Gov Facility
Services Limited

Company Registration Number 11061429

Delivering
Facility Services
alongside our
Customers

Annual Report and Accounts **2018–2019**

For the 17 months from November 2017
to March 2019

CP169

Gov Facility Services Limited Annual Report and Accounts 2018–19
Company Registration Number 11061429

Presented to Parliament
by the Secretary of State for Justice
by Command of Her Majesty

October 2019

CP169

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Section 1

Strategic Report

Chair's Statement

The early days of any company always bring challenges, and no-one will disagree that this has been especially true for Gov Facility Services Limited (GFSL). Reflecting back, I am struck by how much we have achieved in such a short period of time.

Above all, despite the challenging circumstances of the immediate aftermath of Carillion's collapse, our staff continued to deliver essential facilities management services without a break in service. Had we failed, the consequences for Her Majesty's Prison and Probation Service (HMPPS) and the taxpayer would have been very serious. Our frontline staff have been stalwart, despite all of the challenges, in maintaining the estate for which we provide Facilities Management (FM) support.

I am struck by how much we have achieved in such a short period of time

Additionally we have put in place new systems and new ways of working, improved purchasing arrangements, strengthened payment systems and eliminated an inherited back-log of invoices. We have improved estate compliance levels, improved response times to keep cells in use and increased productive use of offender labour so playing our part in the rehabilitation of offenders.

While our journey of change is far from complete, the staff – from front line worker through to Chief Executive – can rightly be proud of what has been achieved. Collectively we look forward to building GFSL as a not for profit GovCo which sets new expectations of service and provides best value for money for the taxpayer as a trusted and valued provider of FM services.

Colin Allars

Chair, GFSL

Business Review by the CEO

I am pleased to introduce the 2018–19 Annual Report and Accounts for Gov Facility Services Limited (GFSL), who are the primary provider for FM services within the southern region for HMPPS.

The first period

Our initial period of operation proved to be extremely challenging. The collapse of Carillion was unprecedented and had the potential to cause serious disruption to the safe and decent running of the southern prison estate. Our focus was to maintain continuity of all existing facilities management services while establishing plans to develop our core infrastructure to support the safe and effective operation of the business.

The service that GFSL acquired came with a number of challenges, it was not providing an acceptable level of service to HMPPS for the estate, a large backlog of work needed to be addressed, there had been a lack of investment in people and materials to carry out the work effectively. Staff numbers were insufficient and morale was low.

> **All should be commended for their efforts**

Despite this and the further challenge associated with the rapid implementation of what in real terms was a new business, we successfully managed to continue to deliver planned and reactive works, including the validation and reassurance of around 12,000 statutory compliance based assets. We transferred a workforce of around 1,000 staff; completed a significant amount of ongoing project investment works – supporting the Ministerial focus to improve decency levels within 10 priority prisons – and stabilised the existing supply chain a number of whom had been severely affected by the Carillion collapse.

> **We have placed a high level of focus on health and safety and service compliance**

We have placed a high level of focus on health and safety and service compliance. This included supporting the wellbeing of our employees, offenders and prison staff, and the enhancement and improvement of the inherited process infrastructure required to support the management of services. Work commenced around the establishment of the core business infrastructure, predominantly our ability to become a self-sufficient stand-alone operation through development of a new IT system to support finance, HR, payroll, and procurement.

This was an extremely challenging period for all, however it was pleasing to see so many people, and from various parts of the Ministry of Justice (MoJ), join forces to

Our business model will focus upon the establishment of a technically proficient directly employed FM workforce capable of delivering the required levels of service

support the establishment of the business and help in the successful transition of services. All should be commended for their efforts.

The future

It is widely recognised that the current UK prisons environment is an extremely challenging place to operate and that FM services will need to be delivered in a more controlled, efficient and cost-effective manner. It is our goal to establish and deliver services that are of a higher standard, better meet the needs of the Prison Service, and provide greater value for money on behalf of the taxpayer.

This will mean getting the basics right and establishing a business which is underpinned by a performance led culture. Focus is therefore being placed upon the development of a 'High Performing Business', the key requirements of which are;

- **Leadership**
  strong leadership with a defined purpose
- **Accountability**
  individuals and teams being accountable for their actions
- **Engagement**
  high levels of engagement between teams and individuals
- **Team diversity**
  our people have a diverse range of knowledge, experience, styles, and approaches
- **The right tools**
  making the right tools, time and training available

Our business model will focus upon the establishment of a technically proficient directly employed FM workforce capable of delivering the required levels of service. This will mean developing our existing teams and attracting additional complementary technically proficient staff. This model will be supported by a culture of continuous evaluation and improvement, designed to drive quality and value.

Whilst GFSL is still in its infancy, it is clear that we have a unique opportunity to build a business that can become a long-term trusted partner and provide a high level of value to the taxpayer.

Paul Ryder
CEO

Performance Overview

Who we are

The primary aim of the business is to support HMPPS in its drive to establish a 'Safe and Decent' prison environment by delivering FM services and associated project services within the southern prison estate.

Our Mission, Vision, and Values

Vision

To '*Deliver Facility Services alongside our Customers*' in a safe and efficient manner, and be recognised as a valued provider to our clients.

Mission

GFSL works to support the Ministry of Justice in its vision to deliver a world-class justice system that works for everyone by providing; reliable, safe, trusted and efficient facilities management services that provide value for money and underpin the core operations of the HMPPS Estate.

Values

People are the heart of everything we do

- We take responsibility for safety
- We build skills and careers
- We create an environment that helps our customers deliver their objectives

We have a relentless focus on value-for-money

- We do things right, first time
- We innovate
- We review performance and take action based on data

We embrace diversity

- We are open to different perspectives
- We collaborate across the business and beyond it
- We are inquisitive and seek ways to learn & improve

Performance Overview

Our journey so far

January

Carillion was placed into liquidation – MoJ needed to execute contingency plans to provide continuity of service for facilities management in the southern prisons

February

GFSL was created to provide that continuity of service. The company is a Government owned limited company that is wholly owned by the MoJ

March – June

Focus on stability of service and addressing the backlog of work, increasing the size of the teams at sites and providing the tools to do the job

June – August

GFSL starts to build its infrastructure to operate independently. Oracle Fusion Cloud ERP introduced for procurement and finance and HR records

October

GFSL Terms & Conditions proposal submitted to HM Treasury for approval to allow permanent recruitment of public servants into the organisation

December

Oracle ERP payroll now in place and first payroll to employees made successfully

January – March

GFSL systems now in place. Work continues on refining and building policies and processes to support

What we are aiming to achieve

GFSL will work to support the core strategic aims of the MoJ and HMPPS:

- **Maintaining the highest level of public protection**
- **Keeping prisons safe and secure**
- **Reforming offenders**
- **Reducing reoffending**

We will achieve this through our strategic objectives:

Strategic Objectives

Safety

Keeping everyone safe by establishing an environment with strong moral responsibilities and control for health and safety; and technical buildings compliance.

Reliability

Deliver a reliable, transparent, trusted service with a strong performance based culture, through a unified and responsive company, collaborating with partners across the justice system and government.

Managing Change

Recognise and embrace the need for change in support of developing our services.

Efficiency

Put data, information, technology and innovation at the heart of our work to improve our services.

Our People

Deliver excellent services to the public through a diverse, engaged and capable workforce, that are technically proficient and given the opportunity to achieve their full personal potential.

Value for Money

Deliver value and drive efficiency in all we do and maximise the value for money standing of our services for the taxpayer.

Our Core services are designed to uphold the safe working operation of the prisons

Our Customer

Our sole customer is Her Majesty's Prison and Probation Service (HMPPS). We work closely with the HMPPS estates directorate and individual prison governors to provide world-class FM services.

Indirectly we provide services to offenders by helping HMPPS to provide a safe and decent prison environment, through the work that we do.

Our Principal Activities

GFSL provides a full range of facilities management and associated services, including refurbishment related project works, to the southern prisons estate. All are delivered under a Framework Agreement that determines the services provided. These fall into one of two categories.

The first category is the 'Core' service. This includes a number of services designed to uphold the safe working operation of the prisons and predominantly align to the following areas;

- Hard facilities management: building infrastructure and asset maintenance/assurance.
- Soft facilities management: services such as cleaning, landscape maintenance, and waste management, including laundry.
- End user services including rehabilitation services.

All are covered by an annual budget that includes the provision for minor Planned Preventative Maintenance (PPM) and reactive repair activities to the value of £2,000 per repair.

Our Variable services are for specific pieces of work that are not part of the Core service and are generally undertaken upon instruction from the client

The second category covers 'Variable' services. These include all additional services that are not covered within the fixed cost envelope of the 'Core' service budget. They are additional services generally only undertaken upon instruction from HMPPS.

This includes;

- All PPM and reactive repairs with a value over the £2,000 per repair threshold.
- Minor 'elective' project works that are additional to the 'Core' service.
- Project services – project management for capital investment type works.

Most works are low value but some projects can be significant, up to £500,000 in some cases.

Our focus in the first year was to set up the basic infrastructure required to operate the business, while providing uninterrupted facilities management services to the southern prison estate

Our Structure

The business is a limited company wholly owned by the Ministry of Justice (MoJ) and is not for profit. We have a Framework Agreement with the MoJ that sets out key roles and responsibilities between MoJ and GFSL. It sets out how the day to day relationship works in practice, including management, governance and financial matters, and expands on the arrangements established in the Articles of Association.

As of 31st March 2019, GFSL has around 1,350 staff across 49 prison establishments located across the South West, Kent & Sussex, Greater London, and the East of England, as well as our two corporate offices in London and Sheffield.

The first period – building the foundations

Our focus in the first period was to set up the basic infrastructure required to operate the business, while providing uninterrupted facilities management services to the southern prison estate.

During this period GFSL did not have the systems in place to be able to procure goods and services from subcontractors and therefore HMPPS engaged directly with suppliers whilst we introduced the new Oracle ERP system, HMPPS supported GFSL for the period to 31 August 2018 in this respect and these costs £34.6m were incurred directly by HMPPS. From April 2018 to end August 2018 GFSL incurred all other costs including labour and these are shown within these financial statements. From September 2018 GFSL incurred all costs relating to this service.

We succeeded in both these objectives, and we now have in place the core systems and processes needed to support a business of this size. Operationally, we are pleased that there were no instances of service failure, and that we maintained the supply chain, stock and material levels.

Alongside these operational successes, we have started to establish the core systems and processes required to operate such a business. This included the rapid mobilisation of a basic information technology system, Oracle Enterprise, designed to underpin the core finance, procurement and human resource elements of the business. This was particularly impressive as historically most new organisations would either establish these systems before they start actively trading or develop them over a much longer period of time. In our case we had to develop these systems in parallel to ensuring that critical service to the prison infrastructure remained stable.

We managed successfully to expand the Clean, Rehabilitative, Enabling and Decent (CRED) work programme in year. This involved engaging a number of offenders to provide labour in support of basic repair and improvement works within their establishment environment. By participating, offenders are able to engage in purposeful activities. Those that do participate receive a small honorarium and the opportunity to improve their personal development and skills. This model also supports the service in that it helps avoid costs, therefore improving the 'Value for Money' standing of the service on behalf of the government and taxpayer. There is more detail on our CRED activities later in this report.

Our five year plan supports the aim of becoming a high performing business

The next five years

The current prison environment is an extremely challenging place to operate and future FM services will need to be delivered in a more controlled, efficient and cost-effective manner. Our goal is to work over the next five years to deliver services that are of a higher standard and better meet the future needs of the Prison Service, as well as being statutory compliant and providing better value for money for the government and taxpayer.

Our priority in the first period has been to start 'getting the basics right'. We are now looking to increase the emphasis on developing a performance-led culture, and develop a company that delivers high quality, value-driven FM services. This will mean developing the business to become a high performing business.

We have developed a five-year plan to support this. This in turn is being translated into annual business plans designed to set clear milestones to help ensure we remain focused to achieve our goals.

The key themes of the five-year plan are:

- Working closely with our client to reduce waste and duplication of service.
- Developing a performance led culture supported by clear goals and objectives.
- Establishing a strong technical workforce capable of delivering a high proportion of the 'Core' service activities in-house.
- Using IT to support business improvements.
- Drive innovation to increase efficiency and value for money
- Investing in our staff to upskill the business.

We are excited by the opportunities available to us. Providing FM services to the prison estate is a large and complex operation, and there is clearly a lot of work that needs to be done. As the business becomes more established and matures, we are looking to provide an increasing level of improvement works and projects across our current portfolio of prisons.

Our First Period at a Glance

Delivering facility services alongside our customers

268k
Reactive Repairs
completed at 85% in month completion rate

Oracle Cloud ERP system implementation in two 12 week phases

Reactive Repair volumes delivered **up by 11%** – versus 2017 Carillion volumes

162k
PPM tasks completed
at 85% in month completion rate

Dedicated Health & Safety team

Delivered
504
additional projects and
119
in progress

Invested in Health & Wellbeing services for all employees

The reassurance of **c12500** statutory compliance based assets

GFSL brand and logo established

Offender work placement hours increased by 50% to **18,000 hours per week**

Workforce
58%
permanent and
42%
temporary

250 new people brought into GFSL

GFSL Pension Scheme & Life Insurance scheme in place

Increased reactive repair limit from
£750
(Carillion) to
£2k
– covering 98% of all reactive repairs

GFSL new terms and conditions developed

MoJ invested
£4m
to set up GFSL as a stand alone business

Our fundamental role is to keep our part of the prison estate in good working order

Performance Analysis

Operational Performance

GFSL acquired a service that had Key Performance Indicators (KPIs) that were underperforming. This included a substantial level of backlog of planned and preventative maintenance and reactive repair works; a lack of visible assurance; and a workforce with relatively low morale. It was therefore our aim in the first period of operation to redress these issues and improve performance across all areas.

Framework Agreement KPIs	Target	Average performance 2019
Planned Maintenance (Red)	100%	86%
Planned Maintenance (Amber)	100%	71%
Reactive Maintenance	90%	72%
Snow and Ice	90%	80%

The three maintenance KPIs measure the completion rate of tasks that fall due in any month.

Planned Maintenance (Red) tasks are statutory compliance works.

Planned Maintenance (Amber) tasks are mandatory compliance works.

Reactive Maintenance is all emergency breakdown repair work.

Snow and ice is a seasonal KPI that is only applicable in the winter months.

While in our first year of operation we did not meet our inherited targets, we are pleased to report that we managed to deliver a substantial backlog of works, most of which were inherited from the previous contractor. Moving forward, we are confident that we will be able to achieve all future agreed KPIs with the support of our client.

Planned Preventative Maintenance (PPM)

Our fundamental role is to keep our part of the prison estate in good working order, PPM is a key part of that. As well as physically undertaking the work, we also ensure that all statutory and mandatory requirements have been met.

PPM tasks can either be preventative (such as inspection or servicing) or corrective (replacing parts on a scheduled basis). PPM tasks may identify defects which require remedial work, which is then prioritised based on its impact on statutory or other compliance requirements. PPM tasks can range from short weekly inspections (for example, testing tap temperatures or fire alarms) to significant maintenance interventions and services on an annual or less frequent basis (for example boiler servicing or electrical fixed wire testing). The tasks are scheduled and recorded using a Computer Aided Facility Management (CAFM) system.

All task activities are rated based on their importance:

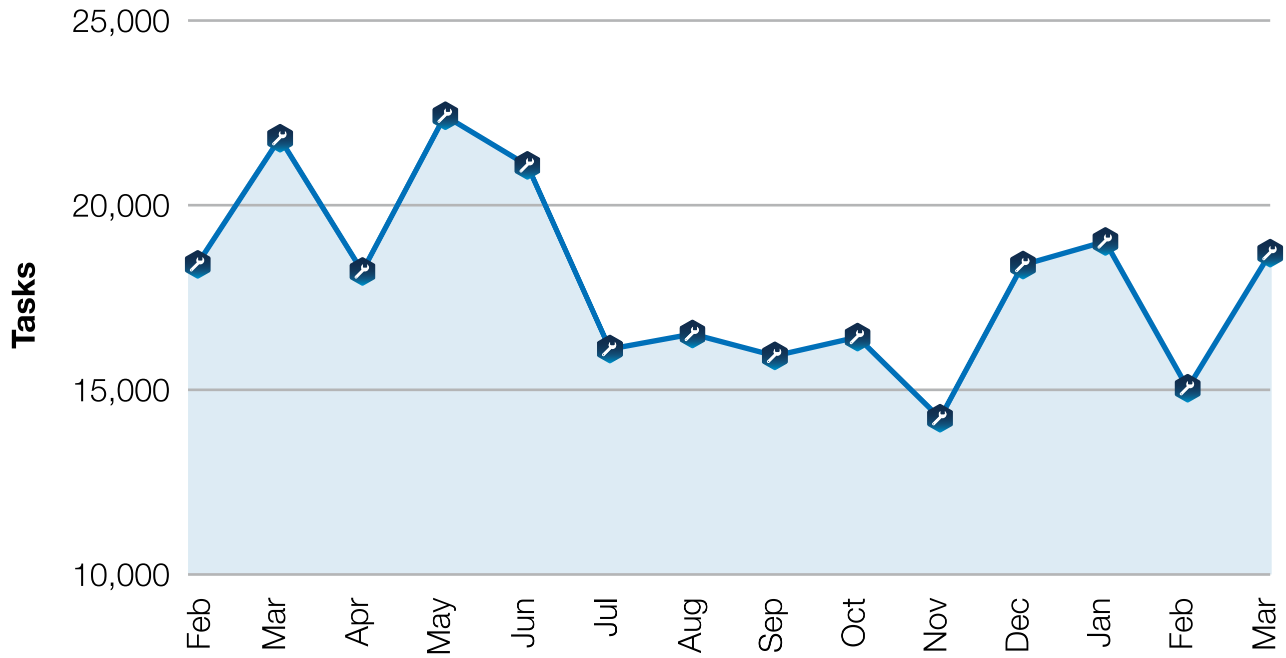
- Red – statutory as determined by legislation
- Amber – mandatory as determined by the client
- Green – low risk items

We are pleased with our performance this year, removing the pre-existing backlog of tasks, and then continuing to improve throughout the year.

We managed to complete around 162,000 PPM tasks over the year. Our average in-month completion rate was 85%. The following graph shows our PPM workflow task profile experienced within the year.

Although we have seen an improvement during the year we acknowledge that a completion rate of 85% is below where we would aim to be and we are working hard to address this during 19/20.

PPM Profile



GFSL delivers all reactive maintenance tasks up to £2,000 in value, which is around 98% of all reactive tasks

Reactive Repairs

Reactive repairs include unplanned repairs and replacement activities which arise in response to breakdowns, accidental failure, vandalism or misuse by users.

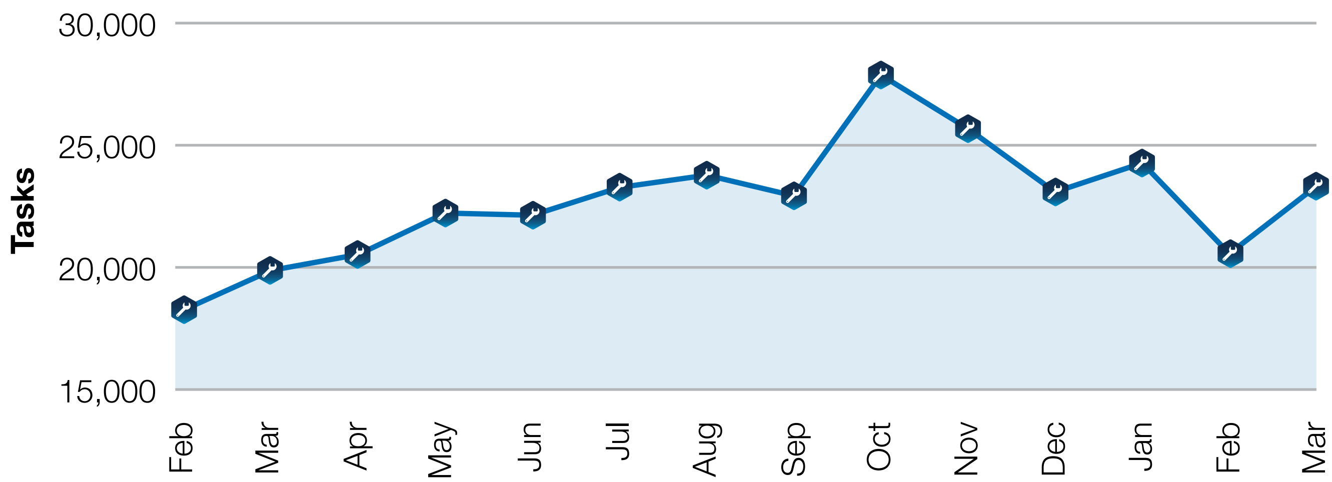
It also includes emergency maintenance and remedial work that is detected by planned maintenance inspections. GFSL delivers all reactive maintenance tasks up to £2,000 in value, which is around 98% of all reactive tasks. We have adopted a "first time fix" approach. While this means that the initial job can take a little longer to complete, this reduces additional tasks in the long term and so represents better value for the taxpayer.

We completed around 268,000 reactive repairs last year, an increase of 11% from the previous supplier in their last full year period 2017.

Our average completion rate across the year was around 72%. Again although we have increased the volume of repairs that we have undertaken the completion rate of 72% is not where we would like to be and will focus on this during 19/20.

The following graph shows the reactive repair workflow profile experienced within the year.

Reactive Repair Profile



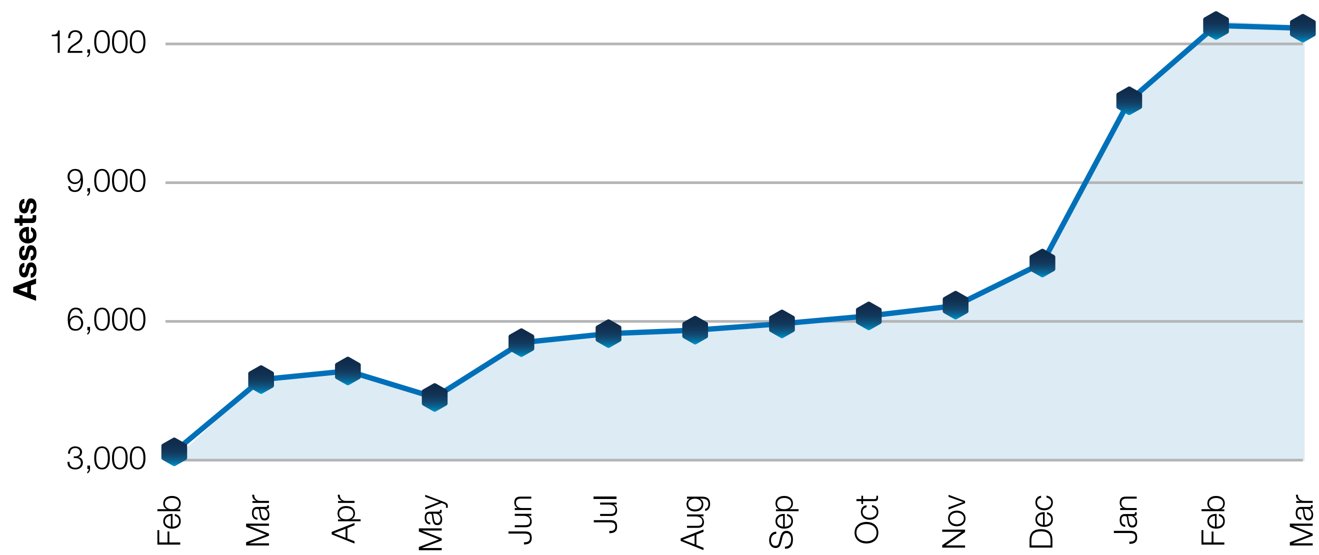
Statutory Compliance

Statutory compliance is a complex set of regulations, assessments and inspections that need to be undertaken within the estate to ensure that buildings and systems comply with current government legislation and are suitable and safe for use.

When we took over the business, there was no assurance from Carillion on the true standing of statutory compliance. This area was therefore a key priority for both GFSL and HMPPS. Given the shortfalls in reporting and the lack of associated asset data, we use a third party system (Track Record) to log, review and assure all certification. We established a suitable information management and filing system at site level that provides fully documented audit trails to support statutory compliance.

The following graph shows an increased volume of assets tracked against statutory compliance as the year progressed.

2018/19 Track-Record Asset Standing



The spike seen between December and February reflects selected assets identified via asset validation exercises carried out by Carillion that had not been previously applied within the service.

Although at this point we have made great strides within this part of the service, there is still more to do but the trend is clear. Our year one performance gives us a good base to reach our target in the second year which is a position of fully assured statutory compliance.

In GFSL's first period of business, offender work placement hours increased from around 12,000 hours per week in April 2018 to over 18,000 hours per week in March 2019

Clean, Rehabilitative, Enabling and Decent Programme (CRED)

GFSL operates the CRED (Clean, Rehabilitative, Enabling and Decent) offender work placement programme. CRED is a proactive and collaborative approach to support HMPPS achieve cleaner and more decent prisons, with offenders engaged in improving the environment that they live in and progressing from vocational training into high quality work placements. Work placements include painting and decorating, plumbing, carpentry, electrical, grounds work and working in the stores.

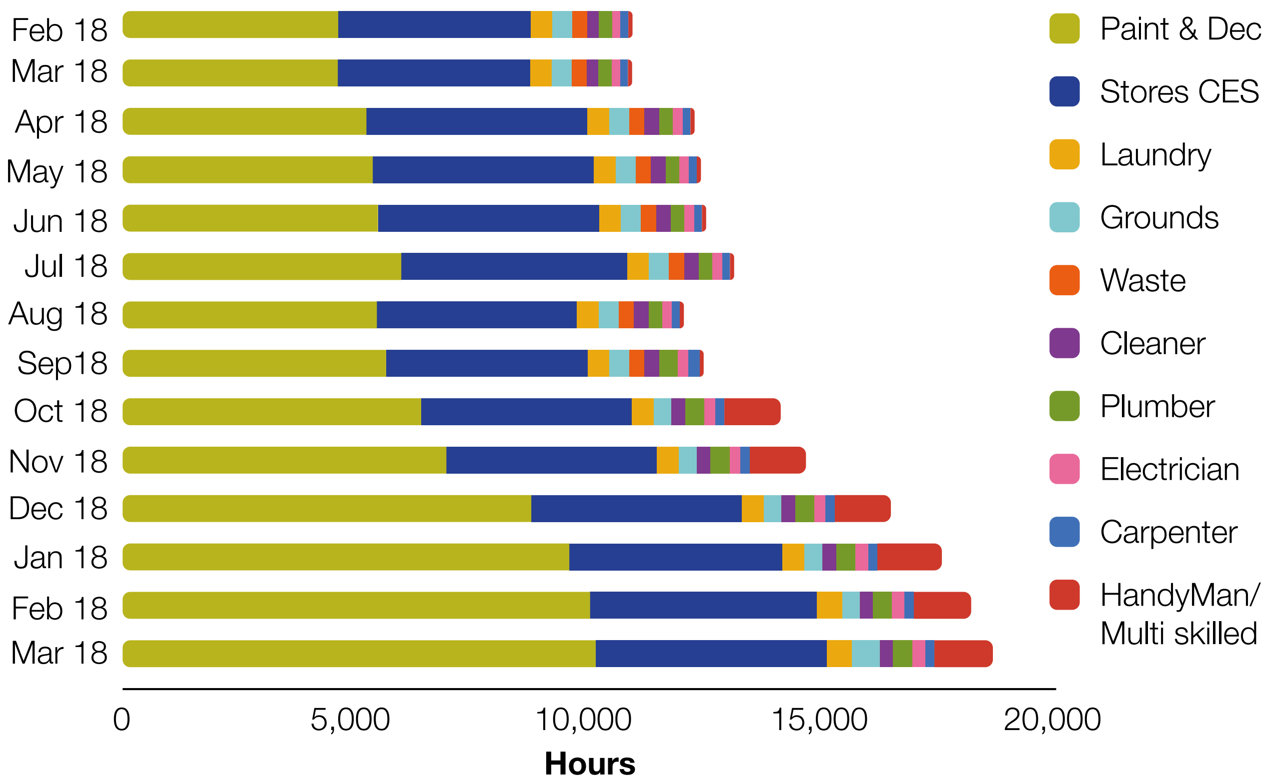
As well as delivering value-for-money, by opening up our work place, offenders are able to gain valuable work experience and improve standards of decency, which over time will reduce the investment required to maintain standards. In GFSL's first period of business, offender work placement hours increased from around 12,000 hours per week in April 2018 to over 18,000 hours per week in March 2019. In the forthcoming year, we plan to deliver over one million hours of work placements.

All parties involved believe that CRED programme delivers better outcomes for offenders through:

- Improved decency with better decorated and cleaner living environments with potential to reduce levels of vandalism.
- Improved opportunity for offender rehabilitation with increased self-esteem, employability, skills and social mobility.
- Increased purposeful activity and time out of cell with offenders engaged within a real working environment.
- Increased opportunity to improve value for money, efficiency and productivity within facilities management and also, an opportunity to reduce reliance on supply chain particularly for soft services such as painting, landscaping, cleaning and waste.
- Increased opportunity for collaboration between GFSL staff, governors and other key stakeholders to support the development of sustainable rehabilitative cultures.

The following chart shows the increase in meaningful offender activity across the year by work type.

2018/19 Cred Programme Hours by Work Type



Every employee goes home safely at the end of the working day

Health and Safety

The environment in which we work means there are additional risks around the health and safety of our staff, subcontractors, prison staff and offenders. GFSL prides itself on the high focus it places on health and safety activities, to ensure that every employee goes home safely at the end of the working day.

Early in our operations, we identified weaknesses in the following areas:

- Dedicated account based health and safety; and technical support and leadership
- Management health and safety awareness, training, and qualifications
- Workforce health and safety, and trade specific technical accreditation training
- Management control and reporting – both health and safety, and statutory compliance
- General health and safety culture

We established our own health and safety management platform, including the necessary operational processes and procedures. We engaged a specialist health and safety consultancy to undertake an in-depth independent review.

In 2018/19 a total number of 504 projects were completed and a further 119 projects were in progress at year end

This review identified development areas that we have accepted and integrated into our wider business plan.

During our first period of operation we have experienced 13 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reportable incidents and a total of 28 Lost Time Incidents (LTIs).

Of the 13 identified RIDDOR incidents, 9 were reportable due to the injured person being out of work for more than seven days, 2 were reported as they reflect a specified type of incident (one was a fumes issue, the other was a broken hip from a fall) and 2 were reported as they relate to a Dangerous Occurrence (one a calorifier implosion, the other a gas leak).

The HSE-published Accident Incidence Rate (AIR) for the overall construction industry is 400. While our AIR of 963 is significantly higher than this, it is comparable with the AIR reported by the other facilities management contractors working in the prison estate. Our target is to achieve year-on-year improvement in the AIR within the southern estate, and we aspire to achieve a zero accident culture.

Projects

Projects are complex or higher value (generally greater than £10k) pieces of work commissioned by HMPPS. These works are in addition to the Core FM services that we provide to HMPPS.

In 2018/19 a total number of 504 projects were completed and a further 119 projects were in progress at year end.

Projects ranged from the installation of improved security provision (CCTV, alarms, fencing) to improvements in decency standards within the cells, communal areas and showers (showing significant improvements in the quality of spaces).

Our Workforce

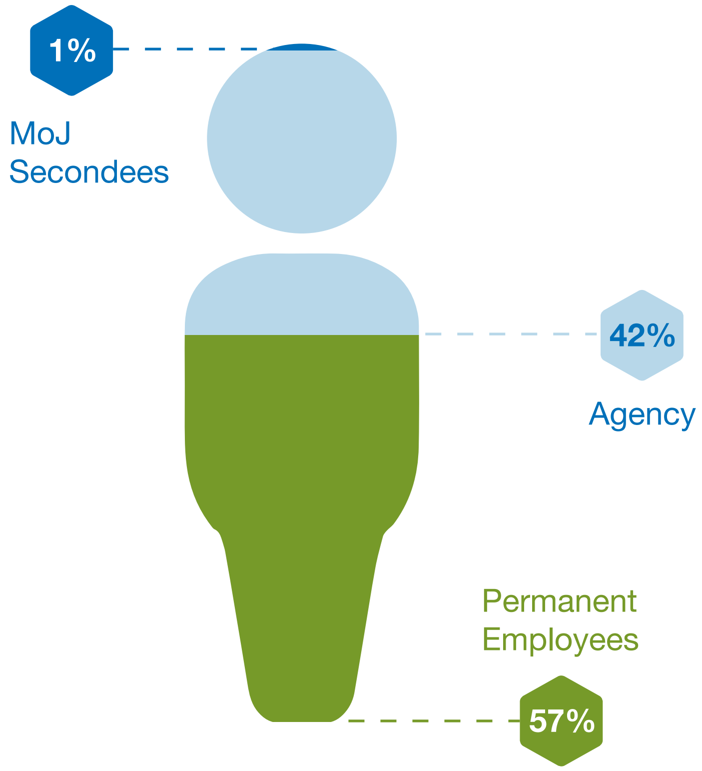
When GFSL started trading, our initial assessment of the workforce was that it was under-resourced, was suffering from a shortfall in technical experience and was too reliant on third party contractors together with low morale. We tackled this through an increase of approximately 250 additional operational site staff.

Our business model includes a technically proficient workforce capable of delivering the required level of service. To transition to this, we need to reduce our reliance on third-party non-specialist services.

The composition of our workforce throughout 18/19 with 42% of agency workers has made it difficult to progress our aim for a technically proficient workforce

The make up of our workforce throughout 18/19 with 42% of agency workers has made it difficult to progress our aim for a technically proficient workforce. However, as a new set of terms and conditions have been approved (April 2019) we can now stabilise our workforce and convert temporary posts to permanent positions. The recruitment project is currently underway and scheduled to be complete later this year.

GFSL Total Headcount



The chart above shows the breakdown of our workforce by type of employee, using average Full Time Equivalent (FTE) figures from throughout the period.

Engagement

As a new business we have had to work on rebranding to a new company, this includes not only the visible branding but the culture of the business internally and how we are viewed externally.

We have a new logo and a strapline of “delivering facility services alongside our customer”. All site staff have new uniforms and there is new signage on all works department buildings.

Effective staff engagement is critical to the success of the business. We have therefore invested heavily in engaging staff to keep everyone fully informed and engaged on key initiatives and developments. This includes the delivery of staff roadshows led by the executive leadership team to share the vision of the company, regular company newsletters, health and safety bulletins and leadership safety tours. We believe morale has improved and we are seeing the benefits of this and we will continue to build on the successes of the first year.

Health and Wellbeing

We provide services that contribute to support the health and wellbeing of our staff. For example we provide counselling and support services through a third party: PAM Assist. Their team provides advice, triage and counselling acting as a proactive intervention to support our workforce.

We have introduced an immunisation programme offering protection against flu and both hepatitis A and B. This protects our workforce and client and helps us comply with legislation and good practice whilst also reducing the risk of litigation.

Undertaken several HR health clinics across operational sites to ensure that our line managers have the confidence and skills to be able to manage the people aspects of their role

People Performance and Capability

We have developed a robust training needs analysis process to support our workforce developmental needs. The key priority has been delivering mandatory training and train-the-trainer sessions in addition to up-skilling on new system technology. We have undertaken several HR health clinics across operational sites to ensure that our line managers have the confidence and skills to be able to manage the people aspects of their role.

We have developed succession planning processes. These will be finalised and introduced in the second quarter of 2019/20. This will ensure that we have oversight of business-critical posts and the capability within our workforce to progress and succeed in addition to capturing developmental requirements that will support progression. We are also planning to introduce and roll-out career pathways in the next financial year.

Talent

We are developing a talent strategy which includes apprenticeship programmes and we are hoping to recruit our first apprentices soon.

Financial Summary

This is the first Annual Report and Accounts for GFSL as a company. Full financial statements are shown from page 63. Initially reliant on HMPPS for the purchase of subcontractor services as per Note 2 to the Accounts on page 82 we now have an Oracle system in place to support all of our financial transactions and reporting.

Revenue and Expenditure

Following agreement with our customer HMPPS, revenue from the 'Core Contract' was higher at £69.1m than the budgeted £62.7m. We also delivered reactive, remedial, and elective work valued at £25.6m.

GFSL operates on a full-cost recovery basis, and so expenditure was also higher than expected reflecting the increased amount of work that we undertook. We therefore broke even.

Cash

GFSL has a good cash position. We received £4.0m grant-in-aid and £13.3m capital contribution. This provides liquidity to cover the gap between our suppliers being paid and cash being received from our customer, HMPPS. Cash in the bank was £2.4m at the end of the financial year.

Performance Against our Strategic Objectives

Safety – we have placed a great focus on this area and made improvements through dedicated resourcing and leadership, increasing awareness and training, new reporting and controls. We engaged an external party to provide an in depth independent review to provide an accurate baseline and areas to focus on. We have worked hard to change the culture of GFSL to one that ensures our staff, subcontractors, prison staff and offenders are safe within our environment.

Reliability – our operational performance illustrates that we have made improvements in the service that we provide to our customer. We acquired a service with a large backlog of work and low performance levels, we have made good progress but there is more to be done as we continue on the journey to be become a high performing organisation.

Managing Change – as a new organisation that was put in place to address a specific area of work that was underperforming we had to very quickly address areas that needed change in order to develop our services. We set up a company in terms of putting in place the technology, process and procedures and developing a company brand. This was done alongside providing the services required to our customer and ensuring no break in that service. This illustrates our ability to manage change on a large scale whilst providing a continuation of service.

Efficiency – we have introduced a new Oracle ERP system together with new processes and procedures during the financial period. We have set up an intranet site – Opus – that provides a single source of data for our people on all guidance, policies and processes and we are working towards gaining ISO 9001 accreditation. We have increased our output in respect of reactive repairs and offender work placement hours.

Our people – we have invested in our workforce through training and accreditation in particular technical and health and safety. We have rebranded the company through visible branding in new uniforms and signage but also through work on building people engagement with GFSL and its vision and values; this has been done through communications and site roadshows. We have also introduced a package of Health and Wellbeing services for our employees. Now that we have HM Treasury approval for GFSL Terms and Conditions we can continue the work on improving the technical proficiency of our workforce through the ability to recruit in the marketplace.

Value for money – we strive to deliver value money in our services, the increase in our CRED programme and the improvement in our operational performance. We acknowledge that we will continue on this journey as we further drive our performance improvements and we improve our supply chain.

We have carefully considered the Greening Governments Commitments (GGC) when delivery our services in a sustainable way

Sustainability Report

Sustainability is at the heart of GFSL's values, both in terms of our own HQ estate, and the work we do while on the prison estate. We have carefully considered the Greening Government Commitments (GGC) when delivering our services in a sustainable way. The GGC commitments refer to a baseline year of 2009–10, as this is GFSL's first period of operation it is not possible to directly apply these targets to GFSL but we have developed sustainability objectives that meet the spirit of these commitments.

The reporting boundary includes GFSL's headquarters and staff travel. HMPPS includes in their report the sustainability of all work done on their estate and it is not possible to disaggregate GFSL's contribution from HMPPS's own contribution or that of other subcontractors. To avoid double-counting, these operations are not within the sustainability reporting boundary.

As part of our commitment we are reviewing ways in which we can reduce waste to landfill by greater use of recycling. We have adopted a longer-term target to reduce carbon emissions from our office estate and domestic business travel by, at least 30% by 2027. Our sustainability targets support our strategic goals to 'deliver value to the UK taxpayer' and 'manage the facilities of the prison estate to reduce energy consumption and carbon emissions'. In 2019 we aim to refine our corporate waste reduction plans and other environmental compliance targets.

GFSL rents space in buildings in Sheffield and London. The buildings are shared with other occupants. It has not been possible to disaggregate statistics around energy, water, waste, or recycling for these offices. Furthermore, GFSL's 'share' of the emissions are driven by occupancy levels, rather than any actions GFSL can take.

Greenhouse gases

A major source of GFSL's emissions is travel. GFSL staff travelled around 285,000 miles by rail in 2018–19, producing 12.6 tonnes of CO_2e. Staff travelled 330,000 miles by car in 2018–19, producing 96.1 tonnes of CO_2e.

We are looking at ways to reduce travel, including increased use of video-conferencing and a new car policy that focuses on more efficient vehicles.

Waste

All prison waste is accounted for by HMPPS but is managed by GFSL to ensure that all legal requirements are complied with and that as much waste as possible is recycled. Waste from our offices is separated at source to ensure as much as possible is recycled.

Paper

GFSL encourages the paperless office, and we have just three printers in our HQ offices.

Greening Government Commitment	Measure	2018–19	2018–19 CO2 equivalent
Reduce greenhouse gases: Flights	Number of domestic flights	1	0.1 tCO2e
Reduce greenhouse gases: Rail	Miles of rail travel	285,000 miles	12.6 tCO2e
Reduce greenhouse gases: Road	Miles of road travel	330,000 miles	96.1 tCO2e
Paper: Reduce usage	Pages printed	Sheffield – 25,000 pages London – 6,400 sheets	0.5 tCO2e

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Risks and uncertainties are being managed with risk owners assigned to each one, ensuring that GFSL operate at a risk level that is acceptable

Our Principal Risks and Uncertainties

Business Model

As a newly formed company, we have created our business model based on a scalable and effective facilities management services platform. However as an immature organisation, we may be vulnerable to structural changes from within the MoJ that may affect that model. The systems we have introduced are designed to give flexibility to any such changes but there will inevitably be a level of business disruption if a significant change occurs.

Economic

As our revenue is from the MoJ via HMPPS, any economic downturn or spending reviews may have an adverse financial impact to our business. The current political environment is uncertain and therefore the risk level at this point is greater.

Insufficient Investment

The prison estate that we support requires ongoing investment from the MoJ. Without this, GFSL volumes will increase as we experience increased numbers of faults to remedy. This in turn will increase pressure on the business.

People Risk

As we recruit into the new GFSL terms and conditions there is a risk that we are not able to attract and recruit the skills and talent we need to take the business forward. We also recognise that we have a workforce retention risk that we must manage including succession planning to facilitate our future strategy for the business.

Information Security

As we continue to develop our policies as a business, we are looking at all of our cyber risks and information security e.g. data breaches and cyber attacks, and how we respond to these. We have a dedicated IT department now in place who will own and manage this risk.

Health and Safety

In the environment our staff work in, we are open to many health and safety risks, there has been a real focus on training in our first year and will continue in future years to ensure we deliver on our goal of ensuring that “everyone goes home safe”.

Impact of exiting the EU

Like most businesses we could be affected by the UK's exit from the European Union. Our extended supply chain does source items from within the European Union and there may be a risk to supply or increased cost. We are working as part of the MoJ planning in this area to limit any impact on the business.

Supply Chain disruption

GFSL has not to date experienced any supply chain disruption, but we recognise that we need to have a resilient supply chain that demonstrates value for money. There are a number of initiatives under way to improve on our supply chain offering and manage the relationships with our suppliers to improve on cost and efficiency.

Compliance

GFSL prioritised addressing the inherited statutory compliance shortfall within the southern estate. Progress in this area has been significant to date but it is noted there is still work to do to gain a full picture of the totality of assets in the estate. We continue to work with HMPPS as asset user and MoJ as asset owner to obtain a fully up to date list of assets that need to be maintained together with their status of statutory compliance.

Project delivery

In addition to the core service we deliver, we also deliver a large number of projects which are complex or higher value works commissioned by HMPPS, there is an inherent risk of effective delivery within the project funding envelope. We have a dedicated team that looks after project delivery, managing from inception through to completion. We are working on building the team skills in this area and closer working with the client to mitigate this risk.

We have a Risk Management Process in GFSL that we are working to enhance during the next year, these risks and uncertainties are being managed with risk owners assigned to each one, ensuring that GFSL operate at a level of risk that is acceptable.

Section 2

Accountability Report

Board and Leadership Board of Directors as of 31st March

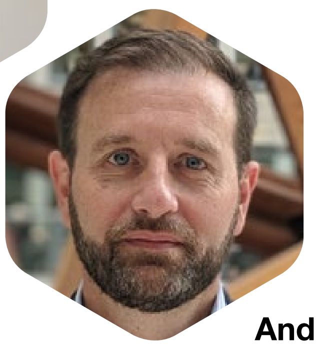
Colin Allars
Chair and Lead Non-Executive Director

Paul Ryder
Chief Executive Officer

Cheryl Avery
Non-Executive Director

Michael Richardson
Executive Director and Company Secretary

Andrew Emmett
Non-Executive Director (until 28 February 2019)



Stephanie Hill
Executive Director Finance

Andrew Mills
Non-Executive Director

Richard Nicholson
Executive Director Operations

Stephanie Hill was GFSL's Accounting Officer until 11 June 2019, when Paul Ryder was appointed Accounting Officer.

Andrew Emmett left the board on 28 February 2019. He was replaced by Maura Sullivan, who joined the company on 1 April 2019, Maura has also taken on the role of Chair of the Audit and Risk Committee.

Michael Richardson left the board on 5 April 2019. He was replaced by Karen Morley as Company Secretary.

Richard Nicholson resigned from the board 30 April 2019.

Senior Leadership Team as of 31st March 2019

Paul Ryder
Chief Executive Officer

Stephanie Hill
Executive Director Finance

Richard Nicholson
Executive Director Operations

Michael Richardson
Commercial Director

Don Keigher
Transformation Director

Elaine Pendlebury-Green
Human Resources Manager

Dates of appointment of directors

Name	Job Title	Date of Appointment	Date of Resignation
Andrew Emmett	Company Secretary	10/01/2018	30/08/2018
	Non-executive director and chair of the Audit Committee	30/08/2018	28/02/2019
Andrew Mills	Chair	10/01/2018	01/05/2018
	Non-Executive Director	08/02/2018	-
Cheryl Avery	Non-Executive Director	08/02/2018	-
Colin Allars	Non-Executive Director	08/02/2018	-
	Chair	01/05/2018	-
Don Keigher	Transformation Director	04/04/2019	-
Karen Morley	Company Secretary	04/04/2019	-
Michael Richardson	Commercial Director	08/02/2018	05/04/2019
	Company Secretary	30/08/2018	05/04/2019
Paul Ryder	Chief Executive Officer	08/02/2018	-
Richard Nicholson	Operations Director	08/02/2018	30/04/2019
Stephanie Hill	Finance Director	08/02/2018	-
Peter Cox*	N/A	30/11/2017	10/01/2018
Dentons Secretaries Limited/ Dentons Directors Limited*	N/A	30/11/2017	10/01/2018

* Denotes Directors of the shell company, SNRDCO 3283 LIMITED, before Government Facilities Services Limited became a trading entity.

The company encourages open and honest communication between employees and senior management. Regular company briefings are held across all locations, and employees are encouraged to contribute ideas and share their views

Directors' Report

The Directors present their annual report on the company, together with the financial statements and auditor's report, for the period from 13 November 2017 to 31 March 2019.

A report on corporate governance matters is included separately on page 41.

Employees

GFSL is a fair and considerate employer which recognises the value of a diverse workforce and cut from diverse backgrounds. On average, GFSL employed 1,365 people (including secondees and contingent labour). The board recognises the considerable contribution of its skilled, experienced and committed staff in delivering the company's objectives and its functions. GFSL supports staff with training opportunities and encourages career, leadership and personal development. A range of employee policies is in development. Those that are in place are available to all staff on the GFSL intranet, OPUS. All applications for employment are treated equally and are fully considered.

The company encourages open and honest communication between employees and senior management. Regular company briefings are held across all locations, and employees are encouraged to contribute ideas and share their views. This year we augmented these with a series of roadshows by the executive team.

Environmental & Social

GFSL takes its environmental responsibilities seriously. Details are set out in the Sustainability Report on page 29.

During the year, the company made no direct charitable or political contributions.

Directors are satisfied that the company pays its suppliers in accordance with their terms and conditions, subject to compliance by the suppliers with their obligations.

Financial Reporting

The company has prepared its 2018–19 financial statements in accordance with International Financial Reporting Standards (IFRS). The audited financial statements for the period ending 31 March 2019 are set out on pages 63–92. GFSL is a not-for-profit company with initial funding provided by our parent, MoJ. Our work is largely funded by work done for our sole customer, HMPPS. On this basis, the financial results for the period reflect a neutral profit position.

Going concern statement

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future and the company financial statements have been prepared on a going concern basis. The basis of this view is outlined in more detail in note 1.4 to the financial statements.

Furthermore, the directors do not envisage any changes to the current regulatory and legal regime which will adversely affect the operation of the company within the next twelve months.

Dividends

GFSL Ltd will not be making any dividend payments in respect of this period.

Directors' Responsibility Statement

Statement of Responsibilities

The directors are responsible for preparing the strategic report, directors report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the result of the company for the period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, and financial position of the company;

- such controls as determined necessary have been operated to enable to preparation of financial statements that are free from material misstatement;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of Information to Auditor

In accordance with legislation in the United Kingdom governing that each of the Directors confirms that:

So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Comptroller and Auditor General has been appointed as the company's auditor.

Directors reviews the effectiveness of the external auditor. No non-audit services were provided by the external auditor.

By order of the Board

Stephanie Hill
Finance Director
14 October 2019

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The immediate priority on set up of the company was to ensure continuity of service to the prison estate

Governance Statement

The purpose of the corporate governance statement is to explain the composition and organisation of the business and how these arrangements have supported the achievement of its objectives during 2018–19.

Following the collapse of Carillion in early 2018, the MoJ contingency plans were mobilised and GFSL took over the responsibility for delivering the FM services to the prison estate in the south of England. This ensured that there was an effective transition of responsibilities and staff and minimised service disruption.

GFSL was incorporated on 13 November 2017 as SNRDCO 3283 Limited and was renamed as Gov Facility Services Limited on 10 January 2018. The company number is 11061429. The immediate priority on set-up of the company was to ensure continuity of service to the prison estate.

During 2018–19, a governance structure was created as GFSL became a trading company. The company's primary constitutional document is its Articles of Association. GFSL has a board of directors, which is supported by an Audit and Risk Assurance Committee (ARAC), a Health and Safety Committee, and a Remuneration Committee. This is documented within the Framework Agreement between GFSL and the Ministry of Justice which came into force on 8th February 2018.

During this initial period GFSL did not have the systems in place to be able to procure goods and services from subcontractors and therefore HMPPS engaged directly with suppliers whilst we introduced the new Oracle ERP system, HMPPS supported GFSL for the period to 31 August 2018 in this respect and these costs, £34.6m were incurred directly by HMPPS. From April 2018 to end August 2018 GFSL incurred all other costs including labour and these are shown within these financial statements. From September 2018 GFSL incurred all costs relating to this service.

The directors are collectively responsible for the overall strategic performance of the company.

The remainder of this statement sets out in more detail the arrangements that have been put in place to govern GFSL since its inception.

Board of Directors

The GFSL board of directors (Board) was appointed on 8 February 2018. The Board comprises a Chair, three non-executive directors, the CEO, and three executive directors. It provides strategic leadership to GFSL within a framework of prudent and effective controls. The CEO, Chair and other non-executive directors are all appointed by the Ministry of Justice.

The Board is responsible to the Ministry of Justice for the performance of GFSL and operates in accordance within the parameters of the Framework Agreement and the delegated authority set out by the Ministry of Justice.

The Board met on five occasions in 2018–19 commencing in April 2018. The first meeting was chaired by Andrew Emmett and subsequent meetings were chaired by Colin Allars. At each meeting the Board received an update from each business area and reviewed the performance of GFSL.

There are three sub-committees of the Board: The Audit and Risk Assurance Committee, Remuneration Committee, and the Health and Safety Committee.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) was formed in July 2018 and was chaired by Andrew Emmett. After Andrew's appointment ended on 28 February 2019 the Chair was temporarily passed to Cheryl Avery until the appointment of Maura Sullivan was made. The primary purpose of the GFSL ARAC is to support the Accounting Officer and the Board in providing independent oversight of the financial reporting process, the audit process, the system of internal controls, identification and management of significant risks and compliance with laws and regulations. The ARAC met on three occasions in 2018–19.

This year the committee's work included:

- Recommending the committee's terms of reference for approval by the Board.
- Oversight and challenge of the business updates against the strategic business plan.
- Oversight and challenge of how the business is embedding the risk management framework and governance strategy.
- Oversight and challenge of the progress by the businesses internal and external audit activity against the 2018/2019 audit plan.

Remuneration Committee

The Remuneration Committee was formed in August 2018. The committee's role is to provide advice on remuneration,

> **The business is committed to protecting the health, safety and wellbeing of its staff, contractors and visitors**

noting that as a public sector organisation GFSL is subject to additional controls set by HM Treasury. The committee met on one occasion in 2018–19.

The proposal and discussions by the committee included:

- Recommending staff terms and conditions, including the pay, reward and allowances proposal.
- Reviewing and recommending an annual performance award based on an individual's outputs and behaviours.
- Reviewing and advising on recruitment challenges.
- Reviewing and approving the new approach to individual performance management for all GFSL staff.

Health and Safety Committee

The business is committed to protecting the health, safety and wellbeing of its staff, contractors and visitors. The Health and Safety Committee was formed in October 2018 and is chaired by Paul Ryder, CEO. It considers and advises on the health, safety and welfare aspect of all GFSL policies, procedures, and practices relating to staff, contractors and other interested parties.

Other GFSL members include representatives from the four regional areas, HR, the Head of Safety and Technical Services and Health and Safety Manager. The committee met on two occasions in 2018–19.

Their work has included:

- A summary of safety and performance and actions taken to improve;
- A policy and procedures review;
- Safety improvement updates.

Board Effectiveness Review

A board effectiveness review has not taken place as this was the first period of trading. The Board voted and agreed that the review would not take place at year end but was appropriate for this to be deferred until November 2019. This will allow sufficient time after the appointment of the new chair of the ARAC, Maura Sullivan.

Board appointments

All Directors have been briefed on their own roles, including propriety matters, and on the work of GFSL more broadly. They have available to them the UK Corporate Governance Code, Managing Public Money, and Code of Conduct for Board Members of Public Bodies to support them in discharging their duties, Directors Training was given to all Directors in August 2019.

All board members are required to declare any personal or business interest which may influence their judgement in performing their functions or obligations (or which may be perceived to do so by a reasonable member of the public).

These interests include (without limitation) personal direct and indirect pecuniary interests and any such interests of close family members and/or of people living in the same household as a board member. GFSL seeks updates on this information at the start of each Board meeting and on the appointment of new members, updating the record accordingly.

Where a board member has a specific conflict of interest, they will not take part in any related discussion at Board or other meetings. No conflicts of interest have been registered by any director.

Board Meetings

The table below sets out names and titles of all members of the Board who have had responsibility for the business in 2018/19. It also includes details on the number of meetings attended during the year.

Board Member	Board of Directors	Audit and Risk Assurance Committee	Remuneration Committee	Health & Safety Committee
Meetings attended per member out of those eligible to attend				
Andrew Emmett	4 of 5	3 of 3	-	-
Andrew Mills	3 of 5	-	-	-
Cheryl Avery	4 of 5	3 of 3	1 of 1	-
Colin Allars	5 of 5	3 of 3	1 of 1	-
Michael Richardson	4 of 5	-	-	-
Paul Ryder	5 of 5	2 of 3	1 of 1	2 of 2
Richard Nicholson	5 of 5	-	-	-
Stephanie Hill	5 of 5	3 of 3	1 of 1	-

GFSL acknowledges that risk management, when used effectively, will alert the business to actual threats or emerging issues likely to impact the achievement of business objectives

Our Framework Document

The Framework Agreement is between the MoJ and GFSL and sets out how GFSL should operate. It states that the company's overarching purpose is to:

- Provide FM services to the Government estate;
- Deliver the objectives as set out in the Articles of Association; and
- Deliver strategic projects as requested by the business.

The governance system is designed to reduce the risk of failing to meet the targets and priorities set out in the five-year Strategy. It keeps this risk to a level with which the Board is comfortable, but does not eliminate it completely.

GFSL's employees are public sector employees and as such have a duty to ensure that taxpayers money is spent wisely. Accordingly, GFSL's Framework Agreement requires staff to behave in accordance with the standards required of public sector employees and the standards set out in Managing Public Money.

The Framework Agreement also covers governance and accountability such as responsibilities of the Board, Accounting Officer, CEO and internal and external audit. It also covers management and financial responsibilities such as business plans, risk management and budgeting procedures.

Risk Management

GFSL acknowledges that risk management, when used effectively, will alert the business to actual threats or emerging issues likely to impact the achievement of business objectives.

As such measures have been put in place to ensure that risks are surfaced, discussed and managed as they are identified. Directors review and discuss the strategic risks on a quarterly basis from information on GFSL's strategic risk register.

GFSL promotes a transparent 'no surprises', 'no blame' culture which recognises that considered and well-managed risk taking is necessary to deliver our business.

Our approach to risk management is approved by the Board and executive directors but it is recognised there is still work to do for risk management to be embedded across the whole business, changing the culture to view risk as an integrated part of everyone's roles. The ARAC has an important role in identifying, monitoring and managing significant organisational risks. This will be continually reviewed to ensure it remains fit for purpose.

GFSL promotes a transparent 'no surprises', 'no blame' culture which recognises that considered and well-managed risk taking is necessary to deliver our business

Independent oversight will be provided quarterly by the ARAC, who will assess the overall management and controls of corporate risks. Risks below corporate level will be managed within business areas, if necessary risks will be escalated to the corporate register.

GFSL maintains a strategic risk register comprising its top risks, including those identified and escalated from within the business and those identified directly by the GFSL leadership team or board sub-committees. Specific risks that are captured in the consolidated GFSL risk register have a named board member or business owner. All risks have mitigation measures in place to reduce them to an acceptable level. Material changes to the risk profile, including any new or escalated threats, are reviewed quarterly by the GFSL leadership team and ARAC.

Internal Audit

GFSL's internal auditors are the Government Internal Audit Agency (GIAA), who provide advice to GFSL's board. GIAA have provided their annual report 2018/2019 and overall, they have offered a "Limited" assurance opinion

Whilst GFSL has made significant progress to develop and implement its framework of governance, the audit work and GIAA observations at ARAC meetings has led them to conclude that risk management and control are not yet of sufficient maturity to be described as fully adequate and effective. Whilst acknowledging that GFSL is a new organisation that inherited sub-optimal systems, processes and controls which is developing and implementing at pace, new systems and processes across corporate and operational areas, the overall opinion was "Limited", noting that the adequacy and effectiveness of the framework of governance, risk management and control could be further enhanced in some areas.

GIAA have completed four audits. Non-purchase Order Payments and Expenses were both rated as "Limited" and Corporate Governance and Management of the Delivery of Contract Objectives were both rated as "Moderate". No recommendations from internal audit reviews were classed as high priority.

GIAA also supported a review regarding a breach of Government Procurement Card (GPC) policy – this resulted in findings of an inadvertent policy breach and did not identify any duplicate payments or loss to the organisation.

The whistleblowing policy encourages all staff to raise concerns about any wrongdoing and provides assurance of anonymity and all concerns will be thoroughly investigated and feedback given

Data Loss

GFSL has appointed a Senior Information Risk Owner in September 2018 but continues to rely on the Data Protection Office within the MoJ.

No personal data incidents were reported to the Information Commissioner's Office during 2018–19. We are currently in the process of developing our own policy which will include a register to record losses at both site level and corporate office level.

Whistleblowing policy

GFSL introduced a whistleblowing policy in November 2018. The new policy was communicated to all staff in December's news bulletin. The policy is available on GFSL's intranet. The policy encourages all staff to raise concerns about any wrongdoing and provides assurance of anonymity, all concerns will be thoroughly investigated and feedback given.

Fraud and Corruption

GFSL are currently developing the fraud, bribery, and corruption policy which will be launched to the business and published on the intranet, this will also include the introduction of a gifts and hospitality register. There have been no confirmed fraud or bribery cases within the financial year. There are a number of systems in place to ensure that segregation of duties is maintained.

Parliamentary Accountability (Audited)

Regularity of Expenditure

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

Fees and Charges

GFSL makes no fees or charges, other than those to HMPPS which are fully disclosed and explained the financial statements.

Remote contingent liabilities

As required by Managing Public Money, in addition to the contingent liabilities disclosed in accordance with IAS37 in note 19 to the Accounts, GFSL discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities for which the likelihood of economic benefit is remote.

There are no remote contingent liabilities beyond those disclosed in note 19 to the Accounts.

Losses and special payments

No losses have been incurred in excess of £300,000. This is the Managing Public Money threshold mandated for financial statements prepared under the Government Financial Reporting Manual (FReM). No special payments have been made which exceed £300,000. No material gifts have been made by GFSL.

One severance payment was made in the period, as detailed in the Remuneration Report.

More detail is disclosed in note 20 to the accounts.

The Accounting Officer's review of effectiveness

I am required to ensure that GFSL as a whole is run on the basis of governance, decision-making and financial standards that are set out in HM Treasury's Managing Public Money

As the designated Accounting Officer of GFSL, I am responsible for reviewing the effectiveness of our governance. I am personally responsible for safeguarding the public funds under my control, for ensuring propriety, regularity and value for money in the handling of those public funds.

I am required to ensure that GFSL as a whole is run on the basis of governance, decision-making and financial standards that are set out in HM Treasury's Managing Public Money.

My review is based on the work of our internal auditors and the directors and managers who are responsible for developing and maintaining our governance framework. I also take into account the comments of the external auditors.

During 2018–19, we undertook the following work:

- Established the Board of Directors and its subcommittees;
- Appointed four independent Non-Executive Directors;
- Created a risk management framework which we are continuing to develop and implement including refining our Strategic Risk Register;
- The Audit and Risk Assurance Committee and the Board reviewed our strategic risks;
- Designed and implemented the necessary financial and other internal controls as required by a Government Company and the Companies Act 2006;
- Appointed the Government Internal Audit Agency (GIAA) as our internal auditor and developed and implemented the 2018–19 audit plan;
- Appointed the Comptroller and Auditor General as our external auditor and worked collaboratively with them on the 2018–19 external audit.

GFSL is committed to work collaboratively with HMPPS to establish a partnering approach (Working Together) in support of aiding both parties in achieving a common goal

I am supported by the budget holders and policy owners who have delegated financial and risk management authority appropriate to their responsibilities. To prepare the Governance Statement I am provided with feedback and assurances from across the departments which includes the completion of "Assurance Statement of Internal Controls" which summarises the material risks within their operations and also their view of compliance towards GFSL policies and actions being taken to reach full compliance.

GFSL is committed to work collaboratively with HMPPS to establish a partnering approach (Working Together) in support of aiding both parties in achieving a common goal. There is a Governance Board held regularly between GFSL and HMPPS to discuss any ongoing issues.

GFSL has strengthened its controls and process throughout this first year and I am now satisfied that GFSL's governance, risk management and internal controls are proportionate, effective and in line with HM Treasury guidance. I acknowledge the Government Internal Audit (GIAA) "Limited" Assurance opinion for our first year of operation in my assessment. No significant control issues emerged during the year and we continue to manage our risks to an acceptable level, although acknowledging that there is still considerable work to complete in the development of policies. The introduction of the IT systems are still in an immature state and issues continue to be worked through.

I note that these systems and policies continue to be developed and refined, and in doing so I have considered the efficiencies therein. For example, it is more appropriate to expense some consumable items as the cost of managing them and holding them in inventory was disproportionate.

All budget holders have been requested to complete a Statement of Internal Controls to highlight their material risks and action being taken to address any issues. The Policy owners have also commented on their status of compliance to policy and what actions they are taking to address or mitigate any non or partial compliance to move towards full compliance.

In preparing the accounts I have complied with the requirements of the Government Financial Reporting Manual (FReM). In particular I have:

- observed the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- completed duties as described in the Companies Act;
- ensured that I have in place appropriate and reliable systems and procedures to carry out the consolidation process;
- made judgements and estimates on a reasonable basis;
- stated whether applicable accounting standards, as set out in the FReM, have been followed, and disclosed and explained any material departures in the accounts;
- prepared the accounts on a going-concern basis.

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

Paul Ryder
Accounting Officer
14 October 2019

Section 3

People & Remuneration Report

The business is committed to increasing the appeal of working in the prisons environment by developing the total reward package to attract, retain and develop a workforce

Staff and Remuneration Policies

Operating as a Non-Departmental Public Body, GFSL workforce are public servants, and as such GFSL has developed its own set of terms and conditions of employment. The terms and conditions have been developed by identifying what employees value based on research and employee engagement.

The core strategy for the development of the terms and conditions centres on achieving a package which is competitive with the standard marketplace. It is key to ensure equity, fairness and transparency, to ensure employees are able to understand where their particular role fits into the organisation and its value, thus preventing grievances and equal pay claims.

The business is committed to increasing the appeal of working in the prisons environment by developing the total reward package to attract, retain and develop a workforce. We want all to feel valued and invested in by their employer. This strategy will contribute to the business becoming an employer of choice, together with future development of our brand and corporate objectives.

Remuneration Committee

The Remuneration Committee approves the remuneration and contractual arrangements for other senior manager posts attracting a salary over £100,000 including additional allowances. This applies to permanent, fixed term and interim appointments. The committee also reviews annually all salaries over £100,000 including those posts which are taken above £100,000 by the application of additional bonus arrangements.

The committee also agrees performance bonuses and any additional responsibilities payments for the CEO and executive directors. It is responsible for ensuring adequate arrangements are in place for the Chair of the Board to evaluate the performance of the Chief Executive and for the Chief Executive to evaluate the performance of executive directors.

The committee oversees and advises the Board on termination and severance arrangements in relation to the Chief Executive and executive directors.

GFSL is committed to promoting diversity and inclusion in all its activities to promote inclusive recruitment, processes, practices and culture

Annual Performance Award

GFSL has introduced a performance management process which will assess staff output and behaviours to determine any entitlement to an annual performance award. Staff are graded against agreed criteria based on the organisation's business objectives: safety, reliability, efficiency and our people. Staff who achieve a grading of 'over achieved' may receive a non-consolidated, non-pensionable payment of between 1–3% of their basic annual salary. Staff who are graded 'achieved' may receive a payment set by GFSL which will not exceed 1% of their basic annual salary.

The senior and executive leadership team are eligible for inclusion within a non-consolidated performance award scheme. This scheme will be governed by the remuneration committee who will be able to award a maximum payment of up to 10% of base salary.

GFSL has not attached performance bonuses to individual performance in the 2018/19 financial year. As a result no bonus payments have been set aside in the 2018/19 financial accounts for payment in the 2019/20 financial year. We anticipate that GFSL will consider making performance bonuses in 2019/20 payable in the finance year 2020/21.

Staff Diversity and Inclusion

GFSL is committed to promoting diversity and inclusion in all its activities to promote inclusive recruitment, processes, practices and culture.

- We are planning to provide all our managers with appropriate training on diversity and inclusion awareness and equal opportunities recruitment and selection best practice.
- We strive to work to eliminate any unlawful or unfair discrimination including direct or indirect discrimination, discrimination by association, discrimination linked to a characteristic, harassment and victimisation.
- We will remain proactive in taking steps to ensure inclusion and engagement for all the people who work for and with us.
- We will continue to strive towards a culture that is diverse and inclusive that recognises and develops the potential of all staff.

GFSL has put in place a guaranteed interview scheme to make sure we give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities

- We recognise the business benefits and opportunities of having a diverse community of staff who value one another and realise the contribution they can make to achieving the GFSL vision to "Deliver Facility Services alongside our Customers' in a safe and efficient manner, and be recognised as a valued provider to our clients".

This includes promoting diversity and inclusion for all protected characteristics under the Equality Act (2010). Our diversity and inclusion policy states that it is unacceptable for any applicant, employee, worker, supplier or member of the public to be discriminated against, either directly or indirectly, because of any protected characteristic. This applies to all staff, service users, clients and those with whom we work in partnership.

GFSL has put in place a guaranteed interview scheme to make sure we give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

GFSL as an organisation offers equal opportunities to all staff to access training and develop their career and skills. GFSL applies the same principle when it comes to staff promotions.

GFSL takes any breach of this policy seriously, and a breach could lead to formal disciplinary action being taken, which in some cases could lead to dismissal in accordance with the disciplinary policy.

GFSL is a relatively young company and we are still developing our reporting on diversity and inclusion with the view to analyse and respond to disproportionate outcomes for protected groups.

GFSL works in partnership with HMPPS and its recruitment agencies, each of which has their own policies related to diversity and inclusion that are in alignment with GFSL diversity and inclusion policy.

Health and Wellbeing

GFSL is committed to supporting the physical and mental health of its workforce. There is a comprehensive attendance management policy in place. We also have an occupational health provision and employee assistance provider in place. The average number of working days lost due to sickness absence per employee was 4.6 days in the period to 31 March 2019.

We have developed modules to upskill our line managers, these include legislative courses to ensure our managers are competent, and compliant. We also have line management development modules to improve leadership skills in line with our internal policies

Talent Management

GFSL is committed to ensuring that it has effective talent management and career progression arrangements in place. As an organisation, we are committed to recruit, hire, retain, and develop the most talented and superior employees available in the job market. We are working on developing a process and guide to manage, develop, and retain talented employees. We will be launching several initiatives to provide a more diverse senior leadership and also to develop our current managers and leaders.

We have developed modules to upskill our line managers, these include legislative courses to ensure our managers are competent, and compliant. We also have line management development modules to improve leadership skills in line with our internal policies.

Over the next few months we will be introducing the following programmes/schemes:

- Apprenticeship
- Succession Plan
- Supervisory Leadership
- Coaching & Mentoring

Trade Union Relationships

GFSL does not currently recognise any trade unions nor undertake any pay bargaining on behalf of those staff who joined GFSL under offer and accept conditions. These are the terms and conditions offered to those members of staff who transferred to GFSL following the liquidation of the Carillion entity with which they were previously employed, as opposed to those who transferred across under Transfer of Undertakings (Protection of Employment) (TUPE).

Other staff have retained their HMPPS terms and conditions under TUPE. GFSL engages with the following trade unions who represent this cohort of employees:

- Prison Officers Association (POA) in respect of Band 6 and 7 ex operational staff
- Public and Commercial Services Union (PCS) in respect of Band 1 (cleaners), Band 3 (administrative) and Bands 4–8 (non-operational) staff
- PROSPECT in respect of Bands 4–8 (non-operational) staff
- GMB in respect of Bands 2–4 (Industrial Grades)
- Unite in respect of Bands 2–4 (Industrial Grades)

Board Remuneration

Executive Directors – April 2018 to March 2019 (Audited)

Disclosure in bands of £5,000

Member	Salary (actual and full-year equivalent)	Bonuses	All taxable benefits	Pension Related Benefits	Fees	Total	Accrued pension at pension age 31/03/2019	Real increase in pension and related lump sum at pension age to 31/03/2019	CETV at 31/03/2019 £'000	CETV at 31/03/2018 £'000	Real increase in CETV
Stephanie Hill	75-80	-	35.8	32	-	145-150	15-20	0-2.5	273	222	18
Richard Nicholson	75-80	-	14.5	76	-	165-170	25-30 plus a lump sum of 70-75	2.5-5 plus a lump sum of 5-7.5	566	453	60
Michael Richardson	90-95	-	-	36	-	125-130	5-10	0-2.5	141	99	23
Paul Ryder	-	-	-	-	165-170	165-170	N/A	N/A	N/A	N/A	N/A

From date of appointment to 31st March 2019 Paul Ryder was a contractor paid by the MoJ and recharged to GFSL. The single figure disclosed above represents the amount paid to engage PKR Management in respect of Paul Ryder, excluding charges made by third party intermediary companies.

Stephanie Hill, Richard Nicholson and Michael Richardson are employees of MoJ, or other Government Departments, seconded to GFSL. The amount disclosed is the total remuneration to the individual in the period 1st April 2018 to 31st March 2019. Prior to 1st April 2018, these individuals were paid by MoJ or other Government Departments, but GFSL was not recharged for their salaries and so the amounts have not been included in the above table.

Prior to the commencement of trading in April 2018, GFSL operated under the company name SNRDCO 3283 LIMITED with Dentons Secretaries Limited and Peter Charles Cox listed as Directors on Companies House. These Directors received no remuneration from GFSL.

Non-Executive Directors fees (Audited)

Non-Executive Member	Expiry date of current contract	Fees £'000	All taxable benefits £'000 (to nearest £100)	Total
Andrew Emmett[1]	28th February 2019	6.00	-	6.00
Cheryl Avery	31st July 2019	-	-	-
Colin Allars	31st July 2019	-	-	-
Andrew Mills	31st July 2019	-	-	-

[1]Andrew Emmett appointment term as a Non-Executive Director ended on 28th February 2019 and Maura Sullivan was appointed as a Non-Executive Director from 1st April 2019. All other Non-Executive Directors are employees of MoJ or an Arm's Length Body of MoJ and received no remuneration for their services, but are entitled to relevant expenses. These expenses in total are less than the £5,000 in aggregate.

The above relates only to board members, non-executive directors and those covered by the Government's Disclosure of Senior Salaries Agenda.

'Salary' includes gross salary, recruitment and retention allowances and any other allowance that is subject to UK taxation.

Taxable benefits include all benefits in kind and taxable cash benefits. The monetary value of benefits in kind covers any benefits provided by GFSL and treated by HM Revenue and Customs as a taxable emolument. Benefits recognised relate to travel and subsistence.

Pension entitlements

Staff transferred to GFSL were participants in a number of pension schemes, including Civil Service Pension Schemes (CSPS) where the individuals had previously been employees of HMPPS. CSPS members accounted for around 45% of those who transferred, with the remainder either enrolled in one of a number of legacy defined contribution schemes from Carillion or opting out altogether. In the period GFSL set up a new defined contribution scheme operated by Royal London under a group personal pension (GPP) agreement, which replaced the Carillion legacy schemes. This scheme is available to all staff who are not members of a CSPS.

The 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 their purchasing 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 to 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 does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair Pay Disclosures (audited)

The median remuneration of GFSL's staff, based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff) as at 31/03/2019 was £22,665. Remuneration ranged from £15,269 to £168,022. The banded remuneration of the highest paid director in GFSL in the 2018–19 financial period was £165,000 to £170,000. The ratio between the median staff remuneration and the midpoint of the banded remuneration of the highest paid director was 7.4.

Staff Report

Staff Costs (Audited)

	Permanent Staff (£'000)	Others* (£'000)	Total (£'000)
Wages and Salaries	22,859	17,723	40,582
Social Security Costs	2,489	-	2,489
Pension Costs	2,666	-	2,666
Other Staff Costs	-	-	-
Total	**28,014**	**17,723**	**45,737**

*Others include agency and contractor costs for the financial period ending 31st March 2019

Average Number of People Employed (Audited)

	Number
Permanently Employed Staff	776
Others	589
Total	**1,365**

Staff Composition*

	Male	Female	Total
Directors	3	1	4
Other Senior Staff	5	5	10
Employees	587	141	728
Total	**595**	**147**	**742**

*Based on headcount as at 31 March 2019

Spend on Consultancy Staff and Contingent Labour

In the financial period in question GFSL spent £0.85m on consultancy staff and £17.76m on contingent labour. The expenditure on contingent labour was largely driven by an inability to recruit permanent staff, meaning that expenditure on contingent labour is anticipated to reduce for the 2019–20 financial year, with the approval of the new terms and conditions.

Off-payroll engagements

During the financial period, GFSL has reviewed all off-payroll engagements using HMRC's guidance and on-line status indicator. Where engagements have been assessed as being within the 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. While several individuals were initially assessed to be outside of scope for IR35, this has subsequently been revised to just one individual. Consequently GFSL has a contingent liability to HMRC. Note 19 to the Financial Statements has more detail. The position of off-payroll roles is continuously evaluated to ensure that IR35 determinations continue to be correct.

Off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months.

Total existing arrangements	**22**
Engagements of less than one year in duration	15
Engagements of one to two years in duration	7

No. of new engagements, or those that reached six months in duration, between 8 February 2018 and 31 March 2019	**26**
Of which...	
No. assessed as in scope by IR35	25
No. assessed as out of scope by IR35	1
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year	0
No. of engagements that saw a change to IR35 status following the consistency review	0

Exit Packages

(Audited)

GFSL made one severance payment in the period, under a settlement agreement made between the individual and Carillion, which transferred to GFSL under TUPE Regulations. This was not covered by the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,001 – £25,000	-	-	-
£25,001 – £50,000	-	1	1
£50,001 – £100,000	-	-	-
£100,001 – £150,000	-	-	-
£150,001 – £200,000	-	-	-
Total	**-**	**1**	**1**
Total cost (£000s)	**-**	**40**	**40**

Section 4

Financial Statements

Statement of Financial Position

as at 31 March 2019

	Note	2018 / 19 £'000
Non-current assets		
Property, plant and equipment	7	219
Intangible assets	8	1,903
Total non-current assets		**2,122**
Current assets		
Inventories		628
Trade and other receivables	9	32,959
Cash and cash equivalents	10	2,408
Total current assets		**35,995**
Total assets		**38,117**
Current liabilities		
Trade and other payables	11	(22,972)
Provisions	12	(69)
Total current liabilities		**(23,041)**
Total assets less current liabilities		**15,076**
Non-current liabilities		
Trade and other payables	11	(1,826)
Provisions	12	0
Total non-current liabilities		**(1,826)**
Total assets less total liabilities		**13,250**
Taxpayers equity		
Share Capital	13	0
General fund		0
Capital Contribution		13,250
Total Taxpayers equity		**13,250**

The notes on pages 68 to 92 form part of these financial statements.
The financial statements on pages 64 to 67 were approved by the Board on 14 October 2019 and were signed on behalf by:

Paul Ryder
Accounting Officer
14 October 2019

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2019

	Note	Pre-Exceptionals	2018 / 19 £'000 Exceptionals	Total
Income	2	95,118	1,458	96,576
Expenditure				
Staff costs	3	(45,013)	(724)	(45,737)
Other operating costs	4	(49,882)	(734)	(50,616)
Non-cash items	5	(223)	-	(223)
Total Expenditure		**(95,118)**	**(1,458)**	**(96,576)**
Net deficit before taxation		**-**	**-**	**-**
Taxation	6	**-**	**-**	**-**
Net deficit after taxation		**-**	**-**	**-**

Other Comprehensive Net Expenditure

for the period ended 31 March 2019

	Note	2018 / 19 £'000
Net deficit after taxation		-
Net (gain)/loss on revaluation of property, plant and equipment	7	-
Net (gain)/loss on revaluation of intangibles	8	-
Total comprehensive income and expenditure		**-**

The notes on pages 68 to 92 form part of these accounts.

Statement of Cash Flows

for the period ended 31 March 2019

	Note	2018 / 19 £'000
Cash flows from operating activities		
(Deficit) for the year		-
Non-cash charges	5	223
Total		**223**
(Increase) / decrease in trade and other receivables	9	(32,959)
(Increase) / decrease in inventories		(628)
Increase / (decrease) in trade and other payables	11	24,798
Utilisation of provisions settled by GFSL	12	-
Net cash inflows/(outflows) from operation activities		**(8,566)**
Cash flows from investing activities		
Purchase of property, plant and equipment	7	(291)
Purchase of intangible assets	8	(1,985)
Net cash inflows/(outflows) from investing activities		**(2,276)**
Cash flows from financing activities		
Capital contribution from MoJ*		13,250
Net cash inflows/(outflows) from financing		13,250
Net increase/(decrease) in cash		**2,408**
Cash and cash equivalents at the beginning of the period	**10**	**0**
Cash and cash equivalents at the end of the period	**10**	**2,408**

The notes on pages 68 to 92 form part of these financial statements.

*GFSL's parent, the MoJ, provided a £13,250k capital contribution. This was the initial cash injection to provide the Company's working capital.

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2019

	Share Capital £000	Capital Contribution £000	General Fund £000	Total £000
Balance at 8 February 2018	-	-	-	-
Net deficit for the year (SoCNE)	-	-	-	-
Capital contribution from MoJ	-	13,250	-	13,250
Balance at 31 March 2019	**-**	**13,250**	**-**	**13,250**

The notes on pages 68 to 92 form part of these financial statements.

Notes to the Accounts

1. Accounting Policies

1.1 Costs included in this report

Upon the collapse of Carillion, the MoJ engaged directly with the Official Receiver (OR) to ensure that facility management services would continue to be provided to HMPPS's southern prison portfolio, HMPPS incurred all costs directly for the period to 31 March 2018. From April 2018 to 31 August 2018 GFSL did not have the systems in place to be able to place orders direct with subcontractors and therefore HMPPS continued to engage sub-contractor supplies directly to the value of £34.6m; these costs are not included in the financial statements within this report.

All other costs incurred during this period including GFSL direct labour are included and shown in the financial statements. From September 2018 GFSL was in a position to directly engage sub-contractors for this service and therefore from this date all costs were incurred directly by GFSL.

Exceptional income is the MoJ grant that supports the costs of setting up GFSL as company.

The costs incurred are £724k of staff costs for people who were supporting the set up activities and £734k of costs for goods/services required to set up the company.

1.2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

Where the Companies Act and the FReM permits a choice of accounting policy, the policy which has been judged to be most appropriate to the company and for the purposes of MoJ's consolidated statements, and which gives a true and fair view. It has been chosen and applied consistently in dealing with matters considered material to the accounts.

The functional and presentational currency of GFSL is the British pound sterling (£). As allowed by IAS 1, we have presented the SoCNE using different headings from those suggested by the Companies Act as this provides more clarity for the reader.

1.3 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention.

1.4 Going concern

GFSL's sponsor department is the MoJ, GFSL and MoJ have signed a framework agreement that sets out the nature of the relationship between them. GFSL's sole customer is Her Majesty's Prison and Probation Service (HMPPS) to whom GFSL provides facilities management services. GFSL's initial start-up costs and working capital were provided by MoJ from its Parliamentary supply. In assessing whether GFSL is a going concern, the directors have considered a) the likelihood that HMPPS will continue to procure GFSL's services, and b) whether GFSL has sufficient working capital to ensure liquidity.

On both measures, the directors are fully satisfied. GFSL has delegated funding and equal expected revenue from HMPPS via a formal delegation letter from the MoJ Chief Finance Officer to support the company activities for the financial year 2019/20. Also, following a request from the MoJ, GFSL has developed a medium-term (five-year) business plan to continue to deliver existing services and to pursue opportunities for growth to 2025.

Accordingly, the directors are satisfied that the company is a going concern.

1.5 Changes in accounting policy and disclosures

a) Changes in accounting policies
As this is the first year of operation for GFSL, consequently there have been no changes in accounting policies for the period ended 31 March 2019.

b) New or amended standards adopted
As this is the first year of operation for GFSL, no new or amended standards have been adopted. However in determining GFSL's accounting policies due consideration has been given to IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which came into effect for the financial year beginning 1 April 2018.

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

The company is required to adopt IFRS 16 Leases from 1 April 2019. The impact of adopting the standard on 1 April 2019 may vary, as new accounting policies are subject to change until the company presents its first financial statements for the date of initial application. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

GFSL has five lease arrangements in place as at 31 March 2019 (see Note 15), of which three are deemed to meet the criteria for low-value assets and as a consequence alternative accounting treatment will be applied for these assets. The other two assets represent right-of-use assets and will result in the introduction of an asset and liability to the balance sheet from 1 April 2019. The expenditure associated with these assets will change, with depreciation charged over the life of the assets and an interest expense charged on the lease liabilities.

The company plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective approach. Therefore, there will be no restatement of comparative information. The company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 April 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

d) Changes in presentation and reclassifications

There have been no changes in presentation or reclassifications

1.6 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of transaction. There are no foreign currency transactions or monetary liabilities denominated in these accounts at the date of the statement of financial position.

1.7 Property, plant and equipment

Initial recognition and capitalisation threshold
Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the useful economic life including service potential associated with the item will flow to GFSL and the cost of the item can be measured reliably.

Property, plant and equipment, including subsequent expenditure on existing assets, are initially recognised at cost. GFSL's capitalisation threshold for all classes of assets is £10,000.

Property, plant and equipment usually comprises single assets. However, capitalisation is applied on a grouped basis using a threshold of £10,000 where the elements in substance form a single asset. Further, where an item includes material components with significantly different useful economic lives, those components are capitalised separately and depreciated over its specific useful economic life. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as incurred.

All thresholds include irrecoverable VAT.

Measurement
Property, plant and equipment are valued in accordance with IAS 16 Property, Plant and Equipment and initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located where an obligation to dismantle or remove the asset arises from its acquisition or usage.

Assets are thereafter carried in the balance sheet on the basis of depreciated historic cost.

Depreciation
Depreciation is provided on all non-current assets, apart from assets under construction, from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its useful economic life (UEL). Assets that are under construction are not depreciated until such time as they are available for their intended use.

GFSL reviews and updates the remaining UEL of all its assets each year. This is the period for which the asset provides economic benefits that will flow to GFSL from its use. If an item of property, plant and equipment comprises two or more significant components, with substantially different useful economic lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful economic life.

Estimated useful asset lives are within the following range:

Information technology – Shorter of remaining lease period or 3 years

Impairment
Property, plant and equipment are monitored throughout the year as to whether there is any indication that an asset may be impaired. At the end of each reporting period GFSL performs an impairment review across all significant asset categories. If indicators of impairment exist, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts.

When an asset's carrying value decreases as a result of a permanent diminution in the value of the asset due to a clear consumption of economic benefit or service potential, the decrease is charged directly to net operating costs in the SoCNE, with any remaining Revaluation Reserve balance released to the General Fund. In contrast, reversal of an impairment loss is then recognised in the SoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the Revaluation Reserve.

Disposal of non-current assets
Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised in the SoCNE.

1.8 Intangible assets

Recognition

Expenditure on intangible assets which are non-monetary assets without physical substance and identifiable are capitalised where the cost is £10,000 or more and this is applied on a grouped basis using the threshold of £10,000 where the elements in substance form a single asset. Subsequent acquisitions of less than £10,000 value which are of the same nature as existing grouped assets are appended. Otherwise, expenditure on intangible assets which fall below £10,000 is charged as an expense in the SoCNE.

For GFSL Intangible assets primarily comprises of software developed by third parties.

Measurement

Intangible assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. All intangible assets are valued on the basis of amortised historic cost as an approximation of fair value.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by GFSL are capitalised when they meet the criteria specified in IAS38, intangible assets.

Other expenditure that does not meet this criteria is recognised as an expense when incurred. Costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The useful economic life of software products is ten years.

Amortisation

Amortisation is provided on all non-current assets from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its useful economic life. In accordance with IAS 38 Intangible Assets GFSL reviews the useful economic life of its intangible assets each financial year. This is the period for which the asset provides economic benefits that will flow to GFSL from its use.

Purchased on-premise software licences are recognised when it is probable that future service potential will flow to GFSL and the cost of the licence can be measured reliably.

Such licences are initially measured at cost. Purchased on-premise software licences are amortised over the licence period. Cloud-based software licences, outside any implementation period, are recognised as an operating expense over the license period.

GFSL's capitalisation threshold for software projects is £100k (including irrecoverable VAT).

1.9 Leases

Finance leases

Leases of assets where GFSL 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 either short term or long term payables, depending on the dates GFSL is contractually obliged to make rental payments. The interest element of the finance cost is charged to the SoCNE over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful economic life of the asset and the lease term.

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 over the period of the lease. Any upfront payments not yet released to the SoCNE are recognised as a lease prepayment in the Statement of Financial Position (SoFP).

With the future adoption of IFRS 16 operating leases currently recorded in SoCNE will be recorded in the SoFP recognising a right-of-use asset and a lease liability.

1.10 Inventories

Inventories comprises of higher valued consumable stores. Current replacement cost is not considered materially different from replacement cost due to the short period for which such items are held before they are consumed.

Higher valued consumable items, minor spare parts and servicing equipment are typically carried as inventory and recognised in the SoCNE as consumed. Low valued items that are regularly consumed are immediately expensed and recognised in the SoCNE. Major spare parts and stand-by equipment are carried as PPE when GFSL expects to use them during more than one period or when they can be used only in connection with an item of PPE.

1.11 Employee benefits

Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. For the company, they typically include such benefits as wages and salaries and paid annual, flexi and sick leave. These are recognised in the year in which the employee provided these services for the company. An accrual has been made for the cost of holiday entitlement (including any flexi-leave entitlement) earned by employees but not taken before the year end which employees can carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable as a result of the company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy if offered.

Pension schemes

Background

Between February 2018 and September 2018, various legacy pension schemes, including the Principal Civil Service Pension Scheme (PCSPS) were open to former Carillion employees. From October 2018, GFSL employees who did not have a PCSPS pension transferred to a pension scheme administered by Royal London. GFSL recognises contributions payable to both schemes as Defined Contributions in accordance with IAS 19.

Principal Civil Service Pension Scheme

Some employees who were HMPPS employees before transferring to Carillion under TUPE regulations, are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). GFSL recognises contributions payable to defined contribution schemes as an expense in the year in which it is incurred, and the legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. While the PCSPS is an unfunded defined benefit scheme, GFSL is unable to identify its share of liabilities in these multi-employer schemes so accounts for its expenses as if the schemes were on a defined contribution basis, as required by IAS19. Expenditure accrues to the extent contributions are payable by GFSL as employer.

Royal London Pension Scheme
Previously other GFSL employees were on a range of defined contribution schemes administered by several different providers. They have now all been transferred to a pension scheme administered by Royal London. As such GFSL recognises contributions to all these schemes as an expense in the year in which it is incurred.

Early departure and injury benefit costs
Some employees who were HMPPS employees before transferring to Carillion under TUPE regulations, are covered by The Civil Service Injury Benefits Scheme (CSIBS) which requires GFSL to pay benefits to any individual who is injured in connection with their employment. Benefits are paid only in respect of loss of earning capacity, and a provision is made for expected future costs.

For seconded employees, the MoJ is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The total cost is provided in full when the early departure programme has been announced and is binding on MoJ, not GFSL

1.12 Turnover

GFSL turnover is stated net of VAT and is categorised as follows:

Core income – this represents the main part of the GFSL business and is for services as documented in the core contract, the provision of PPM and minor reactive and remedial repairs up to the value of £2,000 per repair. Core income is recognised over the life of the contract on a monthly basis as agreed with HMPPS.

Variable income – for all services that are not covered by the scope of the core contract, at the request of the client for project work and repairs over the £2,000 per repair threshold

Other income – to support other costs of set up including depreciation, amortisation and stock

Exceptional income – an MoJ grant was provided to cover exceptional expenditure for the setting up of the company. This has been recognised when GFSL incurs the costs for which the funding is intended to compensate. MoJ also provides funding for capital expenditure. GFSL recognises the asset at the point when it incurs capital costs that meet the requirements for funding from the MoJ. This funding is accounted for in accordance with IAS 20.

Operating income is recognised as revenue in the SoCNE in accordance with IFRS15 Revenue from Contracts with Customers. In accordance with paragraph 35 of IFRS 15, operating income from project activities is recognised over time, as GFSL does not have control of the asset being improved, which is typically a building on the prison estate. Revenue is recognised using an input method, namely costs incurred.

1.13 Provisions

Provisions are recognised when GFSL 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 for which a reliable estimate can be made for the amount of the obligation.

Where the effect of discounting is material, provisions are measured at their present value using the below current discount rates set by HM Treasury based on the underlying cash flows. Where future cash flows related to the obligation are forecast in monetary amounts, rather than on the basis of current cost, these discount rates are adjusted upwards based on HM Treasury's forecasts for inflation in the relevant time period. Early departure and injury benefit provisions are discounted using the HM Treasury post-employment benefits real discount rate of 0.29% (2017–18: 0.10%).

General Provisions

		Rate
Nominal rates	Short-Term (due within 5 years)	0.76%
	Medium-Term (due between 6–10 years)	1.14%
	Long-Term (due after 10 years)	1.99%
Inflation	Year 1	2.00%
	Year 2	2.00%
	Perpetuity	2.10%

1.14 Contingent liabilities

In accordance with IAS 37, GFSL discloses, as a contingent liability, those possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within its control; and those present obligations arising from past events not recognised because it is either not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

1.15 Contingent assets

A contingent asset arises when an event has taken place that gives the company a possible asset, whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly in control of the company.

1.16 Taxation

Value Added Tax (VAT)

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

Construction Industry Scheme (CIS)

GFSL operates in accordance with the CIS scheme operated by Her Majesty's Revenue and Customs (HMRC) and works with new and existing suppliers to ensure that the appropriate tax deductions are made from supplier payments and timely payments are made to HMRC.

Corporation tax
GFSL is a limited company which operates in accordance with the Companies Act 2006. GFSL operates as a not-for-profit organisation and is therefore not expected to incur any Corporation Tax liability to HMRC. However GFSL is still required to perform a calculation to confirm this is the case and make an appropriate return.

1.17 Financial instruments

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with GFSL's normal purchase, sale or usage requirements are recognised when, and to the extent to which, performance occurs. All other financial assets and liabilities are recognised when GFSL becomes party to the contractual provisions to receive or make cash payments.

De-recognition
Financial assets are de-recognised when the contractual rights to receive future cash flows have expired or are transferred and GFSL has transferred substantially all the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and measurement of financial assets
In addition to cash and cash equivalents, GFSL has two categories of financial assets:

Loans and receivables
Loans and receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment, in accordance with IFRS 9 Financial Instruments

Financial Assets at fair value through profit and loss
Fair value is equal to the market value at the reporting date, and the movement in the value of the assets is recognised immediately in the SoCNE, as income or as an expense.

Impairment of financial assets
At the end of each reporting period, GFSL assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on such an asset has been incurred, GFSL recognises this in the SoCNE as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Classification and measurement – financial liabilities
GFSL has financial liabilities consisting of trade payables, other payables and accruals. All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. Where the effect is material, the estimated cash flows of financial liabilities are discounted.

1.18 Events after the balance sheet date

Events after the balance date, are those events favourable and unfavourable, that occur between the end of the reporting period and the date that the Statement of Accounts is authorised for issue. There are two types of event that can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect these changes where material; and

(b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material impact, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Any events after the authorisation of issue are not included in these Statement of Accounts.

Critical accounting estimates and judgements

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

GFSL 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 addressed below.

GFSL and HMPPS prior to September 2018
Until September 2018, GFSL did not have the procurement or payment systems in place. It was therefore unable to directly raise purchase orders, receive invoices or pay suppliers. Instead HMPPS paid subcontractor suppliers directly. These costs amount to £34.6m and remain with HMPPS and were not recharged to GFSL. Consequently GFSL has not recognised these costs or associated income streams within the financial statements.

Provisions for liabilities and charges
The recognition and measurement of provisions rely on the application of professional judgment, historical experience, and other factors expected to influence future events. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised. Estimates and assumptions applied in these models are continually evaluated and reviewed. Further information is set out in Note 12.

Provisions for liabilities for goods purchased
The recognition and valuation of accrued liabilities for goods purchased and services received are based on receiving delivery dockets and other appropriate documentation prior to payment of supplier invoices. Where this is not available accrued liabilities are based on GFSL's best estimate at the balance sheet date.

Funding from parent
In the period, GFSL received £17.25m from its parent, MoJ Group. Of this, £4.0m came with a delegated budget to spend on exceptional costs when the company was first set up, and this is treated as a Government Grant under IAS 20. The remainder, £13.25m, is treated as a capital contribution and as such is presented within reserves. The element treated as Government Grant has been treated as deferred income and is recognised in the SoCNE in the period in which the related expenses occur.

2. Operating Income

for the period ended 31 March 2019

	2018 / 19 £'000
Income	
Core Income	69,065
Variable Services Income	25,632
Other Income[†]	421
Total before exceptional income	**95,118**
Exceptional Income	1,458
Total Income	**96,576**

Upon the collapse of Carillion, the MoJ engaged directly with the Official Receiver (OR) to ensure that facility management services would continue to be provided to HMPPS's southern prison portfolio, HMPPS incurred all costs directly for the period to 31 March 2018. From April 2018 to 31 August 2018 GFSL did not have the systems in place to be able to place orders direct with subcontractors and therefore HMPPS continued to engage sub-contractor supplies directly to the value of £34.6m; these costs are not included in the financial statements within this report. All other costs incurred during this period including GFSL direct labour are included and shown in the financial statements. From September 2018 GFSL was in a position to directly engage sub-contractors for this service and therefore from this date all costs were incurred directly by GFSL.

Exceptional income is the MoJ grant that supports the costs of setting up GFSL as company. The costs incurred are £724k of staff costs for people who were supporting the set up activities and £734k of costs for goods/services required to set up the company, incurred directly by GFSL, and were recharged to HMPPS as income.

3. Staff Numbers and Costs

for the period ended 31 March 2019

	2018 / 19		
	Permanently employed £000	Others £000	Total £000
Wages and salaries	22,859	17,723	40,582
Social Security Costs	2,489	0	2,489
Pensions costs*	2,666	0	2,666
Total costs	**28,014**	**17,723**	**45,737**

*Of which £391K relates to contributions to defined contribution pension schemes.
Figures include £724K of exceptional set-up costs, of which £656K related to wages and salaries, £26K to social security and £42K to pension costs.
Details of Director's salary recharges and the average number of persons employed are provided within the Remuneration Report.

4. Other† Operating Costs

for the period ended 31 March 2019

	2018 / 19 £'000
Direct costs of service	
Other direct costs[1]	29,452
Materials costs	14,482
Total Direct Costs of Service	**43,934**
Other Employment Costs	
Vehicle Costs	713
Travel and Subsistence	463
IT and Telecommunications	413
Uniforms and Personal Protective Equipment	161
Training costs	99
Other Staff-Related Costs	13
Total Other Employment Costs	**1,862**
HQ and Other Overhead Costs	
Service charge[2]	2,524
Accommodation, maintenance and utilities	492
Auditor's remuneration and expenses	95
Other overhead costs	67
Professional Fees[3]	908
Total HQ and Other Overhead Costs	**4,086**
Total ordinary costs	**49,882**
Exceptional Costs[4]	
Total Exceptional costs	734
Total other operating costs	**50,616**

†Others include agency and contractor costs for the financial period ending 31st March 2019.

[1] Other direct costs – subcontractor costs

[2] Service charge – fee paid to the Official Receiver for business services provided

[3] Professional fees include consultants as defined under Cabinet Office definitions

[4] Exceptional costs – non-capital costs for the set up of GFSL

5. Non-Cash Expenditure

for the period ended 31 March 2019

	2018 / 19 £'000
Depreciation – property, plant and equipment	72
Amortisation – intangible assets	82
Provision for liabilities:	
Provided in year	69
Provisions written back	0
Movement in impairment of trade receivables	0
Bad debt written off	0
Total non-cash expenditure	**223**

6. Taxation

for the period ended 31 March 2019

Current taxation:	2018 / 19 £'000
UK Corporation Tax	0
Total UK corporation tax	**0**
Factors affecting the tax charge for the period:	
Net expenditure on ordinary and extraordinary activities	0
Tax at the standard rate of corporation tax in the UK 19%	0
Income and expenditure not subject to corporation tax	0
Total taxation charge	**0**

The company incurs costs on providing FM services to HMPPS, and recovers these costs on a no profit or loss basis, and consequently is not expected to incur taxation.

7. Property, plant and equipment

for the period ended 31 March 2019

IT Equipment	2018 / 19 £'000
Cost b/f 8 February 2018	**0**
Additions	291
Reclassifications	0
Transfers	0
Disposals	0
Revaluation	0
Total cost 31 March 2019	**291**
Depreciation 8 February 2018	**0**
Charge in year	72
Reclassifications	0
Disposals	0
Revaluation	0
Total depreciation 31 March 2019	**72**
Net book value at 8 February 2018	**0**
Net book value at 31 March 2019	**219**

8. Intangible assets

for the period ended 31 March 2019

Software and development	2018 / 19 £'000
Cost b/f 8 February 2018	**0**
Additions*	1,985
Reclassifications	0
Transfers	0
Disposals	0
Revaluation	0
Total cost 31 March 2019	**1,985**
Amortisation 8 February 2018	**0**
Charge in year	82
Reclassifications	-
Disposals	-
Revaluation	-
Total amortisations 31 March 2019	**82**
Net book value at 8 February 2018	**0**
Net book value at 31 March 2019	**1,903**

*The sole addition is an Oracle Enterprise Resource Planning system and associated implementation costs.
The remaining amortisation period as at 31st March 2019 ranges from 112 to 119 months

9. Trade and other receivables

for the period ended 31 March 2019

Amounts falling due within one year	2018 / 19 £'000
Amount due from HMPPS	4,150
Prepayments	16
Staff receivables	100
Other receivables	20
Accrued income*	28,673
Total	**32,959**

*Accrued income is income recognised and agreed but not invoiced at the year end with our customer HMPPS.

10. Cash and cash equivalents

for the period ended 31 March 2019

	2018 / 19 £'000
Opening Balance	-
Net cash inflow/(outflow)	2,408
Balance at 31 March 2019	**2,408**

11. Trade payables and other liabilities

for the period ended 31 March 2019

Amounts falling due within one year	2018 / 19 £'000
Trade payables	(6,963)
Accruals	(4,227)
Holiday pay accrual	(223)
Goods received not invoiced	(7,142)
Taxation and social security	(512)
VAT Payable	(3,229)
Deferred Income	(295)
Other payables	(381)
Total current payables	**(22,972)**

Amounts falling due after more than one year

	2018 / 19 £'000
Deferred Income	(1,826)
Total non-current payables	**(1,826)**

Total trade payables and other liabilities	**(24,798)**

Deferred income is the value remaining from the £4m Government Grant received from the MoJ, this will be released in future years to cover the cost of depreciation and amortisation of capital costs as was conditional on receipt of the grant.

12. Provisions for liabilities and charges

for the period ended 31 March 2019

2018 / 19	Claim Provision £000	Total 2018 / 19 £'000
Balance at 8 February		
Provided in the period	(69)	(69)
Provisions written back	0	0
Provisions utilised in the period	0	0
Balance at 31 March	**(69)**	**(69)**

Analysis of expected timings of cashflow		
Not later than 1 year	(69)	(69)
Later than 1 year and not later than 5 years	0	0
Later than 5 years	0	0
	(69)	(69)

The Claim Provision relates to the company's liability resulting from a small number of personal injury liability claims, all of which are open as at 31st March 2019. GFSL anticipates that all will be concluded by 31st March 2020.

13. Share capital

for the period ended 31 March 2019

	Normal	Value
Ordinary Share of £1 each	100	100

100 Ordinary shares issued at nominal value of which £99 were fully paid up as at 31st March 2019

14. Financial instruments

IFRS7 requires disclosures about the nature and extent of credit risk, liquidity risk and market risk that the company faces in undertaking its activities.

The Company aims to maintain minimal holdings of cash equivalents appropriate to its short-term needs and cash requirements are largely met by the cost-recovery arrangement in place with HMPPS. GFSL has no significant receivables, aside from those trade receivables arising with HMPPS as part of the normal course of business. None of these significant receivables are impaired or are deemed to present a material credit risk.

The Company has no borrowings or investments and as such as very limited exposure to interest rate or market risk. Financial assets and liabilities are generated by ordinary operating activities.

Financial instruments play a more limited role for GFSL in creating and managing risk than in a non-public sector body. The Company is considered to have no material credit, liquidity, interest rate or market risk. All cash holdings are lodged in a banking scheme entity.

15. Commitments under operating leases

GFSL has four photocopiers under operating lease arrangements all of which are under three-year lease agreements. GFSL's Sheffield office is under a two-year operating lease. The Oracle licence is under a five-year operating lease.

Operating leases – Commitments under leases	2018 / 19 £'000
Land and buildings	
Not later than one year	162
Later than one year but not later than five years	94
Later than five years	-
Total land and buildings	**256**
Other	
Not later than one year	197
Later than one year but not later than five years	580
Later than five years	94
Total other	**871**

The minimum lease payments are determined from the relevant lease agreements and do not reflect possible increases as a result of market based reviews.

16. Related party transactions

The MoJ publishes a consolidated Annual Report and Accounts for the core department each year. GFSL is classified within the MoJ consolidation boundary meaning that transactions within the group are considered related party transactions.

In the period before GFSL had a functioning Enterprise Resource Planning system, transactions were processed through HMPPS's system. The accounts also include £21,771k of costs recharged to GFSL from HMPPS, for transactions processed through the HMPPS system. The accounts do not include £34,572k of transactions where the relationship was directly between HMPPS and the supplier; these transactions appear in the 2018/19 accounts of HMPPS.

During the period, the company received cash from the MoJ of £17,250k of which £13,250k represented a capital contribution and £4,000k of which was a grant under IAS 20. £94,697k of GFSL's revenue relates to charges to HMPPS for work undertaken in the period, the remainder of £1,879k relates to the release of grant income under IAS20.

The company incurred costs for seconded staff of £452k, £432k and £160k from HMPPS, MoJ Core and HMCTS respectively. All are presented within staff costs.

The rental charge for the period includes £129k from the Children and Family Court Advisory and Support Service (CAFCASS) and £142k from the MoJ.

At the balance sheet date, the company has a balance of £32,823k due from HMPPS, presented within trade and other receivables, as well as £160k due to HMCTS and £432k due to MoJ Core, both within trade and other payables. There is also a balance of £452k due to HMPPS.

No board members, key managers or other related parties have undertaken any material transactions with the company during the period. There are no conflicts of interest to report.

17. Financial commitments

for the period ended 31 March 2019

	2018 / 19 £'000	£'000
Financial commitments (excluding capital commitments)	769	0
Property, plant and equipment		
Intangible assets	-	-
Contracted capital commitments as at 31st March 2019	-	-

18. Contingent Assets

GFSL was initially incorrectly treating the Construction Industry Scheme (CIS) liability to HMRC.

This resulted in overpayments to suppliers registered for CIS and a liability arising to HMRC from GFSL. GFSL has a legal obligation for this liability to HMRC but there is no equivalent legal obligation on the suppliers in receipt of overpayments from GFSL.

As a consequence a contingent asset has arisen for these overpayments, the value of which is estimated at £0.1m, should these monies not be recovered.

19. Contingent liabilities

GFSL employed a large number of contractors throughout the period, some of whom were engaged off-payroll. GFSL used all available resources to judge whether contractors were in scope for IR35, and informed the agencies through which these contractors had been recruited of their IR35 status. These initial reviews identified a number of individuals as out of the scope of IR35. Following further advice, it has now been determined that these individuals should have been treated as inside the scope of IR35 and action has been taken to rectify this treatment. As GFSL is a public sector body, responsibility for the historic liability for any underpaid tax sits with GFSL, rather than the individual.

Discussions with HMRC on this issue are not sufficiently advanced to allow reliable estimation of this liability. Consequently, an unquantifiable contingent liability is disclosed.

GFSL has an Employment Tribunal Claim, which may involve a possible financial liability.

20. Losses and special payments

The statement of comprehensive income includes the following losses and special payments, including low-value fines for late payment to HMRC and one settlement payment, as detailed in the Remuneration Report:

(a) Losses statement	2018 / 19 Number of cases	£'000
Fruitless payments	2	0
Total losses	**2**	**0**

(b) Special payments	2018 / 19 Number of cases	£'000
Ex gratia – See page 62	1	40
Total special payments	1	40

21. Events after the reporting period

Events after the reporting period are considered up to and including the date on which the accounts are authorised for issue. This is interpreted as the date of the audit report.

Section 5

Statement of Accounting Officer's Responsibilities

Statement of Accounting Officer's Responsibilities

Under the Companies Act 2006, we are required to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and our use of resources during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of GFSL and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, as well as complying with the Companies Act 2006, the Accounting Officer must comply with the requirements of the Government Financial Reporting Manual. In particular, they must:

- 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, 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 Accounting Officer of the MoJ has designated the Chief Executive as Accounting Officer of GFSL. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding GFSL's assets, as set out in Managing Public Money, published by HM Treasury.

For the period of these accounts the Accounting Officer was the Finance Director, who has provided assurance to the Chief Executive Officer on the responsibilities of an Accounting Officer for the period

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

Paul Ryder
14 October 2019

Independent Auditor's Report to the Members of Gov Facility Services Limited

Opinion on financial statements

I have audited the financial statements of Gov Facility Services Limited (the 'company') for the period ended 31 March 2019 which comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Other Comprehensive Net Expenditure, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and the related notes, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Board Remuneration Report and Staff Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the result for the period then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

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 report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Gov Facility Services Limited 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

We are 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 the company'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. We have nothing to report in these respects.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

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 the company'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 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.

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

Other Information

Directors' are responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Board Remuneration Report and Staff Report described in those reports 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 prescribed by the Companies Act 2006

In my opinion:

- the parts of the Board Remuneration Report and Staff Report to be audited has been properly prepared in accordance with the Companies Act;
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Board Remuneration and Staff Reports to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- a corporate governance statement has not been prepared by the parent entity.

Greg Wilson (Senior Statutory Auditor)

Date: 15 October 2019

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)
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