



National Offender  
Management Service

# National Offender Management Service

Annual Report  
and Accounts  
2016-2017



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Annual Report and Accounts  
2016-2017

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

Ordered by the House of Commons to be printed on 19 July 2017.



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Print ISBN 9781474146890

Web ISBN 9781474146906

ID 19061711 07/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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# Performance Report

# 1.1 Overview

## Purpose, Vision and Values

*Preventing victims by changing lives*

### Our Statement of 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.

On 1 April 2017 NOMS became Her Majesty's Prison and Probation Service (HMPPS). The new Agency is re-focusing our work to support operational delivery, reform offenders and keep the public safe.

### 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 Officer



I am pleased to present the ninth Annual Report and Accounts of the National Offender Management Service (NOMS).

The operating environment in prisons and probation has been particularly challenging over the last 12 months. This report sets out the operating context, outcomes and achievements of the Agency and records the work undertaken to take forward the government's commitment to Prison Reform set out in the Prison Safety and Reform White Paper.

In difficult circumstances staff working in public and private prisons, the National Probation Service (NPS), in Community Rehabilitation Companies (CRCs) and in a range of custodial and community support services have demonstrated huge commitment, professionalism and resilience. The work which colleagues do is often unseen and goes unnoticed but it is vital and I am very proud of the work they do on behalf of the public.

On 1 April 2017 NOMS became Her Majesty's Prison and Probation Service (HMPPS). The MoJ will now be directly responsible for strategic commissioning; policy development, setting standards and scrutinising performance and the Agency will focus on operational delivery in Prisons, Probation and in Youth Custody across England and Wales. Our purpose remains to protect the public; to reduce reoffending; and to prevent victims by changing lives.

### **Michael Spurr**

Chief Executive Officer  
Her Majesty's Prison and Probation 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 – 104 prisons which provide around 81 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 was 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 (IRCs) 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. Since November 2016 some of the corporate support functions transferred to MoJ under a functional leadership model in which corporate and professional functions will become more joined up, bringing together specialists and professions into single, unified teams across the Ministry.

# 1.2 Performance Analysis

## Performance against Business Priorities

2016-17 has been a difficult year where operational delivery has continued to face some significant challenges that threaten to undermine the safety and security of service delivery. The challenges that we have sought to address throughout the year include:

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

Alongside these threats, the makeup of the custodial and the community populations continues to change. While the prison population has largely remained below the forecasted levels in 2016-17, we are seeing increasing numbers of violent and sexual offenders sentenced to custody and also an older prison population. This has had a consequential effect on the probation caseload with a higher proportion of more serious offences requiring support from the NPS rather than the CRCs.

We undertake a vital service for the public and have two clear overriding objectives of protecting the public and reducing reoffending. These apply across our delivery system. 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 also have a duty to 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 using public money as efficiently and effectively as possible.

In November 2016 the government set out its vision for tackling the issues we face in the Prison Safety and Reform White Paper. We have begun developing a programme of work to deliver on this challenging agenda of reform but we must also maintain a focus on day to day operations – operations that are increasingly tested by the range of factors described above.

The Prison Safety and Reform White Paper includes proposals to:

- make prisons safer with extra staff and investment to increase staff to prisoner ratios and roll-out the new offender management (OM) in custody model across all prisons, so that all prisoners are allocated a dedicated officer to oversee their progression through custody

- 
- invest £1.3 billion in a modernisation programme to create 10,000 modern prison places starting with the proposed redevelopment of Glen Parva and Wellingborough
  - provide greater empowerment for all governors over their budgets, staffing, services and regimes within their prisons
  - publish results in new league tables to drive reform and improvements across the estate and create a new duty for the Secretary of State to intervene when prisons are failing
  - deliver rigorous new standards to get prisoners off drugs and into work with offenders to be tested for drug use upon entry and exit from prison
  - test prisoners upon entry and exit from prison on English and maths so the progress they have made while in prison can be measured

We have also been undertaking a probation system review which we will report on during 2017-18. The NPS and the CRC contracts became operational in February 2015 and the review has been set up to assess progress against the objectives set out in the Transforming Rehabilitation programme.

CRC caseloads have risen since the contract award, but the mix of sentence types and associated sentenced requirements set by the court has differed significantly from previous expectations.

How we respond to the outcomes of the probation review and begin to deliver the Prison Safety and Reform programme will be key during 2017-18 as we establish the new Agency.

Reducing reoffending and integrated offender management remains 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.

We want our prisons to be places where staff and offenders alike feel safe and secure and where those in our care are challenged and supported to make the most effective use of their time in custody to best prepare them for release into the community, where they will be supported by probation services to change their lives.

The introduction of the new OM in custody model will improve the way in which we case manage offenders through their sentence and on to release into the community. The model will increase the number of prison staff while providing them with more time for meaningful face to face contact with prisoners. Governors will have the freedom to determine the mix of grades of staff to best meet the needs of their population.

The OM in custody model is based on a number of key principles which were identified following the NOMS Review of Offender Management. The review was commissioned following a number of individual and thematic reports by Her Majesty's Chief Inspector of Prisons (HMCIP). These principles are outlined below:

- that the resources available should be targeted to offender groups proportional to the risks and needs presented and duplication is removed – in particular reducing the number of assessments
- for offender management to be effective and for prisons to be positive places in which to work there must be a strong rehabilitative culture across all activity within prisons
- relationships between offenders and staff must be developed further. They should be supportive, yet challenging – offering hope, encouragement and empowering offenders to take responsibility for their lives and their futures. Prison officers will have a key role in this
- for good quality offender management practice to be consistently delivered we need the right staff, those who are appropriately trained, skilled and motivated. We need to invest in training and supporting all staff involved in offender management
- governors will be responsible and accountable for the quality of offender management delivered in their prison

The improvements we are making to the way we support and manage offenders in custody as part of the new OM in custody model will aid and promote their rehabilitation, making it a vital component of our overall reforms. The model provides a clearer approach to offender case management and governance between the community and prisons.

The new model includes crucial roles for prison staff, both to help offenders find a better path for their lives and to undertake case management of offenders. Similarly, probation officers will also play a crucial role in case managing offenders; being based in prisons they will be better able to obtain prisoners' engagement in the work they need to do to reduce the risk of reoffending.

A minimum of one senior probation officer will be based in prisons as part of the new model and will focus on driving up the quality of offender management through professional practice.

We have also adopted a clear approach that acknowledges the positive role that families can play in supporting prisoners through sentence and after release. We have commenced work to provide new contracts with partner family service providers that are specified by governors and tailored to local needs.

Alongside the delivery of our other reforms, the introduction of the OM in custody model will transform prisons into places of safety and reform. The investment announced as part of the white paper in November 2016 allows the model to be consistently introduced across the prison estate. This will allow us to tackle some of the retention and attrition issues within our workforce, remove the reliance on detached duty and payment plus to maintain staffing levels and also the recruitment of 2,500 extra frontline officers.

To support the wider roll out, £14 million was initially invested to deliver the model into ten of the most challenging prisons and into HMP Berwyn. This also included providing more than 400 extra staff. These prisons are our pathfinder sites. These sites allow for the OM in custody model to

be tested across prisons which will both individually and collectively have an impact across the system; sites in different geographical locations; across different types of establishments; and across both the female and male estate.

The new staff in the pathfinder sites have been recruited and will be trained over the coming months. This will then allow for the model to be implemented across pathfinder sites from July 2017.

We are currently considering the roll out schedule for the wider estate, which will run into 2019-20.

## Community

### Overview

2016-17 was the second full year of operation of the Transforming Rehabilitation reforms. Over the course of this year we built upon and further embedded the reforms we introduced while maintaining a quality and efficient service for the public.

The balance of responsibilities between NPS and CRCs has been fundamentally different than what was expected at the time the reforms were designed. As a result we are actively reviewing the arrangements through the ongoing probation review. The outcomes of the review will be available during 2017-18 at which point we will consider our response.

During 2016-17 our key priorities for community services were:

- completion of phase 1 of the Effectiveness, Efficiency, Excellence (E3) programme, designing and implementing a new, single, operating model for the NPS based on best practice across the newly unified service
- sustaining and improving performance in the NPS in preparation for the next stage in its development
- addressing concerns about some aspects of the performance of the CRCs, by undertaking a fundamental system review

## The National Probation Service

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

In 2016-17 performance continued to improve across the great majority of our key performance targets. This continued strong record of performance should be seen in the context of a NPS caseload that has remained higher than originally forecast. The main developments in 2016-17 include:

- the completion of phase 1 of the E3 programme has put in place important harmonising measures as part of the development of a single, national, operating model. Dedicated court teams are now in place in all NPS divisions
- launching a victim case management system which replaced 35 legacy systems with a new, purpose built platform to structure our work with victims of serious sexual and violent crime. The system assists our staff in providing timely and effective support to the victims that we work with
- completing the design of a new and improved HMPPS OM model for prisoners in custody and on release. The model provides all prisoners with a key worker whose role is to mitigate the negative effects of custody and support prisoners' engagement in their rehabilitation. It also introduces a new prison offender manager role responsible for assessments, sentence planning, structured supervision and the carefully coordinated hand over to the community offender manager ahead of release. Implementation of the model has begun across the estate
- a new Effective Proposal Framework has been piloted in Greater Manchester and will be rolled out nationally in 2017-18, this will help court staff to propose the sentencing options that are most likely to address the needs of the individual offender, so that there is a greater chance of avoiding reoffending
- a new tiering framework, which forms the basis for assessing the types and intensity of interventions required by individual offenders in the community, has been implemented in all divisions
- assistant chief officers in the NPS are now able to vary licence conditions of offenders released from custody. This means that offenders on licence can be managed more effectively, reducing the risk that they will need to be recalled to custody
- proceeding to adapt the NPS estate to the needs of the new structure. This programme of building moves ensures that the NPS makes best use of the remaining estate following the CRCs' exits
- delivering improvements in information technology, which the NPS relies upon to be able to achieve its goals for improvement in quality of practice
- improving the rate of successful completions of post sentence supervision. That will be addressed by the new Effective Probation Practice Division that was established on 1 April 2017 to provide an intense focus on quality of practice

Our investment in a new generation of probation officers also continues, with the recruitment of 150 trainee probation officers during 2016-17, with an additional 400 planned up to December 2017. We had 750 probation officers qualifying during 2016-17.

The Professional Qualification in Probation (PQiP), which was introduced in 2016-17, is a work-based, integrated academic and vocational course leading to qualification as a probation officer (previously it was necessary to have a relevant degree in order to apply for a place on the Probation Graduate Diploma programme).

The new qualification is similar in length (15 months) and structure to the previous qualification, but is more flexible, giving existing probation service officers who have the necessary potential the opportunity to apply. The content of the training has been updated to reflect the new duties and responsibilities of probation officers.

### **Community Rehabilitation Companies**

During 2016-17 we have continued to exert robust oversight of delivery of probation services by the 21 CRCs. This has included detailed scrutiny of practice through a series of operational assurance reviews. As highlighted in Her Majesty's Inspectorate of Probation (HMIP) inspections, we have continued to see substantial differences in the performance of CRCs during 2016-17. We have taken steps, in line with the contract, to address areas of under-performance.

In 2017-18, we will implement changes to the contracts with CRCs to adjust how they are paid for their services. This will ensure the payments more accurately reflect the extent to which CRCs are able to adjust their costs when the volume of offenders and the requirements of managing those offenders change.

We will continue to manage delivery against agreed contract levels robustly. We recognise that there are opportunities to further improve delivery of community interventions, by supporting greater collaboration and process efficiency between the NPS, CRCs and the Electronic Monitoring (EM) service. We will continue to work with all of our providers to deliver a programme of whole system improvement.

The Bail Accommodation Support Service (BASS) will be recompeted during 2017-18, this provides an opportunity to ensure that the number and location of properties provided under this contract supports the ambitions of prison reform by providing appropriate alternatives to custody.

### **Electronic Monitoring**

The EM service continues to be an important tool. Through EM, offenders and suspects' compliance with curfew conditions placed on them in the community are monitored and enforced. We have continued to operate the current service under interim contractual arrangements with Capita, while we work to deliver a new service through our EM programme. We also have contracts with G4S and Vodafone for the supply of the necessary hardware and telecommunications equipment.

In line with changes in the wider criminal justice system, demand for the current EM service has fallen over the last 12 months. Work is in hand to maximise the use of the service as an effective offender management tool. We have continued to strengthen our management of the existing EM contracts and have worked with Capita to make improvements to the service they deliver.

An issue that required significant management attention in the latter half of the reporting year was the supply of a small number of faulty straps used to secure EM tags to offenders and suspects. The fault, which was due to a manufacturing problem by a third party provider, may have led to some incorrect tamper alerts. However, the monitoring functions of the tags were not affected and there has been no risk to the public. The Agency is working closely with stakeholders to ensure appropriate cases are reviewed and any potentially affected straps are removed from circulation.

The new national EM programme will continue to offer the ability to monitor and enforce curfew conditions whilst providing a new location monitoring capability. A strengthened programme team is now in place, delivery plans are robust and the new service is scheduled to go live towards the end of 2018. To inform the future deployment of the new location monitoring capability, we are piloting the use of GPS technology in two areas.

### **Public Protection in the Community**

The Criminal Justice Act 2003, provides for the establishment of Multi-Agency Public Protection Arrangements (MAPPA) in each of the 42 criminal justice areas in England and Wales as the statutory arrangements for managing sexual and violent offenders. The MAPPA team have been assisting MAPPA responsible authorities (the Prison, Probation and Police Services) in managing known high risk sexual and violent offenders. We published the MAPPA Annual Reports as National Statistics in October 2016.

(<https://www.gov.uk/government/statistics/multi-agency-public-protection-arrangements-mappa-annual-report-2015-to-2016--2>)

The Offender Assessment System (OASys) is used to assess the risks and needs of offenders and to create plans for working with them and managing their risk. We are currently transforming the platform used to host OASys which will provide HMPPS with a more agile approach to future updates and changes to the database. In 2016-17 we have:

- strengthened the links between the NPS Case Management system and OASys, thereby ensuring greater access to and sharing of required information between systems and we have created guidance in line with such changes to functionality to support staff in their operational roles
- used the OASys database effectively to improve processes for managing historic records appropriately, ensuring that the requirements for the Independent Inquiry into Child Sexual Abuse are balanced against the requirements of the Data Protection Act 1998. This has saved extensive staff time in manually undertaking this task

The mandatory polygraph testing of high risk sex offenders released from custody on licence is firmly established as a key tool in the management of this group of offenders. Referral figures have steadily grown and the number of tests completed is 82% higher in comparison to year one of the project which commenced in August 2014.

The Agency has supported the implementation of a new evidence based risk management tool which enables both NPS and police offender managers to develop joint management strategies for this specific challenging offender group. The tool enables resources to be focussed where they are most needed and is driving further improvements in joint working between police and probation officers.

We have continued to operate an efficient system for revoking licences where that is necessary for public protection and to enforce compliance. We have increased our capacity to executively release recalled determinate sentence offenders once risk issues have been effectively addressed and we have also rolled out the recall project to Wales.

## Looking Ahead – Community

Our priority remains to provide and maintain a quality and efficient service for the public. We are actively reviewing the arrangements of the reforms already embedded as part of the probation review. The outcomes of the review will be available during 2017-18.

In 2017-18 we will:

- sustain and improve performance. We will deliver the performance targets set by the Agency. We recognise that those measures provide only a partial view of overall organisational performance and will put in place a balanced scorecard to provide a broader means of monitoring NPS delivery. We aim to secure Recognised for Excellence (R4E) accreditation during 2017-18 to benchmark our performance as an organisation
- improve quality of practice. We will establish a new Effective Probation Practice Directorate to support improvements in operational delivery. We will develop an Effective Practice plan by summer 2017. We value the vocation and will introduce structures to provide professional development opportunities and recognition for probation staff
- fully implement the NPS operating model, establishing a consistent approach to the delivery of services across the NPS. We will consult on and implement further changes arising from E3 phase 2 and will complete delivery of the E3 programme, with a thorough evaluation of the impact of the programme on service delivery
- achieve greater local empowerment and accountability. The NPS delivers through the strength of our local partnership arrangements. We will empower our managers to work collaboratively with local stakeholders and delivery partners to innovate and improve service delivery
- contribute to and where appropriate, lead activity to improve the impact on the whole criminal justice system. We will support delivery of departmental priorities, including Prison Safety and Reform and Her Majesty's Courts and Tribunals Service (HMCTS) Reform. We will put continuous improvement principles at the heart of how we deliver services
- work with colleagues to transform and improve our IT. Through 2017-18 we will do everything we can to enable the roll out of modern fit for purpose IT across the NPS

## 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 reduce reoffending. It is fundamental to that role 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.

## Safety and Decency

Reducing self-inflicted deaths, self-harm, and violence are the most significant operational priorities for prisons. Every death in custody is a tragedy and we work hard to learn the lessons from each one.

Reducing the level of self-inflicted deaths is of utmost importance and safety remains fundamental to prison operations. Prisons hold a disproportionate number of people who are at high risk of suicide and self-harm, which can be intensified in the prison environment through feelings of hopelessness, isolation and the loss of supportive relationships.

The Prison Safety and Reform White Paper makes over 200 commitments and, as a result, the existing Prison Reform programme was reconfigured to meet the new vision for making prisons safer and places of reform.

The programme has already made significant progress in delivering reform:

- more than 1,000 new prison officers started in the final quarter of 2016-17 – more than at any point previously
- we have made an extra £14 million available to 10 prisons which have amongst the worst levels of violence and self-harm
- in September 2016 we rolled out new mandatory drug tests for psychoactive drugs to all prisons
- we have introduced new legislation which means that anyone found using drones to smuggle contraband into a prison can be given a sentence of up to two years (a landmark judgment in July 2016 saw a drone pilot given a 14 month prison sentence for trying to bring drugs into prisons).

These are the first of many important transformations within the prison estate and updates will be available and published in due course.

Over recent years there has been an increase in self-inflicted deaths and incidents of serious self-harm across the prison estate. We are determined to address this and have put in place additional resources to undertake safer custody work, and have held national learning days on violence reduction, psychoactive substances, and suicide and self-harm reduction.

We have a dedicated safer custody team providing frequent advice and guidance to governors and staff, emphasising the importance of safer custody measures and sharing learning.

We have undertaken a wide range of safety and security related activities in 2016-17, which include:

- implementing a range of pilots specifically targeted at reducing violence and improving safety. These were evaluated and research was completed with the aim of identifying the drivers and potential solutions to violence
- a commitment to the national roll out of Five Minute Intervention (FMI) and Body Worn Video Cameras (BWVC). FMI has been incorporated into Prison Officer Entry Level Training (POELT) since 2016 and will be part of the training package, along with key worker training to support the roll out of the OM in custody model during 2017
- introducing countermeasures to the threat arising from new psychoactive substances

- using the Violence Diagnostic Tool (VDT) in the majority of prisons, which provides data on dynamic day to day risks and pressures resulting from violent incidents and informs the development of local violence reduction strategies to address specific local concerns
- establishing a Violence Reduction (VR) task force to reduce violence across the service and provide consultancy and support to establishments, to help those with the most problematic rates of violence to understand and start to reverse the upward trend and to identify best practice. To date, 35 prisons have received a targeted VR task force visit
- introducing a dedicated suicide and self-harm reduction project led by an experienced prison governor driving forward a programme of activity to tackle suicide and self-harm under a refreshed strategic framework focused on prevention, intervention and education. Additional funding for the project has been granted and the duration of the project has been extended to drive forward this important work
- provision of an additional £10 million of new annual funding for prison safety, supplemented by £2.9 million from existing budgets. This has given a significant number of governors the opportunity to improve safety levels in their establishments
- consolidation of the role of regional safer custody leads (RSCL) across England and Wales and appointment of new post-holders. RSCLs will share good practice on identifying and supporting prisoners at risk; undertake additional assurance checks; provide advice and support to prisons around Assessment, Care in Custody and Teamwork (ACCT) compliance and advise prisons around investigating threats from prisoners and violence
- development of a first night and early days in custody screening tool
- a review of our early days in custody work, including 'bus to bed' reviews to look at the prisoner experience on entry into custody. This will be used to inform improvements to risk management during early days in custody
- roll out of an improved safer custody audit process which will take place during 2017-18 after a successful pilot in two prisons during 2016-17
- ongoing work with the Samaritans to further strengthen the long-standing Listener Scheme, where prisoners trained in listening skills offer support to others experiencing emotional distress. We hosted a joint NOMS, Samaritans and Listeners national conference in October 2016, with another planned for autumn 2017
- creation of supportive environments to assist in the development of prevention strategies. Imprisonment can act as a protective factor, providing a structured and supportive environment, however, it can also add risk to those where environment is an influencing factor, as it can be socially isolating and difficult to handle psychologically
- creating permanent regional safer custody roles to support groups of prisons and share good practice
- continuing use of the ACCT process to provide a case management framework where individualised care planning and support can be undertaken. This includes implementing the 20 recommendations which came out of the review of compliance and delivery of ACCT in 2015

- supporting education through learning from experience. We are promoting learning from the Prison and Probation Ombudsman thematic analysis and from independent article 2 compliant investigations; holding learning days open to the whole prison estate; delivering a structured programme of monthly themed communications to staff with practical tips and 'staff stories' sharing how you can make a difference; and providing links to comprehensive learning bulletins

We continue to manage restricted patients under the Mental Health Act 1983 under delegated authority from the Secretary of State. The Agency 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.

The Mental Health Casework Section (MHCS) continues to deliver a programme of continuous improvement. In 2016-17 we introduced a new quality assurance system and focussed on key performance indicators to ensure timely and safe decisions were made.

Improvements have been made to the way partner agencies report on conditionally discharged patients, to ensure the Secretary of State has relevant and timely information to monitor the safe supervision of restricted patients in the community. MHCS has also been working closely with the Agency and NHS colleagues to seek to improve the speed and efficiency of transfer of prisoners to secure hospitals.

Statistics on safety in custody are published every quarter at <http://www.gov.uk/government/collections/safety-in-custody-statistics>.

### **Security, Order and Counter Terrorism**

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 15 escapes in 2016-17 which includes escapes from prison and prison escort including the Prisoner Escort Custody Service (PECS).

We have undertaken a wide range of security related activities in 2016-17 to tackle some of the complex underlying issues. These include:

- creation of a new Counter Terrorism/Counter Extremism Strategy: following the August 2016 government response to the Acheson report on Extremism in Prisons and Probation we refreshed our operational approach to Counter Extremism (CE) and Counter Terrorism (CT). We assessed the Agency's existing strategy for CE and CT and then refreshed our approach to delivering it in close consultation with partners

CE activity has included implementing recommendations from the Acheson review including identification and removal of extremist texts, tighter vetting of chaplains and design of new separation centres. We have gone beyond the Acheson recommendations, developing an acute control strategy, a joint HMPPS/Office for Security and Counter Terrorism (OSCT) extremism unit and securing multi-year financial settlements giving longer-term certainty for our CE work in the regions

- creation of a new extremism awareness training package – ASPECTS: we have consulted on, created, and rolled out a new training course for new and existing staff which will significantly enhance our staff's ability and confidence to identify and confront extremist behaviour. We have already exceeded our targets for 2016-17 and 2017-18 for existing staff and are meeting the target for training all new prison officers

- implementation of the Agency intelligence model: the National Intelligence Units have provided HMPPS with the capability to look across all threats (national security, operational security and public protection). We have mobilised all regional units and developed a professional intelligence cadre enabling us to work collaboratively as equal partners with law enforcement colleagues on several cross-government campaigns to target specific crime groups

We have developed, tested and rolled out a suite of tactical intelligence assessments which allow us to identify, prioritise and take action against the individuals and groups that attempt to commit crime from prison or threaten good order and stability (including serious organised crime)

Building on the intelligence picture formed through our tactical work we have produced a first national strategic threat assessment and informed the National Crime Agency's National Strategic Assessment of Serious and Organised Crime, published in the public domain annually

- tackling corruption: we commenced a strategic review of corruption prevention to make sure we robustly tackle current risks and support work across the Agency to make prisons safer. We have introduced measures to tackle corruption in the NPS alongside existing arrangements for prisons
- digital investigations: we have established a dedicated digital investigations unit with improved staff capabilities and technology to enable the swift identification of any offender committing a potential criminal offence by posting inappropriate content on social media sites, and significantly improved relationships with social media companies to enable the swift removal of such content
- serious and organised crime: we have worked closely with law enforcement partners 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 the highest risk offenders; developed specific licence conditions targeted at serious and organised criminals and have agreement that all National Crime Agency licensees with an Serious Crime Prevention Order are managed by the NPS
- engagement with the police: we brokered national agreement for the College of Policing to provide Police National Computer (PNC) training for prison staff and established a Crime in Prisons working group and board with ministerial input. We have developed extremely productive working relationships with the National Police Chiefs Council, Crown Prosecution Service and MoJ to improve the pursuit and prosecution of those who commit crimes in custody
- preventative and reactive solutions for violence in prisons: we have worked with PSP to pilot BWVC and produced procedural instructions and are now committed to rolling out nationally
- defence against drugs in prisons: we have put out a national tender for a new contract for Mandatory Drug Testing (MDT) which will deliver better value for money and invite innovation from companies. We have evaluated the effectiveness of the body scanner at a trial site for detecting drugs on entry to prison. We have rolled out testing for psychoactive substances across the whole estate following a successful trial
- defence against drones: we have created a new incident reporting system in the drones category that will inform the counter-drone programme and trialled drone detection technology. We have developed an educational package to raise awareness of drone threat across the estate, and worked with the police to pursue and prosecute those who traffic contraband into prisons

- defence against mobile phones in prisons: we have awarded a contract for a fixed blocking mobile phone solution and put into force the Telecommunication Restriction Orders Regulations 2016 which have so far been used to disconnect over 150 mobile phones in prisons
- digital solutions: we have implemented e-Vetting, embedding a full digital solution for recruitment and vetting, streamlining processing and reducing timeframes. We have commenced digital open source checks on selected recruitment applicants in partnership with the Digital Investigation Unit (DIU). We have revised the paper Person Escort Record (PER) system and piloted and supported MoJ Digital in developing initial stages of a Digital PER

## **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 2016-17 we implemented a range of measures to maintain sufficient capacity in the right parts of the prison estate.

Our current prison estate is crowded and out of date. £1.3 billion is being invested to reform and modernise the prison estate to replace ageing and ineffective prisons. The Prison Estate Transformation programme (PETP) will fundamentally change for the better the way that the male and female population in our prisons are managed and the way that prisons serve the courts.

Subject to the necessary approvals, PETP will deliver the following:

- build up to 10,000 new prison places with better education facilities and other rehabilitative services
- reorganise and simplify the prison estate into three key functions: reception, training and resettlement – this will improve safety, make sure prisoners are held in environments that match their needs and risk and have access to appropriate services
- build five Community Prisons for Women (CPWs) which will replace existing provision and consist of 60 beds each and hold lower risk female prisoners

The programme has made significant progress towards these commitments. In delivering the Prison Safety and Reform vision for the future prison estate, we have:

- closed two prisons that did not fit the vision for the future prison estate: HMP and YOI Holloway in June 2016, and HMP Kennet in December 2016
- opened HMP Berwyn, a new rehabilitative male prison in North Wales, at the end of February 2017, which will provide 2,106 modern and efficient prison places once fully operational
- begun constructing a new houseblock at HMP Stocken in February 2017
- applied for planning permission to redevelop the sites at HMP and YOI Glen Parva and the former site at HMP Wellingborough, on which outline planning permission was granted on 5 April 2017

- made good progress in reconfiguring the estate – we are designating HMP Durham and HMP Wandsworth as reception prisons and converting HMP Holme House and HMP Highdown to category C training prisons, and this will be completed by August 2017
- announced plans to build four modern prisons: Port Talbot, adjacent to HMP Full Sutton, and redevelop HMP and YOI Rochester and HMP and YOI Hindley

Work is continuing to move towards a smoke-free prison estate. To date, across the open estate we have moved to smoke free inside buildings, and have continued to develop voluntary smoke-free areas which is a key factor in ensuring a smoother transition to any prison becoming fully smoke free. There are now 21 prisons across the estate which are smoke free as part of the phase 1 roll out and work has now begun with those sites which will go live between June and August 2017.

The programme for delivery is a phased approach and intended to continue until 2018 where all prisons will be smoke free. The roll out will continue working together with health partners to ensure that full smoking cessation support is given to those prisoners who require it.

### **Work in Prisons**

All prisons provide opportunities for offenders to work and learn new skills which can help them find a job on 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 also want to attract more employers who offer work in prison and also guarantee interviews and employment opportunities on release.

The Prison Safety and Reform White Paper sets the mission to improve the condition of our prisons and begin to see better outcomes in what prisons are asked to achieve, including sustained improvement in results for offenders in education and employment.

Offenders must be working, learning and reforming so when they leave prison they can be useful members of society. We will do this by giving governors the levers and authority to deliver, and by putting sharper accountability in place, making sure that offenders come out of prison better able to find work, better able to support their families and ready to turn their lives around.

That said, staffing remains a critical issue in several prisons which has limited the level of regime which can be offered in a number of establishments. This reduces the amount the prisons can spend in vital areas such as education and work provision, as well as reducing free time for communal association.

Actions taken to address these issues include:

- National Detached Duty arrangements. These have been used to support those establishments with acute staffing pressures to enable them to deliver safe, decent, secure and predictable regimes and to support additional accommodation being brought into use to address population and capacity pressures
- development of management information using resource analysis from the 'My Detail' platform. Information provides assurance on the effective and efficient use of operational staffing resources within prisons, and is shared with regions on a quarterly basis. The data is used to identify both poor performance and best practice, and to drive improvement
- the use of regime management planning. This supports delivery of safe, secure, and decent regimes, whilst operating with reduced resources and to support the management of regime closures

PSP Industries (PSPI) manages industries in 95 prisons, operating 465 workshops and employing around 11,500 prisoners. PSPI's are committed to a continuous improvement and innovation programme, meeting strategic priorities to maximise work and learning opportunities within the internal market, other government departments and commercial workshops.

More recently, PSPI's portfolio has been broadened to encompass the national catering and physical education programmes. PSPI has developed a five stage integrated approach working with charities, third sector, statutory and non-statutory organisations to provide prisoners with the relevant skills and work experience in custody, improving their employment prospects on release.

The first pilot will involve close collaboration with the Clink Restaurant Charity and Purple Futures (a partnership of private sector, charities and social enterprise that provide probation and rehabilitation services) to prepare prisoners working in prison kitchens to enter in to the contract catering sector on release.

We will further develop the approach with other colleagues in HMPPS and MoJ policy to expand into other industrial sectors in the third quarter of 2017-18. In addition to offering further support to governors in their delivery of decent regimes, this integrated approach will offer wider benefits of up-skilling existing staff, maximising output and avoiding the duplication of spend.

### **Looking Ahead – Custody**

Our vision is to take the opportunity presented by the investment of the additional £100 million to create not just safer prisons, but to deliver transformational change through the new OM in custody model and the development of rehabilitative cultures in our prisons that motivate and enable more prisoners to make positive changes in their lives.

In 2017-18 our ambitions are to:

- improve safety and stability, reducing assaults, self-inflicted deaths and self-harm
- undertake a major uplift to prison officer recruitment and training, and reduce rates of attrition, in order to achieve new, higher staffing levels
- maintain the historically low level of escapes from custody whilst developing our technological and organisational responses to security and order threats

- improve training and progression opportunities for staff, as part of achieving greater professionalisation
- commence implementation of the OM in custody model
- deliver phase 1 of the reconfiguration of the estate, with several establishments re-rolling to more effectively meet the needs of men and women in our care
- continue the roll out of smoke-free prisons
- work closely with CRCs, NPS and external partners to improve rehabilitation for prisoners
- ensure the operation of the Youth Justice estate is safe, decent and secure whilst ensuring the specific needs of young people are met
- support further roll out of the digital prison concept in 19 prisons to help improve security, reduce self-harm and reoffending and increase safety in prisons by implementing new digital technology
- have more prisoners working productively for longer periods of time
- enable greater empowerment of governors and prison group directors through changes in our cultural practice as well as our framework of controls and discretion, consciously devolving more responsibilities from the centre. This will include prison governors assuming responsibility for education provision in their prisons, commissioning the services they think are most appropriate in their individual prison

## Other Priority Areas

### Women Offenders

#### Women in the Community

We have developed a wealth of knowledge regarding female offenders and evidence of what works in achieving effective outcomes. We know for example that women are twice as likely as male offenders to report needing help for mental health problems<sup>1</sup>. Women are twice as likely as male offenders to report having experienced abuse in childhood<sup>2</sup> and are more likely to be living with their children prior to custody<sup>3</sup>. It is also relevant that two thirds of young males separated from imprisoned parents in childhood go on to offend themselves<sup>4</sup>. That said:

- on average, women commit less serious offences than men and are therefore less likely than men to receive a custodial sentence<sup>5</sup>
- more women than men complete their community order (76% and 70% respectively)<sup>6</sup> and the adult proven reoffending rate for women is lower than for men (17.8% compared to 25.4%)<sup>7</sup>

The majority of women offenders are managed by the CRCs and numbers have remained relatively stable. NPS has worked with the CRCs to collectively develop the provision for female offenders. This has included:

- identifying strategic leads for women offenders in all CRCs pursuant to HMIP recommendations
- developing a CRC / Authority Forum to take forward collaborative working
- issuing a newsletter to share information and good practice
- identifying and mapping Rehabilitation Activity Requirement (RAR) provision for women offenders and sharing this amongst CRCs

We want to reduce the numbers of women being sentenced to short custodial sentences in appropriate cases by developing robust community sentences which are specifically tailored to the needs and risks of individual women. To ensure sentencers have the information they require when reaching a sentencing decision we have:

- piloted a tool (SMART Tool) to ensure Pre-Sentence Report (PSR) authors consider the full range of community requirements when proposing a community sentence for women. It is expected that wider roll out of the tool will see more proposals for treatment, residence and curfew requirements which the court may consider as realistic alternatives to short custodial sentences
- set up regular communications with sentencers about the services NPS and CRCs provide, this includes specific reference to provision for women offenders

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1 Surveying Prisoners Crime Reduction (SPCR) survey, conducted 2005/06.

2 Ibid.

3 2003 and 2004 Resettlement surveys.

4 Murray J & Farrington D, 2008, 'The effects of parental imprisonment on children,' in M. Tonry (Ed.), Crime and justice: A review of research (Vol. 37, pp. 133-206). Chicago, IL: University of Chicago Press

5 <https://www.gov.uk/government/publications/prisoners-childhood-and-family-backgrounds>

6 <https://www.gov.uk/government/statistics/offender-management-statistics-quarterly-october-to-december-2016>

7 <https://www.gov.uk/government/statistics/proven-reoffending-statistics-july-2014-to-june-2015>

- conducted a series of interviews with judges and magistrates to find out what information they require when passing sentence and specifically what information might make the difference between a community and custodial sentence for women offenders
- applied the learning from the Recall Project to inform guidance on 'Working with Women Offenders'. This includes evidence on approaches which are likely to improve women offender's compliance and links to guidance on possible alternative action to recall in appropriate cases
- completed a demand analysis of the current Approved Premises (AP) estate, including provision for women, to underpin future work on need
- developed whole system approaches to managing women in the community including diversion and out of court disposals where appropriate
- completed evidence based guidance for staff managing women offenders in the community

During 2017-18 we aim to:

- build on the work already started with sentencers to ensure there are sentencing options available nationally which could be used as an alternative to custody. Roll out of the SMART tool will assist PSR authors in developing sentences which propose restrictions on liberty whilst providing the treatment and support that women need
- work with colleagues to develop a bespoke RAR for women and ensure PSR authors and sentencers understand what this will offer women offenders
- consider how accommodation needs for women offenders might be addressed. A business case for expansion and development of the AP estate is being prepared in order to improve this provision for a number of offender groups including women offenders. We will also consider more flexible use of BASS accommodation
- continue to develop whole system approaches which address the full range of women's needs, diverting them from custody where appropriate
- develop plans to ensure staff who manage women offenders in the community are appropriately trained and supported. This will include review of the Women Awareness Staff Programme (WASP) which has been delivered to staff in the female custodial estate. NPS trainers will be trained in trauma informed approaches during 2017 and we will consider how this can be most effectively rolled out across NPS and CRCs to promote effective engagement with women offenders

### **Women in Custody**

The Women's Estate was formed, as a function, in April 2016 and the first year of operating as a function has proved beneficial in helping the women's prisons develop a shared vision, best practice and work together in collaborative and innovative ways to improve outcomes for women in custody. We have maintained a clear focus on the specific and distinct needs of women offenders both in prisons and in the community and 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.

It is now widely recognised that women offenders have some distinct needs from those of male offenders and that a gender specific approach to managing women is appropriate.

Significantly, we have created a new senior board director role to manage the needs and risks of women across the prison and probation service. In addition, we are developing a strategy which will focus on more early intervention, improved mental health support, and modern facilities with better rehabilitative regimes, to improve outcomes for women offenders in the community and in custody.

Other steps and actions that have been implemented during 2016-17 include:

- developing comprehensive guidance for those managing women offenders which draws out gender specific actions at each stage of the offender journey
- a centralised case management system to support female prisoners with the most complex needs
- a tailored education curriculum for the women's custodial estate, which places more emphasis on life skills in preparation for learning and employment
- developing a strategy to further develop the women's custodial estate to hold women in more appropriate settings that meet their risk and rehabilitative needs

The following six work-strands were also developed during 2016-17, and work in each of these areas will continue through into 2017-18:

- Health and Wellbeing – helping women to improve their physical, mental and emotional health in order to assist them in dealing with the issues that have led them into offending and also to help prepare them for release
- Becoming Trauma Informed (BTI) – with the support of the 'One Small Thing' Charity, BTI training is being rolled out to staff across the Women's Estate. This approach underpins a rehabilitative culture and helps give staff an improved understanding of how the prison environment, and responses of staff to situations, can be impacted by a history of trauma
- Decency – this work-strand is considering gender specific issues of decency within the Women's Estate. This includes issues around availability of appropriate clothing for women and the provision of a more gender appropriate and sensitive environment within the Women's Estate
- Children & Families - whilst recognising that this is an issue within the male estate the issues in relation to children and families are much greater in the Women's Estate and our response therefore needs to reflect this. The Children and Families contracts are being retendered as a single contract (with the exception of HMP Styal, which is being co-commissioned as part of the devolution deal with Greater Manchester Council). This gives us an opportunity to manage this area in collaboration with a single provider in order to provide an improved and more consistent service across the estate. We see family relationships as being extremely important and will be looking for new and innovative ways to improve our service including through the use of technology where possible and practical
- Transitions - for women in custody there are a range of transitions, which can be stressful, and if women are not supported effectively through these transitions they can result in stress and potentially issues of self-harm and even suicide. We have therefore established a work-strand to identify key transition points and help us develop consistent ways of better managing those transitions. Although not exhaustive, examples of these transitions include entry into custody, conviction, pregnancy, young adult to adult, and prison transfers

- Domestic Abuse and Abusive Relationships – there has not been sufficient focus on this area within the Women’s Estate and interventions have been very much aimed at the perpetrators of domestic violence. This work is about developing interventions within the Women’s Estate, which recognise women as victims of domestic abuse (whilst not forgetting that they can also be perpetrators). It also considers what the options are for an improved focus on this as an issue

We have continued to take seriously the rise in the number of self-inflicted deaths in the Women’s Estate during 2016 and have developed an additional work-strand on reducing suicide and self-harm. This will be a key focus of work throughout 2017-18 with a number of strands of innovative work to try halt and reduce the very concerning rise seen during 2016.

To ensure there is a focus on equalities, each women’s prison governor has been allocated a protected characteristic for which they will act as the lead for the Women’s Estate. Their role will be in helping us to develop appropriate policies and take a consistent approach across the prisons to the management of equalities for both staff and the women held in our prisons.

### **Foreign National Offenders**

NOMS has played a vital role in delivering the government priority of removing those foreign national offenders (FNOs) who have no legal right to remain here. In doing this, we worked closely with a range of other government departments, including the Home Office, the Foreign and Commonwealth Office, and the Department for International Development.

Responsibility for removing FNOs from the United Kingdom rests with the Home Office. We supported this with the provision of prison places for FNOs at two FNO only prisons and at eight other prisons where immigration staff are embedded.

The principal tool for removing FNOs is the Early Removal Scheme (ERS) which accounted for 1,660 removals from 1 April 2016 to 31 December 2016. We further supported the removal agenda by delivering prisoner transfer arrangements (PTAs) with other countries. PTAs are more suitable for longer term prisoners who would otherwise remain in the UK for some considerable time before they are eligible for removal under the ERS.

## Youth Justice

The Youth Justice Board (YJB) is responsible for commissioning and purchasing places for all young people sentenced or remanded to custody within the under 18 Young Offender Institutions (YOI). We provided over 800 places required for this group of offenders under a Service Level Agreement with the YJB in the four public sector YOIs that accommodate young people under 18.

Our commitment to young people in our care is to give them the best chance to turn their lives around by providing them with safe, decent and secure environments that focus on education and personal development and empower them to make positive change.

In January 2016, it was announced that NOMS will take on the running of Medway Secure Training Centre which looks after young people aged 12 to 17. In July 2016, NOMS formally took over full operation and management of the site to drive forward improvement plans to the current operating model and review safeguarding arrangements therein. We have, amongst other things, developed a new vision for the site, revised the leadership and governance arrangements and put in place a new specification for education provision.

The Review of Youth Justice System White Paper was published in November 2016. The vast majority of recommendations contained in the white paper have been accepted and a Custody Reform Programme Management model implemented to deliver them.

As part of launching HMPPS, the Secretary of State for Justice announced the creation of the Youth Custody Service (YCS) as a distinct arm of HMPPS with responsibility for all aspects of work with young people both in YOIs and in STCs across England and Wales. The YCS also has oversight of children placed in eight Secure Children's Homes with which we contract via local authorities.

The YCS is already working in partnership with relevant stakeholders to deliver the agreed custodial recommendations from the white paper. Five key strategic principles have been identified and established to underpin youth custody reforms:

- offer an individual approach to each young offender, to meet their specific needs, tackle levels of violence and more easily facilitate their rehabilitation
- put education and health at the heart of the intervention programmes
- provide young offenders with the skills and support they need to successfully manage their lives once out of custody
- transform a career in youth justice into a respected and rewarding profession, attracting those with specialist skills needed to turn young people's lives around
- ensure governance of the system drives innovation and supports effective decision making

In line with our mission to continually improve outcomes and establish the most effective model of central management and oversight of a dedicated estate for young people, we have achieved the following:

- continued to embed and develop an estate wide young person specific psychology service ensuring children and young people in custody have equitable access regardless of placement across the estate

- continued development of the intervention model to promote desistance in young people with all sites now delivering a portfolio of approved interventions
- a joint initiative with education providers where young people can achieve an educational qualification when completing interventions with plans to widen these opportunities in 2017-18
- a pathfinder exercise and evaluation of the Custody Support Plan (CuSP), an evidence based care planning initiative at HMYOI Werrington during 2016-17 with wider scale implementation planned for 2017-18
- implementation of the Conflict Resolution model with prison officer specialists recruited and trained to apply restorative justice principles to resolve conflict and reduce the need for security measures and enabling young people to engage in the full range of rehabilitative services available
- ongoing development of Enhanced Support Services for children and young people with exceptionally complex needs. Governors and Psychology Services continue to work closely with health providers regarding the Secure Stairs project to ensure specialist services dovetail seamlessly thereby improving outcomes for children and young people
- a review of existing services in the Care and Separation units and the introduction of various procedures to assist with identifying, managing and addressing the short term needs and risks associated with young people's behaviour to aid effective reintegration into mainstream services or inform referrals to more suitable accommodation
- review of certain elements of the Working with Young People in Custody training including Staff Resilience and Adolescent Development. Psychology Services continue to provide staff with training in Motivational Interviewing, an essential pre-requisite for various other initiatives such as the CuSP, Conflict Resolution and Staff Supervision
- development of a young person specific POELT course for all staff who end up working within the youth estate. Pilot trials were run at HMP Stanford Hill from September to November 2016 and the course is expected to be fully launched during 2017

## Looking Ahead

The YCS is committed to giving the young people in our care the best chance to turn their lives around by providing them with safe, decent and secure environments that focus on education and personal development, empowering them to make positive change.

In addition to the ministerial priorities above, during 2017-18 we will:

- establish Enhanced Support Teams and Enhance Support Units across the estate
- conduct a review of the casework model and develop and recruit to a new Youth Justice Specialist Work role
- conclude the transition of relevant YJB functions to the YCS (including monitoring, performance management and young people's placement services)
- work in partnership with relevant stakeholders to deliver the agreed custodial recommendations from the Youth Justice System White Paper to improve safety and wellbeing outcomes for young people

## Education

Education is an important part of making our prisons places of safety and reform. Our current education services delivered under the Offenders' Learning and Skills Service (OLASS) arrangements, by Further Education colleges and training providers, have made an important contribution in helping prisoners prepare for employment and turn their lives around.

The Coates Review of Prison Education (May 2016) made 31 recommendations. We have implemented a number of these already such as introducing a new scheme to attract high calibre graduates to work in prisons, revising the funding mechanisms and allowing governors to fund learning at level 3 and above. Many of the remaining recommendations were included in the white paper.

In October, a Machinery of Government change (MoG) transferred responsibility for prison education in adult prisons in England from the Department for Education (DfE) to MoJ/NOMS. Following this transfer we have stripped out unnecessary rules and governance from our prison education contracts to allow governors more oversight and control of existing services. This means that governors can focus their curriculum precisely on prisoner employability, delivering the skills that employers want. The OLASS arrangements have also been extended to July 2018 in line with the recommendation in the Coates review and the white paper.

To meet future need we will:

- make prison governors fully responsible for education provision in their prisons, commissioning the services they think are most appropriate in their individual prison. This will allow governors to decide how to structure their educational regime, and who delivers it, while following a core common curriculum set nationally focusing on maths and English
- bring more employers into prisons to provide training and real work experience across the regime
- provide professional development for all grades of staff, including governors, to help them deliver high quality education and developing a scheme to attract high calibre graduates to work in prisons
- develop a set of education performance measures for all prisons
- ensure that those providing education in prisons have the right skills and capabilities. We will be working with the Education and Training Foundation to look at the longer term development needs of the education and training workforce in prisons

## 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.

HMP Berwyn, which opened on time and within budget, received its first men in February 2017. Located in North Wales, it is designated as a resettlement prison, which will hold up to 2,106 category C adult males when fully operational. The prison is designed with rehabilitation as its core aim, delivered by three strategic priorities — making big feel small, the principle of normality and a rehabilitative culture.

Throughout the programme, MoJ, HMPPS and Lendlease (HMP Berwyn building contractors) committed to investing in the local community. During the construction, 66% of the workforce employed have been local, 90 previously unemployed people gained employment on the site, 100 apprentices have been appointed and £38.2 million has been contracted with local businesses.

The programme has been an excellent example of integration, especially when dealing with devolved services. Betsi Cadwaladr University Health Board will provide health and wellbeing services at HMP Berwyn. Wrexham County Borough Council will provide library services and social care. In addition, North Wales Police are a full and committed partner on security and intelligence sharing.

Through a competitive tender process and in line with the business case agreed by HM Treasury, the governor has sourced commercial partners to bring innovation and expertise to the learning and skills provision and the large industrial workshops. Novus Cambria have been awarded the contract to provide learning and skills provision.

We established the PSP South Wales programme, which has brought prison and probation leaders together from across Wales to build on existing strengths and to ensure they are well placed to deliver the safety and reform priorities. This work has included delivering FMI training ahead of the national schedule, and introducing the Collaboration Barometer tool to baseline and improve our relationships with key partners.

The PSP South Wales values developed through the programme will help to guide the approach going forward, showing what is distinctive about South Wales while aligning with national HMPPS and HMPPS in Wales' priorities.

Prisons in South Wales have continued to innovate and develop. During 2016-17:

- HMP Usk was the first prison to introduce the Horizon treatment programme – an accredited programme for men aged 18 and over, who have been assessed as being medium risk and who have been convicted of a sexual offence
- HMP Cardiff established plans for a POELT training centre

- HMP Prescoed introduced and developed new qualifications at its Cilwgi Farm site
- HMP Swansea achieved the Prison Advice and Care Trust every visit counts standard

The PSP South Wales model, with a director providing strategic leadership for a discrete group of prisons, is soon to be replicated across England as part of the safety and reform agenda. In 2016-17, NOMS in Wales demonstrated how effective this group model can be, with dedicated empowered governors in individual prisons pooling resources where appropriate to tackle common issues.

NOMS in Wales successfully implemented smoke free prisons in all establishments. This was managed safely and decently, and with no direct impact on stability, paving the way with lessons learnt and best practice for further roll out of the national smoke free project across the prison estate.

A new framework to succeed the Wales Reducing Reoffending Strategy (2014-16) has been developed by NOMS in Wales and Welsh Government officials, on behalf of the All Wales Criminal Justice Board. The new framework, 'A Framework to Support Positive Change for those at risk of offending in Wales', will span 2016-21. It looks to build on the success of the current strategy, which has underpinned the development of the Integrated Offender Management (IOM) Cymru delivery arrangements, which have had a particular impact in reducing the volume of crime in local areas, and in diverting vulnerable women away from the criminal justice system and into community based support.

The new framework outlines ways of working to achieve reduced offending including:

- further integrating service delivery
- promoting evidence led interventions
- developing service responsivity to an individual's characteristics and circumstances, including any additional learning needs
- developing transformational funding models and person centred commissioning

The framework facilitates a collective commitment to realising the unique ambition to transform public service delivery as it relates to those who come into conflict with the criminal justice system in Wales.

Wales Integrated Serious and Dangerous Offender Management project seeks to build on the IOM Cymru experience and existing whole system approach models. During 2016-17, the project has begun to set up pilot sites throughout each of the four police force areas in Wales. The pilot sites are co-located unit(s) consisting of the key partners who are jointly responsible for the day to day supervision of the identified cohort of offenders.

NPS in Wales was awarded funding from the Ministry of Defence's Armed Forces Covenant Fund to design and deliver a whole-system approach to supporting ex armed service personnel who come into contact with the criminal justice system. The Supporting the Transition of Military Personnel project was launched in December 2016. It will ensure a consistent service is developed across Wales from police call out, through custody suites, court, probation, prison and resettlement into the community.

## Corporate Services and other core priorities

In 2016-17, our headquarters continued to provide contract management, human resources, digital & change, finance and operational support services. This work included supporting and enabling the Agency to deliver against its reform priorities, helping identify and deliver savings opportunities and costing and delivering investments.

During 2016-17 some of the Agency's corporate services functions moved into a 'functional leadership model'. We acknowledged the need for a more unified and integrated department, focused on our common purpose of delivering and defending justice. Functional leadership means that corporate and professional functions are more joined up; bringing together specialists and professions into single, unified teams, enabling the Agency to focus on operational delivery in prisons and probation.

### **Contract Management**

The Contracted Services Directorate was formed in April 2016 when the Agency moved responsibility for managing most of its key contracts into a new directorate led by a director with commercial and contract management experience. The primary objectives for the directorate were:

- begin to develop a better, more efficient and consistent approach to managing contracts through the Transforming Contract Management (TCM) programme
- to create a centre of excellence within the Agency to increase contract management capability by providing systematic training in the key elements of contract management (for example finance, commercial and contract law, analysis, negotiation and influencing)
- to manage the risks and issues in the CRC contracts, including performance outcomes and the impact of volume / case mix changes
- to manage performance of the prison facilities management (FM) contracts
- to maintain an acceptable quality of contract management services for all contracts within the directorate, while the outputs and improvements from TCM are implemented

In general, contract management services have improved as a result of TCM and an acceptable level of service has been delivered. During 2016-17 we have:

- established a new framework for managing contracts which is being rolled out across all contracts and which focuses on delivering the principle objectives of contracts and established the centre of excellence
- developed and deployed a methodology for measuring contract management performance, and driving and tracking improvements
- established the Probation System Review, which is on track to deliver amendments to the CRC contracts to reflect the change in volumes and case mix and address performance issues
- resolved the main commercial issues with the prison FM contracts and improved performance

## Digital and Change

Our digital proof of concept prison, HMP Wayland, is now live and HMP Berwyn opened as a new build digital prison in February 2017. Offenders in each prison now have access to telephony in their cells to enable them to manage many of the administrative tasks previously undertaken by prison officers. This gives prisoners a feeling of personal responsibility and in turn frees up prison officers to concentrate on delivering more valuable face to face support to prisoners.

At the same time we have delivered, in cell content management systems which gives prisoners access to education content whilst in their cells. We are planning to build on the proof of concept, expanding provision to a further 19 prisons in 2017-18.

We also opened a digital studio in Sheffield with the intention of self-managing and improving our legacy systems. Using an agile approach to development and focusing on delivering rapid changes to our core applications to improve the products and services for our staff and prisoners use. The first of these applications — Delius (probation case management system), came under the stewardship of the Digital Studio in December 2017 and further applications will be adopted into this model during 2017.

We have successfully replaced the Inmate Information System, a legacy application that was expensive to maintain, with a much more cost effective in house delivered application, saving more than £1.5 million per year.

We have established teams that are working on more digital products including improved cell sharing risk assessments and a mobile application which will enable prison officers to access key information whilst on the landings.

Additionally, we have expanded the use of prison voicemail to the vast majority of the estate which enables verified pre-approved individuals to leave voicemails for prisoners who can listen, and reply, to the messages using the normal prison phones.

The NOMS ICT Services (NICTS) programme is now fully mobilised and has developed an exit and sourcing strategy that aligns with government strategy. We have been working to align specific solutions with those that are already available and have a plan that exits services from DXE Technology by December 2017.

All 21 CRCs have been moved off the local authority provided ICT and onto their own infrastructure. CRCs are all using the Data Exchange Bridging Solution that allows them to securely access national Delius and risk and the needs assessment tool (OASys) as well as reporting software from their own IT infrastructure.

The Strategic Partner Gateway, which enables the NPS and CRCs to use their own systems to exchange data, was delivered and made available to parent organisations and the CRCs in September.

## Looking Ahead

The vision for the Digital and Change programme is to:

- improve security, reduce self-harm and reoffending and increase safety in prisons by implementing new digital technology
- provide better, more flexible IT to HMPPS staff, at a lower cost
- make HMPPS applications more responsive, joined up, and the data they contain more accessible

This will be achieved by:

- delivering improved digital technology in prisons
- exit the current NICTS contract by 31 December 2017 and replace it with fit for purpose contracts
- establish the Digital Studio with 'dev ops' capabilities to develop and support applications in-house
- support OM in custody roll-out by improving information access for prison officers
- execute probation IT strategies to improve productivity, case management software and CRC interfaces

## Human Resources

We have continued to strive to provide the right staffing resources across public sector prisons and in the NPS. The requirement to deliver an additional 2,500 prison officers was announced in the white paper and we have mobilised to support this increase in demand by introducing new recruitment methods, increasing prison officer assessment places and providing additional training capacity. We have introduced a new recruitment system (WCN) into NOMS which covers all recruitment activity alongside a new digital vetting solution, both have reduced the time to hire and improve the candidate experience.

We supported the successful opening of HMP Berwyn on time and were responsible for the recruitment, training delivery and induction of 291 permanent staff in the first tranche rising to over 570 when fully opened. In support of the rehabilitative culture being established at HMP Berwyn, we introduced value based interviews into our recruitment and assessment process for the first time. Through local recruitment we received over 2,300 applications for prison officers and a further 1,777 applications for other roles.

Medway STC was successfully transferred under the stewardship of NOMS during 2016 and we provided the TUPE advice and support to enable the staff transfer.

We have also supported the closure of a number of public sector prisons over the course of the year and reassigned staff to other locations without the need for exits.

Local recruitment at HMP Wandsworth is a good example of the innovation that we have supported which led to the introduction of the current local recruitment process being used at 31 of our most difficult to recruit to establishments.

Staff average working days lost (AWDL) continues to be an issue and we have continued to support our managers to improve staff attendance levels across the system through effective

management of the process. A new attendance management policy has been introduced which should be an enabler for further improvement to deliver reductions in AWDL. Our strategy is to give a clear focus on staff wellbeing.

Supporting the NPS E3 Programme remains a key HR deliverable as part of the wider probation workforce reforms. Work has included the development of standardised job descriptions, support to job matching and re-allocation of probation staff across the system and the introduction of new collective bargaining and disputes mechanisms that will support the modern probation reform agenda. Our investment in a new generation of probation officers continues and through the Criminal Justice Framework we have recruited over 150 new trainee probation officers with further cohorts planned.

The redesign of the learning and development operating model has enabled a greater level of agility, business focus and an approach to delivery that embraces the digital agenda. A key element of this work is the ongoing review of our POELT offer and focus on rehabilitation to develop prison officers of the future. The current increase in POELT capacity has seen us being able to train over 700 staff per day across multiple training venues.

We have maintained active dialogue with all our trade unions during a very challenging operational time. The health and safety of our staff remains a priority and we continue to work in partnership with our trade unions to maintain and improve safety systems – particularly relating to violence in prisons.

The annual Civil Service People Survey has seen our overall engagement index improve again and we continue to support and encourage proactive engagement across HMPPS. The people survey continues to provide an invaluable source of information to the Board and senior managers about how staff feel about their work. We are conscious of variations across staff groups or across different business areas and are committed to addressing the concerns raised by our staff to improve engagement and wellbeing.

Following the launch of HMPPS the HR focus for 2017-18 will be on the delivery of the MoJ Workforce Strategy with particular emphasis on professionalising the workforce and improving capability. A number of new apprenticeships, direct entry schemes and leadership development programmes will be developed and launched by us over the coming months.

## Financial Planning and Savings

The Agency will continue its work to deliver its services as efficiently as possible and provide best value to the taxpayer. The completion of the probation E3 programme phase 1 put in place important harmonising measures as part of the development of a single, national, operating model while delivering efficiencies and enabling resources to be deployed to meet increased NPS caseloads.

2016-17 also saw some very significant investment in our services with £1.3 billion investment across the Spending Review 2015 period to reform and modernise the prison estate to replace ageing and ineffective prisons and build up to 10,000 new places. Looking ahead, the Agency has also secured funding to recruit additional staff in probation and prisons. The introduction of the new OM in custody model will transform prisons into places of safety and reform, including the introduction of 2,500 extra prison officers to help implement the model, incorporating the new prison officer 'key worker role'.

This investment will increase staff to prisoner ratios and the roll out across all prisons will ensure that all prisoners are allocated a dedicated officer to support their progression through custody.

Our investment in a new generation of probation officers also continues, with the recruitment and accreditation of additional trainee probation officers during the year. These additional staff will allow the Agency to effectively manage the recent increases in NPS caseload.

From 2017-18 onwards financial services will be delivered to the Agency through the MoJ functional services model.

## Financial Performance

The NOMS financial statements include the results of MoJ Corporate Services and Estates functions for which the budgets are held by MoJ. The outturn below excludes outturn against MoJ budgets which consists mostly of estates charges (additions, depreciation, impairment and dilapidations provisions). The MoJ budget outturn is reported in the MoJ Annual Report and Accounts.

### **Resource outturn**

NOMS have carefully managed our expenditure to report a resource outturn of £3,723 million against a budget of £3,737 million. The underspend of 0.4% is attributable to delays in recruitment and under-utilised capacity in privately managed prisons offset by additional healthcare costs at HMP Berwyn.

### **Annually Managed Expenditure (AME) outturn**

NOMS AME budget includes non-cash Local Government Pension Scheme pension costs and provisions movements which are inherently volatile. The AME outturn for 2016-17 is £47 million against a budget of £140 million. This is attributable to non-cash pension costs being below amounts forecast. The sensitivity analysis on pension liabilities on page 131 of the accounts shows how small changes in assumptions result in significant adjustments.

### **Capital outturn**

The capital budget delegated to NOMS in 2016-17 was £103 million compared to £15 million in 2015-16. The increased budget included Digital & Change budgets delegated from MoJ and increased funding for enabling works at HMP Berwyn, the PETP and the EM and Security, Order and Counter Terrorism directorates.

The capital outturn against the increased budget was £72 million. The underspend is attributable to delays to asset replacement in Public Sector Prisons and to the purchase of new EM tags. Further Prison Reform site acquisition and construction plans have also been deferred.

# Operational Performance

## NOMS Operational Performance 2016-17

Measure	July 2014 to June 2015	2004
One-year proven reoffending rate for adult offenders discharged from prison or commencing a court order <sup>8</sup>	33.2%	39.8%
Measure	Outcome 2016-17	Outcome 2015-16
<b>Public Protection</b>		
The number of category A escapes	0	0
The number of escapes from prison and prison escorts	7	5
The rate of escapes from prison and prison escorts as a proportion of the average prison population	0.01%	0.01%
The number of escapes from contractor escorts	8	8
The rate of escapes from contractor escorts as a proportion of the throughput of prisoners	1 in 81,981 prisoner movements	1 in 93,526 prisoner movements
<b>Safety</b>		
Self-inflicted deaths per 1,000 prisoners <sup>9</sup>	1.3	1.2
Assault incidents per 1,000 prisoners <sup>10</sup>	305 (2016)	240 (2015)
<b>Delivering the punishment and orders of courts</b>		
The percentage of prisoners held in crowded accommodation across the prison system	24.5%	24.5%
The rate of drug misuse in prisons as reflected by those testing positive in mandatory drug tests	9.3%	7.7%
<b>Staffing indicators</b>		
Staff sickness: average working days lost per annum		
• NOMS overall	10.4	10.4
• Public sector prisons	10.4	10.4
• NPS	12.0	11.7
• Headquarters and regional services	6.1	6.1
BAME staff representation across NOMS	8.2% (31 March 2017)	7.9% (31 March 2016)

8 Proven Reoffending Statistics: July 2014 to June 2015, published 27 April 2017 (<https://www.gov.uk/government/statistics/proven-reoffending-statistics-july-2014-to-june-2015>)

9 Safety in Custody Statistics quarterly Bulletin: quarterly update to December 2016, published 27 April 2017 (<https://www.gov.uk/government/statistics/safety-in-custody-quarterly-update-to-december-2016--2>)

10 As above

The Proven Reoffending Statistics bulletin published on 27 April 2017 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 2014 and June 2015. A proven re-offence 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 2014 and June 2015, the proven reoffending rate was 33.2%, a fall of 6.6 percentage points since 2004, and a fall of 2.0 percentage points compared to the previous 12 months.

The proven reoffending rate for adult offenders starting a court order (community sentence or suspended sentence order) was 31.4%, down 5.9 percentage points since 2004, and a decrease of 2.1 percentage points compared to the previous 12 months.

The proven reoffending rate for adult offenders released from custody was 44.1%, a decrease of 1.5 percentage points compared to the previous 12 months and 4.5 percentage points since 2004.

The proven reoffending 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 59.3%, compared to 31.5% for those who served determinate sentences of 12 months or more.

There were four escapes from prisons and three escapes from prison staff escorts in 2016-17. The 7 in total is a rise compared to 2015-16 in which there were two escapes from a prison and three from prison staff escorts. The rate of escapes from contractor escorts increased from one per 93,526 prisoner movements in 2015-16 to one per 81,981 in 2016-17. There were no category A escapes.

There were 113 self-inflicted deaths in prison custody in the 12 months ending March 2017 (a rate of 1.3 per 1,000 prisoners) compared to 102 in the 12 months ending March 2016 (1.2 per 1,000 prisoners). In the 12 months to December 2016 there were 305 assault incidents per 1,000 prisoners, up from 240 in the same period in 2015. (Source: <https://www.gov.uk/government/statistics/safety-in-custody-quarterly-update-to-december-2016--2>).

The average percentage of prisoners in crowded accommodation was 24.5% in 2016-17, unchanged compared to 2015-16.

The rate of prisoners who tested positive for drugs in random mandatory drug tests rose from 7.7% in 2015-16 to 9.3% in 2016-17.

Performance outturns for the NPS and CRCs are published on GOV.UK in the Community Performance Quarterly Management Information release. Figures to the end of Quarter 4 of 2016-17 will be published on 27 July.

As reported in the NOMS Workforce Statistics Bulletin, 31 March 2017<sup>11</sup>, in each of the last two years, NOMS staff lost an average of 10.4 working days to sickness absence. This is a reduction of 0.8 days compared to the year ending 31 March 2015 when the highest sickness rates in the time series were recorded for NOMS overall, at 11.2 AWDL.

NPS staff had the highest AWDL at 12.0 followed by Public Sector Prisons (10.4 AWDL) and NOMS HQ and area services (6.1 AWDL). Although the AWDL for PSP and NOMS HQ and area services staff for the year ending 31 March 2017 represent no change compared to the previous year, they mark an increase of 0.3 days for the NPS.

The rate for all of NOMS has varied between 9.8 and 11.2 in the years since 2009-10.

The proportion of staff from BAME backgrounds across all of NOMS at 31 March 2017 was 8.2%, up from 7.9% at 31 March 2016<sup>12</sup>.

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11 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/614684/noms-annual-workforce-statistics-march-2017.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/614684/noms-annual-workforce-statistics-march-2017.pdf)

12 NOMS Workforce Statistics Bulletin: March 2017 Tables [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/614643/noms-workforce-tables-march-2017.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/614643/noms-workforce-tables-march-2017.xlsx)

## Equality and Diversity

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

We have refreshed our equality-related instructions, introducing a new instruction 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.

We have also introduced a new instruction on the care and management of transgender offenders to give effect to the recommendations of the MoJ review.

Grant-funded projects progressed during 2016-17 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 indicates 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 have established three new staff networks for staff across all of HMPPS (HQ, NPS, public sector prisons) with full time salaried network leads.

We have continued 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. In particular, there have been substantial increases in declaration rates within the NPS.

We have continued to contribute to the government review on over representation of BAME offenders in the criminal justice system. We have also been represented on the Young Review Advisory Board, which focuses on the needs of young black and Muslim men in the criminal justice system.

We have engaged very closely with the Lammy Review, which is due to report later in 2017, and we will be closely involved in delivering the agreed responses to its findings.

A refreshed equality strategy for the new Agency is under development.

## Our People

A diverse range of staff working in Probation, Her Majesty's Prison Service and NOMS headquarters were honoured with awards in 2016-17. The selection below represents some of the major national awards received.

### Queen's Birthday Honours

#### **OBEs were awarded to:**

David Charity, Deputy Governor, HMP and YOI Send  
Jocelyn Hillman-Myers, CEO, Working Chance Charity  
Rev David Peacock, Chair, Cumbria Probation Board  
(Bernadette) Liz Rijnenberg, Probation Director, Wales CRC

#### **MBEs were awarded to:**

Jane Newsome, Chaplain, HMP and YOI Swinfen Hall  
Wendy Stuart Taylor JP, Volunteer, HMP and YOI Holme House, HMP Frankland and HMP Kirklevington Grange  
Ann Withers, Independent Monitoring Board, HMP Wakefield

#### **The BEM was awarded to:**

Louisa McFarlane, Volunteer, Fine Cell Work

### New Year's Honours

#### **OBE were awarded to:**

Dr Siriol David, Lately Head of Forensic Psychological Services, NOMS in Wales  
Dr Katy Emck, Founding Director, Fine Cell Work  
Roma Hooper, Founder and Chair Prison Radio Association and Co-Founder Radio Feltham  
Shirley Kennerson, Head of South Essex Local Delivery Unit, NPS  
Clive Martin, Lately Director, Clinks  
Avtar Singh Purewal, Regional Head of Learning and Skills, North East & Yorkshire  
Lynn Saunders, Governor, HMP Whatton

#### **MBEs were awarded to:**

Richard Owen, Prison Officer, HMP Swansea  
Joanna Smith, Deputy Director for Prisons, North East England Samaritans  
Eileona Wilkinson, Independent Monitoring Board Member, HMP Lancaster Farms

**The BEM was awarded to:**

Andrew Butt, H&S Officer, NPS SE Division

**Butler Trust Awards**

The 2016-17 winners of the prestigious Butler Trust Awards included nine individuals or teams from public and private sector prisons in England and Wales and one from NPS.

The winners and an additional 26 commendees attended a ceremony at St James's Palace presented by the Butler Trust's patron, HRH The Princess Royal.

This year, the Princess Royal's Prize for Outstanding Achievement went to Bernadette Hare. Bernadette was described as "just amazing" for her outstanding skill and compassion in her work at HMP Bullingdon as a prison officer, where she has earned the respect and affection of the entire jail.

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

**Prison Officer of the Year awards (internal)**

Tracy Pape, Equalities Officer, HMP Hull, winner of the Diversity and Equality category was named Prison Officer of the Year by NOMS Chief Executive Michael Spurr. Michael said: "Tracy is an officer whose presence is felt everywhere in Hull. Caring for prisoners as individuals, making a real difference and, as one prisoner said, she cannot be faulted."

**Other category winners:**

Lifetime achievement - Rolf Parrish, Custodial Manager, HMP and YOI Hindley

Decency – John Genge, Prison Custody Officer, HMP Birmingham

Prisoner Care and Management – Jinny Stopper, Prison Officer, HMP Norwich

Public Protection: Security and Risk Management - Peter Perree, OSG Correspondence, HMP Liverpool

Reducing Reoffending – Bridget Peeroo, Outside Links Manager, HMP Peterborough

Safer Custody – Justine Wells, Safer Custody Administrator, HMP Dartmoor

Staff Support – Karen Pugh, Prison Officer, HMP Hewell

Working in Partnership – Scott Rennett, Prison Officer, HMP and YOI Thorn Cross

**Probation Champion of the Year (internal)**

Shaun Anderson, Offender Manager/Case Manager, Humberside, Lincolnshire and North Yorkshire CRC, winner of the Working in Partnership category was named overall Probation Champion of the Year by Michael Spurr.

Explaining why he chose Shaun from the category winners, Michael said: "His style of offender management really shone out. He supervises people where they are, in the community, and he works with others to tackle complex needs in an amazingly impressive way."

**Other category winners:**

Team of the Year – engAge team, Derbyshire, Leicestershire, Nottinghamshire and Rutland CRC

Lifetime Achievement – Michael Whatling, Probation Services Officer, NPS Wales

Diversity and Equality – Amy Hall, Equalities Officer, Cheshire and Greater Manchester CRC

Innovation – Colin Hewlett, Night Supervisor, NPS South East and Eastern

Interventions – Heather Evans, Probation Officer, NPS Wales

Offender Management – Annabel Mullender-Francis, Circles of Support and Accountability Coordinator, NPS South East and Eastern

Public Protection – Chris Brookes, MAPPA Coordinator, NPS North East

Victim Services - Sharon Myler, NPS North West

# 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:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/577272/2016-17\\_Government\\_Financial\\_Reporting\\_Manual.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577272/2016-17_Government_Financial_Reporting_Manual.pdf)

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

## Sustainability

Sustainability is about applying economic, social and environmental thinking to an issue and paying particular attention to the long-term consequences. It can be thought of as a long-term, integrated approach to achieving quality of life improvements while respecting the need to live within environmental limits.

## Objectives

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.

At the same time, we are taking care to understand and mitigate our sustainability impacts in relation to these and other priorities.

Our sustainability objectives are to:

- deliver on the Greening Government Commitments (GGC)<sup>13</sup>
- embed compliance with the government buying standards in departmental and centralised procurement contracts

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<sup>13</sup> <https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020/greening-government-commitments-2016-to-2020>

## Scope

The scope of this report is performance against the Greening Government Commitments 2016-2020 from a 2009-10 baseline where possible. The attached data shows our present position for the financial year ending 31 March 2017. The report covers 114 public sector prisons, our shared service and administration buildings and 5 privately operated prisons (Birmingham, Doncaster, Northumbria, Oakwood and Thameside) and National Probation Service locations. We agreed new GGC reporting targets for the period 2016-2020, and the performance data reflects the position against these targets.

## Governance and data validation

As of 1 April 2016, the responsibility for reporting and managing sustainability transferred to the Sustainable Operations Team within the Justice Shared Estate Cluster.

Our external consultants, Greenstone, manage and verify our data. Final checks are undertaken by the Building Research Establishment on behalf of Defra. The greenhouse gas conversion factors can be found in the government environmental impact reporting requirements for business.

## GGC Performance

Requirement	MoJ target	2016-17 compared to 2009-10 baseline
Reduce greenhouse gas (GHG) emissions		17%
Reduce overall waste		35%
Reduce waste sent to landfill	<10%	10%
Increase amount of waste recycled	>59%	50%
Continue to reduce total estate water consumption	>-4%	9%

Table 1: Overall GGC Performance 2016-17

## Greenhouse gases

Greenhouse Gas Emissions		2009-10	2014-15	2015-16	2016-17
Non-Financial Indicators (tonnes CO2e)	Total Gross Scope 1 (Direct) emissions	166,983	172,751	164,351	158,437
	Total Gross Scope 2 (indirect) emissions	236,377	165,158	158,811	159,425
	Total Gross Scope 3 (Official business travel) emissions	6,334	22,603	25,850	21,405
	<b>Total Emissions - Scope 1, 2 &amp; 3</b>	<b>409,694</b>	<b>360,512</b>	<b>349,012</b>	<b>339,267</b>
Related energy consumption (kWh)	Electricity	371,635,000	334,153,020	317,399,723	386,905,790
	Gas	891,395,000	776,472,182	739,733,850	760,559,021
	Other Energy Sources	117,571,000	84,100,292	80,431,523	41,000,648
	<b>Total energy consumption</b>	<b>1,380,601,000</b>	<b>1,194,725,494</b>	<b>1,137,565,096</b>	<b>1,188,465,459</b>
Financial indicators (£)	Expenditure on Energy	68	77	76	76
	Expenditure on official business travel	25	16	17	21
	<b>Total Expenditure on energy and business travel</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>97</b>

Table 2: Overall greenhouse gas emissions and financial costs 2016-17

Our carbon emissions show an overall 17% decrease since 2009-10. We have continued to reduce our overall carbon emissions through the Prison Estate Transformation project. We continue to rationalise our estate which will see six new prisons built and the closure of older less efficient sites and the closure of several probation offices.

We invested £1.9 million in a range of energy efficiency projects including upgrading internal lighting, and replacement of heating and domestic hot water boilers at 16 prisons. Further investment on energy saving projects will give greater carbon savings in 2017-18.

**Waste**

Waste		2009-10	2014-15	2015-16	2016-17	
Non-financial indicators (tonnes)	Hazardous waste	47	0	0	62	
	Non-hazardous waste	Landfill waste	24,830	11,961	8969	3181
		Reused/ Recycled	24,735	20,500	20,688	16,353
		Composted/ anaerobic digestion	-	1,170	1,629	1,398
		Incinerated with energy from waste	175	7503	7636	11,370
	Incinerated without energy recovery	-	162	101	81	
	<b>Total waste</b>	<b>49,787</b>	<b>41,296</b>	<b>39,023</b>	<b>32,445</b>	
Financial indicators (£'000)	Total disposal cost	3.3	5.7	4.5	5.3	
	Total paper procurement cost	n/k	900	900	925	

Table 3: Waste and financial costs 2016-17

We have continued to reduce the amount of waste produced by 35% since 2009-10 and improved our avoidance of landfill to 10% of total waste.

**Rehabilitation**

NOMS actively manage prison waste management units (WMU), which employ offenders to sort through the waste, separating out items suitable for reuse and processing materials for recycling. Industry accredited training is delivered by NOMS waste management instructors. Offenders successfully gain accredited waste management qualifications, which will assist them in gaining employment upon release.

Several prisons have recycling workshops, which not only clean, repair and redirect internal products, but gives offenders new transferable skills in practical as well as artistic and therapeutic formats. In some instances, these workshops are linked through to external charitable causes and community enterprises.

Community and life skills, together with transferable practical skills, forms an important part of the Restorative Justice programme for offenders.

REGIME ACTIVITY	Average per week Q1	Average per week Q2	Average per week Q3	Average per week Q4	Average
Prisoners Employed per week:	521.5	507.5	471.5	381.5	470.5
WMU working hours per week:	1,249.70	1,209.40	1,140.40	745.2	1,086.20

Table 4: Average number of offenders working in Waste Management Units 2016-17

OFFENDER TRAINING AND EDUCATION	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
Achieved WM qualifications	68	108	157	96	429
Out-working [RoTL] in the waste & recycling industry	52	29	61	8	150

Table 5: Number of offenders obtaining Waste Management qualifications 2016-17

## Water

Water Consumption	2009-10	2014-15	2015-16	2016-17
Non-financial indicators (m <sup>3</sup> ) Whole estate	8,527,771	8,015,221	7,811,515	7,801,855
Financial indicators (£m) Water supply & sewage costs	20	22	22	23

Table 6: Water consumption and financial costs 2016-17

We have continued to reduce water usage through improved water saving measures.

### Sustainable Operations Policy

The MoJ Sustainability Operations team have provided input into our PETP, ensuring that the new contracts contain sustainability clauses. The team has worked closely with our regional estates managers to ensure that the new FM contracts for the estate contain key performance indicators for contractors to be monitored against their energy, water, and waste reduction performance and action on biodiversity.

### 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 Sustainable Operations team manages the Carbon Reduction Commitment on our behalf, although accruals and budgets are managed at departmental level. We estimate that the associated forecasted carbon allowances for 2016-17 to be £6.3 million, based on forecasted emissions, for which the Sustainable Operations team are responsible.

## Other Sustainability Commitments

Sustainable Procurement	We have an in-house procurement team who ensure extensive sustainability clauses are embedded within the Department's facilities management and ICT contract. New contracts require that suppliers meet the Government Buying Standards. New procurement staff are provided with training on sustainable procurement.
Climate Change Adaption	Sites located within flood risk areas are all registered with the Environment Agency for flood warnings in the event of any risk of flooding. Climate resilient designs are incorporated in retrofit projects and new builds. In addition robust business continuity plans are in place to manage occurrences of extreme weather events.
Rural Proofing	We are committed to mainstreaming sustainable development in the policy making process. A check list of specific impact tests now forms part of the policy impact assessment guide, giving greater assurance that due consideration will be given to impacts often seen as peripheral such as sustainability and rural proofing.
Biodiversity & Natural Environment	We have implemented the national MoJ Strategy and Policy for Biodiversity across its diverse estate with support from the MoJ SO Team, fundamentally for the protection and management of its designated sites on the public and private sector Prison Service estate. This fulfils our legal and statutory obligations for these sensitive sites. As part of the social and community partnership arrangement through the MoJ SO Team, we have been working closely with its lead wildlife partners for both flora and fauna, which directly delivers in to its Local Biodiversity Action Plans (LBAPs). We have also been instrumental in fulfilling their statutory obligations to their protected sites through approved Site Management Agreements (SMAs) with the Statutory Authorities, such as Natural England and Natural Resources Wales. With 95% of its SSSIs in a recovering condition We are confident in their future management position and have been active in encouraging local wildlife initiatives to support this strategy.
Procurement of Food & Catering	All food supplied is produced to UK or equivalent standards. Menus are designed to reflect in-season produce and purchased locally where feasible to do so to reduce food miles and to assist in supporting our local suppliers. The 2017 MoJ HM Prison Service contract places specific obligations on the Contractor to report progress in the sustainability/ environmental area and these are aligned with the Defra Balanced Scorecard (of which the applicable aspects of the Government Buying Standard for Food are included).
Sustainable Construction	Where minor refurbishment work has been carried out, complete Site Waste Management Plans are produced to detail all waste removed and recycled. 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 we are 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  
 17 July 2017



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.

On 1 April 2017 NOMS became Her Majesty's Prison and Probation Service (HMPPS), an Executive Agency of the MoJ. A number of former NOMS functions transferred to the MoJ to allow HMPPS to better focus on improving operational performance in prisons, probation and youth custody.

### The Agency Board and Executive Management Committee

The governance arrangements within NOMS for the period April 2016 to March 2017, as agreed by the Permanent Secretary of the MoJ and the Agency Board, included:

- six NOMS Agency Board (NAB) meetings focusing on strategic agency priorities including change, performance, risk and investment
- a fortnightly Operational Delivery Executive Committee (ODEC) and monthly Business Planning Executive Committee (BPEC) to support the Chief Executive Officer in the day-to-day running of the agency
- a fortnightly NOMS Prison Reform Programme Board
- a weekly Executive Committee update meeting
- a comprehensive range of sub-committees reporting to the Agency Board and Executive Committees

### At the end of 2016:

- the NOMS Prison Reform Programme Board was disbanded in light of overall accountability for the prison safety and reform portfolio transferring to the MoJ
- the ODEC and BPEC were also put on hold and replaced with one Executive Committee during the transitional period of the first three months of 2017 while the prison safety and reform portfolio's governance structures bedded in and the new HMPPS structures were confirmed

From 1 April 2017, following the creation of HMPPS, these governance arrangements were replaced with:

- an independently chaired HMPPS Agency Board which meets four times a year
- an HMPPS Executive Management Committee which meets three times a month

- a weekly Executive Management Committee update meeting
- a comprehensive range of sub-committees reporting to the Agency Board and Executive Management Committee

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

The Secretary of State announced the creation of HMPPS in Parliament on 8 February 2017 and confirmed that Michael Spurr would be its Chief Executive Officer.

The Chief Executive Officer's pay is determined under the rules set out in chapter 7.1 (Annex a) of the Senior Civil Servant Management Code. Other members of the Agency Board and Executive Management Committee are appointed by the Chief Executive Officer with the agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the Agency Board and the Executive Management Committee are set out in the Remuneration and Staff Report on pages 75 to 88.

**On 1 April 2017, the structure of the HMPPS Agency Board and Executive Management Committee was:**

**Agency Board:**

**Core members:**

Non-Executive Directors x 3 (including one as chair)

CEO

Executive Director, Prisons

Executive Director, Order, Security and Counter Terrorism

Executive Director, HMPPS Wales

Executive Director, Estate Transformation

Executive Director, Youth Custody Service

Executive Director, Probation and Women

Executive Director, Community Interventions

Executive Director, Rehabilitation and Assurance

Executive Director, HR

Executive Director, Finance

Executive Director, Digital

Executive Director, Transition

**Additional members (as required for specific topics):**

Deputy Director, Prison & Probation Analytical Services

Head of Professional Development

**In attendance:**

CEO Secretariat

Legal Advisor

**Executive Management Committee:**

**Core members:**

CEO - (chair)

Executive Director, Prisons

Executive Director, Order, Security and Counter Terrorism

Executive Director, HMPPS Wales

Executive Director, Estate Transformation

Executive Director, Youth Custody Service

Executive Director, Probation and Women

Executive Director, Community Interventions

Executive Director, Rehabilitation and Assurance

Executive Director, HR

Executive Director, Finance

Executive Director, Digital

Executive Director, Transition

**Additional members (as required for specific topics):**

Executive Director, EM Programme/Procurement

Executive Director, Public Sector Prisons South

Executive Director, Public Sector Prisons North

Executive Director, Long Term High Security

Executive Director, Commercial

Deputy Director, Prison & Probation Analytical Services

Head of Professional Development

**In attendance:**

Legal Advisor

Internal Communications

CEO Secretariat

**During 2016-17 the members of the NOMS Agency Board and the NOMS Executive Management Committee were:**

Chief Executive Officer Michael Spurr

Chief Operating Officer Phil Copple

Director of Commissioning Ian Porée – from 1 April until 24 June 2016

Director of Contracted Services David Hood – from 1 April 2016 until 31 March 2017

Director of Public Sector Prisons Ian Mulholland – from 1 April until 30 September 2016

Director of Public Sector Prisons (interim) Alan Scott – from 19 September 2016

Director of HR Carol Carpenter – until 29 April 2016

Director of HR Martin Beecroft – from 4 April 2016

Director of National Operational Services Digby Griffith – until 15 July 2016

Director of Commissioning Digby Griffith – from 27 June 2016

Director of Finance and Analysis Andrew Emmett

Director of NOMS Wales Sarah Payne – until 31 July 2016

Director of NOMS Wales (interim) Simon Boddis – from 15 August 2016

Director of Probation Colin Allars – until 5 July 2016

Director of Probation Sonia Crozier – from 19 September 2016

Director of Prison Estate Transformation Mark Read

Director of Electronic Monitoring Adrian Scott – from 1 April 2016

Director of Security, Order and Counter Terrorism Claudia Sturt – from 5 April 2016

Director of Digital and Change Bryan Clark

Non-Executive Director David Hadfield\* – until 30 June 2016

Non-Executive Director Elizabeth McLoughlin\* – until 30 June 2016

Non- Executive Director Paul Wilson\* – from 19 October 2016

Non-Executive Director Alan Hammill\* – from 1 July 2016

\*members of the NOMS Agency Board only

**The following staff regularly attended NOMS Agency Board or Executive Committee meetings during 2016-17:**

Prison Reform Programme Director Simon Boddis until 21 August 2016

Head of Communications Lisa Appleyard

Head of Internal Audit Tim Watkinson until 30 June 2016

Head of Internal Audit (interim) Ian Howse from 20 June 2016 to 27 November 2016

Deputy Director Performance and Analysis Group Paul Ibrahim until 31 March 2017

SRO Probation System Review Darren Tierney from 16 November 2016 until 25 January 2017

MoJ Legal Advisor Nick Fussell

**Board Secretariat/Executive Support:**

Sarah McKnight

Emma O'Toole

Andrea Pass – from 1 April until 30 September 2016

Michael Smith

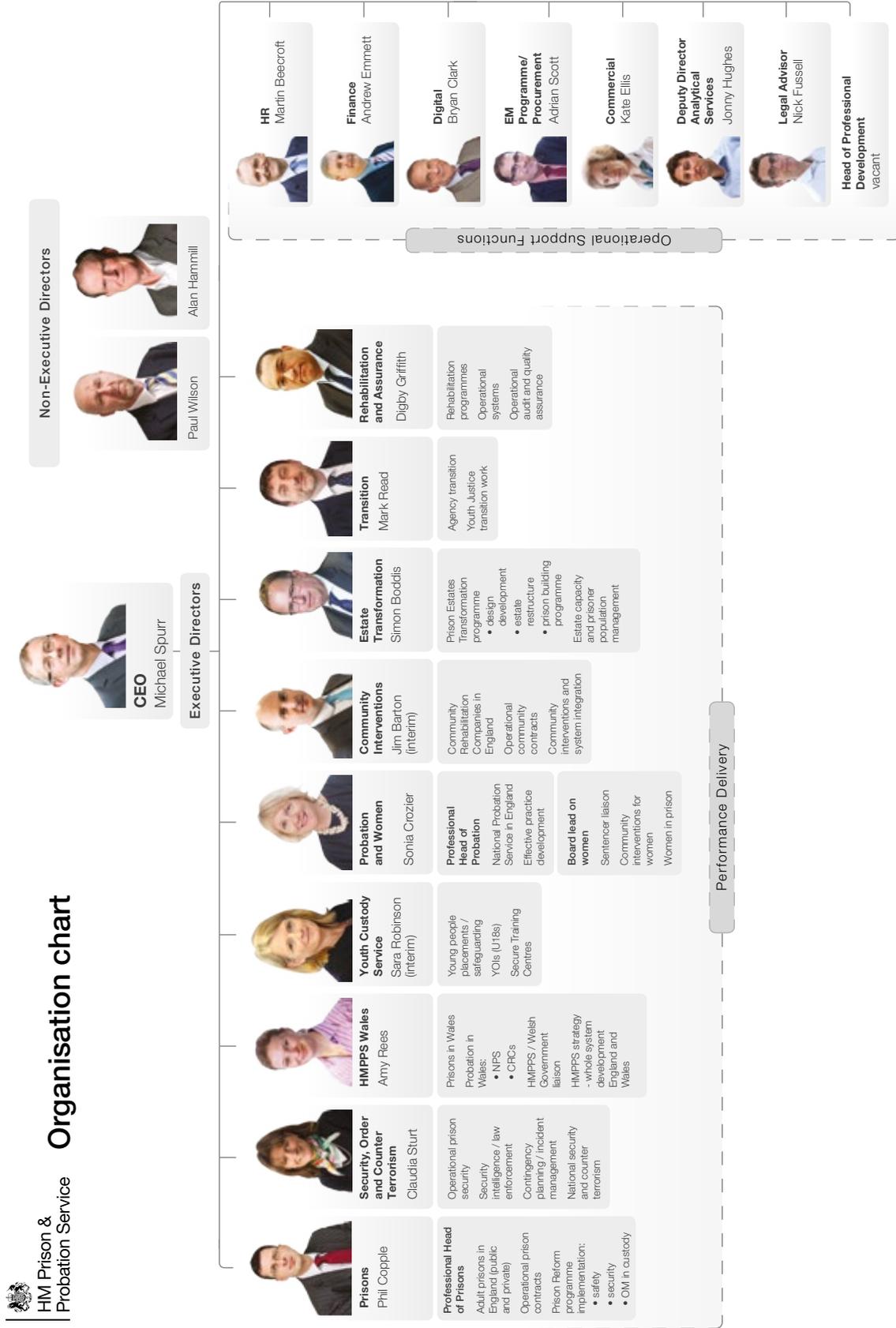
Mukti Mulligan – from 1 October 2016 until 31 March 2017

Raz Khan – from 18 April 2016

Details of company directorships and other significant interests held by NOMS' Directors can be found in Note 22 of the accounts on page 134.

Changes to the governance arrangements and Executive Management Committee since 1 April 2017 reflect the creation of HMPPS. Changes to the governance arrangements are outlined in the Governance Statement on pages 57 to 73.

The HMPPS organisation chart below illustrates the structure of HMPPS following changes to the Executive Management Committee:



On 1 April 2017:

Michael Spurr was appointed CEO of HMPPS together with the following Executive Directors:

Executive Director, Prisons – Phil Cople (formerly Chief Operating Officer)

Executive Director, Order, Security and Counter Terrorism – Claudia Sturt (formerly Director of Security, Order and Counter Terrorism)

Executive Director, HMPPS Wales (interim until July 2017) and Estate Transformation – Simon Boddis (formerly Director of NOMS Wales (interim))

Executive Director, HMPPS Wales – Amy Rees (as from July 2017)

Executive Director, Youth Custody Service – Sara Robinson (interim)

Executive Director, Probation and Women – Sonia Crozier (formerly Director of Probation)

Executive Director, Community Interventions – Jim Barton (interim)

Executive Director, Rehabilitation and Assurance – Digby Griffith (formerly Director of Commissioning)

Executive Director, Finance – Andrew Emmett (formerly Director of Finance and Analysis)

Executive Director, HR – Martin Beecroft (formerly Director of HR)

Executive Director, Digital – Bryan Clark (formerly Director of Digital and Change)

Executive Director, Transition – Mark Read (formerly Director of Prison Estates Transformation)

Executive Director, EM Programme/Procurement – Adrian Scott (formerly Director of Electronic Monitoring)

Executive Director, Public Sector Prisons South, Michelle Jarman-Howe (interim)

Executive Director, Public Sector Prisons North, Alan Scott (interim) (formerly Director of Public Sector Prisons)

Executive Director, Long Term High Security, Richard Vince (interim)

Executive Director, Commercial, Kate Ellis

HMPPS Non-Executive Director Alan Hammill (NOMS Non-Executive Director)

HMPPS Non-Executive Director Paul Wilson (NOMS Non-Executive Director)

Director of Contracted Services, David Hood left NOMS on 31 March 2017.

Deputy Director, Performance and Analysis Group Paul Ibrahim left NOMS on 31 March 2017. Jonny Hughes was appointed as Deputy Director, Prison & Probation Analytical Services with effect from 23 June 2017, replacing Natasha Trasi who had covered the role on an interim basis.

Mukti Mulligan left the Secretariat on 31 March 2017 and was replaced by Joanne Reilly.

### Personal data related incidents

One significant personal data related incident was reported to the Information Commissioner's Office (ICO) in 2016-17.

Month of incident	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
June 2016	Insecure destruction of official documents	Official documents (including a Mercury Security Report) were incorrectly disposed of. This led to them being taken away with general refuse. The documents were blown out the back of a refuse truck onto a nearby green area. They were found by a local dog walker who collected them and alerted the establishment.	11 (including one member of the public).	The documents were collected and a local investigation was undertaken, which highlighted shortcomings. This was reported to the ICO by the member of the public whose information was involved in the loss.

Details of the Agency's management of risks in relation to information assurance are set out in the Governance Statement on pages 57 to 73.

# Governance Statement

## Introduction

As Agency Accounting Officer I have maintained effective governance arrangements during 2016-17 which comply with the relevant sections of the Cabinet Office Guidelines. Policies and procedures were in place to provide a sound system of internal control to support the National Offender Management Service (NOMS) Agency in delivering its statutory duties and to meet aims and objectives set by ministers 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. On 1 April 2017 NOMS became Her Majesty's Prison and Probation Service (HMPPS). As CEO of the new Agency I have established governance arrangements to meet my accounting officer responsibilities and to further strengthen internal control.

The 2016-17 business year has been extremely challenging for the NOMS Agency. Despite considerable efforts to address safety concerns in prisons during 2015-16 violence, self-harm and suicide levels increased further during 2016-17 with historically high rates recorded for each of these measures. The causes of the increase in violence and self-harm are complex but the impact of a huge increase in the illicit supply and availability of new psychoactive drugs in prisons, at the same time as significant changes to the prison estate, prison regimes and staffing levels (in order to reduce unit costs and achieve savings targets) has been a key factor. In addition, maintaining adequate and purposeful regimes across the prison estate, (a necessary pre-requisite for stability and safety) has been hampered by staffing shortfalls across a number of establishments particularly, but not exclusively, in London and the south-east – creating a very difficult operating environment. These difficulties have affected the whole sector (public and private) and culminated in a number of serious disturbances in the latter part of 2016, notably in Lewes, Bedford and Birmingham prisons. The operational response in these prisons was swift and professional (with public safety protected) but the underlying issues which led to the disturbances reflect the real pressures being faced by prisons which were being managed by the Agency throughout the year.

In the community a higher than anticipated caseload stretched resources in the National Probation Service (NPS) and a significant change in caseload mix impacted adversely on the planned operating arrangements for Community Rehabilitation Companies (CRCs). Quality of service provision in the NPS has been largely maintained but the volume variation in CRCs has meant that quality of provision in a number of areas (including 'Through the Gate' resettlement services in prisons) are below expected levels.

At a corporate level the Agency amended structures and organisational arrangements to ensure it was best able to meet ministerial expectations and priorities. At the start of the year I was designated as the Senior Responsible Owner (SRO) for the Prison Reform programme and adjusted agency structures and governance arrangements to reflect the additional responsibilities this brought. Following the Queen's speech which highlighted prison reform as a government priority, it was determined that revised arrangements should be put in place bringing the Prison Reform programme into the centre of the MoJ with a dedicated Policy Director General appointed as SRO for the programme (with the NOMS CEO taking on the role of the programme Senior Business Owner). These revised arrangements provided a stronger policy focus on reform and led to the successful launch of the Prison Safety and Reform White Paper in November 2016 but did require a significant adjustment to both programme and Agency structures. Further adjustment was required in response to a ministerial decision to transfer prison and probation policy and commissioning functions from the Agency to the department. This decision led directly to NOMS becoming the new HMPPS Agency on 1 April 2017. The HMPPS Agency Framework

Document makes clear that the focus of the new agency will be on whole system management and operational delivery across prisons and probation in England and Wales with future policy and commissioning responsibility being held by the department on behalf of ministers. Separately, the department - in accordance with wider government strategy - has been moving towards greater functional management. This led to responsibility for finance; digital and internal communication services transferring from the Agency to the department on 1 November 2016 with staff in these areas formally moving from NOMS to the Ministry of Justice on 1 April 2017.

Throughout the year I have been supported by my executive management team and by the Agency board in discharging my responsibilities as Agency Accounting Officer. We have maintained close scrutiny of day-to-day business, risk, performance and financial expenditure through our formal governance arrangements and have taken action to respond to issues and mitigate risks to the business as necessary during the year. In particular, as it became increasingly clear that our strategy to tackle violence in prisons was not succeeding, we worked directly with colleagues in the department and with ministers to secure additional funding to increase staffing resources. An additional £10 million to tackle safety in prisons was secured in June 2016, and allocated to targeted prisons to support local plans to improve safety. It was clear to the board that this in year injection was necessary but not sufficient to address the underlying issues and we therefore worked on detailed proposals to revise the offender management (OM) in custody model in prisons to provide a much higher level of uniformed staff presence through the introduction of a 'key worker' role providing prison officer support for every individual prisoner in every closed prison. These proposals were accepted by ministers and led to the Agency receiving an additional £100 million per year funding following the Autumn Statement to increase staffing by 2,500 prison officers by December 2018.

We have taken a number of other actions in response to significant risks and issues (including responding to recruitment and retention issues for both prison and probation staff) which are set out in more detail later in this statement.

As set out above this has been an exceptionally difficult year – both operationally at prison and probation level, and corporately given the need to respond to a significant change agenda. Given the scale of the challenge the organisational response has been effective and resilient, public safety has been maintained and a huge amount has been achieved (as evidenced in the narrative section of this report). However, the day-to-day pressure to keep services running has impacted adversely on our wider internal control requirements and there has been a deterioration in audit outcomes across a number of operating systems. As a result the Head of Internal Audit has provided a 'limited' overall opinion on governance risk management and control arrangements for 2016-17. This reflects a system at stretch, operating under significant pressure across all areas of the business. The Head of Internal Audit has confirmed that underlying control systems remain sound, but there has been a deterioration in overall system compliance which is a serious concern. Notwithstanding the mitigating factors referred to above, this is something which must be addressed as a priority.

The creation of the new HMPPS Agency with a narrower focus on operational delivery provides a positive opportunity to address the identified weaknesses in compliance. Action is already being taken in key areas such as suicide and self-harm prevention with additional resources being devoted to practice /quality assessment and audit. Additional staff resources in both prisons and probation will also become available during 2017-18 and are a crucial prerequisite to significantly improved performance over the coming year.

The remainder of this statement sets out in more detail the arrangements I put in place to govern NOMS during 2016-17 and the arrangements now in place to govern the HMPPS Agency from 1 April 2017.

## Governance Framework

Overall responsibility for the NOMS Agency rested with me as Chief Executive Officer. I chaired the Agency board. Membership included the executive directors and Agency non-executive directors.

I am also a member of the 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 probation and with the Secretary of State for Justice.

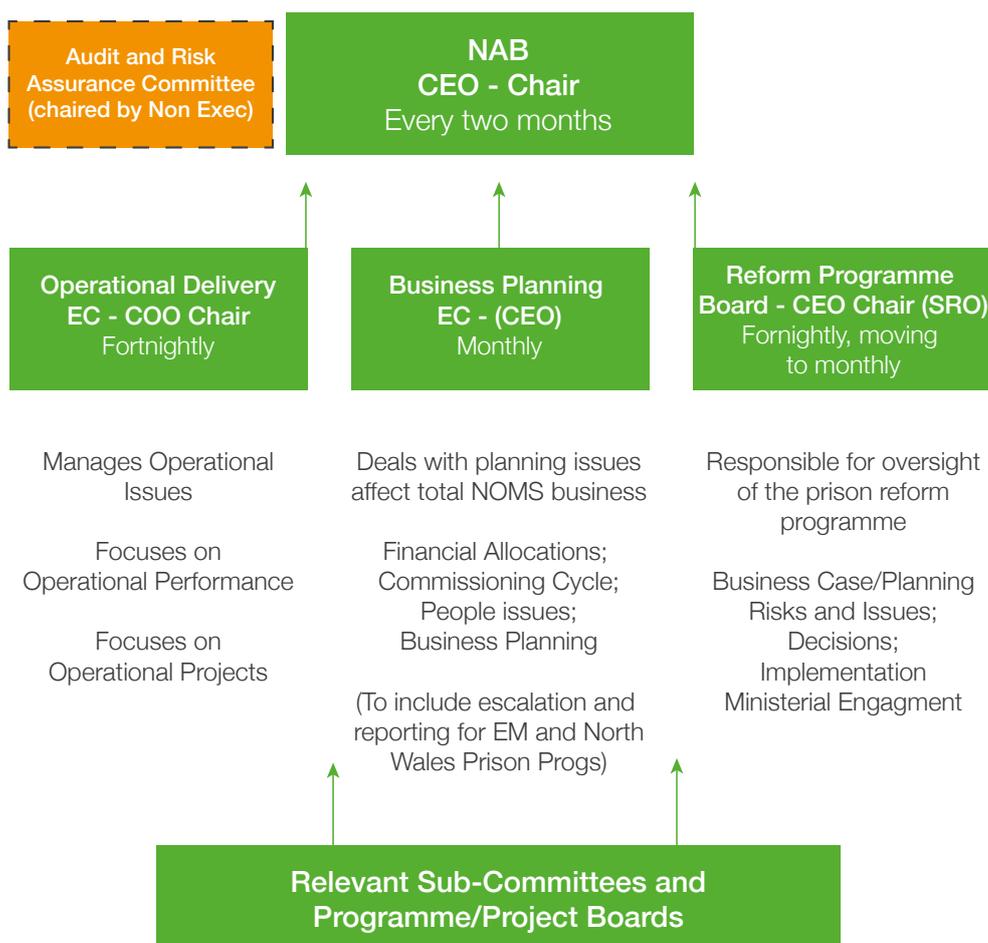
The NOMS Agency Board (NAB) was responsible for the Agency's strategic direction; performance management including finance, and risk assessment and management, within the context of overall MoJ strategy. The Board gave direction to, and drove achievement of, the objectives of the Agency's operations and major change programmes; ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and compliance with legislative and corporate governance requirements. The board ensured NOMS vision and values were upheld.

As well as regular oversight of the change portfolio, performance, risk and finance, among the matters considered by NAB in 2016-17 were: NOMS 'blueprint'/5 year strategic plan, Spending Review 15 portfolio commissioning, the MoJ/NOMS future operating model and the HMPPS framework agreement.

In order to manage both operational delivery and take forward the ambitious prison reform agenda, I appointed a Chief Operating Officer (COO) working directly to me to take responsibility for day-to-day business in prisons, probation and contract management.

For the majority of the year, two distinct executive committees – the Operational Delivery Executive Committee (ODEC) and the Business Planning Executive Committee (BPEC) – supported the NAB in managing the day-to-day business of NOMS. Core membership and frequency of meetings for each of the committees reflected their key functions. In addition a programme board had specific oversight of the NOMS Prison Reform programme (see diagram).

## NOMS Governance Structure



### Operational Delivery Executive Committee

This committee met fortnightly and was chaired by the Chief Operating Officer. It was 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

I chaired this committee which met monthly. It was 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 by NAB.

### Prison Reform Programme Board

I chaired this board, as SRO for the programme. It met fortnightly and was responsible for oversight of the Prison Reform programme. SRO responsibility for the Prison Reform programme transferred to the Director General Prison Policy in the Ministry of Justice in October 2016. Subsequently, the Prison Reform programme was restructured with a new Prison Safety Reform Portfolio Board chaired by the SRO which I attend as the Senior Business Owner for the programme. An Operational Readiness and Assurance Board (ORAB), which I chair, was also established to review and assure policy proposals and products from the reform programme and to ensure they are operationally deliverable. There are 11 project boards reporting to the Prison Safety and Reform Portfolio Board responsible for taking forward key elements of the white paper proposals. Each board is chaired by a director with senior policy and operational representatives.

### **Audit & Risk Assurance Committee**

This committee is an advisory body, which is chaired by a non-executive director and has a non-executive membership. The committee provides independent advice on risk, control and governance issues; and on the internal audit work programme. It provides accounts approval and oversight, and considers key recommendations from internal audit reports and the National Audit Office. Following the departure of two long-standing members, a non-executive director with a good knowledge of the Agency was re-appointed to the committee in October and action is underway to appoint another member. During the year, the committee also focused attention on: specific operational risks surrounding self-inflicted deaths and violence in prisons, employee relations, the Agency Change Portfolio and its technology plans. This Committee remains in place with the same remit under the new HMPPS governance structures.

Full details of Agency Board and Executive Committee membership including attendance records can be found in the Board Attendance tables on pages 70 to 73.

During the last six months there has been considerable organisational change presenting a number of challenges for our governance systems. During this period, it would not have been appropriate to undertake an effectiveness review. Instead we have continued to apply the learning from previous effectiveness reviews to the running of the Agency Board and Executive Committees.

The Agency Board was satisfied that it had sound governance in place, and that NOMS was compliant with the relevant sections of the guidance. As an agency the NOMS Board was chaired by the CEO/Agency Accounting Officer in accordance with the Agency Framework Agreement. NOMS did not have a specific remuneration committee as the scope for making decisions on senior pay was limited. Decisions on senior pay, remuneration and bonuses were ratified by the MoJ Remuneration Committee

The Agency Board was content that the data it was provided with was adequate, timely and comprehensive and there were robust arrangements for reviewing and checking data. Internal Audit undertook reviews of local performance data collection processes during the year and gave an opinion that overall controls over these processes were 'moderate'.

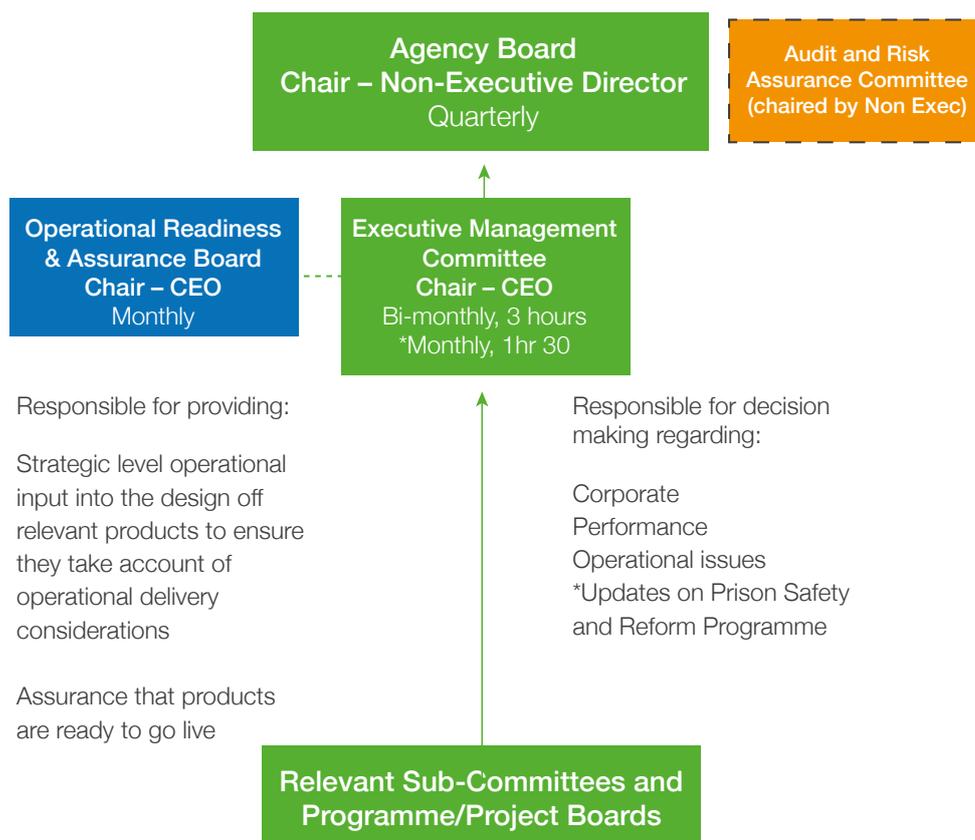
### **Transitional Governance Arrangements: January to March 2017**

Following the restructuring of the Prison Safety and Reform programme and the ministerial decision to create a new operational delivery agency, I implemented transitional governance arrangements. ODEC and BPEC were suspended with responsibilities merged into a single executive committee to manage agency business pending confirmation of the new agency framework document and revised structures.

### **HMPPS Governance from April 2017**

The HMPPS Agency was launched on 1 April 2017. A new independently chaired agency board will be established to support me in developing effective structures and providing strategic direction. A single executive management committee has been formally put in place to replace ODEC and BPEC which will manage the day-to-day operational business of the Agency. The new Agency has direct responsibility for the delivery of all secure youth custody services and a Director of Youth Custody will be appointed to manage this discrete part of the Agency's work. The revised governance arrangements for the new HMPPS Agency are summarised below.

## HMPPS Governance Structure



### Agency Board

The Agency Board will provide support and advice to me as the Chief Executive Officer regarding strategic direction of the Agency. The Board's responsibilities include:

- agreeing the vision and strategy of the Agency and aligning the values of the Agency with those of the Civil Service code: integrity, honesty, objectivity and impartiality
- agreeing appropriate governance and internal controls, including processes to ensure sound financial management and good value for money
- agreeing processes to manage financial and performance risks
- supporting the executive team to deliver operations

### Executive Management Committee

I chair this committee which meets three times a month. It is responsible for the day-to-day management of the Agency including all corporate and operational issues, as well as prison and probation performance and risk management.

### Prison Safety and Reform Operational Readiness and Assurance Board

I chair this Board which meets once a month. Although it is part of the Prison Safety and Reform Portfolio governance structure, its purpose is to ensure that operationally-focused members of the HMPPS executive management team have input into the design of relevant products to ensure they take into account operational delivery considerations and provide assurance that new services/systems are ready to go live.

## Oversight and Assurance Arrangements

The Agency Board exercised 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 included monitoring performance using performance dashboards which were developed with the Agency Board to meet its needs. The Agency Board was asked to make decisions when performance was off track, in particular if there were potential implications for operational 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 made decisions, based on agreed thresholds, on any issues that arose. It also discussed issues that exceeded the agreed thresholds (eg: overspend, significant risks to delivery etc.)
- detailed scrutiny of the year-end 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 the Agency Board was provided with the appropriate level of assurance

The Agency Board also considered information from a range of external sources which included:

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

One of the key sources of independent assurance within NOMS came from the integrated audit and assurance activities of Internal Audit and Assurance, which met the public sector internal audit standards. The Internal Audit and Assurance programme was closely linked to the key risks to NOMS and I regularly discussed emerging issues with the Head of Internal Audit. The Head of Internal Audit has provided a "limited" view of assurance in her annual report for 2016-17. Whilst there were some areas where effective internal controls and risk management practices were being very effectively applied, the results of the corporate risk based audits identified a number of significant weaknesses in control across different systems of the Agency, in both operational and non-operational areas. More than half of the systems reports issued have been rated as limited or less. Compliance in prison establishments has also been less robust than in previous years, including on some key areas such as suicide and self-harm where 79% of prisons were rated as moderate or better compared to 91% in 2015-16.

The Head of Internal Audit has recorded that: "These results reflect the challenges that the Agency has faced over the past year. Many of these have been well publicised in the national media, including shortages in staffing levels, increased levels of violence and drug abuse within our prisons. These challenges have come at a time of ministerial and policy change during 2016 together with significant changes in the composition of the Agency Board and transition of some

former NOMS functions to MoJ. Internal Audit consider that these factors have impacted upon the capacity of NOMS to operate within a “Business as Usual” environment.”

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 (these assurance statements are subject to review by Internal Audit)
- a ‘second line’ assurance function, reviewing operational delivery
- 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 Assurance Committee
- attendance at Audit & Risk Assurance Committee meetings

## Risk Management and Significant Issues

NOMS – and now HMPPS – 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 the board. The Agency Board reviews the key risks to the business at each meeting. The risk register was subject to a full review and a refreshed register was in place by the end of December 2016. This ensured the risks reflected changes to the structure of the business and took into account a review of the Agency’s risk management processes. Key risks relating to our strategic priorities include prison safety, employee relations, public protection, the recruitment and retention of staff and the CRCs’ ability to meet service expectations.

### Self-inflicted Deaths and Violence

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 2016-17 despite efforts to improve the situation. Following publication of the Prison Safety and Reform White Paper in November 2016, the Prison Safety and Reform programme was established to drive a programme of long term change and improvement.

Reducing the number of self-inflicted deaths in prisons is a government priority. The latest statistics show that the number of self-inflicted deaths in prison in England and Wales up to March 2017 was 113, a deeply concerning rise of 11% on the previous year and the second highest number on record. This included 10 self-inflicted deaths of women, compared to eight in the previous year. The rate of self-inflicted deaths was 1.3 per 1,000 prisoners, compared to 1.2 per 1,000 in the previous year.

Staffing pressures and restricted regimes in a number of prisons have reduced the time and opportunity for staff to engage with prisoners and there has been reduced prisoner access to ‘protective factors’ such as time out of cell, access to family and purposeful activity. In April 2016, we established a Suicide and Self-harm (SASH) reduction project which is implementing

the recommendations from a review of the Assessment, Care in Custody and Teamwork (ACCT) process to ensure improved compliance in its delivery. An additional £10 million was allocated to targeted prisons, to improve safety in June 2016 and the development of the 'key worker' OM in custody model builds on the recommendations made by Lord Harris in his report on suicide amongst young adult prisoners. We continue to work in partnership with key stakeholders including NHS England, Public Health England, local authorities and third sector organisations such as the Samaritans and we are strengthening our quality audit/procedures to drive improved compliance with ACCT processes and good practice. Additional funding of £100 million per year to provide 2,500 new prison officers by December 2018 will have a significant impact on the level of support we can provide to prisoners.

In the 12 months to December 2016 (the period covered by the last published data), serious assaults were up 25% on the same period of 2015, serious assaults on staff up 26% and total assaults up by 27%. Prisons across all functions and sectors experienced an increase in acts of violence in 2016-17 as operational challenges including the increased use of psychoactive substances, drones and mobile phones placed prisons under additional pressure.

The Violence Reduction (VR) project highlighted several important themes from its eight research studies to better understand violence in prisons. To address these challenges, we are rolling out Body Worn Video Cameras alongside Five Minute Intervention (FMI) training, which offers staff improved techniques for productive and supportive interactions with prisoners. FMI has been incorporated into Prison Officer Entry Level Training (POELT) since 2016 and will be part of the training package to support the roll out of the OM model during 2017. As outlined above, the additional funding to provide more prison officers is key to addressing the current concerns about violence. Through the implementation of the key worker model overall benchmark staffing ratios will be significantly improved across all closed prisons providing more time to support prisoners as well as a higher staff supervisory presence.

### **Safety and Stability**

The illicit use of drugs and mobile phones in prisons, often conveyed into prison by drones, is heavily linked to violence, indiscipline and safety concerns. We are investing in proven technological and practical solutions to complement prisons' response to these growing threats. We have trained more than 300 drugs dogs to specifically detect psychoactive substances, introduced innovative new tests and are evaluating the use of body scanners. This response continues to be supported by policy and legislative change, including the Psychoactive Substances Act 2016 which introduced a specific offence of possession of a psychoactive substance in a prison. The government also legislated to allow testing of psychoactive substances that are not controlled drugs. All prisons received additional detection technology to support staff in finding mobile phones. We have used Telecommunications Restrictions Orders to compel mobile network operators to permanently disconnect targeted illicit mobile phones from the UK network, and we continued our investment in signal denial technology. We are also investing in technological solutions to stop drones being used near prisons, including creating no-fly zones. These changes are supported by the Agency Intelligence Unit, which provides crucial information to direct policy and tactical decisions, and enables close working with our law enforcement partners.

Over the past five years we have seen an increase in the number of occasions that the Gold command suite has opened to assist with the management of serious incidents. The command suite was opened on 66 occasions during 2016. This led to an increase in the number of times our national resources have been deployed to incidents. In the last year this has included responding to serious prison disturbances at HMPs Birmingham, Lewes, Bedford, Moorland and Swaleside. In response, we have conducted a full review of the effectiveness of our incident command arrangements to improve our incident management capability and organisational resilience.

### **Extremism and Radicalisation**

We are taking forward work to implement key recommendations from the Acheson Review on the management of extremism and radicalisation across prisons and probation. We have established a joint Home Office/HMPPS Unit to act as the strategic centre for all Counter Terrorism (CT) and Counter Extremism (CE) work in the Agency which has oversight across the end-to-end offender management process. The unit will enable the Agency to further develop its understanding of the extent, nature and shape of radicalisation and extremism across the prison and probation estate, and how it connects with wider national security concerns, and other prison and community management challenges, for example around gangs. A comprehensive agency extremism strategy is being created in collaboration with regional CE/CT partners and the memorandum of understanding in place with partner agencies to ensure the proper sharing of prisons intelligence is being reviewed. Increased staff awareness is being promoted through the rollout of improved extremism and radicalisation-related training.

### **Prison Capacity**

In 2016-17 the demand for custodial places initially followed the population projection. The situation changed in September when the population increased sharply and in October was around 900 places higher than projected. The impact of this was contained but the position was made worse by the serious disturbances which led to the temporary loss of around 1,000 places. The population continued to exceed projections during early 2017 necessitating the continued use of contingency places. We know that the current estate is crowded, some of it is out-of-date and that some prisoners are held in prisons that do not best meet their needs. Radical reform under the Prison Estate Transformation Programme (PETP) will tackle this creating an estate that is less crowded, better organised, more effective and comprises modern, fit-for-purpose accommodation.

PETP will:

- simplify the organisation of the estate, placing prisoners at the right level of security in prisons with appropriately tailored regimes
- invest £1.3 billion to build up to 10,000 new adult prison places
- build and open five new community prisons for women
- close prisons that are in poor condition and those that do not have a long-term future in the estate

HMP Berwyn, a new rehabilitative male prison in north Wales, opened in February 2017 providing 2,106 modern and efficient prison places when fully operational. We have also started the process of finding suitable sites for new prisons. On 3 November 2016, the government announced its intention to redevelop HMP & YOI Glen Parva (for which an outline planning application has been approved) and the former HMP Wellingborough (for which outline planning permission has been approved). On 22 March, the government announced plans – subject to planning approvals, value for money and affordability – to build four new prisons: one on land adjacent to HMP Full Sutton

(with a pre-planning consultation event held on 11 and 12 April), one at Port Talbot in south Wales, and two by redeveloping HM Prison and Young Offender Institutions Rochester and Hindley. The new prison developments will be suitable for category C male prisoners and will provide the physical conditions for governors to achieve better educational, training and rehabilitation outcomes.

## **Employee Relations**

We are committed to working collaboratively with all our trades unions but regrettably there were two incidents of national action coordinated by the Prison Officers Association (POA) in 2016. The first incident in July was over concerns about levels of consultation on prison reform, the second, in November in response to health and safety concerns. The first incident concluded within an hour, the second was ended following the issue of a court injunction. The POA sought to induce further industrial action on 1 March 2017 by instructing members to withdraw from all voluntary roles, however this was prevented by a pre-emptive injunction. In response to these incidents, we have reiterated our desire to work positively with the POA on all matters of joint concern but we also continue to review our contingency arrangements with all relevant stakeholders across government to ensure that we can respond effectively to incidents of industrial action.

We commenced formal negotiations with the POA in 2016 on the pensionable retirement age for prison officers, pay and the introduction of local collective bargaining linked to prison reform. However, in December 2016, the POA membership rejected proposals on pay and pensions linked to prison reform. We remain in constructive dialogue with the POA on professionalising the prison workforce, introducing a new range of options for staff to work additional hours in order to improve operational resilience and the new offender management model for public sector prisons.

Following the conclusion of negotiations on health and safety at the end of 2016, NOMS has an agreed basis with the POA on how to address their concerns about management of health and safety in prisons. Levels of prison violence and prisoner self-harm remain a significant concern for the unions and we are working closely with them on our violence reduction strategy.

Negotiations with the Prison Governors Association on pay and pensions were also undertaken in 2016 but regrettably also concluded without agreement from the membership in January 2017. These negotiations meant a delay to the formal Prison Service Pay Review Body process which impacted on all NOMS, trades unions and staff. We remain committed to working with the PGA and with all HMPPS trades unions to take forward the prison reform agenda.

## **Recruitment and Retention**

We have continued to face difficulties in recruiting and retaining prison officers, particularly in London and the south-east where labour market competition is highest. There was a significant rise in the number of officers leaving the service so that recruitment efforts during 2016 did little more than replace turnover. Ministers have announced that the overall staffing level for prison officers should rise by 2,500 and plans have been laid to recruit an additional 8,000 new officers in total by the end of 2018 to fill all existing vacancies, account for projected turnover and raise staffing levels as required. A dedicated multi-disciplinary team has been established within the Prison Safety and Reform programme to manage prison officer recruitment and retention. Improved starting pay and allowances have been applied to attract larger numbers of applicants in those prisons where there is the most difficulty in recruitment, where responsibility for key aspects of the recruitment process has been localised and taken over directly by prison governors. For all prisons other measures have been applied to speed up the process of recruitment and prison officer mentors have been recruited to support new officers through their induction and first year of service to improve levels of retention.

Staffing shortfalls in prisons were particularly acute during the third and fourth quarter of 2016-17, significantly increasing the risk of instability across the prison estate. In response to these pressures the rate of Payment Plus (overtime) and Tornado (Incident Response) for prison officers was temporarily increased in September 2016 until 31 March 2017 by £5 per hour.

This temporary adjustment was exceptionally made in year to provide safe and consistent regimes but the change inadvertently breached government pay policy due to a misinterpretation of HM Treasury guidelines and insufficient co-ordination between HR and Finance within the department to ensure compliance with HM Treasury pay policy. In February 2017 adjustments were also made to recruitment and retention allowances (market supplements) available to new prison officers in 31 sites with significant recruitment/retention difficulties. Whilst this extension was a necessary and appropriate response to the problems being faced by establishments the additional payments were also applied to existing officers recruited on Fair and Sustainable terms to avoid detriment. The application of the additional allowances to existing staff was a further inadvertent breach of Government Pay Policy which occurred again, due to the misunderstanding of Treasury guidelines. An initiative to develop a new advanced prison officer role providing promotion opportunities for 2,000 prison officers was also announced in February 2017 before it had been approved by HM Treasury.

When the breaches became clear action was taken to review the internal control arrangements and an Internal Audit review was commissioned by the Permanent Secretary. Following the Internal Audit review, the department submitted a business case seeking retrospective approval to HM Treasury in respect of the 2016-17 breaches of pay policy. Having considered the business case HM Treasury declined retrospective approval.

The Internal Audit review concluded that there were failings in governance but that these had been acknowledged by the Agency and by the department. Concerted efforts have been taken to identify the circumstances leading to the breaches including a lessons learned exercise led by MoJ Finance Director endorsed by the Chief Finance Officer and a detailed review of the Pay Remit and approvals process for the MoJ. The review made a number of recommendations to improve governance which are being implemented. The adjustments made to Payments Plus and Tornado have been extended to September 2017 and these arrangements along with the adjustments to market supplements were included in the government's evidence to the Prison Service Pay Review Body which will make pay recommendations for operational prison staff for 2017-18.

The National Probation Service caseload has increased by 5% year on year. This, together with changes to the operating model, has created significant resource gaps in parts of the country. These gaps result in staff holding higher than average caseloads and an over-reliance on agency staff. Plans to increase staff numbers for probation service officers and probation officers by 900 over the course of the year are proving challenging. A national recruitment campaign for probation officers is set to deliver over 200 new trainees by July 2017 for a 15 month training period. In addition the Agency plans to recruit 800 probation service officers in 2017-18, with the initial recruitment of 300 already underway. To address challenges in recruiting qualified staff (probation officers and senior probation officers) to specific areas, most noticeably in the south-east and Thames Valley, we have also introduced market supplements in our hard to recruit to areas, primarily in the south-east. Notwithstanding the pressures, core operational performance has been sound throughout the past year.

### **Probation System Review**

A dedicated multi-disciplinary team was established in 2016 to lead the probation system review. The review was set up in response to the NAO's report on Transforming Rehabilitation. This

acknowledged that probation had been successfully restructured, but recommended that there were operational issues that needed to be addressed, such as weakness in ICT systems, as well as the need to have a deeper understanding of risks associated with reduced business volumes for CRCs. Because of the reduced volumes flowing into the CRCs there is a risk that CRCs will be under-resourced to deliver the service innovation expected under the contract. The review is undertaking detailed analysis to understand the financial position of CRCs as a result of changes in volumes, particularly looking at how the contractual payment mechanism is operating and considering where services can be improved. The review team have worked closely with suppliers to understand how their costs and income are impacted by changes in the volume and mix of cases. We have varied contracts to reduce the proportion of cost that is considered variable. We will release further updates on the Review in due course.

### **Contract Management**

There is a financial risk within the custodial facilities management contracts that may impact on service provision and declared efficiency savings. A contracting exercise exposed that historically the costs of maintenance and services were not clearly understood by the business and consequently planning assumptions have not held true. The contract is therefore underfunded and the declared efficiency savings reduced. Financial risk within the contract can be attributed to four main areas: asset verification, asset condition, service verification and variable costs. Actions have been taken within each area that are ongoing but to date have ensured clarity on financial risk and have allowed negotiated settlements to be reached that reflect true contractual costs. Appropriate governance has been put in place that now ensures that variable costs are accurately reported and justified and that claims are assured by the Contract Management team. Governors are now focused on the management and reduction of vandalism and damage within their establishments supporting this cost reduction. All actions and improved contract management assurance has ensured that historic and future additional costs are accurate and appropriate.

### **Shared Services**

At the end of January 2017, the Agency successfully migrated its HR, finance, payroll and procurement services to a new IT system called the Single Operating Platform (SOP). This is part of Cabinet Office's Next Generation Shared Services strategy which sets out a new model to share HR, procurement, finance and payroll functions and join up ways of working across government.

As with any system migration there are a number of defects in reporting and controls which are being urgently resolved with the shared service provider. While none of these issues are deemed to be significant there are multiple issues which when combined have affected the Agency's ability to report accurately on a timely basis across HR and Finance activities. Additional assurance procedures and control assessment work have been implemented as part of the production of the financial statements. This will form the focus for controls and systems optimisation in the coming financial year.

### **Information Assurance**

NOMS – and now HMPPS – is committed to ensuring effective information management and is alert to the risks around information assets. The NOMS Information Management & Security Team did not have to self-report any incidents to the Information Commissioners Office during the year.

During 2016-17 the Agency took the following steps to improve arrangements:

- continued supporting information governance in headquarters and NPS
- provided expertise in substantial projects and all IT requests including self-assessment

- circulated information assurance questionnaires, approved broadband lines and internet access requests
- continued to strengthen our information sharing controls with appropriate agreements

During the coming year HMPPS will continue to improve by:

- publishing an updated archiving retention and disposal policy to ensure compliance with the Data Protection Act across prisons, NPS and HMPPS headquarters
- continuing further work to ensure compliance with forthcoming new data protection regulations, including the creation of a cross directorate agency working group
- continuing to operate a proactive incident management service

### Whistleblowing Arrangements

NOMS – and now HMPPS – 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 did not have any cases referred to nominated officials during the reporting period that met the criteria. In prisons concerns can also be raised with local corruption prevention managers.

The People Survey results provide a measure of the effectiveness of the reporting wrongdoing policy. Employees are asked to respond to questions including awareness of how to raise a concern and confidence in the investigation process. A comparison of data from the 2016 survey with the previous survey in 2015, indicates that overall there has been a positive increase in awareness and confidence in these areas, however, there has been a slight decrease in awareness amongst staff working in public sector prisons. HMPPS will continue to monitor responses on an annual basis.

### Board Attendance

The tables below show the membership of the NAB, Executive Committees and Audit and Risk Assurance Committee and attendance records of members at meetings during the period 1 April 2016 to 31 March 2017.

Executive Committees and NOMS Agency Board						
Name	Role	NAB	ODEC	BPEC	PRPB	Exec Co
Michael Spurr	Chief Executive Officer	6 of 6	N/A	9 of 10	7 of 8	4 of 6
Phil Cople	Chief Operating Officer	6 of 6	13 of 14	8 of 10	5 of 8	6 of 6
Ian Porée	Director of Commissioning (until 24 June 2016)	3 of 3	5 of 5	3 of 4	4 of 4	N/A
David Hood	Director of Contracted Services (from 1 April 2016)	6 of 6	10 of 14	7 of 10	N/A	5 of 6

Executive Committees and NOMS Agency Board						
Name	Role	NAB	ODEC	BPEC	PRPB	Exec Co
<b>Ian Mulholland</b>	Director of Public Sector Prisons (until 30 September 2016)	2 of 5	6 of 11	3 of 6	N/A	N/A
<b>Alan Scott</b>	Director of Public Sector Prisons (Acting) (from 19 September 2016)	2 of 2	3 of 4	2 of 4	N/A	4 of 6
<b>Carol Carpenter</b>	Director of HR (until 29 April 2016)	1 of 1	2 of 2	0 of 1	0 of 1	N/A
<b>Martin Beecroft</b>	Director of HR (from 4 April 2016)	4 of 6	10 of 14	8 of 10	6 of 8	5 of 6
<b>Digby Griffith</b>	Director of National Operational Services (until 15 July 2016)	2 of 3	12 of 14	9 of 10	N/A	N/A
	Director of Commissioning (from 27 June 2016)	3 of 3	N/A		2 of 5	5 of 6
<b>Andrew Emmett</b>	Director of Finance and Analysis	5 of 6	11 of 14	8 of 10	7 of 8	6 of 6
<b>Sarah Payne</b>	Director of NOMS Wales (until 31 July 2016)	2 of 4	6 of 7	2 of 4	0 of 4	N/A
<b>Simon Boddis</b>	Prison Reform Programme Director (until 15 August 2016)	N/A	N/A	1 of 5	5 of 5	N/A
	Director of NOMS Wales (acting) (from 15 August 2016)	1 of 2	6 of 6	2 of 5	N/A	5 of 6
<b>Colin Allars</b>	Director of Probation (until 5 July 2016)	4 of 4	5 of 6	2 of 3	N/A	N/A
<b>Sonia Crozier</b>	Director of Probation (from 19 September 2016)	2 of 2	4 of 5	1 of 4	N/A	3 of 6
<b>Mark Read</b>	Director of Prison Estates Transformation	5 of 6	N/A	8 of 10	6 of 8	6 of 6
<b>Adrian Scott</b>	Director of Electronic Monitoring (from 1 April 2016)	3 of 6	10 of 14	5 of 10	N/A	N/A
<b>Claudia Sturt</b>	Director of Security, Order and Counter Terrorism (from 4 April 2016)	3 of 6	11 of 14	6 of 10	N/A	5 of 6
<b>Bryan Clark</b>	Director of Digital and Change	5 of 6	10 of 14	8 of 10	7 of 8	6 of 6
<b>Becky Wyse</b>	Deputy Director, Reform Prisons (until November 2016)	N/A	N/A	N/A	5 of 8	N/A
<b>Darren Tierney</b>	SRO Probation System Review (from 16 November 2016 until 25 January 2017)	N/A	1 of 2	2 of 2	N/A	N/A
<b>David Hadfield</b>	Non-executive Director (until 30 June 2016)	3 of 4	N/A	N/A	N/A	N/A
<b>Elizabeth McLoughlin</b>	Non-executive Director (until 30 June 2016)	3 of 4	N/A	N/A	N/A	N/A
<b>Paul Wilson</b>	Non-executive Director (from 19 October 2016)	1 of 1	N/A	N/A	N/A	N/A
<b>Alan Hammill</b>	Non-executive Director (from 1 July 2015)	6 of 6	N/A	N/A	N/A	N/A
<b>Paul Ibrahim</b>	Deputy Director, Performance and Analysis Group	*4 of 6	*10 of 14	N/A	N/A	2 of 6
<b>Nick Fussell</b>	MoJ Legal	N/A?	*8 of 14	N/A	*6 of 8	*4 of 6

Executive Committees and NOMS Agency Board						
Name	Role	NAB	ODEC	BPEC	PRPB	Exec Co
<b>Lisa Appleyard</b>	Head of Communications	N/A	*3 of 14	*4 of 10	N/A	*2 of 6
<b>Tim Watkinson</b>	Head of Internal Audit (until 30 June 2016)	*2 of 4	N/A	N/A	2 of 3	N/A
<b>Ian Howse</b>	Head of Internal Audit – Interim (from 20 June until 27 November 2016)	*0 of 2	N/A	N/A	N/A	N/A
<b>Sarah McKnight</b>	Board Secretariat/Executive Support	*3 of 6	*1 of 14	*5 of 10	*7 of 8	*3 of 6
<b>Emma O’Toole</b>	Board Secretariat/Executive Support	*2 of 6	N/A	N/A	*2 of 8	N/A
<b>Andrea Pass</b>	Board Secretariat/Executive Support (from 1 April until 30 September 2016)	*2 of 5	*2 of 11	*5 of 6	*1 of 6	N/A
<b>Michael Smith</b>	Board Secretariat/Executive Support	N/A	*11 of 14	*3 of 10	N/A	*2 of 6
<b>Mukti Mulligan</b>	Board Secretariat/Executive Support (from 1 October 2016 until 31 March 2017)	N/A	N/A	*2 of 4	N/A	*2 of 6
<b>Raz Khan</b>	Board Secretariat/Executive Support (from 18 April 2016)	N/A	*2 of 14	*2 of 14	*2 of 8	N/A
<b>Joanne Reilly</b>	Board Secretariat/Executive Support (from 1 March 2017)	1 of 1	N/A	N/A	N/A	*1 of 3

\*where attendees are classified as ‘in attendance’ members of the board, this is indicated with an \* symbol against the numbers of attendances

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

Audit and Risk Assurance Committee		
Name	Role	NAB
<b>Alan Hammill</b>	Chair/Non-Executive Director	5 of 5
<b>Elizabeth McLoughlin</b>	Non-Executive Director (until July 2016)	2 of 2 (left)
<b>Paul Wilson</b>	Non-Executive Director (from October 2016)	3 of 3
<b>In attendance</b>		
<b>Michael Spurr</b>	CEO	5 of 5
<b>Phil Cople</b>	Chief Operating Officer	1 of 5
<b>Andrew Emmett</b>	Director of Finance and Analysis	5 of 5
<b>Ted Kirby</b>	Head of Financial Management & Control	5 of 5
<b>Tim Watkinson</b>	MoJ Group Chief Internal Auditor	2 of 2 (left)
<b>Ian Howse</b>	Interim MoJ Group Chief Internal Auditor (from June 2016 until Nov 2016)	1 of 1 (left)
<b>Linda Costello</b>	MoJ Group Chief Internal Auditor (from November 2016)	2 of 2
<b>Liam Orme</b>	Head of Audit Operations, NOMS	5 of 5
<b>Mike Suffield</b>	Director, National Audit Office	2 of 2 (left)

Audit and Risk Assurance Committee		
Name	Role	NAB
Steven Corbishley	Director, National Audit Office	2 of 2
Oliver Lodge	Director, National Audit Office	4 of 5
Ali Morgan	Audit Manager, National Audit Office	2 of 2
James Edmands	Audit Manager, National Audit Office	2 of 2
Abigail Beames	Secretariat	5 of 5

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed 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
- prepare the accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable

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

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that NOMS' auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

## 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://www.civilservicecommission.org.uk/>

### A) Remuneration

The tables in this remuneration report have been subject to audit and are referred to in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The following sections provide details of the remuneration and pension interests of the most senior management (ie 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.

### **Taxable Benefits**

Taxable benefits include all benefits in kind and taxable cash benefits. The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HM Revenue & Customs as a taxable emolument. Benefits recognised relate to travel and subsistence. Benefits in kind are an estimate, as the final value is to be agreed between the Secretary of State for Justice and HM Revenue & Customs.

### **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 2016-17 are for bonuses awarded in 2015-16. Bonus payments made in 2015-16 are for bonuses awarded in 2014-15.

### **Pension Benefits**

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.

## Single total figure of remuneration

Officials	2016-17					2015-16				
	Total amount of salary and fees (£000)	All taxable benefits (to nearest £100) (£000)	Bonus payments (£000)	Pension related benefits (to nearest £1000) (£000)	Total (£000)	Total amount of salary and fees (£000)	All taxable benefits (to nearest £100) (£000)	Bonus payments (£000)	Pension related benefits (to nearest £1000) (£000)	Total (£000)
<b>Michael Spurr</b> Chief Executive Officer	145-150	-	15-20	25	185-190	145-150	-	-	37	180-185
<b>Phil Cople</b> Chief Operating Officer and Interim Director of Probation (from 6 July 2016 until 18 September 2016)	135-140	6.5	10-15	183	335-340	115-120	27.0	10-15	131	285-290
<b>Colin Allars</b> Director of Probation (until 5 July 2016)	25-30 (100-105 annualised)	-	10-15	5	40-45	100-105	-	10-15	28	140-145
<b>Sonia Crozier</b> Director of Probation (from 19 September 2016)	60-65 (115-120 annualised)	-	-	24	85-90	n/a	n/a	n/a	n/a	n/a
<b>Carol Carpenter</b> Director of Human Resources (until 29 April 2016)	5-10 (85-90 annualised)	0.1	-	3	10-15	85-90	-	10-15	38	135-140
<b>Martin Beecroft</b> Director of Human Resources (from 4 April 2016)	110-115	0.1	-	43	155-160	n/a	n/a	n/a	n/a	n/a
<b>Bryan Clark</b> Director of Digital and Change	160-165	0.1	-	63	225-230	160-165	-	-	55	215-220
<b>Andrew Emmett</b> Director of Finance and Analysis	130-135	-	-	52	180-185	130-135	-	-	51	180-185
<b>Digby Griffith</b> Director of National Operational Services (until 15 July 2016) Director of Commissioning (from 27 June 2016)	100-105	-	-	23	125-130	100-105	-	-	48	150-155
<b>Ian Mulholland<sup>1</sup></b> Director of Public Sector Prisons (until 30 September 2016)	65-70 (115-120 annualised)	8.8	-	97	170-175	75-80 (100-105 annualised)	26.8	-	74	175-180

Officials	2016-17					2015-16				
	Total amount of salary and fees £000	All taxable benefits (to nearest £100) £000	Bonus payments £000	Pension related benefits (to nearest £1000) £000	Total £000	Total amount of salary and fees £000	All taxable benefits (to nearest £100) £000	Bonus payments £000	Pension related benefits (to nearest £1000) £000	Total £000
<b>Alan Scott</b> Acting Director of Public Sector Prisons (from 19 September 2016)	50-55 (100-105 annualised)	0.1	-	57	110-115	n/a	n/a	n/a	n/a	n/a
<b>Sarah Payne</b> <sup>1</sup> Director of NOMS in Wales (until 31 July 2016)	40-45 (110-115 annualised)	4.8	-	15	60-65	110-115	25.1	-	44	180-185
<b>Simon Boddis</b> Interim Director of NOMS in Wales (from 15 August 2016)	55-60 (90-95 annualised)	0.1	-	63	120-125	n/a	n/a	n/a	n/a	n/a
<b>Ian Porée</b> Director of Commissioning (until 24 June 2016)	30-35 (140-145 annualised)	0.1	10-15	16	60-65	140-145	0.2	10-15	64	215-220
<b>Mark Read</b> Director of Prisons Estates Transformation	95-100	0.1	-	35	135-140	35-40 (95-100 annualised)	-	-	29	60-65
<b>Claudia Sturt</b> Director of Security, Order and Counter Terrorism (from 5 April 2016)	105-110	0.2	5-10	144	260-265	n/a	n/a	n/a	n/a	n/a
<b>Adrian Scott</b> Director of Electronic Monitoring (from 1 April 2016)	95-100	-	-	89	185-190	n/a	n/a	n/a	n/a	n/a
<b>David Hood</b> <sup>2</sup> Director of Contracted Service (from 1 April 2016)	95-100 (100-105 annualised)	-	-	-	95-100	n/a	n/a	n/a	n/a	n/a

1. Payments for annual leave not taken were made to Ian Mulholland (£8,000) and Sarah Payne (£3,500). These amounts are included in their total amount of salaries and fees in 2016-17

2. David Hood was a member of the Partnership Pension in 2016-17. Employer contributions totalled £14,000.

## Compensation for loss of office

No directors were compensated for loss of office in 2016-17 or 2015-16.

## 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.

	2016-17	2015-16
Band of highest paid director's total remuneration (£000)	160-165	160-165
Median total remuneration (£)	29,038	29,344
Ratio	5.6:1	5.5:1

In 2016-17, one employee received remuneration in excess of the highest paid director (2015-16: nil).

In 2016-17 remuneration ranged from £10,000-£15,000 to £235,000-£240,000.

In 2015-16 remuneration ranged from £10,000-£15,000 to £160,000-£165,000.

## Non-Executive Directors' Remuneration

	2016-17			2015-16		
	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
Alan Hammill Chair of the Audit and Risk Assurance Committee	10-15	0.5	-	10-15 (10-15 annualised)	0.2	-
David Hadfield (until 30 June 2016)	0-5 (10-15 annualised)	0.4	-	10-15	1.0	-
Elizabeth McLoughlin (until 30 June 2016)	0-5 (10-15 annualised)	0.4	-	10-15	2.5	-
Paul Wilson (from 19 October 2016)	5-10 (10-15 annualised)	0.2	-	n/a	n/a	n/a

## B) Pension benefits

### Cash Equivalent Transfer Value

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. 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 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/17	CETV at 31/3/16	Real increase in CETV
	£000	£000	£000	£000	£000
Michael Spurr Chief Executive Officer	60 - 65 plus a lump sum of 190 - 195	0 - 2.5 plus a lump sum of 2.5 - 5	1,340	1,258	21
Phil Copple Chief Operating Officer and Interim Director of Probation (from 6 July 2016 until 18 September 2016)	45 - 50 plus a lump sum of 125 - 130	7.5 -10 plus a lump sum of 15 -17.5	766	616	117
Colin Allars Director of Probation (until 5 July 2016)	40 - 45 plus a lump sum of 120 - 125	0 - 2.5 plus a lump sum of 0 - 2.5	855	824	4
Sonia Crozier Director of Probation (from 19 September 2016)	5 -10	0 -2.5	88	69	12
Carol Carpenter Director of Human Resources (until 29 April 2016)	20-25	0 -2.5	251	250	1
Martin Beecroft Director of Human Resources (from 4 April 2016)	30 - 35	2.5 - 5	456	409	27
Bryan Clark Director of Digital and Change	5 -10	2.5 - 5	112	54	43
Andrew Emmett Director of Finance and Analysis	10 -15	2.5 - 5	228	178	37
Digby Griffith Director of National Operational Services (until 15 July 2016) Director of Commissioning (from 27 June 2016)	60 - 65	0 -2.5	1,083	1,011	19
Ian Mulholland Director of Public Sector Prisons (until 30 September 2016)	35 - 40 plus a lump sum of 100 - 105	2.5 - 5 plus a lump sum of 7.5 -10	636	565	65
Alan Scott Acting Director of Public Sector Prisons (from 19 September 2016)	40 - 45 plus a lump sum of 120 - 125	2.5 - 5 plus a lump sum of 7.5 - 10	924	836	56

Officials	Accrued pension at pension age as at 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/17	CETV at 31/3/16	Real increase in CETV
Sarah Payne Director of NOMS in Wales (until 31 July 2016)	5 - 10	0 - 2.5	103	91	10
Simon Boddis Interim Director of NOMS in Wales (from 15 August 2016)	40 - 45	2.5 - 5	845	752	63
Ian Porée Director of Commissioning (until 24 June 2016)	20 - 25	0 - 2.5	327	307	6
Mark Read Director of Prisons Estates Transformation	35 - 40 plus a lump sum of 95 - 100	0 - 2.5 plus a lump sum of 0	616	573	15
Claudia Sturt Director of Security, Order and Counter Terrorism (from 5 April 2016)	35 - 40 plus a lump sum of 90 - 95	5 - 7.5 plus a lump sum of 12.5 - 15	598	474	98
David Hood Director of Contracted Service (from 1 April 2016)	n/a	n/a	n/a	n/a	n/a
Adrian Scott Director of Electronic Monitoring (from 1 April 2016)	30 - 35 plus a lump sum of 85 - 90	2.5 - 5 plus a lump sum of 5 - 7.5	495	424	48

There were no employer contributions to the Local Government Pension Scheme (LGPS) in relation to NOMS directors. David Hood received a partnership pension employer contributions totalling £14,000 in 2016-17.

## Civil Service Pensions

Pension benefits are provided to employees of NOMS excluding Local Government Pension Scheme (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](http://www.civilservicepensionscheme.org.uk)

## Local Government Pension Scheme

The 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 they 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 LPGA 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 2017, NOMS paid employers' pension contributions of £204.1 million to the PCSPS and £73.9 million 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

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

### Staff costs

				<b>Restated</b>
				<b>2015-16</b>
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	1,357,675	50,773	1,408,448	1,394,790
Social security costs	135,552	-	135,552	99,759
Pension costs	288,377	-	288,377	303,034
Departures and severance payments	11,641	-	11,641	11,317
Inward secondments	5,842	-	5,842	5,160
<b>Sub-total</b>	<b>1,799,087</b>	<b>50,773</b>	<b>1,849,860</b>	<b>1,814,060</b>
Less recoveries in respect of outward secondments	(5,936)	-	(5,936)	(8,045)
<b>Total net costs</b>	<b>1,793,151</b>	<b>50,773</b>	<b>1,843,924</b>	<b>1,806,015</b>

Prior year permanently employed staff costs have been restated by reclassifying pensions costs separately from departures and severance payments. Prior year other staff costs have been restated by reclassifying inwards secondments.

### Pension costs

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

### Consultancy costs

Expenditure on consultancy was £3.1 million in 2016-17 (2015-16: £0.2 million). The increase is attributable to support for the Prison Reform and Electronic Monitoring programmes.

## Senior Civil Service (SCS) salaries

The following table shows the number of SCS staff employed by the Agency by pay range as at 31 March. Salary ranges represent full-time equivalent rates, and bonuses are not included.

Salary band	31 March 2017		31 March 2016	
	Number	Percentage	Number	Percentage
£60,000-£69,999	2	3%	2	4%
£70,000-£79,999	10	16%	11	19%
£80,000-£89,999	14	23%	14	24%
£90,000-£99,999	19	32%	17	30%
£100,000-£109,999	7	11%	6	11%
£110,000-£119,999	4	7%	1	2%
£120,000-£129,999	-	0%	-	0%
£130,000-£139,999	2	3%	2	4%
£140,000-£149,999	2	3%	2	4%
£150,000-£159,999	-	0%	-	0%
£160,000-£169,999	1	2%	1	2%
<b>Total</b>	<b>61</b>	<b>100%</b>	<b>56</b>	<b>100%</b>

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 77 to 78.

## Staff numbers

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

	2016-17			2015-16		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	43,224	-	43,224	43,523	-	43,523
Staff engaged on capital projects	-	53	53	-	111	111
Other	-	1,203	1,203	-	1,445	1,445
<b>Total</b>	<b>43,224</b>	<b>1,256</b>	<b>44,480</b>	<b>43,523</b>	<b>1,556</b>	<b>45,079</b>

## 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	2016-17			2015-16		
	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band
<£10,000	-	35	35	-	41	41
£10,001 - £25,000	-	228	228	-	244	244
£25,001 - £50,000	-	146	146	-	116	116
£50,001 - £100,000	-	98	98	-	81	81
£100,001 - £150,000	-	-	-	-	2	2
£150,001 - £200,000	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	1	1
<b>Total number of exit packages</b>	-	<b>507</b>	<b>507</b>	-	<b>485</b>	<b>485</b>
<b>Total cost of exit packages (£000)</b>	-	<b>16,604</b>	<b>16,604</b>	-	<b>14,665</b>	<b>14,665</b>

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.

The voluntary early departure scheme included above relates to a number of NOMS staff leaving under a MoJ scheme. The costs for this scheme are being accounted for by MoJ in their accounts.

Included within 'other departures agreed' above in 2016-17 are 459 medical inefficiency dismissal exit packages at a value of £14.3 million, within payment bands <£10,000 to £100,000. In 2015-16 there were 472 medical inefficiency dismissal exit packages at a value of £14 million, within payment bands <£10,000 to £150,000.

### MoJ accounted for a Voluntary Early Departure Scheme

In 2015-16, MoJ accounted for a Voluntary Early Departure Scheme relating to the Agency and was liable to pay for the redundancy and other departure costs of this scheme on behalf of the Agency. The following table sets out the number of exit packages relating to this scheme that were disclosed within the "Civil Service and other compensation schemes - exit package" table on page 59 of the MoJ Annual Report and Accounts 2015-16. These employees left the Agency in 2016-17.

2015-16

Exit package cost and band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band
<£10,000	-	-	-
£10,001 - £25,000	-	1	1
£25,001 - £50,000	-	2	2
£50,001 - £100,000	-	5	5
<b>Total number of exit packages</b>	-	<b>8</b>	<b>8</b>
<b>Total cost of exit packages (£'000)</b>	-	<b>529</b>	<b>529</b>

## Staff Diversity

NOMS – and now HMPPS – is committed to fostering an inclusive and diverse workforce in which everyone is empowered to thrive. This core value, carried over from the NOMS Equality Strategy 2015-17, will define the HMPPS Equality Strategy 2017-20, due for publication in summer 2017.

We have made significant improvements over the last 10 years with unacceptable behaviour increasingly challenged and tackled. We recognise, however, that there is more work to do, and our priorities for promoting inclusion will continue into the HMPPS Equality Strategy 2017-20.

The NOMS Equality Sub-Committee continued to meet quarterly, reviewing progress against the equality strategy delivery plan. Our emphasis has been on a whole system approach to delivering equality throughout the organisation, ensuring that staff in both operational lines and in headquarters understand its relevance to their work.

We have continued 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. In particular, there have been very significant increases in declaration rates within the NPS. Following the January 2017 introduction of the Single Operating Platform reporting system, revised guidance and renewed campaigns are underway to further improve staff declaration rates.

The NOMS Annual Staff Equalities Report 2015-16, published in November 2016, covers staff processes with reference to protected characteristics. Data on protected characteristics can also be found in the workforce statistics bulletins, published quarterly on the MoJ website.

An instruction on equality analysis introduced in December 2016 mandates the routine consideration of equality from the start of, and then throughout, any project including the development of operational instructions. This approach is consistent with our legal obligations under the Equality Act 2010.

A refreshed staff equality operational instruction, to replace Equal Treatment for Staff (PSI 33/2011), is being developed as part of a suite of equality instructions.

HMPPS is committed to advancing equality for staff with disabilities and fostering good relations between staff who share this protected characteristic and those who do not. This is reflected in our investment in a full-time salaried Staff Network Chair who leads our HMPPS network for staff with disabilities. We participate in the Guaranteed Interview Scheme. Comprehensive guidance is available to all staff, setting out line managers' responsibilities to develop Workplace Adjustment Plans to include a wide range of adjustments. HMPPS supports and promotes access to learning and development opportunities for staff with disabilities. We are positive about inclusion and seek to ensure that access to learning products and resources is provided by HR Learning & Development for staff who require adjustments. National

campaigns to encourage staff to declare a disability have been a priority across the organisation during the last financial year. Analysis of the promotion rates of staff with disabilities can be produced once declaration rates have reached statistically viable reporting levels. Campaigns to increase declaration rates will remain a priority during the next financial year.

Staff networks established in June 2016 have replaced the former NOMS' staff networks and Probation Staff Associations. All HMPPS staff, including those in CRCs and the contracted estate can become members. The networks represent the interests of Black, Asian, and minority ethnic (BAME) staff; lesbian, gay, bisexual, and transgender (LGBT) staff; and staff with disabilities. They are unique within the Civil Service in having full-time salaried chairs. Membership of the networks is growing steadily.

The current recruitment of operational staff into Public Sector Prisons is a critical opportunity to increase the diversity of our workforce. Our organisation is at the forefront of 'anonymised sifting' at all levels of the organisation. In addition, all interview boards are expected to undertake the Civil Service Learning unconscious bias training. Conscious efforts are made to ensure diverse panels. As part of the current recruitment activity, work is underway to attract and retain applicants from groups currently under represented within our workforce.

The percentage of BAME candidates recruited onto probation qualification training exceeds the proportion of BAME people within the working population. A wider variety of entry points have been introduced, including for entrants starting second careers.

HMPPS is committed to coaching and mentoring staff. Accelerate, a transformational leadership programme for managers with disabilities or who are BAME, ran within NOMS for 10 years. Discussions are taking place to establish a legacy programme tailored to the new Agency.

All eligible HMPPS 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.

We have strengthened access to the Welsh language for staff; through recording Welsh language preference and more accessible recruitment campaigns. A refreshed Welsh Language Scheme for HMPPS will be published in autumn 2017.

## Communications and employee involvement

The NOMS communication and engagement strategy for 2016-17 focused on ensuring staff, partners and those in our care were kept informed of business priorities, changes and achievements throughout the year.

Campaigns aimed at reducing violence in prisons and supporting the prison estate to go smoke-free highlighted a greater need to directly communicate with those in our care as well as with visitors, prison and probation staff.

A strong and effective campaign to recruit more prison officers continued to meet targets and helped to develop social media to assist candidates.

Prison reform has been a priority for communications this year. The changes set out in the white paper on prison safety and reform and the subsequent prisons and courts bill were supported with internal messages, infographics and materials aimed at introducing a new focus on the role of prison officer and the empowerment and accountability of governors.

HMP Berwyn in Wrexham opened in March 2017 with the prison's communications strategy focused on developing a rehabilitative culture with a focus on positive language and style.

Good staff involvement has been a feature of E3 – the change programme designing and implement a new operating model for the National Probation Service. Regular web chats, teleconferences and local engagement meetings helped shape plans; staff ideas directly contributed to features of the new model.

The 2016 People Survey showed a one percentage point increase in the overall staff engagement score. We continued to focus on engagement with staff, using a listen and respond approach across all groups both nationally and locally. Senior leaders continued to engage with staff through events, teleconferences, web chats and intranet articles – providing leadership, clarifying major changes and praising staff.

## Gender data

On 31 March 2017, there were a total of 46,021 employees in the prison estate, NPS and headquarters:

- 21,759 (47.3%) were female
- 24,262 (52.7%) were male.

Within this total were 13 directors, of whom:

- 2 (15.4%) were female
- 11 (84.6%) were male

Within this total were 861 senior managers,<sup>14</sup> of whom:

- 434 (50.4%) were female
- 427 (49.6%) were male

## Sickness absence data

The overall rate of staff sickness in 2016-17 was 10.4 days for HQ, NPS and public sector prisons (2015-16: 10.4 days).

## Off-payroll engagements

During the year, NOMS reviewed the tax arrangements of all its off-payroll appointments. All contractors within the scope of this exercise were required to provide evidence of tax compliance. There had been no instances of non-tax compliant off-payroll engagements as at 31 March 2017. Further details of off-payroll engagements in NOMS can be found in the MoJ departmental resource accounts.

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<sup>14</sup> Senior 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

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

#### Losses and special payments

The following losses and special payments are included within the Statement of Comprehensive Net Expenditure on page 97:

	2016-17		2015-16	
	Cases	£000	Cases	£000
Cash losses	1,105	1,171	860	361
Losses of accountable stores	9,808	2,079	10,208	1,881
Fruitless payments and constructive losses	18	716	21	9,170
Claims waived or abandoned	46	63	16	136
Administrative write-offs	-	-	-	-
<b>Losses statement</b>	<b>10,977</b>	<b>4,029</b>	<b>11,105</b>	<b>11,548</b>
Special payments to staff	1,438	10,975	2,718	15,639
Special payments to offenders	4,936	8,713	6,209	9,394
Special payments to third parties	527	1,378	789	24,410
<b>Special payments</b>	<b>6,901</b>	<b>21,066</b>	<b>9,716</b>	<b>49,443</b>

In 2016-17 NOMS made one special severance payment of £6,330.82. (2015-16: nil). This payment was made to an employee, who along with five other employees in this area were deemed surplus to NOMS requirements. The other five employees were released under standard severance terms. However, this employee was contracted to work nine hours a week for NOMS and the rest of the week for the Home Office. As their employment with the Home Office is continuing NOMS was unable to offer standard severance terms to this employee. As a result, it was decided, with HM Treasury approval, to make a special severance payment.

In 2016-17 NOMS incurred one loss over £300,000 (2015-16: one):

- a constructive loss of £712,665 for a project to build a new case management system after an announcement in March 2017 that the project would not go ahead. The decision was made on the basis of the level of additional investment required to continue the project, which no longer made the project a viable solution.

In 2016-17, NOMS made two special payments over £300,000 (2015-16: 24), which were:

- two compensation payments to operational members of NOMS staff injured in the course of their duties: £300,500 and £692,978.

## 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

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 under the Secretary of State for Justice

The Secretary of State for Justice has also given the following assurance to the Heathrow Airport Holdings Limited and other third parties (eg: airlines) which may be affected by our operations. This assurance covers the following amounts:

- up to £50 million for damage or injury per incident to third parties caused airside in the event of negligence of NOMS
- up to £250 million for damage or injury to third parties per incident in the event of negligence by NOMS whilst on board an aeroplane
- personal accident and/or sickness for NOMS staff whilst on escorting duties

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

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

**Michael Spurr**

Agency Accounting Officer

17 July 2017

## 2.4 Audit Certificate and Report

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

I certify that I have audited the financial statements of National Offender Management Service for the year ended 31 March 2017 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 those reports and disclosures 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 Officer 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 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.

#### Basis for qualified opinion on regularity

HM Treasury's Civil Service Pay Guidance sets out the details of the pay remit process and other pay setting arrangements for civil servants throughout the civil service, including Executive Agencies. NOMS awarded pay increases to staff that totalled £8.8 million more than the amount

approved in the pay remit. I conclude that this expenditure does not conform to the authorities which govern it and is, therefore, irregular.

### Qualified opinion on regularity

In my opinion, except for the payments made in respect of pay increases awarded to employees in excess of the approved amount, 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 National Offender Management Service's affairs as at 31 March 2017 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 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.

**Sir Amyas C E Morse**

Comptroller and Auditor General

18 July 2017

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

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

## Introduction

1. The National Offender Management Service (NOMS) is an Executive Agency of the Ministry of Justice. NOMS' role is to provide and regulate the delivery of offender management services in the community and in custody. On 1 April 2017, NOMS became Her Majesty's Prison and Probation Service (HMPPS).
2. The Chief Executive Officer, as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. I audit the financial statements of NOMS under the Government Resources and Accounts Act 2000. As part of this, I am required to give an opinion on whether the transactions, in all material respects, conform with the authorities which govern them (a regularity opinion).

## The purpose of my Report

3. The purpose of my Report is to explain why I qualified my regularity opinion, and to note the steps taken in respect of this matter by the Accounting Officer and the Ministry of Justice.

## Qualified audit opinion arising from irregular expenditure on pay

4. The Government's Summer Budget 2015 confirmed that it would fund public sector workforces for an average pay award of 1% for 4 years from 2016-17. This covers all elements which increase pay bill costs except employer National Insurance Contributions and employer pension contributions.
5. HM Treasury's Civil Service Pay Guidance<sup>1</sup> sets out the details of the pay remit process and other pay setting arrangements for civil servants. These arrangements are applied throughout the civil service, including agencies.
6. HM Treasury allocates budgets to central government departments and other bodies. For the Ministry of Justice, this budget is allocated to the Permanent Secretary as Principal Accounting Officer. He, in turn, delegates an element of this to the NOMS Accounting Officer. This delegated authority does not extend to revising pay arrangements outside of the annual pay award cycle, which is subject to HM Treasury approval.
7. NOMS breached its pay remit as a result of taking two actions. Firstly, NOMS' senior management made the decision to give temporary increases to hourly rates in relation to two allowances within its pay structure for prison officers (Payment Plus which covers overtime payments to officers and Tornado for incident response payments) from September 2016 to March 2017. This occurred without the effective consultation of either the Ministry or HM Treasury because NOMS were not aware that these overtime payments constituted part of the pay remit calculation. This added approximately £7.8m to its 2016-17 pay bill. For such increases outside the annual cycle, NOMS should have presented a business case for approval by HM Treasury as required by section 5 of the Pay Guidance.
8. Secondly, a press release issued on 19 February 2017 by the former Lord Chancellor and Secretary of State for Justice<sup>2</sup> announced the extension of recruitment and retention allowances (market supplements) to existing staff. NOMS provided both finance and human resources data to support this decision. However, the announcement was made without NOMS appreciating that this action would form part of the pay remit calculation. As such,

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<sup>1</sup> <https://www.gov.uk/government/publications/civil-service-pay-guidance-2016-to-2017/civil-service-pay-guidance-2016-to-2017>

<sup>2</sup> <https://www.gov.uk/government/news/12m-pay-boost-to-strengthen-prison-frontline-and-attract-new-recruits>

it did not effectively consult either the Ministry or HM Treasury. Had it done so, the full implications of this decision may have been identified before the announcement was made and a breach of the pay remit may have been avoided. This action added approximately £1 million to the 2016-17 pay bill.

9. HMPPS sought retrospective approval from HM Treasury for this expenditure. However, on 10 July 2017, HM Treasury declined to approve this retrospective request on the basis that it would not have approved these measures in the form they were implemented had approval been sought at the time the matters arose.
10. Given this, approximately £8.8 million of payroll expenditure included within HMPPS's Accounts was paid in excess of the approved pay remit and does not have the appropriate authority under HM Treasury's delegation framework. Consequently, I deem these transactions to be irregular and have therefore qualified my audit opinion on regularity.

### Actions taken by the Chief Executive Officer and the Ministry of Justice

11. On being notified by HM Treasury of the pay remit breach, the Principal Permanent Secretary commissioned an independent report led by the Government Internal Audit Agency. The report, which has been shared with HM Treasury, assessed the internal controls and governance issues surrounding the breach of government pay policy. It set out six recommendations arising from the lessons learned, two of which specifically require HMPPS to take action in relation to this breach:
  - Governance arrangements should be strengthened within HMPPS to ensure that senior decision-making relating to workforce and remuneration policy (outside of the annual pay cycle) involves effective internal and external consultation; and
  - HMPPS Human Resources should issue (or update) internal guidance and undertake training within HMPPS to ensure adequate awareness of government pay policy relating to the 1% cap as set out in the Civil Service Pay Guidance; and in-year changes to pay.
12. HMPPS endorsed the lessons learned and has accepted these recommendations. It has already begun implementation of these recommendations.
13. Further details of the issues that led to the breach of the pay remit, and subsequent actions taken by HMPPS, are set out in the Accounting Officer's Governance Statement on pages 57 to 73.

**Sir Amyas C E Morse**  
Comptroller and Auditor General  
18 July 2017

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





3

# Financial Statements

# 3.1 Financial Statements

## Statement of Comprehensive Net Expenditure

For the year ended 31 March 2017

		2016-17		Restated 2015-16
	Notes	£000	£000	£000
Income from sale of goods and services	3	(62,360)		(64,954)
Other operating income	3	(235,390)		(280,353)
<b>Total operating income</b>			<b>(297,750)</b>	<b>(345,307)</b>
Staff costs	4a	1,843,924		1,806,015
Purchase of goods and services	4b	2,167,338		2,175,849
Depreciation and impairment charge	4c	386,975		244,305
Provision expense	4d	58,667		30,583
Other non-cash expenditure	4e	94,345		117,619
<b>Total operating expenditure</b>			<b>4,551,249</b>	<b>4,374,371</b>
<b>Net operating expenditure</b>			<b>4,253,499</b>	<b>4,029,064</b>
Finance expense	4f		64,764	74,150
<b>Net expenditure for the year</b>			<b>4,318,263</b>	<b>4,103,214</b>

## Other Comprehensive Expenditure

For the year ended 31 March 2017

		2016-17	2015-16
	Notes	£000	£000
<b>Items which will not be reclassified to net operating costs:</b>			
Net (gain)/loss on revaluation of property, plant and equipment	5	(430,473)	(464,344)
Net (gain)/loss on revaluation of intangible assets	6	(5,390)	190
Net (gain)/loss on revaluation of assets held for sale	7	399	-
Remeasurement of net pension liabilities (gain)/loss	19	341,287	(313,700)
<b>Total comprehensive expenditure</b>		<b>4,224,086</b>	<b>3,325,360</b>

The 2015-16 results have been restated to take account of Machinery of Government changes (see Note 23 for details).

The notes on pages 101 to 136 form part of these accounts

## Statement of Financial Position

As at 31 March 2017

	Notes	31 March 2017		31 March 2016	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	5	7,153,248		6,881,277	
Intangible assets	6	92,862		102,344	
Financial assets		467		465	
<b>Total non-current assets</b>			<b>7,246,577</b>		<b>6,984,086</b>
<b>Current assets</b>					
Assets held for sale	7	10,600		6,682	
Inventories	9	42,471		38,770	
Trade and other receivables	10	230,190		143,897	
Cash and cash equivalents	11	26,225		20,654	
<b>Total current assets</b>			<b>309,486</b>		<b>210,003</b>
<b>Total assets</b>			<b>7,556,063</b>		<b>7,194,089</b>
<b>Current liabilities</b>					
Trade and other payables	12a	(716,281)		(583,046)	
Provisions	17	(43,393)		(51,356)	
Bank overdraft	11	-		(12,605)	
<b>Total current liabilities</b>			<b>(759,674)</b>		<b>(647,007)</b>
<b>Non-current assets less net current liabilities</b>			<b>6,796,389</b>		<b>6,547,082</b>
<b>Non-current liabilities</b>					
Provisions	17	(215,934)		(182,184)	
Trade and other payables	12b	(225,113)		(255,031)	
Pension deficit liability	19	(1,578,376)		(1,193,400)	
<b>Total non-current liabilities</b>			<b>(2,019,423)</b>		<b>(1,630,615)</b>
<b>Assets less liabilities</b>			<b>4,776,966</b>		<b>4,916,467</b>
<b>Taxpayers' equity</b>					
General fund			2,554,525		3,000,318
Revaluation reserve			2,222,441		1,916,149
<b>Total taxpayers' equity</b>			<b>4,776,966</b>		<b>4,916,467</b>

### Michael Spurr

Agency Accounting Officer

17 July 2017

The 2015-16 results have been restated to take account of Machinery of Government changes (see Note 23 for details).

The notes on pages 101 to 136 form part of these accounts

## Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2016-17		Restated 2015-16
		£000	£000	£000
<b>Cash flows from operating activities</b>				
Net expenditure		(4,318,263)	(4,103,214)	
Adjustments for non-cash transactions		586,149	445,752	
Adjustment for notional transactions with MoJ group		28,806	100,734	
Adjustment for pension contributions paid less service costs	19	1,915	18,900	
(Increase)/decrease in trade and other receivables				
Movement in trade and other receivables	10	(86,293)	14,784	
Less: Impairments in trade and other receivables	4	862	33	
Less: Movement in disposal proceeds receivables		(1,000)	(2,000)	
(Increase)/decrease in inventories	9	(3,701)	(1,039)	
Increase/(decrease) in trade payables				
Movement in trade and other payables	12a,12b	103,317	60,207	
Less: Movements on capital elements of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	12a,12b	33,874	23,052	
Less: Movement in property, plant & equipment payable		(23,118)	(8,334)	
Less: Payments of amounts due to the Consolidated Fund to MoJ		4	26	
Utilisation of provisions	17	(37,273)	(32,166)	
<b>Net cash outflow from operating activities</b>		<b>(3,714,721)</b>	<b>(3,483,265)</b>	
<b>Cash flows from investing activities</b>				
Purchase of property, plant & equipment	5	(191,879)	(142,833)	
Purchase of intangibles	6	(10,367)	(2,216)	
Proceeds on disposal of property, plant and equipment		15,504	24,429	
<b>Net cash outflow from investing activities</b>		<b>(186,742)</b>	<b>(120,620)</b>	
<b>Cash flow from financing activities</b>				
Net funding received from MoJ		3,953,517	3,638,435	
Payments of amounts due to the Consolidated Fund to MoJ		(4)	(26)	
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contacts	12a,12b	(33,874)	(23,052)	
<b>Net financing</b>		<b>3,919,639</b>	<b>3,615,357</b>	
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>18,176</b>	<b>11,472</b>	
Cash and cash equivalents at the beginning of the period	11	8,049	(3,423)	
Cash and cash equivalents at the end of the period	11	26,225	8,049	
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>18,176</b>	<b>11,472</b>	

The 2015-16 results have been restated to take account of Machinery of Government changes (see Note 23 for details).

The notes on pages 101 to 136 form part of these accounts

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

		Restated		Restated
		General Fund	Revaluation Reserve	Total Reserves
	Notes	£000	£000	£000
<b>Balance as at 31 March 2015</b>		<b>2,861,448</b>	<b>1,509,759</b>	<b>4,371,207</b>
<b>Changes in taxpayers' equity for 2015-16</b>				
Net expenditure for the year to 31 March 2016		(4,103,214)	-	(4,103,214)
Net gain/(loss) on revaluation of property, plant and equipment		-	464,344	464,344
Net gain/(loss) on revaluation of intangible assets		-	(190)	(190)
Net gain/(loss) on revaluation of assets held for sale		-	-	-
Release of reserves to the general fund		57,764	(57,764)	-
Remeasurement of net pension liabilities	19	313,700	-	313,700
Funding from the MoJ		3,638,435	-	3,638,435
Settlement of transactions with MoJ		111,256	-	111,256
Consolidated Fund Extra Receipts due to HM Treasury		-	-	-
<b>Notional items</b>				
Auditor's remuneration	4	280	-	280
Corporate overhead charges	4	120,649	-	120,649
<b>Balance as at 31 March 2016</b>		<b>3,000,318</b>	<b>1,916,149</b>	<b>4,916,467</b>
<b>Changes in taxpayers' equity for 2016-2017</b>				
Net expenditure for the year to 31 March 2017		(4,318,263)	-	(4,318,263)
Net gain/(loss) on revaluation of property, plant and equipment	5	-	430,473	430,473
Net gain/(loss) on revaluation of intangible assets	6	-	5,390	5,390
Net gain/(loss) on revaluation of assets held for sale	7	-	(399)	(399)
Release of reserves to the general fund		129,172	(129,172)	-
Remeasurement of net pension liabilities	19	(341,287)	-	(341,287)
Funding from the MoJ		3,953,517	-	3,953,517
Settlement of transactions with MoJ		35,619	-	35,619
<b>Notional items</b>				
Auditor's remuneration	4	273	-	273
Corporate overhead charges	4	95,176	-	95,176
<b>Balance as at 31 March 2017</b>		<b>2,554,525</b>	<b>2,222,441</b>	<b>4,776,966</b>

The 2015-16 results have been restated to take account of Machinery of Government changes (see Note 23 for details).

The notes on pages 101 to 136 form part of these accounts

## 3.2 Notes to the Accounts

### 1. Statement of Accounting Policies

#### 1.1 Basis of preparation

The accounts have been prepared in accordance with the 2016–17 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 the Agency are described below. They have been applied consistently in dealing with items considered material to the accounts.

#### 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, where material.

#### 1.3 Changes in accounting policy and disclosures

##### a) Changes in accounting policies

There have been no changes in accounting policies for the year ended 31 March 2017.

##### b) New and amended standards adopted

The new standards IFRS 5 Non-Current Assets held for sale and Discontinued Operations: Changes in methods of disposal and IFRS 7 Financial Instruments Disclosures: Servicing Contracts have been adopted and do not have a material impact on the accounts.

##### c) New standards, amendments and interpretations issued, but not effective, for the financial year beginning 1 April 2017, and not adopted early

IFRS 15 Revenue from contracts with customers, IFRS 9 Financial Instruments and IFRS 16 Leases are not yet effective for public sector reporting.

IFRS 9 may have an impact on the impairment methodology used by the Agency to value its outstanding debt however these are not expected to have a material impact on the future accounts.

IFRS 16 will change the way the Agency recognises, measures, presents and discloses leases that it holds. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The full impact of IFRS 16 on the Agency will not be determined until it has been adopted for use in the public sector by the FReM.

#### **d) Changes in presentation and reclassifications**

The classifications in the staff costs (note 4), trade and other receivables (note 10) and trade and other payables (note 12) have been revised to improve consistency with the Ministry of Justice departmental accounts. Prior year outturn has been restated to ensure comparability across years.

#### **1.4 Going concern**

On 1 April 2017 NOMS became Her Majesty's Prison and Probation Service (HMPSS). HMPSS is an Executive Agency to the Ministry of Justice (MoJ). The future financing of HMPSS' activities is expected to be met by the MoJ from funds which are voted annually under the relevant Appropriation Act.

#### **1.5 Machinery of Government changes and restatement of comparatives**

Machinery of Government (MoG) changes, which involve the transfer of functions between two or more parts of the public sector/government departments, are required to be accounted for using merger accounting principles where the transfer is between departmental groups within central government in accordance with the FReM. The operating results and cash flows of all transferred in functions are included in these Accounts from the beginning of the financial year in which the transfer takes place. Where material the prior year comparatives are restated as appropriate, so that it appears that the entity has always existed in its present form.

#### **MoG transfer of detained adult education and training**

On 15 September 2016 the Prime Minister announced that policy responsibility for education and training provision for those subject to adult detention in England would transfer from the Department for Education to the Ministry of Justice on 1 October 2016 and would be overseen by the Agency. Prison education includes the Offender Learning and Skills Service (OLASS) contracts and the national grant funding. The impact of the transfer is shown in Note 23.

#### **1.6 Operating income**

Operating income is income that relates directly to the operating activities of the Agency and is therefore recognised as revenue in the SoCNE in accordance with IAS 18. Further information can be found in Note 3.

Operating income is stated net of VAT.

Funding from the Ministry of Justice is credited directly to the general fund in line with FReM requirements.

#### **1.7 Notional costs**

Notional costs comprise external auditors' remuneration, which represents the National Audit Office's (NAO's) cost for the audit of the Agency's Accounts, and notional costs for the Agency's usage of corporate services provided by MoJ. Such notional costs are credited directly to the general fund.

#### **1.8 Property, plant and equipment and Intangible assets Initial 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 the Agency 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 are 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.

### **Subsequent 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 the Agency 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, the Agency 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 the Agency, 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.

## Fair value hierarchy and inputs

The valuation technique applied to all the Fair Value figures of Surplus, non-operating properties, is the market approach in accordance with IFRS 13; it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used take the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

## 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	3 to 15 years depending on individual asset type
Furniture, fixtures & fittings	3 to 15 years depending on individual asset type
Vehicles	5 to 15 years depending on individual asset type
Intangible assets - software	3 to 10 years
Intangible assets - licences	Length of the licence

## 1.9 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.

## 1.10 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, the Agency 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.

## **1.11 Leases**

### **Finance leases**

Leases of assets where the Agency 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. The Agency 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.

## **1.12 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. The Agency 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.

The Agency 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 2018-19. At 31 March 2017, there was no SCA liability on the SoFP for EM. Commitments are recognised in Note 13.

### **1.13 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.

### **1.14 Employee benefits**

#### **Pensions – PCSPS**

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees in the Agency HQ and prisons. While this is an unfunded defined benefit scheme, in accordance with the FReM adaptation of IAS 19, the Agency accounts for it as a defined contribution scheme. The Agency 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**

The Agency 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 2016 and was carried out during 2016. The results of the valuation as at 31 March 2016 is shown in the actuarial report as at 31 March 2017 and is reflected in the 2016-17 accounts.

The Agency 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 the Agency's 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**

The Agency is required to pay benefits to staff who are members of the PCSPS under the Civil Service Injury Benefits Scheme. The Government Actuary's Department (GAD) provides the Agency 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.

### **1.15 Provisions and contingent liabilities**

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when the Agency 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.

### **1.16 Value Added Tax**

Most of the Agency's 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.

### **1.17 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 Agency Board. The segments reflect the main directorate structure within the Agency, allowing the Board to have a clear view on the costs of front-line operations. This is as follows:

### **Public Sector Prisons**

The Public Sector Prisons directorate is responsible for line management and leadership to public sector prisons in England including the High Security Estate. It drives the transformation of public sector prisons to deliver effective and efficient performance, and to continue to treat offenders with decency.

### **Contracted Services**

The Contracted Services Directorate manages a range of system-wide contracts and third sector providers delivering offender services, including privately managed prisons, prisoner escort & custody services, the prisons facilities management contract, Community Rehabilitation Companies and the BASS contract, which delivers bail support and accommodation. Through these contracts the directorate seeks to ensure effective system-wide performance, promoting and supporting the integration of services at local level.

### **Commissioning**

The Commissioning directorate fulfils a number of functions: it commissions offender services across the custodial and community sectors; co-ordinates research into the effectiveness of different approaches towards managing offenders; undertakes casework across a range of business areas including litigation, foreign national removals and transfers, IMB and HMIP Reports; operates national systems on behalf of the Agency; manages the organisation's change portfolio; and provides advice and support to operational managers, the Board and Ministers.

### **Electronic Monitoring**

Electronic monitoring is an effective low level offender management tool, which can give suspects and offenders a chance to maintain their ties with the community while protecting the public. The Electronic Monitoring directorate are responsible for developing a new national service, which will allow us to monitor offenders even more effectively and innovatively to support justice system reform.

### **NOMS in Wales**

The NOMS in Wales Directorate is responsible for the public sector prisons in Wales, has line management of the National Probation Service in Wales and contract manages the Community Rehabilitation Company and the private prison, HMP Parc Bridgend. A significant focus of the directorate is to represent the Agency to the Welsh Government and local partners.

### **National Probation Service**

The National Probation Service directorate is responsible for line management and leadership of probation services in England. The National Probation Service is a statutory criminal justice service that supervises high-risk offenders released into the community, working closely with local delivery partnerships including prisons, Community Rehabilitation Companies and other providers.

The directorate also provides the Courts with Pre-Sentence Reports, which advise on appropriate sentencing measures for all persons convicted of an offence.

### Headquarters

This area includes the Finance, Human Resources, Digital & Change, Security, Order & Counter Terrorism and Chief Executive Officer directorates. The latter includes the Agency Executive Management Office, Safer Custody & Public Protection and Operational Assurance.

### Budgets Held by MoJ

This area includes MoJ Corporate Services and Estates functions which are recorded in the Agency accounts.

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. The reporting format has been revised for 2016–17 to include Commissioning and Contract Management as distinct segments. 2015-16 outturn has been restated in the revised format for comparability.

### 2a Total net resource expenditure as reported to Board

2016-17	Public Sector Prisons	National Probation Service	Commissioning	Contracted Services	Electronic Monitoring	NOMS in Wales	HQ	Budgets Held by MoJ	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	1,584,492	430,805	161,575	1,177,453	76,384	167,471	394,645	-	3,992,825
Income	(180,937)	(17,196)	(8,861)	(12,980)	(2,268)	(10,987)	(37,542)	-	(270,771)
<b>Net expenditure</b>	<b>1,403,555</b>	<b>413,609</b>	<b>152,714</b>	<b>1,164,473</b>	<b>74,116</b>	<b>156,484</b>	<b>357,103</b>	<b>-</b>	<b>3,722,054</b>

## 2b Reconciliation between operating segments and SoCNE

2016-17	Public Sector Prisons	National Probation Service	Commissioning	Contracted Services	Electronic Monitoring	NOMS in Wales	HQ	Budgets Held by MoJ	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Total net expenditure by operating segment as reported to the Board</b>	<b>1,403,555</b>	<b>413,609</b>	<b>152,714</b>	<b>1,164,473</b>	<b>74,116</b>	<b>156,484</b>	<b>357,103</b>	<b>-</b>	<b>3,722,054</b>

Items not reported to management board:

PFI prisons and service concession arrangements accounting treatment	-	-	-	(1,770)	-	3,098	(3,733)	-	(2,405)
NOMS depreciation and impairment costs whose budget is held within MoJ	-	-	-	-	-	-	-	301,164	301,164
NOMS other costs whose budget is held within MoJ	-	-	-	-	-	-	-	152,365	152,365
Notional recharge from MoJ	-	-	-	-	-	-	95,172	-	95,172
Other, including accounting treatment of provisions	14,942	(1,590)	(645)	(18,498)	2,034	(313)	53,983	-	49,913
<b>Total net expenditure per SoCNE</b>	<b>1,418,497</b>	<b>412,019</b>	<b>152,069</b>	<b>1,144,205</b>	<b>76,150</b>	<b>159,269</b>	<b>502,525</b>	<b>453,529</b>	<b>4,318,263</b>

## 2a Total net resource expenditure as reported to Board

2015-16 operating costs by segment have been restated for comparability following structural changes in 2016-17.

2015-16	Public Sector Prisons	National Probation Service	Commissioning	Contracted Services	Electronic Monitoring	NOMS in Wales	HQ	Budgets Held by MoJ	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	1,751,392	431,617	46,822	1,156,801	75,677	165,927	343,662	-	3,971,898
Income	(212,420)	(19,239)	(541)	(8,569)	(2,640)	(14,213)	(53,712)	-	(311,334)
<b>Net expenditure</b>	<b>1,538,972</b>	<b>412,378</b>	<b>46,281</b>	<b>1,148,232</b>	<b>73,037</b>	<b>151,714</b>	<b>289,950</b>	<b>-</b>	<b>3,660,564</b>

## 2b Reconciliation between operating segments and SoCNE

2015-16	Public Sector Prisons £000	National Probation Service £000	Commissioning £000	Contracted Services £000	Electronic Monitoring £000	NOMS in Wales £000	HQ £000	Budgets Held by MoJ £000	Total £000
<b>Total net expenditure by operating segment as reported to the Board</b>	<b>1,538,972</b>	<b>412,378</b>	<b>46,281</b>	<b>1,148,232</b>	<b>73,037</b>	<b>151,714</b>	<b>289,950</b>	<b>-</b>	<b>3,660,564</b>
Items not reported to management board:									
PFI prisons and service concession arrangements accounting treatment	-	-	(8,973)	2,823	(703)	2,373	767	-	(3,713)
NOMS depreciation and impairment costs whose budget is held within MoJ	-	-	-	-	-	-	-	157,769	157,769
NOMS other costs whose budget is held within MoJ	-	-	-	-	-	-	-	99,319	99,319
Notional recharge from MoJ	-	-	-	-	-	-	120,649	-	120,649
Other, including accounting treatment of provisions	(12,612)	(135)	987	16,226	-	14	64,146	-	68,626
<b>Total net expenditure per SoCNE</b>	<b>1,526,360</b>	<b>412,243</b>	<b>38,295</b>	<b>1,167,281</b>	<b>72,334</b>	<b>154,101</b>	<b>475,512</b>	<b>257,088</b>	<b>4,103,214</b>

### 3. Income

	2016-17	2015-16
	£000	£000
<b>(a) Income from sale of goods and services</b>		
External sales of industries	9,884	10,285
Retail prison shop income	50,594	52,739
In-cell TV income	1,882	1,930
<b>Total</b>	<b>62,360</b>	<b>64,954</b>
<b>(b) Other operating income</b>		
Juvenile funding (YJB & MoJ)	63,536	62,031
NHS and other healthcare providers	56,268	54,725
European Social Fund and other European funding	20,194	21,296
Welsh Government	3,199	6,950
Home Office: other	52,912	59,847
Community Rehabilitation Companies	27,541	60,815
Other income	11,740	14,689
<b>Total</b>	<b>235,390</b>	<b>280,353</b>
<b>Total operating income</b>	<b>297,750</b>	<b>345,307</b>

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 75 to 88.

#### Staff costs

	2016-17			Restated
	Permanently employed staff	Others	Total	2015-16
	£000	£000	£000	£000
Wages and salaries	1,357,675	50,773	1,408,448	1,394,790
Social security costs	135,552	-	135,552	99,759
Pension Costs	288,377	-	288,377	303,034
Departures and severance payments	11,641	-	11,641	11,317
Inward secondments	5,842	-	5,842	5,160
<b>Sub-total</b>	<b>1,799,087</b>	<b>50,773</b>	<b>1,849,860</b>	<b>1,814,060</b>
Less recoveries in respect of outward secondments	(5,936)	-	(5,936)	(8,045)
<b>Total net costs</b>	<b>1,793,151</b>	<b>50,773</b>	<b>1,843,924</b>	<b>1,806,015</b>

2015-16 permanently employed staff costs have been restated by reclassifying pensions costs separately from departures and severance payments. 2015-16 other staff costs have been restated by reclassifying inward secondments.

### 4b Purchase of goods and services

	2016-17		Restated
	£000	£000	2015-16
PFI prison service charges and managed prison charges	414,388		400,382
Service concession arrangement charges for Electronic Monitoring and Prisoner Escort and Custody	185,224		179,438
Contracted probation services (CRCs)	410,125		528,705
Accommodation, maintenance and utilities	383,880		350,841
Offender related costs	312,417		308,786
Offender learning	146,682		145,260
IT services and telecommunications (including service concession arrangements)	184,194		154,101
Training and other staff related costs	40,595		35,624
Travel, subsistence and hospitality	33,954		33,137
Professional services	24,915		22,243
Communications, office supplies and services	13,205		13,471
Other costs	17,759		3,861
<b>Total purchase of goods and services</b>	<b>2,167,338</b>		<b>2,175,849</b>

2015-16 accommodation, maintenance and utilities, offender related costs, travel, subsistence and hospitality, professional services, communications, office supplies and services and other costs have all been restated to improve classification accuracy.

Offender related costs includes offender food, clothing, cleaning equipment, prisoner earnings and prison shop cost of sales.

#### 4c Depreciation and impairment charges

		2016-17	2015-16
	Notes	£000	£000
Depreciation - Property, plant & equipment	5	255,029	239,491
Amortisation - Intangible assets	6	31,211	27,679
Impairment charge/(reversal) - Property, plant & equipment	5,8	102,485	(19,958)
Impairment charge/(reversal) - Intangible assets	6,8	(1,024)	2,268
Impairment charge/(reversal) - Assets held for sale	7,8	136	(5,142)
Impairment charge/(reversal) - Trade and Other receivables		(862)	(33)
<b>Total depreciation and impairment charges</b>		<b>386,975</b>	<b>244,305</b>

#### 4d Provision expense

		2016-17	2015-16
	Notes	£000	£000
Provision charge provided in year	17	99,225	70,440
Provisions not required written back	17	(40,558)	(39,857)
<b>Total provision expense</b>		<b>58,667</b>	<b>30,583</b>

#### 4e Other non-cash expenditure

		2016-17	2015-16
	Notes	£000	£000
MoJ overhead recharges		95,176	120,649
Recognition of LGPS orphan liabilities		-	(395)
Net (gain)/loss on disposal of assets		(1,104)	(3,808)
(Increase)/decrease in value of investments		-	(120)
Capital grant in kind		-	1,013
External auditor's remuneration		273	280
<b>Total other non-cash expenditure</b>		<b>94,345</b>	<b>117,619</b>

#### MoJ overhead recharges

The MoJ overhead recharges represent the costs of services shared with MoJ including finance, HR, expenses, procurement estates and IT.

#### External auditors' remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year the Agency did not purchase any non-audit services. The cost comprises £273,000 (2015-16: £280,000) for the audit of the NOMS Annual Report and Accounts.

#### 4f Finance expense

		2016-17	2015-16
	Notes	£000	£000
Interest on LGPS pensions	19	41,770	46,600
Unwinding of discount on provisions	17	4,393	6,623
<b>Total non-cash finance expense</b>		<b>46,163</b>	<b>53,223</b>
Finance charge on PFI and leased assets		18,601	20,927
<b>Total cash finance expense</b>		<b>18,601</b>	<b>20,927</b>
<b>Total finance expense</b>		<b>64,764</b>	<b>74,150</b>

#### 4g Losses and special payments

Losses and special payments included within these accounts are disclosed in the Parliamentary Accountability report on page 89.

## 5. Property, plant and equipment

2016-17	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
<b>Cost or Valuation</b>								
As at 1 April 2016	798,804	6,136,644	40,926	180,012	256,764	12,541	129,280	7,554,971
Additions	-	8,679	-	6,628	13,087	67	186,535	214,996
Disposals	-	-	-	(19)	(4,233)	(67)	-	(4,319)
Transfers	-	25	-	1,844	-	-	-	1,869
Reclassification	(7,256)	125,856	(1,198)	493	(2,008)	-	(134,678)	(18,791)
Impairments	(2,731)	(103,088)	18	-	(104)	-	(90)	(105,995)
Indexation/Revaluation	137,057	(261,162)	(1,791)	10,695	3,040	1	-	(112,160)
<b>As at 31 March 2017</b>	<b>925,874</b>	<b>5,906,954</b>	<b>37,955</b>	<b>199,653</b>	<b>266,546</b>	<b>12,542</b>	<b>181,047</b>	<b>7,530,571</b>
<b>Depreciation</b>								
As at 1 April 2016	-	(338,553)	(3,171)	(155,327)	(164,319)	(12,324)	-	(673,694)
Charge in year	-	(216,941)	(1,030)	(16,401)	(20,559)	(98)	-	(255,029)
Disposals	-	-	-	15	3,977	67	-	4,059
Transfers	-	-	-	-	-	-	-	-
Reclassification	-	1,095	103	-	-	-	-	1,198
Impairments	-	3,488	-	7	15	-	-	3,510
Indexation/Revaluation	-	549,778	4,097	(9,155)	(2,087)	-	-	542,633
<b>As at 31 March 2017</b>	<b>-</b>	<b>(1,133)</b>	<b>(1)</b>	<b>(180,861)</b>	<b>(182,973)</b>	<b>(12,355)</b>	<b>-</b>	<b>(377,323)</b>
<b>Carrying value</b>								
<b>As at 31 March 2017</b>	<b>925,874</b>	<b>5,905,821</b>	<b>37,954</b>	<b>18,792</b>	<b>83,573</b>	<b>187</b>	<b>181,047</b>	<b>7,153,248</b>
<b>As at 1 April 2016</b>	<b>798,804</b>	<b>5,798,091</b>	<b>37,755</b>	<b>24,685</b>	<b>92,445</b>	<b>217</b>	<b>129,280</b>	<b>6,881,277</b>
<b>Asset financing</b>								
Owned	923,589	5,192,099	37,206	16,142	71,488	187	181,047	6,421,759
Finance leased	2,285	13,629	748	2,650	12,085	-	-	31,397
On-balance sheet (SoFP) PFI contracts	-	700,093	-	-	-	-	-	700,093
<b>As at 31 March 2017</b>	<b>925,874</b>	<b>5,905,821</b>	<b>37,954</b>	<b>18,792</b>	<b>83,573</b>	<b>187</b>	<b>181,047</b>	<b>7,153,248</b>

### Non-operational assets

Included in the carrying values above are 17 non-operational sites with a combined value of £99.9 million (2015-16: 37 non-operational sites with a combined value of £12.4 million). 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 £17.6m was reclassified to assets held for sale in 2016-17.

## 5. Property, plant and equipment (continued)

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

### Transfers and reclassification

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

## 6. Intangible assets

2016-17	Software	Licences	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
As at 1 April 2016	251,988	13,082	1,562	266,632
Additions	323	-	10,044	10,367
Disposals	-	-	-	-
Reclassifications	11,011	-	(11,011)	-
Indexation/Revaluation	15,400	766	-	16,166
Transfers	-	-	4,948	4,948
Impairments	-	-	(648)	(648)
<b>As at 31 March 2017</b>	<b>278,722</b>	<b>13,848</b>	<b>4,895</b>	<b>297,465</b>
<b>Amortisation</b>				
As at 1 April 2016	(152,086)	(12,202)	-	(164,288)
Charge in year	(30,998)	(213)	-	(31,211)
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Indexation/Revaluation	(10,110)	(666)	-	(10,776)
Impairments	1,642	30	-	1,672
Transfers	-	-	-	-
<b>As at 31 March 2017</b>	<b>(191,552)</b>	<b>(13,051)</b>	<b>-</b>	<b>(204,603)</b>
<b>Carrying value</b>				
<b>As at 31 March 2017</b>	<b>87,170</b>	<b>797</b>	<b>4,895</b>	<b>92,862</b>
<b>As at 1 April 2016</b>	<b>99,902</b>	<b>880</b>	<b>1,562</b>	<b>102,344</b>
<b>Asset financing:</b>				
Owned	87,170	797	4,895	92,862
<b>Carrying value as at 31 March 2017</b>	<b>87,170</b>	<b>797</b>	<b>4,895</b>	<b>92,862</b>

## 6. Intangible assets (continued)

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

## 7. Assets held for sale

	31 March 2017	31 March 2016
	£000	£000
<b>Cost or Valuation</b>		
As at 1 April	6,682	12,337
Re-classifications	17,593	8,443
Transfers	-	-
Disposals	(13,140)	(19,240)
Impairment reversal / (charge)	(136)	5,142
Indexation / Revaluation	(399)	-
<b>As at 31 March 2017</b>	<b>10,600</b>	<b>6,682</b>

The Agency 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 an impairment charge of £102.5 million. The impairment of intangible assets resulted in a net impairment reversal of £1.0 million, while the impairment of assets held for sale resulted in charge of £0.1 million. The total impairment charge was £101.6 million (2015-16 net impairment reversal of £20.0 million). All impairment was recognised in the SoCNE in both financial years

As part of the ongoing review of the Prison Estate, Ministers have announced the closure of 6 prisons (none of which are classified as assets held for sale as at 31 March 2017). Given these prisons will no longer form part of the Agency prison estate, their value has been decreased to reflect the reduction in the remaining useful life. As this change in asset life indicates a permanent diminution in value, any impairment has been taken direct to the Statement of Comprehensive Net Expenditure, with the balance of any Revaluation Reserve taken to the general fund.

The total prison closure impairments for 2016-17 was £126.0 million.

## 9. Inventories

	31 March 2017	Restated 31 March 2016
	£000	£000
<b>Industries and farms</b>		
Raw materials	13,356	10,586
Work-in-progress	2,214	1,836
Finished goods	2,710	3,328
	<b>18,280</b>	<b>15,750</b>
Consumables	24,191	23,020
<b>Total inventories</b>	<b>42,471</b>	<b>38,770</b>

2015-16 raw materials have been restated by reclassifying balances within consumables to improve classification accuracy.

## 10. Trade and other receivables

	31 March 2017	Restated 31 March 2016
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	38,028	32,977
Other receivables	35,558	8,203
VAT receivables	49,021	22,758
Intra-department receivables	52,346	12,667
Prepayments	26,723	16,282
Accrued income	28,514	51,010
<b>Total trade and other receivables</b>	<b>230,190</b>	<b>143,897</b>

2015-16 trade and other receivables have been restated by reclassifying balances with other government bodies which are not required to be disclosed separately.

## 11. Cash and cash equivalents

	31 March 2017	31 March 2016
	£000	£000
<b>Balance as at 1 April</b>	<b>8,049</b>	<b>(3,423)</b>
Net change in cash and cash equivalents - other	18,176	11,472
<b>Balance as at 31 March</b>	<b>26,225</b>	<b>8,049</b>

### The following balances at 31 March were held at:

Government Banking Service	25,111	19,311
Commercial banks and cash in hand	1,114	1,343
<b>Cash at bank and in hand</b>	<b>26,225</b>	<b>20,654</b>
Overdraft	-	(12,605)
<b>Cash at bank and in hand</b>	<b>26,225</b>	<b>8,049</b>

### Third party monies

At 31 March 2017 the Agency held cash of £13.6 million (£12.6 million at 31 March 2016) 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 2017	Restated 31 March 2016
	£000	£000
Trade payables	63,904	66,506
Taxation and social security	35,441	-
Other payables	28,771	1,756
Intra-department payables	166,118	116,521
Accruals	376,809	343,642
Deferred income	15,315	20,741
Current part of finance leases	822	2,035
Imputed finance lease element of on balance sheet (SoFP) PFI contracts	29,097	31,840
Consolidated Fund extra receipts (CFERs)	4	5
	<b>716,281</b>	<b>583,046</b>

2015-16 trade and other payables have been restated by reclassifying balances with bodies external to government which are not required to be disclosed separately.

### 12b Amounts falling due after more than one year

	31 March 2017	31 March 2016
	£000	£000
Imputed finance lease element of on balance sheet (SoFP) PFI contracts	224,781	253,878
Finance leases	332	1,153
	<b>225,113</b>	<b>255,031</b>

## 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 2017	31 March 2016
	£000	£000
(1) Minimum lease payments		
Rentals due not later than one year	45,316	50,131
Rentals due later than one year but not later than five years	123,549	138,854
Rentals due later than five years	216,110	246,121
	<b>384,975</b>	<b>435,106</b>
Less interest element	(131,097)	(149,388)
<b>Present value of obligations</b>	<b>253,878</b>	<b>285,718</b>
(2) Present value of minimum lease payments		
Rentals due not later than one year	29,097	31,840
Rentals due later than one year and not later than five years	72,553	82,542
Rentals due later than five years	152,228	171,336
<b>Present value of obligations</b>	<b>253,878</b>	<b>285,718</b>
(3) Service elements due in future periods		
Not later than one year	556,369	575,077
Later than one year but not later than five years	1,588,775	1,748,081
Later than five years	1,559,718	1,877,843
<b>Total service element</b>	<b>3,704,862</b>	<b>4,201,001</b>

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

The Agency 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 2018-19. 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 £376.9 million 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 £592.0 million for the year to 31 March 2017 (2015-16: £588.2 million). Of this total the service element was £573.7 million (2015-16: £567.9 million) and the interest charges were £18.2 million (2015-16: £20.3 million).

## 14. Commitments under leases

### 14a. Operating leases

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

	31 March 2017	31 March 2016
	£000	£000
<b>Obligations under operating leases comprise:</b>		
<b>Land and buildings</b> Not later than one year	12,142	12,080
Later than one year but not later than five years	30,234	31,414
Later than five years	16,319	19,008
	<b>58,695</b>	<b>62,502</b>

### 14b. Finance leases

The net present value of total future minimum lease payments under finance leases is £1.2 million (2015-16: £3.2 million), comprising mainly prison radios, due to be paid in less than five years.

## 15. Other financial commitments

The Agency 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 the Agency, the delivery of probation services, and other contracted out services. The payments to which the Agency is committed as at 31 March 2017 are:

	31 March 2017	31 March 2016
	£000	£000
Not later than one year	620,031	643,896
Later than one year but not later than five years	1,787,072	1,986,957
Later than five years	472,048	760,731
	<b>2,879,151</b>	<b>3,391,584</b>

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 £1,566.7 million (2015-16: £1,933.6 million) and £18.8 million (2015-16: £16.0 million) 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 £593.0 million. 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 2017	31 March 2016
	£000	£000
Property, plant and equipment	102,331	135,042
Software	5,720	6,267
	<b>108,051</b>	<b>141,309</b>

## 17. Provisions for liabilities and charges

	31 March 2017						31 March 2016
	Early retirement costs	Leasehold property dilapidations	Voluntary early departures	Injury benefit scheme	Litigation & other provisions	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April	5,600	26,527	4,767	108,379	88,267	233,540	228,500
Provision expense-provided in year	574	19,738	625	30,442	47,846	99,225	70,440
Provision expense-provisions written back	(31)	(424)	-	(3,321)	(36,782)	(40,558)	(39,857)
Provisions utilised in year	(3,062)	(1,017)	(4,767)	(5,009)	(23,418)	(37,273)	(32,166)
Borrowing costs (unwinding of discount)	54	3,409	-	-	930	4,393	6,623
<b>Balance as at 31 March</b>	<b>3,135</b>	<b>48,233</b>	<b>625</b>	<b>130,491</b>	<b>76,843</b>	<b>259,327</b>	<b>233,540</b>

## Analysis of expected timing of discounted cash flows

	31 March 2017						31 March 2016
	Early retirement costs	Leasehold property dilapidations	Voluntary early departures	Injury benefit scheme	Litigation & other provisions	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Not later than one year:	1,962	11,065	625	4,738	25,003	43,393	51,356
Later than one year but not later than five years:	1,173	9,317	-	18,315	40,568	69,373	78,724
Later than five years:	-	27,851	-	107,438	11,272	146,561	103,460
<b>Balance as at 31 March</b>	<b>3,135</b>	<b>48,233</b>	<b>625</b>	<b>130,491</b>	<b>76,843</b>	<b>259,327</b>	<b>233,540</b>

### Early retirement provision (PCSPS members)

Under a scheme that closed in 2011, the Agency 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. The Agency 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 0.24% (2015-16: 1.37%).

### 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 2016-17, which are:

- up to five years: -2.70%
- between five and ten years: -1.95%
- more than ten years: -0.80%

### **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 the Agency is required to pay benefits under the Civil Service Injury Benefits Scheme. The scheme pays benefits to any PCS 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**

### **The Agency has the following contingent liabilities:**

Claims for injury to staff, prisoners and the public amounting to £59.8 million (£79.6 million at 31 March 2016) have been indicated to the Agency, where the likelihood of a liability arising is deemed possible but not likely or not reliably measurable. Other claims for compensation where it is more likely than not that a liability will arise have been provided for in the accounts – see Note 17.

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

## 19. Pensions

Staff costs in Note 4(a) include the cost of pension contributions made by the Agency.

101 persons retired early on ill health grounds (2015-16: 138). The total additional accrued pension liabilities in the year amounted to £0.4 million (2015-16: £0.3 million).

### **Principal Civil Service Pension Scheme**

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes. A full actuarial valuation of the PCSPS was carried out at 31 March 2012. Details can be found at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk). The Agency is unable to identify its share of the underlying assets and liabilities.

For the year to 31 March 2017, employer’s contributions of £204.1 million were payable to the PCSPS (2015–16: £208.1 million) at rates in the range of 20.0%-24.5% (2015-16: 20.0%-24.5% 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 of £1.0 million were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2015–16: 3% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.02 million, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

### **Local Government Pension Scheme**

The Agency 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 the Agency, 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. The Agency recognises an LGPS pension scheme liability in these accounts.

The LGPS pension liability transferred from Probation Trusts to the Agency 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 2017, the Agency paid employers' contributions of £73.9 million to GMPF, relating to current probation staff, at 29.6% (£73.2 million for 2015–16 at 29.4%).

The pension position as at 31 March 2017 is based on the actuarial report from Hymans Robertson LLP, the independent actuary for GMPF.

### The major assumptions used by the LGPS actuary were:

	31 March 2017	31 March 2016
	%	%
Rate of increase in salaries	2.8	3.5
Rate of increase for pensions in payment and deferred pensions	2.4	2.2
Discount rate	2.6	3.5

## Movements in the LGPS defined benefit obligation during the year:

	31 March 2017			31 March 2016		
	Present value of obligation £000	Fair value of plan assets £000	Total £000	Present value of obligation £000	Fair value of plan assets £000	Total £000
Plan assets	-	3,107,200	3,107,200	-	3,137,919	3,137,919
Funded liabilities	(4,252,700)	-	(4,252,700)	(4,531,054)	-	(4,531,054)
Unfunded liabilities	(47,900)	-	(47,900)	(48,860)	-	(48,860)
<b>Opening balance at 1 April</b>	<b>(4,300,600)</b>	<b>3,107,200</b>	<b>(1,193,400)</b>	<b>(4,579,914)</b>	<b>3,137,919</b>	<b>(1,441,995)</b>
Current service costs	(94,460)	-	(94,460)	(129,400)	-	(129,400)
Past service costs (including curtailments)	(9,285)	-	(9,285)	(1,900)	-	(1,900)
<b>Total current and past service costs</b>	<b>(103,745)</b>	<b>-</b>	<b>(103,745)</b>	<b>(131,300)</b>	<b>-</b>	<b>(131,300)</b>
<b>Net interest/(cost) income</b>	<b>(150,132)</b>	<b>108,362</b>	<b>(41,770)</b>	<b>(146,500)</b>	<b>99,900</b>	<b>(46,600)</b>
<b>Effect on business combinations and disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314</b>	<b>81</b>	<b>395</b>
<b>Remeasurements</b>						
Returns on plan assets, excluding amounts included in interest expense/(income)	-	554,337	554,337	-	(146,800)	(146,800)
Gain/(loss) from change in financial assumptions	(834,747)	-	(834,747)	404,500	-	404,500
Experience gains/(losses)	(49,719)	-	(49,719)	56,000	-	56,000
Gain/(loss) from change in demographic assumptions	(11,158)	-	(11,158)	-	-	-
<b>Total Remeasurements</b>	<b>(895,624)</b>	<b>554,337</b>	<b>(341,287)</b>	<b>460,500</b>	<b>(146,800)</b>	<b>313,700</b>
<b>Contributions</b>						
Employers <sup>1</sup>	-	98,307	98,307	-	108,800	108,800
Plan participants	(26,541)	26,541	-	(29,200)	29,200	-
Unfunded benefits	-	3,519	3,519	-	3,600	3,600
<b>Payments from plans</b>						
Benefit payments	142,985	(142,985)	-	121,900	(121,900)	-
Unfunded benefit payments	3,519	(3,519)	-	3,600	(3,600)	-
<b>Closing balance at 31 March</b>	<b>(5,330,138)</b>	<b>3,751,762</b>	<b>(1,578,376)</b>	<b>(4,300,600)</b>	<b>3,107,200</b>	<b>(1,193,400)</b>
Plan assets	-	3,751,762	3,751,762	-	3,107,200	3,107,200
Funded liabilities	(5,280,227)	-	(5,280,227)	(4,252,700)	-	(4,252,700)
Unfunded liabilities	(49,911)	-	(49,911)	(47,900)	-	(47,900)
<b>Closing balance at 31 March</b>	<b>(5,330,138)</b>	<b>3,751,762</b>	<b>(1,578,376)</b>	<b>(4,300,600)</b>	<b>3,107,200</b>	<b>(1,193,400)</b>

<sup>1</sup> £98.3 million is the actuarial calculation (based on actual and estimated amounts) of the employer contribution figure for both NPS and the 21 CRCs (2015-16: £108.8 million).

The plan assets in the LGPS were:

	Value at 31 March 2017	Value as a percentage of total scheme assets at 31 March 2017	Value at 31 March 2016	Value as a percentage of total scheme assets at 31 March 2016
	£'000	%	£'000	%
Equities	2,590,201	69.0	2,151,100	69.2
Government Bonds	49,362	1.3	24,600	0.8
Other Bonds	564,300	15.0	493,200	15.9
Property	102,883	2.8	97,800	3.2
Cash and cash equivalents	104,246	2.8	78,300	2.5
Other	340,770	9.1	262,200	8.4
<b>Total Plan Assets</b>	<b>3,751,762</b>	<b>100.0</b>	<b>3,107,200</b>	<b>100.0</b>

### Sensitivity Analysis:

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

Sensitivity Analysis	31 March 2017		31 March 2016	
	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	519,750	10.0%	421,900	10.0%
0.5% increase in the salary increase rate	89,634	2.0%	124,900	3.0%
0.5% increase in the pension increase rate	421,964	8.0%	290,900	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 £0.5 million were acquired at no cost by the Agency 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 SoCNE, as income or as an expense.

The Agency 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**

The Agency is exposed to minimal credit risk as loans and receivables are comprised of trade and other receivables. 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. The Agency manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship. The Agency has no collateral to mitigate against credit risk.

### **Interest rate risk**

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

### **Liquidity risk**

The Agency's financial liabilities are trade payables, other payables, accruals and finance leases. It is unlikely that The Agency 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**

The Agency 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, the Agency 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 the Agency 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

NOMS is an Executive Agency of the Ministry of Justice (MoJ), which is regarded as a related party. During the year the Agency has had material transactions with the MoJ and other entities for which the MoJ is regarded as the parent entity. The Agency has also had material transactions with a number of other government departments and central government bodies. In accordance with requirements of the FReM these transactions have not been reported.

A close relative of Simon Boddis, Interim Director of NOMS in Wales from 15 August 2016, is employed by the Agency on a permanent basis.

Sir Martin Narey, who is a non-executive director of MoJ, is also a non-executive member of the board of Unilink Software Ltd, which is a supplier to the Agency. The Agency made payments to Unilink Software Ltd totalling £0.9 million in 2016-17 (2015-16: £0.5 million).

## 23. Machinery of Government Change

On 15 September 2016 the Prime Minister announced that policy responsibility for education and training provision for those subject to adult detention in England would transfer from the Department for Education to the Ministry of Justice on 1 October 2016 and would be overseen by the Agency. Prison education includes the Offender Learning and Skills Service (OLASS) contracts and the national grant funding.

		2015-2016		
	Notes	As previously reported £000	Restatement	Restated £000
Income from sale of goods and services	3	(64,954)	-	(64,954)
Other operating income	3	(280,353)	-	(280,353)
<b>Total operating income</b>		<b>(345,307)</b>	<b>-</b>	<b>(345,307)</b>
Staff costs	4a	1,806,015	-	1,806,015
Purchase of goods and services	4b	2,032,414	143,435	2,175,849
Depreciation and impairment charge	4c	244,305	-	244,305
Provision expense	4d	30,583	-	30,583
Other non-cash expenditure	4e	117,619	-	117,619
<b>Total operating expenditure</b>		<b>4,230,936</b>	<b>143,435</b>	<b>4,374,371</b>
<b>Net operating expenditure</b>		<b>3,885,629</b>	<b>143,435</b>	<b>4,029,064</b>
Finance expense	4f	74,150	-	74,150
<b>Net expenditure for the year</b>		<b>3,959,779</b>	<b>143,435</b>	<b>4,103,214</b>

## 24. 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:

From 1 April 2017 NOMS became Her Majesty's Prison and Probation Service (HMPPS). This change was part of the wider reform of the MoJ. From 1 April, the MoJ will be responsible for policy development and strategic commissioning. HMPPS will specialise in operational delivery in custody and the community, the HMPPS headquarters function will focus on supporting prison and probation services. Corporate support functions to HMPPS, such as digital, finance and analytical services will be provided under a functional leadership model from the MoJ.

HMPPS is an Executive Agency of the MoJ and has been allocated an annual budget for the financial year 2017-18.



