



HM Prison &
Probation Service

Her Majesty's Prison and Probation Service Annual Report and Accounts 2018-19

HC 2291

Her Majesty's Prison and Probation Service Annual Report and Accounts 2018-19

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Performance Report





Overview

Purpose, Vision and Values

Preventing victims by changing lives

Our Statement of Purpose

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

Our Vision

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

Our Values

Purpose – We implement the sentences and orders of the courts. We prevent victims by changing lives.

Humanity – We believe that lives can change for the better. We work to encourage hope and to provide opportunities for rehabilitation. We treat everyone with decency and respect.

Openness – We are fair. We know that clear and just decisions make a difference in our work. We are transparent about what we do and look to learn and innovate to do better.

Together – We value diversity. We work across prisons, probation and youth custody and with our partners and providers to make a positive difference to communities.

Foreword by the Chief Executive Officer



I am pleased to be the new Chief Executive Officer for Her Majesty's Prison and Probation Service (HMPPS). It is clear we have much to do to prevent violence, protect our staff and people in our care, and reduce the availability of drugs in prison. These are difficult challenges, but ones I am determined we will address. At the same time, we have a huge opportunity to focus our service on rehabilitation and resettlement as we bring offender management together to ensure seamless transition from prison

as well as support those being supervised in our communities and prevent victims of crime. I look forward to building on the foundations of previous years and making this a service recognised for the progress it can make across prisons, probation and the Youth Custody Service.

In the time I have been in post, I have been impressed with the work of the dedicated staff across the service. We should not underestimate the efforts which have been put in to drive improvement. While the number of assaults in 2018 rose compared to 2017, the latest quarter has seen a reduction in assault incidents. Self-harm incidents increased over the past year but have also decreased over the last quarter. We are not complacent, but these small signs of progress should make us even more determined to continue our efforts to improve safety in our prisons.

In August, we launched the Ten Prisons Project to reduce violence in ten of our most challenged prisons. The project has targeted reducing drug use, improving decency and building leadership capability. I am particularly pleased with the development of the Prison Officer Guide and the deployment of the Standards Coaching Team, which supports prisons to maintain high standards of behaviour. Next year, I look forward to applying the learning across all of our prisons.

In probation, we have recently announced the plans for the future of probation services, bringing all of offender management under the National Probation Service (NPS) while retaining the best of the private and voluntary sectors to support rehabilitation and resettlement. These important changes are designed to make the system work as effectively as possible and meet our aims of a probation system that commands the confidence of the courts and the public.

We continue to face challenges in the Youth Custody Service. Levels of violence remain high and reports have raised concerns about safeguarding in the youth custody estate. We are taking action and our comprehensive reform programme is underway including the creation of 128 additional frontline posts, the roll out of the Youth Justice Foundation degree and the deployment of the youth specific Custody Support plan.

The estate across HMPPS remains a concern, with ageing buildings which require significant investment to ensure that they remain decent, fit for purpose and support our efforts to rehabilitate. We are not ignoring this and have invested an additional £30 million to improve the fabric of prisons, targeting those with the most pressing

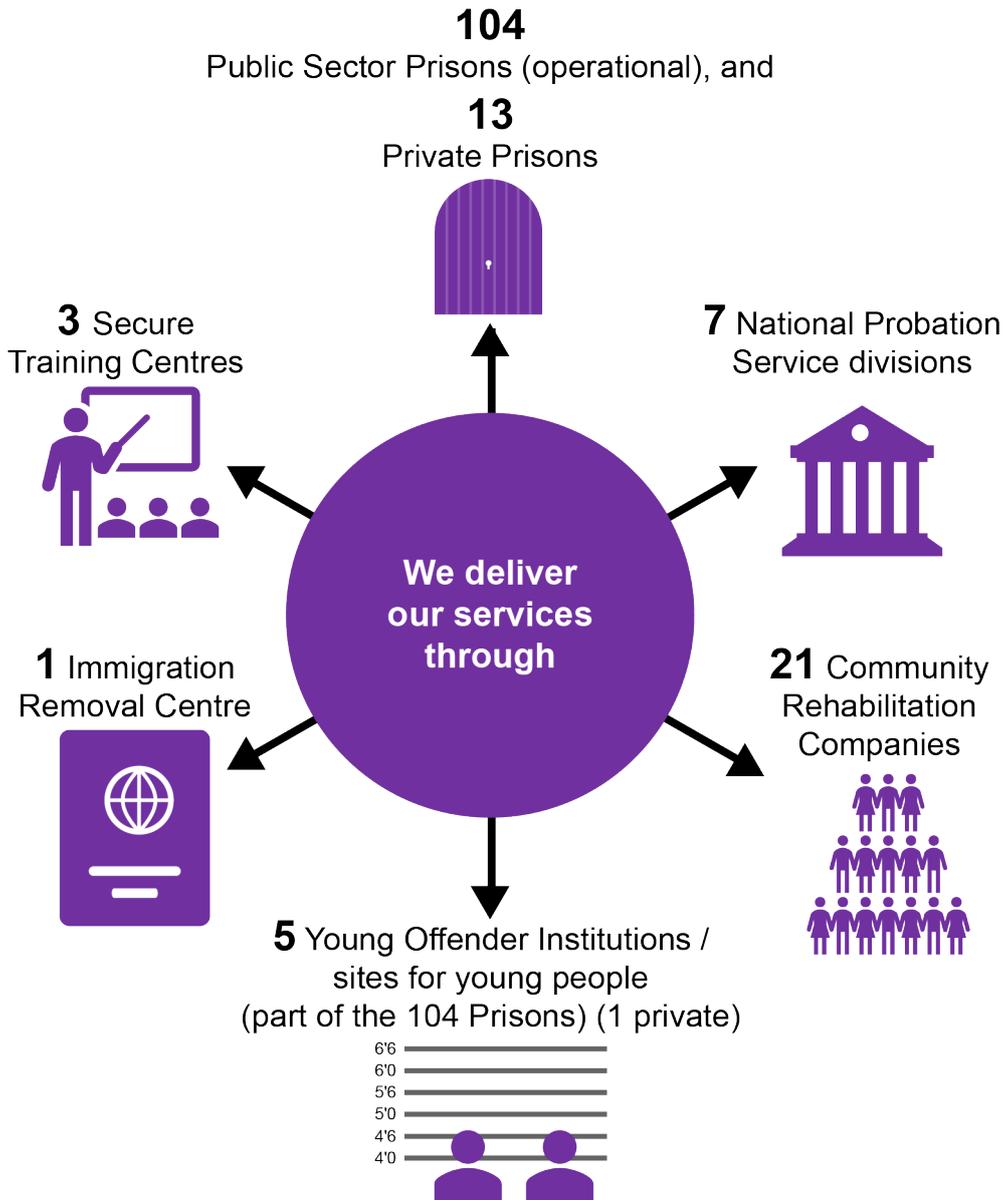
maintenance issues. With this funding we delivered refurbishments of cells, showers and serveries at a number of prisons. Significant work, including demolition, has been completed and construction is due to start shortly on the new Wellingborough prison, which is due to open 2021.

Next year, we must look forward and continue to strengthen all our services. The work I have seen in my first few months has shown me that people in the service understand the importance of our work and the significant difference we can make to people's lives. This dedication and passion drives all of us to address the challenges we face as we make this an exceptional prison and probation service.

Dr Jo Farrar

Chief Executive Officer
Her Majesty's Prison and Probation Service

How our services are structured



We report on our performance across five main areas:

Managing Offenders in the Community

- the National Probation Service (NPS) advises sentencers and works with high-risk offenders in the community and custody
- 21 Community Rehabilitation Companies (CRCs) (private sector) provide probation services for low and medium risk offenders and Through the Gate resettlement services for offenders prior to discharge from prison
- we provide reliable and effective Electronic Monitoring curfew services of offenders and defendants using private sector suppliers

Managing Offenders in Custody

- we carry out custodial orders and sentences given by the courts, helping people in our care to reform
- we want to ensure that prisons are decent and safe – this includes reducing violence, self-harm and self-inflicted deaths in prisons
- we provide education and work opportunities for offenders to reduce reoffending rates on release
- we deliver a safe and secure prisoner escort service through private suppliers
- we support the Home Office in the removal of Foreign National Offenders through the provision of dedicated prison places

Youth Custody Service

- we carry out custodial roles and sentences given by the courts to young people under the age of 18, providing child-centred services aimed at successful transition to the community and to adulthood

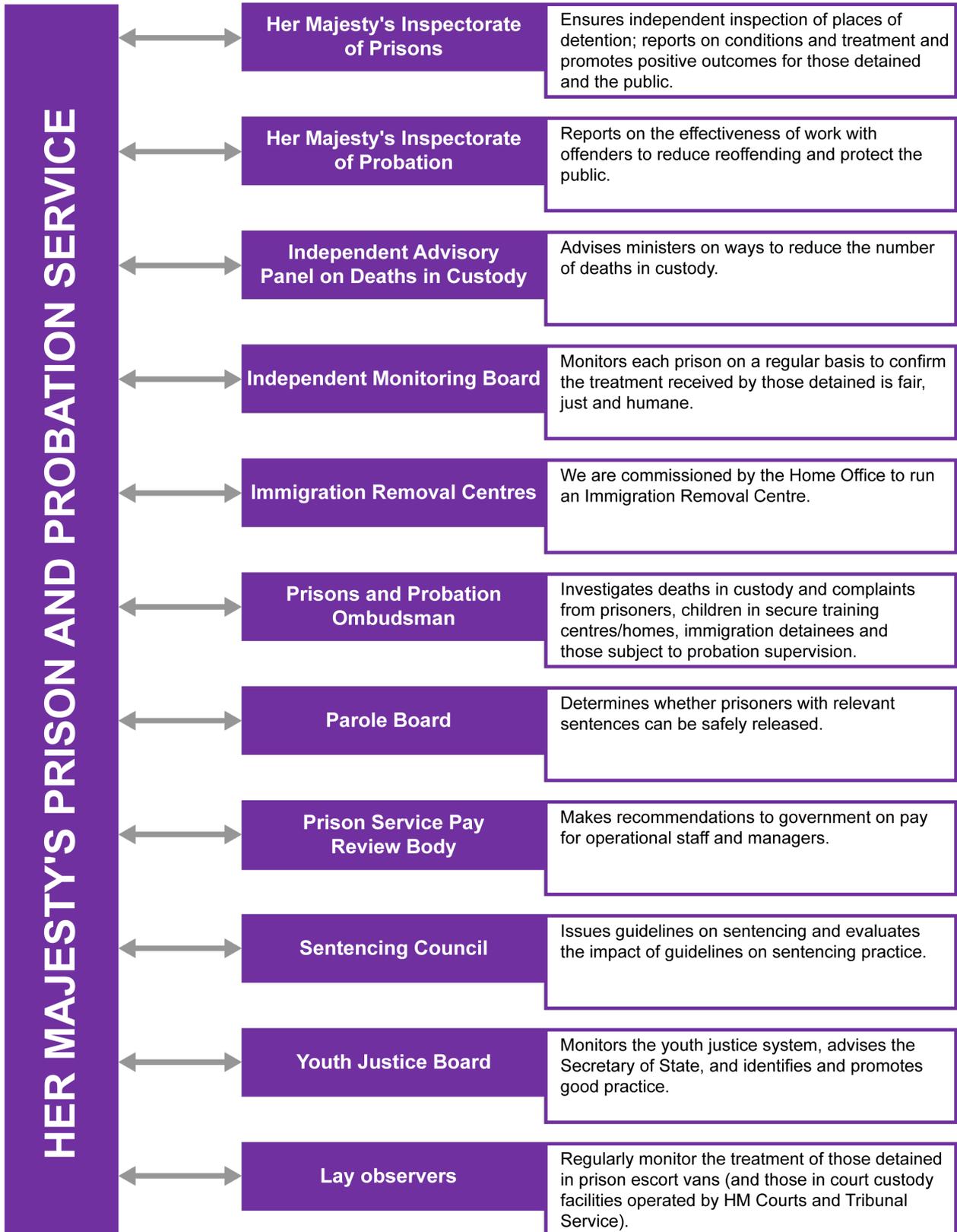
Women / Female Offender Strategy

- we manage the custody of female offenders through a dedicated women's prison estate and providing probation services to female offenders in the community

HMPPS in Wales

- we work closely with the devolved Welsh Government to provide the following justice services in Wales: managing offenders in custody (through public and private prisons); and probation (through NPS, CRCs and Electronic Monitoring)

We work with the following partners and Arm's Length Bodies to deliver and assure the quality of our services:



Performance Summary

Our strategic objective is to deliver a prison and probation service that reforms offenders. We seek to deliver custodial services that are safe, decent and secure across all services to protect the public, enabling an environment which allows us to deliver rehabilitative services.

Throughout 2018-19, the Agency continued to face operational challenges across prisons, probation and youth custody but has also taken significant action to address these. We have made progress in building the foundations on which we will be able to improve the way we keep staff and offenders safe, protect the public, and ultimately change lives.

Community provision

We have seen challenges across the NPS and CRCs linked to the changing case mix of offenders which has required action across the whole system. We have responded to this by negotiating the contractual changes necessary with CRCs to stabilise and improve performance for the remainder of the existing contracts (ending in 2020) and enhancing the specification for provision of Through the Gate services. In the NPS, we have increased the number of qualified probation officers to deliver effective services to offenders.

In 2018-19, we continued in our efforts to deliver an efficient probation service that integrates community services with those services delivered in custody. At the same time, we continued to provide effective advice to court, manage offenders safely in the community and provide a service to victims.

The majority of the probation key performance indicators show improvements in 2018-19, including completion of unpaid work and community orders / suspended sentence orders. In addition, measures of sentence plan timeliness in both the NPS and CRCs have improved. In the NPS, sentence plan timeliness for orders and licences stand at 98%. During 2018-19 we have:

- taken action to better integrate community services with those services delivered in custody, to support offenders on release from prison
- launched a new tag which allows for more effective location monitoring, built on the success of an 18-month pilot
- developed a rollout plan to provide probation expertise in a custodial setting as part of the Offender Management in Custody model

We are planning for a future probation service which will strengthen the system to meet our strategic objectives. We have set out the blueprint for this, where the NPS will take over responsibility for all offender management, leading to the supervision of over 250,000 low-, medium-, and high-risk offenders every year being delivered by trained NPS professionals. This will include significant and more clearly defined roles for the

voluntary and private sector in the delivery of unpaid work, accredited programmes, and resettlement and rehabilitative interventions.

Custody

It has been clear throughout the year that our focus on improving safety and decency in prisons has remained necessary. This was borne out in our performance metrics and also through the voice of external scrutiny on our custodial services. We have done this by building on the success of our recruitment drive and continuing the implementation of the new key worker model as part of the Offender Management in Custody model – all 92 prisons across the closed male estate have now begun delivering key worker sessions. We have made additional investment in improving conditions and decency. We have done this through investment in the physical infrastructure – including work to refurbish cells, sanitation and communal areas – and with staff and prisoners to get the basics right. We have begun the work to build two new prisons and made progress in our long-term plans for investment to renew and repurpose our estate and infrastructure.

This has seen some promising signs of progress and we also know that for many offenders the system is working better. Tens of thousands of offenders every year experience well-run prisons with committed and dedicated staff. Around half of our prisons are rated good or reasonably good by inspectors for safety and for purposeful activity (in the latest available reports for each establishment), while around two-thirds meet the standards for rehabilitation and release planning and respect. We remain committed to improving these proportions.

Through our Youth Custody Reform programme, we have undertaken work to improve safety and address the serious issue of violence – this includes:

- implementing a framework of integrated care for the children and young people's secure estate
- reviewing our approach to behaviour management
- opening a further enhanced support unit at HMP Wetherby Young Offender Institution

We have begun a new programme of work for female offenders, driven by a vision to see fewer women coming into the Criminal Justice System.

During 2018-19, we have also:

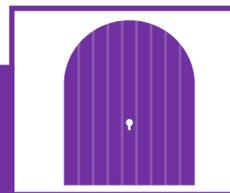
- responded proactively to Urgent Notifications and performance indicators through the effective targeting of resources to support individual establishments
- continued to recruit staff with a net increase of 4,675 full time equivalent (since the end of October 2016) band three to five prison officers. Alongside this, we have also invested in improving leadership and capability
- made a £10 million investment in ten of the most challenging prisons, bolstering security and tackling drug supply by bringing in additional staff, kit and skills

- introduced a drugs taskforce and published a drugs strategy to address both supply and demand across the system. The average rate of positive mandatory drug tests has fallen from 20% in 2017-18 to 17% in 2018-19
- taken action to improve security by investing in technologies to address contraband entering prisons
- worked to address inequality in our system and in particular progress on the 'Lammy' delivery programme to ensure that all his HMPPS-related recommendations to reduce discriminatory treatment of Black, Asian and minority ethnic (BAME) prisoners are being implemented

Safe and Decent prisons



Provide decent, secure accommodation for offenders, and reduce levels of violence and self-harm

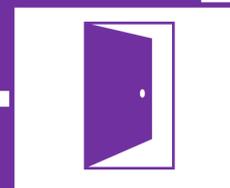


Public Protection



Build confidence and trust in an effective probation system

Reduce the use of prison and increase the use of community and alternative sentences



Reduce reoffending



Work with our partners across government to address the causes of reoffending while offenders are in custody and in the community



Performance Data

Performance data is included throughout this report, rather than in a separate annex, so that the relevant performance data is shown alongside the key activities the Agency has undertaken in these areas.

For example, the custody section includes data on safety, drug testing and HM Inspectorate's healthy prison tests. Similarly, the community section includes data on recalls, sentence plan timeliness and reoffending rates.

Timely and accurate data on performance is key to the effective management of the Agency. Key Performance Indicators are reviewed annually to ensure that they reflect ministerial priorities and the departmental strategy.

They are developed in partnership between HMPPS and policy teams and agreed by the HMPPS Leadership Team before being presented to ministers for final approval.

The department's analytical services function provides monthly Key Performance Indicator data to the Prison, Probation and Youth Custody Service Operational Management Committees which review the latest position, trends and actions that may be required to address areas of poor performance and manage risks.

A more detailed review takes place at the end of each quarter, where evidence from the Operational and System Assurance group's internal scrutiny reports are also considered. This data is then escalated as necessary to the HMPPS Leadership Team via the Operational Management Committee and sub-committee monthly performance, finance and risk reporting templates which the Agency Board also consider on a quarterly basis.

Most of the measures also feed into the MoJ performance dashboards which are discussed monthly at the Departmental Executive Committee and at the HMPPS Chief Executive's hold to account meetings with the MoJ Permanent Secretary.

Managing Offenders in the Community

We are committed to delivering an efficient probation service that integrates community services with those in the custodial setting while continuing to provide effective advice to the courts, managing offenders safely in the community, and providing a service to victims.

This work is delivered through public sector (the NPS), and private and third sector partners (CRCs). We draw on a range of interventions and services to safeguard the public and reform offenders. This includes the use of Electronic Monitoring, where we have built on the success of an 18-month Global Positioning System (GPS) pilot, concluding in the launch of a more effective location monitoring tag.

Significant structural changes to probation services are underway following the conclusion of the public consultation – Strengthening Probation, Building Confidence. These changes are being delivered to build on the positive changes introduced by the Transforming Rehabilitation reforms while addressing challenges in the system. New arrangements for probation service delivery – which are set out below – are intended to be in place by spring 2021.

The National Probation Service

The highest risk offenders are managed by the NPS.

In our 2018-19 business plan, we set out our ambition to deliver improvements to our provision of services to offenders and victims of crime. We are committed to continuing our work to improve the quality of the supervision and support our practitioners receive from their line managers. We continue to develop and plan for the roll out of the Offender Management in Custody model with a clear ambition to provide probation expertise in custodial settings.

We have built on recent success in developing new digital solutions that free our staff to spend more time working face-to-face with offenders. We will continue to work collaboratively with our colleagues in digital services and with other probation providers to ensure we develop effective tools to support the delivery of our services.

In response to the new Women's strategy, we have embedded several new ways of working, including improved guidance and training to our staff – particularly those providing advice to court.

We have supported many initiatives to improve the way we work with other probation providers, including work to improve the speed at which we share information on risk across the probation system.

In the NPS, we deliver mandatory polygraph testing, which has become a valued tool in the management of high-risk sex offenders.



Between August 2014 and January 2019, **3,859** polygraph tests have been conducted on high risk sex offenders in the community

All polygraph test reports are quality assured by our independent quality assurance contractor, and test outcomes and disclosure rates are recorded. Our last quality assurance assessment covering the six-month period to November 2018 indicated that in 62% of tests, disclosures were made at some point in the examination.

This year, we have also worked with MoJ and Home Office colleagues to include provisions for a pilot of the use of polygraph testing for high risk domestic abuse victims in the Domestic Abuse Bill.

We continue to develop our risk management tools for sex offenders and will be implementing a new more efficient and refined actuarial risk predictor in the next financial year. We have also developed ‘Maps for Change’ – a package of over 40 exercises which offender managers can deliver individually to men convicted of sexual offences under their supervision.

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



We continue to manage around **7,500** restricted patients; around **4,800** detained in hospital and around **2,700** conditionally discharged into the community



The Mental Health Casework section undertakes risk assessments, in collaboration with responsible clinicians and social supervisors, to inform vital and sensitive decisions in relation to prison transfers, hospital transfers, escorted and unescorted community leave, remission to prison, discharge and recall.

Staff training to be probation officers, work as probation services officers during their training. So, a proportion of the probation services officers in post will be working towards the professional probation officer qualification.

As at 31 March 2019, there were 2,682 (full time equivalent) band three probation services officers in post, an increase of 135 (5.3%) over the quarter and an increase of 325 (13.8%) over the past year. In the past year, 624 probation services officers were appointed, some of whom will be training to become qualified probation officers.

Published Workforce Statistics can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801837/hmpps-workforce-statistics-march-2019.pdf

In spite of new recruitment, we continue to carry vacancies across the system. These continue to be backfilled by agency staff. Filling them remains a challenge, but we forecast that by 2020 we will have sufficient numbers of permanent members of staff to enable us to reduce our reliance on agency workers. We have continued to develop our workforce planning tool, which is now providing us with greatly improved pay forecast data.

Despite financial constraints, the NPS has been working to address the problem of the low take up of interventions provided by the CRCs. Expenditure on this rose by 28% in 2018, compared with the previous calendar year.

From 2021, future probation arrangements will see the NPS take on the management of all offenders regardless of risk level. The NPS will also be expected to directly commission rehabilitative and resettlement interventions from the private and voluntary sectors using a dynamic commercial framework. This will be facilitated by a rationalisation of probation regions across England to better support partnership working at a regional and local level, driven by a new regional leadership structure.

In England, these arrangements are intended to be in place by spring 2021, while in Wales – where plans are more advanced and where regional arrangements are already well established – the NPS is expected to assume responsibility for managing all offenders by the end of 2019.

Community Rehabilitation Companies

There has been a general improvement in service level performance across CRCs for 2018-19, but performance does remain a cause for concern. Service level metrics focus on process and timeliness, so they do not necessarily reflect the quality of delivery as reflected in inspections. Contract management teams, alongside other departmental teams, are undertaking proactive activities to mitigate the risk to performance quality.

Changes to the performance measures in support of the Probation Service Review have made a positive impact, but further work is needed on increasing enforcement performance levels, risk management and improving the quality of unpaid work practice. Contract management continues to focus on the quality of delivery alongside metrics.

The latest CRC performance reports can be found on GOV.UK:

<https://www.gov.uk/government/collections/prison-and-probation-trusts-performance-statistics#community-performance-statistics>

Our contract management teams robustly manage compliance with contracts. Where a provider is not performing satisfactorily, we may impose a contractually binding 'improvement plan' setting out the actions to be taken; apply a 'service credit' for service levels to compensate us for our losses; or, ultimately, terminate a contract for material breach.

Currently there have been 34 improvement plans imposed. We continue to monitor progress against action plans in response to audits and inspections, including invoking authority response plans for those CRCs that receive an overall inadequate rating by Her Majesty's Inspectorate of Probation or an inadequate rating for case supervision.

Working Links, the parent company to three CRCs – Wales; Dorset, Devon and Cornwall; and Bristol, Gloucestershire, Somerset and Wiltshire – went into administration on 14 February 2019. The MoJ was made aware of Working Links' financial situation and enacted contingency plans to ensure continued probation delivery.

On 15 February, the MoJ announced that Seetec, the owner of Kent, Surrey and Sussex CRC, was now responsible for the three Working Links CRCs, through a variation to their current contract. Further to the contract variation being signed, the MoJ has enabled a mobilisation project and governance to carefully manage the transition of services minimising disruption for staff and service users, and ensuring this contract is managed effectively.

Under future probation arrangements, the offender management functions currently discharged by CRCs will be transferred to the NPS. The planned changes will see contracts to deliver unpaid work and accredited programmes competed on a regional basis. More flexible commissioning arrangements will govern the delivery of rehabilitative and resettlement interventions to encourage the participation of smaller and more specialist organisations.

Arrangements are in place to extend CRC contracts to ensure a successful transition to the new system. HMPPS will work closely with CRC parent organisations to minimise disruption during the transition, including for staff and sub-contractors.

Operational Performance

HMPPS Operational Performance 2018-19

Probation

Initial Contact

There was a general improvement on performance for both NPS and CRCs in the initial contact with offenders in 2018-19 (Apr-Dec 2018) when compared to 2017-18. However, performance for CRCs initial contact with offenders released from custody on licence was maintained.

NPS Initial Contact (Community Orders & Suspended Sentenced Orders)



CRC Initial Contact (Community Orders & Suspended Sentenced Orders)



NPS Initial Contact (Release from custody on licence)



CRC Initial Contact (Release from custody on licence)

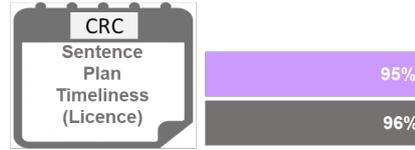
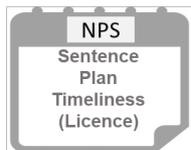
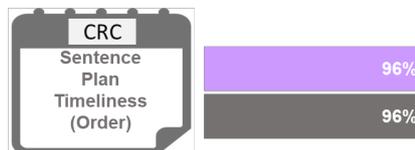


Target = 97%

Target = 93%

Sentence Plan Timeliness

Against measures of sentence plan timeliness, the NPS have improved in 2018-19 (Apr-Dec 2018) compared to 2017-18. However, CRCs performance continued to be below target.

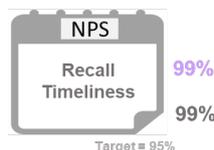
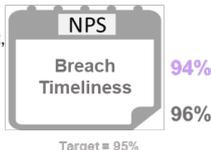


Target = 97%

Target = 97%

NPS Breach and Recall timeliness

On measures of enforcement, the NPS maintained or improved upon 2017-18 performance.

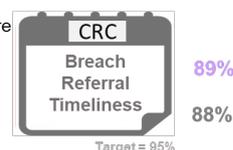


Target = 95%

Target = 95%

CRC Breach Referral timeliness

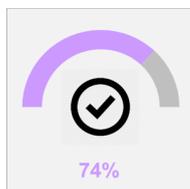
On the CRC measure of enforcement, performance fell slightly in 2018-19 (Apr-Dec 2018).



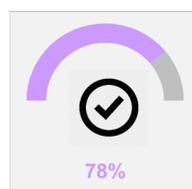
Target = 95%

Completion of the sentence of the court

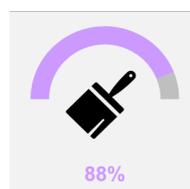
The majority of the probation key performance indicators show improvements in 2018-19 (Apr-Dec 2018) when compared to 2017-18.



NPS Completion of CO/SSO



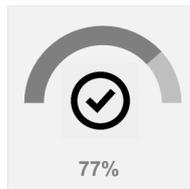
CRC Completion of CO/SSO



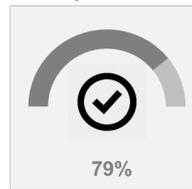
CRC Completion of Unpaid Work



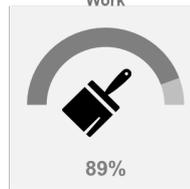
CRC Completion of Accredited Programmes



Target = 75%



Target = 75%



Target = 90%



Target = 90%

2017-18

2018-19 (April to December 2018)

Through the Gate

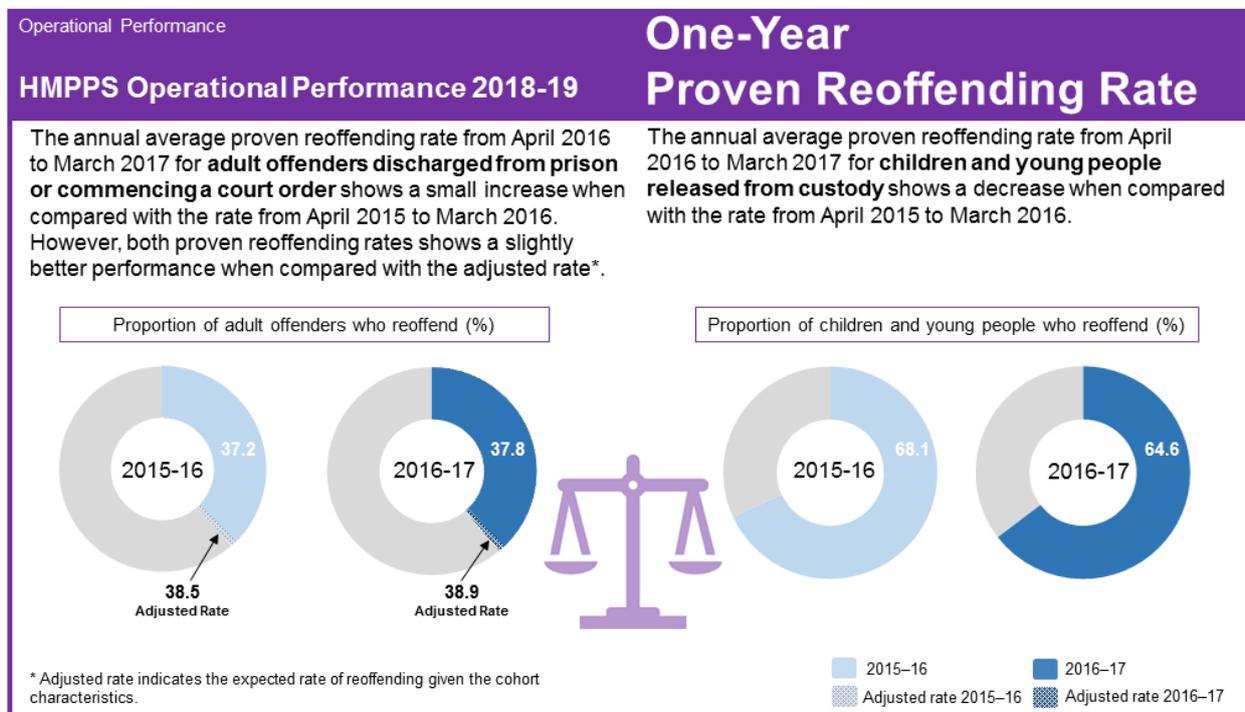
Through the Gate services are intended to help offenders prepare for release and then reintegrate into society, making them less likely to reoffend.

We have invested an additional £22 million per annum to make improvements to these services (2018-19 was the mobilisation period where seven million was spent). An enhanced service specification is currently being implemented which better defines what is required of the 21 CRCs who deliver the services and the associated contracts have been revised to reflect the more explicit definitions.

Specific activities are now mandated as part of a defined minimum Through the Gate service covering accommodation; employment training and education; finance benefits; and debt. There are additional services for some vulnerable groups.

The contract variations were signed between August and October 2018 and we are working closely with providers and stakeholders to ensure that the new services are fully implemented. Full national implementation has started and 83 out of 86 prisons have gone live (as at July 2019). We are assessing the readiness of the remaining three to go live during the summer 2019.

In future, responsibilities for assessing offenders' needs and identifying and coordinating the interventions required will be delivered through the NPS. We will use the dynamic framework for private and voluntary sector organisations to deliver those interventions.



Electronic Monitoring

One of the tools used to manage offenders in the community is Electronic Monitoring (EM). During 2018-19, important milestones were met to develop the next generation of EM. Our EM programme is responsible for developing a new national service, which will allow us to monitor offenders more effectively and innovatively to support wider justice system reform.

Our strategic objectives are to:

- replace the existing curfew tag provision
- introduce a new location monitoring capability using GPS tags
- introduce a new case management system and EM portal
- build a robust and scalable operational service able to accommodate further EM innovation in the future

Building on the success of the 18-month GPS pilot, we launched location monitoring tags. Location tags can be used to monitor exclusion zones, and monitor a subject's trail or their attendance at a particular activity. The strategic benefits are:

- providing a cost-effective alternative to custody
- delivering more effective options for managing offenders in the community
- improving public protection
- improving the efficiency of EM Service operations

We have rolled out location tags across England and Wales for eligible post custody cohorts and work continues on achieving national coverage for Court Bail and Community Sentences ahead of the roll out of the full new service.

During the year there have been improvements in the accuracy, speed and nature of information provided to stakeholders to ensure enforcement of orders is swift and effective.

The 'Bridge Contract' (in between the previous contract and the next generation of EM) continues to deliver £3.5 million per year cashable savings against the previous contract, with a further £3.1 million returned to MoJ through profit share this year.

Indeterminate Sentence Prisoner Progression

We continue to oversee a range of initiatives, through the joint HMPPS and Parole Board Imprisonment for Public Protection action plan, to help indeterminate sentence prisoners, and particularly Imprisonment for Public Protection prisoners, better understand their risks and increase their chances of successful and sustained release into the community.

Through continuing the delivery of the initiatives within the joint action plan, we have:

- prioritised post-tariff prisoners in accessing rehabilitative interventions, Psychology Services-led reviews, and enhanced case management (for those Imprisonment for Public Protection offenders sentenced with a complex set of risks and needs)
- developed progression regimes at four prisons across the country, which are dedicated to progressing Indeterminate Sentence Prisoners struggling to achieve release via the usual routes

The unreleased Imprisonment for Public Protection population in custody stood at 2,403 at the end of March 2019, significantly lower than its peak of 6,082 at the end of June 2012.

Case Study

Offender Management



Situation

An offender received an Imprisonment for Public Protection sentence of two years and six months for a wounding offence. (This sentence meant the Parole Board must agree to his release.)

After originally leaving prison, he was recalled for a further offence of robbery. On three occasions his behaviour in custody deteriorated before his parole hearings, and he was still in prison seven years after his original sentence.

Solution

This man was identified as having traits of anti-social personality disorder, and he was moved onto the supportive Offender Personality Disorder Pathway.

His offender manager worked with a psychologist to build a meaningful working relationship with him and think about the reasons behind his challenging behaviours.

He was referred to a prison with a progression regime, to help prepare him for life in the community (and show the Parole Board he was ready for release).

Through enhanced behaviour monitoring his positive behaviours were reinforced and validated, and he learnt to take responsibility and develop confidence in himself.

A psychologically informed approach was used to create risk and resettlement plans and this information was shared with his key workers in custody and in the community.

Outcome

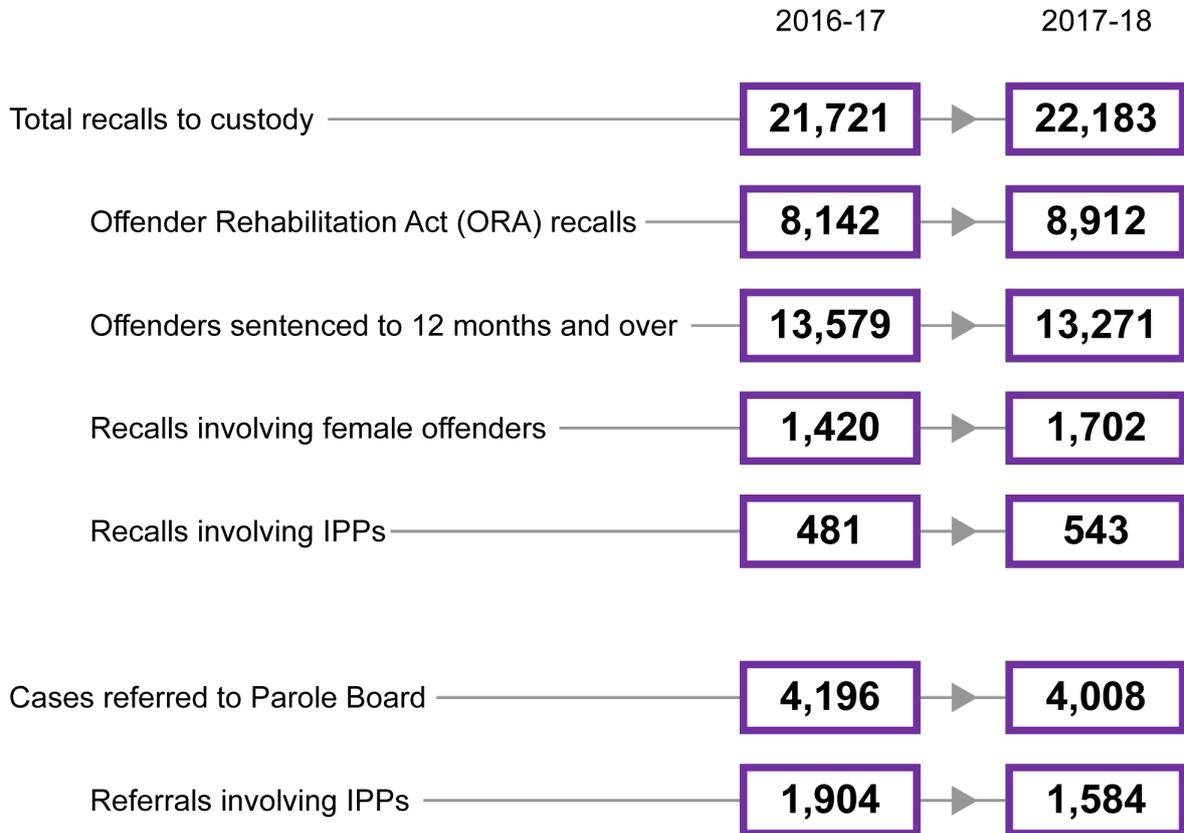
This supportive approach helped him to gain trust and confidence in himself. He has now managed the transition from custody, to Approved Premises in the community, to independent living.

Since his release, he works effectively with his offender manager and openly discusses his concerns and anxieties. He has tested negative for substances and fully engages in relapse prevention work.

He will face challenges and will require support for a significant period, but he is now accepting of the help available.

Recall and parole

We continue to revoke licenses where it is necessary to protect the public. We have produced guidance to support front line staff to ensure that recall is used appropriately to protect the public and to ensure that recalled offenders remain in custody as long as necessary to protect the public.



Victims

We have made several significant changes to the way we deliver victim services in line with the review of the Victim Contact Scheme. We continue to develop a new professional framework for providers of probation services.

We provide services for victims of serious sexual or violent offences, to enable them to receive information about the progress of the offender’s sentence and any significant milestones, such as a Parole Board review, or if an offender is moved to open conditions, or released from prison.

The review of the operation of the Parole Board identified a number of ways in which the scheme could be improved. These included new guidance, to provide greater flexibility in offering discretionary contact to victims who do not meet the statutory criteria for the scheme, and driving up the quality and timeliness of communication with victims.



In 2018-19 we have:

- developed our service to enhance the efficiency of the Victim Contact Scheme through improved information technology
- developed new training for Victim Liaison Officers. We have also improved the information available for victims on GOV.UK, and the Victim and Witness Information website
- broadened eligibility criteria, resulting in the Victim Contact Scheme service being offered to more people, including to victims where the court has ordered that an offender's alleged crimes remain on file. It is now easier for victims who wish to enquire about the Victim Contact Scheme, or who have lost contact with their liaison officer, to establish contact through an email via the GOV.UK website

Managing Offenders in Custody (Public & Private)

Within custody, our first duty is to ensure that prisons – whether managed by the public or private sector – deliver the custodial orders of the courts. We strive to provide a safe, secure, decent and positive environment – an essential foundation for building a supportive and rehabilitative culture that motivates and enables prisoners to make positive changes in their lives.

A new Public Sector Prisons management structure was introduced in April 2018, which has generally resulted in smaller prison groups with greater operational links and dependencies. This has provided greater links between prisons within a group, working closer together geographically and functionally. These changes enhance our management grip, enable greater support for governors, and improve our change management capacity.

A revised performance framework – the Prison Performance Tool – has been introduced to hold governors to account for performance at prison level. The framework comprises 31 measures across six domains, four of which are aligned to Her Majesty's Inspectorate of Prisons' Healthy Prison Test areas – Safety, Respect, Purposeful Activity and Rehabilitation and Release Planning – as well as domains covering Security and Organisational Effectiveness.

Work has taken place to ensure that a consistent approach to assurance and risk registers is in place throughout the estate.

Case Study

Rehabilitative Culture: Active Citizenship at HMP Stafford**Background**

Rehabilitation means addressing the reasons why people commit crime; it involves helping people to think differently or behave differently so they can live a law-abiding life.

HMP Stafford's vision to return citizens, not offenders, to the community has led to its "Active Citizenship" scheme.

The scheme

Active Citizenship is about people being accountable and responsible for their actions, and understanding the wider impact of their behaviour on others.

Stafford's scheme offers residents and staff the chance to sign up and offer their skills – including gardening, painting/decorating and art – to be part of creating and maintaining a pleasant and caring community for all.

As well as keeping the physical environment clean and attractive, the scheme is an example of a "Do Good Be Good" approach, enabling people in prison to try out new identities as people who contribute to society and care for others. (This kind of identity is associated with stopping being involved in crime.)

As part of this, around a dozen peer support schemes – including caring for the elderly and organising leisure and entertainment activities – involve Stafford's residents in helping others and the wider community, one the cornerstones of being an active citizen.

Evaluation

Stafford's Active Citizenship scheme has been independently evaluated by Nottingham Trent University. Residents report very high levels of experienced safety and community cohesion, speaking consistently to the researchers about the meaning and hope they have achieved from helping each other and working for the prison community.

Safety and Decency

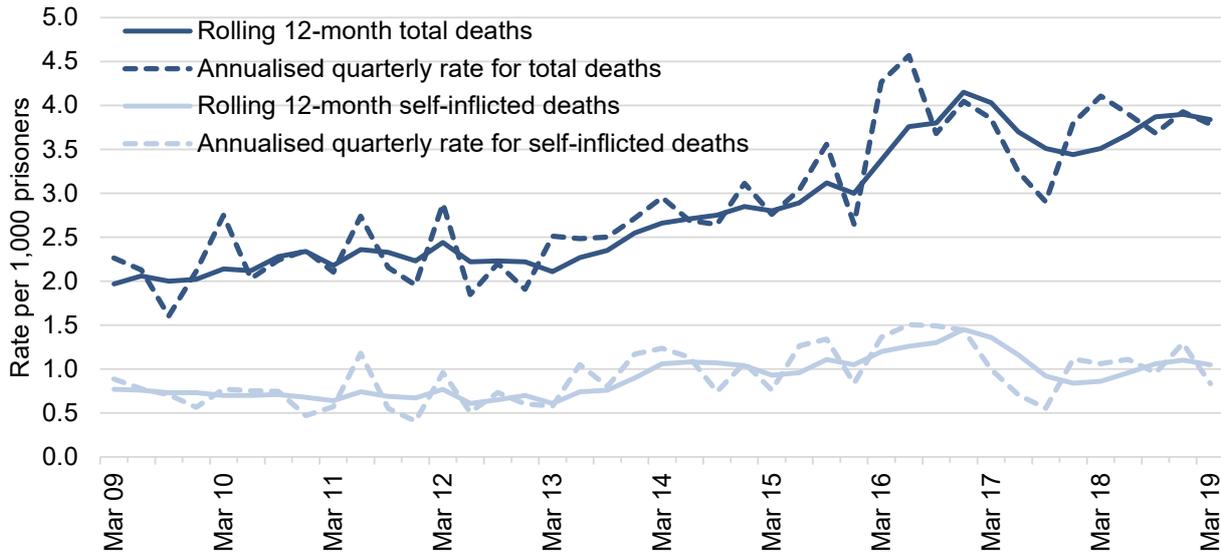
Reducing violence, self-harm and self-inflicted deaths is essential for all prisons. Every death in custody is a tragedy and we work hard to learn the lessons from each one.

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.

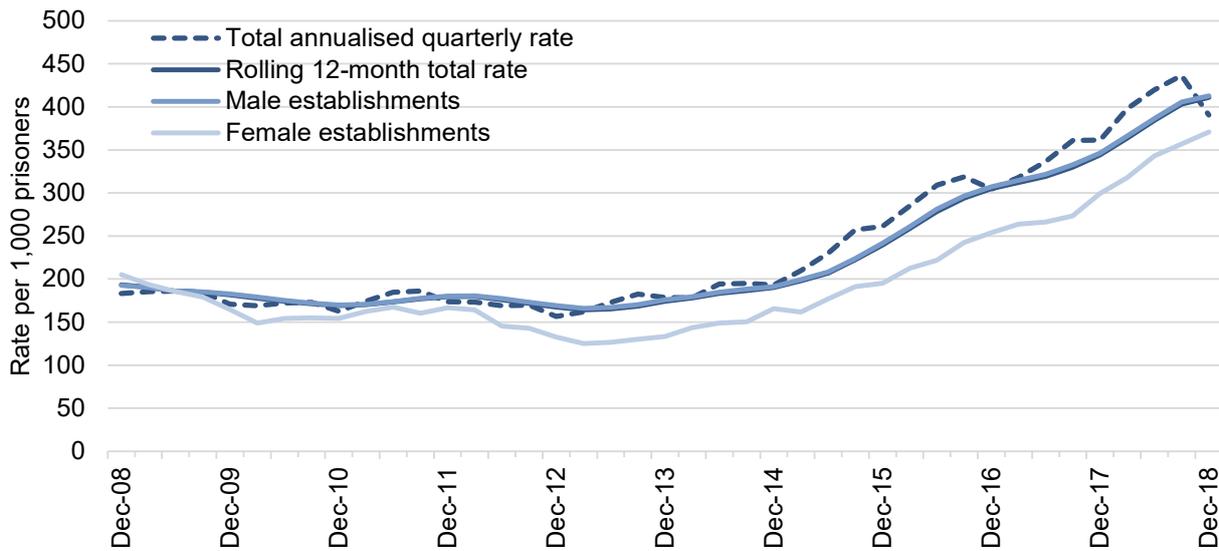
There has been a worsening of published data for the latest 12 months on violence, self-harm and self-inflicted deaths – although the data for the last quarter showed an improving position. While the number of assaults in 2018 rose compared to 2017, the latest quarter has seen an 11% reduction in assault incidents. Self-harm incidents increased over the past year but decreased by seven percent over the last quarter.

These improving recent trends are attributable to the actions put in place and the focus placed on these issues from the operational line. Levels of self-inflicted deaths, self-harm and violence remain high and further work is required to continue to drive improvement.

Rate of deaths per 1,000 prisoners



Rate of assaults overall per 1,000 prisoners by gender of establishment



We have a wide-ranging national Prison Safety Programme in place that is coordinating activity to address the issues of violence, self-inflicted deaths and self-harm.

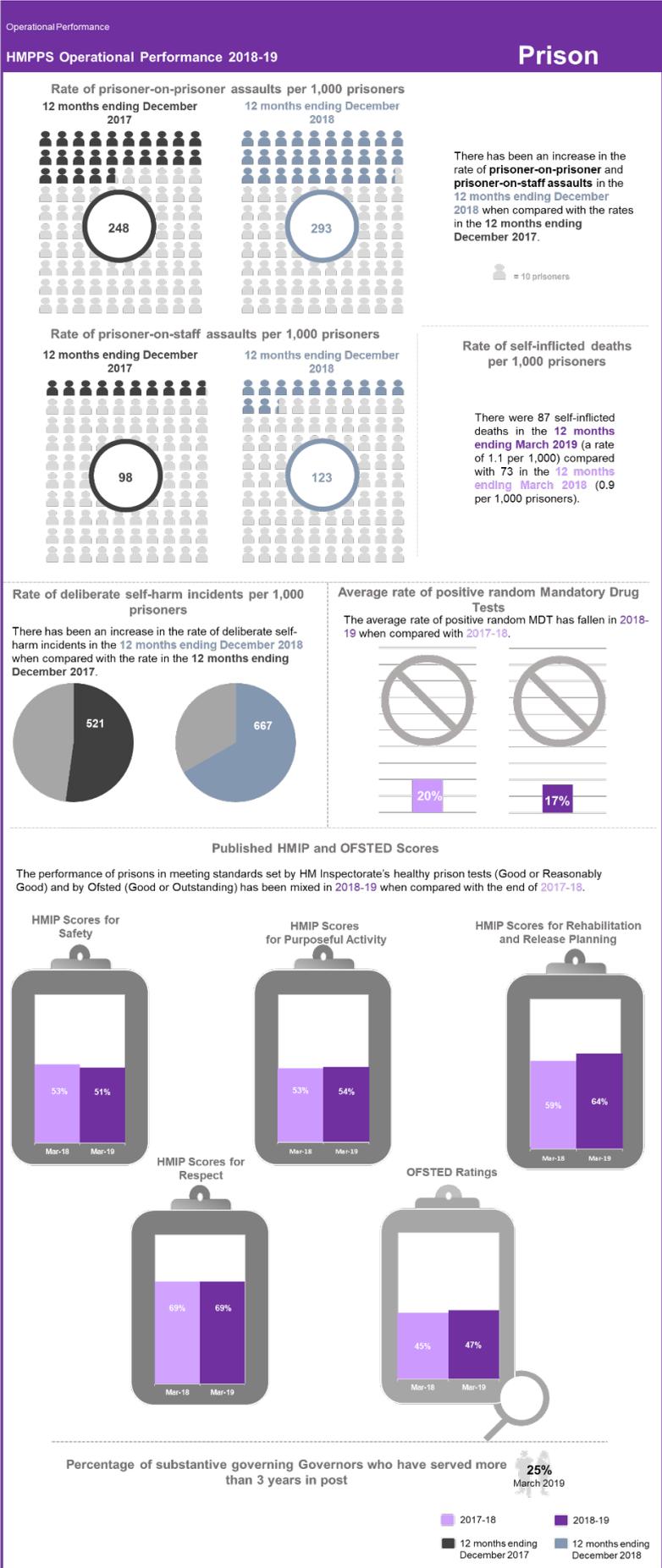
A new Prison Service Safety framework was launched in May 2018 which is focused on five principles of: People, Physical, Population, Partnerships and Procedural.



We have undertaken a wide range of safety-related activities in 2018-19, which include:

- a net increase of 4,675 (full time equivalent) officers in post between October 2016 and March 2019
- the continued roll out of a programme to ensure offenders in closed prisons have a key worker who will coach, guide and support them through their sentence. All 92 prisons across the closed male estate have now begun delivering key worker sessions
- rolling out a revised and improved introduction to suicide and self-harm prevention training for new and existing staff
- increasing the level of support for prisons by bolstering prison group safety teams and providing bespoke support to 16 prisons of concern and to establishments following a cluster of self-inflicted deaths
- mandating a new model for managing violence – the Challenge, Support and Intervention Plan – for all establishments
- undertaking work to increase our understanding of debt – including supporting four establishments to help address their debt issues and providing establishments with guidance and tools on supporting prisoners in debt
- rolling out Body Worn Video Cameras and Five Minute Intervention training across the estate (including a process of monitoring and reviewing)





Statistics on safety in custody are published every quarter at:

<https://www.gov.uk/government/collections/safety-in-custody-statistics>

The Prison Estate

We have struggled to keep pace with the maintenance and investment requirements of our ageing prison estate. There have also been issues with the capability of some staff and managers which has led to deteriorating standards of accommodation and levels of cleanliness.

Levels of cleanliness and decency vary widely across the estate. A proportion of residential and living accommodation across the estate would not currently meet the standard identified by Her Majesty's Inspectorate of Prisons as reasonable.

Where it has been necessary and possible, residential and living accommodation has been taken out of use during the year to give prison governors the space to address performance concerns. Longer-term plans are in place for building new accommodation and work is ongoing to improve, prioritise and fund the delivery of facilities management and major maintenance.

In addition to this, a wide range of decency-related actions have been carried out which include:

- piloting a project in two sites to develop standards and enhance provision of cleaning materials, with learning from these sites helping to develop a national decency standard
- introducing a new living conditions audit, carried out by Operational Systems Assurance group that began in January 2019 and will visit 100 establishments in 2019-20

On 30 April 2018, we concluded one of our most challenging projects when the final two closed prisons in England and Wales went smoke free. Since then, HMP The Verne has re-opened as a smoke free prison, bringing the total number to 103 smoke free sites, the largest smoke free prison estate in Western Europe.

Significant progress has also been made in implementing the recommendations from Lord Farmer's review on strengthening prisoners' family ties to prevent reoffending and reducing intergenerational crime. Activities that have taken place include:

- publishing a new national policy on Strengthening Prisoners' Family Ties and a family strategy for all establishments
- devolving family budgets to governors – this ensures they are able to deliver family services including delivery of visitor centres, welcoming services, play services for children and family engagement workers

Facilities Management

Over the year, we provided significant support to Gov Facility Services Ltd – the MoJ-owned company that took on responsibility for maintaining prisons in southern and eastern England following the collapse of Carillion in January 2018. This included support for the company's financial transactions over the first few months of 2018-19 until Gov Facility Services Ltd had developed its own capacity. We also took decisive action to strengthen contract management of facilities management.

Fifty-one revised statutory and mandatory compliance standards were issued over the year. A further ten draft standards have been identified for further development.

A programme of audits was undertaken, to provide assurance that standards were being met. Stemming from this, a clear process of escalation was developed to address non-compliance, where identified.

In July 2018, the Secretary of State announced that additional funding had been identified for targeted investment in prisons with the most pressing maintenance issues, to start bringing them back up to acceptable standards. Further investment was allocated to this work in November 2018, bringing the total to over £30 million, as part of the additional 2018-19 funding for prisons announced in the 2018 budget.

Prison Improvement

Throughout most of 2018-19, we had in place a Prison Improvement Directorate. This was in recognition of the need for a particular focus on driving improvement in our prisons. The directorate worked closely alongside our Prisons Directorate and led work to reduce violence and improve safety, implement the Offender Management in Custody model and to reduce the supply and demand for drugs in prisons.

Ten Prisons Project

The Ten Prisons Project was launched in August 2018 and sees ten establishments being targeted for extra interventions and support. The project is aimed at reducing violence through improvements to security and decency; measures to address the supply and demand of drugs; and enhanced leadership and staff capability, including the standardisation of core tasks as set out in the new Prison Officers' Guide.

This will provide additional support to staff in the ten prisons in the form of specially trained operational staff who will work alongside existing staff for a three-month period and who will help to embed the guide. Within the project, we have also:

- completed a drugs diagnostic to improve security and measures to address the supply and demand of drugs
- ensured new staff, technology and training are in place in all 10 prisons. (This includes extra staff for entry searching, additional drug dog handlers and dogs, and new CCTV and netting)
- provided support for each establishment to deliver Incentivised Substance Free Living units

- begun the procurement and installation of x-ray body scanners and the implementation of airport style security in each of the ten prisons
- completed (or have in progress) improvement work to the prison infrastructure to provide clean and decent living and working conditions. This includes:



Offender Management in Custody

The Offender Management in Custody model roll out continues to be on track with full roll out of phase one (key worker role) expected across the adult closed estate by the end of 2019. The new key worker role will enhance engagement, support and challenge of offenders, while phase two (case management) will improve the way in which we case manage individuals to assist them towards rehabilitation.

Work is being undertaken to ensure that new staff are supported during their first weeks and months to improve retention. A consequence of this scale of recruitment is that many establishments now have a high percentage of relatively inexperienced staff. This is being monitored and support given by experienced staff on detached duty, where required.

We are also making transformational improvements in the way we support and case manage prisoners through their sentences by:

- providing significant investment so that our front line staff can focus on building relationships with prisoners to support them to change their lives
- moving responsibility for case management into the prison for the duration of the custodial period (for prisoners serving longer-term sentences)
- prioritising allocation of resources for case management based on risk, sentence length and complexity
- ensuring staff delivering offender management work are suitably skilled and supported

In addition to this the Prisons Improvement directorate has:

- begun delivering key worker sessions in all 92 prisons across the closed male estate

- mapped and agreed 42 offender management processes, covering all aspects of an individual's journey through custody – from start of sentence through to pre-release activities
- developed a bespoke offender management approach for women in prison which incorporates both complexity of need and risk of harm

Case Study

Challenge, Support and Intervention Plan (CSIP)**Background**

Making prisons safer, including reducing violence on staff and residents, is a priority for HMPPS.

As part of the Safety programme, the joint HMPPS and MoJ Safety team developed a new approach to managing violent individuals – the Challenge, Support and Intervention Plan (CSIP).

CSIP takes a multi-disciplinary approach, with staff from across the prison coordinating efforts to manage individuals. It is centred around the needs of the individual, providing them with the right support to improve and manage behaviour.

The new approach includes guidance and communications for establishments, and instructions about which notes should be included on our offender management system – so that information will be available to all staff, including when individuals transfer to another establishment.

After positive feedback from early adopter sites in three regions (Yorkshire, Wales and the North West), the Safety Programme Board decided that all establishments would be required to implement CSIP by the end of April 2019.

Benefit

The development of CSIP means that prisons are able to ensure that individuals who are violent or at a raised risk of violence can be managed appropriately and their risk of violence reduced, contributing to the work to make prisons safer.

Drugs Taskforce

The Drugs Taskforce addresses the challenges posed by rising and changing patterns of drug abuse and as part of the Government's Drug Strategy strengthened efforts to restrict supply, reduce demand and build recovery. During 2018-19 we:

- created a cross-departmental, multi-agency task force which provided significant support for the Ten Prisons Project and other challenging prisons including delivery of:
 - technological solutions and physical improvements
 - staff training and enhancement
 - an ongoing programme of visits to establishments to ensure effective action is taken to address the risk of drugs
 - an ambitious and comprehensive national drug strategy

Urgent Notification Process and Establishments of Serious Concern

There have been a number of critical Her Majesty's Inspectorate of Prisons inspections during this period, four of which – for HMP Nottingham, HMP Bedford, HMP Exeter and HMP Birmingham – have resulted in the Urgent Notification process being triggered. This process looks to promptly address urgent and priority issues.

In the case of HMP Birmingham, a G4S privately managed prison, a public sector governor was put in command of the establishment in August 2018 as part of exercising temporary 'step-in' provisions under the contract. HMPPS and G4S have mutually agreed early termination of the contract, and the prison returned to public sector management in July 2019.

Independent Reviews of Progress have been introduced as a new approach for Her Majesty's Inspectorate of Prisons. These visits are not a re-inspection but an opportunity for the inspectorate to provide an independent view on progress against the key recommendations identified at the previous inspection. Two pilot reviews took place to test the process and this has now been rolled out at HMP Exeter, HMP Chelmsford and HMP The Mount and HMPPS responses to the reviews have been published. Other Independent Reviews of Progress are planned for the rest of this year.

We have strengthened arrangements to identify establishments of serious concern. As of the end of March 2019, we are currently supporting 16 prisons through special measures / urgent notification arrangements (including HMP Birmingham, which is urgent notification only) and a further 25 through group-led performance improvement plans.

Security, Order and Counter Terrorism

The Security, Order and Counter Terrorism directorate was created in 2016. It has since established teams and conducted research to develop a detailed picture of the modern-day threats to prison security. Over 2018-19, we have come to understand these threats and to design solutions to them.

Our effective solutions, and improved practice, to address these threats include:

- providing tailored support to Prisons in Special Measures / Urgent Notification through site visits and vulnerability assessments
- continuing to raise awareness of crime in prison through new polices and guidance
- progressing with implementing drug detection equipment in the Ten Prisons Project
- setting up a cyber unit to investigate cyber security vulnerabilities
- evaluating approaches and technology to inhibit use of illicit mobile phones and drones in prison
- augmenting and improving our approach to, and management of, extremists in custody and being managed by probation

- developing and delivering a new training package for chaplains to give them the necessary skills to deliver theological interventions to eligible offenders
- building on our efforts to better exploit and make use of digital sources of intelligence and enhancing capability to enable digital investigation
- securing new accreditations for Healthy Identity Interventions (a programme for those who have committed extremist offences) and Identity Matters (a programme for men whose offending is motivated by their identification with a gang) which will be rolled out across the estate during 2019-20
- improving our approach to tackling corruption (including cases of bribery). We have restructured our resources to better support prisons and probation to pursue corrupt staff

Case Study

Vulnerability Assessments



Background

To counter growing threats from security breaches and criminality the Security, Order and Counter Terrorism directorate formed the Security Risk Unit (SRU).

The SRU now identifies and prioritises emerging risks, and creates a learning environment by developing and sharing operational knowledge across the prison estate.

The Risk Management (RM) team in SRU has also developed an innovative Vulnerability Assessment (VA) tool.

Benefit

The new VA tool allows us to analyse known security risks in a very detailed way.

Each area of risk is mapped out and broken down into the steps needed for hostile acts to succeed.

The tool then helps us locate points of weakness in our systems, so we can bolster our resilience, without significant spend or resources.

As a priority, SRU has created individual packages of support to address security concerns at around 25% of prisons, including all those under Urgent Notification or Special Measures.

VAs are also broadening our understanding of how live security risks operate across the estate. This has already led to a new programme for HMPPS – scoping how reconnaissance operates in a prison setting.

Prison Capacity

We must continue to ensure that we have enough places to hold all those committed into custody and that our estate is configured in a way that matches the characteristics of the population.

The prison population fell during 2018-19 and has continued to operate at around 83,000 prisoners. This is a welcome reduction in the prison population, however projections indicate the underlying population trend remains upwards (due to the effect of increasing sentence length).

Although the population reduced during 2018-19, by around 900 (from around 83,600 to around 82,700), the useable operational capacity of the estate has also fallen by around 1,600 places during the 2018-19 financial year (from around 86,400 to around 84,800).

Planned additional capacity has continued to come into use at HMP Berwyn following its opening in 2017 and at HMP The Verne (following its change of use from an IRC to a prison in July 2018). Over 2,000 places have also been temporarily decommissioned in 2018-19 as part of decisive action following criticism by Her Majesty's Inspectorate of Prisons at HMP Liverpool, and subsequent Urgent Notification declarations at HMPs Nottingham, Birmingham and Bedford, or to facilitate priority maintenance work at selected prisons.

There remains a significant risk that further accommodation will need to be temporarily decommissioned to enable critical maintenance to take place or to support performance improvement.

In 2018-19, the Prison Estate Transformation Programme made significant steps towards delivering decent, modern prison places that provide the physical conditions for governors to achieve better educational, training and rehabilitative outcomes.

Work included – construction of the 206 place houseblock at HMP Stocken, obtaining full planning permission and completing demolition for the new 1,680 place prisons to be built on the site of the former HMP Wellingborough and the former HMP&YOI Glen Parva and the launch of the Prison Operator Services framework competition, from which we will select the operator for the new prisons at Wellingborough and Glen Parva. We also sold the former HMP&YOI Holloway site to social housing group Peabody will deliver around 1000 houses.

In addition to modernising the estate, work has progressed at pace to improve the condition of the existing estate. Work included completing upgrades to cells, shower units and serveries at prisons in line with departmental priorities and completing a high-level condition survey across all prisons and put into place a mechanism for a more detailed asset survey.

Case Study

Sale of HMP Holloway**Background**

We have made a commitment to invest in our estate, including to replace ageing prisons with modern, purpose-built establishments – which improve rehabilitation and create safe and secure environments.

As part of this work, the closure of Holloway prison was announced on 25 November 2015.

Its de-designation certificate was issued on 22 June 2016 after its residents moved to HMP/YOIs Bronzefield and Downview. (This followed detailed work with many groups to ensure its residents were successfully relocated with access to the services they need.)

Following preparation work, the site was advertised for sale in September 2017.

Benefit

The future of the Holloway site featured prominently in both national and local media. A number of lobbying and special interest groups were keen that the site should be made available for the development of affordable housing and/or a women's centre of some sort.

Bids were received and work progressed to select a suitable purchaser that gave best value to the taxpayer while meeting the requirements of the supplementary planning document for the site (including building affordable housing).

Despite market uncertainties, on 8 March 2019, we were able to announce the successful sale of the former Holloway prison site to social housing group Peabody in partnership with developer London Square for £81,495,000.

We have worked closely with the local authority and providers to ensure the amount of affordable housing on the site meets local needs and we are pleased we have achieved this aim – with over 1,000 houses likely to be provided (subject to planning).

Work in Prisons and Education

Helping prisoners to learn and develop their skills, so that they are better able to secure and sustain employment after they leave custody, is critical to reducing reoffending.

There are a large number of workshops in prisons, undertaking work for the internal market as well as working with government partners and private companies.

Our workshops also focus on integrating education and job readiness skills; providing chances for work through Release on Temporary License; and securing individuals real jobs on release.

In the 12 months to March 2018, an average of 12,300 prisoners and detainees were working in custody across public sector prisons, privately managed prisons and immigration removal centres; an increase by nine percent since the 12 months to March 2017.



The number of hours worked by prisoners and detainees across public and private sector prisons and IRCs increased to **17.2 million**

We have supported the development and launch of the government’s new Education and Employment strategy followed by the creation and launch of the New Futures Network. One of strategy’s key priorities is to increase employment opportunities in prisons, on Release on Temporary License, and on release.

We have implemented the Education Reform programme which introduces a new governor-led approach to education in prisons from April 2019.

Case Study

Recycling Lives



Background

An important aim of our Education and Employment Strategy is to equip people in prison with the skills and experience they will need to gain employment on release.

Giving people access to real work in prisons is one way to do this, and we often work with partners to achieve this.

Benefits

The Recycling Lives HMP Academies programme helps people at the end of their sentence to find work in prison workshops.

Recycling Lives is a British recycling and waste management company. Supported by the New Futures Network, the company founded a social enterprise which is committed to helping disadvantaged groups overcome the challenges they face by training, work experience and support.

In its prison-based workshops, men and women undertake recycling or fabrication work, earning an enhanced wage, and developing transferable skills. Recycling Lives then helps individuals find jobs on release, as well as offering jobs directly.

Recycling Lives now operates in 11 prisons across the North of England, creating work for 250 men and women.

Recycling Lives reports that of 141 offenders so far released from the programmes (during the 2015-18 reporting period), 136 were being supported to move into work, with the data suggesting less than 5% of those released having reoffended.

As a result of this work, Recycling Lives has won several local and national awards.

Foreign National Offenders

Foreign National Offenders (FNOs) represent around 11% of the prison population in England and Wales. The removal of FNOs from the UK remains the responsibility of the Home Office, and all sentenced FNOs are referred by HMPPS to the Home Office at the earliest opportunity to be considered for deportation action.

In the 2017-18 financial year, almost 5,200 FNOs were removed from prisons, immigration removal centres and the community.

The MoJ, working together with the Home Office, Foreign and Commonwealth Office and Department of International Development have supported the work to return FNOs to their country of origin, resulting in 2,065 removals in 2018-19 through the Early Removal Scheme. Many will also be removed from the UK at the end of their sentence.

We have further supported removals by transferring FNOs to prisons in their own country under prisoner transfer arrangements. In 2018-19, 124 prisoners were transferred. These arrangements supplement the Early Removal Scheme by transferring longer-term prisoners who would otherwise remain in the UK for some considerable time.

We support this work through the provision of dedicated prison places for FNOs at the two FNO-only prisons and in hub prisons where immigration staff are embedded and able to work closely with prison service colleagues.

Youth Custody Service

Established in September 2017, the Youth Custody Service is responsible for the delivery of public sector secure provision and the contract management of private sector provision in Secure Training Centres, and the oversight of local authority run justice placements in secure provision, for people aged 10 to 17 in England and Wales.

This includes Secure Children's Homes, Secure Training Centres and Young Offender Institutions (YOIs) for young people. We are also responsible for the placement of children across the sector. Our vision is to support every child and young person we work with to live a safe and crime-free life and make a positive contribution to society. To do this, we are committed to providing an environment that is educational, safe and decent which focuses on education and personal development.

During 2018-19, we have been driving continued improvement of the services through the delivery of our strategy for youth custody reform. This aims to address the key issues across the youth estate (taking into account Charlie Taylor's Youth Justice Review from December 2016), and includes improving safety and reducing levels of violence.

Key activities undertaken by the Youth Custody Service during 2018-19 include:

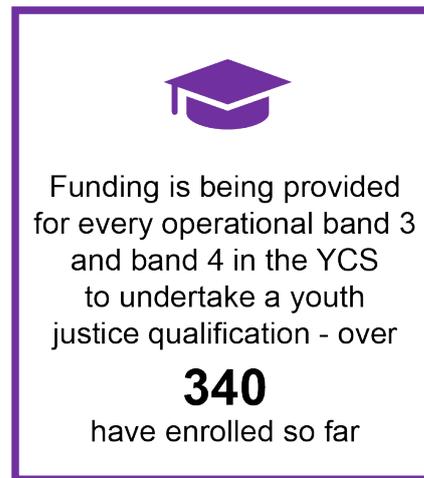
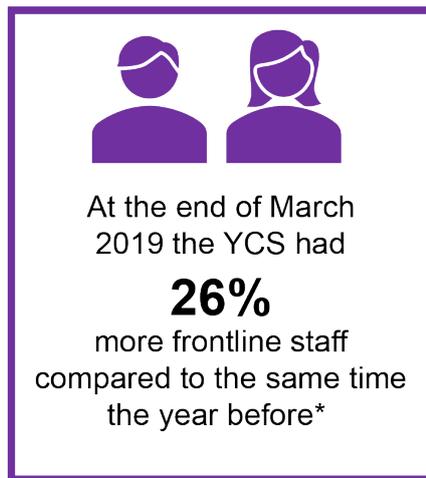
- developing plans for the retendering of the Secure Children's Homes contracts and progressing work around the provision of a secure school at Medway
- making operational a further Enhanced Support Unit at YOI Wetherby, following the earlier introduction of a unit at YOI Feltham for children with exceptionally complex needs
- working in partnership with stakeholders including NHS England to implement Secure STAIRS (a framework of integrated care for the Children and Young People's Secure Estate) in Youth Custody Service public sector operated establishments

The Youth Custody Service has also worked with a wide range of stakeholders (including children and young people) to review our approach to behaviour management. 'Building Bridges: A Positive Behaviour Framework for the Children and Young People Secure Estate' was launched in early 2019.

Additionally, we have continued to roll out the Custody Support Plan, to provide each young person with a personal officer to work with them on a weekly basis to improve trust and consistency. This plan has now been rolled out at Medway Secure Training Centres and YOI Cookham Wood with Feltham, Wetherby and Werrington YOIs to be rolled out by the end of 2019.

The Lammy Review looked into the treatment of, and outcomes for BAME individuals in the Criminal Justice System. The Youth Custody Service has responded to the review recommendations and has sought to better understand disproportionality through:

- the Information Development project, taking a range of actions to develop accurate and consistent reporting of key data
- the implementation of the Young People's Approval panel which review all proposed interventions, including scrutinising proposals in relation to disproportionality and through staffing by improving the declaration of staff protected characteristics



*This figure includes staff from both Feltham sites.

Additionally, the Unlocked graduate scheme expanded into YOI Cookham Wood and Medway Secure Training Centre in September 2018, bringing new talented and motivated staff to our frontline.

We have worked to respond promptly and decisively to Her Majesty's Inspectorate of Prisons / Ofsted inspection reports – the number of improved inspection reports during this period has demonstrated the progress we have made, but we recognise there is still much more to do.

Case Study

YCS Recruitment



Background

Work has begun to ensure the Youth Custody Service (YCS) has staff specifically recruited and trained to work with vulnerable children.

Action

In early 2018, we launched the YCS recruitment website accompanied by youth estate-specific marketing. In October 2018, this was complemented by new youth-specific recruitment assessments.

We later launched a fast track scheme for a new specialist role which attracted over 1,350 qualified candidates for an initial 20 places. Candidates are now in post.

We have recruited to all frontline staff vacancies, with 255 more front line staff, an increase of 26% (March 2018 compared to March 2019) and a more diverse workforce.

Benefit

All YCS sites now have the staff they need to begin introducing new one-to-one and multi-disciplinary activities with children. This should allow for better and more consistent relationship-building between staff and children.

Over 300 YCS staff have already enrolled on our accredited youth justice qualification. This training should lead to much greater awareness of the needs of children, better-informed interactions, and more effective methods of managing behaviour and safety.

Women / Female Offender Strategy

Women in the Community

The Female Offender strategy was published on 27 June 2018. This sets out the government's commitment to a new programme of work for female offenders, driven by a vision to see:

- fewer women coming into the Criminal Justice System
- fewer women in custody, especially on short-term sentences, and a greater proportion of women managed in the community successfully
- better conditions for those in custody

The strategy outlines a framework for taking forward this vision with national and local partners, to improve outcomes for women at all points of the justice system, including those at risk of offending. There is evidence that many women, particularly on short custodial sentences, would benefit from serving their sentence in the community, where they can be supported to address the complex issues that may underlie their offending, in order to break the reoffending cycle. The strategy therefore seeks to shift the focus from custody to community, while continuing to improve outcomes for those women who must be in custody.

We have developed a greater understanding about the complexity of women's needs and are currently testing a model to sit alongside the tiering system¹ to ensure staff have the resources and knowledge to address offending and the rehabilitation of women.

The majority of women offenders continue to be managed by the CRCs and numbers have remained relatively stable with, on average, around 26,000 women under supervision in the community at any one time. The NPS has worked with stakeholders to improve the offer to women on community orders.

To increase sentencers' confidence in community orders for women we have:

- piloted a Pre-Sentence Report checklist in the North West, South East and Eastern regions, to improve the quality of these reports. The NPS is currently undertaking an evaluation of the findings
- been successful in a range of bids with a number of third sector organisations for a share of five million pounds (MoJ Women's Strategy) to improve the range of services available to address women's needs in the community
- begun a review of provision for approved premises for female offenders

¹ The new offender management model for women in custody allocates resources on the basis of risk and complexity. The amount of time allocated for offender management is based on the tier to which an offender is allocated. The higher the tier, the more time is allowed for managing the case.

- developed a new training programme for staff working with women in custody and the community

Women in Custody

The women's estate continued to develop and maintain a clear focus on the specific and distinct needs of women offenders in our care.

The MoJ Female Offender strategy made a commitment to focus on better outcomes for women in custody and the community. Further to the publication of the strategy the women's custodial estate has continued to develop and maintain a clear focus on the needs of women in custody. The strategy for women's prisons focused on:

- better links for children and families
- improving safety
- becoming trauma informed
- improving health and wellbeing
- empowering the prison workforce
- development, education and employment

The strategy commissioned Lord Farmer to build on his original Farmer review by undertaking an investigation into how supporting female offenders to engage with their families can lower recidivism, aid rehabilitation and assist in addressing the issue of intergenerational crime.

In advance of Lord Farmer's report, the women's estate has continued to instigate measures to support and improve family relationships for women. In particular, women are benefiting from the roll out of in-cell telephony across a number of sites. HMP Foston Hall will be undertaking a trial of virtual visits by video conference with families.

Improving safety for women has remained a key focus of work undertaken during 2018-19. In partnership with psychology services, the women's estate has developed an individualised case management approach to improve outcomes for the most prolific self-harming women.

We remain committed to developing a trauma informed approach to working with women and continue to work with the charity One Small Thing which champions trauma informed practice with criminalised women. Most women's prisons are now delivering the healing trauma intervention.

The women's custodial estate is working closely with NHS England and Public Health England to improve health delivery to women in custody in line with the women's strategy and the gender specific health standards for women in custody.

Case Study

Centralised Case Supervision System**Background**

A woman was given an Imprisonment for Public Protection (IPP) sentence in 2005 with a tariff of 14 months.

By April 2017, she was still in closed conditions, having lost all hope of ever progressing or being released. She refused to engage with regime or staff, and would not engage with any interventions.

She seemed to be a 'stuck' IPP case in the prison system.

Solution

Following a review of IPP cases in 2017, the woman was referred to our Centralised Case Supervision system (CCSS) – this is an enhanced way of managing a case where the individual is very over tariff, has had a number of parole rejections and is not engaging.

CCSS, which has been in operation since October 2015, uses a 'multidisciplinary case conference approach' – bringing everyone who might be able to help together. The board provides 'fresh eyes' to look at complex cases and works closely with prison and probation staff to develop progression plans for individuals.

The individual is also included to ensure that they feel part of the progression process and are more likely to want to engage.

Through this process, the board discovered that the woman had previously had close contact with her family but had not been visited for a long while.

Over time she re-engaged, met with her family, and became active in her progression plan.

At her last parole hearing she was granted open conditions and is now well on the way to demonstrating a reduction in risk and securing her eventual release.

HMPPS in Wales

The HMPPS in Wales directorate was established in 2014 to reflect the unique delivery landscape of Wales and the importance of working closely with the Welsh Government to manage the interaction between devolved and non-devolved services.

The directorate is unique as it has responsibility for prison and probation services, including the management of contracted services. These services fall under one executive director, with a remit to ensure all offender management services in Wales are integrated.

Following the publication of the government's 'Strengthening Probation, Building Confidence' proposals, we have been working to develop the model for future probation and resettlement services in Wales. We have developed a plan for the integration of frontline offender management services into the NPS and designed the models for the delivery of offender management services and interventions services.

Partnership working is vital for the successful delivery of the justice system in Wales. Working in partnership with Welsh Government and key justice stakeholders including Police and Crime Commissioners, we have developed strategic blueprints for youth justice and female offenders in Wales. The blueprints aim to deliver efficient and effective services that will achieve better outcomes for the community and individuals in the justice system or at risk of entering it.

We are developing innovative approaches to working with partners, communities and individuals to understand and more effectively address the needs of those who have offended or are at risk of offending and make communities in Wales safer.

We are committed to making our prisons safer and more rehabilitative. In 2018-19 we went live with our Offender Management in Custody model, meaning that everyone in a closed prison has a key worker who will coach, guide and support them through their sentence.

We have also gone live with the new Case Management model which means more NPS probation officers have been brought into establishments to work as probation offender managers alongside prison offender managers.

A key part of our work is to prevent criminal activity and drug abuse in prisons. In 2018-19 following a consultation with Police and Crime Commissioners, Welsh Government, the Home Office and police forces, we reviewed the way that we collect and share intelligence across the whole offender journey.

This has led to all police forces in Wales sharing their local force data which has been compared to HMPPS data. The benefits of this include a richer data set and better planning for those subject to orders of the court with over 12 months left to serve.

Case Study

Crime in Prison Strategy**Background**

Before 2017, crimes in prison were not reported in a consistent way.

This meant Public Sector Prisons (PSP) was not able to clearly identify the number of crime referrals or the number of successful convictions across the estate.

PSP in Wales have developed a Crime in Prison strategy to strengthen the process of reporting crimes in prisons across Wales.

HMPPS has also published a revised Crime in Prison Referral Agreement which aims to provide a more consistent approach to how crimes in prison are managed across the whole estate.

Benefits

This strategy was drafted in 2017 in partnership with the police, CPS, courts and probation, with each partner invested in supporting PSP to achieve convictions.

As a result, PSP in Wales has:

- started weekly meetings with the police forces where our prisons are based, to check on the progress of referrals
- invested in a crime in prison team, that supports the strategy and challenges the decisions of the police and CPS, where necessary
- developed quarterly learning events with our partners where we highlight pressures on each Agency and take a multi-agency approach
- set-up quarterly meetings with the Chief Crown Prosecutor for Wales who escalate concerns regarding decisions to the Agency

The police have also trained our crime in prison team on the police case management system (NICHE), which allows us to access decisions on crimes more quickly.

We have developed links to witness care, and have shared staff support approaches. Now, if our staff are assaulted they are supported, not only by their line manager, but can access a range of other support services. This includes applying to give evidence behind a screen or via video conference in court, and our employee assistance programme.

Victims of the offences are also better supported thanks to our integrated approach.

The strategy, which is reviewed annually, has noticeably improved processes. From December 2017 to December 2018, PSP in Wales has referred 241 crimes and has successfully achieved 71 convictions (to date).

Equalities

HMPPS is determined to create a fully diverse and inclusive environment, which treats its staff and service users fairly, whatever their protected characteristics. This year we have:

- published the Agency's Equalities Strategy for 2018-20 and monitored progress against the ten priorities
- circulated detailed management information to prisons and regions about key differential outcomes for prisoners with respect to ethnicity, disability and religion. Prisons are preparing equalities plans tailored to their own local challenges, to address any differential outcomes
- established a plan to increase the representation of Black, Asian and minority ethnic (BAME) staff in senior roles, which includes creating four BAME staff development lead roles to engage with BAME staff, identify talent and ensure that BAME staff benefit from development and promotion opportunities
- increased the recruitment of BAME prison officers with 11.8% of all formal offers accepted for BAME candidates between April 2017 and March 2019
- driven the Lammy report delivery programme to ensure that all recommendations to reduce discriminatory treatment of BAME prisoners are implemented, and published our 'one year on' progress against the report
- engaged with our External Advice and Scrutiny panel to ensure that stakeholder expertise informs and constructively challenges our delivery of the Lammy review recommendations
- finalised the HMPPS Workplace Adjustment Passport to support employees with a disability or health condition, or who are undergoing gender reassignment in the workplace
- revised the transgender policy framework and operational guidance and initiated the development of a training package for staff working with transgender people in our care. This will ensure that any risks to transgender prisoners from other prisoners, as well as any risks transgender prisoners may pose to others, are carefully managed
- significantly contributed to the Stonewall submission about our treatment of Lesbian, Gay, Bisexual and Transgender+ staff, supporting MoJ's rating of 12th in the Stonewall table. Our staff network Pride in Prisons and Probation was also highly commended by Stonewall

Corporate Services and other core priorities

Contract Management Improvement

Over 40% of HMPPS (non-staff) spending is contractual. During 2018-19, we have introduced a number of new initiatives to improve contract management and to further develop the organisation's capability in this area. These have included:

- the establishment of a Commercial Management Board and governance to provide robust oversight of the contract pipeline, ensuring the organisation has the resource and support to manage new requirements and existing contracts effectively
- the creation of the Contract Management Improvement team

Assurance of the services we provide

We operate Agency-wide systems for the Agency to provide assurance, audit, casework, advice and procedures to improve our operational performance. We do this by identifying and sharing good practice, and working with government, voluntary sector and private sector partners. This enables us to support stronger operational delivery across the Agency.

We have undertaken a wide range of rehabilitative and assurance related activities in 2018-19. These include:

- delivery of assurance audits across HMPPS business:
 - CRCs and the NPS with thematic reports on Advice to Courts, Recalls, Women on licence / Post Sentence Supervision, Case Management and Rehabilitation Activity Requirements
 - public and private prisons covering safety, violence and self-harm, a new Security Audit programme, and the introduction of a Living Conditions audit
 - design and pilot of new assurance audits for the Youth Custody Service
- embedding a new intelligence and reporting function to produce analysis on the quality of operational delivery and highlight promising practice
- delivering the Agency's corporate response to the Independent Inquiry into Child Sexual Abuse, including supporting the public hearing into the nature and extent of child sexual abuse in custodial institutions published in March 2019
- supporting investigations into historic sexual and physical abuse of children through the national police – Operation Hydrant

Digital & Technology

Our Justice Digital & Technology directorate is accountable for the delivery of digital and technology services to HMPPS and helps progress a diverse portfolio of change on behalf of the Agency, while ensuring it keeps within MoJ-wide technology priorities.

In the prison estate, the use by offenders of basic computers, has continued to be piloted in two prisons – HMP Wayland and HMP Berwyn – while research continues on the positive effect this may have.

The ability for prisoners to manage some of their own day-to-day tasks, that would normally be managed by officers manually on paper, has increased through the prison estate with the introduction of digital kiosks to 11 Prisons. Current manual processes are a major source of frustration for both offenders and officers, as paper requests often get lost and are time consuming, and automation of processes in prisons allows staff to be redeployed from administrative tasks to security-based and rehabilitation tasks.

Most prisoners can only make telephone calls during prisoner association periods. This often creates tension and is a catalyst for incidents such as arguments, bullying, assaults and the smuggling of illegal mobile phones into prisons. The introduction of in-cell telephony in private sector prisons produced significant improvements in security, fewer assaults, less bullying and fewer incidents of self-harm.

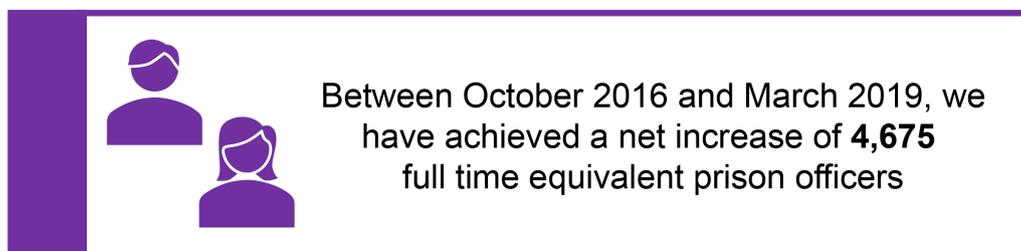
During 2018-19 we have also:

- completed a programme of work transforming the technology landscape across the probation estate, through the development of a modern and more stable infrastructure platform
- deployed in-cell telephony across a number of sites (currently 14 of the 20 sites earmarked for technology across England and Wales). We will see 50 prisons with these phones by March 2020. In-cell telephony has been given a 50% reduction in tariffs, making calls both more accessible and affordable for prisoners

Over the next five years, we are planning to deliver a balanced portfolio of initiatives and activities, introducing new technologies to the front line quickly, responsively and flexibly. This will free up time and resources to enable our staff to do their jobs efficiently by jointly identifying and agreeing opportunities to transform priority business areas such as safety, security, efficiency, communication, rehabilitation and education.

Human Resources

To enable the management of increased caseloads, there has been a major effort to increase the number of staff in the NPS, in particular – probation services officers, trainee probation officers undertaking the Professional Qualification in Probation and probation officers. There was a net increase of 251 staff in this staff group, year to date 31 March 2019.



We continue to identify ways to improve aspects of the resourcing process, to improve recruitment performance indicators, including the overall time-to-hire, and to test new and innovative assessment technology. Activity is also ongoing to increase the diversity of new recruits to support our commitment to ensure that our workforce is reflective of the working population.

We are committed to ensuring that we have effective talent management and career progression arrangements in place across prisons, youth custody and probation, including senior leadership development.

We have continued to review our Prison Officer Entry Level Training process. Working on feedback received from our newer recruits, we have been working to make our learning more engaging and interactive by maximising the use of technology and adding more practical, realistic and task-based learning, where possible.

Further improvements will be made over the course of 2019, including the introduction of a new apprenticeship for prison officers, to create a phased approach, with trainees enjoying shorter periods of classroom learning interspersed with practical learning at their establishments.

A key focus over the year has been to continue to support the wellbeing of our staff. We have continued to embed the new occupational health and employee assistance programme contracts that meet the needs of the business and provide appropriate support to staff – including the introduction of mental health nurse provision.

In the year ending 31 March 2019, the average working days lost to sickness absence was 9.3 days, which shows a minimal increase on the previous year, however, we are encouraged that the support to our staff through the occupational health and employee assistance programme contracts is having a positive impact.

Case Study

External Recruitment for Prison Leaders



Background

This year we re-introduced a direct entry programme for future prison leaders, to attract individuals from a broad range of backgrounds into the service.

The scheme

The first group of Direct Entry Senior Leadership Scheme entrants joined us in July 2017. It was made up of 21 talented individuals who are now well established in prisons across a broad geographical area.

Our successful candidates came from backgrounds that included: the police force, armed forces, education, project management, probation, mental health and social services.

During the first 18 months of the scheme, the group received intensive training, observation, coaching, tailored development with their mentors, and learning with their peers.

The group completed Prison Officer Entry Level training and a three-month prison officer placement before starting their first prison management role.

Benefits

By recruiting with an external focus we attracted a diverse group of individuals with transferrable skills who now have the chance to progress into senior leadership roles within HMPPS.

While we are investing in their abilities as our future prison leaders, the group had brought a fresh perspective on the problems and challenges we face, and has been well received by prison governors and senior leadership teams.

The recruitment campaign has won five industry awards and has been commended for its honest and transparent approach to explaining who we need in the service and why.

Financial Services and Performance

The Finance Function

2018-19 was the first full year where the Agency’s financial services were provided through the MoJ functional leadership model. This model brings together specialists into a single, unified team across the department with the vision of putting finance at the heart of decision making.

Finance business partners work alongside operational colleagues across prison, probation, youth custody services and in support of the Agency’s change programmes. The MoJ Group Finance Director, is a member of the Agency Board and Executive Management Committee / HMPPS Leadership Team ensuring that finance is central to the decision-making process.

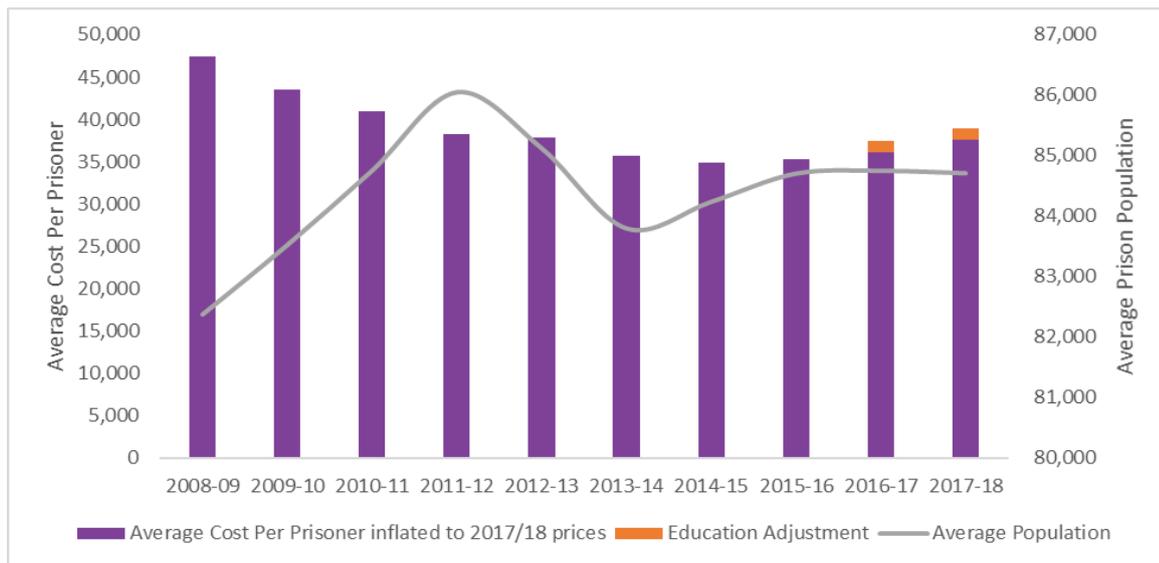
Centres of Excellence in supporting the production of financial and management accounts have been established with the governance function supporting operational groups in interpretation and compliance with finance policy and procedures.

Investment in Prisons

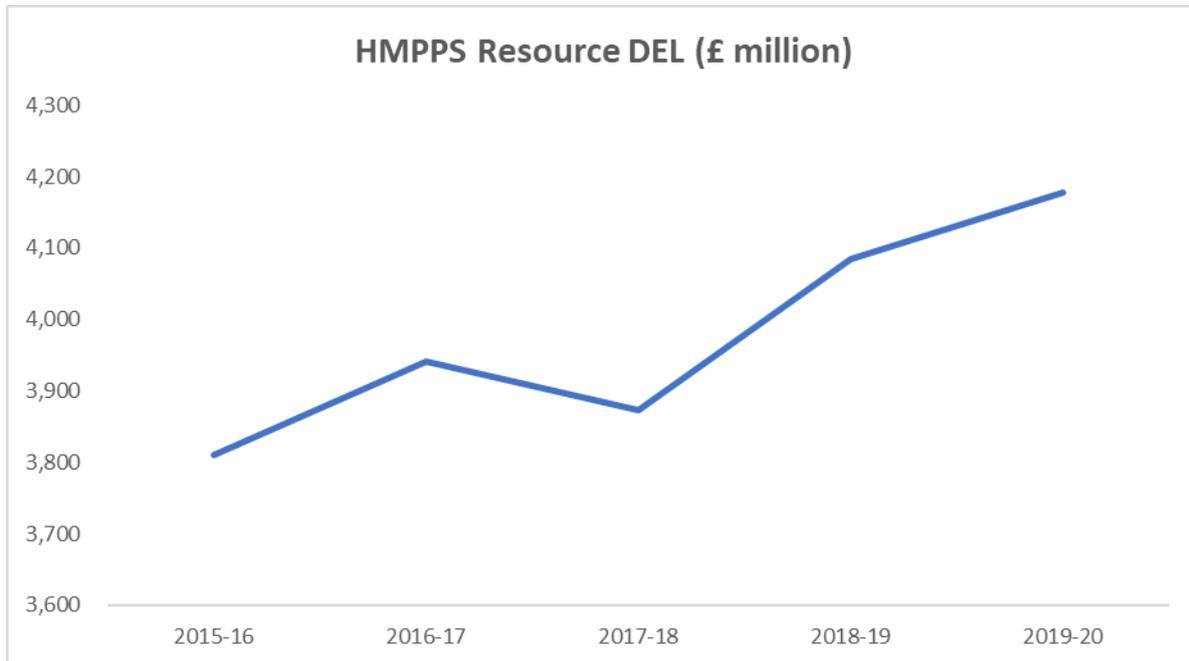
As referenced earlier in the report, the Agency has continued to face operational challenges within prisons. Following the very significant reduction in the cost of prisons between 2008-09 and 2014-15, recent years have seen some investment in prisons to help address these operational challenges and improve performance.

Despite the recent increase in operational expenditure, the spend per prisoner in 2017-18 of £37,543 was still lower than in 2011-12, when it was £38,320 (inflated to 2017-18 prices). We shall continue to assess prudently the need for investment in our services.

Prisoner Unit Costs vs Average Population by Year



The finance team worked closely with operational colleagues and HM Treasury to ensure that the Agency had the funds it needed to meet its operational priorities. Building on previous funding to tackle prison violence, improve the prison estate and recruit additional prison officers an additional £152 million was secured in 2018-19 for staff, contracts, maintenance and facilities management.



To note within the figures:

Policy responsibility for education and training provision for those subject to adult detention in England transferred from the Department for Education to the Ministry of Justice on 1 October 2016, overseen by the Agency. Prison education includes the Offender Learning and Skills Service contracts and the national grant funding.

On 1 September 2017, responsibility for day-to-day management of the young people’s estate transferred from the Youth Justice Board for England and Wales (YJB) to HMPPS. This includes administration of Young Offender Institutions, Secure Training Centres and Secure Children’s Homes.

During 2017-18, a number of HMPPS functions, including Finance and Digital, moved into a functional leadership model within the MoJ with the aim of bringing together specialists into single unified teams across the department.

2019-20 figure is budget, not actual outturn.

Financial outturn

The HMPPS financial statements elsewhere in this report include the costs of MoJ Corporate Services and Estates functions, these 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).

Resource outturn

£4,005 million represents a seven million overspend. RDEL includes depreciation and other non-cash items that measures the reduction in the value of assets over time. The fiscal resource outturn, which removes these depreciation charges, was £3,986 million against a budget of £3,974 million. This represents a £12 million overspend, which is largely due to unbudgeted facilities management cost pressures.

The full year resource budget presents the impact of additional funding secured through the Departmental Reserve claim. A year-end budget virement from MoJ, to reflect a fiscal DEL outturn balanced to budget, has been obtained through the Statement of Parliamentary Supply that recognises the significant contract settlement uncertainties managed by HMPPS during the year.

Annually Managed Expenditure (AME) outturn

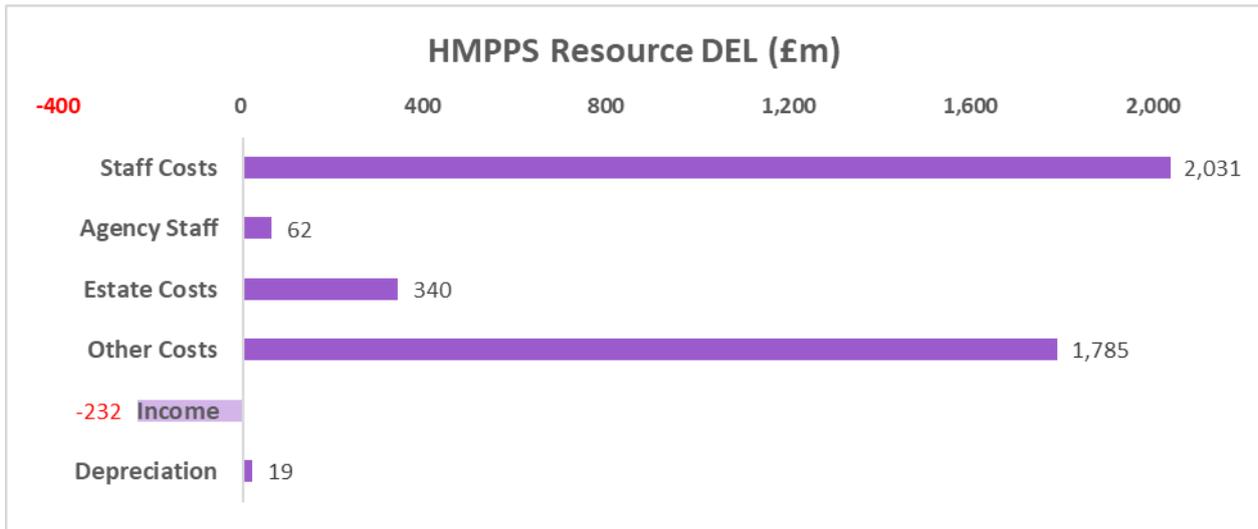
HMPPS AME budget includes non-cash Local Government Pension Scheme (LGPS) pension costs and provisions movements which are inherently volatile. The AME position for 2018-19 is an outturn of £125 million against a budget of £187 million. This includes movements in the probation pension liability which have now been actuarially assessed and the impact of early termination of the CRC contracts in 2020-21. The biggest impact in LGPS AME cost for the year has been the reduction in the discount rate as at 31 March 2019 that is used to value future pensions.

Capital outturn

The net capital budget delegated to HMPPS is £73 million and the full year outturn is £70 million. The budget includes £27 million allocated towards the Safe & Decent Programme that supports Ministerial priorities around the 10 Prisons Project, Maintenance and Security in Prisons. The budget also includes receipts towards prison disposals under the Estates Transformation programme, including £81.5m from the sale of HMP Holloway. The underspend for the year was due to delays in the commencement of building works for a new prison at HMP Wellingborough. This is offset by overspend on building works at HMP Berwyn, where the delivery requirement was greater than original estimates, and the reclassification to a Capital DEL grant of service credits from CRCs that were written-off as a result of a negotiated contract variation to the re-baseline Payment by Results frequency measure.

Where we spent our money in 2018-19

The majority of HMPPS' four billion Resource DEL net spend is on the delivery of our frontline prison and probation services, which has a high level of fixed or semi-fixed costs. The chart below illustrates the high-level categories on which we spend our budgets. Staff costs are the largest area of spend, accounting for 50% of total operating spend.



The split of net Resource DEL expenditure between Custodial and Community Services and Support Services is set out in the table below:

Full year RDEL Outturn	Expenditure £m	Income £m	Total £m
Prisons	3,085	-210	2,875
England	2,530	-172	2,358
YCS	174	-28	146
Wales	158	-9	149
Prison Estates	223	-1	222
Probation	996	-15	981
England	476	-12	464
Wales	54	-2	52
Community Interventions	380		380
Electronic Monitoring	86	-1	85
Support Services	157	-7	150
Rehabilitation & Assurance	31	-1	30
Security, Order & Counter Terrorism	37	-5	32
Human Resources	88	-1	87
CEO	2		2
Central	-1		-1

How we are financed

We are primarily financed by funding from the MoJ as parent department. In 2018-19, we also generated £246 million operating income detailed below.

We actively seek opportunities to expand public sector prisons industry revenue from external sources.

The largest external contract which generates income is with the Ministry of Defence, this amounted to over £3.5 million of income in 2018-19. This work allows us to provide meaningful activity to prisoners while developing their employment skills and so aid rehabilitation and reduce the risk of reoffending on release.

The retail contract provides offenders with the weekly opportunity to make purchases with their own funds of food, hobby materials and other items. It is a self-funding contract, where offender purchases, and the margin made on these, are used to offset the total cost of the contract. Regional packing workshops are run by the service provider but are mainly staffed by offenders. This presents a purposeful activity that allows offenders to build-up skills that are transferable upon release, improving their chances of employment and reducing their likelihood of reoffending.

HMPPS Co-Financing Organisation receives a financial allocation from the European Union via the European Social Fund Managing Authority (Department for Work and Pensions) for delivery of resettlement services to offenders during the period 2015-2020. The funding is used to support offenders considered hard to reach, in both custody and community settings, to increase employability and provide opportunities to access mainstream services. The Co-Financing Organisation supports policy objectives relating to offender resettlement, employment and education.

We also recover costs from funding partners as follows:

- provision of custodial services to foreign national offenders, running of immigration removal centres and counter-terrorism activities (Home Office)
- provision of healthcare services (NHS England, private sector and Welsh Government)

Financial management

The MoJ receives authority to incur expenditure via the supply estimates process. The estimate is published twice in each financial year. The main estimate is published at the beginning of the financial year and the supplementary estimate is published towards the end of the third quarter of the financial year. The supplementary estimate provides an opportunity for MoJ to reflect changes in the budgets internally and any movements of funding with other government departments.

At the start of the financial year, budgets are delegated from the MoJ Permanent Secretary as Principal Accounting Officer to the HMPPS Chief Executive Officer who may then make sub delegations to other budget holders within HMPPS directorates.



Budget holders are required to meet the conditions of their delegation letters and the requirements of the MoJ's Financial Control Framework.

MoJ Finance issue budget and expenditure reports for the monitoring of budgets and discussions with senior budget holders. A 'deep dive' of in-year forecasts ensured HMPPS was presenting reliable and robust forecasts, that uncertainties were being managed, and explored options for further savings to reduce the forecast. Meetings were held between the Executive Director, Finance and each executive director to test the accuracy of forecasting assumptions and ensure that all forecasts were robustly supported.

The 'licence to operate' scheme requires that budget holders must have completed training in order to continue as a budget holder. The roll out of the licence has been completed for all local delivery unit leads within the NPS and is continuing to be delivered to prison governors and their senior teams. Elsewhere, most of the sessions have now been completed, though there are a few senior managers still needing to obtain their licence, these people will be picked up over the coming months. Prison establishments complete the Statement on Internal Financial Control confirming that appropriate controls and management checks are in place.



Our People

A diverse range of staff and external partners working in probation, prisons and HMPPS headquarters were honoured with national awards in 2018-19. They include:

Queen's Birthday Honours 2018

The CBE was awarded to:

Roz Hamilton, Deputy Director North West National Probation Service

The OBE was awarded to:

Sonia Brooks, Deputy Governor, HMYOI Feltham

Robert Davis, Governor, HMP Belmarsh

The MBE was awarded to:

Bob Davies, Band 8, HMP Berwyn

Violet Donovan, Co-Founder, The Chris Donovan Trust

Robert Nicholas, Head of Residence and Safety, HMP Whitemoor

The British Empire Medal (BEM) was awarded to:

Anne Cherriman, Management Coordinator, HMP Stafford

New Year Honours 2019

The CBE was awarded to:

Lynda Marginson, Director, NPS North East Division

The OBE was awarded to:

Tanya Robinson, Head of Equalities and Lammy Delivery

Norman Griffin, Lately Governor, HMP Frankland

The MBE was awarded to:

Bryan Flawell, Prison Officer, HMP Isle of Wight

David Apparicio, founder and CEO, The Chrysalis Foundation, Magistrate

Juliet Hope, founder and CEO, Startup

The British Empire Medal (BEM) was awarded to:

Robyn Colwill, Probation Officer, NPS South West South Central Division

Stuart Roderick, for voluntary service to Prisoners, HMP Whatton

Butler Trust Awards 2018-19

The 2018-19 winners of the prestigious Butler Trust Awards included six individuals working in prisons and probation in England and Wales.

A further 14 individuals received commendations, and all were invited to attend a ceremony presented by The Butler Trust's patron, HRH The Princess Royal in 2019.

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

HMPPS internal staff awards

Prison Officer of the Year Awards 2018

Prison Officer Keith Potter, from HMP/YOI Feltham, winner of the Partnership Working category was named Prison Officer of the Year by then HMPPS Chief Executive Officer Michael Spurr. He said: “Keith has done phenomenal work with a huge range of officers to support young people at Feltham, much of it in his own time and all of it with passion and commitment.”

Other category winners:

Change and Innovation

Brian Greig, HMP Standford Hill

Changing Lives

Donna Taylor, HMP Wormwood Scrubs

Fairness Decency and Respect

Jim King, HMP/YOI Feltham

Lifetime Achievement

Trevor Lewis, HMP Exeter

Public Safety

Stuart McBride, HMP Swaleside

Safety, Security and Care

Rae Carter, HMP Winchester

Staff Support

Kerrie Stott, HMP Isle of Wight

Team of the Year

Early Days in Custody Team, HMP Woodhill

Probation Awards 2018

Anna Whateley, a Victim Liaison Officer from Bristol NPS, winner of the Supporting Victims category was named Probation Champion of the Year by then HMPPS Chief Executive Officer Michael Spurr. He said: “Anna is an extraordinary victim liaison officer whose compassion and professionalism is inspirational. She goes well beyond what is required and is a champion for probation in all she does.”

Other category winners:

Change and Innovation

Angela Oakley, HMP Buckley Hall

Changing Lives

Matthew Smith, NPS Taunton

Fairness, Decency and Respect

Megan Key, NPS Midlands

Lifetime Achievement

Eddie Simon, London CRC

Partnership Working

Angie Powell, HMP Exeter

Public Safety

Angie Batham, NPS Birmingham

Staff Support

Stacey Johns, NPS Bridgend

Team of the Year

Hackney Women's Team, London CRC

Sustainability Report

Introduction

This is the Sustainability Report for Her Majesty's Prison and Probation Service (HMPPS) prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at: [Government financial reporting manual 2018 to 2019 - GOV.UK](https://www.gov.uk/government/publications/government-financial-reporting-manual-2018-to-2019)

This report matches the scope and details laid out in the Greening Government Commitments (GGC)². 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 recognises that the three 'pillars' of the economy, society and the environment are interconnected. It is 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:

- maintain legal compliance
- deliver the Greening Government Commitments (GGC)
- ensure compliance with mandatory Government Buying Standards

Scope

The scope of this report is performance against the Greening Government Commitments 2016-2020 from a 2009-10 baseline where possible.

The report covers 117 public sector prisons, our shared service and administration buildings, four privately operated prisons (Doncaster, Northumbria, Oakwood and Thameside) and National Probation Service (NPS) locations.

² <https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020/greening-government-commitments-2016-to-2020>

Governance

The MoJ Estates Directorate Sustainability team are responsible for reporting and managing sustainability. They are also responsible for embedding sustainability across the various areas of the business, including HMPPS. The sustainability team are working to ensure that there is engagement with the sustainability agenda at the highest levels by securing representation from both the prison and probation services at the Senior Sustainability Board. The Board is the main accounting body for sustainability at the MoJ and takes decisions which seek to embed sustainability in everything the MoJ does.

The Sustainability team follows the MoJ's Sustainable Operations Strategy³ which sets out how the department embeds environmental sustainability throughout its estate, operations and procurement activity. MoJ has also developed a number of other sustainability strategies and policies⁴ for its staff and supply chain to follow:

- Carbon and Energy Reduction Strategy
- BREEAM Policy
- Biodiversity Policy
- Water strategy
- Pollinator Strategy
- Bio-security Strategy and Policy
- Single use plastics Policy

Performance data

Sustainability data is gathered and validated by Arcadis and Carbon Smart, Sustainability team's external consultants employed to manage the data, and quality assured by the Building Research Establishment on behalf of Defra. The data below shows the present position for the financial year 2018-19 against a 2009-10 baseline (unless otherwise stated). The Sustainability team are unable to report data from locations where landlords do not provide data. All data is UK only. Due to the availability of information, environmental data is estimated for a three month period from January 2019 to March 2019. The greenhouse gas conversion factors used can be found in the government environmental impact reporting requirements for business.⁵

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692521/sustainable-operations-sustainable-operations-strategy.pdf

⁴ <https://www.gov.uk/guidance/ministry-of-justice-and-the-environment#sustainable-operations>

⁵ [Greenhouse gas reporting: conversion factors 2018 - GOV.UK](#)

Governance and data validation

The Ministry of Justice Estates Directorate Sustainability team are responsible for reporting and managing sustainability in the department. The data is gathered and validated by Arcadis and Carbon Smart, our external consultants employed to manage our data, and quality assured by the Building Research Establishment on behalf of Defra.

The department is unable to report data from locations where landlords do not provide data. All data is UK only.

The greenhouse gas conversion factors used can be found in the government environmental impact reporting requirements for business.⁶

GGC Performance

Requirement	MoJ target	2018-19 compared to 2009-10 baseline
Reduce greenhouse gas (GHG) emissions	38%	-34%
Reduce overall waste	>31%	-30%
Reduce waste sent to landfill	<10%	2%
Increase amount of waste recycled	>59%	87%
Continue to reduce total estate water consumption	>-4%	-1%

Table 1: HMPPS contribution to overall MoJ Performance 2018-19

Greenhouse gases

Greenhouse Gas Emissions		2009-10	2015-16	2016-17	2017-18	2018-19
Non-Financial Indicators (tonnes CO ₂ e)	Total Gross Scope 1 (Direct) emissions	166,983	164,351	158,437	146,471	154,670
	Total Gross Scope 2 (indirect) emissions	236,377	158,811	159,425	113,325	99,486
	Total Gross Scope 3 (Official business travel) emissions	6,334	25,850	21,405	25,605	16,469
	Total Emissions - Scope 1, 2 & 3⁷	409,694	349,012	339,267	285,401	270,625
Related Energy Consumption (kWh)	Electricity	371,635,000	317,399,723	386,905,790	322,348,228	329,522,073
	Gas	891,395,000	739,733,850	760,599,021	732,050,504	727,890,586
	Other Energy Sources	117,571,000	80,431,523	41,000,648	41,928,766	38,657,983
	Total Energy Consumption	1,380,601,000	1,137,565,096	1,188,505,459	1,096,327,498	1,096,070,642
Financial Indicators (£ million)	Expenditure on Energy	68	76	76	69	67
	Expenditure on official business travel	25	17	21	20	22
	Total Expenditure on energy and business travel	93	93	97	89	89

Table 2: Overall Greenhouse gas emissions and financial costs 2018-19

⁶ [Greenhouse gas reporting: conversion factors 2018 - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69282/pb13309-ghg-guidance-0909011.pdf)

⁷ Definitions for Scope 1-3 emissions can be found at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/69282/pb13309-ghg-guidance-0909011.pdf

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2019 to March 2019.

MoJ has agreed a new 38% carbon emission reduction target for the remaining Greening Government Commitments period to March 2020. This more stretching target will replace the previous 2016-18 requirement of 22% and builds on previous success in this area.

Energy consumption by HMPPS accounts for 79% of MoJ's total energy use (based on 2018-19 figures). Our carbon emissions show an overall 34% decrease since 2009-10. We have continued to reduce our overall carbon emissions through the Prison Estate Transformation Programme. We have been working with our delivery partners to deliver a range of energy and carbon saving measures this financial year including:

- installing boiler optimisation controls at three prison sites
- installing or enabling gas Automatic Meter Reading at 370 sites across the prison estate
- installing LED lighting at two major sites
- assessing the viability of solar PV projects at two custodial sites
- commencing Re:Fit in London for several prisons

MoJ also takes part in the Modern Energy Partners (MEP) programme at three prisons on the Isle of Sheppey. MEP is a collaborative project between Energy Systems Catapult, the Cabinet Office and the Department for Business, Energy and Industrial Strategy, working with private sector specialists and the Crown Commercial Service. This and Re:Fit will help identify further funding sources for investment in energy and carbon saving projects.

Case Studies

HMP Berwyn – Combined Heat and Power boilers (CHP)

HMP Berwyn uses three modular gas fired CHP boilers to meet the prisons heat and electricity requirements in a way that minimises additional fuel use by ensuring that heat which is normally wasted in conventional power generation is recovered as useful energy, avoiding the losses of separate heat and power generation. By generating heat and power simultaneously, CHP can reduce carbon emissions by up to 30% compared to the separate means of conventional generation systems. Smaller CHP systems are already installed and working in eight other prisons.

The Collaborative Energy Efficiency Programme

We are collaborating with partners Amey and TR Control Solutions to monitor very closely the minute by minute efficiency of electrical use across 20 prisons that use the most energy, called the Collaborative Energy Efficiency programme (CEEP). This project involves remotely monitoring electrical use and taking immediate action when there are unexpected or unexplained events. On site staff will make sure that changes

or adjustments can be made to resolve any issues. This should save over £174,000 per year for HMPPS.

HMP Risley LED Lighting

MoJ SD, Amey SD, Prison Maintenance Group and the Amey site and project teams have worked together to install LED lighting, in two phases, at HMP Risley. This £3 million project finished in early 2019 and we will look to quantify savings – both in terms of costs and consumption - during the next year.

Probation Utility Benchmarking

North East (NE) Probation have been working with Interserve to develop a detailed benchmark of utility usage in all NE properties. This is categorised by usage type (residential or reporting offices) and calculates usage per person and per square metre for gas, electricity and water. This will provide a clear picture of utility usage, the idea being that the clear picture of utility usage could be used to:

- fix or improve underperforming buildings
- produce business cases for sustainability projects
- measure and report on improvements in sustainability
- report results to the NE Estates Governance Board and to the NPS Estates Governance Board

NE Probation have already identified nine buildings with higher than average figures for utility usage and decided to use Wakefield Westgate Approved Premises as their first case study and as an exemplar to be rolled out across other parts of the estate. Significant savings can be achieved by replacing identified items (such as industrial washing machines and dryers and 24 hour lighting) with energy efficient alternatives.

Waste

Waste			2009-10	2015-16	2016-17	2017-18	2018-19
Non-Financial Indicators (tonnes)	Hazardous waste		47	0	62	0	0
	Non-hazardous waste	Landfill	24,830	8969	3181	3,360	770
		Reused/Recycled	24,735	20,688	16,353	21,897	28,258
		Composted/Anaerobic Digestion	-	1,629	1,398	1,594	2,045
		Incinerated with energy from waste	175	7636	11,370	10,661	3,803
		Incinerated without energy recovery	-	101	81	22	0
		Total waste	49,787	39,023	32,445	37,534	34,876

Table 3: Waste and financial costs 2018-19

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2019 to March 2019.

We have continued to reduce the amount of waste produced by 30% since 2009-10 and improved our avoidance of landfill to 2% of total waste.

Reuse in the National Probation Service

During 2018, the National Probation Services (NPS) Business Strategy and Change Estates Support team partnered with the Shrewsbury and Telford NHS Trust through the auspices of WARP-IT, the MoJ's online furniture and equipment reuse service. NPS donated furniture to the NHS Trust's fertility unit which reduced disposal costs and ensured furniture was reused and repurposed.

NPS commented that there are enormous advantages of WARP-IT and that they saw what a difference even the smallest item can make when it goes to someone that really needs it.

Rehabilitation

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

In some instances, these units are linked through to external charitable causes and community enterprises. Community and life skills, together with transferable practical skills, form an important part of the Restorative Justice programme for offenders. In 2018-19 around 400 offenders were employed in WMUs working an average of around 700 hours a week between them.

Biodiversity

HMPPS continued to host the Wildlife Award in 2018, for the ninth successive year. The Wildlife Award is a scheme which showcases biodiversity good practice and social community projects across the prison estate that contribute to restorative justice and health and wellbeing programmes. Over the year, 15 prisons, including 6 designated sites, engaged offenders on ecological-related work providing important rehabilitation and offending-reducing behaviour opportunities. The 2018 winner was HMP Whatton.

HMPPS have signed several biodiversity Memorandum's of Understanding (MoU) including the British Dragonfly Society (BDS) and Amphibian and Reptile Groups UK to support both on their national projects. These will include Dragonfly Watch, Migrant Dragonfly project and the State of Dragonflies 2020, and the monitoring of priority protected species, including great crested newt, adder and grass snake. Both organisations will work with HMPPS to provide training opportunities for offenders.

Water

Water Consumption			2009-10	2015-16	2016-17	2017-18	2018-19
Non-Financial Indicators (m3)		Whole Estate	8,527,771	7,811,515	7,801,855	8,273,287	8,463,621
Financial Indicators (£m)	Water Supply & Sewage Costs		20	22	23	23	24

Table 4: Water consumption and financial costs 2018-19

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2019 to March 2019.

Water consumption by HMPPS accounts for 94% of MoJ's total water use (based on 2018-19 figures). We have reduced water usage across the estate by focussing on fixing leaks in ageing infrastructure. We have introduced water consumption targets for public sector prisons, based on annual consumption of water per prisoner, and new data reporting to spot excessive consumption and possible leaks more quickly.

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 information and communications technology contracts. New contracts require that suppliers meet the Government Buying Standards. New procurement staff are provided with training on sustainable procurement.
Climate Change Adaption	Climate resilient designs are incorporated in retrofit projects and new builds, including the Prison Estate Transformation programme. In addition, robust business continuity plans are in place to manage occurrences of extreme weather events.
Rural Proofing	Rural Proofing is assessing the effects of policies on rural areas. We are committed to mainstreaming sustainable development in the policy making process. A checklist 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	<p>The HMPPS estate is one of the largest and most diverse estates across central government. It borders nationally and regionally important environmentally sensitive sites, which have been designated by Natural England (NE), and Natural Resources Wales (NRW) for their biological, geological and archaeological importance.</p> <p>There are also European and internationally important designated sites, which have been scheduled for their importance for wetlands, wading birds and landscape scale conservation. Additionally, the HMPPS estate has over 30 sites of local and regional biodiversity significance, and together with their designated sites, the HMPPS estate is continuing to manage its environmentally sensitive sites, both responsibly and sensitively.</p>

Other Sustainability Commitments

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 and 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	MoJ is committed to the BREEAM standard of “excellence” for new builds and “very good” for refurbishments overstated minimum threshold values. It committed to publishing annually the BREEAM rating of our new building and other major projects. During 2018-19 one project received final BREEAM certification – this was a new build prison project and it received an ‘excellent’ rating in line with the department’s policy on sustainable construction. The department has developed guidance for project teams on applying the BREEAM policy to reduce the risk of assessments failing to achieve the required standards or not being completed.

Dr Jo Farrar

Chief Executive and Accounting Officer

15 July 2019

Accountability Report



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 HMPPS for the period 1 April 2018 to 28 February 2019, as agreed by the Permanent Secretary and the HMPPS Agency Board, included:

- four HMPPS Agency Board meetings focusing on strategic priorities including performance, risk and investment
- an HMPPS Executive Management Committee (EMC) which met two/three times a month

These were supported by:

- a weekly EMC update meeting
- a comprehensive range of sub-committees and functional management boards reporting to the EMC

Following the implementation of the revised HMPPS HQ structures on 1 March 2019 new arrangements were put in place to streamline Agency governance and accountability as follows:

- four HMPPS Agency Board meetings a year focusing on strategic priorities including performance, risk and investment
- a weekly Agency Management Committee (AMC), with a rotating focus on performance; finance; change and service support (HR, Commercial, Digital etc)

These were supported by:

- a weekly Agency Management update meeting
- three Operational Management Committees – for prisons, probation and the Youth Custody Service – and a comprehensive range of sub-committees reporting to the AMC (see page 85 for the HMPPS governance structure)



The Secretary of State confirmed Michael Spurr as Chief Executive Officer of HMPPS when its creation was announced in Parliament on 8 February 2017. This followed his appointment as CEO of NOMS by the Permanent Secretary of the MoJ in June 2010.

Dr Jo Farrar became CEO of HMPPS on 1 April 2019 following Michael Spurr's departure from HMPPS on 31 March 2019.

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 Agency 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 Agency Management Committee are set out in the Remuneration and Staff Report on pages 96 to 114.



As of 1 March 2019 the structure of the HMPPS Agency Board and Agency Management Committee (AMC) was:

Agency Board:

Core members:

Non-Executive Directors x4 (including one chairing)

CEO

Director General, Prisons

Director General, Probation

Executive Director, Youth Custody Service (YCS)

Executive Director, Change, Strategy and Planning

Executive Director, Performance

MoJ Director, Group Finance

In attendance:

Agency Functional Management Lead

Head of the Executive Management Office for the CEO

Secretariat

Agency Management Committee

Core members:

CEO - (chair)

Director General, Prisons

Director General, Probation

Executive Director, YCS

Executive Director, Change, Strategy and Planning

Executive Director, Performance

MoJ Director, Group Finance

In attendance:

Agency Functional Management Lead

MoJ Legal Advisor

MoJ Deputy Director Internal Communications (HMPPS)

Head of the Executive Management Office for the CEO

Secretariat

Additional executive directors are invited to attend AMC/the Board for specific discussions related to their area.

During 2018-19 – up to 28 February 2019 – the members of the HMPPS Agency Board were:

Core members:

Non-Executive Director – Gerard Lemos (chaired meetings of the Agency Board since his appointment on 1 May 2018)

Non-Executive Director – Alan Hammill

Non-Executive Director – Rob Butler (from 1 May 2018)

Non-Executive Director – Lesley King-Lewis (from 1 May 2018)

CEO – Michael Spurr

Executive Director, Prisons – Phil Copple (until 31 December 2018)

Director General Prisons (interim) – Phil Copple (from 1 January 2019)

Executive Director, HMPPS Wales – Amy Rees (until 31 December 2018)

Director General Probation (interim) – Amy Rees (from 1 January 2019)

Executive Director, Estate Transformation – Simon Boddis

Executive Director, Youth Custody Service and Transition – Mark Read (until 8 April 2018)

Executive Director, Youth Custody Service (interim) – Sara Robinson (until 2 September 2018)

Executive Director, Youth Custody Service – Helga Swidenbank (from 3 September 2018)

Executive Director, Probation and Women – Sonia Crozier

Executive Director, Community Interventions – Ian Porée

Executive Director, Finance – Andrew Emmett (until 31 July 2018)

MoJ Director Group Finance – James McEwen (from 28 July 2018)

In attendance:

MoJ Legal Advisor – Nick Fussell

Head of the Executive Management Office for the CEO – Sarah McKnight

During 2018-19 – up to 28 February 2019 – the members of the HMPPS Executive Management Committee (EMC) were:

Core members:

CEO – Michael Spurr

Executive Director, Prisons – Phil Cople (until 31 December 2018)

Director General Prisons (interim) – Phil Cople (from 1 January 2019)

Executive Director, HMPPS Wales – Amy Rees (until 31 December 2018)

Director General Probation (interim) – Amy Rees (from 1 January 2019)

Executive Director, Security, Order and Counter Terrorism – Claudia Sturt

Executive Director, Estate Transformation – Simon Boddis

Executive Director, Youth Custody Service (interim) – Sara Robinson (until 2 September 2018)

Executive Director, Youth Custody Service – Helga Swidenbank (from 3 September 2018)

Executive Director, Probation and Women – Sonia Crozier

Executive Director, Community Interventions – Ian Porée

Executive Director, Rehabilitation and Assurance – Digby Griffith

Executive Director, HR – Martin Beecroft

Executive Director, Finance – Andrew Emmett (until 31 July 2018)

Executive Director, Electronic Monitoring (EM) – Adrian Scott

Executive Director, Prison Improvement – Ian Blakeman (from 8 May 2018)

In attendance:

Corporate Finance – John McGovern (from 28 July 2018)

MoJ Legal Advisor – Nick Fussell

MoJ Deputy Director, Internal Communications (HMPPS) – Lisa Appleyard

Head of the Executive Management Office for the CEO – Sarah McKnight

Additional Executive Directors were invited to attend EMC/the Board for specific discussions related to their area.

From 1 March 2019 the members of the HMPPS Agency Board and Agency Management Committee (AMC) were:

Core members:

Non-Executive Director – Gerard Lemos*

Non-Executive Director – Alan Hammill*

Non-Executive Director – Lesley King-Lewis*

Non-Executive Director – Rob Butler*

CEO – Michael Spurr

Director General, Prisons (interim) – Phil Copple

Director General, Probation (interim) – Amy Rees

Executive Director, Youth Custody Service (YCS) – Helga Swidenbank

Executive Director, Change, Strategy and Planning – Adrian Scott

Executive Director, Performance – Ian Blakeman

MoJ Director, Group Finance – James McEwen

In attendance:

Executive Director, Community Interventions – Ian Porée (attending in his capacity as Agency lead for Functional Management)

MoJ Legal Advisor – Nick Fussell**

MoJ Deputy Director, Internal Communications (HMPPS) – Lisa Appleyard**

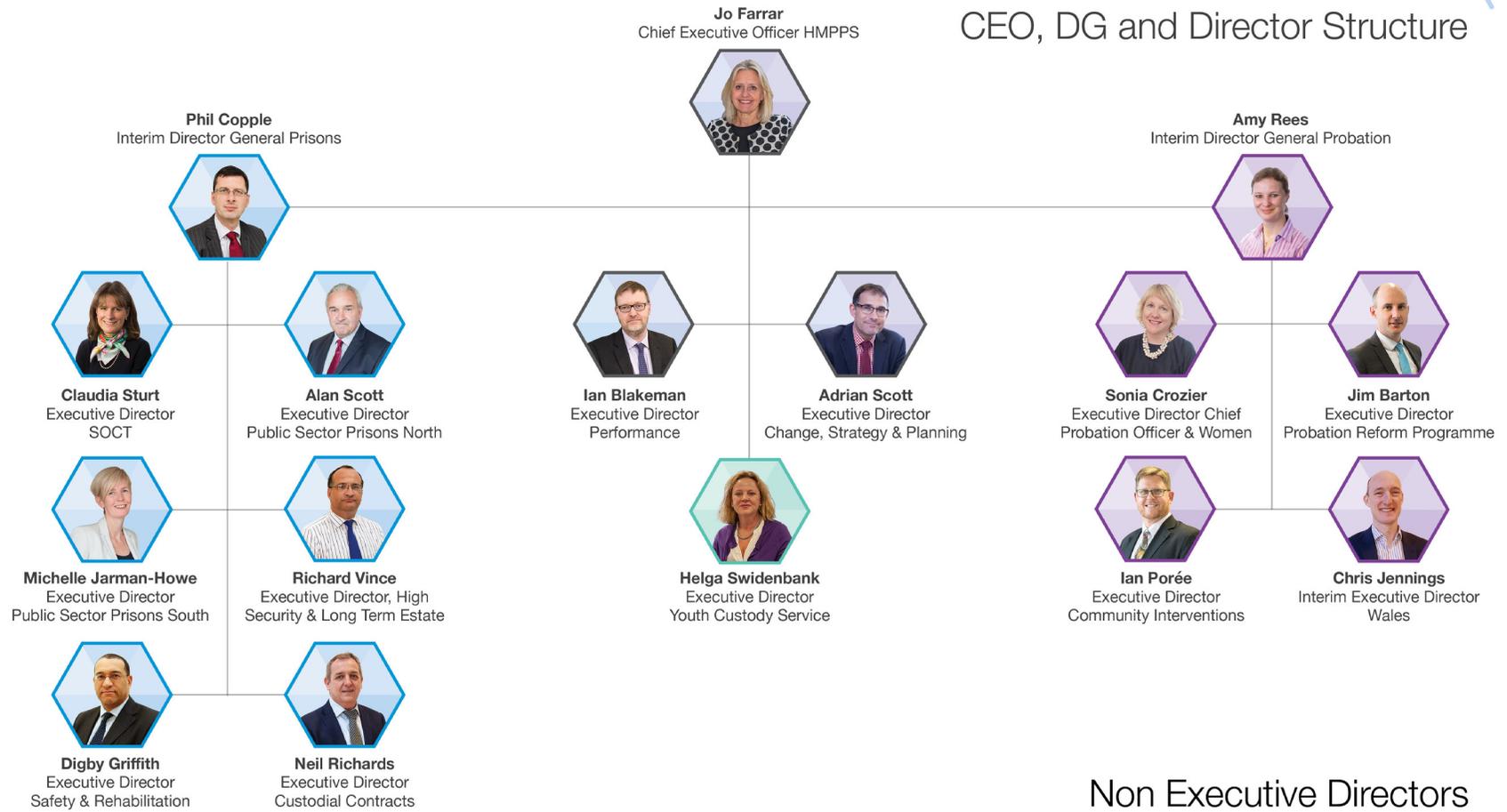
Head of the Executive Management Office for the CEO – Sarah McKnight
Secretariat

** Agency Board only ** AMC only*

Additional Executive Directors are invited to attend AMC/the Board for specific discussions related to their area.

Details of company directorships and other significant interests held by HMPPS' directors can be found in Note 21 of the accounts on page 168. The chart on the following page illustrates the management structure of HMPPS as of 1 April 2019.

CEO, DG and Director Structure



Non Executive Directors



Changes to the HMPPS Agency Board and Agency Management Committee since 1 April 2019 include:

Dr Jo Farrar became CEO of HMPPS on 1 April 2019 following Michael Spurr's departure from HMPPS on 31 March 2019. She reviewed the HMPPS governance arrangements and made the following changes as of 8 May 2019:

The Agency Management Committee became the HMPPS Leadership Team with the following membership:

Core members:

CEO – Dr Jo Farrar

Director General Prisons (interim) – Phil Copple

Director General Probation (interim) – Amy Rees

Executive Director, Youth Custody Service (YCS) – Helga Swidenbank

Executive Director, Change, Strategy and Planning – Adrian Scott

Executive Director, Performance – Ian Blakeman

MoJ Director, Group Finance – James McEwen

MoJ Director, HR Operations – Mark Adam (from 6 June 2019)

In attendance:

Head of the Executive Management Office for the CEO – Sarah McKnight
Secretariat

Additional executive directors and functional lead directors are invited to attend for specific discussions related to their area.

The HMPPS Leadership Team is supported by the three existing Operational Management Committees – for prisons, probation and the YCS – and a revised range of sub-committees (details of which are shown on page 85).

Governance Statement

Introduction

HMPPS is an Agency of the Ministry of Justice (MoJ). Its key duties are to implement the sentences and orders of the courts – to protect the public and rehabilitate offenders.

The organisation operates in accordance with its published Framework Document which sets out the arrangements for the governance, accountability, financing, staffing and operation of the Agency, agreed between the Secretary of State for Justice and the Agency CEO and approved by the Chief Secretary to the Treasury.

As Chief Executive, I'm responsible for the day-to-day operations and administration of the Agency and leadership of its staff. As Chief Executive and Accounting Officer, I am accountable to the MoJ Permanent Secretary and Principal Accounting Officer, and ultimately to Parliament.

Throughout the year, the Executive Management team and the Agency Board have maintained close scrutiny of day-to-day business, risk, performance and financial expenditure through formal governance arrangements. Actions have been taken to respond to issues and mitigate risks to the business as necessary. Specific actions have been taken in response to significant risks and issues, set out on pages 88 to 90.

The remainder of this statement explains in more detail the arrangements in place to govern the HMPPS Agency from 1 April 2018.

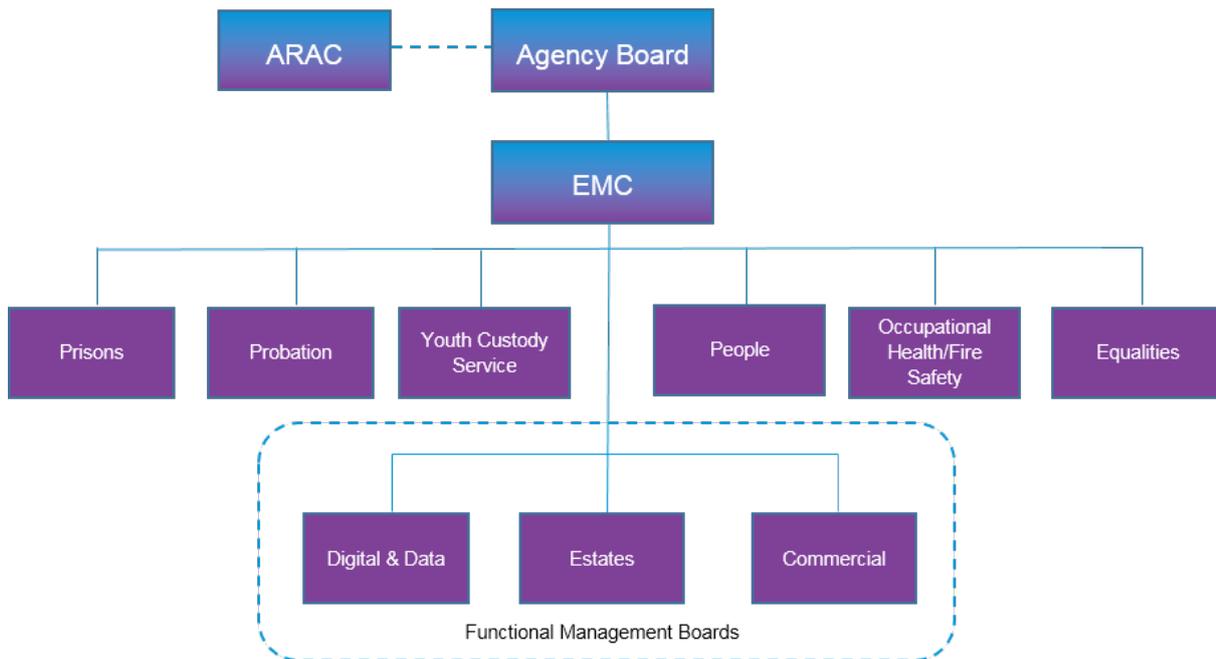
Governance Framework

Overall responsibility for the HMPPS Agency rests with the CEO, supported by the Agency Board and the Leadership Team. The CEO is also a member of the MoJ Departmental Board, chaired by the Secretary of State for Justice, and a member of the MoJ Executive Committee, chaired by the Permanent Secretary. Regular meetings are also held with the minister with responsibility for prisons and probation and with the Secretary of State for Justice.

During 2018-19, reorganisation of the Agency management structures took place, and governance arrangements were revised to reflect this. The governance structures for the majority of the reporting year – up until 28 February 2019 – are described below.

This is followed by the revised arrangements in place from 8 May 2019 which we're continuing to refine to ensure their effectiveness and reflect structural changes.

HMPPS Governance Structure as of 28 February 2019



Agency Board

The Agency Board was chaired by the lead non-executive director and met quarterly. It provided support and advice to the Chief Executive regarding the strategic direction of the Agency. The Board gave direction to, and drove achievement of, the objectives of the Agency’s operations; 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. Its responsibilities also 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

Key activities during the year under review:

- oversight of performance, risk and finance

Strategic issues including:

- long term strategy and spending review
- living conditions in prisons
- prison and probation pay reform
- stakeholder engagement and communications

Managing Conflicts of Interest – At the beginning of every Agency Board meeting, all members are asked to declare any new potential conflicts of interest. These are noted in the minutes, along with the appropriate action taken to manage them such as members withdrawing from discussion relating to those interests. Agency Board and Executive Management Committee / Agency Management Committee members are also asked to review and update the conflict of interest record at least annually.

Executive Management Committee

The CEO chaired this committee which met twice/three times a month. It was responsible for supporting the Agency Board in managing the day-to-day management of the Agency. This included all Agency-wide corporate and operational issues, as well as prison, probation and YCS performance, finance and risk management.

Key issues discussed during the year:

- Prison Estate Transformation Programme
- Equalities Strategy and Lammy recommendations
- Prison, Youth Custody Service, National Probation Service and Community Rehabilitation Company performance reporting
- Independent Inquiry into Child Sexual Abuse
- General Data Protection Regulation (GDPR) compliance

Operational Readiness and Assurance Board

The CEO chaired this board which met once a month. Although it was part of the MoJ Prison Safety and Reform programme governance structure, its purpose was to ensure that operationally-focused members of the HMPPS executive team had input into the design of relevant products to ensure they took into account operational delivery considerations and provided assurance that new services/systems were ready to go live.

Key issues discussed during the year:

- Models of Delivery for Older Prisoners and Young People
- Empowerment, Accountability and Scrutiny programme closure
- Personal Training Safety package, including SPEAR and PAVA spray
- Offender Contact and Through the Gate services

Audit & Risk Assurance Committee (ARAC)

This committee is an advisory body, chaired by a non-executive director and comprises two further non-executive members. It provides independent advice on governance, risk management and control issues; and on the internal audit work programme. It provides scrutiny of the accounts and considers key recommendations from internal audit reports and the National Audit Office.

Key issues discussed during the year:

- the development of prison and probation digital plans
- action to enhance the Agency commercial capability
- the Agency risk management framework, including conducting ‘deep dive’ reviews on risks relating to the inability to live within financial resources and custodial living areas and working conditions

Changes to Governance In-year

During 2018-19, further reorganisation of Agency structures and revised governance arrangements took place. Four new non-executive directors were also appointed in May 2018 – three became members of the Agency Board and two became members of the ARAC. A revised third-tier governance structure was put in place in October 2018 to better support the business following a review of sub-committees reporting to the Executive Management Committee.

In November 2018, two new director general posts were announced as part of the MoJ Structures Review – one for prisons and one for probation – each reporting to the HMPPS CEO. And as of 1 March 2019, further new management structures were put in place to support the CEO and Directors General. This included the creation of new Change, Strategy and Planning, and Performance directorates to further refine the business’s focus on these areas. As part of the ongoing move to a functional leadership model, parts of the HMPPS HR directorate moved to the MoJ in line with other professional support functions that provide a service to the Agency from the MoJ, including finance, estates, commercial, and communications.

Following the implementation of these revised HMPPS HQ structures on 1 March 2019, new arrangements were put in place to streamline Agency governance and accountability. The Executive Management Committee (EMC) became the weekly Agency Management Committee with a rotating focus on performance, finance, change and service support. This was supported by three Operational Management Committees – for prisons, probation and the Youth Custody Service – and a range of sub-committees.

I reviewed these arrangements further following my arrival, and as of 8 May 2019 the governance structure is as follows and remains under review.

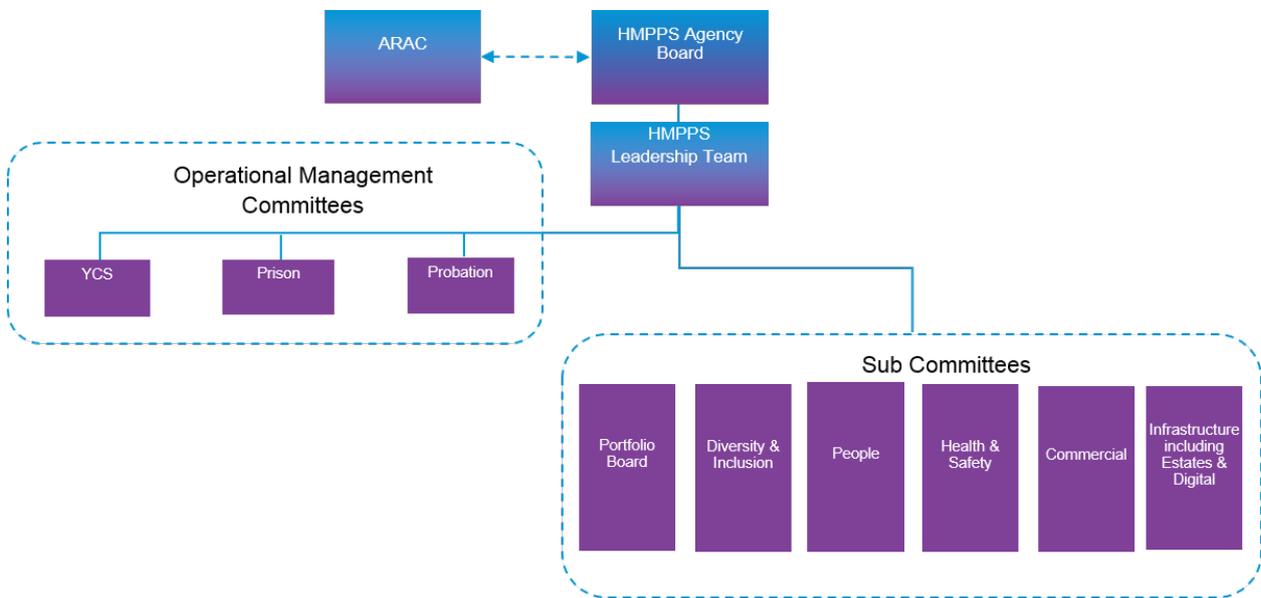
HMPPS Governance Structure as of 8 May 2019

Agency Board

The Agency Board, chaired by the lead non-executive director, continues its role to support the CEO in setting the strategic direction for HMPPS to meet policy objectives set by Ministers.

HMPPS Leadership Team

Day-to-day management of the Agency is overseen by the weekly HMPPS Leadership Team chaired by myself as the Chief Executive. It's supported by three Operational Management Committees for Prisons, Probation and Youth Custody chaired by the Director General of Prisons; Director General of Probation and Executive Director of Youth Custody Service respectively, and the following sub-committees shown below.



Details of Agency Board, Audit and Risk Assurance Committee and EMC membership, including attendance records, can be found on pages 93 and 94.

Oversight and Assurance Arrangements

The Agency Board provides scrutiny of: Performance; Risk Management; Systems; and Financial Accounts.

The Executive Management Committee / HMPPS Leadership Team exercises oversight of the performance of HMPPS by:

- using the performance, risk and planning framework – including monthly reports from the sub-committees and management boards – to check the progress against delivery of HMPPS’s key priorities
- 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 (for example: overspend, significant risks to delivery)

- agreeing delegations to directorates and throughout the governance structure to ensure the right decisions are being taken by the right people in the right place, while ensuring 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 Inspectors of Probation and Prisons and Independent Monitoring Boards
- the Prisons and Probation Ombudsman
- the National Audit Office
- the Youth Justice Board

In addition, one of the key sources of independent assurance within HMPPS came from the Internal Audit service provided by the Government Internal Audit Agency. The Internal Audit programme was closely linked to the key risks to HMPPS and the CEO regularly discussed emerging issues with the Head of Internal Audit. The Head of Internal Audit has provided a 'moderate' annual audit opinion on the adequacy of the Agency's framework of governance, risk management and control in her annual report for 2018-19.

As well as Internal Audit, sources of internal assurance from which the Accounting Officer draws include:

- annual assurance statements from each of the directors covering the key systems for which they are responsible
- 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

Improving Governance

The Corporate Governance Code for Central Government Departments recommends that a Board Effectiveness Evaluation is carried out annually. However, because of the Non-Executive Director and CEO changes, as well as the management structure review and the impact on governance arrangements – which work continues on – a Board Effectiveness Review was not undertaken in this reporting year. A full performance review will be carried in 2019-20. This will allow the Non-Executive Directors recruited last year and myself to provide more considered feedback. In the meantime, the learning from previous effectiveness reviews has continued to be applied to the running of the Agency Board and Executive Management Committee / Agency Management Committee (AMC).

The Agency Board was satisfied that it had sound governance in place, and that HMPPS was compliant with the relevant sections of the guidance. During 2018-19, Agency Board meetings were chaired by the lead non-executive director in accordance with the Agency Framework Document. An Agency Board Operating Framework was also produced in response to a recommendation from the Government Internal Audit Agency, expanding on and replacing the Agency Board's previous Terms of Reference.

HMPPS 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.

Quality of Information

The Agency recognises the need to ensure the Agency Board, Leadership Team and sub-committees receive sound advice and information to enable informed decisions to be made. The Board Secretariat works with teams to ensure the information provided is of a good quality, with a template used for committee papers, structured to ensure risks and resource implications are highlighted and to ensure sufficient engagement and challenge during discussions.

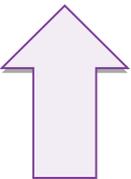
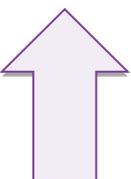
The structure and information contained in regular agenda items has been reviewed, improved and updated over the course of the year.

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' as there was scope to enhance local assurance processes within some establishments.

Risk Management and Significant Issues

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.

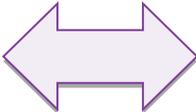
The following key significant risks and issues were identified after consideration of the HMPPS Corporate Risk Register and Executive Directors' Annual Assurance Statements:

Specific Operational Issues		
Topic: Escalation of violence and self-harm		
<p>Detail Although the final quarter of 2018 saw a decrease in the number of assaults and self-harm incidents, the level of both increased across the year as a whole and they continue to cause significant concern.</p> <p>This reflects the significant challenge created by an increasingly complex population with a higher proportion of prisoners serving sentences for violent offences and the pervasive impact of illicit drug use.</p> <p>The recorded statistics all show an increase in the most recent 12 months of data:</p> <ul style="list-style-type: none"> self-harm incidents 25% increase prisoner on prisoner assaults 15% increase assaults on staff 21% increase deaths in custody 6% increase self-inflicted deaths 19% increase 	<p>Key mitigations We have a comprehensive programme in place to tackle violence, illicit drug use and self-harm.</p> <p>Across the custodial estate, the focus has been to stabilise the system and achieve a reversal in the trends. Specific actions in 2018-19 include:</p> <ul style="list-style-type: none"> roll out of the revised Offender Management in Custody arrangements, using the additional 4,700 prison officers, has now commenced at all 92 closed adult male prisons, alongside work to promote rehabilitative cultures in prisons the 10 Prisons Project launched, seeking to develop effective practice with additional funding to tackle drug use and violence, improve living conditions, and build staff and leadership capability a National Prison Drug Strategy was developed and published a comprehensive youth justice reform programme in place, including the professionalisation of the workforce 	<p>Impact on risk</p> 
Topic: Living Conditions		
<p>Detail During 2018-19, the physical condition of some of the custodial estate and approved premises continues to be a significant concern, as is the performance of facilities management services in both the prison and AP estate.</p> <p>These criticisms have also been made by external scrutiny bodies including HMI Prison and Probation Inspectorates and the Independent Monitoring Boards.</p>	<p>Key mitigations During 2018-19, further investment has been identified to improve the fabric of prisons, targeting establishments with the most pressing maintenance issues and work is being carried out to understand the backlog of maintenance issues to help provide a base for future investment decisions.</p> <p>Internal Audits have been completed across all Public Sector Prisons and Independent Audits have been commissioned at 11 sites. Actions have been taken to strengthen Facilities Management contract management arrangements, including increased management oversight, strengthened governance and improved audit measures.</p>	<p>Impact on risk</p> 
Topic: Community Rehabilitation Companies (CRCs)		
<p>Detail While we have been developing structural changes to the Probation landscape to strengthen services, we continue to manage the operationally challenging performance of CRC contracts. We know that these challenges are due to underlying unforeseen reductions in case mix and volumes which has resulted in underfunding</p>	<p>Key mitigations Significant structural changes to probation services are underway following the public consultation to deliver sustainable solution to the challenges in the system. New arrangements for probation service delivery are intended to be in place across England and Wales by spring 2021.</p> <p>Action taken to improve delivery by existing CRCs</p>	<p>Impact on risk</p> 

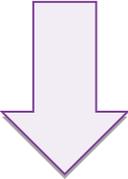
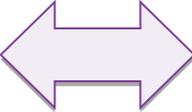
Specific Operational Issues

<p>as acknowledged by the NAO. We have also had to effectively manage the situation resulting from Working Links, the Parent Company to three CRCs, going into administration in February 2019.</p> <p>A number of organisations contracted by Working Links' CRCs to deliver probation services faced financial loss as a result of this administration. On 8 May 2019 the Secretary of State directed officials to make payments to these organisations to make good these expected losses. The losses relate to frontline probation services delivered prior to the date of administration. The letters of direction are available.⁸ Payments to these 'Permitted Subcontractors' will be made in the financial year 2019-20. Were 'Permitted Subcontractors' to recover any losses through the administration process, it would be returned to the Agency.</p>	<p>and reduce the impact of the financial pressure includes:</p> <ul style="list-style-type: none"> • changes to existing CRC contracts in 2017 to more fairly reflect provider fixed costs • further contract variations in summer 2018 to update how we measure reoffending, deliver additional investment of £22 million per annum in Through the Gate Services and introduce minimum offender contact standards • contingency plans were successfully deployed and utilised to ensure continued probation delivery following provider failure • contract management teams now working closely with CRCs to plan for the transition to new arrangements and prevent any deterioration in service delivery over the remaining life of the contracts through appropriate use of contractual levers 	
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Topic: Performance Issues

Detail	Key mitigations	Impact on risk
<p>There have been performance challenges across the prison and youth custody estate.</p> <p>Her Majesty's Chief Inspector of Prisons (HMCIP) has issued Urgent Notifications (UNs) in respect of HMPs Nottingham, Exeter, Birmingham and Bedford. UNs highlight when a prison is assessed as needing immediate attention.</p> <p>Sixteen prisons have been placed by HMPPS in 'special measures' and around 25 further prisons are subject to performance improvement plans. These internal processes provide additional support to individual establishments to improve their performance. This additional support has put pressure on central resources to respond to the issues raised, specifically in relation to capacity reduction and detached duty requirements.</p> <p>While CRC performance against service levels has improved during the year, some CRCs are not yet meeting all targets. In 2018-19, Her Majesty's Chief Inspector of Probation has published eight CRC reports which demonstrate that, while there are many examples of good practice all CRC's overall ratings were either 'requires improvement' or, in one case, 'inadequate'.</p>	<p>Actions taken in response to these performance issues include:</p> <ul style="list-style-type: none"> • restructuring the prison groups to ensure national and prison group teams provide expert advice and resources to prisons • acting to address prisons of concern where additional support and action is required • introducing a revised performance framework (Prison Performance Tool) to hold governors to account for performance at prison-level • establishing central oversight to improve the sequencing of prison support • deciding to step in and take over the running of HMP Birmingham from G4S, following serious concerns about performance <p>With CRCs action being taken includes:</p> <ul style="list-style-type: none"> • dedicated contract management teams robustly monitor performance and compliance; • enforcement and unpaid work practice is being reviewed to deliver improvements in practice; • a monthly performance dashboard is in place and is shared, along with Management Information, with CRCs to inform their action plans. • developing a new integrated performance tool for probation that seeks to capture both quantitative and qualitative measures. 	<p style="text-align: center;"></p>

⁸ <https://www.gov.uk/government/publications/working-links-payments-ministerial-direction>

Specific Operational Issues		
Topic: Digital Technical Debt/GDPR		
<p>Detail A significant part of HMPPS technology is suffering from 'technical debt' with obsolete systems and dated infrastructure requiring substantial investment. This increases risk of data loss; downtime and the ability to change systems to respond to business change. Primarily as a result of old systems, GDPR compliance is unacceptably low.</p> <p>The actions shown are mitigating the risk at present, but investment funding will be required in future years to effectively and permanently address the deficiencies.</p>	<p>Key mitigations Digital services are provided through MoJ Digital as part of the functional management model. In response to the risks identified HMPPS has:</p> <ul style="list-style-type: none"> established a Digital and Data Board chaired by an HMPPS Director to provide an oversight of business requirements and spend in the business escalated to Departmental-level the risks of technical debt and GDPR compliance and the requirement for a sustained investment plan to address these commissioned work to prioritise investment to address the deficiencies over time ensured a robust system is in place to maintain and protect information assets and to improve GDPR compliance through manual adjustments as far as possible 	<p>Impact on risk</p> 
Topic: Independent Inquiry into Child Sexual Abuse (IICSA)		
<p>Detail The IICSA children in custodial institutions investigation was published on 28 February 2019. Criticisms include the high prevalence of sexual abuse, poor handling of allegations/complaints, the culture in secure training centres and Young Offender Institutions in comparison to Secure Children's Homes (the latter being considered more child focused).</p> <p>The Inquiry also concluded that the use of pain inducing techniques amounted to abuse and has recommended that this practice cease immediately.</p>	<p>Key mitigations There are seven recommendations between the Ministry of Justice, Youth Custody Service in HMPPS and Department of Education and it is our intention to publish a formal response within six months (28 August 2019).</p>	<p>Impact on risk</p> 

Information Assurance (IA)

HMPPS is committed to ensuring effective information management and security and is alert to the risks surrounding information assets. During 2018-19, the team has continued to work with stakeholders across HMPPS, MoJ and contracted service providers to promote IA policies by:

- implementing General Data Protection Regulation (GDPR) throughout the estate, with work ongoing to address the challenge of non-compliance issues. While the business' paper-based GDPR compliance is reasonable, our technology-based GDPR compliance is unacceptably low primarily due to our old systems. HMPPS have an agreed Action Plan with MoJ who are targeting the highest priority HMPPS IT systems with the aim of improving their compliance first as these systems present the biggest risk. The aim is to have as much GDPR compliance by the start of April 2020 as possible
- continuing to support information governance in headquarters / National Probation Service and Community Rehabilitation Companies

- providing IA expertise to substantial projects and all IT requests including self-assessment, circulated information assurance questionnaires, approved broadband lines and internet access requests
- continuing to strengthen HMPPS information sharing controls with appropriate agreements in place across the estate
- advising on IA issues within the HMPPS Digital Studio and Digital Prison(s)
- advising all staff and third-party suppliers, including non-directly employed staff, that they are required to undertake IA training on an annual basis
- completing the Annual Security Governance check list and supporting completion of IA compliance statements

During the coming year, HMPPS will continue to improve IA by continuing work to ensure compliance with the new data protection regulations, operating a proactive IA incident management service across HMPPS, and further improving IA security awareness across the business.

Personal Data Related Incidents

Seven significant personal data related incidents were reported to the Information Commissioner's Office (ICO) in 2018-19.

Month of Incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification of steps
June 2018	A Daily Operation Report was in the hands of an unknown individual who contacted the prison to inform them they would sell the information to the media but wanted to give the prison the opportunity to pay for the report.	Personal identification of prisoners and staff.	52 prisoners and 76 staff members.	Self-reported. ICO has confirmed no further action is required.
July 2018	The Application Framework can be used to send emails to email addresses entered into the system. The incorrect email address was entered into the system, leading to a police force being sent details of young people in custody.	Personal identification of young persons in custody. Some information was already apparent to the receiving force but not all.	28 service users covering 16 separate areas.	Self-reported and awaiting a response from the ICO.
August 2018	It was identified during a GDPR exercise that MAPPA minutes attached to a core reps calendar invites sent for panels have the potential for wider viewing as some reps calendars were open to all staff within their organisation.	Personal identification and circumstances written in a document of service users which included victims' information.	95 service users over a period of a month.	Self-reported and awaiting a response from ICO.
August 2018	A prisoner was given his OASys assessment which contained prisoner assessments. This information was then shared with a second prisoner.	Personal identification of prisoners subject to safeguarding children restrictions, child contact applications/decisions and 2 high profile prisoners.	56 prisoners with varying degrees of detail, including their family.	Self-reported and awaiting a response from the ICO.

Month of Incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification of steps
December 2018	The parents of a prisoner were handed his legal documentation during a visit which they took with them. The following week they returned the documents back as they contained information on another prisoner.	Personal identification of various people.	107 including other perpetrators, victims and witnesses.	Self-reported. ICO has confirmed no further action is required.
Jan 2019	Ex member of Newport City Council staff took notebooks when leaving containing information discussed in MAPPA relating to a NPS case. The information has then been disclosed to an ex contractor of the council for their tribunal case against the council.	Personal information has been disclosed to parties who are not entitled to the information	There were 9 NPS cases, but each case will have a number of pieces of victim information etc.	Newport Council have reported themselves to the ICO.
Feb 2019	A person on probation has had information about them published on Facebook by another party. It would appear that the information has been obtained from OASys	Personal information of individual on probation and their victim.	2 individuals, but posted on social media site	Self-reported to the ICO and awaiting a response

Whistleblowing Arrangements

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. HMPPS had two cases referred to nominated officials during the reporting period that met the criteria, both of which were resolved with no case to answer. 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 2018 survey with the previous survey in 2017, indicates that overall there is the same level in awareness and a slight increase of confidence in these areas. HMPPS will continue to monitor responses on an annual basis.

Attendance Charts

From 1 April 2018 to 1 March 2019

Name	Role	Executive Management Committee	Agency Board
Gerard Lemos	Chair (from 1 May 2018)	N/A	3 of 4
Alan Hammill	Non-Executive Director	N/A	4 of 4
Lesley King-Lewis	Non-Executive Director (from 1 May 2018)	N/A	4 of 4
Rob Butler	Non-Executive Director (from 1 May 2018)	N/A	4 of 4
Michael Spurr	CEO of HMPPS	18 of 23	4 of 4
Phil Copple	Executive Director, Prisons (until 31 December 2018)	11 of 18	2 of 3
	Director General, Prisons (from 1 January 2019)	4 of 5	1 of 1
Amy Rees	Executive Director, HMPPS Wales (Until 31 December 2018)	14 of 18	2 of 3
	Director General, Probation (from 1 January 2019)	5 of 5	1 of 1
Martin Beecroft	Executive Director, HR	15 of 23	N/A
Digby Griffith	Executive Director, Rehabilitation and Assurance	20 of 23	N/A
Simon Boddis	Executive Director, Estate Transformation	13 of 23	2 of 4
Helga Swidenbank	Executive Director, Youth Custody Service (from 3 September 2018)	11 of 14	1 of 2
Sonia Crozier	Executive Director, Probation and Women	17 of 23	3 of 4
Ian Porée	Executive Director, Community Interventions	19 of 23	4 of 4
Ian Blakeman	Executive Director, Prison Improvement (from 8 May 2018)	16 of 20	1 of 1
Adrian Scott	Executive Director, Electronic Monitoring	12 of 23	N/A
Claudia Sturt	Executive Director, Security, Order and Counter Terrorism	15 of 23	N/A
Andrew Emmett	Executive Director, Finance (until 27 July)	7 of 8	2 of 2
John McGovern*	Deputy Director, Finance Business Partner for HMPPS Probation, Youth, Change and Planning (from 28 July 2018)	11 of 15	N/A
Sara Robinson	Interim Executive Director, Youth Custody Service (until 2 September 2018)	8 of 9	2 of 2
Lisa Appleyard*	MoJ Deputy Director Internal Communications (HMPPS)	9 of 23	N/A
Nick Fussell*	MoJ Legal Advisor	15 of 23	0 of 4
Sarah McKnight*	Head of HMPPS Executive Management Office for the CEO	19 of 23	3 of 4
James McEwen	MoJ Director, Group Finance	N/A	2 of 2

* In attendance

ARAC

Name	Role	
Alan Hammill	Chair/Non-Executive Director	4 of 4
Seyi Obakin	Non-Executive Director	3 of 4
Lesley King-Lewis	Non-Executive Director	3 of 4
<i>In attendance</i>		
Michael Spurr	CEO	4 of 4
Ann Owen (until 2 December)	Head of Financial Management, Report and Control	1 of 1
Andrew Emmett (until 31 July)	Executive Director, Finance	1 of 1
James McEwen (from 31 July)	Executive Director, Finance	3 of 3
Linda Costello	GIAA MoJ Group Chief Internal Auditor	2 of 4
Liam Orme	GIAA Head of Audit Operations, HMPPS	4 of 4
Steven Corbishley	Director, National Audit Office	3 of 4
Oliver Lodge	Director, National Audit Office	4 of 4

Conclusion

Former HMPPS CEO and Accounting Officer Michael Spurr provided me with a letter of assurance for the period up to his departure on 31 March 2019. This stated that HMPPS had maintained a framework of control to ensure the organisation had in place sufficient control processes to provide assurance over financial and operational risks, as well as performing a regular review of the effectiveness of the system of internal control.

I am therefore satisfied that I have effective governance arrangements and the necessary policies and procedures in place to provide a sound system of internal control to support HMPPS in delivering its statutory duties. Also to meet the aims and objectives set by ministers while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my letter of delegation and in Managing Public Money.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed HM Prison and Probation Service (HMPPS) 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 HMPPS 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 and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it 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.

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 HMPPS, 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 HMPPS' auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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:

<https://www.civilservicecommission.org.uk/>

Remuneration

The following sections provide details of the remuneration and pension interests of the most senior management (that is, core board members) of HMPPS.

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 HMPPS and 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 HMPPS and treated by HM Revenue and 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 and Customs.

Bonuses

Directors' bonuses are determined by the MoJ SCS Pay Committees – Chaired by the MoJ Permanent Secretary 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 2018-19 are for bonuses awarded in 2017-18. Bonus payments made in 2017-18 are for bonuses awarded in 2016-17.

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.

Total remuneration (audited)

Officials	2018-19					2017-18				
	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
Michael Spurr Chief Executive Officer	145-150	-	-	1	145-150	145-150	-	-	-	145-150
Phil Cople Executive Director, Prisons (until 31 December 2018) Interim Director General, Prisons (from 1 January 2019)	140-145	-	10-15	55	205-210	135-140	-	10-15	30	175-180
Amy Rees Executive Director, HMPPS Wales (until 31 December 2018) Interim Director General, Probation (from 1 January 2019)	120-125	-	10-15	53	180-185	80-85 (115-120 annualised)	-	-	25 ³	105-110
Sonia Crozier Executive Director Probation and Women (until 28 February 2019)	105-110 (115-120 annualised)	-	10-15	42	160-165	115-120	-	-	46	160-165
Ian Porée Executive Director Community Interventions (until 28 February 2019)	125-130 (140-145 annualised)	-	-	59	185-190	65-70 (140-145 annualised)	-	-	21	85-90
Andrew Emmett ¹ Executive Director Finance (until 31 July 2018)	45-50 (135-140 annualised)	-	-	17	65-70	125-130 (130-135 annualised)	-	-	50	175-180
James McEwen ² Director, MoJ Group Finance (from 28 July 2018)	70-75 (110-115 annualised)	-	15-20	22	110-115	n/a	n/a	n/a	n/a	n/a
Mark Read Executive Director Youth Custody Service (until 8 April 2018)	0-5 (100-105 annualised)	-	-	1	0-5	100-105	-	10-15	22	130-135

Officials	2018-19					2017-18				
	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)
Sara Robinson Interim Executive Director Youth Custody Service (until 2 September 2018)	40-45 (95-100 annualised)	-	5-10	14	60-65	50-55 (95-100 annualised)	-	5-10	21	85-90
Helga Swidenbank Executive Director Youth Custody Service (from 3 September 2018)	65-70 (110-115 annualised)	-	-	26	90-95	n/a	n/a	n/a	n/a	n/a
Simon Boddis Executive Director Prison Estate Transformation Programme (until 28 February 2019)	85-90 (90-95 annualised)	-	10-15	6	100-105	90-95	-	-	33	125-130
Adrian Scott Executive Director, Electronic Monitoring (until 28 February 2019) Executive Director, Change, Strategy and Planning (from 1 March 2019)	115-120	-	15-20	33	165-170	90-100	-	10-15	25 ³	135-140
Ian Blakeman Executive Director, Prison Improvement (from 8 May 2018, until 28 February 2019) Executive Director, Performance (from 1 March 2019)	95-100 (105-110 annualised)	3.3	-	24	125-130	n/a	n/a	n/a	n/a	n/a
Claudia Sturt Executive Director, Security, Order and Counter Terrorism (until 28 February 2019)	100-105 (110-115 annualised)	0.4	-	27	125-130	110-115	-	-	26	135-140
Digby Griffith Executive Director, Rehabilitation and Assurance (until 28 February 2019)	95-100 (100-105 annualised)	-	-	51	145-150	100-105	-	-	11	100-115

Officials	2018-19					2017-18				
	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
Martin Beecroft Executive Director, Human Resources (until 28 February 2019)	100-105 (110-115 annualised)		-	41	140-145	110-115	-	-	44	155-160

- 1 The Executive Director Finance (up to 31 July 2018) was paid for untaken annual leave during the year resulting in an increase in salary.
- 2 The Executive Director, Finance (from 28 July 2018) is part of the MoJ Functional Leadership group and is not included in the staff cost note or staff numbers within the HMPPS accounts but is included in the MoJ accounts. As an HMPPS Board members they are included in the Remuneration Report above.
- 3 Prior year amounts have been restated as revised information has been received during the year from our pension provider.

Following restructuring of the Agency Board and Agency Management Committee from 1 March 2019, Executive Directors for: Probation and Women, Community Interventions, Prison Estate Transformation Programme, Security, Order and Counter Terrorism, Rehabilitation and Assurance and Human Resources ceased to be members of the Board with effect from 1 March 2019. The end date of 28 February is recorded in the Remuneration Report, for reporting purposes. The Directors have not ceased in their roles as Executive Directors in HMPPS.

Compensation for loss of office (audited)

A director chose to leave HMPPS during the financial year under an MoJ Voluntary Early Departure Scheme (VED). This resulted in a VED payment in the band £25,001-50,000 in April 2019. The identity of the director has not been disclosed.

Pay Multiples (audited)

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.

	2018-19	2017-18
Band of highest paid director's total remuneration (£000)	155-160	145-150
Median total remuneration (£)	27,738	27,840
Ratio	5.7:1	5.3:1

In 2018-19, 0 employees received remuneration in excess of the highest paid director (2017-18: 0 employees).

In 2018-19 remuneration ranged from £15,000-£20,000 to £155,000-£160,000.

In 2017-18 remuneration ranged from £10,000-£15,000 to £145,000-£150,000.

Non-Executive Directors' Remuneration (audited)

	2018-19			2017-18		
	Fees (excluding bonuses paid)	All taxable benefits (to nearest £100)	Bonus payments	Fees (excluding bonuses paid)	All taxable benefits (to nearest £100)	Bonus payments
	£'000	£'000	£'000	£'000	£'000	£'000
Gerard Lemos Lead Non-Executive Director (from 1 May 2018)	15-20 (15-20 annualised)	-	-	n/a	n/a	n/a
Alan Hammill Non-Executive Director	10-15	0.2	-	10-15	0.2	-
Rob Butler Non-Executive Director (from 1 May 2018)	10-15 (10-15 annualised)	-	-	n/a	n/a	n/a
Lesley King-Lewis Non-Executive Director (from 1 May 2018)	10-15 (15-20 annualised)	-	-	n/a	n/a	n/a

Gerard Lemos chaired the HMPPS Agency Board meetings during 2018-19.

Pension Benefits (audited)

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 31/3/19 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/19 £'000	CETV at 31/3/18 £'000	Real increase in CETV £'000
Michael Spurr Chief Executive Officer	65 - 70 plus a lump sum of 205 - 210	0 - 2.5 plus a lump sum of 0 - 2.5	1,570	1,423	1
Phil Cople Executive Director, Prisons (until 31 December 2018) Interim Director General, Prisons (from 1 January 2019)	55 - 60 plus a lump sum of 125 - 130	2.5 - 5 plus a lump sum of 0 - 2.5	967	824	28
Amy Rees Executive Director, HMPPS Wales (until 31 December 2018) Interim Director General, Probation (from 1 January 2019)	35 - 40 plus a lump sum of 0 - 5	2.5 - 5 plus a lump sum of 0 - 2.5	454	361	20
Sonia Crozier Executive Director Probation and Women (until 28 February 2019)	10 - 15	2.5 - 5	171	125	24
Ian Porée Executive Director Community Interventions (until 28 February 2019)	30 - 35	2.5 - 5	504	406	33
Andrew Emmett Executive Director Finance (until 31 July 2018)	15 - 20	0 - 2.5	304	283	12
James McEwen Director, MoJ Group Finance (from 28 July 2018)	30 - 35	0 - 2.5	371	314	5
Mark Read Executive Director Youth Custody Service (until 8 April 2018)	35 - 40 plus a lump sum of 95 - 100	0 - 2.5 plus a lump sum of 0	663	662	0
Sara Robinson Interim Executive Director Youth Custody Service (until 2 September 2018)	5 - 10	0 - 2.5	109	94	7
Helga Swidenbank Executive Director Youth Custody Service (from 3 September 2018)	0 - 5	0 - 2.5	18	0	13
Simon Boddis Executive Director Prison Estate Transformation Programme (until 28 February 2019)	45 - 50	0 - 2.5	981	895	7

Officials	Accrued pension at pension age as at 31/3/19 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/19 £'000	CETV at 31/3/18 £'000	Real increase in CETV £'000
Adrian Scott Executive Director, Electronic Monitoring (until 28 February 2019) Executive Director, Change, Strategy and Planning (from 1 March 2019)	35 - 40 plus a lump sum of 80 - 85	0 - 2.5 plus a lump sum of 0	589	497	14
Ian Blakeman Executive Director, Prison Improvement (from 8 May 2018, until 28 February 2019) Executive Director, Performance (from 1 March 2019)	45 - 50 plus a lump sum of 115 - 120	0 - 2.5 plus a lump sum of 0	926	817	9
Claudia Sturt Executive Director, Security, Order and Counter Terrorism (until 28 February 2019)	40 - 45 plus a lump sum of 90 - 95	0 - 2.5 plus a lump sum of 0	742	645	11
Digby Griffith Executive Director, Rehabilitation and Assurance (until 28 February 2019)	65 - 70	2.5 - 5	1,350	1,168 ⁴	50
Martin Beecroft Executive Director, Human Resources (until 28 February 2019)	35 - 40	0 - 2.5	600	508	28

⁴ Prior year amounts have been restated as revised information has been received during the year from our pension provider.

There were no employer contributions to the Local Government Pension Scheme (LGPS) in relation to HMPPS directors.

Civil Service Pensions

Pension benefits are provided to employees of HMPPS 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 8% and 14.75% (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 0.5%

of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Local Government Pension Scheme

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

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

For the year to 31 March 2019, HMPPS paid employers' pension contributions of £233.1 million to the PCSPS and £87 million to GMPF (LGPS). Further details of these schemes and related costs and liabilities are in Note 18 to the accounts.

Staff costs, numbers and composition

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

Staff costs (audited)

	2018-19 £'000	2017-18 £'000
Wages and salaries	1,554,961	1,392,697
Social security costs	160,814	147,554
Pension costs	359,366	342,431
Agency staff costs	62,179	60,903
Departures and severance payments	11,450	9,833
Inward secondments	4,235	4,768
Sub-total	2,153,005	1,958,186
Recoveries in respect of outward secondments	(6,646)	(6,600)
Total net costs	2,146,359	1,951,586

Pension costs (audited)

Details of pension costs and liabilities are in Note 18 to the accounts.

Consultancy costs (audited)

Expenditure on consultancy was £1.7 million in 2018-19 (2017-18: £5.9 million). The decrease is attributable to support for the Electronic Monitoring, Probation Service Review and Prison Reform programmes in the prior year.

Senior civil service (SCS) salaries (audited)

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

Salary band	31 March 2019		31 March 2018	
	Number	Percentage	Number	Percentage
£60,000-£69,999	-	0%	-	0%
£70,000-£79,999	9	14%	9	17%
£80,000-£89,999	14	21%	17	31%
£90,000-£99,999	26	38%	13	24%
£100,000-£109,999	9	14%	8	15%
£110,000-£119,999	5	8%	4	7%
£120,000-£129,999	-	0%	-	0%
£130,000-£139,999	1	2%	1	2%
£140,000-£149,999	2	3%	2	4%
£150,000-£159,999	-	0%	-	0%
£160,000-£169,999	-	0%	-	0%
£170,001-£179,999	-	0%	-	0%
Total	66	100%	54	100%

Staff numbers (audited)

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

	2018-19			2017-18		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	48,781	-	48,781	44,407	-	44,407
Staff engaged on capital projects	-	127	127	-	85	85
Other	-	1,415	1,415	-	1,610	1,610
Total	48,781	1,542	50,323	44,407	1,695	46,102

Reporting of civil service and other compensation schemes - exit packages (audited)

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 HMPPS has agreed early retirements, the additional costs are met by HMPPS 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	2018-19			2017-18		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	68	68	-	20	20
£10,001 - £25,000	-	68	68	-	307	307
£25,001 - £50,000	-	253	253	-	96	96
£50,001 - £100,000	-	78	78	-	41	41
£100,001 - £150,000	-	1	1	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-
Total number of exit packages	-	468	468	-	464	464
Total cost of exit packages (£'000)	-	14,299	14,299	-	12,880	12,880

Exit costs are accounted for in full within departures and severance 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 includes one HMPPS staff member leaving under an MoJ scheme. The costs for this scheme are being accounted for by MoJ in their accounts.

Included within 'Other Departures agreed' above in the year to 31 March 2019 are 462 inefficiency dismissal exit packages at a value of £14.3 million, within payment bands £0 to £150,000. In 2017-18, there were 427 inefficiency dismissal exit packages at a value of £12.1 million, within payment bands £0 to £100,000. An inefficiency dismissal is classed as a dismissal pertaining to poor performance, unsatisfactory attendance or medical inefficiency.



Staff diversity

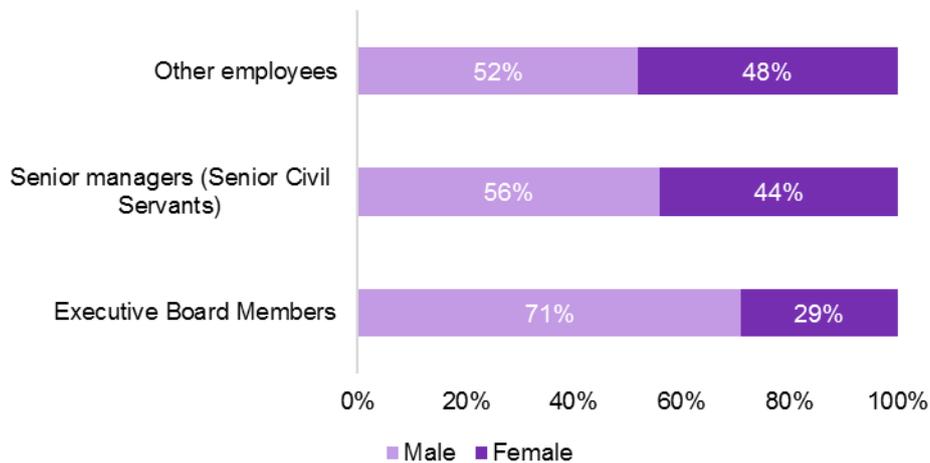
Staff composition data

As at 31 March 2019 the breakdown of employees was as follows:

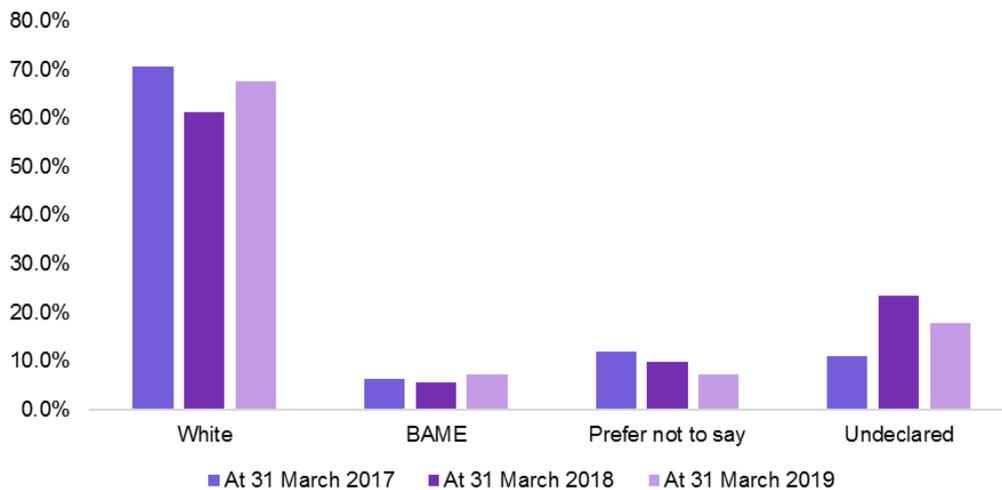
	Male	Female	Total
Executive Board Members	5 (71%)	2 (33%)	7
Senior managers (Senior Civil Servants)	33 (56%)	26 (43%)	59
Other employees	27,364 (52%)	25,193 (48%)	52,557
Total	27,402 (52%)	25,221 (48%)	52,623

Senior Civil Servants includes substantive grades only.

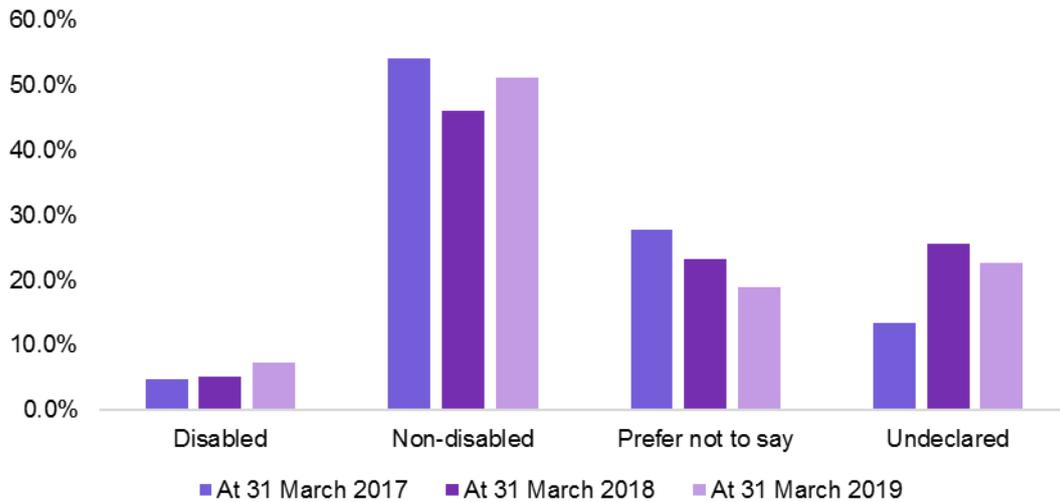
Breakdown of employees by gender



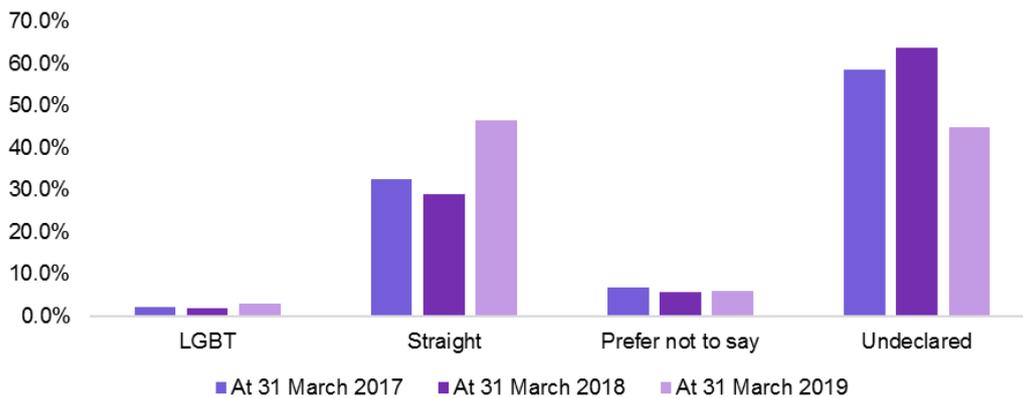
Breakdown of employees in post by declared ethnicity



Breakdown of employees in post by declared disability



Breakdown of employees by declared sexual orientation



The staff in our organisation are all entitled to fair, transparent and equal treatment. We recognise that our workforce is not diverse enough, including at senior levels, and some groups still have significantly worse outcomes at key stages. These are serious issues which we are working on, to strengthen our position as a modern, professional and effective organisation.

This year we published the HMPPS Equality Strategy 2018-2020 which sets out ten strategic priorities for the Agency, including objectives for improving outcomes for staff and for service users.

To ensure that we have staff who understand and demonstrate our Agency values, we are including reference to equality and inclusion in the job descriptions and objectives of all service-delivery roles. We are also working to embed equality and inclusion in all training and professional development, to support our staff to understand the relevance of equality to rehabilitation and ensure they know how to apply this in practice.

We accepted the workforce recommendations made by the Lammy Review and have set targets to increase the numbers of BAME staff in the workforce and senior leadership positions. We have increased the recruitment of BAME prison staff (between January 2017 and December 2018, 11.1% of all formal offers accepted were by BAME candidates) and have embarked on actions to develop existing talent by ensuring that all BAME staff have the right support, mentorship and opportunities to progress on an equal footing into senior roles. This includes recruitment of four bespoke staff to support talented BAME colleagues and guide them to take appropriate development towards promotion.

We are working to improve the quality and analysis of staff data to monitor progress. To strengthen the accuracy of this data, further work is ongoing to increase staff declaration rates across all protected characteristics so that we can develop a more detailed understanding of the experiences and outcomes for staff.

Progress against the equality strategy priorities and Lammy recommendations are being managed through a formal programme of work, which is overseen by the Equalities Sub Committee on a quarterly basis. The Equalities Sub Committee reports to the HMPPS Leadership Team and was chaired by Digby Griffith in 2018-19.

We continue to offer further support for disabled, LGBT+ and BAME staff through three dedicated staff networks which are led by a full-time salaried network lead. Network membership and awareness of support available to staff has grown across the Agency and the networks play an active role in voicing the experiences of their members and contributing to organisational change. Our Pride in Prisons and Probation staff network was highly commended by Stonewall and contributed towards the MoJ rating (of 12th) in the Stonewall Workplace Equality Index table.

Disability

Through the HMPPS Equalities Strategy 2018-2020, we have developed a disability work programme which includes scrutiny of 5 HR policies (occupational health, attendance, travel and subsistence, grievances and reasonable adjustments), improving staff declaration data and analysis of data for disabled staff. We work closely with the staff disability network, to ensure the experiences of disabled staff are taken into account in the delivery of the disability work programme. As part of this work, the HMPPS Workplace Adjustment Passport has been finalised, to support employees with a disability or health condition, as well as other staff who require support to enable them to perform to their capabilities.

Sickness absence data

In the year ending 31 March 2019, HMPPS staff lost an average of 9.3 working days to sickness absence (2017-18: 9.2 days).

Communications and employee involvement

Communicating with, and influencing, each of our internal and external audiences is vitally important for our organisation; getting it right for each unique group is a major challenge which requires complex planning and insight.

The HMPPS Communications team has the skills to provide a holistic communication offer and creates high-impact communications that are targeted to a mainly operational and non-desk based environment.

Important areas of work for HMPPS Communications over the 2018-19 year include:

- supporting work to increase employee engagement and promote the rehabilitation culture approach among staff, partners, people in prison and their families
- highlighting the impact that our staff have made as part of their day-to-day work to positively help people in our care to change their lives for the better, as part of the Changing Lives together campaign
- supporting prisons and probation to roll out the Offender Management in Custody model
- supporting the 10 prisons trialing the new approach to improve standards within the prison estate
- supporting the completion of the roll out of smoke free prisons across the estate. *(Shortlisted for the Internal Communications Campaign of the Year in the UK Public Sector Awards)*
- supporting prisons to help to reduce the number of self-inflicted deaths in custody by increasing awareness of support that is available and providing basic information about coping techniques or mechanisms which can be both life changing and life-saving. *(Winner of the Internal Communications Campaign of the Year in the UK Public Sector Awards)*
- providing communications support to staff ahead of an NPS pay modernisation ballot which resulted in over a 90% endorsement for the proposals from all unions concerned
- managing the communications to staff and stakeholders following the change of CRC probation services in the South West and Wales, keeping disruption to a minimum and maintaining the support for staff and those under probation supervision
- building pride and engagement in our staff – People Survey response rates were up 2 percentage points across HMPPS, and the engagement index was up 3 percentage points overall, with an increase in all 9 survey areas
- working with MoJ to provide employee pride, advocacy and interaction with the prison officer recruitment campaign
- improving communications materials to inform and engage people in custody and on probation

Charity partners such as National Prison Radio and prison newspaper Inside Time support us to engage with people serving prison sentences through trusted, low and no-cost non-government channels. This allows us to widen the reach of messages to this audience, some of which may have literacy issues.

Talent Management

HMPPS continues to progress its leadership development across a number of managerial levels for the progression and acquisition of talented and high potential leaders. The focus for leadership development has continued with the core programmes and will see an emphasis on Senior Leaders throughout 2019-20, while talent and succession planning continues to improve in all areas of HMPPS, all of which is supported by a significant focus on improving the diversity of our leadership.

Current Talent development initiatives:

Further cohorts of these programmes have, or are likely to, commence in 2019-20, while the first successful cohorts are continuing to develop their careers within HMPPS.

- Unlocked Graduate Prison Officers (acquisition)
- Accelerated Development Scheme (internal development)
- First-line Manager programme (internal development)
- Direct Entry Senior Leaders Scheme (acquisition)
- Experienced Managers programme (internal development)
- LEAP (internal development)
- Empowered Senior Leaders (internal development)

New Talent development initiatives:

- Senior Leadership Scheme

The strategy for development is to enable programmes to provide enhanced capabilities within the areas of Leading Me, Leading Others and Leading HMPPS and build a structured consistency of leadership at all levels and within all sectors of HMPPS, ensuring the effective use of coaching, mentoring and placements to support skills development.

Off-payroll engagements

During the financial year 2018-19, HMPPS has reviewed all off-payroll engagements using HMRC's guidance and on-line status indicator. Where engagements have been assessed as being within scope of the intermediaries (IR35 legislation), the paying agency has been advised of this determination so that appropriate tax deductions are made at source from payments made in respect of the engagement. Further details of off-payroll engagements in HMPPS can be found in the MoJ departmental resource accounts.

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 123:

	2018-19		2017-18	
	Cases	£'000	Cases	£'000
Cash losses	1,010	148	598	454
Losses of accountable stores	16,136	2,525	11,696	1,914
Fruitless payments and constructive losses	8	9,278	3	1,420
Claims waived or abandoned	25	14,804	53	6,043
Administrative write-offs	-	-	2	17
Losses statement	17,179	26,755	12,352	9,848
Special payments to staff	1,113	12,588	1,116	14,903
Special payments to offenders	6,108	15,711	4,957	10,286
Special payments to third parties	308	1,512	443	1,343
Special payments	7,529	29,811	6,516	26,532

In 2018-19, HMPPS incurred three losses over £300,000 (2017-18: three):

- £13,764,144 Payment by Results frequency credits from CRCs were written-off as a result of a negotiated contract variation to re-baseline the frequency measure to reflect re-offending rates as at 2015 from the previous baseline taken from 2011. The re-baselining reflected an unforeseeable deterioration in performance during the period before ownership of CRCs transferred
- £8,839,429 payment to a supplier in 2013-14 which is now considered to be fruitless. Payments were made for multiple electronic monitoring orders for single individuals, which were contractual but did not give rise to a benefit to HMPPS. Following the announcement of a deferred prosecution agreement in principle by the Serious Fraud Office, we are now disclosing this as a fruitless payment
- £1,011,938 recoveries from CRCs which were written-off. The monthly Fee For Service (FFS) payments to CRCs are based on estimated offender volumes. At the end of each contract year, actual volumes are calculated and recoveries made where volumes are lower than estimated. New assumptions applied to the

FFS payments resulted in HMPPS waiving sums that had not yet been recovered from CRCs

In 2018-19, HMPPS made five special payments over £300,000 (2017–18: six):

- Five compensation payments were made to operational members of HMPPS staff injured in the course of their duties: £1,000,000, £680,337, £572,460, £567,400 and £423,503.

Remote contingent liabilities

As required by Managing Public Money, in addition to contingent liabilities disclosed in accordance with IAS 37 in Note 17 to the Accounts, HMPPS discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote.

HMPPS 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 HMPPS 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 (for example, 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 HMPPS
- up to £250 million for damage or injury to third parties per incident in the event of negligence by HMPPS while on board an aeroplane
- personal accident and/or sickness for HMPPS staff while on escorting duties

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

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

Dr Jo Farrar

Chief Executive and Accounting Officer

15 July 2019

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

Opinion on financial statements

I certify that I have audited the financial statements of HM Prison and Probation Service for the year ended 31 March 2019 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of HM Prison and Probation's affairs as at 31 March 2019 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 regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the HM Prison and Probation Service in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HM Prison and Probation Service's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HM Prison and Probation Service's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; 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 and have been prepared in accordance with the applicable legal requirements.



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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
17 July 2019

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





Financial Statements



Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2019

	Notes	2018-19		2017-18	
		£'000	£'000	£'000	£'000
Income from sale of goods and services	3a	(67,573)		(67,378)	
Other operating income	3b	(178,002)		(187,431)	
Total operating income			(245,575)		(254,809)
Staff costs	4a	2,146,359		1,951,586	
Purchase of goods and services	4b	2,286,349		2,141,183	
Depreciation, amortisation and impairment charges	4c	309,859		234,224	
Other non-cash expenditure	4d	330,155		313,651	
Total operating expenditure			5,072,722		4,640,644
Net operating expenditure			4,827,147		4,385,835
Finance expense	4e		53,676		55,849
Net (gain)/loss on transfers by absorption	22		(5,886)		(56,779)
Net expenditure for the year			4,874,937		4,384,905

Other Comprehensive Expenditure

For the year ended 31 March 2019

Items which will not be reclassified to net operating expenditure:	Notes	2018-19		2017-18	
		£'000	£'000	£'000	£'000
Net (gain)/loss on revaluation of property, plant and equipment	5		(160,078)		(555,481)
Net (gain)/loss on revaluation of intangible assets	6		(564)		(1,416)
Remeasurement of net pension liabilities (gain)/loss	18		267,477		(171,492)
Total comprehensive expenditure			4,981,772		3,656,516

The Notes on pages 127 to 169 form part of these accounts

Statement of Financial Position

At 31 March 2019

	Notes	31 March 2019		Restated 31 March 2018		Restated 1 April 2017	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Property, plant and equipment	5	7,772,015		7,661,659		7,153,248	
Intangible assets	6	67,225		96,207		92,862	
Investments		559		529		467	
Total non-current assets			7,839,799		7,758,395		7,246,577
Current assets							
Assets held for sale	7	3,163		97,033		10,600	
Inventories	8	63,435		49,204		42,471	
Trade and other receivables	9	216,121		162,836		230,190	
Cash and cash equivalents	10	34,636		35,743		26,225	
Total current assets			317,355		344,816		309,486
Total assets			8,157,154		8,103,211		7,556,063
Current liabilities							
Trade and other payables	11a	(608,321)		(517,727)		(687,184)	
Financial liabilities	13	(17,438)		(19,767)		(29,097)	
Provisions	12	(86,974)		(42,300)		(43,393)	
Total current liabilities			(712,733)		(579,794)		(759,674)
Non-current assets less net current liabilities			7,444,421		7,523,417		6,796,389
Non-current liabilities							
Trade and other payables	11b	(1,921)		(2,190)		(332)	
Financial liabilities	13	(199,329)		(216,746)		(224,781)	
Provisions	12	(212,580)		(214,034)		(215,934)	
Pension deficit liability	18	(1,850,086)		(1,500,399)		(1,578,376)	
Total non-current liabilities			(2,263,916)		(1,933,369)		(2,019,423)
Assets less liabilities			5,180,505		5,590,048		4,776,966
Taxpayers' equity							
General fund			2,470,440		2,862,084		2,554,525
Revaluation reserve			2,710,065		2,727,964		2,222,441
Total taxpayers' equity			5,180,505		5,590,048		4,776,966

The Statement of Financial Position for 2018 and 2017 has been restated to reflect revised presentation of Financial liabilities. See Note 1d.

The Notes on pages 127 to 169 form part of these accounts

Dr Jo Farrar
Chief Executive and Accounting Officer
15 July 2019

Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2018-19		Restated 2017-18	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net expenditure		(4,874,937)		(4,384,905)	
Adjustments for non-cash transactions		737,281		499,425	
Adjustment for notional transactions with MoJ group		16,942		138,135	
Adjustment for pension contributions paid less service costs	18	41,175		51,838	
(Increase)/decrease in trade and other receivables					
Movement in trade and other receivables:	9	(53,285)		67,354	
Less: Impairments in trade and other receivables	4	740		(6,855)	
(Increase)/decrease in inventories	8	(14,231)		(6,733)	
Increase/(decrease) in trade and other payables:					
Movement in trade and other payables	11a,11b	90,325		(167,599)	
Less: Movement in property, plant & equipment payable		(4,608)		1,735	
Less: Payments of amounts due to the Consolidated Fund to MoJ		13		9	
Utilisation of provisions	12	(37,963)		(35,605)	
Net cash outflow from operating activities			(4,098,548)		(3,843,201)
Cash flows from investing activities					
Purchase of property, plant & equipment	5	(215,922)		(179,465)	
Purchase of intangibles	6	(2,579)		(30,172)	
Proceeds on disposal of property, plant and equipment		180		8,894	
Proceeds on disposal of assets held for sale		86,521		-	
Net cash outflow from investing activities			(131,800)		(200,743)
Cash flow from financing activities					
Net funding received from MoJ		4,249,000		4,083,000	
Payments of amounts due to the Consolidated Fund to MoJ		(13)		(9)	
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	13b	(19,746)		(29,529)	
Net financing			4,229,241		4,053,462
Net increase/(decrease) in cash and cash equivalents in the period			(1,107)		9,518
Cash and cash equivalents at the beginning of the period	10	35,743		26,225	
Cash and cash equivalents at the end of the period	10	34,636		35,743	
(Decrease)/increase in cash and cash equivalents			(1,107)		9,518

The Statement of Cash Flows for 2017-18 has been restated to reflect revised presentation of Financial liabilities. See Note 1d.

The Notes on pages 127 to 169 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2019

	Notes	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2017		2,554,525	2,222,441	4,776,966
Changes in taxpayers' equity for 2017-18				
Net expenditure for the year to 31 March 2018		(4,384,905)	-	(4,384,905)
Net gain/(loss) on revaluation of:				
Property, plant and equipment	5	-	555,481	555,481
Intangible Assets	6	-	1,416	1,416
Assets held for sale	7	-	-	-
Release of reserves to the general fund		75,182	(75,182)	-
Net expenditure transfers from YJB		19,940		19,940
Revaluation reserve transfers from YJB		(23,808)	23,808	-
Remeasurement of net pension liabilities	18	171,492	-	171,492
Funding from the MoJ		4,083,000	-	4,083,000
Settlement of transactions with MoJ		138,135	-	138,135
Notional items:				
Auditor's remuneration	4	273	-	273
Notional element of MoJ overhead recharges		228,250	-	228,250
Balance at 31 March 2018		2,862,084	2,727,964	5,590,048
Changes in taxpayers' equity for 2018-19				
Net expenditure for the year to 31 March 2019		(4,874,937)	-	(4,874,937)
Net gain/(loss) on revaluation of:				
Property, plant and equipment	5		160,078	160,078
Intangible Assets	6		564	564
Assets held for sale	7		-	-
Release of reserves to the general fund		178,541	(178,541)	-
Remeasurement of net pension liabilities	18	(267,477)	-	(267,477)
Funding from the MoJ		4,249,000	-	4,249,000
Settlement of transactions with MoJ		16,942	-	16,942
Notional items:				
Auditor's remuneration	4	273	-	273
Notional element of MoJ overhead recharges	4	306,014	-	306,014
Balance at 31 March 2019		2,470,440	2,710,065	5,180,505

The Notes on pages 127 to 169 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

1.1 Basis of preparation

The accounts have been prepared in accordance with the 2018-19 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 Her Majesty's Prison and Probation Service (HMPPS, or 'the Agency') for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by HMPPS 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 2019.

b) New and amended standards adopted

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers came into effect for the financial year beginning 1 April 2018.

Following the adoption of IFRS 15, HMPPS undertook an exercise to identify the impact of implementing the new standard on revenue. The recognition point for income reported under IAS 18 was established and then compared to the performance obligations used to determine the recognition of income under IFRS 15. This exercise concluded that there was no impact on reported HMPPS income arising from IFRS 15. The table below shows the impact of IFRS 15 implementation by income stream:

Income stream	Value in 2018-19 £'000	Recognition point under IAS 18	Impact of IFRS 15
External sales of prison industries	11,538	Delivery of goods and services	None
Retail prison shop income	54,206	Exchange of goods	None
In-cell TV income	1,829	Provision of weekly service	None
Healthcare funding	61,807	Recharge for costs incurred on accruals basis	None
European Social Fund and other European funding	24,383	Grant funding matched to eligible expenditure on accruals basis	None
Education funding	6,244	Recharge for costs incurred on accruals basis	None
Running of Immigration Removal Centres	24,326	Recharge for costs incurred on accruals basis	None
Counter-Terrorism funding	6,412	Recharge for costs incurred on accruals basis	None
Estates Recharges	4,096	Recharge for costs incurred on accruals basis	None
Electronic Monitoring	1,288	Recharge for costs incurred on accruals basis	None
Rental Income	8,942	Provision of monthly service	None
Youth Remand income	25,844	Recharge for costs incurred on accruals basis	None
Other income	14,853	Immaterial value consisting of mis-postings and simple exchange transactions e.g. staff mess	None

IFRS 9: Financial Instruments (replacing International Accounting Standard (IAS) 39) aimed to simplify financial instrument accounting and more closely align accounting and practices with how instruments are used in the business. IFRS 9 has been adopted by the FReM with effect from 1 April 2018.

IFRS 9 eliminates the threshold in IAS 39 for the recognition of credit losses and it is no longer necessary for a credit event to have occurred before credit losses are recognised. We have determined that, IFRS 9 has no material impact on the classification or measurement of the HMPPS financial instruments.

Trade receivables are recognised initially at the amount of consideration that is unconditional as they contain no significant financing components. Trade receivables are generally due for settlement within 30 days and therefore are classed as current. The majority of the HMPPS receivables relate to other government departments and other public bodies. These bodies are funded by Parliament and there is historical

evidence to show that this debt is collected. Therefore, HMPPS is not exposed to significant credit risk on these balances.

Receivables that are not due from other public bodies are grouped together for the purpose of working out the expected credit loss. For trade receivables with no significant financing components, IFRS 9 allows an entity to use a simplified method for calculating expected losses using historical default rates over the expected life of the trade receivables and adjusting for forward-looking estimates. Receivables are shown net of expected credit loss using this approach.

HMPPS does not operate hedge accounting, and therefore the specific requirements of IFRS 9 for hedging instruments do not apply.

c) New standards, amendments and interpretations issued, but not effective, for the financial year beginning 1 April 2018, and not adopted early

IFRS 16 will change the way HMPPS 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 HMPPS will not be determined until it has been adopted for use in the public sector by the FReM. Details of HMPPS' lease commitments can be found in Note 14.

d) Changes in presentation and reclassifications

The imputed finance lease element of on balance sheet (SoFP) PFI contracts have been reclassified from Trade and other payables to Financial liabilities to more accurately reflect their nature. Prior year comparatives have been restated to ensure comparability across years.

The classifications in the income note (Note 3) have been revised to more accurately reflect the nature of the income. Prior year comparatives have been restated to ensure comparability across years.

1.4 Going concern

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

1.5 Transfer by absorption

Transfer of functions within the MoJ departmental boundary are accounted for on an absorption basis in accordance with the FReM. The carrying value of the assets and liabilities of the transferred functions are not adjusted to fair value and there is no recognition of goodwill or restatement of comparatives in the financial statements. The carrying value of the net assets relating to the transferred functions are recognised by the transferee at the date of transfer. The net asset or liability is recorded as a non-operating gain or loss through net expenditure with the transferor recording

symmetrical entries. Revaluation reserves are transferred in full with the remaining balance transferred to the General Fund.

MoJ internal restructure

On 1 April 2018, responsibility for collecting youth remand income from local authorities transferred from the Youth Justice Board for England and Wales to the Youth Custody Service within HMPPS.

1.6 Operating income

Operating income is income that relates directly to the operating activities of HMPPS and is therefore recognised as revenue in the SoCNE in accordance with IFRS 15. Further information can be found in Note 3.

Operating income is stated net of VAT.

Funding from the MoJ is credited directly to the general fund in line with FReM requirements.

1.7 Notional costs

Notional costs comprise external auditor's remuneration, which represents the National Audit Office's (NAO's) cost for the audit of the HMPPS Accounts, and notional costs for HMPPS' 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 HMPPS and the cost can be measured reliably. Intangible assets comprise software developed by third parties, including MoJ, and software licences.

Assets under construction

Assets under construction are valued at historic cost within property, plant and equipment and intangible assets. 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 and Secure Training Centres 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 HMPPS 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, HMPPS 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 (ONS).

As there is no active market for the intangible assets held by HMPPS, 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 ONS.

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 (that is, 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 Plant & equipment 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, HMPPS 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 HMPPS 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. HMPPS 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. HMPPS 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.

HMPPS 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 and Secure Training Centre contracts, the contract for Prisoner Escort and Custody Services (PECS) meet the conditions for SCA. 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 HMPPS HQ and prisons. While this is an unfunded defined benefit scheme, in accordance with the FReM adaptation of IAS 19, HMPPS accounts for it as a defined contribution scheme. HMPPS 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.

National Employment Savings Trust (NEST) Defined Contribution Pension Scheme

Under the government's policy of "Workplace Pensions", all workers who meet the minimum requirements for auto enrolment must be enrolled into a pension scheme by their employer.

NEST Defined Contribution (DC) Scheme is offered to individuals working in HMPPS who are not civil servants and are therefore not eligible to join the Civil Service Pension Scheme (Public Sector Prisons / HQ Prison staff) or the Local Government Pension Scheme (NPS staff). This covers those working on a sessional/fee paid basis who are on a contract of services and not a contract of employment.

Pensions – Probation LGPS Defined Benefit Scheme

HMPPS 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 were shown in the actuarial report as at 31 March 2017 and was reflected in the 2016-17 accounts. The next triennial valuation as at 31 March 2019 will take place during 2019 and the results of the valuation will be reflected in the actuarial report as at 31 March 2020 and will be reflected in the 2019-20 accounts.

HMPPS 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 HMPPS' 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

HMPPS 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 HMPPS 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 HMPPS 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 HMPPS' 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.

HMPPS 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 HMPPS to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the

infrastructure. Where HMPPS 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 HMPPS Board. The segments reflect the main directorate structure within HMPPS, allowing the board to have a clear view on the costs of front-line operations. Net cost information for directorates where budgets are held by MoJ is not reported to the HMPPS Board. This includes MoJ Corporate Services and Estates functions and the National Distribution Centre.

The HMPPS directorate structure is as follows:

Public Sector Prisons

The Public Sector Prisons directorate is responsible for line management and leadership to public sector prisons in England. It drives the transformation of public sector prisons to deliver effective and efficient performance, and to continue to treat offenders with decency. This directorate also includes Safer Custody, Drugs Strategy and 10 Prisons Project.

Custodial Contracts

Custodial Contracts are managed within the Public Sector Prisons directorate with net operating cost information reported separately. It includes a range of system-wide contracts and third sector providers delivering offender services, including privately managed prisons, prisoner escort and custody services and the prisons facilities management contracts. Through these contracts HMPPS seeks to ensure effective system-wide performance, promoting and supporting the integration of services at local level.

Youth Custody Services

The Youth Custody Service (YCS) is a distinct arm of HMPPS with responsibility for all aspects of work with young people (aged 10 to 17 years) both in Young Offender Institutions (YOIs) and in Secure Training Centres across England and Wales. The YCS also has responsibility for Feltham B Side (ages 18 to 24 years), and oversight of children placed in eight Secure Children's Homes with which HMPPS contracts via local authorities.

Probation and Women

The Probation and Women's 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. In 2018-19 the Public Protection Group transferred under the NPS umbrella, providing advice, guidance and casework management in relation to public protection, mental health and indeterminate sentences.

The Women's Estate maintains a clear focus on the specific and distinct needs of women offenders both in prisons and in the community.

HMPPS Wales

The HMPPS 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 HMPPS to the Welsh Government and local partners.

Electronic Monitoring

Electronic monitoring is an effective 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 is responsible for managing the delivery of the existing service by a contracted provider and developing a new national service which allows HMPPS to monitor offenders and suspects on bail even more effectively and innovatively to support justice system reform.

Community Interventions

The Community Interventions directorate manages a number of third sector providers delivering offender services: the Community Rehabilitation Companies and the Bail Accommodation and Support Services (BASS) contract.

Prison Estates

Prison Estates includes the Prison Estate Transformation Programme (PETP) and Prison Estates Maintenance and Improvements (PEMI) section. PETP aims to build up to 10,000 new prison places and reconfigure our estate to organise offender cohorts more effectively. PEMI manages the contracts and service level agreements with facilities management providers to ensure that the prison estate is safe, compliant with health and safety legislation and in good working order.

Support Services

This area includes the Human Resources; Security, Order & Counter Terrorism; Rehabilitation and Assurance (R&A) and Chief Executive Officer (CEO) directorates. R&A includes Operational Assurance and the CEO has the HMPPS Executive Management Office. This area also includes pay and other staff related costs for Community Interventions.

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 2018-19 to reflect the HMPPS structure. 2017-18 outturn has been restated in the revised format for comparability.

2a Total net resource expenditure as reported to Board in 2018-19

	Gross expenditure £'000	Income £'000	2018-19 Net £'000
Public Sector Prisons	1,853,501	(167,764)	1,685,737
Custodial Contracts	676,620	(4,459)	672,161
Youth Custody Services	173,493	(27,623)	145,870
Probation & Women	489,531	(12,419)	477,112
HMPPS Wales	212,571	(10,940)	201,631
Electronic Monitoring	86,336	(1,288)	85,048
Community Interventions	379,387	-	379,387
Prison Estates	225,501	(518)	224,983
Support Services	156,513	(6,590)	149,923
Total	4,253,453	(231,601)	4,021,852

2b Reconciliation between operating segments and SoCNE in 2018-19

	Gross expenditure £'000	Income £'000	2018-19 Net £'000
Total net expenditure by operating segment as reported to the Board	4,253,453	(231,601)	4,021,852
PFI prisons and service concession arrangements accounting treatment	4,041	-	4,041
HMPPS costs where the budget is held within MoJ	403,043	(13,709)	389,334
MoJ overhead recharges	330,646	-	330,646
Capital income and expenditure	14,484	-	14,484
Net gain on transfers by absorption	(5,886)	-	(5,886)
Other, including accounting treatment of provisions	120,731	(436)	120,295
Total net expenditure per SoCNE	5,120,512	(245,746)	4,874,766

2a Total net resource expenditure as reported to Board in 2017-18

	Gross expenditure £'000	Income £'000	2017-18 Net £'000
Public Sector Prisons	1,736,472	(145,403)	1,591,069
Custodial Contracts	558,994	(27,925)	531,069
Youth Custody Services	132,864	(29,550)	103,314
Probation & Women	428,289	(12,943)	415,346
HMPPS Wales	192,577	(9,323)	183,254
Electronic Monitoring	70,484	(1,662)	68,822
Community Interventions	368,961	186	369,147
Prison Estates	298,005	(2,917)	295,088
Support Services	179,206	(6,045)	173,161
Total	3,965,852	(235,582)	3,730,270

2b Reconciliation between operating segments and SoCNE in 2017-18

	Gross expenditure £'000	Income £'000	2017-18 Net £'000
Total net expenditure by operating segment as reported to the Board	3,965,852	(235,582)	3,730,270
PFI prisons and service concession arrangements accounting treatment	(3,534)	-	(3,534)
HMPPS costs where the budget is held within MoJ	401,147	(19,582)	381,565
MoJ overhead recharges	314,088	-	314,088
Capital income and expenditure	8,897	-	8,897
Net gain on transfers by absorption	(56,779)	-	(56,779)
Other, including accounting treatment of provisions	10,043	355	10,398
Total net expenditure per SoCNE	4,639,714	(254,809)	4,384,905

3. Income

	2018-19	Restated 2017-18
	£'000	£'000
(a) Income from sale of goods and services		
External sales of prison industries	11,538	12,431
Retail prison shop income	54,206	53,092
In-cell TV income	1,829	1,855
Total income from sale of goods and services	67,573	67,378
(b) Other operating income		
Juvenile funding (YJB & MoJ)	-	34,422
Healthcare funding	61,636	56,386
Running of Immigration Removal Centres	24,326	33,571
European Social Fund and other European funding	24,383	22,777
Youth remand income	25,844	-
Education funding	6,244	3,724
Counter-terrorism funding	6,412	5,562
Electronic Monitoring services	1,288	1,662
Estates recharges	4,096	6,533
Rental income	8,942	12,111
Other income	14,831	10,683
Total other operating income	178,002	187,431
Total operating income	245,575	254,809

The classifications in the income note have been revised to more accurately reflect the nature of the income. Prior year comparatives have been restated to ensure comparability across years.

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.

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 96 to 114.

	2018-19 £'000	2017-18 £'000
Wages and salaries	1,554,961	1,392,697
Social security costs	160,814	147,554
Pension costs	359,366	342,431
Agency staff costs	62,179	60,903
Departures and severance payments	11,450	9,833
Inward secondments	4,235	4,768
Sub-total	2,153,005	1,958,186
Recoveries in respect of outward secondments	(6,646)	(6,600)
Total net costs	2,146,359	1,951,586

4b Purchase of goods and services

	Notes	2018-19 £'000	2017-18 £'000
PFI prison service charges and managed prison charges		440,779	429,554
SCA charges for Prisoner Escort and Custody Services		131,032	121,976
Electronic Monitoring		73,563	59,899
Contracted probation services (CRCs)		398,132	388,623
Accommodation, maintenance and utilities		477,659	410,781
Offender-related costs		308,459	323,428
Offender learning		148,599	158,274
Secure Children's Homes		26,806	14,723
Secure Training Centres		29,406	17,933
IT services and telecommunications		14,276	6,380
Training and other staff-related costs		41,186	45,495
Travel, subsistence and hospitality		47,922	46,426
Professional services		27,420	35,931
Communications, office supplies and services		13,314	13,284
Compensation costs		76,075	34,218
Other costs		31,721	34,258
Total purchase of goods and services		2,286,349	2,141,183

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

4c Depreciation, amortisation and impairment charges

	Notes	2018-19 £'000	2017-18 £'000
Depreciation - Property, plant & equipment	5	277,451	259,181
Amortisation - Intangible assets	6	29,258	33,742
Impairment charge/(reversal) - Property, plant & equipment	5	(7,037)	(68,966)
Impairment charge/(reversal) - Intangible assets	6	1,927	3,284
Impairment charge/(reversal) - Assets held for sale	7	9,000	128
Impairment charge/(reversal) - Trade and other receivables		(740)	6,855
Total depreciation, amortisation and impairment charges		309,859	234,224

4d Other non-cash expenditure

	Notes	2018-19 £'000	2017-18 £'000
MoJ overhead recharges		330,646	314,088
Net (profit)/loss on disposal of assets		(764)	(710)
External auditor's remuneration		273	273
Total other non-cash expenditure		330,155	313,651

MoJ overhead recharges

The MoJ overhead recharges represent the costs of services shared with MoJ including estates, digital technology, finance, HR, communications, analytical services, shared services and commercial.

External auditor's 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, HMPPS did not purchase any non-audit services. The cost comprises £273,000 (2017–18: £273,000) for the audit of the HMPPS Annual Report and Accounts.

4e Finance expense

	Notes	2018-19 £'000	2017-18 £'000
Interest on LGPS pensions	18	41,035	41,678
Unwinding of discount on provisions	12	(2,660)	(2,519)
Total non-cash finance expense		38,375	39,159
Finance charge on PFI and leased assets		15,301	16,690
Total cash finance expense		15,301	16,690
Total finance expense		53,676	55,849

5. Property, plant and equipment

2018-19	Land £'000	Buildings £'000	Dwellings £'000	Information Technology £'000	Plant & Equipment £'000	Furniture, Fixtures & Fittings £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or Valuation								
At 1 April 2018	870,935	6,712,979	38,919	210,312	281,665	12,984	168,416	8,296,210
Additions	100	10,774	-	8,329	33,055	536	167,736	220,530
Disposals	-	-	-	(47)	(4,954)	(279)	-	(5,280)
Transfers	-	-	-	-	-	-	-	-
Reclassifications	9,828	84,630	(1,835)	(4,481)	(2,481)	(47)	(84,957)	657
Impairments	1,235	8,111	(30)	(53)	(352)	(101)	(1,773)	7,037
Revaluations	21,997	(347,148)	(1,385)	1,557	3,286	(12)	-	(321,705)
At 31 March 2019	904,095	6,469,346	35,669	215,617	310,219	13,081	249,422	8,197,449
Depreciation								
At 1 April 2018	-	(227,223)	(1,056)	(194,825)	(198,970)	(12,477)	-	(634,551)
Charged in year	-	(256,521)	(1,105)	(3,108)	(16,688)	(29)	-	(277,451)
Disposals	-	-	-	47	4,447	253	-	4,747
Transfers	-	-	-	-	-	-	-	-
Reclassifications	-	-	38	-	(7)	7	-	38
Impairments	-	-	-	-	-	-	-	-
Revaluations	-	483,748	2,155	(1,482)	(2,650)	12	-	481,783
At 31 March 2019	-	4	32	(199,368)	(213,868)	(12,234)	-	(425,434)
Carrying value								
At 31 March 2019	904,095	6,469,350	35,701	16,249	96,351	847	249,422	7,772,015
At 1 April 2018	870,935	6,485,756	37,863	15,487	82,695	507	168,416	7,661,659
Asset financing:								
Owned	901,946	5,678,475	34,901	16,249	92,323	847	249,422	6,974,163
Finance leased	2,149	19,280	800	-	4,028	-	-	26,257
On-balance sheet (SoFP) PFI contracts	-	771,595	-	-	-	-	-	771,595
At 31 March 2019	904,095	6,469,350	35,701	16,249	96,351	847	249,422	7,772,015

Non-operational assets

Included in the carrying values above are 5 non-operational sites with a combined value of £12.9 million (2017-18: 15 non-operational sites with a combined value of £13.0 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

Properties with a total carrying value of £6.7 million were reclassified to assets held for sale in 2018-19. Properties with a total carrying value of £6.2 million were reclassified back to property, plant and equipment as they no longer meet the criteria for classification as assets held for sale.

5. Property, plant and equipment (continued)

2017-18	Land £'000	Buildings £'000	Dwellings £'000	Information Technology £'000	Plant & Equipment £'000	Furniture, Fixtures & Fittings £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or Valuation								
At 1 April 2017	925,874	5,906,954	37,955	199,653	266,546	12,542	181,047	7,530,571
Additions	-	11,806	-	5,556	20,148	355	139,865	177,730
Disposals	-	-	-	(14)	(7,450)	-	-	(7,464)
Transfers	9,581	56,339	-	-	26	-	3,615	69,561
Reclassifications	(93,094)	143,276	(815)	1,136	(1,378)	20	(153,327)	(104,182)
Impairments	1,656	68,843	(143)	-	(45)	(3)	(2,784)	67,524
Revaluations	26,918	525,761	1,922	3,981	3,818	70	-	562,470
At 31 March 2018	870,935	6,712,979	38,919	210,312	281,665	12,984	168,416	8,296,210
Depreciation								
At 1 April 2017	-	(1,133)	(1)	(180,861)	(182,973)	(12,355)	-	(377,323)
Charge in year	-	(228,043)	(1,066)	(10,159)	(19,862)	(51)	-	(259,181)
Disposals	-	-	-	14	6,952	-	-	6,966
Transfers	-	(613)	-	-	(5)	-	-	(618)
Reclassifications	-	1,143	9	-	-	-	-	1,152
Impairments	-	1,423	2	5	12	-	-	1,442
Revaluations	-	-	-	(3,824)	(3,094)	(71)	-	(6,989)
At 31 March 2018	-	(227,223)	(1,056)	(194,825)	(198,970)	(12,477)	-	(634,551)
Carrying value								
At 31 March 2018	870,935	6,485,756	37,863	15,487	82,695	507	168,416	7,661,659
At 1 April 2017	925,874	5,905,821	37,954	18,792	83,573	187	181,047	7,153,248
Asset financing:								
Owned	868,904	5,684,925	37,063	14,936	76,104	507	168,416	6,850,855
Finance leased	2,031	17,862	800	551	6,591	-	-	27,835
On-balance sheet (SoFP) PFI contracts	-	782,969	-	-	-	-	-	782,969
Carrying value at 31 March 2018	870,935	6,485,756	37,863	15,487	82,695	507	168,416	7,661,659

6. Intangible assets

2018-19 Cost or valuation	Software £'000	Licences £'000	Payments on Account & Assets under Construction £'000	Total £'000
At 1 April 2018	298,502	14,942	25,836	339,280
Additions	(327)	3,300	(394)	2,579
Disposals	(13)	-	-	(13)
Reclassifications	22,468	-	(23,697)	(1,229)
Revaluations	2,480	111	-	2,591
Transfers	289	-	-	289
Impairments	(182)	-	(1,745)	(1,927)
At 31 March 2019	323,217	18,353	-	341,570
Amortisation				
At 1 April 2018	(229,399)	(13,674)	-	(243,073)
Charged in year	(28,871)	(387)	-	(29,258)
Disposals	13	-	-	13
Reclassifications	-	-	-	-
Revaluations	(1,922)	(105)	-	(2,027)
Impairments	-	-	-	-
Transfers	-	-	-	-
At 31 March 2019	(260,179)	(14,166)	-	(274,345)
Carrying value				
At 31 March 2019	63,038	4,187	-	67,225
At 1 April 2018	69,103	1,268	25,836	96,207
Asset financing				
Owned	-	-	-	-
Finance leased	63,038	4,187	-	67,225
At 31 March 2019	63,038	4,187	-	67,225

At 31 March 2019 and 31 March 2018 there were no individually material intangible assets.

6. Intangible assets (continued)

2017-18 Cost or valuation	Software £'000	Licences £'000	Payments on Account & Assets under Construction £'000	Total £'000
At 1 April 2017	278,722	13,848	4,895	297,465
Additions	212	800	29,160	30,172
Disposals	-	-	-	-
Reclassifications	13,681	-	(4,898)	8,783
Revaluations	5,887	294	-	6,181
Transfers	-	-	-	-
Impairments	-	-	(3,321)	(3,321)
At 31 March 2018	298,502	14,942	25,836	339,280
Amortisation				
At 1 April 2017	(191,552)	(13,051)	-	(204,603)
Charged in year	(33,389)	(353)	-	(33,742)
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	(4,496)	(269)	-	(4,765)
Impairments	38	(1)	-	37
Transfers	-	-	-	-
At 31 March 2018	(229,399)	(13,674)	-	(243,073)
Carrying value				
At 31 March 2018	69,103	1,268	25,836	96,207
At 1 April 2017	87,170	797	4,895	92,862
Asset financing				
Owned	69,103	1,268	25,836	96,207
Finance leased	-	-	-	-
At 31 March 2018	69,103	1,268	25,836	96,207

7. Assets held for sale

	31 March 2019	31 March 2018
	£'000	£'000
Cost or valuation		
At 1 April	97,033	10,600
Reclassifications	534	94,247
Transfers	-	-
Disposals	(85,404)	(7,686)
Impairments	(9,000)	(128)
Revaluations	-	-
At 31 March	3,163	97,033

HMPPS 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. Sale of the former HMP Holloway site was completed in March 2019 generating proceeds of £81.5 million.

8. Inventories

	31 March 2019	31 March 2018
	£'000	£'000
Industries and farms		
Raw materials	15,601	15,121
Work-in-progress	2,571	2,879
Finished goods	12,709	4,934
	30,881	22,934
Consumables	32,554	26,270
Total inventories	63,435	49,204

9. Trade and other receivables

	31 March 2019	31 March 2018
	£'000	£'000
Trade receivables	30,603	17,055
Other receivables	39,874	31,944
VAT receivables	43,521	49,185
Intra-departmental receivables	36,927	10,150
Prepayments	31,865	31,376
Accrued income	33,331	23,126
Total trade and other receivables	216,121	162,836

10. Cash and cash equivalents

	31 March 2019	31 March 2018
	£'000	£'000
Balance at 1 April	35,743	26,225
Net change in cash and cash equivalents	(1,107)	9,518
Balance at 31 March	34,636	35,743
The following balances at 31 March were held at:		
Government Banking Service	33,684	34,611
Commercial banks and cash in hand	952	1,132
Cash at bank and in hand	34,636	35,743

Third party monies

At 31 March 2019, HMPPS held cash of £14.2 million (£13.9 million at 31 March 2018) on behalf of offenders. As this cash belongs to third parties, the balance is not included in the SoFP in these accounts.

11. Trade and other payables

11a. Amounts falling due within one year

	31 March 2019	Restated 31 March 2018
	£'000	£'000
Trade payables	33,593	49,350
Taxation and social security	45,937	37,712
Other payables	32,351	26,590
Intra-departmental payables	93,830	13,902
Accruals	321,296	370,615
Deferred income	81,273	19,492
Current part of finance leases	41	57
Consolidated Fund extra receipts (CFERs)	-	9
	608,321	517,727

11b. Amounts falling due after more than one year

	31 March 2019	Restated 31 March 2018
	£'000	£'000
Local authority loan balances	1,698	1,915
Finance leases	223	275
	1,921	2,190

The imputed finance lease element of on balance sheet (SoFP) PFI contracts have been reclassified from Trade and other payables to Financial liabilities to more accurately reflect their nature. Prior year comparatives have been restated to ensure comparability across years.

12. Provisions for liabilities and charges

	31 March 2019				31 March 2018	
	Early retirement costs	Leasehold property dilapidations	Injury benefit scheme	Litigation & other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	1,163	41,476	130,323	83,372	256,334	259,327
Provided in year	-	711	7,868	104,298	112,877	61,551
Provisions not required written back	(377)	(686)	(3,095)	(24,876)	(29,034)	(26,420)
Provisions utilised in year	(786)	(407)	(5,116)	(31,654)	(37,963)	(35,605)
Unwinding of discount	-	-	-	(2,660)	(2,660)	(2,519)
Balance at 31 March	-	41,094	129,980	128,480	299,554	256,334

Analysis of expected timing of discounted cash flows

	31 March 2019				31 March 2018	
	Early retirement costs	Leasehold property dilapidations	Injury benefit scheme	Litigation & other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year:	-	9,979	5,143	71,852	86,974	42,300
Later than one year but not later than five years:	-	25,696	19,793	47,037	92,526	70,959
Later than five years:	-	5,419	105,044	9,591	120,054	143,075
Balance at 31 March	-	41,094	129,980	128,480	299,554	256,334

Early retirement provision (PCSPS members)

Under a scheme that closed in 2011, HMPPS 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. HMPPS provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments. As of 31 March 2019 this provision has been fully-utilised.

Leasehold property dilapidations

Dilapidation costs are an estimate of the expenditure required to return vacated leased properties 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
- leases terminated during the year

Civil Service Injury Benefits Scheme provisions

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

Litigation and other provisions

Other provisions primarily comprise legal claims against HMPPS. 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 17.

Provisions for six 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.

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 a 1,519 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 the 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 1,060 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
Oakhill Secure Training Centre	May 2004	25	Design, construct and manage a secure training centre, located in Oakhill, Milton Keynes,
Prisoner Escort and Custody Services	August 2011	9	The supply and running of prison vans and escorts

13b. Commitments under PFI and other service concession contracts

Details of the imputed finance lease charges under service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2019	31 March 2018
	£'000	£'000
Rentals due not later than one year	31,437	34,941
Rentals due later than one year but not later than five years	117,314	123,639
Rentals due later than five years	172,006	197,117
	320,757	355,697
Less interest element	(103,990)	(119,184)
Present value of obligations	216,767	236,513

The present value of liabilities under service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2019	31 March 2018
	£'000	£'000
Rentals due not later than one year	17,438	19,767
Rentals due later than one year and not later than five years	74,245	75,495
Rentals due later than five years	125,084	141,251
Present value of obligations	216,767	236,513

The decrease in the present value of obligations is due to capital repayments of £19.7 million (2017-18: £29.5 million).

Details of the minimum service charge under service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2019	31 March 2018
	£'000	£'000
Not later than one year	515,995	485,635
Later than one year but not later than five years	1,435,951	1,604,436
Later than five years	1,087,249	1,203,143
Total service element	3,039,195	3,293,214

Future commitments are estimates based on assumptions, using the best information available.

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 £513.4 million for the year to 31 March 2019 (2017-18: £491.9 million). Of this total, the service element was £498.2 million (2017-18: £475.3 million) and the interest charges were £15.2 million (2017-18: £16.5 million).

14. Commitments under leases

14a. Operating leases

HMPPS leases various land and buildings under non-cancellable operating lease agreements. The land and buildings comprise of Probation estate, HQ estates and one prison (HMP Dartmoor) and have lease terms ranging from 2 months to 53 years. The operating leases do not have purchase options.

The land and buildings operating lease expenditure charged to the SoCNE during the year is £18.1 million (2017-18: £19.1 million). This is included within Accommodation, maintenance and utilities in Note 4b.

The total minimum lease payments under non-cancellable operating leases for each of the following periods are as follows:

		31 March 2019	31 March 2018
		£'000	£'000
Obligations under operating leases comprise:			
Land and buildings	Not later than one year	13,142	13,181
	Later than one year but not later than five years	32,172	35,881
	Later than five years	13,151	12,834
Total obligations under operating leases		58,465	61,896

14b. Finance leases

The net present value of total future minimum lease payments under finance leases is £0.3 million (2017-18: £0.3 million).

15. Other financial commitments

	31 March 2019	31 March 2018
	£'000	£'000
Not later than one year	738,857	778,502
Later than one year but not later than five years	1,033,755	1,516,324
Later than five years	223,506	391,605
Total other financial commitments	1,996,118	2,686,431

Included within the table above is a commitment of £565.4 million (2017-18: £1,259.1 million), £17.4 million (2017-18: £18.3 million) and £14.0 million relating to the Fee for Service (FfS), Fee for Use (FfU) and Payments by Results (PbR) elements of the contracts with Community Rehabilitation Companies. In 17-18, the maximum PbR payable over the duration of the contracts based on the projected volume of offenders of £524.1 million was not included in the table above but disclosed separately in the note due to uncertainty of the amounts. 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

Capital expenditure contracted for at the end of the reporting period but not included in these financial statements is as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Property, plant and equipment	133,729	84,786
Total capital commitments	133,729	84,786

17. Contingent liabilities

HMPPS faces claims amounting to £116.3 million (2017-18: £102.1 million) for injury to staff, prisoners and the public and for third party contract disputes where the likelihood of a liability arising is deemed possible but not likely or not reliably measurable. Other claims where it is more likely than not that a liability will arise have been provided for in the accounts. See Note 12.

Remote contingent liabilities reported to Parliament are disclosed in the Accountability Report on page 115.

18. Pensions

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

66 persons retired early on ill health grounds (2017-18: 76). The total additional accrued pension liabilities in the year amounted to £0.3 million (2017-18: £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. HMPPS is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS at 31 March 2012. Details can be found at www.civilservicepensionscheme.org.uk.

For the year to 31 March 2019, employer’s contributions of £233.1 million were payable to the PCSPS (2017–18: £212.3 million) at rates in the range of 20.0%-24.5% (2017-18: 20.0%-24.5%) of pensionable pay (27.9% for prison officer grades with reserved rights) based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The employer contribution rates for 2019-20 have been set based on the draft results of the scheme valuation in the range of 26.6% to 30.3% of pensionable pay (34.1% for prison officer grades with reserved rights) based on salary band. Once the valuation is complete the contribution rates will be set for 1 April 2020 for the remaining 3 years.

Partnership pension accounts

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers’ contributions of £1.1 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% (2017–18: 8% to 14.75%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.04 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. There were no contributions due and no contributions prepaid to the partnership pension providers at 31 March 2019.

National Employment Savings Trust (NEST) Defined Contribution Pension Scheme

Under the Government's policy of "Workplace Pensions", all workers who meet the minimum requirements for auto enrolment must be enrolled into a pension scheme by their employer.

NEST Defined Contribution (DC) Scheme is offered to individuals working in HMPPS who are not civil servants and are therefore not eligible to join the Civil Service Pension Scheme (Public Sector Prisons / HQ Prison staff) or the Local Government Pension Scheme (NPS staff). This covers those working on a sessional/fee paid basis who are on a contract of services and not a contract of employment.

The NEST scheme is run by the NEST Corporation, a non-departmental public body. It is accountable to Parliament through the Department for Work and Pensions and is independent of government in its day-to-day decisions.

Pension contributions are based on a pensionable pay range, of between £6,032 and £46,350. A minimum pension contribution is not mandatory for pensionable pay below £6,032. Minimum contributions for 2018-19 are 2% for employers and 3% for employees. For the year to 31 March 2019, employer contributions of £0.3 million was paid, which includes arrears for prior year eligibility.

Local Government Pension Scheme

HMPPS 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 HMPPS, 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. HMPPS recognises an LGPS pension scheme liability in these accounts.

The LGPS pension liability transferred from probation trusts to HMPPS 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. 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 3/80ths of final pay of every year of total membership is payable on retirement. 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.

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.

The scheme permits employees to take a 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 2019, HMPPS paid employers' contributions of £87.0 million to GMPF, relating to current probation staff, at 29.6% (£75.9 million for 2017–18 at 29.6%). The employer contribution rates for 2018-19 remain unchanged.

The pension position as at 31 March 2019 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 2019	31 March 2018
	%	%
Rate of increase in salaries	2.6	2.5
Rate of increase for pensions in payment and deferred pensions	2.5	2.4
Discount rate	2.4	2.7

Mortality

The mortality assumptions are based on current expectations of life expectancy, which assume that current rates of improvements in life expectancy have peaked and will converge to a long-term average of 1.25%. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	Female
Current pensioners	21.5 years	24.1 years
Future pensioners*	23.7 years	26.2 years

* Figures assume members aged 45 as at the last formal valuation date.

Movements in the LGPS defined benefit obligation during the year:

	31 March 2019			31 March 2018		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Plan assets	-	3,852,960	3,852,960	-	3,751,762	3,751,762
Funded liabilities	(5,306,407)	-	(5,306,407)	(5,280,227)	-	(5,280,227)
Unfunded liabilities	(46,952)	-	(46,952)	(49,911)	-	(49,911)
Opening balance at 1 April	(5,353,359)	3,852,960	(1,500,399)	(5,330,138)	3,751,762	(1,578,376)
Current service costs	(151,992)	-	(151,992)	(155,484)	-	(155,484)
Past service costs (including curtailments)	(1,252)	-	(1,252)	(1,602)	-	(1,602)
Gains and losses on settlements	-	-	-	-	-	-
Total current and past service costs	(153,244)	-	(153,244)	(157,086)	-	(157,086)
Net interest (cost) income	(144,875)	103,840	(41,035)	(138,994)	97,316	(41,678)
Remeasurements						
Returns on plan assets, excluding amounts included in interest expense/(income)	-	182,143	182,143	-	16,455	16,455
Gain/(loss) from change in financial assumptions	(448,363)	-	(448,363)	154,423	-	154,423
Experience gains/(losses)	(1,257)	-	(1,257)	614	-	614
Gain/(loss) from change in demographic assumptions	-	-	-	-	-	-
Total Remeasurements	(449,620)	182,143	(267,477)	155,037	16,455	171,492
Contributions						
Employers ⁹	-	108,645	108,645	-	101,870	101,870
Plan participants	(26,318)	26,318	-	(25,043)	25,043	-
Unfunded benefits	-	3,424	3,424	-	3,379	3,379
Payment from plans						
Benefit payments	143,737	(143,737)	-	139,486	(139,486)	-
Unfunded benefit payments	3,424	(3,424)	-	3,379	(3,379)	-
Closing balance at 31 March	(5,980,255)	4,130,169	(1,850,086)	(5,353,359)	3,852,960	(1,500,399)
Plan assets	-	4,130,169	4,130,169	-	3,852,960	3,852,960
Funded liabilities	(5,933,632)	-	(5,933,632)	(5,306,407)	-	(5,306,407)
Unfunded liabilities	(46,623)	-	(46,623)	(46,952)	-	(46,952)
Closing balance at 31 March	(5,980,255)	4,130,169	(1,850,086)	(5,353,359)	3,852,960	(1,500,399)

⁹ £108.6 million is the actuarial calculation (based on actual and estimated amounts) of the employer contribution figure for both NPS and the 21 CRCs (2017-18: £101.9 million).

The plan assets in the LGPS were:

	Value at 31 March 2019 £'000	Value as a percentage of total scheme assets at 31 March 2019 %	Value at 31 March 2018 £'000	Value as a percentage of total scheme assets at 31 March 2018 %
Equities	2,393,805	58	2,379,210	62
Government Bonds	27,198	1	33,386	1
Other Bonds	772,996	19	749,620	19
Property	196,170	5	131,913	3
Cash and cash equivalents	103,162	2	140,927	4
Other	636,838	15	417,904	11
Total Plan Assets	4,130,169	100	3,852,960	100

Sensitivity Analysis

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

	31 March 2019		31 March 2018	
	Approximate monetary amount £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %
	0.5% decrease in real discount rate	619,973	10%	527,062
0.5% increase in the salary increase rate	96,493	2%	86,971	2%
0.5% increase in the pension increase rate	512,946	9%	433,376	8%

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

19. Financial instruments

Categories of financial instrument

Details of receivables, cash balances and payables can be found in Notes 9, 10 and 11.

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.

HMPPS holds share investments of £0.6 million in milk companies due to the milk producing prison farms run by HMPPS at HMP Usk and HMP Hewell. 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.

HMPPS 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

HMPPS 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. HMPPS manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship. HMPPS has no collateral to mitigate against credit risk.

Interest rate risk

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

Liquidity risk

HMPPS' financial liabilities are trade payables, other payables, accruals and finance leases. It is unlikely that HMPPS 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

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



20. Special shares

The Secretary of State for Justice holds one special share in each of the 21 Community Rehabilitation Companies, which are listed below. In accordance with the FReM, HMPPS 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 HMPPS 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.

21. Related party transactions

HMPPS is an Executive Agency of the Ministry of Justice (MoJ), which is regarded as a related party. During the year HMPPS has had material transactions with the MoJ and other entities for which the MoJ is regarded as the parent entity.

HMPPS has also had material transactions with a number of other government departments and central government bodies. The most significant of these transactions have been with HM Revenue & Customs, Home Office, Department for Work and Pensions and Cabinet Office: Civil Superannuation. In accordance with requirements of the FReM these transactions have not been reported.

A close relative of Simon Boddis, Executive Director, Estate Transformation, is employed by HMPPS on a permanent basis.

A close relative of Amy Rees, Director General Probation (interim), is employed by HMPPS on a permanent basis.

A close relative of Amy Rees, Director General Probation (interim), is a partner in PwC. PwC are providers of professional services to HMPPS.

Lesley King-Lewis, Non-Executive Director, is Chief Executive Officer of Windsor Leadership which is a supplier to HMPPS. HMPPS made payments to Windsor Leadership totalling £18,305 in 2018-19.

22. Ministry of Justice internal restructure

On 1 April 2018, responsibility for collecting youth remand income from local authorities transferred from the Youth Justice Board for England and Wales (YJB) to the Youth Custody Service within HMPPS.

YJB is an executive non-departmental public body within the MoJ departmental boundary. Transfers of functions are accounted for on an absorption basis in accordance with the FReM. The net assets relating to the transferred functions have been brought into the HMPPS financial statements at the date of transfer with no adjustment to carrying value. The net asset carrying value is recorded as a non-operating gain in the SoCNE. The analysis below shows the net assets that transferred to HMPPS on 1 April 2018. The accounting policies of YJB are considered to be consistent with HMPPS.

	Notes	01 April 2018 £'000
Current assets		
Trade and other receivables	9	5,886
Net gain on transfers by absorption		5,886

Remand income for 2018-19 totalled £25.8 million and is recorded in Note 3. Remand income recorded by YJB in 2017-18 totalled £23.1 million.

23. Events after the reporting period

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

On 15 April 2019, the Ministry of Justice signed a contract worth £253 million with Kier plc to build the new prison at the site of the former HMP Wellingborough, which will hold 1,680 men and is due to complete in September 2021.

On 16 May, it was announced that the management of offenders in the community would transfer from Community Rehabilitation Companies to the National Probation Service when the existing services come to an end in spring 2021. New contracts will be put in place via a market competition to cover interventions, unpaid work and rehabilitation services in the community to start from spring 2021.

HMPPS is an Executive Agency of the MoJ and has been allocated an annual budget for the financial year 2019-20.



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