



National Offender
Management Service

National Offender Management Service

Annual Report
and Accounts
2015–2016

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2015-2016

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1

Performance Report

1.1 Overview

Purpose, Vision and Values

Preventing victims by changing lives

Our Purpose

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

Our Vision

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

Our Values

In delivering offender management services, we will:

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

Foreword

by the Chief Executive



I'm pleased to present the eighth Annual Report and Accounts of the National Offender Management Service Agency. The last year has been particularly challenging but I'm proud of the way colleagues across the Agency have responded to the pressures we have faced with a commitment and determination to deliver the best possible service we can for the public.

In Probation our priority has been to ensure the successful implementation of the Transforming Rehabilitation reforms which have fundamentally changed the way offenders are managed in the community – extending statutory post release supervision to all offenders who receive short prison sentences.

The National Probation Service (NPS) is now responsible for providing advice to court; allocating cases; and managing high risk offenders and 21 Community Rehabilitation Companies (CRCs) are responsible for managing medium and low risk offenders (around 80% of cases) across England and Wales. The CRCs were transferred to eight independent providers in February 2015 and new 'Through the Gate' resettlement services for all offenders leaving prison were implemented in May 2015. The scale of these changes should not be underestimated and it is a huge tribute to Probation staff that in the words of the National Audit Office "Services have been sustained throughout a period of major change, with users reporting that services had stayed the same or improved since the reforms"¹. There remains more to do to ensure we gain maximum benefit from these reforms, and we are reviewing resettlement services in particular to ensure these are as effective as they can be – but overall performance in both the NPS and CRCs is continuing to improve which provides a solid platform for future progress.

In Prisons, despite considerable effort both nationally and locally, levels of violence, self-harm and suicide have risen and remain unacceptably high. Tackling these issues is our top priority, firstly because we have a duty of care for both prisoners and staff but also because we know that a safe, secure and decent environment is fundamental to support effective rehabilitation. The causes of the rise in violence and self-harm are complex. It is undeniable that the rise has coincided with major changes to regimes and operating arrangements in public sector prisons combined with significant staff reductions which have reduced overall unit costs in line with our 2010 Spending Review commitments. But the rise in violence and self-harm crosses the whole sector (public and private) and affects a wide range of establishments, including those where resources have been maintained or increased through this period.

The massive increase in supply of illicit psychoactive drugs into prisons has been a key factor in undermining safety and driving violence (as acknowledged by the Chief Inspector of Prisons and the Prison and Probation Ombudsman) and tackling this issue is critical to reverse the current trend.

¹ NAO Transforming Rehabilitation Report – 28 April 2016 - <https://www.nao.org.uk/report/transforming-rehabilitation/>

Over the next 12 months we will be concentrating on this issue, as well as taking forward the exciting reform agenda set out by our Secretary of State. Ultimately, increasing the emphasis on rehabilitation; providing a positive purposeful environment and rewarding prisoners for taking positive steps towards becoming responsible citizens will transform the way prisons work. Providing hope and opportunity for prisoners to 'turn their lives' around is the best way to combat violence and to reduce reoffending. Giving Governors the tools and the autonomy to make this happen is at the heart of the Prison Reform Programme. It has the potential to make a real and lasting difference to the lives of the offenders we manage, which will make both prisons and the public we serve safer.

Michael Spurr

Chief Executive
National Offender Management Service

About the National Offender Management Service

We deliver our offender services through:

- The National Probation Service (NPS) - responsible in the community for carrying out risk assessments of all offenders and for the direct management of those offenders who pose the highest risk of serious harm to the public and who have committed the most serious offences
- Public Sector Prisons – 107 prisons which provide around 82 percent of prison places
- 21 Community Rehabilitation Companies (CRCs), contracted with private providers – responsible for delivering community requirements for medium and low risk offenders
- Private sector providers – operating 14 prisons under contract with private providers delivering other significant services including prisoner escorts and electronic monitoring of offenders
- Partnerships – with a range of public and third sector partners, including police, local authorities, health and education providers, and with a wide range of organisations in the voluntary and social enterprise sector
- The agency is also contracted by the Youth Justice Board to provide commissioned places for young people (under 18) and by the Home Office to provide places at Immigration Removal Centres and detention spaces in prisons.

Our headquarters functions provide corporate and operational support services for the Agency and undertake the work required to meet our responsibilities to Parliament.

The high-level organisational structure as at 1 January 2016 is shown below.



For further information on the organisational structure and directors please see page 41.

1.2 Performance Analysis

Performance against Business Priorities

NOMS undertakes a vital service for the public, centred on two clear over-riding objectives of protecting the public and reducing reoffending.


We commission services across a number of providers and have a complex delivery system which is made up of public, private and third sector providers. We directly manage the public sector services and contract manage (or in a very few cases grant fund) others. In addition there are services delivered by others to offenders within our system, such as health and employment.

Our role in protecting the public is both immediate (in preventing harm while offenders are in our system) and longer term (by seeking to reduce harm over time) and is delivered by our core services of prison and probation as well as in partnership with others such as Police and Mental Health services.

Our objective of reducing reoffending can only be delivered in partnership with others, since what we know about the causes of offending (such as a lack of employment, appropriate housing and effective family relationships) makes clear that the solutions to these problems lie outside of our system at least as much as within it. We undertake specific offence focused work and are increasingly, based on solid evidence and a long history of such work, shaping our own services to enable change in the behaviour of people who have committed offences. Critically, we also provide an often unique opportunity to brigade the right community-based services and enable them to be delivered within our system, since for some people their time spent with us is the best chance we have of bringing the offender and the much needed service together.

We also have a duty to make sure that the services we are responsible for are safe, legal and decent and that all our staff, who often work with the most difficult, damaged and dangerous people in society can feel safe at work. We must also ensure prisoners and offenders feel safe and protected and can be given every opportunity to change their lives and become responsible and productive members within their communities. Like all public bodies we must seek to discharge these duties within the resources allocated to us and use public money as efficiently and effectively as possible.

The general election of May 2015 saw a new Government and a new Justice Secretary appointed with a transformational vision for prison reform. In order to meet the vision we significantly re-organised the structure of our headquarters in January 2016 so we could best support the reforms. The Chief Executive Officer remains responsible and accountable for all aspects of the Agency's work and (as the Senior Responsible Owner) for delivery of the Reform Programme. In accordance with the Agency Framework Document, the Chief Executive continues to chair the Agency Board which oversees all aspects of our work. In addition a new NOMS Chief Operating Officer post has been established, responsible for day to day core business and operational delivery across the Agency. In response to the increased violence and threats raised by radicalisation and extremism we have also created a new Director role with specific responsibility for work on Security, Order and Counter Terrorism (CT).



Alongside our work in beginning to realise the reforms, the Justice Secretary has also commissioned a number of reviews into key areas of our operations. We have been working closely with and supporting reviews of education in prisons, Youth Justice and extremism. We will implement the recommendations of those reviews as agreed by Government during 2016-17.

Whilst we have begun developing a programme of work to deliver on this challenging agenda of reform we have also ensured that our focus on day to day operations has been maintained.

The makeup of the custodial and the community populations are changing. While the prison population has largely remained below the forecasted levels in 2015-16, we are seeing increasing numbers of violent and sexual offenders sentenced to custody and also an older prison population. This has also caused a consequential effect on the probation caseload with a higher proportion of more serious offences requiring support from the NPS rather than the CRCs.

In addition there are a number of issues that undermine the safety and security of our delivery in prisons and which we have sought to address through the year, including:

- increasing prevalence of new psychoactive substances in prisons
- increased levels of violence in prisons
- the use of illicit mobile phones in prisons
- the new threat posed by drones
- the number of deaths in custody

Addressing these issues, improving safety in prisons and providing a stable, purposeful environment where individuals can turn their lives around is the top priority for the Agency.

Delivery of Services

Reducing Reoffending

Reducing reoffending and integrated offender management are at the heart of all our work in custody and the community - to reduce the level of reoffending and the harm to victims, change offenders' lives and make communities safer, often working in conjunction with other commissioners and providers.

Examples of the work we have undertaken to reduce reoffending included:

- senior leaders across NOMS attended a wide range of evidence sessions, focused on what works, innovation and using data and research to improve outcomes. This was supported by a comprehensive evidence resource pack on what does and does not work in rehabilitating offenders, prisoner segmentation data, digital tools and some more detailed follow up workshops

- working to develop and mobilise HMP Berwyn as a fully rehabilitative prison, based on evidence and strong rehabilitative values
- establishing the Rehabilitation Forum, made up of all providers across the system. Work began on developing and championing transformational ideas, evidence and intelligence for the long term future of rehabilitation and collaboration between sectors
- conducting 43 Measuring the Quality of Prison Life surveys to help prisons understand and improve their rehabilitative culture and outcomes
- facilitating a wide range of voluntary sector and volunteer involvement in prisons and the community, working in partnership at a national and local level. A total of 21 Voluntary Community and Social Enterprise grants were awarded in 2015-16, supporting some of our most important offender services and testing and developing new approaches
- encouraging prisoners to take on roles that support other prisoners, providing benefits for the prison as a whole and the peer supporters themselves. A review found that 82 percent of prisons had taken action to increase their use of peer support within their establishment over 2015-16
- setting out a strategy for the management of sex offenders and published evidence based advice and principles to support effective work with young adult men, women, former sex workers and victims of domestic abuse
- continuing to improve and expand access to a pathway of new and existing services for offenders with severe personality disorders. There are now community based services in all NPS divisions; new treatment services for men and women at 12 prisons; progression services in 12 prisons and seven approved premises and together we are piloting Mentalisation Based Therapy in 14 sites in the community
- continued delivery of high quality accredited programmes focused on reducing reoffending with higher risk offenders and increased the number of accredited programme completions for prisoners convicted of sexual offences
- developing a tool to assess psychosocial maturity to help us think about how we can better identify and work with people in our system who are still maturing, so that we can encourage maturation and avoid young people developing a criminal identity
- testing an innovative pre-release intervention for women in prison. We have tried innovative ways of improving the experience of prisoners as they enter and leave prison, and developed new rehabilitative approaches to adjudications and recall

Community

Overview

In 2015-16 our key priority for community services was stabilisation and delivery through the new structures created by the Transforming Rehabilitation reforms. We achieved this through three key areas of work:

- ensuring no reduction in operational performance

- delivery of the NPS Stabilisation Portfolio, over 30 projects designed to embed activity prompted by Transforming Rehabilitation
- launch of the Effectiveness, Efficiency, Excellence Programme (E3) to design a new operating model for the NPS and learn from the best practice across the newly unified service

Two significant advances in offender management have been made under the Transforming Rehabilitation reforms over this last year.

Commencement of the Offender Rehabilitation Act 2014 (ORA) means that virtually all offenders now get statutory support and rehabilitation upon release. The ORA means that any offender whose offence was committed on or after 1 February 2015, and who are sentenced to a custodial term of more than one day, will receive at least 12 months of supervision after release. As a result, there has been a gradual build-up of eligible offenders over the course of this year.

In addition, we introduced the nationwide 'Through the Gate' resettlement service run by CRCs, meaning that the vast majority of offenders should be given continuous support from custody into the community.

The owners of the 21 CRCs have now been running their CRCs for just over a year. The focus over this period has been on stabilisation of the new system and delivery through the new probation structures. The performance of the CRCs has continued to improve and is now broadly comparable to performance before the reforms. This is a substantial achievement in itself.

CRCs launched their 'Through the Gate' service on 1 May 2015. This element has the objective of providing offenders with support to find accommodation and jobs, finance and debt advice, and support given to former sex workers and victims of domestic violence. The CRC may also choose to offer additional rehabilitation services with the aim of reducing reoffending.

The vast majority of prisoners will spend at least the final 12 weeks of their sentence in one of their home area's designated resettlement prisons meaning that the CRCs should have sufficient time to engage offenders prior to their release into the community.

We continue to monitor CRCs closely and are committed to ensuring that delivery of resettlement services meets the high standards expected. Our contract management teams are closely monitoring and robustly managing providers to make sure they fulfil their contractual commitments to maintain service delivery, reduce reoffending, protect the public and provide value for money to the taxpayer.

The NPS manages the highest risk offenders. This is a critical public service and it is essential that we ensure services are delivered effectively.

In 2015-16 we sustained stable performance across the majority of our key performance targets. We saw continued improvement, in line with plans, on measures relating to new processes introduced by Transforming Rehabilitation, for example the timeliness of case allocation decisions after sentence. This strong record of performance was achieved alongside the challenge of adapting delivery to absorb a caseload in the NPS that was materially higher than originally forecast.

In the final quarter of 2015-16 we saw a slight drop in completion rates for Community Orders and Suspended Sentence Orders. A priority for 2016-17 will be reversing that trend.

Our investment in a new generation of Probation Officers continues, with the recruitment of 650 additional trainee Probation Officers during the year and the qualification of 192 probation officers in the final quarter of this financial year.

In 2015-16 activity continued to fully embed the new structures created by Transforming Rehabilitation. As the CRCs have started to implement their strategies to move away from Local Authority provided ICT and buildings, we have ensured that the NPS has the resources in place to operate effectively. This has included a programme of building moves to ensure that the NPS makes efficient use of the remaining estate following the CRC exits.

Significant progress has also been made to continue the migration of the NPS business applications and data from IT servers maintained by the CRCs. We have continued to engage with the Future IT Sourcing Programme to deliver improvements to the NPS ICT infrastructure.

In 2015-16 we launched the E3 Programme to design and implement a new operating model for the NPS. The NPS inherited significant variations in ways of working from the 35 legacy Probation Trusts. The programme undertook detailed engagement work with staff, managers and stakeholders to design an operating model that will improve the outcomes we deliver and which is financially sustainable. We published an early design of that operating model in the E3 Blueprint in November 2015 as a basis for improvement.

The model has since been refined and was published in April 2016. We have started implementation of operational improvements and changes to roles and structures will start to take effect during 2016-17.

Electronic Monitoring

We have driven progress in stabilising the delivery of electronic monitoring following the discovery of significant irregularities under the previous contracts.

Under new contractual arrangements with Capita, we have ensured that the criminal justice system is able to use electronically monitored curfews to manage offenders and subjects in the community. At any one time around 14,000 individuals are subject to these controls. While we work to introduce new technologies and delivery partners, we have sought to improve our management of this contract and have strengthened the team. We have seen significant improvements in the delivery of the contract including better information exchange between courts, prisons, police and Capita and progress in rationalising the use of technology so that there is now genuinely a national infrastructure.

However, the programme to introduce new technologies and a new contractual infrastructure with specialist partners has experienced problems over the year. In February, Ministers announced a reset to the programme which would see us procuring proven off the shelf tracking technology as opposed to developing new, untested kit. Related costs are on page 68 in the Parliamentary Accountability report. It remains our ambition to deliver this ambitious programme in the course of this Parliament.

At the same time, as announced by the Prime Minister in his speech on prison reform, we will pilot GPS tracking technology to develop our understanding of what this technology can achieve both in terms of public protection and rehabilitation. Pilots will start this year and further details will be announced in due course.

Public Protection in the Community

The National Multi-Agency Public Protection (MAPPA) team have been assisting MAPPA responsible authorities (the Prison, Probation and Police Services) in meeting their statutory responsibilities in managing known high risk sexual and violent offenders. We published the MAPPA Annual Reports as National Statistics in October 2015. (<https://www.gov.uk/government/statistics/multi-agency-public-protection-arrangements-mappa-annual-report-2014-to-2015>)

We continue to manage restricted patients under the Mental Health Act 1983 under delegated authority from the Secretary of State. NOMS undertakes risk assessments, in collaboration with responsible clinicians and social supervisors, to inform vital and sensitive decisions in relation to escorted and unescorted community leave, discharge and recall.

We continue to ensure that efficient procedures operate to recall offenders to custody for breaches of their licence conditions throughout 2015-16. NOMS has operated an 'out of hours' service, to ensure that urgent recall requests are dealt with outside of normal working hours along with servicing an increased number of parole reviews.

Looking Ahead – Community

2016-17 will be the second full year of operation following the Transforming Rehabilitation Reforms. Our priority will be to build upon and further embed the reforms we have introduced whilst maintaining a quality and efficient service for the public.

In 2016-17 we will

- continue to make sure that the sentences of the court are carried out, to protect the public and to reduce reoffending. Our goal is to make sure that we not only maintain, but build on, the quality and efficiency of our service to the courts and of our work to deliver better reoffending outcomes
- work closely with our CRC partners to monitor delivery of a 'Through the Gate' service for all those moving from custody into the community
- continue to implement the E3 programme. E3 will deliver savings which will allow resources to be reallocated in the NPS to meet the increased workload arising from the implementation of the ORA which has been exacerbated by the rise in NPS caseloads

Custody

Overview

The key role of prisons – whether in the private or public sector - is to securely hold prisoners whom the courts sentence or remand to custody and to reduce reoffending.

We understand the fundamental importance of ensuring that prisons remain safe for everyone. This year has been a challenging one for all prisons who have faced a number of operational problems including the rise of new psychoactive drugs and increased levels of violence and deaths in custody.

In public sector prisons we continued to move towards benchmark staffing levels in the vast majority of establishments in order to meet the significant savings required of us. The benchmark is designed to deliver safe, decent and lawful custody at a lower cost.

Public sector prisons, particularly in London and the South East, had experienced high level of staff vacancies. Through the year this position has significantly improved both through the use of detached duty staff as well as the recruitment of 1,970 Prison Officers across England and Wales in 2015-16. Between December 2014 and March 2016, Prison Officer numbers rose by 530 and vacancies fell from 5.2 percent to 2.5 percent.

Towards the end of 2015-16, a review of the public sector prison structure was carried out to reflect the current regional organisation, provide a greater focus on women and young people as well as how best to support Ministerial priorities. As a result, there are now seven geographical regions, each led by a Deputy Director, as well as three functional groups – High Security, Young People, and Women.

In our Privately Managed Prisons (PMPs) the majority are delivering their operational targets, however two prisons, operated by Serco (Doncaster and Dovegate), and one operated by Sodexo, (Northumberland), require some improvement. A Rectification Notice about delivery at HMP Doncaster was issued in August 2015 due to concerns about the levels of violence, staffing levels and insufficient progress being made against the recommendations of an HMIP inspection. Performance at HMP Dovegate was a concern following an escape in May 2015. At HMP Northumberland an Improvement Plan is in place for failing to achieve a Key Performance Target for “Prisoner Working Hours”. Progress is being made with the prison now delivering double the number of hours than in 2013.

Examples of PMPs improving delivery during 2015-16 include:

- the management team and staff at HMP Altcourse have worked hard to reduce violence achieving a 60 percent reduction in serious assaults
- HM Prison/Young Offender Institution (HMP/YOI) Thameside opened new accommodation for 332 prisoners in April 2015 and has coped well with this expansion in a relatively new prison
- following the announcement of the closure of HMP/YOI Holloway, HMP/YOI Bronzefield now serves an additional 23 Courts, increased their operational capacity from 527 to 572 and are now taking a much higher proportion of remands

In addition, improvements to the contract management systems and governance arrangements were introduced during 2015. The Controllers teams are now using a standardised compliance matrix which is providing improved and more consistent levels of assurance in the PMPs. Additional support for the Controllers teams has been introduced in some of the PMPs by the introduction of support and assurance visits by Senior Contract Managers.

Safety

Reducing self-inflicted deaths, self-harm, and violence are the most significant operational priorities for prisons.

Statistics on safety in custody are published every quarter at <http://www.gov.uk/government/collections/safety-in-custody-statistics>. Levels of self-inflicted deaths increased in late 2013 and have remained higher than those seen in the previous few years. The reasons for this increase are complex and may reflect changing behaviours in society as a whole as well as changes within the prison environment. Self-harm has been rising for some years. Violence in prisons including serious assaults has also increased.

We have undertaken a wide range of safety related activities in 2015-16 including:

- taking further action to counter the increases in suicide and self-harm under a refreshed strategic framework focused on prevention, intervention and education
- prisons undertaking local reviews of their safer custody practice, in particular risk management during the early days of custody. A national review of the Assessment, Care in Custody and Teamwork (ACCT) care planning system for prisoners identified at risk of suicide or self-harm was completed and the recommendations are being implemented during 2016
- renewing our partnership with the Samaritans who support Listener schemes in the majority of prisons, and hosted a joint NOMS/Samaritans/ Listeners national conference
- launched the new prison officer entry level training (POELT) course, containing up-to-date learning material on suicide and self-harm
- considered the findings of the Harris Review on self-inflicted deaths of 18-24 year olds in prison since 2007, and are implementing those recommendations agreed by the Government
- rolling out the Five Minute Intervention (FMI) to 24 establishments. The FMI empowers staff to recognise the importance of every interaction in shaping prisoner perceptions, and has been embedded in POELT courses from January 2016

The Violence Reduction Project, which was launched in 2015, has continued to take forward a range of work to develop our understanding of violence and produce ways to reduce its prevalence and impact. This has included:

- the introduction of a dashboard to enable better analysis of violent incidents and targeting of resourcing at both local and regional level
- a violence reduction guidance document has been published to support Governors to produce effective local policies
- body worn video cameras have been piloted in 22 prisons and the results of these are being evaluated to inform future use
- a range of programmes are being piloted to establish what can best have an impact on violent behaviour by prisoners. The project will continue over the next twelve months into its final phase which will continue to innovate, whilst also embedding initiatives shown to have a positive impact
- additional safer custody resourcing will be evaluated to establish its impact. This work will be underpinned by a dedicated project, led by an experienced senior operational manager, to focus on reducing self-inflicted deaths and self-harm
- responding to staff and prisoner health concerns we have begun the roll-out of smoke free prisons – supported by health colleagues and the availability of vapour cigarettes

Security

Our duty is to keep the public safe by holding securely those committed by the courts. Our record on escapes from prison and prison escorts remains very strong – with only 13 escapes in 2015-16 (Escapes from Prison – 2; Escapes from Prison Service Escort - 3; Escapes from the Prisoner Escort and Custody Service (PECS) – 8).

We have undertaken a wide range of security related activities in 2015-16 to tackle some of the complex underlying issues, including:

- working closely with the Home Office to bring into force the Psychoactive Substances Act 2016 which makes it a criminal offence to sell or supply new psychoactive substances and creates a new offence of possession of a psychoactive substance within a prison
- development of new drug tests for prisoners to test for psychoactive substances
- development of a means of training drug dogs to detect the substance found in most psychoactive substances
- started a trial of a body scanner to determine whether it is successful in detecting drugs and other contraband hidden within the body
- advanced mobile phone detectors are being supplied and contracts are being let to provide new equipment to block and interfere with mobile phone signals within prison
- implementing regulations to allow us to instruct mobile phone operators to disable those mobile phones detected as operating within prison and have brought into force legislation which allows seized mobile phones to be lawfully destroyed
- working to develop a comprehensive picture of the threat posed by serious and organised criminals at a regional and national level to identify a single cohort of high priority offenders assessed to represent the highest risks, and to ensure the effective collection, use and management of intelligence
- developing a public sector prisons searching strategy to carry out lock down searches in those prisons where risk assessments indicate the need to do so, drawing together resources and expertise from across the estate and with partner agencies, learning from the successful operations carried out in 2015-16
- created the first national intelligence reports to more accurately determine levels of risk and better targeted operational responses
- introduced legislation to combat the threat from drones bringing contraband into prisons

Extremism and Radicalisation

Managing the threat from extremism and radicalisation is one of the government priorities as part of tackling the wider CT threat.

The introduction of the Prevent Duty has also placed a wider duty on NOMS staff to help prevent people from being drawn into terrorism and ensure that they are given appropriate advice and support.

We also continued to work closely with the Home Office, Police and other agencies to tackle extremism and radicalisation in line with the Government's Contest Strategy and the obligations placed upon us by the Prevent Duty. Our work has included:

- introduction of 40 Prison Prevent Lead roles across the estate to support establishments with the introduction of the Prevent Duty, to advise on training and to support staff in identifying reporting and managing extremist behaviours
- introduced an IT solution that allows NOMS to share sensitive material. The introduction of this system has paved the way to commencing the sharing of the most sensitive intelligence with partners, enhancing NOMS' understanding of the wider CT threat
- development of a revised Pathfinder process that places prisoners into bands according to the risk they present. The bands are agreed with key partners and allocation to the top band is agreed with key partners. We are therefore in the position where NOMS, Police and Security Service agree the level of threat to National Security from prisoners
- working to understand the level of threat posed by extremist groups in the community and the level of impact they have on groups and gangs in prisons that have adopted an extremist identity. This work has taken place with partners from both the Police and Security Service and will be used to inform future management strategies for this prisoner group
- development of a revised policy to support Governors in combatting extremist communications between terrorist and other prisoners that espouse an extremist ideology and extremists in the community
- working closely to support and inform the Secretary of State commissioned Independent Review of Extremism in Prisons and Probation

Decency

We aim to enhance public protection by ensuring a safe, decent and rehabilitative culture in our establishments, which can contribute to a reduction in reoffending.

Decency policies are in place in prisons across the estate, clearly communicating our commitment to providing environments which support a rehabilitative culture. This approach is further supported by the multi-disciplinary Rehabilitative Culture Board which is building on the learning of this work from the North West region and High Security estate.

We have continued to invest in the prison estate to make it safe, decent and more conducive to rehabilitation. For example, we have made improvements in fire safety, installed safer cell windows in all new builds and at some existing establishments to mitigate the risk of ligature, and we are developing a new reception centre for first-night arrivals at HM Prison Leeds.

Prison Capacity

A primary objective is to ensure that we will always have enough places to hold all those committed into custody and that our estate will be configured in a way that matches the characteristics of the population and gives effect to our priorities. Throughout 2015-16 we implemented a range of measures to maintain sufficient capacity in the right parts of the prison estate.

We also made other changes to the estate in support of our estate strategy as well as wider NOMS objectives. These included temporarily taking an open prison (HMP Blantyre House) out of use,

announcing the closure of HMP/YOI Holloway and the opening of HMP/YOI Downview as a female prison, and opening 78 places at HMP/YOI Eastwood Park as recommended by the Women's Custodial Estate Review in 2013.

In 2015-16, in support of the Home Office's detention estate strategy, we also facilitated the handing back to us from the Home Office of two NOMS operated immigration removal centres, Dover and Haslar.

Construction of a new, modern 2,106 place prison at HMP Berwyn in North Wales continued across 2015-16 and is expected to be opened from early 2017. This means that HMP Berwyn can hold men from North Wales closer to their families.

Looking Ahead – Custody

Having made the fundamental changes to the way we work through 'benchmarking' and 'fair and sustainable' our priority is to make the regimes work better so we can focus on rehabilitation to help prisoners transform their lives.

The Secretary of State and the Prime Minister have publicly set out their vision for prison. We have a major opportunity to effect long lasting change in prisons and the prison system. We secured, through the Spending Review, a significant sum of money to build prisons fit for the 21st century whilst closing some prisons that are no longer fit for purpose. We have an opportunity to look how we make best use of the whole estate. We need to do this to actively encourage rehabilitation but also to be as effective and efficient as we can in looking to hold all prisoners in the appropriate security conditions.

We want prisoners to be kept occupied with useful activity, whether learning to read and write, studying towards educational qualifications; undertaking programmes aimed at reducing reoffending or doing worthwhile work.

The Secretary of State has also made it clear that Governors, working within agreed frameworks, should have more autonomy to run their prisons to best meet the needs of the prisoners they look after.

During the latter part of 2015-16 we formed a Reform Programme to enable us to deliver the Secretary of State's Prison Reform vision.

This estate modernisation will be managed by NOMS through the Prison Estate Transformation Programme (PETP) which will oversee investment of £1.3 billion to reform and modernise the prison estate to make it more efficient, safer and focused on supporting prisoner rehabilitation.

The PETP will also manage the closure of ageing and ineffective prisons, replacing them with buildings fit for today's demands. We have consulted local authorities on possible locations for new prisons, including the existing prison estate. We will develop this programme of work further in 2016-17.

We completed a fundamental review of the delivery of Offender Management in custody in July 2015. The key conclusions of that review are likely to provide the framework through which substantial improvements can be made to the quality of Offender Management, as part of the Secretary of State's Prison Reform – and to prisoners' experience of the way they are managed.

Working with MoJ colleagues and the Parole Board, we have developed a strategic programme of work in response to the significant additional demand for oral parole hearings following the Supreme Court judgment in Osborn, Booth and Reilly. NOMS and the Parole Board have now received

funding to redevelop the Public Protection Unit Database – which will provide the means, by the end of 2016-17, to digitise the parole and recall system which will bring greater efficiency to the process.

Other Priority Areas

Women Offenders

We have maintained a clear focus on the specific and distinct needs of women offenders both in prisons and in the community and this year have appointed a Deputy Director of Custody for Women to lead this work.

We have developed improved arrangements to enable women in prisons to maintain better contact with their children to support more effective rehabilitation and long term family care. These arrangements include:

- the closure of HMP/YOI Holloway in the Summer of 2016, a poorly designed establishment not fit for a modern, rehabilitative prison
- the re-opening of HMP/YOI Downview as a women's prison that will take the majority of sentenced women who previously would have been held in HMP/YOI Holloway
- women's prisons are now all resettlement prisons, enabling women to be held closer to their families and supporting their rehabilitation into the community upon release. Two prisons now have overnight facilities for children to visit their mothers
- implementing the Centralised Case Supervision (CCS) system to provide centralised support for the care and management for women with Complex Needs and Restricted Status (RS)
- publishing 'Better Outcomes For Women Offenders' in September 2015, a guide for commissioning principles to improve outcomes for women who commit crimes; and 'Better Outcomes' guidance to assist the provision of effective services to all women and men who identify themselves as victims of domestic abuse or as former sex workers

Foreign National Offenders

NOMS plays a vital role in delivering the Government priority of removing those foreign national offenders (FNO) who have no legal right to remain here. To do so, we work closely with a range of other Government Departments including the Home Office (HO) Foreign and Commonwealth Office (FCO) and Department for International Development (DFID).

The primary tool for driving FNO removals is the Early Removal Scheme (ERS) which accounted for 1,587 removals to the end of December 2015. NOMS further supports the removal agenda by delivering prisoner transfer arrangements (PTAs) with other countries. The United Kingdom currently has PTAs with over 100 countries and territories and in the last six months, transfer arrangements have been finalised with Taiwan, Iraq and Ghana.

Youth Justice

We work with the Youth Justice Board to prevent children and young people under 18 from offending or reoffending and make sure custody is safe and secure, addressing the causes of their offending behaviour. We are contracted by the Youth Justice Board to provide commissioned places for young people (under 18).

We manage the Young People's Estate (YPE) under a functional model to make sure that we are delivering a bespoke specialist service that meets young people's specific needs and is consistently delivered across the estate.

Our YPE provides over 700 commissioned places in young offender institutions (YOIs) for young men aged 15-17. We are currently delivering a major programme of reform across the YPE which last year saw us deliver a number of projects in line with NOMS overall custodial objectives:

- implemented a new young person specific psychology service including a new intervention model with a key aim of reducing violence in under 18 YOIs
- commenced a Custody Support Plan (CuSP) pathfinder at HMYOI Werrington, which provides young people with dedicated time with their key worker on a weekly basis
- staff at three of our four under 18 YOIs are participating in the body worn video camera pilot

We have also secured funding for a range of other initiatives to be developed and introduced during 2016-17. These include:

- a restorative justice model and enhanced services for young people who display particularly complex needs
- an estate wide resettlement needs analysis to inform the commissioning of interventions and introduced intervention delivery teams within each of our sites
- introduction of a revised core day which supports delivery of new education contracts. This has seen a significant increase in the amount of education available for young people through the daily regime
- completion of initial Minimising and Managing Physical Restraint training for all staff within our under 18 sites and continued to deliver our training in relation to working with young people in custody (WYPC)
- introducing a new standardised menu across the estate which is aligned with current nutrition guidance and standards and has been fully evaluated by the Children's Food Trust
- as part of our new core day we have doubled the amount of time in the open air that is available to young people each day

In September 2015 the Secretary of State commissioned Mr Charlie Taylor, a former Chief Executive of the National College of Teaching and Leadership and an expert in managing young people's behaviour, to conduct a review of the Youth Justice System. The review team are due to publish their final report in July 2016 and we are committed to working closely with them to support their work and act on their key findings.

Work in Prisons

All prisons provide opportunities for offenders to work and learn new skills which can help them find a job upon release and support their rehabilitation, we work continuously with employers nationally and locally to create new opportunities.

We want to see more prisoners working productively for longer periods of time. Working gives prisoners the opportunity to learn new skills which can increase their chances of finding a job on release. We should see prisoners as potential assets, people who can contribute to society and give something back.

We are keen to increase the number of employers who can provide valuable vocational work for offenders while in prison and who are able to offer them support in preparation for release and employment opportunities following their release. The Employers Forum for Reducing Reoffending brings together employers willing to employ offenders and we are working with the Department for Work and Pensions to increase the involvement of more businesses. We are working with major trade bodies to ensure that recruitment practices allow people to be considered on their merit and not on their criminal convictions.

We have worked with and supported the independent review of prison education undertaken by Dame Sally Coates and will respond to the recommendations. In the year ahead we will move towards establishing prison regimes that have education at their heart, where education is more flexible and responsive to needs so that it underpins rehabilitation and builds on an individual's aspirations to change.

NOMS in Wales

The NOMS in Wales Directorate was established in 2014-15 because of the distinct differences arising from devolution: in Wales, the Welsh Government has responsibility for delivering a wide range of public services including health, education and social services; there is a legal requirement for all public services to be delivered bilingually in Welsh and English; and some services are funded differently to England.

Criminal Justice is not devolved, but achieving our overarching aims of public protection and reducing reoffending depend significantly on close working relationships with partners throughout Wales, both devolved and non-devolved.

Key achievements of NOMS in Wales during 2015-16 have been:

- construction and mobilisation of HMP Berwyn in Wrexham which is on course to open in early 2017
- commencement of the roll out of a smoke free environment in all prisons in Wales
- introduction of 'Through the Gate' services
- creation of additional capacity in Welsh prisons
- implementing risk reduction techniques through mindfulness for our high risk offenders

The Wales Reducing Reoffending Strategy has provided a framework for significant community and custodial developments including the Women Offenders' Pathfinder and the work with veterans. This work takes place in conjunction with Welsh Government and the four Welsh Police and Crime Commissioners.

Corporate Services and other core priorities

Our headquarters continues to provide contract management, digital & change, human resources, finance and operational support. This work includes supporting and enabling the Agency to deliver against its reform priorities and helping identify and deliver savings opportunities.

Contract Management

Significant progress has been made during 2015-16 in strengthening the management of NOMS contracts. Dedicated teams were established to manage two major new suites of contracts – for the 21 CRCs and for Prison Facilities Management.

The contract management team for Electronic Monitoring has been redesigned in line with its significance as a major service across the Criminal Justice System and the changes made to the programme referred to at page 12 of this report. New processes and tools have been introduced by the team managing custodial services contracts, which includes the 13 privately managed prisons in England. These and other NOMS contracts are managed by multi-functional teams, which marry operational expertise with specialist commercial, financial, analytical and legal support.

During 2015-16, a central contract management services function has been established, providing process support and assurance to senior business owners across all NOMS contracts. All NOMS staff involved in contract management have been made aware of development opportunities and over 200 have been enrolled onto a programme run by the International Association for Commercial and Contract Management.

Digital & Change

During 2015-16, a programme of work concerned with upgrading the core NOMS ICT (NICTS) infrastructure across the prison and HQ estate was completed and better services are now being provided at lower cost to the Agency. It was anticipated that ICT services would be procured through MoJ's Future IT Sourcing (FITS) Programme upon expiry of the NICTS contract on 31 December 2015. Unfortunately, FITS was unable to provide a replacement solution within the timescales and as no other option was available to NOMS, the decision was taken to extend the Hewlett Packard Enterprise Services agreement for a further two years until 31 December 2017. This has resulted in better services being provided at lower cost to the Agency.

Significant progress has been made in delivering the final pieces of the Transforming Rehabilitation jigsaw, which are the technology enablers which will support the transition of the 21 CRCs from Authority provided ICT to their own solutions. The implementation of a secure gateway to enable CRCs to use their own systems to exchange data with the NPS is a critical part of this and is currently undergoing testing. A bridging solution has been delivered, which allows CRCs to access NOMS systems from their own infrastructure. To date, 10 out of 21 CRCs have cut over to their own ICT and are using this solution.

Over the course of the year, a new digital approach to delivery has been developed in line with the wider Government Digital agenda, to better support the needs of the Agency, particularly the emerging prison reform agenda. In doing this we have built on the success of the digital visits booking system and continued to work with the MoJ Digital Services team to transition other public, offender, and staff facing services to digital channels. Work has started on developing a micro-services approach to new services which will be tested in a suitable prison and then deployed in an agile way across what will be a reformed prison estate.

Work is continuing to develop digital responses to operational challenges. These include the creation of our first “digital” prison at HMP Wayland where we will test new technologies ahead of wider roll out.

Human Resources

We have continued to strive to provide the right staffing resources across public sector prisons and in the NPS. This has been delivered through a range of processes, including improved recruitment arrangements to bring new staff into NOMS, as well as the First Deployment scheme and targeted use of detached duty and payment plus to ensure that staff are supporting those prisons who most require it to deliver safe and decent regimes.

We have also provided support to managers to improve staff attendance levels, including Support and Sustain reviews, better management information and conversation packs to facilitate discussions with staff.

Over the past 12 months we have continued to see unprecedented levels of recruitment activity across public sector prisons with over 1,970 new Prison Officers being recruited in 2015-16. Our investment in a new generation of Probation Officers continues, with the recruitment of 650 additional trainee Probation Officers during the year and the qualification of 192 probation officers in the final quarter of this financial year.

We will continue to focus directly on resourcing to ensure we have the right staff, in the right place at the right time with greater agility within our recruitment process. We now have a significant number of our public sector prisons fully staffed to agreed benchmarks together with a healthy pipeline of recruits waiting to enter the service.

We continue to introduce creative recruitment and retention interventions in our difficult to recruit to establishments which allows us to remain competitive in challenging employment areas.

The new Community Justice Learning Qualification Framework was launched in April 2016 and will introduce more open, flexible and inclusive access routes to Probation Officer and Probation Service Officer training. The framework aims to meet the needs of the NPS and the 21 CRCs, as well as providing a graduate training route for new prospective employees and a potential career path for existing staff with aspirations to become a future Probation Officer.

The redesign of Learning & Development Operating Model has gathered pace with the intention of a new agile, business focused approach to delivery that embraces the digital agenda. A key element of this work is the comprehensive review of our POELT which has resulted in the delivery of a more comprehensive training programme for new prison officers.

The introduction of staff well-being champions and local well-being committees alongside a robust approach to dealing with staff absence through proactive management intervention has seen our average working days lost reduce by around 10 percent from 11.3 days down to 10.4 days. Our aspiration remains to reduce this target down to seven days.

Work to align the HR policies across the NPS has continued with travel and subsistence being the notable change this year. The removal of multiple expense rates and local ad hoc arrangements has enabled probation staff to utilise the i-expenses module which has reduced costs and improved the time it takes for staff to receive their remuneration. Supporting the NPS E3 Programme remains a key HR deliverable and work to develop a standard national set of job descriptions is nearing conclusion.

NOMS has a well embedded approach to working with our trade unions which includes regular Whitley meetings, stock takes and regular ongoing dialogue. The relationship with the Prison Officers Association (POA) and Prison Governors Association (PGA) remains positive with both trade unions having joint agreements in place during 2015-16 to drive forward change. The health and safety of our staff remains a concern and we continue to work in partnership with the POA to address these issues. New collective bargaining arrangements are being developed with our Probation Trade Unions through continued dialogue. The focus will be on the NPS and this should deliver a fit for purpose bargaining and disputes mechanism that will support the modern probation reform agenda.

The annual People Survey has seen our overall engagement index being improved and through the “Our People being the best we can be” campaign we continue to support and encourage proactive engagement across all levels of NOMS. The People Survey (previously known as the Staff Engagement Survey) provides an invaluable source of information to the Board and senior managers about how staff feel about their work.

Financial Planning and Savings

During the Spending Review Period 2010 we successfully delivered c£900m cashable savings against the 2010-11 Baseline Budget Position. At the end of 2014-15 we had reduced our budget by around 24 percent since the start of the spending review period.

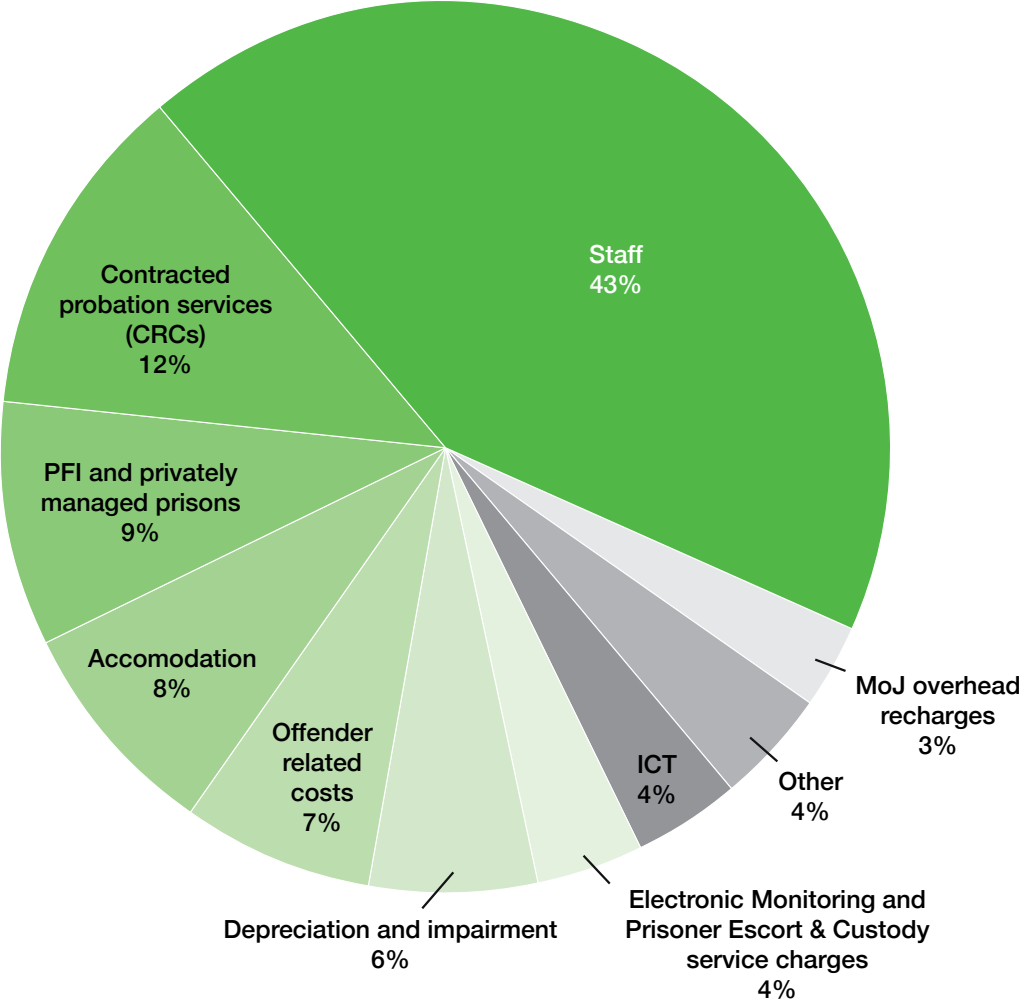
Given the significant reforms we have delivered right across our system and the demand pressures we face we have had limited scope for further savings in 2015-16, as our retained frontline services move toward efficient thresholds and we contract out more of our business. We have delivered further efficiencies through the completion of the prison unit cost programme and capacity management programme. There have also been cost reductions and one-off underspends in some of our contracted services including in the Prisoner Escort and Custody Services (PECS) and PMP contracts. We have also faced new cost pressures, including planned transition costs in the probation system as we embed the new delivery structures.

In September 2015 we combined the Management Accounting functions for public sector prisons, NPS and HQ business units, alongside the corporate level budgeting and reporting teams. In 2015-16 we are seeing the benefits, in the improving quality and robustness of our monthly reporting, providing a clearer understanding of financial performance. Our new functional model for Accounts Teams, is supported by subject matter experts and provides the Agency with a more agile function that is well placed to better support the business and respond to any further change.

Financial Performance

Net expenditure for the year was £3,960m, as shown in the Statement of Comprehensive Net Expenditure on page 73 of the accounts. It comprises operating expenditure of £4,231m and finance charges of £74m, less income of £345m.

Total Operating expenditure Breakdown



Net expenditure was £3,750m in 2014-15, excluding £1,196m net liabilities transferred in from Probation Trusts on their dissolution.

The overall increase of £210m included:

- £90m higher staff costs, representing an increase in average full time equivalent staff numbers, due to a full year of the NPS in 2015-16 (ten months in 2014-15) and further recruitment
- £90m increase in purchase of goods and services, reflecting new facilities management contracts and the first full year of CRC contracts
- Net expenditure by operating segment is shown in Note 2 to the accounts on page 85

Financial position

Assets and liabilities are shown in the Statement of Financial Position on page 74. Assets less liabilities totalled £4,916m as at 31 March 2016 (2015: £4,371m).

NOMS held assets of £7,194m as at 31 March 2016 (2015: £6,838m). Property, plant and equipment represented 96 percent of the asset value (2015: 95 percent), which has risen this year largely because of increases in property values.

Total liabilities were £2,278m as at 31 March 2016 (2015: £2,467m). Local Government Pension Scheme net liabilities accounted for £1,193m or 52 percent of the value (2015: £1,442m or 58 percent). Pension liabilities are discounted at the rate equivalent to the return on high quality corporate bonds, which increased this year, causing a reduction in the liabilities.

Operational Performance

NOMS Operational Performance 2015-16

Measure	July 2013 to June 2014	2003
One-year proven reoffending rate for adult offenders discharged from prison or commencing a court order ¹	35.2%	42.4%

Measure	Outcome 2015-16	Outcome 2014-2015
Public Protection		
The number of Category A escapes	0	0
The number of escapes from prison and prison escorts	5	1
The rate of escapes from prison and prison escorts as a proportion of the average prison population	0.01%	0.001%
The number of escapes from contractor escorts	8	12
The rate of escapes from contractor escorts as a proportion of the throughput of prisoners	1 in 93,526 prisoner movements	1 in 67,043 prisoner movements
Safety		
Self-inflicted deaths per 1,000 prisoners ²	1.2	0.9
Assault incidents per 1,000 prisoners ²	240 (2015)	190 (2014)
Delivering the Punishment and Orders of Courts		
The percentage of prisoners held in crowded accommodation across the prison system	24.5%	25.5%
The rate of drug misuse in prisons as reflected by those testing positive in mandatory drug tests	7.7%	6.9%
Staffing indicators		
Staff sickness: average working days lost per annum ³		
• NOMS overall	10.4	11.3
• Public sector prisons	10.4	11.4
• NPS	11.7	14.3
Headquarters and regional services	6.1	7.2
BAME staff representation across NOMS ⁴	7.9%	7.2%

¹ Proven Reoffending Statistics: July 2013 to June 2014, published 28 April 2016 (<https://www.gov.uk/government/statistics/proven-reoffending-statistics-quarterly-july-2013-to-june-2014>)

² Safety in Custody Statistics quarterly Bulletin: March 2016, published 28 April 2016 (<https://www.gov.uk/government/statistics/safety-in-custody-quarterly-update-to-december-2015>)

³ Sickness figures for 2014-15 relate to staff employed within the NOMS Agency and includes, in addition to the categories reported separately, Probation Trusts for April and May 2014 and CRCs for the period they remained in the public sector, from 1 June 2014 to 31 January 2015. CRCs moved into the private sector on 1 February 2015, from which time NOMS no longer held responsibility for staffing issues. NPS data in 2014-15 relates to the period from 1 June 2014 to 31 March 2015.

⁴ Declaration rates and representation rates vary across the different parts of NOMS and this will increase the uncertainty around the overall representation rate. The declaration rate in the NPS was 49.6% compared to 84.5% in public sector prisons and 77.2% in NOMS HQ. Data on BAME staff representation for 2014-15 were not published in last year's annual report due to the change in structure following the creation of the NPS and CRCs.

The Proven Reoffending Statistics bulletin published on 28 April 2016 provides key statistics on proven reoffending in England and Wales. It gives proven reoffending figures for adult and juvenile offenders, who were released from custody, received a non-custodial conviction at court, received a caution, or received a reprimand or warning between July 2013 and June 2014. A proven reoffence is defined as any offence committed in a one year follow-up period that leads to a court conviction, caution, reprimand or warning in the one year follow-up or within a further six month waiting period to allow the offence to be proven in court.

The key reoffending statistic for NOMS is the one-year proven reoffending rate for adult offenders discharged from prison or commencing a court order. Between July 2013 and June 2014, around

171,000 adult offenders were released from custody or commenced a court order. Around 60,000 of these offenders were proven to have committed a reoffence within a year. This gives a proven reoffending rate of 35.2 percent. Between 2003 and 2005 this rate fell by 4.1 percentage points and since 2005, it has fallen by 3.2 percentage points.

The proven reoffending rate for adult offenders starting a court order (Community sentence or Suspended Sentence Order) was 33.6 percent, a fall of 6.3 percentage points since 2003, and a slight decrease of 0.4 percentage points compared to the previous 12 months.

The proven reoffending rate for adult offenders released from custody in July 2013 to June 2014 was 45.6 percent. This represents a fall of 5.9 percentage points since 2003 and a small increase of 0.4 percentage points compared to the previous 12 months. Since 2004, the overall rate for those released from custody has remained relatively stable at around 45 percent to 50 percent.

The rate for those released from short sentences has been consistently higher compared to those released from longer sentences. Adults who served sentences of less than 12 months reoffended at a rate of 59.7 percent, compared to 33.6 percent for those who served determinate sentences of 12 months or more. The trends for those released from short and long sentences have both remained broadly flat since 2005 and are consistent with the overall trend.

There were two escapes from prisons and three escapes from prison staff escorts in 2015-16. The five in total produce an annualised rate of escapes of 0.01 percent of average population. This is a rise compared to 2014-15 in which there was one escape from a prison staff escort and none from a prison. However, for third successive year there were no Category A escapes (the last was in May 2012) and the rate of escapes from contractor escorts improved from one per 67,043 prisoner movements in 2014-15 to one per 93,526 in 2015-16.

There were 100 self-inflicted deaths in prison custody in 2015-16 (a rate of 1.2 per 1,000 prisoners) compared to 79 in 2014-15 (0.9 per 1,000 prisoners). In the 12 months to December 2015 there were 240 assault incidents per 1,000 prisoners, up from 190 on the same period in 2014. (Source: Safety in custody quarterly bulletin, March 2016: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/519425/safety-in-custody-march-2016.pdf).

The average percentage of prisoners in crowded accommodation reduced to 24.5 in 2015-16, compared to 25.5 in 2014-15.

The rate of prisoners who tested positive for drugs, however, rose from 6.9 percent in 2014-15 to 7.7 percent in 2015-16.

In probation, new performance frameworks were introduced for the National Probation Service and CRCs. Outturns are published in the Community Performance Quarterly Management Information Release (<https://www.gov.uk/government/statistics/community-performance-quarterly-management-information-update-to-december-2015>). Figures published in April 2016 show performance continuing to improve across most indicators. Figures to the end of Quarter 4 of 2015-16 will be published on 28 July.

In line with the longer term downward trend, rates of staff sickness fell across NOMS during 2015-16, from an average of 11.3 average working days lost (AWDL) in 2014-15 to 10.4 in 2015-16. Within this overall figure, AWDL for public sector prisons fell from 11.4 to 10.4; for NOMS Headquarters and regional services it fell from 7.2 to 6.1; and in NPS from 14.3 to 11.7.

The proportion of staff from Black, Asian and Minority Ethnic (BAME) backgrounds across all of NOMS at 31 March 2016 was 7.9 percent, up slightly from 7.2 percent in the previous year.

Equality

The offenders in our care have the right to expect fair, transparent and equitable treatment, as do our staff. Equality and diversity are central to all of our business activities and we are fully committed to delivering our obligations under the Equality Act 2010.

In September 2015 we published our Equality Strategy 2015 – 17, together with the underpinning Delivery Plan. The Equality Sub-Committee has continued to meet quarterly, reviewing progress against Delivery Plan.

We have refreshed our equality-related policies and will shortly introduce a new policy on Equality Analysis, which mandates the routine consideration of equality from the start of and throughout any project; including policy development. This replaces the expectation that we complete Equality Impact Assessments, focusing instead on developing a comprehensive audit trail to show how equality considerations have been integral to the task at hand.

Our emphasis is on a 'whole system' approach to delivering equality throughout the organisation, ensuring that staff in both operational lines and in HQ understand its relevance to work that they do.

Grant-funded projects progressed during 2015-16 have helped to increase our understanding of the contexts in which disproportionate outcomes for staff and offenders have occurred. We will continue to focus on those areas where data indicate disproportionate outcomes for specific groups, and to employ a proactive series of measures to promote and enable an inclusive organisational culture in which inequality is minimised.

We are attentive to contributing to and learning from internal and external reviews such as the MoJ Review on the Care and Treatment of Transgender Offenders; and the Government Review on over representation of BAME offenders in the Criminal Justice System. NOMS is represented on the Young Review Advisory Board, which focuses on the needs of young Black and Muslim men in the Criminal Justice System.

We continue to highlight to staff the importance of declaring their protected characteristics on an anonymised basis, as we use this information to monitor progress in maximising inclusion and strengthening our workforce. The importance of reasonable adjustments is made clear through a specific objective in the NOMS Equality Strategy 2015-17 and in the contractual arrangements with CRCs.

Our People

A diverse range of staff and external partners working in Probation, Her Majesty's Prison Service and NOMS headquarters were honoured with numerous awards in 2015-16. The selection below represents some of the major national awards received.

Queen's Birthday Honours

OBEs have been awarded to:

David Ahern, Chief Executive Officer, Shannon Trust, for services to prisoners and the community

John Illingsworth, Governor, HMP Wymott, for services to HM Prison Service

MBEs have been awarded to:

Ian Burns, Lay Observer, South East Region, for services to people in custody.

Andrew Dennis, Brick Instructor in Prisons, Manchester College, for services to prison education and skills

Brian Lord, Lately Prison Officer, HMP Manchester, for services to the prison service.

Valerie Maynard, Prison Volunteer, HMP Lewes, for services to prisoners and their families

Elizabeth Ropschitz, Mental Health Coordinator, Resettlement and Care for Older Ex-Offenders and Prisoners (RCOOP), for services to older prisoners in Devon

The BEM's have been awarded to:

Deborah Blake, Business Administration Specialist, HMP Isle of Wight, for services to HM Prison Service

Amanda Williams, Chair Independent Monitoring Board, HMP Brixton, for services to prisoners

New Year's Honours

CBEs have been awarded to:

Julia Killick, Governor, HMP Holloway, for services to HM Prison Service.

Sarah Payne, Director, NOMS in Wales, for services to Prisons, Probation and the community in Wales

Adrian Smith, Deputy Director of Custody, NOMS East of England, for services to HM Prison Service

OBE has been awarded to:

Michael May, Founder and CEO Blue Sky Development and Regeneration, for services to ex-offenders

MBEs have been awarded to:

Shaun Gettings, Lately Prison Officer, HMP Frankland, for services to prisoners

Stephen Knox, Lately Independent Monitoring Board Member, HMP Morton Hall, for services to prisoners

Elizabeth Shapland, Bereavement Counsellor, HMP Bullingdon, for voluntary service to bereaved offenders and their families

Sally Ann Varah, Founder and Trustee Michael Varah memorial Fund and Chair GASP Motor Projects, Surrey

The BEM has been awarded to:

Jody Green, Mentor, Community Led Initiatives, Manchester, for services to the resettlement of ex-offenders

Civil Service Awards

The Dame Lesley Strathie Operational Excellence Award:

Working Out Team, HMP Stanford Hill, National Offender Management Service

The innovative Working Out Team at HMP Stanford Hill (an open resettlement prison) has delivered operational excellence by opening up genuine job opportunities for prisoners in preparation for their release. Recognised as a key to breaking the cycle of crime, the professionalism of the Working Out Team has succeeded in breaking down barriers to build trust with employers so as to secure employment for prisoners. At the same time, prisoners are gaining skills and qualifications to gain work in fields where there is a national skills gap.

Butler Trust Awards

The 2015-16 winners of the prestigious Butler Trust Awards included five individuals or teams from public and private sector prisons in England and Wales, two from Probation, three from Youth Offending, and two from CRCs in England and Wales. The winners and an additional 26 commendees attended a ceremony at Buckingham Palace presented by The Butler Trust's patron, HRH The Princess Royal.

This year's Princess Royal's Prize for Outstanding Achievement went to Kerenza Hocken, a senior psychologist and clinical lead for the sex offender treatment programme at HMP Whatton. This was particularly in recognition for her work in developing interventions for sex offenders with intellectual disabilities.

Full list of winners and commendees: <http://www.butlertrust.org.uk/our-winners/>

Prison Officer of the Year awards (internal)

Selena Bradley, from HMP Stoke Heath, winner of the Reducing Reoffending category, was named overall Prison Officer of the Year 2015 by Michael Spurr, NOMS Chief Executive Officer. Explaining why he chose Selena from the category winners, he said: "Selena's work as an offender supervisor has been outstanding. On her own initiative, she has developed restorative justice, support for veterans and learning tools to help staff to support offenders. Her energy and enthusiasm are infectious and as her colleagues said, she is a model prison officer."

Other category winners:

Decency – Michelle Danvers, HMP Kirkclevington Grange

Diversity and Equality – Carl Sullivan, HMP & YOI Thorn Cross

Prisoner Care and Management – Darren Fowler, HMP Durham

Public Protection – Hugh McCourt, HMYOI Feltham

Safer Custody – Julie Cowie, HMP Swaleside

Staff Support – Charlie Benson, HMP Brixton

Working in Partnership – Alison Spink, HMP Leeds

Lifetime Achievement – Mary Edwards, HMP Wakefield

Probation Champion of the Year (internal)

Wendy Hyett, from Wales CRC, winner of the Diversity and Equality category, was named overall Probation Champion of the Year 2015. Michael Spurr chose Wendy saying "Her inspirational work with partners in Wales to tackle women's offending has been really ground breaking, providing a model for others. It has demonstrated the impact probation can have on other agencies to make positive change possible in those we work with."

Other category winners:

Innovation – Rachael Smith, Staffordshire & West Midlands CRC

Interventions – Wendy Moore, Derbyshire, Leicestershire, Nottinghamshire & Rutland CRC

Offender Management – Suzanne Edwards, Wales CRC

Public Protection – Mona Patel, NPS London

Working in Partnership – Neil Robertson, NPS London

Victim Services – Hani Macci, London CRC

Team of the Year – Community Reintegration Team, Merseyside CRC

Lifetime Achievement – Roger Kennington, NPS North East

Sustainability Report

Introduction

This is the Sustainability Report for the National Offender Management Service (NOMS) prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at: <http://www.gov.uk/government/publications/government-financial-reporting-manual/>

This report matches the scope and details laid out in the Greening Government Commitments (GGC). GGC forms the primary Sustainable Development (SD) driver across government and carries a series of improvement targets against areas such as carbon from energy, waste, water and biodiversity.

NOMS' sustainability focus is on achieving these government targets, reducing environmental impact and reducing costs. Priorities include reducing carbon emissions, water consumption and waste to landfill. Further details on GGC can be found at: <https://www.gov.uk/government/policies/making-sustainable-development-a-part-of-all-government-policy-and-operations>

Scope exclusions and estimations

This report covers 114 public sector prisons, NOMS shared service and administration buildings and 5 privately operated prisons (Birmingham, Doncaster, Northumberland, Oakwood and Thameside). Utilities consumed in prison industries are removed from consumption reporting to provide greater operational consistency between prisons. We do not consider that the exclusion of these areas has a material impact on sustainability reporting as a whole.

Performance

The government's GGC targets were extended to cover the period up until April 2016.

We have established a Public Sector Prison Sustainable Development Steering Group which has been set up to monitor performance and drive improvements.

Energy

Greenhouse Gas (GHG) Emissions		2015-16	2014-15	2013-14	2012-13
Non-Financial Indicators (tCO2e)	Scope 1 (Direct) Site based emissions & owned transport	164,351	172,751	177,698	204,177
	Scope 2 (Indirect) Supplied energy (Electricity and heat)	158,811	165,158	153,963	159,804
	Scope 3 (Other indirect) Business travel & transmission losses from supplied energy	25,850	22,603	21,249	23,030
	Total gross GHG emissions	349,012	360,512	352,910	387,011
	Electricity: green/renewable	(39,703)	(41,290)	(38,420)	(39,863)
	Total net GHG emissions	309,309	319,222	314,490	347,148
Non-Financial (mWh)	Electricity: Grid, CHP & non-renewable	238,049,792	250,614,765	259,245,116	269,060,803
	Electricity: renewable	79,349,931	83,538,255	86,243,037	89,482,680
	Gas	739,733,850	776,472,182	808,431,399	895,135,630
	Other energy sources	80,431,523	84,100,292	78,924,807	98,695,712
	Total energy	1,137,565,096	1,194,725,494	1,232,844,359	1,352,374,825
Financial indicators	Expenditure on energy (£m)	76.2	77.4	81.0	90.4
	Expenditure on official business travel (£m)	17.1	15.7	17.0	24.6

NOMS achieved a 3.1% reduction of greenhouse gases in 2015-16 from the previous year.

We recognise that some of our custodial estate comprises of older and less efficient buildings, which can present a challenge in respect of future greenhouse gas reduction.

Water

		2015-16	2014-15	2013-14	2012-13
Non-Financial Indicators	Total Water consumption - (cubic metres m3)	7,811,515	8,015,221	8,120,935	8,119,751
Financial Indicators	Total Water Supply costs - (£m)	21.9	22.0	22.1	22.0

NOMS continues to remain committed to reducing water consumption. Guidance to reduce water consumption in custodial areas is provided to construction workers and the current water policy is being reviewed to further reduce water usage and associated costs.

During 2015-16, NOMS achieved a 2.5% reduction in water consumption from 2014-15.

Waste

All disposed waste by type in tonnes (Te)			2015-16	2014-15	2013-14	2012-13
Non-financial Indicators (tonnes)	Non-hazardous waste	Landfill waste	8,969	11,961	14,110	20,193
		To Recovery (anaerobic digestion and composting)	1,629	1,170	3,269	3,599
		To incineration	101	162	116	0
		Reused/recycled waste	20,688	20,500	22,465	28,896
		Energy from waste	7,636	7,503	6,273	1,487
	Total waste disposals	39,023	41,296	46,233	54,175	
			2015-16	2014-15	2013-14	2012-13
Financial Indicators	Non-hazardous waste	Landfill waste	4.5	5.7	4.7	3.6
		To Recovery (anaerobic digestion and composting)	0	0	0	0
		To incineration	0	0	0	0
		Reused/recycled waste	0	0	0	0
		Energy from waste	0	0	0	0
	Total waste disposal costs (£m)	4.5	5.7	4.7	3.6	

During 2015-16, the NOMS estate produced a total of 39,023 tonnes of waste; a 22.21% reduction against the 2009-10 baseline of 50,167 tonnes. Of the total waste generated, 77% (30,054 tonnes) was diverted away from landfill disposal, with 53% (20,688 tonnes) of total waste directed to reuse and recycling, 4% (1,629 tonnes) to composting and anaerobic digestion operations and 20% (7,636 tonnes) to energy-from-waste incineration.

We have established prison waste management units (WMU), which employ on average 10 prisoners working a 29 hour week to sort through the waste, separating out items suitable for reuse and processing materials for recycling. Having gained work experience in the prison WMU,

around 50 prisoners eligible for release on temporary licence work out in the waste and recycling industry each week. Industry accredited training has also been introduced and 582 prisoners were successful in gaining waste management qualifications which will assist them in gaining employment upon release.

Paper

	2015-16	2014-15	2013-14	2012-13
Cost excluding VAT (£m)	0.9	0.9	0.9	1.9

NOMS started using the mandatory pan-Government Office Supply Contract (GOSE) in 2011. In addition to this, the digital strategy will enable us to reduce our levels of paper consumption even further.

Governance, responsibilities and internal assurance

Overall governance and assurance is managed by the Ministry of Justice (MoJ) Sustainable Operations Team. The MoJ continues to work on reducing its environmental impact across the estate, through a variety of carbon, water and waste saving initiatives.

There are some limitations to the accuracy of our financial and non-financial sustainability data and we are committed to improving the quality of our internal controls, for example through internal audit, and through continuous engagement with both internal and external stakeholders.

Volume information in the tables above is based on estimates. Prior year figures are updated as actual data becomes available, and so in some cases the previous years' volumes are not the same as the estimates published previously.

Sustainable Operations Policy

Under the new Sustainable Operations Team (SO), MoJ energy and water policies, which stipulate the criteria for investment in energy and water efficiency, are under review and a central MoJ policy statement along with a short delivery plan will be issued in 2016.

In the future, Memoranda of Understanding (MOU) agreed between the relevant parties and the Estates Directorate will include the level of sustainability services available to them and their respective responsibilities to the SO Team.

The SO Team is also reviewing the water policy and looking to engage with regional representatives and contractors to further reduce our water usage.

MoJ Single Departmental Plan (SDP)

The SDP sets out our vision for the justice system and how our ambitious reforms will transform the services we provide. The plan has been agreed with the Cabinet Office and HM Treasury to ensure it reflects the Government's priorities and can be delivered within the Spending Review budgets. www.gov.uk/government/publications/moj-single-departmental-plan-2015-to-2020/single-departmental-plan-2015-to-2020

Local Diversity Action Planning

NOMS has continued with its robust and challenging programme to implement Local Biodiversity Action Plans (LBAPs) not only at its national designated sites, but also at its locally designated sites and those sites which have displayed local biodiversity significance; all of which support the Biodiversity 2020² outcomes. NOMS continues to manage and support its designated sites (SSSIs, SACs³ and SPAs³) whilst administering Site Management Agreements to protect their national importance and consequently its statutory and mandatory obligations to wildlife legislation.

Working closely with the MoJ Ecology network, NOMS has continued with a biodiversity/ecology training programme for its staff and Facility Management providers that fulfils the NERC Act 2006 Section 40⁴ "Biodiversity Duty". NOMS is also working with its lead partners on protecting vulnerable and declining priority species, one of the main aims within the Biodiversity 2020 outcomes.

Social and environmental awareness

NOMS has continued with its successful policy of working closely with the MoJ Sustainable Operations Team (SO) and the MoJ Ecology network to advise and give guidance on environmental community projects and social enterprises. Whilst continuing with Memorandums of Understanding and Service Level Agreements with national strategic partners, successful outcomes of this policy have included transferable learning and skills, life skills and important Restorative Justice programmes for offenders.

Carbon Reduction Commitment

The Carbon Reduction Commitment is a mandated energy reporting system for medium to large scale energy consumers. Participants must prepare detailed annual consumption reports and purchase sufficient allowances to cover their respective carbon impact. The MoJ SO Team manages the Carbon Reduction Commitment on behalf of all its departments, although Carbon Reduction Commitment accruals and budgets are managed at departmental level. The associated forecasted carbon allowances for 2015-16 are estimated to be £5.1m for NOMS, based on forecasted emissions, for which the Sustainable Operations team are responsible.

Climate Change Adaptation

NOMS' partnership with the MoJ SD Team on Climate Change Adaptation has provided a practical and formative approach to its high risk sites that has supported a practical, dynamic contingency plan strategy, which is in line with the Environment Agency's own strategy on flooding, drought, temperature change and other adverse climatic conditions.

Rural Proofing

NOMS is one of the larger built and non-built estates in MoJ's portfolio of land holdings from an operational point of view, and as part of the wider shared estate rationale. Where new sites come on line such as the new proposed prisons prior to 2020, NOMS continues to implement a policy that encourages the development and protection of ecosystem services on a landscape scale; connecting with the local, county and national planning policy.

² Further details on Biodiversity 2020 Biodiversity 2020: A strategy for England's wildlife and ecosystem services - Publications - GOV.UK

³ Further details on European designated sites - <http://jncc.defra.gov.uk/page-1527>

⁴ Further details on NERC Act 2006 s40 - <http://www.legislation.gov.uk/ukpga/2006/16/contents>

Sustainable construction

All major refurbishments and new builds are required to be Building Research Establishment Environmental Assessment Method (BREEAM) assessed to a standard of 'very good' for refurbishments and 'excellent' for new builds. In addition the Department is committed to reducing construction waste to landfill and ensuring that all major refurbishment and new build projects have clauses requiring details on waste streams.

Michael Spurr

Agency Accounting Officer

01 July 2016



2

Accountability Report

2.1 Corporate Governance Report

Directors' Report

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 Probation Service, former NOMS HQ and HM Prison Service to enable more efficient and effective delivery of services.

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

The National Offender Management Service Agency Board and Executive Management Committee

The governance arrangements within NOMS for the period April 2015 to March 2016, as agreed by the Permanent Secretary of the MoJ and the NOMS Agency Board, included the following:

- Four NOMS Agency Board meetings focusing on strategic Agency priorities including change, performance, risk and investment, and one away day
- A weekly NOMS Executive Management Committee (NEMC) meeting to support the Chief Executive Officer in the day to day running of the Agency
- From January 2016, NEMC was replaced by the Operational Delivery Executive Committee and the Reform Programme Board, both of which meet fortnightly, and the Business Planning Executive Committee, which meets monthly. The Executive Committee holds weekly update meetings
- A comprehensive range of sub-committees reporting to the Board and Executive Committee

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

The Chief Executive Officer's pay is determined under the rules set out in chapter 7.1 Annex A of the Senior Civil Service Management Code. Other members of the NOMS Agency Board and the Executive Committee are appointed by the Chief Executive Officer with agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the Agency Board and the Executive Committee are set out in the Remuneration and Staff Report on pages 55 to 67.

As at 1 April 2016, the structure of the Board and Executive Committee is as follows:

Agency Board	Chief Executive Officer ; Chief Operating Officer; Executive Directors; Non-Executive Directors, Board Secretariat		
Executive Committee	Operational Delivery Executive Committee	Business Planning Executive Committee	Prison Reform Programme Board ¹
Membership	<p>Chief Operating Officer</p> <p>Director of Public Sector Prisons</p> <p>Director of Probation</p> <p>Director of National Operational Services</p> <p>Director of Contract Management</p> <p>Director of NOMS in Wales</p> <p>Director of Finance and Analysis</p> <p>Director of HR</p> <p>Director of Digital and Change</p> <p>Director of Electronic Monitoring</p> <p>Board Secretariat</p> <p>In Attendance</p> <p>Director of Commissioning</p> <p>Programme Director</p> <p>Deputy Director, Legal Services</p> <p>Deputy Director, Internal Communications</p>	<p>Chief Executive Officer</p> <p>Chief Operating Officer</p> <p>Director of Commissioning</p> <p>Director of Finance and Analysis</p> <p>Director of HR</p> <p>Director of Digital</p> <p>Director of NOMS in Wales</p> <p>Director Estates Transformation</p> <p>Director of Public Sector Prisons</p> <p>Director of Probation</p> <p>Director of National Operational Services</p> <p>Director of Contract Management</p> <p>Board Secretariat</p> <p>In Attendance</p> <p>Programme Director</p> <p>Deputy Director, Legal Services</p> <p>Deputy Director, Internal Communications</p>	<p>Chief Executive Officer</p> <p>Senior Business Owner (COO)</p> <p>Director of Finance and Analysis</p> <p>Director General, Criminal Justice Group</p> <p>Programme Director</p> <p>Director of Commercial and Contract Management (Justice)</p> <p>Board Secretariat</p> <p>Deputy Director, Legal Services</p> <p>Reportees</p> <p>Deputy Director, Reform Prisons</p> <p>Director of Commissioning</p> <p>Director Estates Transformation</p> <p>Specialist Attendees</p> <p>Director of HR</p> <p>Director of Digital and Change</p> <p>Director of NOMS in Wales</p> <p>Director Finance and Planning (Justice)</p>

¹ The Prison Reform Programme Board also has external membership, representing HM Treasury and regular attendees from MoJ policy teams.

During 2015-16 the following were members of the NOMS Agency Board and the NOMS Executive Committee:

Chief Executive	Michael Spurr	
Director of Public Sector Prisons	Phil Copple	Until 28 June 2015
Director, Prison Strategy		From 29 June until 31 December 2015
Chief Operating Officer		From 1 January 2016
Director of Probation	Colin Allars	
Director of Commissioning and Contract Management, Custodial Services	Ian Blakeman	Until 8 November 2015
Director, Reform Prisons		From 9 November 2015
Director of HR	Carol Carpenter	
Director of Digital and Change	Bryan Clark	
Director of Finance and Analysis	Andrew Emmett	
Director of National Operational Services	Digby Griffith	
Acting Director of Public Sector Prisons	Ian Mulholland	From 29 June 2015
Director of NOMS Wales	Sarah Payne	
Director of Commissioning and Contract Management, Rehabilitation Services	Ian Porée	Until 8 November 2015
Director of Commissioning and Contract Management		From 9 November 2015
Director of Prison Estates Transformation	Mark Read	From 23 November 2015
Non-executive Director	David Hadfield	
Non-executive Director	Alan Hammill	From 1 July 2015
Non-executive Director	Mike Hawker	Until 7 July 2015
Non-executive Director	Elizabeth McLoughlin	

The following staff regularly attended Board or Executive Committee meetings during 2015-16:

Reform Programme Director	Simon Boddis	
Director, Electronic Monitoring, MoJ Criminal Justice Group	Adrian Scott	
Head of Communications	Lisa Appleyard	From 5 May 2015
Head of Communications (Interim)	Matt Hutton	Until 4 May 2015
Head of Internal Audit	Tim Watkinson	
Head of Planning and Analysis Group	Paul Ibrahim	
Legal Adviser	Julia Crouch	
Media Adviser	Jen Wood	
Board Secretariat / Executive Support	Emma O'Toole Sarah McKnight Katherine Myatt Sarah Harper Chloe Clarke	Until 2 April 2015 From 1 April until 30 September 2015 From 1 October 2015 until 31 March 2016

All MoJ Executive Committee members have a standing invitation to attend the NOMS Agency Board when there are agenda items relevant to their area.

No company directorships and other significant interests are held by Board members which may conflict with their management responsibilities. Further information on Related Parties is given in Note 22 to the accounts.

Changes to the governance arrangements and to NOMS Executive Committee since 1 April 2016 are:

The Directorate of Commissioning and Contract Management was divided from 1 April 2016. Ian Porée became the Director of Commissioning, David Hood was appointed as Director of Contracted Services, and Adrian Scott was appointed as Director of Electronic Monitoring. Ian Porée left NOMS on secondment on 27 June and was replaced as Director of Commissioning by Digby Griffith, who was previously Director of National Operational Services.

Ian Mulholland was confirmed as Director of Public Sector Prisons on 15 April 2016.

Ian Blakeman left the Board on 1 April 2016.

Claudia Sturt was appointed on 5 April 2016 as Director of Security, Order and Counter Terrorism. The Directorate of National Operational Services is being disbanded following the reassignment of its functions to other directorates, including Estates, Commissioning and Security.

Carol Carpenter left NOMS on 29 April 2016 and was replaced as Director of HR by Martin Beecroft from 3 May.

David Hadfield and Elizabeth McLoughlin stood down as non-executive directors on 30 June 2016, when their terms of office came to an end.

Colin Allars is leaving NOMS on 5 July 2016 to become Chief Executive of the Youth Justice Board. The Chief Operating Officer will provide interim director cover for the NPS until the conclusion of an open competition to fill the post.

Communications and employee involvement

The NOMS communication and engagement strategy for 2015-16 focused on ensuring staff and partners were kept informed of business priorities, changes and achievements throughout the year.

The communications team have undertaken several campaigns to support business change including tackling the use of new psychoactive substances, reducing violence in prisons and supporting the prison estate to go smoke-free. These campaigns use multiple channels, including posters and national prison radio, to communicate with offenders as well as with visitors, prison and probation staff and partners, to provide crucial support to business priorities.

Another major business priority was meeting NOMS' prison officer recruitment targets. The communications team was instrumental in meeting the challenge, bringing in over 1700 new prison officers to the service via a multi-award winning recruitment campaign.

Dedicated web chats, teleconferences and intranet articles have support staff to understand and implement a number of changes. These include E3 - the change programme that will design and implement a new operating model for the National Probation Service, Through the Gate provision which went live in May 2015, HMP Berwyn – the new prison being built in North Wales, the closure of HMP Holloway and re-opening of HMP Downview and wider prison reform as announced in the Prime Minister's speech in February 2016.

This year we launched a new intranet which, for the first time, allows NOMS to communicate with staff across probation, prisons and HQ through a single site. This new joint intranet will improve integration across the organisation, and is the main platform used to promote the achievements and success of staff and teams – providing motivation and best practice sharing opportunities for our staff.

Engagement results from the 2016 People Survey show an increase in staff engagement scores across all parts of the business. We continue to focus on engagement with staff, using a listen and respond approach across all groups both nationally and locally. Senior Leaders within NOMS continue to engage with staff through events, teleconferences, web chats and intranet articles – providing leadership, clarifying major changes and praising dedicated staff.

Personal data related incidents

The following gives a summary report of significant personal data related incidents, which were reported to the Information Commissioner’s Office (ICO) in 2015-2016.

Month of Incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification of steps
June 2015	Insecure destruction of HR records	Personal information relating to members of staff at two prisons	25 plus	Local investigation was undertaken. Staff who had personal information involved reported to ICO. Case is currently with ICO.
August 2015	Unauthorised disclosure via social media	Information on social media accounts of an offender on probation	1	Local investigation concluded that no data was held by the NPS belonging to the offender. Offender complained to the ICO. MOJ Data Access and Compliance Unit is handling the complaint.
November 2015	Probation case files found	A number of probation files relating to offenders were found by workers demolishing a disused building.	Unknown, numerous, two transit vans full of files	NPS investigation is completed. Files found date back to 1960 and would have been in same location as found since 2006. Files have now been destroyed. The ICO investigated the case and decided that NOMS was not at fault.

Details of the Agency’s management of risks in relation to information assurance are set out in the Governance Statement on pages 45 to 53.

Events after the reporting period

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

As at the date of the Certificate and Report of the Comptroller and Auditor General, the following reportable events had occurred:

The Secretary of State for Justice announced on 12 May 2016 that NOMS will take on the operation of Medway Secure Training Centre (STC) which looks after young people aged 12 to 17. The Ministry of Justice has an existing contract with G4S to manage Medway STC. NOMS will take over from G4S by the end of July 2016. Existing G4S staff will transfer to NOMS under TUPE arrangements.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

Audit

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

Total audit fees reported in the Accounts are £280,000, which is a notional cost in respect of the National Audit Office's audit of the NOMS 2015–16 Agency Accounts.

Governance Statement

1. Introduction

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

1.2 My Executive Management colleagues support me and the NOMS Agency Board (NAB) in the day to day management of NOMS business and quickly identify and resolve issues that could impact on the delivery of the NOMS core objectives. For example, during the year both the Executive Committee and NAB have kept a very close eye on expenditure to ensure that meeting the NOMS' contribution to the Department's Spending Review savings target did not compromise the delivery of safe, decent and secure custodial services and that public protection in the community was prioritised. Where savings plans have had to change, the associated risks were regularly reviewed and mitigating actions taken where necessary.

1.3 I have reported later in this statement on action we have taken in response to some significant risks and issues that the Agency has faced during the year.

1.4 During 2015-16, we built upon and started to embed the reforms introduced across prisons and probation to deliver increased and better integration of our services, especially with Through the Gate community-based resettlement services reaching into prisons, and the integration of services in Wales. The coming year will be, once again, an extremely challenging one and we will also begin delivery of the Prison Reform Programme to achieve the Secretary of State's vision for prisons.

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

2. Governance Framework

NOMS Agency Board (NAB)

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

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

2.3 NAB is the main decision making body at Agency level. It is responsible for NOMS' strategic direction; performance management (including finance); and risk assessment and management, within the context of overall MoJ strategy. The Board gives direction to, and drives

achievement of the objectives of NOMS operations and major change programmes; ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and compliance with legislative and corporate governance requirements. The Board ensures the NOMS Vision and Values are upheld.

2.4 As well as regular oversight of the change portfolio, performance, risk and finance, among the matters considered by NAB in 2015-16 were: Agency Governance, 'The Way We Work' programme and the Agency Business Plan.

2.5 To support NAB and help deliver the Prison Reform strategy whilst managing the day-to-day business of NOMS, in January 2016, I created a Chief Operating Officer role and, with the exception of the Audit and Risk Committee, restructured the high level governance processes of the Agency. Two distinct Executive Committees have replaced a single Executive Committee, which met to focus (in rotation) on change delivery, operational performance and corporate services themes. Core membership and frequency of meetings for each of the new Committees reflects their key functions (as outlined below). I have also established a programme board specifically to oversee Prison Reform.

Operational Delivery Executive Committee

2.6 This Committee meets fortnightly and is chaired by the Chief Operating Officer. It is designed to ensure sufficient oversight of operational issues, paying close attention to direct and contract management operational performance and focusing on achieving continuous improvement.

Business Planning Executive Committee

2.7 This Committee meets monthly and is chaired by me. It is designed to oversee the management of the Agency's corporate planning functions and relevant portfolio responsibilities and to drive the development of strategic plans in line with the strategic direction agreed at NAB.

Prison Reform Programme Board

2.8 This Board is chaired by me and is responsible for oversight of the prison reform programme. With the reform programme in its formative stages this Board meets fortnightly in order to agree key design principles and provide links into wider governance processes. As the programme moves into latter stages it is anticipated that the frequency of meetings will reduce.

Audit & Risk Committee

2.9 This Committee is an advisory body, which is chaired by a Non-Executive Director and has a non-executive membership, providing independent advice on risk, control and governance issues, the Internal Audit work programme, accounts approval and oversight and considers key recommendations from Internal Audit Reports and those of the National Audit Office. A new Chair was appointed to the Committee in June. During the year, the Committee also focused attention on: specific operational risks surrounding probation reforms; the Agency Assurance Framework and issues surrounding IT services for prisons and probation.

2.10 Full details of NAB and Executive Committee membership including attendance records can be found in the tables in section 5 of this statement.

2.11 Over the past year NAB has remained committed to its on-going development and there has been significant work to review and, where appropriate, improve NAB effectiveness. A comprehensive review of how NAB operated was undertaken during the year. I led this

effectiveness work through a process of continuous improvement, with support from both internal and external (wider government) organisational development professionals, which led to revised terms of reference for NAB.

2.12 NAB is satisfied that it has sound Governance in place, that NOMS is compliant with the relevant sections of the Code. As NOMS is not a main Department, it is not chaired by a Minister but by the Chief Executive Officer. NOMS does not have a specific remuneration committee as the scope for making decisions on pay is limited and decisions on remuneration and bonuses are ratified by the MoJ Remuneration Committee.

2.13 NAB is content that the data with which it is provided is adequate, timely and comprehensive and there are robust arrangements for reviewing and checking data. Internal Audit undertook reviews of local data collection processes during the year which showed that controls over these processes were generally effective.

3. Oversight and Assurance Arrangements

3.1 NAB exercises oversight of the performance of NOMS by:

- using the performance, risk and planning framework to check the progress against delivery of the NOMS' key priorities. This includes monitoring performance using a performance scorecard which has been developed with NAB to meet its needs. NAB has been asked to make decisions when performance is off track, in particular if there were potential implications for front line delivery
- receiving up to date reports on the in year financial position and regular updates on the progress of major change projects and programmes. It has made decisions, based on agreed thresholds, on any issues that arise. It has also discussed issues that exceed the agreed thresholds (e.g. overspend, significant risks to delivery etc)
- detailed scrutiny of the interim and final Financial Accounts
- agreeing delegations to Directorates and throughout the governance structure to ensure the right decisions are being taken by the right people in the right place, whilst ensuring NAB is provided with the appropriate level of assurance

3.2 NAB also considers information from a range of external sources which include:

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

3.3 One of the key sources of independent assurance within NOMS comes from the integrated audit and assurance activities of Internal Audit and Assurance, which meets the Public Sector Internal Audit Standards. The Internal Audit and Assurance programme is closely linked to the key

risks to NOMS and I regularly discuss emerging issues with the Head of Internal Audit. The Head of Internal Audit has concluded in his annual report that, whilst he reported a number of weaknesses in the areas reviewed, he was satisfied that actions were being taken to remedy them, and therefore he was able to give a 'Moderate' assurance on the adequacy, effectiveness and reliability of risk management, control and governance.

3.4 In addition to Internal Audit, sources of internal assurance from which I draw include:

- annual assurance statements from each of the Directors covering the key systems for which they are responsible. The assurance statements are subject to review by Internal Audit
- a process which requires Deputy Directors and other senior managers to provide assurance on those areas that are considered key to the delivery of their objectives in the form of assurance statements on selected key systems
- bi-lateral meetings with Non-Executive Directors to discuss any concerns they may have
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects
- corporate oversight of high value contracts and operational assurance activity to confirm the quality of contractual service delivery
- a report from the Chair of the Audit & Risk Committee
- attendance at Audit & Risk Committee meetings

4. Risk Management and Significant Issues

4.1 NOMS operates in a high risk operational environment and this is reflected in the types of risks managed as well as the risk management process which is driven by NAB. NAB reviews the key risks to NOMS at each meeting and also considers them in conjunction with the Agency Performance Scorecard. The risks to our strategic priorities were identified at a workshop in November and these relate to the delivery of the change agenda and also the impact on performance, our commissioning strategy, ICT being fit for purpose and employee relations; as well as overarching risks in failing to meet our duty of care.

4.2 The levels of violence, self-inflicted deaths and self-harm in prisons remain an area of serious concern, particularly as the position has deteriorated further in 2015-16 despite efforts to improve the situation.

4.3 In the 12 months to December 2015 (the period covered by the last published data), serious assaults were up 31% on the same period of 2014, serious assaults on staff up 31%, and total assaults were up by 27%. The profile of offenders currently in custody and the widespread availability of new psychoactive substances have both contributed to making prisons less safe. We take this issue extremely seriously. There is no single, simple solution to increased violence in prison. The Violence Reduction Project is enabling us to gain a better understanding of the causes and characteristics of violence in prisons, and is driving forward actions in response. Actions taken to address these risks include the introduction of a violence diagnostic tool for each prison and a Violence Reduction performance measure that requires each prison team to evidence reduction and management of violence with an intelligent, coherent approach responsive to local factors

and risks. We have also rolled out the 'Five Minute Intervention' (FMI) training, which offers staff improved techniques for productive and supportive interactions with prisoners and has been incorporated into Prison Officer Entry Level Training for all new prison officers. There is also a wide-ranging programme of pilots of various initiatives to address custodial violence including Managing Conflict Training, the use of body worn cameras, the development of a multi-disciplinary Custodial Violence Management tool (CVMM) for managing violent prisoners, and a new intervention for prisoners (the Timewise programme). The pilot interventions have been or will be evaluated. Further decisions about their roll out to the wider estate will be based on the outcome of the evaluations and where a reduction in violence is evidenced.

4.4 We are clear that reducing the level of self-inflicted deaths is of utmost importance and that safety remains fundamental to the operation of prisons. The latest statistics show that the number of self-inflicted deaths in prison in England and Wales in the 12 months to March 2016 was 100, a 27% increase on the previous 12 month period. This is deeply troubling. We put in place additional resources to undertake safer custody work, and have held national learning days, including an event run jointly with the Samaritans in October 2015. We provide regular communications to Governors and staff, emphasising the importance of safer custody issues and sharing learning. We have also reviewed the case management process for prisoners assessed as being at risk (known as ACCT) and will implement improvements to the system as a priority in 2016. This will focus on some simplifications of process and guidance, and an increase in refresher training for staff.

4.5 Since signature of the contracts to deliver a new electronic monitoring infrastructure including new technology and tighter lot-based contracts we have been seeking to mobilise those contracts. The electronic monitoring programme has a complex and challenging history and has experienced a series of unacceptable delays. The Secretary of State reviewed the programme and concluded that it was overly complex and in particular that it would be more appropriate to pursue our goals using off-the-shelf technology rather than continuing to develop bespoke tags. We have, therefore, terminated the contract with our hardware provider and are starting a new procurement process for proven tags that are already on the market. Despite this set back, we have developed and built technology that is and will remain necessary to deliver the new service. This is well advanced. We are also proceeding with changes to the way we manage the programme to improve operational grip and organisational monitoring. These changes were announced in a written ministerial statement on 25 February 2016. This remains a challenging programme and as such we will maintain strong central oversight to achieve successful delivery. In the meantime we will continue to deliver electronic monitoring services through contract with Capita who deliver the service using hardware and software provided by G4S.

4.6 Community Rehabilitation Companies (CRCs) manage medium and low risk offenders subject to community supervision. They were part of the public sector until the transfer of ownership of all the CRCs to new rehabilitation providers on 1 February 2015. Supervision in the community of the highest risk offenders managed directly by NOMS is through the National Probation Service (NPS). The volume of cases managed by CRCs has been lower than initial estimates and the volume of cases managed by the NPS has been higher than anticipated. We have been dealing with issues arising from the variation in volume changes and analysing the reasons for them. The variation appears to be largely driven by a change in the mix of cases coming through the courts, with a reduction in lower risk cases and an increase in the more serious cases. The change in the volume of offenders and workload flowing to both National Probation Service and CRCs has resulted in: increased demand on NPS staff and services at a time when they are part way through a transformation programme; and a reduction in the income that CRCs receive from NOMS at a time when they are investing and implementing their new delivery models. The key risks for NOMS have been to ensure sufficient expertise in the right organisation to

meet the work demands, and to ensure suppliers continue to meet the contractual requirements (particularly implementing their agreed operating models which incorporate a requirement to work in partnership with a range of third sector and local organisations). We have introduced a number of measures to manage and mitigate these risks including extensive recruitment and training of new trainee probation officers; reviewing business processes to ensure caseload volumes and accredited programmes are being correctly recorded and referred appropriately by both NPS and CRCs. We are undertaking a review of service levels and allocation principles one year after implementation which will report to Ministers and we are engaged in commercial negotiations with suppliers to ensure that contracts continue to operate effectively.

4.7 Continued efforts have been directed to managing risks surrounding staff vacancies. The position has improved significantly over the year but there remain a number of prisons, in London and the south east, where recruitment and retention has continued to be particularly challenging. Targeted recruitment advertising has been used to support these prisons. In some areas this has also led us to apply a recruitment and retention premium or provide a market supplement. We also offered jobs in these areas to applicants who were on waiting lists for other prisons that were fully staffed. Other short term measures have been used to support operational requirements, such as Detached Duty and Payment Plus and continued use of HMPS Reserve. The Agency has also recruited substantial numbers of Operational Support Grades and Instructors. As indicated at paragraph 4.6, workforce requirements have now been established for the National Probation Service and for the provision of probation services for NOMS in Wales. Our investment in a new generation of Probation Officers continues, with the recruitment of 650 additional trainee Probation Officers during the year and the qualification of 192 Probation Officers in the final quarter of this financial year. All these recruits have relevant degrees, for example in Criminology.

4.8 Managing the threat from extremism and radicalisation is one of the government priorities as part of tackling the wider Counter Terrorism threat. The introduction of the Prevent Duty has also placed a wider duty on NOMS staff to help prevent people from being drawn into terrorism and ensure that they are given appropriate advice and support. We have continued to work closely with the Home Office, Police and other agencies to tackle extremism and radicalisation in line with the Government's Contest Strategy and the obligations placed on us by the Prevent Duty.

4.9 In September 2015 the Secretary of State announced new arrangements to manage risk from second-hand smoke in prisons and confirmed our intention to move to a smoke-free prison estate over time. Revised arrangements include the setting up of voluntary smoke free areas and establishing 8 early adopter sites where smoking will be prohibited completely prior to wider roll out across the estate. A recognised consequence of this is to increase risks to stability and safety. We have managed this process with health partners and at every stage the safety of staff and prisoners has been our overriding priority. Prior to a prison moving to a smoke-free environment there will be an evidence based assessment of operational readiness and stability and health readiness to support the change. We will continue to maintain positive engagement with Trade Union colleagues, as we recognise that the engagement with staff is crucial to safe implementation of these changes.

Information Assurance

4.10 NOMS is committed to ensuring effective information management and is alert to the risks around information assets. During this year the NOMS Information Assurance Team changed to NOMS Information Management & Security Team, which better reflected the type work carried out. Three information breach incidents have been self-reported to the Information Commissioners Office (ICO) during the year. These incidents related to: documents containing sensitive sickness information removed from a rubbish sack for recycling at a prison; a member of staff accessing the offender

record of a relative and historic Probation offender files discovered in a former Probation premise dating back at least 10 years. The first two incidents are still under consideration by the ICO.

4.11 During 2015-16, the Agency took the following steps to improve arrangements:

- Developing and closely supporting information governance in our Headquarters and National Probation Service
- Providing expertise in substantial projects at front-line service delivery, namely Electronic Monitoring and Body Worn Cameras
- Strengthening our Information Sharing controls with appropriate Agreements and Privacy Impact Assessments

4.12 During the coming year the Agency will continue to improve through:

- New methods of managing information risk with a member of the Information Management and Security team responsible for assuring that mitigating actions have either been completed or plans are sufficiently in place to manage the risk; and
- Closer integration of Information Assurance Subject Matter Experts in ICT and business change projects

Whistleblowing Arrangements

4.13 NOMS has a Reporting Wrongdoing policy in place which has a number of avenues where staff can raise their concerns about possible wrongdoing or malpractice at work in an appropriate way. Any member of staff who raises a concern about wrongdoing in good faith, and that they reasonably believe to be true, will be protected from any form of discrimination or victimisation arising from the allegation. The Reporting Wrongdoing Policy allows staff to contact the Reporting Wrongdoing hotline, or one of a number of senior nominated officials outside the usual management line, in exceptional circumstances when staff do not feel able to raise concerns with their line manager (or someone more senior in the management line) or it is inappropriate to raise with line management. The Policy provides staff with information on sources of advice and support, such as trade unions, Workplace Support or staff networks and the Civil Service Commission. NOMS had one case referred to nominated officials during the reporting period but this did not meet the criteria; so was referred back for consideration in the line. In prisons concerns can also be raised with Local Corruption Prevention Managers.

5. Board Attendance

5.1 The tables below show the membership of NAB, Executive Committee and Audit and Risk Committee and attendance records of members at meetings during the period 1 April 2015 to 31 March 2016.

Agency Board and Executive Committee Attendance						
Name	Role	NAB	NEMC	ODEC	BPEC	PRPB
Michael Spurr	Chief Executive Officer	4 of 4	27 of 30	N/A	4 of 4	5 of 5
Phil Copple	Director of Public Sector Prisons (until 28 June) Director, Prison Strategy (29 June - 31 December) Chief Operating Officer (from 1 January)	4 of 4	22 of 30	6 of 6	4 of 4	5 of 5
Colin Allars	Director of Probation	3 of 4	28 of 30	6 of 6	2 of 4	N/A
Ian Blakeman	Director Commissioning and Contract Management, Custodial Services (until 8 November) Director, Prison Reforms (from 9 November)	4 of 4	27 of 30	N/A	1 of 4	3 of 5
Carol Carpenter	Director of HR	4 of 4	25 of 30	6 of 6	4 of 4	1 of 5
Bryan Clark	Director of Digital and Change	3 of 4	26 of 30	4 of 6	4 of 4	5 of 5
Andrew Emmett	Director of Finance and Analysis	3 of 4	27 of 30	3 of 6	4 of 4	4 of 5
Digby Griffith	Director of National Operational Services	3 of 4	26 of 30	6 of 6	3 of 4	N/A
Ian Mulholland	Acting Director of Public Sector Prisons	2 of 3	19 of 21	4 of 6	4 of 4	N/A
Sarah Payne	Director of NOMS Wales	3 of 4	21 of 30	4 of 6	3 of 4	N/A
Ian Porée	Director Commissioning and Contract Management, Rehabilitation Services (until 8 November) Director of Commissioning and Contract Management (from 9 November)	3 of 4	27 of 30	5 of 6	4 of 4	5 of 5
Mark Read	Director of Prison Estates Transformation	2 of 2	4 of 4	N/A	3 of 4	5 of 5
David Hadfield	Non-executive Director	4 of 4	N/A	N/A	N/A	N/A
Alan Hammill	Non-executive Director (from 1 July)	2 of 3	N/A	N/A	N/A	N/A
Mike Hawker	Non-executive Director (until 7 July)	1 of 1	N/A	N/A	N/A	N/A
Elizabeth McLoughlin	Non-executive Director	4 of 4	N/A	N/A	N/A	N/A
In attendance						
Simon Boddis	Reform Programme Director	N/A	14 of 20	N/A	N/A	5 of 5
Adrian Scott	Director, Electronic Monitoring, MoJ Criminal Justice Group	N/A	N/A	6 of 6	N/A	N/A
Lisa Appleyard	Head of Communications (from 5 May 2015)	2 of 4	17 of 30	4 of 6	N/A	N/A
Matt Hutton	Head of Communications (Interim) (until 4 May 2015)	N/A	6 of 7	N/A	N/A	N/A
Tim Watkinson	Head of Internal Audit	4 of 4	N/A	N/A	N/A	N/A
Paul Ibrahim	Head of Planning and Analysis Group	2 of 4	N/A	4 of 6	N/A	N/A
Julia Crouch	Legal Advisor	1 of 4	26 of 30	2 of 4	2 of 3	4 of 5

Jen Wood	Media Advisor	0 of 4	11 of 30	N/A	N/A	N/A
Ann Beasley	MoJ Finance DG (standing invite to attend the NAB when subjects relevant to her are discussed)	1 of 4	N/A	N/A	N/A	N/A
Nick Fussell	MoJ Legal	N/A	N/A	1 of 2	N/A	2 of 5
Emma O'Toole	Board Secretariat/Executive Support	2 of 3	22 of 30	N/A	N/A	N/A
Sarah McKnight	Board Secretariat/Executive Support	1 of 1	N/A	1 of 6	3 of 4	5 of 5
Sarah Harper	Board Secretariat/Executive Support (from 1 April until 30 September 2015)	1 of 2	17 of 20	N/A	N/A	N/A
Chloe Clarke	Board Secretariat/Executive Support (from 1 October 2015 until 31 March 2016)	2 of 2	9 of 9	5 of 6	2 of 4	N/A

Audit and Risk Committee

Name	Role	
Mike Hawker	Chair, Non-Executive Director (until 7 July)	2 of 2
Alan Hammill	Chair (from 8 July), Non-Executive Director (from 1 July)	2 of 2
Elizabeth McLoughlin	Non-Executive Director	4 of 4
David Hadfield	Non-Executive Director	4 of 4
In attendance		
Michael Spurr	CEO	4 of 4
Phil Copple	Chief Operating Officer (from 1 January)	2 of 2
Andrew Emmett	Director of Finance and Analysis	4 of 4
Carol Carpenter	HR Director	1 of 2
Ted Kirby	Head of Financial Management & Control	4 of 4
Tim Watkinson	MoJ Group Chief Internal Auditor	4 of 4
Liam Orme	Head of Audit Operations NOMS	4 of 4
Sajid Rafiq	Director, National Audit Office	2 of 2
Mike Suffield	Director, National Audit Office	2 of 2
Oliver Lodge	Director, National Audit Office	3 of 4
James Edmands	Audit Manager, National Audit Office	2 of 4
Abigail Beames	Secretariat	4 of 4

Statement of Accounting Officer's Responsibilities

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

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

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* 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 *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- ensure that he is not aware of any relevant audit information of which the entity's auditors are unaware, and he has taken all steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information
- confirm that the annual report and accounts as a whole is fair, balanced and understandable, and he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable
- prepare the accounts on a going concern basis

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

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 the assets of NOMS, are set out in *Managing Public Money* published by HM Treasury.

2.2 Remuneration and Staff 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.

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:
<https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. 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:
<http://civilservicecommission.independent.gov.uk>

A) Remuneration – Audited

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. board members) of the Agency.

Salary

'Salary' includes the gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument.

Bonuses

Directors' bonuses are determined by the MoJ SCS Pay Committees – Chaired by Richard Heaton for SCS pay band 1 and SCS pay band 2. Working within the set parameters for the management of senior level pay an individual can only be awarded a bonus if they have exceeded at least one finance and efficiency objective.

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonus payments made in 2015-16 are for bonuses awarded in 2014-15. Bonus payments made in 2014-15 are for bonuses awarded in 2013-14.

Single total figure of remuneration

Officials	2015-16						2014-15					
	Total amount of salary and fees		All taxable benefits (to nearest £100)		Bonus Payments		Pension related benefits (to nearest £1000) ¹		Total		Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Michael Spurr Chief Executive Officer	145-150	-	-	37	180-185	145-150	-	-	22	165-170		
Phil Copley ² Director of Public Sector Prisons (until 28 June 2015)												
Director, Prison Strategy (from 29 June until 31 December 2015)												
Chief Operating Officer (from 1 January 2016)	115-120	27.0	10-15	131	285-290	105-110	33.4	10-15	17	165-170		
Colin Allars ² Director of Probation	100-105	-	10-15	28	140-145	100-105	-	10-15	18	130-135		
Ian Blakeman Director of Commissioning (until 8 November 2015)												
Director, Prison Reform (from 9 November 2015)	95-100	28.9	-	44	170-175	95-100	26.2	-	18	140-145		
Carol Carpenter Director of Human Resources	85-90	-	10-15	38	135-140	85-90	-	10-15	20	120-125		
Bryan Clark Director of Digital and Change	160-165	-	-	62	220-225	10-15 (160-165 annualised)	-	-	5	15-20		
Andrew Emmett Director of Finance and Analysis	130-135	-	-	51	180-185	130-135	-	-	74	205-210		
Digby Griffith Director of National Operational Services	100-105	-	-	48	150-155	100-105	-	-	42	140-145		
Ian Mulholland Acting Director of Public Sector Prisons (from 29 June 2015)	75-80 (100-105 annualised)	26.8	-	74	175-180	n/a	n/a	n/a	n/a	n/a		

Officials	2015-16					2014-15				
	Total amount of salary and fees	All taxable benefits	Bonus Payments	Pension related benefits	Total	Total amount of salary and fees	All taxable benefits	Bonus Payments	Pension related benefits	Total
	£000	(to nearest £100)	£000	(to nearest £1000) ¹	£000	£000	(to nearest £100)	£000	(to nearest £1000) ¹	£000
Sarah Payne Director of NOMS in Wales	110-115	25.1	-	44	180-185	110-115	26.0	-	42	180-185
Ian Porée Director of Commissioning and Contract Management, Rehabilitation Services (until 8 November 2015)										
Director of Commissioning and Contract Management (from 9 November 2015)	140-145	0.2	10-15	64	215-220	45-50 (135-140 annualised)	-	-	11	55-60
Mark Read Director of Prison Estates Transformation (from 23 November 2015)	35-40 (95-100 Annualised)	-	-	29	60-65	n/a	n/a	n/a	n/a	n/a

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

2. Payments for annual leave not taken in 2014-15 were made to 2 individuals in 2015-16. These were Colin Allars (£7,000) and Phil Copple (£5,000). These amounts are not included in their total amount of salaries and fees in 2015-16.

Compensation for loss of office

No directors were compensated for loss of office in 2015-16 or 2014-15.

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2015-16	2014-15
Band of highest paid director's total remuneration (£000)	160-165	250-255
Median total remuneration (£)	29,344	29,219
Ratio	5.5:1	8.6:1

In 2015-16, no employee received remuneration in excess of the highest paid director (2014-15: Nil). Remuneration ranged from £10,000-£15,000 to £160,000-£165,000.

In 2014-15 remuneration ranged from £10,000-£15,000 to £250,000-£255,000. The Interim Director of ICT and Change was the highest paid director. NOMS was undergoing significant organisational change, and the Board deemed that the post of Director of ICT and Change should be occupied whilst a formal competition for the post was undertaken.

Non-Executive Directors' Remuneration

	2015-16			2014-15		
	Fees (excluding bonuses paid) £000	All taxable benefits (to nearest £100) £000	Bonus Payments £000	Fees (excluding bonuses paid) £000	All taxable benefits (to nearest £100) £000	Bonus Payments £000
Mike Hawker Chair of the Audit Committee (until 7 July 2015)	0-5 (10-15 annualised)	1.9	-	10-15	2.5	-
Alan Hammill Chair of the Audit Committee (from 8 July 2015)	10-15 (10-15 annualised)	0.2	-	n/a	n/a	n/a
David Hadfield	10-15	1.0	-	10-15	0.5	-
Elizabeth McLoughlin	10-15	2.5	-	10-15	1.4	-

B) Pension benefits – Audited

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of them buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction in benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer funded by the employer. It excludes increases due to inflation and contributions paid by the employee. It is worked out using common market valuation factors for the start and end of the period.

Officials	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV
	£000	£000	£000	£000	£000
Michael Spurr Chief Executive Officer	60-65 plus lump sum of 185-190	0-2.5 plus lump sum of 5-7.5	1,258	1,129	31
Phil Copple Director of Public Sector Prisons (until 28 June 2015) Director, Prison Strategy (from 29 June until 31 December 2015) Chief Operating Officer (from 1 January 2016)	35-40 plus lump sum of 105-110	5-7.5 plus lump sum of 10-12.5	616	482	79
Colin Allars Director of Probation	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 2.5-5	824	738	24
Ian Blakeman Director of Commissioning (until 8 November 2015) Director, Prison Reform (from 9 November 2015)	35-40 plus lump sum of 100-105	2.5-5 plus lump sum of 0-2.5	649	568	21
Carol Carpenter Director of Human Resources	20-25 plus lump sum of 0	0-2.5 plus lump sum of 0	250	208	14
Bryan Clark Director of Digital and Change	0-5 plus lump sum of 0	2.5-5 plus lump sum of 0	59	4	41
Andrew Emmett Director of Finance and Analysis	10-15 plus lump sum of 0	2.5-5 plus lump sum of 0	178	122	33
Digby Griffith Director of National Operational Services	55-60 plus lump sum of 0	2.5-5 plus lump sum of 0	1,011	886	40
Ian Mulholland Acting Director of Public Sector Prisons (from 29 June 2015)	30-35 plus lump sum of 90-95	2.5-5 plus lump sum of 5-7.5	565	473	52
Sarah Payne Director of NOMS Wales	5-10 plus lump sum of 0	2.5-5 plus lump sum of 0	93	48	32
Ian Porée Director of Commissioning and Contract Management, Rehabilitation Services (until 8 November 2015) Director of Commissioning and Contract Management (from 9 November 2015)	20-25 plus lump sum of 0	2.5-5 plus lump sum of 0	307	244	29
Mark Read Director of Prisons Estates Transformation (from 23 November 2015)	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	573	516	33

There were no employer contributions to partnership pension accounts or the LGPS in relation to NOMS directors.

Civil Service Pensions

Pension benefits are provided to employees of NOMS excluding LGPS members through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3.0% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, 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. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Local Government Pension Scheme

The pension scheme is administered under the Local Government Pension Scheme (LGPS) 2014. Under the LGPS 2014 scheme the pension added for each member, each year, is based on 1/49th of their earnings (1/98th if opted to be a member of the 50/50 section of the scheme). The individual pension accounts will then be increased each year by the Consumer Price Index up to retirement. Repeating this calculation for each year of membership provides what is known as a Career Average Revalued Earnings (CARE) Pension.

This is a change from the LGPS 2008 scheme, under which benefits accrue at the rate of 1/60th of the pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80th of final pay of every year of total membership is payable on retirement.

For the year to 31 March 2016, NOMS paid employers' pension contributions of £208.1m to the PCSPS and £73.2m to GMPF (LGPS). Further details of these schemes and related costs and liabilities are in Note 19 to the accounts.

Staff costs, numbers and composition

Staff costs

	2015-16			2014-15
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	1,330,046	69,904	1,399,950	1,349,057
Social security costs	99,759	0	99,759	97,144
Other pension costs, departures and severance payments	314,351	0	314,351	279,562
Sub-total	1,744,156	69,904	1,814,060	1,725,763
Less recoveries in respect of outward secondments	(8,045)	0	(8,045)	(10,111)
Total net costs	1,736,111	69,904	1,806,015	1,715,652

Pension costs

Details of pension costs and liabilities are in Note 19 to the accounts.

Consultancy costs

Expenditure on consultancy was £209,000 in 2015-16 (2014-15: £1,881,000).

Senior civil service (SCS) salaries

The following table shows the number of SCS staff employed by the Agency by pay range. Salary ranges represent full-time equivalent rates, and bonuses are not included.

Salary band	2015-16		2014-15	
	Number	Percentage	Number	Percentage
£60,000-£69,999	2	4%	2	4%
£70,000-£79,999	11	19%	10	18%
£80,000-£89,999	14	24%	17	30%
£90,000-£99,999	17	30%	15	27%
£100,000-£109,999	6	11%	6	11%
£110,000-£119,999	1	2%	1	2%
£120,000-£129,999	0	0%	0	0%
£130,000-£139,999	2	4%	2	4%
£140,000-£149,999	2	4%	1	2%
£150,000-£159,999	0	0%	0	0%
£160,000-£169,999	1	2%	0	0%
£250,000-£259,999	0	0%	1	2%
Total	56	100%	55	100%

The table above includes the salaries of NOMS directors, further details of whose remuneration are disclosed within the Single figure of total remuneration table on pages 57-58.

Staff numbers

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

	2015-16			2014-15		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	43,523	0	43,523	42,166	0	42,166
Staff engaged on capital projects	0	111	111	0	152	152
Other	0	1,445	1,445	0	1,743	1,743
Total	43,523	1,556	45,079	42,166	1,895	44,061

Reporting of civil service and other compensation schemes - exit packages

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

Exit package cost and band	2015-16			2014-15		
	Number of compulsory redundancies	Number of agreed departures	Total number of exit packages by cost band	Number of compulsory redundancies	Number of agreed departures	Total number of exit packages by cost band
<£10,000	0	41	41	0	42	42
£10,001 – £25,000	0	244	244	0	129	129
£25,001 – £50,000	0	116	116	0	203	203
£50,001 – £100,000	0	81	81	0	55	55
£100,001 – £150,000	0	2	2	0	4	4
£150,001 – £200,000	0	0	0	0	1	1
£200,001 – £250,000	0	1	1	0	0	0
Total number of exit packages	0	485	485	0	434	434
Total cost of exit packages (£000)	0	14,665	14,665	0	12,982	12,982

Exit costs are accounted for in full within other pension costs above in the year in which the exit package is confirmed. These costs reflect an element of pension costs which crystallise on confirmation of departure.

Total exit packages provided for as at 31 March 2016 under voluntary early departure schemes are disclosed in provisions Note 17 and will be included in the table above when accepted.

Included within 'Other departures agreed' above in 2015-16 are 472 medical inefficiency dismissal exit packages at a value of £14.0m, within payment bands <£10k to £150k. In 2014-15 there were 390 medical inefficiency dismissal exit packages at a value of £10.9m, within payment bands <£10k to £100k.

Staff Diversity

NOMS is committed to fostering an inclusive and diverse workforce in which all staff are empowered to thrive. This core value is enshrined in the NOMS Equality Strategy 2015 -17, which was published internally in September 2015. We have made significant improvements over the last ten years and there has been cultural change across the organisation, with unacceptable behaviour increasingly challenged and tackled. We recognise, however, that there is more work to do, and our priorities for promoting inclusion are set out in the Equality Strategy.

Data on the protected characteristics of our staff can be found in the NOMS Workforce Statistics Bulletin, published quarterly on the MoJ website.

Following a 2014 review of the existing NOMS' networks and Probation Staff Associations the Equality Sub Committee authorised replacement of the existing networks and associations (seven in total) with three new networks, membership of which will extend to all NOMS staff including those in CRCs and contracted prisons. These will be for BAME staff; LGB&T staff; and staff with disabilities. Implementation of the review is now concluding, with three new full-time salaried chairs appointed through an initial selection process followed by an election.

On staff recruitment, we are attentive to attracting a diversity of applicants when recruiting to operational and other roles in NOMS and have invested in specific routes to increase the potential for this. We continue to work to increase the diversity of staff at senior levels in the organisation. Our organisation is at the forefront of the concept of 'anonymised sifting' at all levels of the organisation, underpinned by policy. In addition, all interview boards are explicitly encouraged to undertake the Civil Service Learning unconscious bias training. Conscious efforts are made to ensure diverse panels.

On a national level, the percentage of BAME candidates recruited onto Probation Officer training in 2014-15 is 16.2%, which compares favourably with other measures. A wider variety of entry points have been introduced, including creating opportunities for entrants starting second careers by accrediting prior learning.

With Prison Officer training, a new proposition has been developed by the HR Directorate to engage and inform candidates to make the positive choice that working as a Prison Officer is the right career opportunity for them. The visually impactful 'Is it in you to be a prison officer?' campaign is attentive to presenting diverse images. It brings to life the skills and qualities needed to succeed in the role, while giving an authentic picture (the challenges and rewards) and preparing candidates for the application process.

NOMS is committed to coaching and mentoring staff where appropriate. Accelerate is a 2 year transformational leadership programme which has run within NOMS for ten years and is aimed at developing operational BAME managers, and managers with disabilities, so they are confident, capable and empowered leaders. In November 2014, the Accelerate programme won the national Training Journal Award for Best Public Sector Programme and Bronze Award for the Best Leadership Development programme. The core principles of the Accelerate programme are now being incorporated into how the organisation fosters the professional development of its staff, with a particular focus on those groups identified within the revised Civil Service Action Plan (March 2015), thus creating an ongoing legacy.

All eligible NOMS staff can apply for the MoJ scheme 'Coaching Squared', which has cohorts for BAME staff and for the Civil Service wide Positive Action Pathway. These opportunities are promoted within the organisation with staff encouraged to participate.

NOMS continues to take advantage of schemes such as the META programme, a BAME talent programme aimed at developing potential future leaders within the Civil Service. META runs a Growing Talent Programme which identifies, develops and promotes the best talent from minority backgrounds. Entry is selective, based on assessment centre and interview.

To monitor SPDR outcomes and address any disparity, a series of actions was mandated by the NOMS Business Planning Executive Committee in January 2016.

The HR Directorate is one year into a twelve-strand, five-year project covering all its functions. Project (strand) leads are seeking to ensure that equality is embedded into planning and hence into core processes addressing recruitment, development and proper treatment of staff.

The current equality policy for staff is being refreshed in light of the changed composition of NOMS following the 2014 reformation of the Probation Service and the development of the National Probation Service as part of NOMS. An updated policy on staff equality, due for publication in 2016, will restate that all NOMS Directorates must show they have processes in place to protect staff from discrimination, bullying and harassment and promote inclusion; consistent with our obligations under the Public Sector Equality Duty and with the ethos of the organisation.

Gender data

As at 31 March 2016 there were a total of 45,910 employees in the prison estate, NPS and HQ, of whom 21,490 (47%) were female and 24,420 (53%) were male. Within this there were a total of 840 Senior Managers⁵, of whom 410 (49%) were female and 430 (51%) were male.

Sickness absence data

The overall rate of staff sickness in 2015-16 was 10.4 days for HQ, NPS and public sector prisons. This was a reduction on 11.3 days in 2014-15 for HQ, NPS (for the ten month period of operation) and public sector prisons.

Off-payroll engagements

During the year, NOMS has reviewed the tax arrangements of all its off-payroll appointments. All contractors within the scope of this exercise have been required to provide evidence of tax compliance. There have been no instances of non-tax compliant off-payroll engagements as at 31 March 2016. Further details of off-payroll engagements in NOMS can be found in the MoJ departmental resource accounts.

⁵Senior Managers are defined here as: Senior Civil Servants, NOMS bands C to A and bands 9 to 11, NPS bands A to D

2.3 Parliamentary Accountability

Regularity of expenditure

Losses and special payments

The following losses and special payments are included within the Statement of Comprehensive Net Expenditure on page 73:

	2015-16		2014-15	
	Cases	£000	Cases	£000
Cash losses	860	361	1,406	1,646
Loss of accountable stores	10,208	1,881	7,041	1,134
Fruitless payments and constructive losses	21	9,170	9	145
Claims waived or abandoned	16	136	3	53
Administrative write-offs	0	0	0	0
Losses statement	11,105	11,548	8,459	2,978
Special payments	9,716	49,443	13,851	28,855

Within fruitless payments and constructive losses is a loss totalling £9,158,815, following the decision to terminate a contract to develop a bespoke tagging product for use in Electronic Monitoring. Of this total, £5,235,000 is the termination payment to the contractor, which is classed as a fruitless payment, and £3,923,815 is other expenditure incurred over the course of the contract, which is recognised as constructive losses.

In 2015-16, NOMS recognised 24 special payments over £300,000 (2014-15: seven), which were:

- five compensation payments to operational members of NOMS staff injured in the course of their duties: £316,512; £465,159; £541,922; £1,000,000 and £1,021,624
- two compensation payments to prisoners: £321,797; £451,746
- 17 compensation payments are due to contracted service providers totalling £23,050,000

Fees and charges

NOMS is required, in accordance with HM Treasury's Managing Public Money, to disclose results for the areas of its activities where fees and charges are made. NOMS makes fees and charges in relation to the provision of healthcare and for operating juvenile places. NOMS fee recovery targets are 100% in all cases. See Note 3 to the accounts for details of these funding streams.



Remote contingent liabilities

As required by Managing Public Money, in addition to contingent liabilities disclosed in accordance with IAS 37 in Note 18 to the accounts, 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.

NOMS has the following remote contingent liabilities:

The Secretary of State for Justice has provided a guarantee to the GMPF in respect of the CRCs' participation in the GMPF for pension liabilities that transferred to the CRCs. In addition, the responsibility for funding the past service liabilities associated with the original employees who are deferred or pensioner members of the LGPS transferred to NOMS.

An indemnity of up to £50m, in respect of any one accident, has been given to the Heathrow Airport Holdings Limited. This is in respect of damage or injury caused to third parties arising out of any negligence of NOMS in their use of vehicles travelling airside for the repatriation of prisoners.

NOMS would be liable as underwriter of last resort to meet certain losses incurred by the privately managed prisons, for costs which are uneconomic to insure commercially.

Michael Spurr

Agency Accounting Officer

01 July 2016

2.4 Audit Certificate

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 for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Offender Management Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Offender Management Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Offender Management Service's affairs as at 31 March 2016 and of the net expenditure 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and the Accountability Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

06 July 2016



3

Financial Statements

3.1 Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2016

		2015-16		2014-15	
	Notes	£000	£000	£000	£000
Income from sale of goods and services	3a	(64,954)		(60,689)	
Other operating income	3b	(280,353)		(242,628)	
Total operating income			(345,307)		(303,317)
Staff costs	4a	1,806,015		1,715,652	
Purchase of goods and services	4b	2,032,414		1,941,502	
Depreciation and impairment charge	4c	244,305		102,833	
Provision expense	4d	30,583		80,673	
Other non-cash expenditure	4e	117,619		147,935	
Total operating expenditure			4,230,936		3,988,595
Net operating expenditure			3,885,629		3,685,278
Finance expense	4f		74,150		63,925
Change in value of investment in CRCs			0		365
Net loss on transfers by absorption ¹			0		1,195,740
Net expenditure for the year			3,959,779		4,945,308

Other Comprehensive Expenditure

For the year ended 31 March 2016

		2015-16		2014-15	
	Notes	£000	£000	£000	£000
Items which will not be reclassified to net operating costs:					
Net (gain)/loss on recognition of investment in CRCs			0		(505)
Net (gain)/loss on revaluation of property, plant and equipment	5		(464,344)		(358,626)
Net (gain)/loss on revaluation of intangible assets	6		190		6
Net (gain)/loss on revaluation of assets held for sale	7		0		1,847
Remeasurement of net pension liabilities (gain)/loss	19		(313,700)		143,296
Total comprehensive expenditure			3,181,925		4,731,326

Comparative information presented in these accounts comprises NOMS Core figures, as published in the 2014-15 accounts. NOMS was a group for accounting purposes until 31 January 2015. The consolidated SoCNE presented in 2014-15 reflected the results of 35 Probation Trusts and 21 Community Rehabilitation Companies (CRCs), while those bodies were within NOMS group. See Note 1.3 for details of items in the 2014-15 consolidated SoCNE that differed materially from NOMS Core figures.

Note 1: 2014-15 net loss on transfers by absorption represents net liabilities transferred from the 35 Probation Trusts, formerly non-departmental public bodies of NOMS, to NOMS Core Agency. The majority of the value transferred comprised local government pension scheme net liabilities.

The notes on pages 78 to 109 form part of these accounts

Statement of Financial Position

As at 31 March 2016

	Notes	31 March 2016		31 March 2015	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	5	6,881,277		6,494,285	
Intangible assets	6	102,344		119,594	
Financial assets		465		367	
Total non-current assets			6,984,086		6,614,246
Current assets					
Assets held for sale	7	6,682		12,337	
Inventories	9	38,770		37,731	
Trade and other receivables	10	143,897		158,681	
Cash and cash equivalents	11	20,654		15,667	
Total current assets			210,003		224,416
Total assets			7,194,089		6,838,662
Current liabilities					
Trade and other payables	12a	(583,046)		(495,719)	
Provisions	17	(51,356)		(51,156)	
Bank overdraft	11	(12,605)		(19,090)	
Total current liabilities			(647,007)		(565,965)
Non-current assets less net current liabilities			6,547,082		6,272,697
Non-current liabilities					
Provisions	17	(182,184)		(177,344)	
Trade and other payables	12b	(255,031)		(282,151)	
Pension deficit liability	19	(1,193,400)		(1,441,995)	
Total non-current liabilities			(1,630,615)		(1,901,490)
Assets less liabilities			4,916,467		4,371,207
Taxpayers' equity					
General fund			3,000,318		2,861,448
Revaluation reserve			1,916,149		1,509,759
Total taxpayers' equity			4,916,467		4,371,207

Michael Spurr
 Agency Accounting Officer
 01 July 2016

The notes on pages 78 to 109 form part of these accounts

Statement of Cash Flows

For the year ended 31 March 2016

		2015-16		2014-15	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Net expenditure			(3,959,779)		(3,749,568)
Adjustments for non-cash transactions		445,752		372,871	
Adjustment for change in value of investment in CRCs		0		365	
Adjustment for notional transactions with MoJ group		100,734		81,554	
Adjustment for pension contributions paid less service costs	19	18,900		7,321	
(Increase)/decrease in trade and other receivables					
Movement in trade and other receivables	10	14,784		15,518	
Less: Transfer on absorption		0		9,831	
Less: Impairments in trade and other receivables	4	33		(536)	
Less: Movement in disposal proceeds receivables		(2,000)		(4,000)	
(Increase)/decrease in inventories	9	(1,039)		950	
Increase/(decrease) in trade payables					
Movement in trade and other payables	12a, 12b	60,207		36,358	
Less: Transfer on absorption		0		(11,365)	
Less: Movements on capital elements of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	12a, 12b	23,052		26,309	
Less: Movement in property, plant & equipment payable		(8,334)		1,545	
Less: Payments of amounts due to the Consolidated Fund to MoJ		26		59	
Utilisation of provisions	17	(32,166)		(33,917)	
Net cash outflow from operating activities			619,949		502,863
Cash flows from investing activities					
Purchase of property, plant & equipment		(142,833)		(164,225)	
Purchase of intangibles	6	(2,216)		(1,700)	
Proceeds on disposal of property, plant and equipment		24,429		24,415	
Proceeds on disposal of CRCs		0		140	
Net cash outflow from investing activities			(120,620)		(141,370)

The notes on pages 78 to 109 form part of these accounts

		2015-16		2014-15	
	Notes	£000	£000	£000	£000
Cash flow from financing activities					
Net funding received from MoJ		3,495,000		3,403,510	
Payments of amounts due to the Consolidated Fund to MoJ		(26)		(59)	
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	12a, 12b	(23,052)		(26,309)	
Net financing			3,471,922		3,377,142
Transfer of cash from Probation Trusts	11		0		24,015
Net increase in cash and cash equivalents in the year			11,472		13,082
Cash and cash equivalents at the beginning of the year	11	(3,423)		(16,505)	
Cash and cash equivalents at the end of the year	11	8,049		(3,423)	
Increase in cash and cash equivalents			11,472		13,082

The notes on pages 78 to 109 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2016

	Notes	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance as at 1 April 2014		4,250,166	1,195,158	5,445,324
Changes in taxpayers' equity for 2014-15				
Net expenditure for the year to 31 March 2015		(4,945,308)	0	(4,945,308)
Net gain/(loss) on revaluation of property, plant and equipment		0	358,626	358,626
Net gain/(loss) on revaluation of intangible assets		0	(6)	(6)
Net gain/(loss) on revaluation of assets held for sale		0	(1,847)	(1,847)
Net (gain)/loss on recognition of investment in CRCs		505	0	505
Release of reserves to the general fund		42,172	(42,172)	0
Remeasurement of net pension liabilities	19	(143,296)	0	(143,296)
Funding from the Consolidated Fund (Supply)		3,403,510	0	3,403,510
Settlement of transactions with MoJ		134,585	0	134,585
Notional items				
Auditor's remuneration	4e	300	0	300
Corporate overhead charges	4e	118,814	0	118,814
Balance as at 31 March 2015		2,861,448	1,509,759	4,371,207
Changes in taxpayers' equity for 2015-16				
Net expenditure for the year to 31 March 2016		(3,959,779)	0	(3,959,779)
Net gain/(loss) on revaluation of property, plant and equipment	5	0	464,344	464,344
Net gain/(loss) on revaluation of intangible assets	6	0	(190)	(190)
Release of reserves to the general fund		57,764	(57,764)	0
Remeasurement of net pension liabilities	19	313,700	0	313,700
Funding from the Consolidated Fund (Supply)		3,495,000	0	3,495,000
Settlement of transactions with MoJ		111,256	0	111,256
Notional items				
Auditor's remuneration	4e	280	0	280
Corporate overhead charges	4e	120,649	0	120,649
Balance as at 31 March 2016		3,000,318	1,916,149	4,916,467

The notes on pages 78 to 109 form part of these accounts

3.2 Notes to the Accounts

1. Statement of Accounting Policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the 2015–16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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, or ‘the Agency’) for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by NOMS are described below. They have been applied consistently in dealing with items considered material to the accounts.

The functional and presentational currency of NOMS is the British pound sterling (£).

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of non-current assets, assets held for sale, inventories and financial assets.

1.3 Changes in the Agency boundary

From 2015-16 onwards, NOMS is not a group for financial reporting purposes. All entities within the Agency boundary other than NOMS Core were either dissolved (35 Probation Trusts) or sold (21 Community Rehabilitation Companies (CRCs)) during 2014-15. NOMS Core figures published in 2014-15 are presented as the prior year comparatives in these accounts.

Net operating costs after taxation in the published 2014-15 Consolidated Statement of Comprehensive Net Expenditure (SoCNE) was not materially different from the total in NOMS Core. The 2014-15 Consolidated SoCNE included the following items, which were materially different from NOMS Core figures:

	Core Agency	Consolidated
	£'000	£'000
Net operating costs after taxation		
within which:		
Staff costs ¹	3,749,568	3,761,676
Purchase of goods and services ¹	1,715,652	1,827,809
Purchase of goods and services ¹	1,941,502	1,580,223
Results of CRCs ²	0	263,228

¹ Shown above in the same format as the current year SoCNE

² London Community Rehabilitation Company income of £43.6m was the only individually material item within the results of CRCs.

1.4 Changes in accounting policy and disclosures

Group accounting policies have been removed, as they ceased to apply in 2015-16, because NOMS is no longer a group. Other changes were as follows:

a) New and amended standards adopted

IFRS 13 'Fair Value Measurement' is effective for accounting periods beginning on or after 1 April 2015, and is applied in these accounts. This standard defines fair value, setting out a uniform framework for its measure and related disclosure requirements. The aim of this standard is to create a consistent methodology for the calculation of fair values that is to be applied across other IFRSs.

In conjunction with the release of IFRS 13, the FReM has adapted and interpreted IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' for public sector application. These changes have been applied with effect from 1 April 2015 in these accounts.

b) Changes in presentation

The FReM 2015-16 reflects amendments under HMT's Simplifying and Streamlining Accounts project, effective from 1 April 2015. The amendments affect the structure and certain content of the annual report and accounts. The main effect is to simplify the format of the SoCNE and include notes only where material.

Certain disclosures have moved from the notes to the accounts into the annual report. Staff costs, numbers and exits are now disclosed in the 'Remuneration and staff report', and Note 4a to the accounts contains a summary of staff costs; and information on losses, special payments and remote contingent liabilities is now disclosed within the 'Accountability Report'.

c) New standards, amendments and interpretations issued, but not effective, for the financial year beginning 1 April 2016, and not adopted early

New standards, amendments and interpretations which are not yet effective are not expected to have a material impact on NOMS' future accounts.

1.5 Going concern

NOMS is an Executive Agency to the Ministry of Justice (MoJ). The future financing of NOMS' activities is expected to be met by the MoJ from funds, which are voted annually under the relevant Appropriation Act.

1.6 Property, plant and equipment and Intangible assets

Recognition and capitalisation threshold

Property, plant and equipment, and Intangible assets, including subsequent expenditure on existing assets, are initially recognised at cost. The threshold for capitalising individual assets is £10,000 (including irrecoverable VAT).

Significant purchases of assets which are separately beneath the capitalisation threshold, in connection with a single project, are treated as a grouped asset, with a capitalisation threshold of £1 million (including irrecoverable VAT).

Intangible assets are recognised if it is probable that future service potential will flow to NOMS and the cost can be measured reliably. Intangibles comprise software developed by third parties, including MoJ, and software licenses.

Assets under construction

Assets under construction are valued at historic cost within property, plant and equipment and intangibles. The assets not subject to depreciation until completed, when the carrying value is transferred to the respective asset category. Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

Valuation

Property, plant and equipment and Intangible assets are carried at fair value.

Land and buildings (including dwellings) are included at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted for each property at least once every five years.

Full professional valuations are undertaken by the Valuation Office Agency (VOA), an independent body, using Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards, known as the 'Red Book'. In between full valuations, the professional valuers adjust carrying values using indices or through desktop valuations.

Freehold prison buildings are specialised buildings which cannot be sold on the open market. Specialised properties are carried at depreciated replacement cost to a modern equivalent basis in accordance with the Red Book, adjusted for functional obsolescence.

Assets which were held for their service potential but are now surplus are valued at current value in existing use where there are restrictions on NOMS or the asset, which would prevent access to the market at the reporting date. Otherwise, the surplus asset is valued at fair value in accordance with IFRS 13.

In determining whether a non-operational asset is surplus, NOMS assesses whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is maintained at current value in existing use. Otherwise, the asset is assessed as being surplus and valued at fair value under IFRS 13.

Farms and surplus freehold land, prison officers' quarters and some other non-specialised buildings are carried at open market valuations.

Non-property assets are recorded at cost on purchase and restated at each reporting date using the Producer Price Index published by the Office for National Statistics.

As there is no active market for the intangible assets held by NOMS, their fair value is assessed at the revalued amount less accumulated amortisation and impairment losses. Intangible assets are revalued at each reporting date using the Services Producer Price Index published by the Office for National Statistics.

Depreciation and amortisation

Depreciation and amortisation are 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. Useful lives are reviewed annually. Following a change to the life of an asset or asset category, depreciation is charged on a straight-line basis over the remaining life. Depreciation commences in the month following acquisition of the non-current asset.

If an asset comprises two or more significant components, with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life. Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings including Dwellings	Shorter of remaining life or up to 60 years (up to 55 years for dwellings) depending on building
Leasehold buildings including Dwellings	Shorter of remaining life, remaining lease period or up to 50 years (up to 55 years for dwellings)
Information technology	3 to 15 years depending on individual asset type
Plant & equipment	
Furniture, fixtures & fittings	
Vehicles	5 to 15 years depending on individual asset type
Intangible assets - software	3 to 10 years
Intangible assets - licences	Length of the licence

1.7 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered through sale, and a sale is considered highly probable. Property assets held for sale are stated at the lower of carrying amount immediately prior to classification as held for sale and fair value less the costs of sale. Any subsequent impairment or reversal of impairment is recognised in the SoCNE. Non-current assets held for sale are not depreciated.

1.8 Impairment

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

Impairment losses are recognised in the SoCNE, except where the asset had been revalued previously and a revaluation reserve is held for the asset. In this case the value of the reserve is released first, and then excess impairment is charged to the SoCNE. Impairment losses resulting from a clear consumption of economic benefit are recognised directly in the SoCNE, and any revaluation reserve held for the asset is transferred to the general fund.

1.9 Leases

Finance leases

Leases of assets where NOMS retains substantially all the risks and rewards of ownership are classified as finance leases. At the commencement of the lease term, finance lease assets and

liabilities are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in payables. NOMS is contractually obliged to make rental payments. The interest element of the finance cost is charged to the SoCNE over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Leases other than finance leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the SoCNE on a straight-line basis.

1.10 Service Concession Arrangements including Private Finance Initiative arrangements

Service Concession Arrangements (SCA), including Private Finance Initiative (PFI) arrangements, are arrangements whereby private sector operators are contractually obliged to provide services to the public in relation to certain infrastructure assets. NOMS defines such arrangements as SCA if they meet the conditions set out in IFRIC 12 'Service Concession Arrangements', as adapted for the public sector context by the FReM. Future payment streams are assessed to identify separately the infrastructure interest and service components.

NOMS recognises the infrastructure asset at fair value (or the present value of future minimum infrastructure payments, if lower) as a non-current asset in the SoFP, with a corresponding liability for future payments under the agreement. The service element is charged to the SoCNE as services are rendered by the operator.

The interest element is charged to the SoCNE over the contract to produce a constant periodic rate of interest on the remaining liability. Older prison PFI arrangements and other SCA use Treasury discount rates. HMP Thameside PFI and, where possible, any future PFI contracts will use the interest rate implicit in the contract.

In addition to PFI prison contracts, the contracts for Prisoner Escort and Custody Services (PECS), IT and Telephony and new Electronic Monitoring Services (EM) meet the conditions for SCA. A bridge EM contract with a supplier to provide services, using existing assets, is in place until the commencement of new contracts in 2018. At 31 March 2016, there was no SCA liability on the SoFP for EM. Commitments are recognised in Note 13.

1.11 Inventories

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 from historical cost.

1.12 Employee benefits

Pensions – PCSPS

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees in NOMS HQ and prisons. While this is an unfunded defined benefit scheme, in accordance with the FReM adaptation of IAS 19, NOMS accounts for it as a defined contribution scheme. NOMS recognises contributions payable as an expense in the year in which they are incurred, and the legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

Pensions - Probation LGPS Defined Benefit Scheme

NOMS probation staff and past employees of the Probation Trusts, including those who transferred to CRCs, are covered by the provisions of the Local Government Pension Scheme (LGPS), via a pension fund administered by the Greater Manchester Pension Fund (GMPF). This is a funded defined benefit scheme. 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 current and future retirement benefits.

The Secretary of State for Justice has provided a guarantee to GMPF in respect of the CRCs' participation in the GMPF for pension liabilities that transferred to the CRCs.

The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last formal actuarial valuation was at 31 March 2013. The valuation as at 31 March 2016 is underway, and the results will be in the actuarial report as at 31 March 2017 and reflected in the 2016-17 accounts.

NOMS obtains a professional calculation of the pension position at the reporting date from Hymans Robertson LLP, the independent actuary for GMPF. The assumptions underpinning the actuarial calculations are subject to review as part of NOMS' annual reporting and audit process.

The plan liability is the present value of the defined benefit obligation less the fair value of plan assets. The present value of the obligation is determined by discounting estimated future cash outflows using rates as advised by the scheme actuary. In between formal actuarial valuations, the obligation is approximated by adjusting the most recent full valuation using latest available membership data.

Remeasurement gains and losses are recognised within Other Comprehensive Expenditure in full in the period in which they arise. Service costs to the SoCNE are spread systematically over the working lives of the employees. The interest charge to the SoCNE reflects the unwinding of the discount applied to the net liabilities of the scheme.

Civil Service Injury Benefits Scheme

NOMS is required to pay benefits to staff who are members of the PCSPS under the Civil Service Injury Benefits Scheme. The Government Actuarial Department (GAD) provides NOMS with annuity rates each year covering whole of life (for total liability value), 1 year and 1 to 5 years (for cash flow values). These assumptions take the time value of money into account.

1.13 Provisions and contingent liabilities

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 estimate can be made of the amount. If the likelihood of payment is less than probable, but greater than remote, a contingent liability is disclosed in the accounts.

Provisions and contingent liabilities are valued at the best estimate of the expenditure required to settle the obligation. They are discounted to present value using rates set by HM Treasury, where the effect is material.

1.14 Value Added Tax

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

1.15 Critical accounting estimates and judgements

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Agency makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Valuation of non-current assets

Land and buildings comprise mainly prisons that are shown at fair value, based on professional valuations. The value fluctuates with changes in construction costs and the current market value of buildings.

LGPS Pension costs

The present value of the net pension liability depends on actuarially derived assumptions about inflation, salary and pension trends, discount factors and mortality rates. The estimated liability is subject to fluctuation and uncertainty due to changes in these assumptions over time and differences between assumptions and actual events.

Provisions

The recognition and measurement of provisions rely on the application of professional judgment, historical experience and other factors expected to influence future events. Provision balances which contain regular, homogeneous transactions are often derived from complex financial models. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised.

Lease accounting

Judgement is required on initial classification of leases as either operating or finance leases. Where a lease is taken out for land and buildings combined, both the building and land elements may be capitalised as separate finance leases, if they meet the criteria. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease.

Service Concession Arrangements

The classification of arrangements as SCAs requires the Agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure. Where the Agency is judged to control the infrastructure, the contract assets are reflected in the SoFP.

2. Statement of Operating Costs by Operating Segment

The statement of operating costs by operating segment presents net operating cost information based on the structure reported to the NOMS Agency Board. The segments reflect the main directorate structure within NOMS, allowing the Board to have a clear view on the costs of front-line operations.

Table 2a presents resource expenditure, which is reported to the Board by segment. Table 2b reconciles this total to the SoCNE, which also includes Annually Managed Expenditure (AME) and SoCNE expenditure which counts towards Capital for budgeting purposes.

2a Total net resource expenditure as reported to Board

2015-16	Public Sector Prisons	National Probation Service	Commissioning and Contract Management	Electronic Monitoring	NOMS in Wales	HQ	Budgets Held by MoJ	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	1,774,215	431,617	1,035,147	75,677	165,419	346,387	0	3,828,462
Income	(214,220)	(19,239)	(7,245)	(2,640)	(14,213)	(53,776)	0	(311,333)
Net expenditure	1,559,995	412,378	1,027,902	73,037	151,206	292,611	0	3,517,129

2b Reconciliation between operating segments and SoCNE

2015-16	Public Sector Prisons	National Probation Service	Commissioning and Contract Management	Electronic Monitoring	NOMS in Wales	HQ	Budgets Held by MoJ	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Total net expenditure by operating segment as reported to the Board	1,559,995	412,378	1,027,902	73,037	151,206	292,611	0	3,517,129
PFI prisons and service concession arrangements accounting treatment	0	0	(6,150)	(703)	2,373	767	0	(3,713)
NOMS depreciation and impairment costs whose budget is held within MoJ	0	0	0	0	0	0	157,769	157,769
NOMS other costs whose budget is held within MoJ	0	0	0	0	0	0	99,319	99,319
Notional recharge from MoJ	0	0	0	0	0	120,649	0	120,649
Other, including accounting treatment of provisions	3,614	(135)	987	0	14	64,146	0	68,626
Total net expenditure per SoCNE	1,563,609	412,243	1,022,739	72,334	153,593	478,173	257,088	3,959,779

*NOMS in Wales' includes all activities in Wales: public sector prisons, contracted services and Wales CRC.

Resource outturn

Resource expenditure against a budget of £3,509m delegated to NOMS by MoJ was £3,517m, as reported to the Board in the management accounts. The equivalent outturn after financial accounts adjustments is £3,517m.

Annually Managed Expenditure outturn

The provisional AME outturn reported to the Board was a charge of £79m, against a budget of £139m. The equivalent outturn after financial accounts adjustments is £69m.

Capital outturn

The Capital outturn reported to the Board was £11m, against a budget of £15m. The equivalent outturn after financial accounts adjustments is £12m.

2a Total net resource expenditure as reported to Board (continued)

2014-15	Public Sector Prisons	National Probation Service	Commissioning & Contract Management	Electronic Monitoring	NOMS in Wales	HQ	Budgets Held by MoJ	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	1,773,066	308,398	982,314	70,096	143,524	323,790	0	3,601,188
Income	(219,670)	(16,773)	(9,425)	(2,517)	(13,808)	(34,585)	0	(296,778)
Net expenditure	1,553,396	291,625	972,889	67,579	129,716	289,205	0	3,304,410

2b Reconciliation between operating segments and SoCNE (continued)

2014-15	Public Sector Prisons	National Probation Service	Commissioning & Contract Management	Electronic Monitoring	NOMS in Wales	HQ	Budgets Held by MoJ	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Total net expenditure by operating segment as reported to the Board	1,553,396	291,625	972,889	67,579	129,716	289,205	0	3,304,410
PFI prisons and service concession arrangements accounting treatment	0	0	(42,875)	(1,837)	3,606	0	0	(41,106)
NOMS depreciation and impairment costs whose budget is held within MoJ	0	0	0	0	0	0	63,217	63,217
NOMS other costs whose budget is held within MoJ	0	0	0	0	0	0	135,663	135,663
Notional recharge from MoJ	0	0	0	0	0	118,814	0	118,814
Results of CRC sale	0	0	340	0	25	0	0	365

2014-15	Public Sector Prisons	National Probation Service	Commissioning & Contract Management	Electronic Monitoring	NOMS in Wales	HQ	Budgets Held by MoJ	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Absorption transfers from Probation Trusts	0	1,196,577	0	0	(837)	0	0	1,195,740
Other, including accounting treatment of provisions	30,253	1,457	36,548	(59)	2,598	97,408	0	168,205
Total net expenditure per SoCNE	1,583,649	1,489,659	966,902	65,683	135,108	505,427	198,880	4,945,308

3. Income

	2015-16	2014-15
	£000	£000
(a) Income from sale of goods and services		
External sales of industries	10,285	10,162
Retail prison shop income	52,739	48,584
In-cell TV income	1,930	1,943
Total	64,954	60,689
(b) Other operating income		
Juvenile funding (YJB & MoJ)	62,031	71,348
NHS and other healthcare providers	54,725	59,345
European Social Fund and other European funding	21,296	25,736
Welsh Government	6,950	6,644
Home Office: UK Visas and Immigration	51,271	54,685
Home Office: other	8,576	4,627
Community Rehabilitation Companies	60,815	7,565
Other income	14,689	12,678
Total	280,353	242,628
Total operating income	345,307	303,317

Income from the sale of goods and services includes sales of goods produced by prison industries, and sales to prisoners through the prison shop and incentives and earned privileges scheme.

Other operating income includes receipts from:- Youth Justice Board (YJB) and MoJ for the provision of youth custody places; Home Office for the provision of custodial services to foreign national prisoners, running immigration removal centres (through UK Visas and Immigration) and counter-terrorism work; European Union for resettlement services; Community Rehabilitation Companies for the provision of estates and IT; and NHS England, private sector providers and Welsh 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.

4. Expenditure

4a Staff numbers and related costs

Staff numbers and further details of related costs, including exit packages, are reported in the Remuneration and Staff report on pages 55 to 67.

Staff costs

	2015-16			2014-15
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and salaries	1,330,046	69,904	1,399,950	1,349,057
Social security costs	99,759	0	99,759	97,144
Other pension costs, departures and severance payments	314,351	0	314,351	279,562
Sub-total	1,744,156	69,904	1,814,060	1,725,763
Less recoveries in respect of outward secondments	(8,045)	0	(8,045)	(10,111)
Total net costs	1,736,111	69,904	1,806,015	1,715,652

4b Purchase of goods and services

	2015-16		2014-15
	£000		£000
PFI prison service charges and managed prison charges	400,382		392,367
Service concession arrangement charges for Electronic Monitoring and Prisoner Escort and Custody	179,438		186,971
Funding to Probation Trusts and CRCs while in public sector ownership	0		377,322
Contracted probation services (CRCs)	526,297		109,574
Accommodation, maintenance and utilities	345,136		306,311
Offender related costs	302,981		303,674
IT services and telecommunications (including service concession arrangements)	154,101		140,074
Training and other staff related costs	35,624		39,358
Travel, subsistence and hospitality	29,721		25,714
Professional services	21,080		21,200
Communications	6,679		11,458
Other costs	30,975		27,479
Total purchase of goods and services	2,032,414		1,941,502

4c Depreciation and impairment charges

		2015-16	2014-15
	Notes	£000	£000
Depreciation - Property, plant & equipment	5	239,491	216,287
Amortisation - Intangible assets	6	27,679	26,501
Impairment charge/(reversal) - Property, plant & equipment	5	(19,958)	(145,927)
Impairment charge/(reversal) - Intangible assets	6	2,268	1,161
Impairment charge/(reversal) - Assets held for sale	7	(5,142)	4,275
Impairment charge/(reversal) - Trade and Other receivables		(33)	536
Total depreciation and impairment charges		244,305	102,833

4d Provision expense

		2015-16	2014-15
	Notes	£000	£000
Provision charge provided in year	17	70,440	112,930
Provisions not required written back	17	(39,857)	(32,257)
Total provision expense		30,583	80,673

4e Other non-cash expenditure

		2015-16	2014-15
	Notes	£000	£000
MoJ overhead recharges		120,649	118,814
Recognition of LGPS orphan liabilities		(395)	32,082
Net (gain)/loss on disposal of assets		(3,808)	(3,261)
(Increase)/decrease in value of investments		(120)	0
Capital grant in kind		1,013	0
External auditor's remuneration		280	300
Total other non-cash expenditure		117,619	147,935

4f Finance costs

		2015-16	2014-15
	Notes	£000	£000
Interest on LGPS pensions	19b	46,600	40,436
Unwinding of discount on provisions	17	6,623	994
Total non-cash finance costs		53,223	41,430
Finance charge on PFI and leased assets		20,927	22,495
Total cash finance costs		20,927	22,495
Total finance costs		74,150	63,925
Total operating expenditure		2,499,071	2,336,868

Notional costs within (e) Other non-cash expenditure are credited directly to the general fund and comprise the National Audit Office's cost for the external audit of the accounts, and recharges by MoJ for shared central services – for example Private Office costs, Finance, HR, Expenses, Procurement, Estates and IT.

4g Losses and special payments

Losses and special payments included within these accounts are disclosed in the Parliamentary Accountability report on page 68.

5. Property, plant and equipment

2015-16	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
As at 1 April 2015	739,394	5,768,238	39,170	170,265	259,870	12,555	111,127	7,100,619
Additions	0	1,252	0	12,920	5,862	0	131,133	151,167
Disposals	0	0	0	(148)	(6,607)	(79)	0	(6,834)
Transfers	0	0	0	0	0	0	(151)	(151)
Reclassification	(7,340)	113,316	(1,384)	182	(1,253)	0	(112,037)	(8,516)
Impairments	(3,611)	16,719	16	(3,222)	(3,836)	0	(792)	5,274
Indexation/Revaluation	70,361	237,119	3,124	15	2,728	65	0	313,412
As at 31 March 2016	798,804	6,136,644	40,926	180,012	256,764	12,541	129,280	7,554,971
Depreciation								
As at 1 April 2015	0	(300,515)	(2,642)	(142,478)	(149,536)	(11,163)	0	(606,334)
Charge in year	0	(200,474)	(964)	(15,145)	(21,738)	(1,170)	0	(239,491)
Disposals	0	0	0	148	6,226	68	0	6,442
Transfers	0	0	0	0	0	0	0	0
Reclassification	0	(1)	74	0	0	0	0	73
Impairments	0	10,259	2	2,148	2,275	0	0	14,684
Indexation/Revaluation	0	152,178	359	0	(1,546)	(59)	0	150,932
As at 31 March 2016	0	(338,553)	(3,171)	(155,327)	(164,319)	(12,324)	0	(673,694)
Carrying value as at 31 March 2016	798,804	5,798,091	37,755	24,685	92,445	217	129,280	6,881,277
Carrying value as at 1 April 2015	739,394	5,467,723	36,528	27,787	110,334	1,392	111,127	6,494,285
Asset financing								
Owned	796,252	5,101,532	37,030	15,136	75,123	217	129,280	6,154,570
Finance leased	2,552	14,904	725	9,549	17,322	0	0	45,052
On-balance sheet (SoFP) PFI contracts	0	681,655	0	0	0	0	0	681,655
Carrying value as at 31 March 2016	798,804	5,798,091	37,755	24,685	92,445	217	129,280	6,881,277

Non-operational assets

Included in the carrying values above are 37 non-operational sites (including 32 former probation sites) with a combined value of £12.4m (2014-15: eight with a combined value of £19.5m). These sites are vacant, but do not yet meet the criteria for classification as assets held for sale.

Reclassification as assets held for sale

Property with a carrying value of £8.4m was reclassified to assets held for sale in 2015-16.

2014-15	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
As at 1 April 2014	701,229	5,204,430	42,859	188,260	245,963	18,138	148,754	6,549,633
Additions	0	7,263	0	2,742	11,289	59	140,381	161,734
Disposals	0	0	0	(23,544)	(9,079)	(6,866)	0	(39,489)
Transfers	0	0	0	1,228	0	0	(3,919)	(2,691)
Transfer from Probation Trusts	0	0	0	286	5,780	1,208	0	7,274
Reclassification	(8,762)	168,408	(7,307)	66	3,551	12	(172,516)	(16,548)
Impairments	(310)	141,917	44	0	(180)	0	(1,573)	139,898
Indexation/ Revaluation	47,237	246,220	3,574	1,227	2,546	4	0	300,808
As at 31 March 2015	739,394	5,768,238	39,170	170,265	259,870	12,555	111,127	7,100,619
Depreciation								
As at 1 April 2014	0	(184,505)	(2,273)	(154,979)	(130,067)	(14,474)	0	(486,298)
Charge in year	0	(181,931)	(935)	(9,662)	(22,143)	(1,616)	0	(216,287)
Disposals	0	0	0	23,392	8,576	5,960	0	37,928
Transfers	0	0	0	0	0	0	0	0
Transfers from Probation Trusts	0	0	0	(212)	(4,837)	(1,033)	0	(6,082)
Reclassification	0	54	504	0	0	0	0	558
Impairments	0	5,960	0	0	69	0	0	6,029
Indexation/ Revaluation	0	59,907	62	(1,017)	(1,134)	0	0	57,818
As at 31 March 2015	0	(300,515)	(2,642)	(142,478)	(149,536)	(11,163)	0	(606,334)
Carrying value as at 31 March 2015	739,394	5,467,723	36,528	27,787	110,334	1,392	111,127	6,494,285
Carrying value as at 1 April 2014	701,229	5,019,925	40,586	33,281	115,896	3,664	148,754	6,063,335
Asset financing:								
Owned	736,832	4,811,644	35,828	22,678	86,103	1,392	111,127	5,805,604
Finance leased	2,562	13,175	700	5,109	24,231	0	0	45,777
On-balance sheet (SoFP) PFI contracts	0	642,904	0	0	0	0	0	642,904
Carrying value as at 31 March 2015	739,394	5,467,723	36,528	27,787	110,334	1,392	111,127	6,494,285

Transfers and reclassification

Property with a carrying value of £16.0m was reclassified to assets held for sale in 2014-15.

6. Intangible assets

2015-16	Software	Licences	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000
Cost or Valuation				
As at 1 April 2015	241,810	13,179	1,614	256,603
Additions	0	0	2,216	2,216
Disposals	0	(77)	0	(77)
Reclassification	0	0	0	0
Indexation/Revaluation	(497)	(20)	0	(517)
Transfers	10,675	0	0	10,675
Impairments	0	0	(2,268)	(2,268)
As at 31 March 2016	251,988	13,082	1,562	266,632
Amortisation				
As at 1 April 2015	(125,010)	(11,999)	0	(137,009)
Charge in year	(27,379)	(300)	0	(27,679)
Disposals	0	73	0	73
Reclassification	0	0	0	0
Indexation/Revaluation	303	24	0	327
As at 31 March 2016	(152,086)	(12,202)	0	(164,288)
Carrying value as at 31 March 2016	99,902	880	1,562	102,344
Carrying value as at 1 April 2015	116,800	1,180	1,614	119,594
Asset financing:				
Owned	99,902	880	1,562	102,344
Carrying value as at 31 March 2016	99,902	880	1,562	102,344

2014-15	Software	Licences	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000
Cost or Valuation				
As at 1 April 2014	188,988	16,042	0	205,030
Additions	86	0	1,614	1,700
Disposals	(1,634)	(2,735)	0	(4,369)
Impairments	(2,405)	0	0	(2,405)
Reclassification	16	0	0	16
Indexation/Revaluation	3	(128)	0	(125)
Transfers	56,668	0	0	56,668
Transfers from Probation Trusts	88	0	0	88
As at 31 March 2015	241,810	13,179	1,614	256,603
Amortisation				
As at 1 April 2014	(101,681)	(14,463)	0	(116,144)
Charge in year	(26,111)	(390)	0	(26,501)
Disposals	1,625	2,735	0	4,360
Impairments	1,244	0	0	1,244
Reclassification	0	0	0	0
Indexation/Revaluation	0	119	0	119
Transfers	0	0	0	0
Transfers from Probation Trusts	(87)	0	0	(87)
As at 31 March 2015	(125,010)	(11,999)	0	(137,009)
Carrying value as at 31 March 2015	116,800	1,180	1,614	119,594
Carrying value as at 1 April 2014	87,307	1,579	0	88,886
Asset financing:				
Owned	116,800	1,180	1,614	119,594
Carrying value as at 31 March 2015	116,800	1,180	1,614	119,594

7. Assets held for sale

	2015-16	2014-15
	£000	£000
Cost or Valuation		
As at 1 April	12,337	18,069
Re-classifications	8,443	15,974
Disposals	(19,240)	(15,584)
Impairment reversal/(charge)	5,142	(4,275)
Indexation/Revaluation	0	(1,847)
As at 31 March	6,682	12,337

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

8. Impairments

The impairment of property, plant and equipment resulted in a net impairment reversal of (£20.0m). The impairment of intangible assets resulted in a charge of £2.3m, while the impairment of assets held for sale resulted in a net impairment reversal of (£5.1m). The total net impairment reversal was £22.8m (2014-15 net impairment reversal of £140.5m). All impairment was recognised in the SoCNE in both financial years.

9. Inventories

	31 March 2016	31 March 2015
	£000	£000
Industries and farms		
Raw materials	2,354	2,803
Work-in-progress	1,836	2,153
Finished goods	3,328	2,068
	7,518	7,024
Consumables	31,252	30,707
Total inventories	38,770	37,731

10. Trade receivables and other current assets

	31 March 2016	31 March 2015
	£000	£000
Balances with other Government bodies		
VAT	22,758	59,522
MoJ intra-group receivables	12,667	17,467
Other HM government receivables	39,314	30,925
	74,739	107,914
Balances with bodies external to Government		
Trade receivables	12,400	15,414
Other receivables	1,158	3,960
Staff receivables	2,402	2,778
Prepayments	15,215	5,228
Accrued income	37,983	23,387
	69,158	50,767
Total trade receivables and other current assets	143,897	158,681

11. Cash and cash equivalents

	2015-16	2014-15
	£000	£000
Balance as at 1 April	(3,423)	(16,505)
Transfer from Probation Trusts	0	24,015
Net change in cash and cash equivalents – other	11,472	(10,933)
Balance as at 31 March	8,049	(3,423)
The following balances at 31 March were held at:		
Government Banking Service	19,311	14,160
Commercial banks and cash in hand	1,343	1,507
Cash at bank and in hand	20,654	15,667
Overdraft	(12,605)	(19,090)
Cash at bank and in hand	8,049	(3,423)

NOMS' overdraft relates to uncleared items as at 31 March 2016.

At 31 March 2016 NOMS held cash of £12.6m (£12.0m at 31 March 2015) on behalf of offenders. As this cash belongs to third parties, the balance is not included in the SoFP in these accounts.

12. Trade payables and other current liabilities

12a Amounts falling due within one year

	31 March 2016	31 March 2015
	£000	£000
Balances with other Government bodies		
MoJ intra-group payables, accruals and deferred income	116,521	86,294
Other HM government payables, accruals and deferred income	24,045	26,180
Consolidated Fund extra receipts	5	7
	140,571	112,481
Balances with bodies external to Government		
Trade payables	65,694	63,828
Imputed finance lease element of on balance sheet (SoFP) PFI contracts	31,840	27,789
Current part of finance lease	2,035	2,018
Other payables	1,781	956
Accruals	322,092	268,870
Deferred income	19,033	19,777
	442,475	383,238
Total trade payables and other current liabilities	583,046	495,719

12b Amounts falling due after more than one year

	31 March 2016	31 March 2015
	£000	£000
Imputed finance lease element of on-balance sheet (SoFP) PFI and other service concession arrangements	253,878	278,979
Finance leases	1,153	3,172
Total payables due after more than one year	255,031	282,151

13. Commitments under PFI contracts and other service concession arrangements

13a On-balance sheet (SoFP) PFI contracts and other service concession arrangements

Project Name	Contract Signature Date	Duration (years)	Description
HMP Altcourse	December 1995	25	Design, build, finance and operate an 800 place category B prison at HMP Altcourse
HMP Parc	January 1996	25	Design, build, finance and operate an 840 place category B prison near Bridgend, South Wales
HMP Lowdham Grange	November 1996	25	Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham
HMP Ashfield	July 1998	25	Design, build, finance and operate a 400 place young offenders and juveniles 'category B prison at Pucklechurch, near Bristol; converted in 2013 to hold adult offenders.
HMP Forest Bank	July 1998	25	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agecroft power station
HMP Rye Hill	July 1999	25	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	September 1999	25	Design, build, finance and operate a 1060 place category B prison and therapeutic community facility at HMP Dovegate Marchington
HMP Bronzefield	December 2002	25	Design, build, finance and operate a 500 place category B prison at Ashford in Middlesex
HMP Peterborough	February 2003	25	Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire
HMP Thameside	June 2010	25	Design, build, finance and operate a 900 place category B prison at Woolwich in London
Prisoner Escort and Custody Services	August 2011	7	The supply and running of prison vans and escorts
Electronic Monitoring System	July 2014	10	The supply and operation of certain Electronic tagging and monitoring systems. A bridge contract is in place until service delivery begins under the new 6 year contracts in 2018.
IT and Telephony System	January 2013	5	The supply and operation of IT and telephony systems

13b Commitments under PFI and other service concession contracts

	31 March 2016	31 March 2015
	£000	£000
(1) Details of the imputed finance lease charges are given in the table below for each of the following periods:		
Rentals due not later than one year	50,131	47,584
Rentals due later than one year but not later than five years	138,854	151,719
Rentals due later than five years	246,121	276,132
	435,106	475,435
Less interest element	(149,388)	(168,667)
Present value of obligations	285,718	306,768
(2) Present value of imputed finance lease charges are given in the table below for each of the following periods:		
Rentals due not later than one year	31,840	27,789
Rentals due later than one year and not later than five years	82,542	89,817
Rentals due later than five years	171,336	189,162
Total present value of obligations	285,718	306,768
(3) The service element of on-balance sheet PFI payments or other service concession transactions to which the Agency is committed is as follows:		
Not later than one year	575,077	574,647
Later than one year but not later than five years	1,748,081	1,664,610
Later than five years	1,877,843	2,139,795
Total service element	4,201,001	4,379,052

Future commitments are estimates based on assumptions, using the best information available. The estimated commitments are sensitive to changes in internal and external factors

Electronic Monitoring

NOMS has entered into new contracts for the provision of Electronic Monitoring equipment and services, under which new assets are expected to be rolled out from 2018. One of the new contracts is currently being re-tendered. A bridge contract is in place until the new contracts are fully implemented. Commitments of £382m under the bridge and new contracts are within table (3) above.

13c Charge to the Consolidated Statement of Comprehensive Net Expenditure

The total amount charged in the SoCNE in respect of on-balance sheet (SoFP) PFI and other service concession arrangements transactions was £588m for the year to 31 March 2016 (2014-15: £582m). Of this total the service element was £567m (2014-15: £560m) and the interest charges were £21m (2014-15: £22m).

14. Commitments under leases

14a Operating leases

	31 March 2016	31 March 2015
	£000	£000
Obligations under operating leases comprise:		
Land and buildings Not later than one year	12,080	15,833
Later than one year but not later than five years	31,414	37,916
Later than five years	19,008	24,489
	62,502	78,238

14b Finance leases

The net present value of total future minimum lease payments under finance leases is £3.2m (2014-15: £5.2m), comprising mainly prison radios, due to be paid in less than five years.

15. Other financial commitments

NOMS has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of services including: the management of prisons which are owned by NOMS, the delivery of probation services, and other contracted out services. The payments to which NOMS is committed as at 31 March 2016 are:

	31 March 2016	31 March 2015
	£000	£000
Not later than one year	643,896	697,414
Later than one year but not later than five years	1,986,957	2,230,143
Later than five years	760,731	1,191,805
	3,391,584	4,119,362

Future commitments are estimates based on assumptions, using the best information available. The estimated commitments are sensitive to changes in internal and external factors.

Community Rehabilitation Companies

Included within the table above is a commitment of £1,934m (2014-15: £2,551m) and £16m (2014-15: nil) relating to the Fee for Service (FfS) and Fee for Use (FfU) elements respectively of contracts with Community Rehabilitation Companies.

The CRC contracts include a Payments by Results (PbR) element, under which additional amounts will be payable to the CRCs on a sliding scale upon the achievement of targeted reductions in reoffending. Estimated payments over the duration of the contracts based on the projected volume of offenders entering each cohort are £874m. This additional value has not been disclosed in the table above, due to uncertainty of the amounts at this early stage of the contracts. Also, FfS and PbR are based on a predicted volume of offenders, changes in which will result in a corresponding increase or reduction in the amount payable to CRCs.

16. Capital commitments

	31 March 2016	31 March 2015
	£000	£000
Property, plant and equipment	135,042	208,718
Software	6,267	10,337
	141,309	219,055

In March 2015 NOMS entered into a contract to build a new prison in North Wales, HMP Berwyn, giving rise to capital commitments of £95m as at 31 March 2016 (2014-15: £173m), which are included in the table above.

17. Provisions for liabilities and charges

2015-16	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departures	Injury benefit scheme	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1 April	9,231	25,263	85,983	4,897	103,126	228,500
Provision expense-provided in year	183	661	54,956	0	14,640	70,440
Provision expense-provisions written back	(65)	(612)	(34,810)	(130)	(4,240)	(39,857)
Provisions utilised in year	(3,815)	(1,189)	(22,015)	0	(5,147)	(32,166)
Borrowing costs (unwinding of discount)	66	2,404	4,153	0	0	6,623
Balance as at 31 March	5,600	26,527	88,267	4,767	108,379	233,540

2014-15	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departures	Injury benefit scheme	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1 April	13,166	24,933	65,931	349	75,817	180,196
Transfers from Probation Trusts	0	0	489	65	0	554
Provision expense-provided in year	135	750	75,279	4,970	31,796	112,930
Provision expense-provisions written back	0	(45)	(32,185)	(27)	0	(32,257)
Provisions utilised in year	(4,582)	(790)	(23,598)	(460)	(4,487)	(33,917)
Borrowing costs (unwinding of discount)	512	415	67	0	0	994
Balance as at 31 March	9,231	25,263	85,983	4,897	103,126	228,500

Analysis of expected timing of discounted cash flows

31 March 2016	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departures	Injury benefit scheme	Total
	£000	£000	£000	£000	£000	£000
Not later than one year:	2,811	9,654	29,490	4,767	4,634	51,356
Later than one year but not later than five years:	2,789	9,858	48,644	0	17,433	78,724
Later than five years:	0	7,015	10,133	0	86,312	103,460
Balance as at 31 March	5,600	26,527	88,267	4,767	108,379	233,540

31 March 2015	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departures	Injury benefit scheme	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	3,770	8,364	29,838	4,897	4,287	51,156
Later than one year but not later than five years	5,449	10,167	49,448	0	16,172	81,236
Later than five years	12	6,732	6,697	0	82,667	96,108
Balance as at 31 March	9,231	25,263	85,983	4,897	103,126	228,500

Early retirement provision (PCSPS members)

Under a scheme that closed in 2011, NOMS meets the additional costs of benefits beyond the normal PCSPS benefits and for employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. NOMS provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by HM Treasury real discount rate of 1.37% (2014-15: 1.30%).

Leasehold property dilapidations

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

- updated information relating to property vacations
- new properties leased during the year
- a slight increase in the cost per square metre of the properties leased due to the general market conditions which has increased prices.

Costs are discounted by HM Treasury (HMT) real discount rates. HM Treasury (HMT) have issued revised discount rates for 2015-16, which are:

- up to five years: -1.55 per cent
- between five and ten years: -1.00 per cent
- more than ten years: -0.80 per cent.

Other provisions

Other provisions primarily comprise legal claims against the Agency. This provision reflects all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which are likely to succeed with a lesser degree of certainty or cannot be estimated reliably are disclosed as contingent liabilities in Note 18.

Provisions for four cases which have resulted in annuities arising from litigation are discounted using the HMT rates as payments are due over a number of years, more than 20 years in some cases. Other general litigation provisions are not discounted, on the basis that most claims would normally crystallise within twelve months and the potential discounting on those that could continue for longer is uncertain and is not material.

Civil Service Injury Benefits Scheme provisions

From 1 April 1998 NOMS is required to pay benefits under the Civil Service Injury Benefits Scheme. The scheme pays benefits to any PCSPS member who suffers disease or injury, which is wholly or partially attributable to the nature of the duty, or who suffers an attack or similar act which is directly attributable to employment within the service. Benefits are paid only in respect of loss of earning capacity and are designed to enhance a beneficiary's income up to a guaranteed minimum of 85%.

18. Contingent liabilities

NOMS has the following contingent liabilities:

Claims against the Agency by staff, prisoners and third parties amounting to £79.6m (£56.3m at 31 March 2015) have been indicated to NOMS, where the likelihood of a liability arising is deemed possible but not likely.

Payment by Results (PbR):

A contract is in place for a Payment by Results (PbR) scheme at HMP Peterborough in relation to reducing reoffending.

The contract is based on programmes for cohorts of offenders, who are then monitored. Reoffending by members of the cohort during the monitoring period is assessed. The contract stipulates a mechanism by which an additional payment would be payable by NOMS to the contractor on a sliding scale, in the event of reoffending rates for the cohorts of offenders meeting or exceeding targets.

The maximum possible additional payments by NOMS under the contract totalled £2.75m. At 31 March 2016, the final cohort was being monitored, and NOMS considers that the likelihood of costs arising from the success of the remaining cohort remains uncertain.

Remote contingent liabilities reported to Parliament are disclosed in the Accountability Report.

19. Pensions

Staff costs in Note 4a include the cost of pension contributions made by NOMS.

138 persons retired early on ill health grounds (2014-15: 233). The total additional accrued pension liabilities in the year amounted to £0.3m (2014-15: £0.4m).

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPPS) is an unfunded multi-employer defined benefit scheme. A full actuarial valuation of the PCSPPS was carried out at 31 March 2012. Details can be found at www.civilservicepensionscheme.org.uk. NOMS is unable to identify its share of the underlying assets and liabilities.

For the year to 31 March 2016, employer's contributions of £208.1m were payable to the PCSPPS (2014-15: £191.0m) at rates in the range of 20.0%-24.5% (2014-15: 16.7% to 24.3%) of pensionable pay (27.9% for prison officer grades with reserved rights) based on salary bands. The contribution rates reflect benefits as they are accrued, and reflect past experience of the scheme.

Partnership pension accounts

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 14.75% (2014–15: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Local Government Pension Scheme

NOMS offers retirement benefits within the Local Government Pension Scheme (LGPS) to probation staff working within the National Probation Service (NPS). Past employees of the Probation Trusts, and staff who transferred from the Trusts to CRCs and NOMS, are also covered by the provisions of LGPS via one pension fund which is with Greater Manchester Pension Fund (GMPF). The LGPS is a funded multi-employer defined benefit scheme. NOMS recognises an LGPS pension scheme liability in these accounts.

The LGPS pension liability transferred from Probation Trusts to NOMS on 1 June 2014. A liability arises as employees earn their future entitlement to payments when they retire. The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The contribution rates reflect benefits as they are accrued, and reflect the past experience of the schemes.

The LGPS provides benefits on a 'final salary' basis, up to 31 March 2014, at a normal retirement age of 65. Benefits accrued at the rate of 1/60th of pensionable salary for service from 1 April 2008 to 31 March 2014 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrued at the rate of 1/80th of pensionable salary for each year of service.

From 1 April 2014, the scheme provides benefits on a career average revalued earnings (CARE) basis. Benefits accrue at the rate of 1/49th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay of every year of total membership is payable on retirement.

The scheme permits employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Members pay contributions of between 5.5% and 12.5% of pensionable earnings. Member contributions changed from 1 April 2014 and benefits accrued from this date are on a CARE basis, with protections in place for those members in the scheme before the changes took effect.

For the year to 31 March 2016, NOMS paid employers' contributions of £73.2m to GMPF, relating to current probation staff, at 29.4%. For 2014–15 employers' contributions of £14.8m were paid by Probation Trusts up to 31 May 2014 and £60.9m by NOMS from 1 June 2014 to 31 March 2015 to the LGPS in a range from 10.1% to 29.4%. CRCs incurred £23.8m employer pension costs from 1 June 2014 to 31 January 2015.

This is the first full year with GMPF. As part of the transfer of pension liabilities from the Probation Trusts in 2014-15, a number of orphan pension liabilities for deferred and pensioner members of former Probation Committees were identified and accepted as the responsibility of NOMS. Additional actuary reports were obtained from the ceding Pension Funds as at 31 March 2015 and the additional pension liability was included within the pension position for 2014-15. The orphan pension liabilities transferred to GMPF with effect from 1 June 2015 and the net effect is shown within the current pension position below, as the effect of business combinations and disposals.

The pension position as at 31 March 2016 is based on the actuarial report from Hymans Robertson LLP, the independent actuary for GMPF.

The major assumptions used by the LGPS actuary were:

	2015-16	2014-15
	%	%
Rate of increase in salaries	3.5	3.5-4.0
Rate of increase for pensions in payment and deferred pensions	2.2	1.8-2.1
Discount rate	3.5	2.8-3.2

In 2014-15 the major assumptions were taken from several actuarial reports and a range was produced. In 2015-16 the whole pension liability was valued by a single actuary.

Movements in the LGPS defined benefit obligation during the year:

	2015-16			2014-15		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
	£000	£000	£000	£000	£000	£000
Plan assets	0	3,137,919	3,137,919	0	0	0
Funded liabilities	(4,531,054)	0	(4,531,054)	0	0	0
Unfunded liabilities	(48,860)	0	(48,860)	0	0	0
Opening balance at 1 April	(4,579,914)	3,137,919	(1,441,995)	0	0	0
Plan assets	0	0	0	0	2,817,469	2,817,469
Funded liabilities	0	0	0	(3,993,961)	0	(3,993,961)
Unfunded liabilities	0	0	0	(42,368)	0	(42,368)
Transfers to NOMS from Probation Trusts	0	0	0	(4,036,329)	2,817,469	(1,218,860)
Plan assets	0	0	0	0	25,020	25,020
Funded liabilities	0	0	0	(54,694)	146	(54,548)
Unfunded liabilities	0	0	0	(2,554)	0	(2,554)
Gain/(loss) on recognition of orphan assets and liabilities held by ceding Funds	0	0	0	(57,248)	25,166	(32,082)
Current service costs	(129,400)	0	(129,400)	(93,000)	0	(93,000)
Past service costs (including curtailments)	(1,900)	0	(1,900)	(3,500)	0	(3,500)
Total current and past service costs	(131,300)	0	(131,300)	(96,500)	0	(96,500)
Net interest/(cost) income	(146,500)	99,900	(46,600)	(137,294)	96,858	(40,436)
Effect on business combinations and disposals	314	81	395	0	0	0
Remeasurements						
Gain/(loss) on recognition of assets and liabilities transferred to GMPF on 1 June	0	0	0	61,729	8,231	69,960
Returns on plan assets, excluding amounts included in interest expense/(income)	0	(146,800)	(146,800)	0	186,224	186,224
Gain/(loss) from change in financial assumptions	404,500	0	404,500	(371,891)	0	(371,891)
Experience gains/(losses)	56,000	0	56,000	(27,589)	0	(27,589)
Total remeasurements	460,500	(146,800)	313,700	(337,751)	194,455	(143,296)
Contributions						
Employers ¹	0	108,800	108,800	0	85,900	85,900
Plan participants	(29,200)	29,200	0	(25,900)	25,900	0
Unfunded benefits	0	3,600	3,600	0	3,279	3,279
Payments from plans						
Benefit payments	121,900	(121,900)	0	107,829	(107,829)	0
Unfunded benefit payments	3,600	(3,600)	0	3,279	(3,279)	0
Closing balance at 31 March	(4,300,600)	3,107,200	(1,193,400)	(4,579,914)	3,137,919	(1,441,995)
Plan assets	0	3,107,200	3,107,200	0	3,137,919	3,137,919
Funded liabilities	(4,252,700)	0	(4,252,700)	(4,531,054)	0	(4,531,054)
Unfunded liabilities	(47,900)	0	(47,900)	(48,860)	0	(48,860)
Closing balance at 31 March	(4,300,600)	3,107,200	(1,193,400)	(4,579,914)	3,137,919	(1,441,995)

Note 1: £108,800k is the actuarial calculation (based on actual and estimated amounts) of the employer contribution figure for both NPS and the 21 CRCs.

The plan assets in the LGPS were:

	Value at 31 March 2016	Value as a percentage of total scheme assets at 31 March 2016	Value at 31 March 2015	Value as a percentage of total scheme assets at 31 March 2016
	£000	%	£000	%
Equities	2,151,100	69.2	2,281,837	72.7
Government Bonds	24,600	0.8	2,707	0.1
Other Bonds	493,200	15.9	622,676	19.8
Property	97,800	3.2	1,414	0.1
Cash and cash equivalents	78,300	2.5	2,003	0.1
Other	262,200	8.4	227,282	7.2
Total Plan Assets	3,107,200	100.0	3,137,919	100.0

Sensitivity Analysis:

The actuary's assessment of the impact on LGPS pension liabilities of increases and reductions in key actuarial assumptions:

Sensitivity Analysis	2015-16		2014-15	
	Approximate monetary amount	Approximate increase to Employer Liability	Approximate monetary amount	Approximate increase to Employer Liability
	£000	%	£000	%
0.5% decrease in real discount rate	421,900	10.0%	438,600	10.0%
1 year increase in member life expectancy	129,000	3.0%	135,600	3.0%
0.5% increase in the salary increase rate	124,900	3.0%	135,100	3.0%
0.5% increase in the pension increase rate	290,900	7.0%	294,700	7.0%

20. Financial instruments

Categories of financial instrument

Details of receivables, cash balances and payables can be found in Notes 10, 11 and 12.

Loans and receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market. Receivables are assessed at each SOFP date and impaired where recoverability is in doubt.

Share investments at a value of £0.5m were acquired at no cost by NOMS as a result of trading activities. They are held as financial assets at fair value through profit and loss. Fair value is equal to market value at the reporting date, and the movement in the value of assets is recognised immediately in the CSoCNE, as income or as an expense.

NOMS has financial liabilities comprising PFI liabilities, finance lease liabilities, trade payables, other payables and accruals. Financial liabilities are measured initially at fair value. Where the effect is material, estimated cash flows of financial liabilities are discounted.

Credit risk

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

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

NOMS undertakes few foreign currency transactions and is not exposed to significant exchange rate risk.

21. Special shares

The Secretary of State for Justice holds one special share in each of 21 Community Rehabilitation Companies, which are listed below. In accordance with the FReM, NOMS does not recognise special shares on its SoFP.

The Bedfordshire, Northamptonshire, Cambridgeshire and Hertfordshire Community Rehabilitation Company Limited

The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited

The Cheshire and Greater Manchester Community Rehabilitation Company Limited

The Cumbria and Lancashire Community Rehabilitation Company Limited

The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited

The Dorset, Devon and Cornwall Community Rehabilitation Company Limited

The Durham Tees Valley Community Rehabilitation Company Limited

The Essex Community Rehabilitation Company Limited

The Hampshire and Isle of Wight Community Rehabilitation Company Limited

The Humberside, Lincolnshire and North Yorkshire Community Rehabilitation Company Limited

The Kent, Surrey and Sussex Community Rehabilitation Company Limited

The London Community Rehabilitation Company Limited

The Merseyside Community Rehabilitation Company Limited

The Norfolk and Suffolk Community Rehabilitation Company Limited

The Northumbria Community Rehabilitation Company Limited

The South Yorkshire Community Rehabilitation Company Limited

The Staffordshire and West Midlands Community Rehabilitation Company Limited
The Thames Valley Community Rehabilitation Company Limited
The Wales Community Rehabilitation Company Limited
The Warwickshire and West Mercia Community Rehabilitation Company Limited
The West Yorkshire Community Rehabilitation Company Limited

Special shareholder consent is required for a number of decisions, including:

- Transferring or disposing of:
 - any security interest in relation to the services agreement. The services agreement with NOMS is for the delivery of rehabilitation services by the CRC
 - a substantial part of the business, its assets or employees, which would materially affect the ability of the company to carry out the services agreement
 - legal or beneficial interest in the company's ordinary shares
- Voluntary winding-up or dissolution of the company, or appointing an administrator
- Creating, issuing, purchasing, reducing, buying-back or redeeming shares in the company, or varying voting rights attached to shares.

In accordance with the services agreement, the special shareholder may require the transfer of assets from the company to a replacement service provider.

The special shareholder has the right to require a CRC to effect the disposal of shares held by 'prohibited persons', who are persons who are subject to sanctions or whose holding appears to the special shareholder to be prejudicial to the security interests of the community in the context of the management of offender services within the community.

The special shareholder has voting rights in regard to any attempt to change the role of the special shareholder, rights attached to the special shareholding or key definitions within a CRC's articles of association.

The special shareholder may appoint a representative, who would be entitled to observer rights and access to the same information as the company directors.

The shareholding may be redeemed at any time by the shareholder.

The shareholder has no right to capital or profits of the company, other than redeeming the nominal £1 value of the share.

22. Related party transactions

The Ministry of Justice (MoJ), the parent entity, provided funding of £3,495m during the year (2014-15: £3,404m). In addition MoJ provides a number of shared services to NOMS. These services are recharged notionally by MoJ for services provided at a total cost of £120.6m (2014-15: £118.8m) and are included in Note 4e. Additionally, a number of transactions take place between NOMS and MoJ for services provided.

During the period, NOMS provided custodial services to the Youth Justice Board (part of MoJ) and the Home Office. NOMS also receives funding from other Government departments, local

authorities and NHS England for education, healthcare and resettlement services; such income is included in Note 3.

Mike Hawker, who was until 7 July 2015 a non-executive director and Chair of the NOMS Audit Committee, is also a trustee of the board of The Shaw Trust. NOMS entered into contracts with The Shaw Trust, along with other providers, to supply resettlement services in three regions under the European Social Fund 2014 – 2020 Operational Programme. The specifications of the contracts fall under Part B of the 2006 Public Contracts Regulations, which enabled NOMS to implement a process similar to 'Open Procedure', but with the inclusion of a dialogue stage. No NOMS Board members were involved in the tender process. NOMS made payments to The Shaw Trust totalling £2.3m in 2015-16.

Sir Martin Narey, who became a non-executive director of MoJ in 2015-16, is also a non-executive member of the board of Unilink Software Ltd, which is a supplier to NOMS. NOMS made payments to Unilink totalling £0.5m in 2015-16.

23. 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 Audit Certificate of the Comptroller and Auditor General.

As at the date of the Audit Certificate, the following reportable events had occurred:

The Secretary of State for Justice announced on 12 May 2016 that NOMS will take on the operation of Medway Secure Training Centre (STC) which looks after young people aged 12 to 17. The Ministry of Justice has an existing contract with G4S to manage Medway STC. NOMS will take over from G4S by the end of July 2016. Existing G4S staff will transfer to NOMS under TUPE arrangements.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

