Adjustment arising from merger and restatement of comparatives	2,791	(828)	5,905
<b>Closing fair value of assets</b>	<b>2,100,298</b>	<b>1,529,098</b>	<b>1,875,550</b>

	2009–2010	2008–2009	2007–2008
<b>Actual Return on Assets</b>	£'000	£'000	£'000
Expected return on assets	97,454	130,196	136,791
Actuarial gains/(losses) on assets	433,488	(522,248)	(272,048)
<b>Actual return on assets</b>	<b>530,942</b>	<b>(392,052)</b>	<b>(135,257)</b>

	2009–2010	2008–2009	2007–2008
<b>Analysis of amount recognised in Statement of Charges in Taxpayers' Equity</b>	£'000	£'000	£'000
Total actuarial gains/(losses)	(642,560)	(192,614)	38,912
<b>Cumulative actuarial gains/(losses)</b>	<b>(939,925)</b>	<b>(297,365)</b>	<b>(100,625)</b>

## History of Asset Values, Present Values of Liabilities, Surplus/Deficit and Experience Gains and Losses

	2009–2010	2008–2009	2007–2008	2006–2007	2005–2006
	£'000	£'000	£'000	£'000	£'000
Fair value of assets	2,100,298	1,529,098	1,875,550	1,959,247	1,776,536
Present value of liabilities	(3,489,987)	(2,247,700)	(2,378,090)	(2,494,112)	(2,033,143)
Surplus/(Deficit)	(1,389,689)	(718,602)	(502,540)	(534,865)	(256,607)
Experience gains/(losses) on scheme assets	414,222	(465,503)	(244,436)	12,370	222,538
Experience gains/(losses) on scheme liabilities	27,543	(3,368)	109,225	9,021	(14,276)

## 17. Capital commitments

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

	2009–2010	2008–2009
	£'000	£'000
Contracted capital commitments	421,262	498,007

The revaluation reserve represents the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

## 18. First time adoption of IFRS

	General Fund	Revaluation Reserve	Donated Asset Reserve
	£'000	£'000	£'000
Taxpayers' equity at 31 March 2009 under UK GAAP	3,667,465	1,287,053	89
Adjustments for			
IAS 17 – Capitalisation of Finance Leases	(1,215)	-	-
IAS 38 – Capitalisation of NOMIS assets	(14,257)	-	-
IFRIC 12 – Service concessions	(47,920)	-	-
IAS 19 – Annual leave accrual	(41,814)	-	-
IFRIC 12 – Service concessions 2007–2008	-	262	-
IAS 17 – De-recognition of land	-	452	-
IFRIC 12 – Service concessions 2008–2009	-	1,547	-
Taxpayers' equity at 1 April 2009 under IFRS	3,562,259	1,289,314	89
<b>Net operating cost for 2008–2009 under UK GAAP</b>	<b>4,944,369</b>		
IAS 19 – Annual leave accrual	2,406	-	-
IFRIC 12 – Service concessions	(31,285)	-	-
IAS 38 – Depreciation on NOMIS contract	3,401	-	-
IAS 17 – Finance lease adjustments	(43)	-	-
<b>Net operating cost for 2008–2009 under IFRS</b>	<b>4,918,848</b>		

The Accounts have been prepared under the International Financial Reporting Standards (IFRS) which have been adopted for the first time in 2009–10. The financial impact of adopting IFRS is disclosed above and further details can be found in Accounting Policies note 1.3.

## 19. Related party transactions

The Ministry of Justice is regarded as a related party. During the year, the NOMS Agency provided custodial services to the Youth Justice Board (part of the Ministry of Justice) and UK Border Agency (part of the Home Office). In addition, the NOMS Agency received funding from other government departments for education, healthcare and resettlement services. Income from the departments is shown in note 6.

Phil Wheatley, the former Agency Accounting Officer of NOMS, and the Director of Local Delivery in the Home Office are related parties. Phil Wheatley's son is a prison governor.

David Kennedy, interim Director of ICT, is a Director of ASE Consulting which provides consultancy services to NOMS and MoJ.

## 20. Contingent Liabilities

NOMS has contingent liabilities in respect of the following matters:

Claims for injury to staff, prisoners and the public amounting to £19.8m (£20.9m in 2008–09) have been indicated to the agency, 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 15. Where staff have transferred location under the public expense transfer (PIT) scheme, requiring a house sale, the agency is liable for the difference between the market value and actual sale price. This is currently a contingent liability as it is not quantifiable.

### 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 the Agency 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 remote.

NOMS would be liable to meet any uninsured costs incurred by the privately managed prisons.

NOMS has reported the provision of indemnity to members of the local area Probation Boards to maintain the same status of indemnity that was provided by local authorities. The Government has agreed that an individual board member should be indemnified against legal damages and costs arising from advice given, or actions done, honestly and in good faith in the execution of his or her board functions, except where the member has acted recklessly (Minute of 6 June 2005).

Mubarek Inquiry team: An indemnity in relation to any legal action taken against the chairman or members of the independent inquiry into the death of Zahid Mubarek at the Feltham Young Offenders Institution (Minute laid 10 March 2006).

## 21. Events occurring 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. The following events are noted:

- Completion of the Probation Trusts programme – with effect from 1 April 2010 the remaining 34 Probation Boards achieved Trusts status. Taking five mergers into account, from the 1 April 2010 there will be 35 Probation Trusts delivering the work of the previous eight Trusts and 34 Boards
- On 8 June 2010 Michael Spurr was appointed as the first Chief Executive Officer of the NOMS Agency
- The former Director General of NOMS Phil Wheatley retired from NOMS at the end of June 2010
- On 8 June 2010, the Chief Executive Officer announced restructuring within the Agency
- The post of Chief Operating Officer has been abolished
- As part of a wider cross MoJ review of the operating model the following functions will in future be managed by the MoJ: HR and Finance transactional services – incorporating the Shared Service Centre in Newport; Procurement services and

transactions; Information, communication technology; and, estates capacity function and services

- On 7 June 2010, Martin Bellamy was appointed as Director of Information, Communications Technology. David Kennedy's interim appointment ended on 18 June 2010
- On 5 July 2010 Camilla Taylor was appointed as Director of Finance and Paul Ibrahim's interim appointment as Director of Finance and Performance was ended, and Paul reverted to his former role
- In 2010, two new Non-Executive Directors were appointed, to replace Vic Luck and Colin Muid whose appointments both ended on 31 March 2010. Elizabeth McLoughlin was appointed on 26 April 2010 and David Hadfield was appointed on 12 May 2010
- Details of the revised NOMS organisation are shown on pages 76–77 of this Annual Report and Accounts
- NOMS will be seeking to further reduce its costs in 2010–11 by £68m and capital expenditure by £45m, as a contribution to the £325m of savings required of the MoJ announced on 24 May 2010. Part of the capital reduction will come from the decision not to build a new custodial facility for juvenile offenders alongside HMP Glen Parva near Leicester
- As part of a cross-MoJ programme to reduce the size and cost of the administrative estate, NOMS HQ began relocating to spare capacity in MoJ and Home Office occupied buildings in June 2010. It is management's intention to sell the present NOMS HQ buildings which will contribute to overall cost savings. NOMS HQ property is not classified as held for sale at the reporting date
- It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Probation Trusts provide to employees

## 22. Financial Targets

There were no key financial targets for the NOMS Agency.

## 23. Losses and Special Payments

The following losses and special payments are included within the Operating Cost Statement:

	2009–2010		Restated 2008–2009	
	Cases	£'000	Cases	£'000
Cash losses	909	623	460	68
Losses of accountable stores	3,832	985	3,386	1,157
Fruitless payments and constructive losses	456	421	312	15,637
Claims waived or abandoned	100	1,699	31	38
Administrative write-offs	55	90	64	18
Special payments	4,723	17,326	4,704	19,097
	<b>10,075</b>	<b>21,144</b>	<b>8,957</b>	<b>36,015</b>

In 2009–10: There were two individual cases over £250k – (a) HMPS – 1 compensation payment to a member of staff (£265k), and (b) Probation Service – 1 compensation payment to a member of staff (£290k)

A total of £1,373,561 was written off as a result of disputed costs for healthcare at two prisons provided under an agreement with one Primary Care Trust.

During 2009–10, £0.156m (£0.09m in 2008–09) was paid as interest on late payment of invoices to commercial organisations.

## 24. Third Party Assets

NOMS holds third parties monies of £10.4m (£9.5m in 2008–09). This relates to monies held on behalf of prisoners and therefore not included in the accounts.

A number of assets are held by Probation Boards and Trusts on behalf of third parties. These assets are not therefore included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised of monetary assets, such as bank balances and monies on deposit, listed securities, trust funds and an amenity fund. The following Probation Boards administer a trust fund. They are Cheshire, Staffordshire, Warwickshire, Northumbria and North Wales. Kent and Suffolk administer an amenity fund. Humberside Probation Trust and Greater Manchester Probation Trust, administer a trust fund. West Mercia has monetary assets. The combined value of these third party assets is set out in the table below:

	2009–2010	2008–2009
	£'000	£'000
Balance at 1 April 2009	204	206
Funds paid in during the year	24	41
Funds paid out during the year	(61)	(43)
<b>Balance at 31 March 2010</b>	<b>167</b>	<b>204</b>

## 25. Fees and charges

The Agency 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.

The Agency 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.

	2009–2010			2008–2009		
	Gross Income	Full Cost	Surplus/ (deficit)	Gross Income	Full Cost	Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Dept for Business, Innovation and Skills	18,587	18,346	241	18,672	18,348	324
Primary Care Trusts	78,958	76,687	2,271	85,565	84,866	699
Youth Justice Board	179,823	177,168	2,655	184,500	184,500	-





# Appendices

(Unaudited)

# 4

## Appendix 1 – Prison population figures at 31 March 2010<sup>1</sup>

	All prison population	Young persons/young adults (aged 15 to 20) <sup>2</sup>		Adults	
	Total	Male	Female	Male	Female
<b>Total</b>	<b>85,184</b>	<b>11,088</b>	<b>459</b>	<b>69,806</b>	<b>3,831</b>
<b>Remand</b>	<b>12,629</b>	<b>2,251</b>	<b>81</b>	<b>9,630</b>	<b>667</b>
Untried	7,825	1,355	45	6,002	423
Convicted unsentenced	4,804	896	36	3,628	244
<b>Sentenced</b>	<b>71,352</b>	<b>8,770</b>	<b>372</b>	<b>59,095</b>	<b>3,115</b>
Fine defaulters	154	8	-	124	22
Less than 6 months	4,773	817	50	3,528	378
Six months to less than 12 months	3,308	705	43	2,299	261
Twelve months to less than 4 years	21,154	4,112	159	15,859	1,024
Four years or more (excluding indeterminate sentences)	23,621	1,946	71	20,693	911
Indeterminate sentences	12,822	660	22	11,784	356
Recalls	5,520	522	27	4,808	163
<b>Civil</b>	<b>1,203</b>	<b>67</b>	<b>6</b>	<b>1,081</b>	<b>49</b>

1 Population in custody monthly tables March 2010 England and Wales, Ministry of Justice Statistics Bulletin, MoJ, April 2010

2 Category includes those 21-year-olds who were aged 20 or under at conviction who have not been reclassified as part of the adult population

## Appendix 2 – Probation Service caseload<sup>1</sup>

### Persons supervised by the probation Service<sup>2</sup> – England and Wales

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q4 2010	Percentage change Q4 2009
<b>Males and females</b>						
All court orders	146,904	145,083	142,820	140,951	139,065	-5
All community sentences	107,208	105,694	103,183	101,086	98,907	-8
Community order	102,336	101,403	99,305	97,481	95,718	-6
All pre CJA orders	5,369	4,502	4,024	3,743	3,316	-38
Other sentences:						
Deferred sentence	84	86	99	108	104	24
Suspended sentence order	43,675	43,283	43,449	43,615	43,849	0
All pre and post release supervision <sup>2,3</sup>	99,138	99,860	100,965	102,022	103,440	4
Pre release supervision	67,174	67,047	67,407	67,587	68,774	2
Post release supervision	32,560	33,360	34,002	34,881	34,666	6
<b>Males</b>						
All court orders	125,305	123,530	121,617	119,884	118,352	-6
All community sentences	91,365	89,949	87,789	85,915	84,097	-8
Community order	87,086	86,178	84,342	82,682	81,242	-7
All pre CJA orders	4,734	3,967	3,580	3,363	2,977	-37
Other sentences:						
Deferred sentence	70	66	85	92	87	24
Suspended sentence order	37,443	37,026	37,180	37,264	37,507	0
All pre and post release supervision <sup>2,3</sup>	93,704	94,422	95,529	96,545	97,902	4
Pre release supervision	63,784	63,696	64,117	64,320	65,484	3
Post release supervision	30,497	31,256	31,840	32,656	32,418	6
<b>Females</b>						
All court orders	21,599	21,553	21,203	21,067	20,713	-4
All community sentences	15,843	15,745	15,394	15,171	14,810	-7
Community order	15,250	15,225	14,963	14,799	14,476	-5
All pre CJA orders	635	535	444	380	339	-47
Other sentences:						
Deferred sentence	14	20	14	16	17	21
Suspended sentence order	6,232	6,257	6,269	6,351	6,342	2
All pre and post release supervision <sup>2,3</sup>	5,434	5,438	5,436	5,477	5,538	2
Pre release supervision	3,390	3,351	3,290	3,267	3,290	-3
Post release supervision	2,063	2,104	2,162	2,225	2,248	9

1 Probation statistics quarterly brief, January to March 2010 England and Wales, Ministry of Justice Statistics Bulletin, MoJ, July 2010

2 Each person is counted only once in the all community sentences and pre and post release figures, even if they started several types of supervision in the year

3 Excludes those on voluntary supervision for more than three years

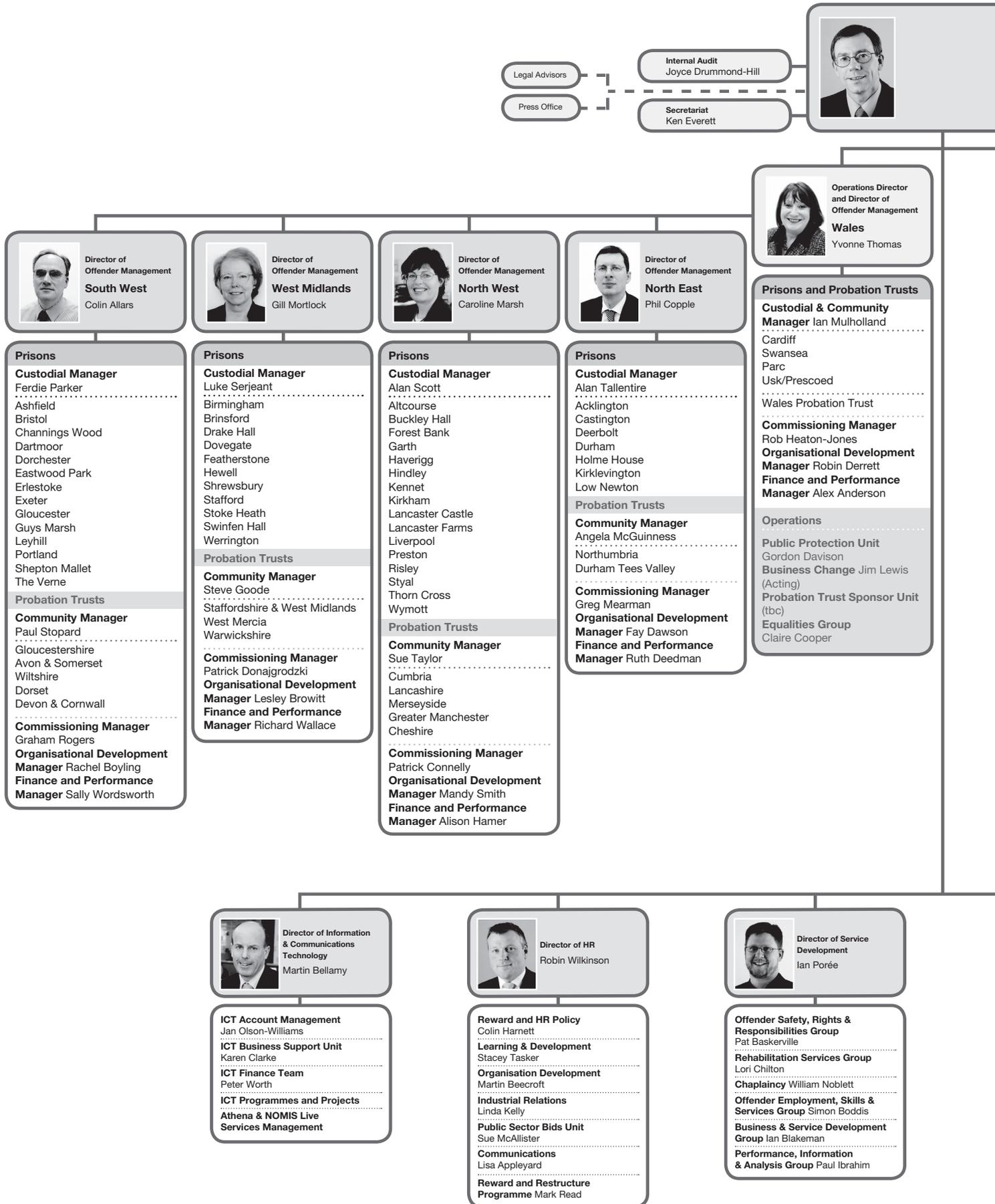
## Appendix 3 – Recruitment

### Joiners by ethnicity, disability and gender between 1 April 2009 to 31 March 2010<sup>1</sup>

	Gender		Ethnicity			Disability		
	Male	Female	BME	White	Not Stated	Non Disabled	Disabled	Status Undeclared
AA	12	26		29	9	31		7
AO	40	132	13	117	42	137	4	31
Chaplain	21	1	11	8	3	16		6
EO	13	29	7	22	13	31		11
Industrial	181	22	6	153	44	170	1	32
Instructional officer	18	11		18	11	20	1	8
Manager	34	45	12	38	29	54	1	24
Medical technical officer		2		2		2		
Nursing grades	11	45	10	33	13	41	1	14
Operational Support grades	482	205	25	520	142	522	19	146
Personal secretary		2	1	1		1		1
Pharmacist		2		2		1		1
Prison officer	235	88	21	255	47	301	3	19
Psychological assistant	18	101	16	86	17	100	3	16
Senior civil servant	3	5		2	6	2		6
Senior manager	17	16	2	11	20	15		18
Substance misuse worker		12	1	10	1	9	2	1
Support band 2	6	14		11	9	16		4
Trainee psychologist	1	8		8	1	8		1
Unknown grade	1	4		2	3	1		4
<b>Total</b>	<b>1,093</b>	<b>770</b>	<b>125</b>	<b>1,328</b>	<b>410</b>	<b>1,478</b>	<b>35</b>	<b>350</b>

<sup>1</sup> Source: Oracle HRMS. Basis: Actual headcount (part timers count as one)

# Appendix 4 – NOMS organisational chart



**Chief Executive Officer**  
Michael Spurr



**Non-executive Director**  
Elizabeth McLoughlin



**Non-executive Director**  
David Hadfield



**Non-executive Director**  
Mike Hawker



**Operations Director and Director of Offender Management East of England**  
Trevor Williams



**Director of Offender Management Yorkshire & Humber**  
Steve Wagstaffe



**Director of Offender Management London**  
Digby Griffith



**Director of Offender Management East Midlands**  
Beverly Shears



**Director of Offender Management South East**  
Roger Hill

**Prisons**

**Custodial Manager**

Adrian Smith  
Bedford  
Blundeston  
Bullwood Hall  
Bure  
Chelmsford  
Edmunds Hill  
Highpoint  
Hollisley Bay  
Littlehey  
Peterborough  
The Mount  
Norwich  
Warren Hill  
Wayland

**Probation Trusts**

**Community Manager**

Gill Hirst (acting)  
Cambridgeshire & Peterborough  
Bedfordshire  
Hertfordshire  
Norfolk & Suffolk  
Essex

**Commissioning Manager**

Matthew Kelly

**Organisational Development Manager**

Sue Martin-Jones

**Finance and Performance Manager**

Ian Maris

**Operations**

**National Operations Group**

Kevin Lockyer

**Briefing and Casework**

Steve Gorman

**Lead Psychologist** Jo Bailey

**Prisons**

**Custodial Manager**

Amy Rice  
Askham Grange  
Doncaster  
Everthorpe  
Hull  
Leeds  
Lindholme  
Moorland  
New Hall  
Northallerton  
Wealstun  
Wetherby  
Wolds

**Probation Trusts**

**Community Manager**

Howard Mills  
York & North Yorkshire  
West Yorkshire  
Humberside  
South Yorkshire

**Commissioning Manager**

Jenny Bowles

**Organisational Development Manager**

Daniel Mills

**Finance and Performance Manager**

Linda Wight

**Prisons**

**Custodial Manager**

Nick Pascoe  
Brixton  
Feltham  
Holloway  
Isis  
Latchmere House  
Pentonville  
Wandsworth  
Wormwood Scrubs

**Probation Trusts**

**Community Manager**

Len Cheston  
London

**Commissioning Manager**

Cathy Burdett

**Organisational Development Manager**

Carole Allen

**Finance and Performance Manager**

Lorna Maden

**Prisons**

**Custodial Manager**

Andrew Cross  
Ashwell  
Foston Hall  
Gartree  
Glen Parva  
Leicester  
Lincoln  
Lowdham Grange  
Morton Hall  
North Sea Camp  
Nottingham  
Onley  
Ranby  
Rye Hill  
Stocken  
Sudbury  
Wellingborough  
Whatton

**Probation Trusts**

**Community Manager**

TBA  
Lincolnshire  
Nottinghamshire  
Derbyshire  
Leicestershire & Rutland  
Northamptonshire

**Commissioning Manager**

Sarah Skett

**Organisational Development Manager**

Vicki Skedd

**Finance and Performance Manager**

Paul Morgan

**Prisons**

**Custodial Manager**

Claudia Sturt  
Aylesbury  
Bullington  
Coldingley  
Grendon / Springhill  
High Down  
Isle of Wight  
Kingston  
Lewes  
Maidstone  
Reading  
Winchester

**Probation Trusts**

Paul Carroll  
Blantyre House  
Bronzefield  
Canterbury  
Cookham Wood  
Dover  
Downview  
East Sutton Park  
Ford  
Haslar  
Huntercombe  
Rochester  
Send  
Sheppey Cluster  
- Elmley  
- Standford Hill  
- Swaleside

**Probation Trusts**

**Community Manager**

Barbara Swyer  
Thames Valley  
Hampshire  
Surrey & Sussex  
Kent

**Commissioning Manager**

Karen Brady  
(Yvette Ball covering)

**Organisational Development Manager**

Jacqueline Allison

**Finance and Performance Manager**

Patricia McQuire



**Director of Finance**  
Camilla Taylor

**Financial Control & Accountancy** Ted Kirby  
**Financial Performance** Christine Dickinson  
**Business & Strategic Planning** Andrew Sinclair



**Director of High Security**  
Danny McAllister

**Security Group** Richard Pickering  
**High Security Prisons Group** Steve Rodford  
**High Security Prisons:**  
Belmarsh Manchester  
Frankland Wakefield  
Full Sutton Whitemoor  
Long Lartin Woodhill



**Director of Offender Health**  
Richard Bradshaw

**Deputy Director of Offender Health/Head of Policy, Strategy & Business** Debbie Parkin

**Health in Criminal Justice programme manager** Susannah Nisbett

**Children & Young People** Caroline Twitchett

**Primary & Social Care** Mark Freeman

**Physical & Public Health** Mary Piper

**Senior Medical Advisor** Mark Williamson

## Appendix 5 – Staff awards and honours

The Queen's Birthday Honours List 2009 saw 15 staff across the service recognised for their dedication and professionalism. Paul Foweather, Nigel Hancock and Ian Turner were awarded the OBE. MBEs were awarded to Myrtle Augee, Mostapha Bouker, Dawn Brooks, Stephen Brown, Alberto Crisci, Anthony Fox, John Hodgson, Stewart Leach, Martin Mayers, Neil McNally, Graham Pennington and Bernard Unsworth.

In the New Year Honours List 2010 NOMS Director of Finance and Performance Ann Beasley was awarded the CBE. OBEs were awarded to Diana Fulbrook, Susan Hall, Alexander Tait and David Thompson, and MBEs to Alan Blocksidge, Ewan Easton, Susan Ellis, Margaret Fairbrother, Robert Gibson, Sylvia Herbert, Marjorie Kirk, Ivy Sturgeon and Janice Walker. The Queen's Police Medal was awarded to Bob Evans, Police Advisor to NOMS.

The Prison Officer of the Year Award was won by Senior Officer Dom Chapman from HMP Nottingham. Winner of the Safer Custody category, she secured the overall title for her outstanding work as violence reduction co-ordinator at her establishment.

Offender Manager Steve Knight of Essex Probation Trust was named Probation Champion of the Year at the first annual Probation Awards. Steve was honoured for his outstanding work with Prolific and Priority Offenders, a role he has carried out for four years, helping to turn around the lives of some of the most challenging offenders.

At the 2009–10 Butler Trust Awards, hosted by Trust patron HRH The Princess Royal, NOMS staff received seven awards and 20 commendations, including the top prize to Officer Nick Wood from HMP Everthorpe. The awards recognise outstanding dedication, skill and creativity by staff in correctional settings across the UK.

NOMS staff won three awards and a number of commendations at the 2009 Justice Awards for staff working or volunteering within the criminal justice system. Dave Asker, Head of Learning and Skills at HMP Wandsworth, won the individual Working with Offenders Award; HMP Brixton's Diversity Team came top in the Commitment to Diversity team award; and Kent Probation's Children and Families Enterprise Project won the Working with Offenders team prize.

NOMS staff won in three categories at the 2009 Civil Service Awards. Lori Chilton, Head of the Reducing Reoffending Policy Group, took the Leadership Award and Cabinet Secretary Award for best category winner. HMP/YOI Chelmsford's drugs treatment team won the Collaboration Award, and the MoJ procurement team took the Procurement Award for their Zero Waste Prison Mattress Project.

HMP Brixton's Electric Radio Brixton won four Sony National Radio Awards at the radio industry's top awards ceremony, including gold awards in the listener participation and community categories, and bronze awards in the interview and speech categories.

Other award winners include HMP Kirkham at the North West Be Inspired Business Awards, for its approach to workforce development; and the Primrose Programme hosted by HMP Low Newton, which won the World Health Organisation Health in Prison Project award for its work with female offenders who pose a risk of serious harm as a result of severe personality disorder.





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