



Ministry of
JUSTICE

National Offender
Management Service

National Offender Management Service

Annual Report
and Accounts
2010–2011

National Offender Management Service

Annual Report and Accounts 2010–2011

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

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

Ordered by the House of Commons to be printed on 19 July 2011.

© Crown Copyright 2011

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit: www.nationalarchives.gov.uk/doc/open-government-licence/ or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: communications@noms.gsi.gov.uk

This publication is also available for download at: www.official-documents.gov.uk, and is also available from our website at: www.justice.gov.uk

ISBN: 9780102972771

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2435615 07/11

Printed on paper containing 75% recycled fibre content minimum.

Contents

	Foreword	5
Section 1	About the National Offender Management Service	7
Section 2	Performance 2010–2011	9
Section 3	Accounts	15
Section 4	The Agency's organisational structure	79

Preventing victims by changing lives

Our Statement of Purpose

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

Our Vision

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

Our Values

In delivering offender management services, we will:

- Be objective and take full account of public protection when assessing risk
- Be open, honest and transparent
- Incorporate equality and diversity in all we do
- Value, empower and support staff, and work collaboratively with others
- Treat offenders with decency and respect
- Embrace change, innovation and local empowerment
- Use our resources in the most effective way, focusing on outcomes and delivering value for money for the taxpayer

Foreword

by the Chief Executive



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

I am proud of the achievements of the Agency over the last 12 months. We have retained our focus on protecting the public and reducing reoffending, met or exceeded all our key performance measures and exceeded our financial savings targets through a determined programme of cost reduction.

While this performance speaks for itself, it can be easy to overlook the commitment and hard work of all our front line staff – in Prisons and Probation, in Approved Premises and Young Offender Institutions, as well as those in Headquarters roles.

We should never forget how demanding these jobs are, or underestimate the difficulties of the environments in which our people work. Yet day in and day out, our dedicated and professional staff take on these challenges, working routinely with difficult, vulnerable and sometimes dangerous people – around 84,000 people in custody and a caseload of some 170,000 in the community.

This is vital work, enforcing the orders of the courts, keeping our prisons secure and safe, managing offenders in custody and in the community, and helping them change their lives to reduce reoffending.

Too often the work they do goes unsung, and unappreciated by the wider public. And this year of course, our people have had to look hard at the way what they do is delivered to ensure that every penny of taxpayers' money is used to its very best effect as we contribute to the Government's deficit reduction programme. Fundamental reform of the way the Agency is structured and operates has created uncertainty at all levels. That our performance has remained so strong in this environment is testament to the dedication of staff.

I am confident as we move forward that we can build on this commitment, and continue to improve the work we do, 'Preventing victims by changing lives'.

Michael Spurr

Michael Spurr
Chief Executive
National Offender Management Service



1

About the National Offender Management Service

The National Offender Management Service (NOMS) is an Executive Agency of the Ministry of Justice (MoJ), responsible on behalf of the Secretary of State for Justice for commissioning and delivering prison and probation services in England and Wales. NOMS was established in 2008 to join up prison and probation services, to enable offender management to be delivered more effectively, and to strengthen and streamline commissioning to improve efficiency and effectiveness.

NOMS delivers offender management services through:

- Probation trusts – 35 trusts responsible for the delivery of probation services at local level
- Public sector prisons – 127 establishments which provide around 88 per cent of prison places¹
- Private sector organisations – operating 11 prisons under contract and providing other services, including prisoner escorts and electronic monitoring of offenders
- Partnerships – with a range of public sector agencies, including local authorities, health and education services, and with organisations in the third sector.

NOMS is also commissioned by the Youth Justice Board to provide secure accommodation and services for young offenders and by the UK Border Agency to provide places for immigration detainees.

The prison population has risen by less than 0.5 per cent from 85,184 on 31 March 2010 to 85,454 on 31 March 2011. The Ministry of Justice will issue a fresh projection of the future population in October 2011.

The probation caseload has declined marginally by less than 0.2 per cent from 242,973 on 31 December 2009 to 238,790² on 31 December 2010. This comprised 133,377 offenders on court orders in the community, 68,577 on pre-release supervision, and 37,229 offenders on post-release licence. During the 12 month period quoted, there has been a decline in the number of offenders on community orders, an increase of those on pre-release supervision and an increase in the number of post-release licences since December 2009.

Organisation

The Agency's organisational shape is changing significantly as a result of the restructuring described on page 13. For clarity, NOMS' high level structures at 1 April 2010 and at 1 April 2011 are shown at section 4.

¹ Total excludes HMP Lancaster Castle and HMP Ashwell which closed on 31 March 2011.

² Probation caseload numbers for 31 March 2011 will be published on 28 July 2011.



2

Performance 2010–2011

Operational performance

NOMS demonstrated strong operational performance in 2010–2011 against all key performance indicators and matched or improved on performance in 2009–2010.

The full range of NOMS performance data is available at: www.justice.gov.uk

NOMS Key Performance Indicator targets and outcomes 2010–2011

MEASURE	TARGET	2008 COHORT	2009 COHORT	TREND
REDUCING REOFFENDING				
Adult reconviction rate	–	40.1%	39.3%	Improved
MEASURE	TARGET	OUTCOME 2009–10	OUTCOME 2010–11	TREND
PUBLIC PROTECTION				
The number of Category A escapes and total escapes expressed as a proportion of the prison population	To ensure no escapes of Category A prisoners	No Category A escapes	No Category A escapes	Maintained
	Total escapes from prisons and prison escorts to be below 0.05% of the average prison population	0.01% (5 escapes)	0.002%	Improved
	Escapes from contractor escorts to be fewer than one in 20,000 journeys	1 in 97,799	1 in 99,577	Improved

(Continued on next page)

MEASURE	TARGET	OUTCOME 2009-10	OUTCOME 2010-11	TREND
SAFETY AND DECENCY IN CUSTODY				
The number of serious assaults on staff, prisoners and others as a proportion of the average prison population	Serious assaults in prison to be no more than 1.9% of average prison population	1.67%	1.65%	Improved
The % of prisoners held in accommodation units intended for fewer prisoners	No more than 26% of prisoners to be in overcrowded accommodation	24%	24%	Maintained
OFFENDER MANAGEMENT AND INTERVENTIONS				
The rate of positive results from random mandatory drug testing	Rate of positive mandatory drug testing to be below 9.3%	7.8%	7.1%	Improved
The proportion of offending behaviour programme starts in the community that meet the relevant programme criteria	85% of programme starts to meet programme criteria	89%	94%	Improved
Compliance with community orders and licences	At least 72% of orders and licences to be successfully completed	75%	76%	Improved
PATHWAYS TO REDUCING REOFFENDING				
The % of offenders in employment at the end of their order or licence and upon release	At least 33.7% of offenders to be in employment at the end of their sentence	35%	37.6%	Improved
The % of offenders in settled or suitable accommodation at the end of their order or licence and upon release	At least 81.3% of offenders to be in settled or suitable accommodation at the end of their sentence	84%	86.7%	Improved
CORPORATE				
The average number of working days lost through sickness absence in public prisons and probation	Staff sickness to be 10 working days or fewer per person	10.48 days	9.8 days	Improved
The proportion of ethnic minority staff in NOMS agency	At least 8.5% ethnic minority staff in NOMS agency	9.1%	9.2%	Improved

Reducing reoffending

On 17 March 2011 the Ministry of Justice published adult reconviction results for the 2009 offender cohort. Since 2000 the proportion of offenders who were reconvicted has fallen from 43.0 per cent to 39.3 per cent – a fall of 3.7 percentage points. Since 2008 the proportion has fallen by 0.8 percentage points.

Delivery against Structural Reform Plan commitments³

The MoJ Structural Reform Plan 2011–2015 was finalised and issued in August 2011. This plan sets out in detail the delivery commitments against the coalition government agenda for the next four years. During 2010–2011 NOMS has made substantial progress against four priority areas of this plan.

1. Rehabilitation – Breaking the Cycle

The Government's Green Paper *'Breaking the Cycle: Effective Punishment, Rehabilitation and Sentencing of Offenders'* introduces a number of initiatives that will be implemented by NOMS once the legislation and policy have been developed. There has been much preparatory work carried out during 2010–2011 in anticipation of the legislative changes.

Contributed to the legislation required and policy arising from the Green Paper – Breaking the Cycle	August 2010 – March 2011
Launch of the Peterborough payment by results pilot	August 2010
Input to the design of the Financial Incentive Model Pilots in six London Boroughs and Greater Manchester through the Transforming Justice Programme	September 2010 onwards
Initial preparation for Drug Recovery Wing pilots	December 2010
Established the Payment by Results Steering Group	February 2011
Agreed the Doncaster payment by results pilot	31 March 2011
Preparation for developing the Working Prisons concept	October 2010

³ NOMS Business Plan 2011–2012 can be located at www.justice.gov.uk and provides more detail on planned priority work to support the SRP.

2. Rebalancing capacity

The Capacity Building Programme continued to deliver new places in modern facilities to enable NOMS to deliver positive regimes to reduce reoffending. We have monitored prison capacity and population projections closely throughout the year to ensure we operate as efficiently as possible, and where necessary have been able to adjust our capacity by making appropriate decisions.

HMP Bure Phase 2 opened (264 places)	5 April 2010
New houseblock opened at HMYOI Elmley (increase of 190 places)	12 May 2010
HMP Wealstun, 300 places converted from open to closed conditions	17 May 2010
HMP Isis opened (increase of 478 places)	26 July 2010
New houseblock opened at HMP Parc (increase of 330 places)	31 October 2010
Decision to reduce overcrowding in private prisons by 460 places	October 2010
Announcement of HMP Lancaster Castle and HMP Ashwell closures (reduction of 457 places)	13 January 2011
Announcement of HMP Morton Hall redesignation as an immigration removal centre (reduction of 392 places)	13 January 2011
Operational closure of HMP Lancaster Castle, HMP Ashwell and HMP Morton Hall	31 March 2011

3. Commissioning and competition

The Government is consulting through the Green Paper on its proposals for competition for offender services and NOMS will be responsible for implementing the Government strategy once it has been published. During 2010–2011 we have contributed to the consultation and development of this work while continuing to use competition to help deliver more cost-effective services.

Awarded National Framework for Community Payback Services	August 2010
New contract arrangements announced for Prisoner Escort Services, reducing costs by 20 per cent	16 March 2011
Competition preparation for Community Payback; National Gateway for Lot 1 (London) expressions of interest	28 March 2011
Results announced of the Prisons Competition Phase 1	31 March 2010

4. Organisational restructure

During 2010–2011 we commenced the restructuring of our HQ function, moving from a regional model to a much leaner functional structure to reflect the work the Agency does, and provide a more effective platform to promote greater local accountability. We developed and agreed a new Agency Framework governing our relationship with the Ministry of Justice. The new framework, effective from April 2011, supports the Government's aim to reduce central prescription and oversight, streamline back office work and encourage local delivery and accountability. The framework will help us adopt the MoJ operating model, which places increasing emphasis on grouping and sharing resources to meet agreed priorities and support frontline delivery. We have prepared and reorganised ourselves to receive the following functions on a shared service basis from MoJ: Estates, Communications, Finance, Human Resources, Information Communication and Technology Services, Internal Audit & Assurance and Procurement.

Commenced HQ restructuring	September 2010
NOMS HQ functional structure announced with a reduction of seven director posts	November 2010
Announced a 40 per cent reduction of centrally prescribed measures against which public sector prisons and probation trusts are required to deliver in 2011–2012	January 2011
Net reduction of approx 1,500 staff across NOMS during the year	March 2011
Revised NOMS Agency Framework Document approved, effective from 1 April 2011	March 2011

Financial performance 2010–2011

We exceeded our 2010–2011 savings target of £250m by £70m through a combination of improved financial control, reductions in discretionary spend, better use of the HQ estate, renegotiated contracts and controls on recruitment. A proportion of the additional savings generated in 2010–2011 has been used to reduce staff numbers in headquarters and the regions at a managerial level through a voluntary early departure scheme which will drive down our cost base for 2011–2012. We completed the relocation of NOMS London headquarters to Clive House in September 2010, saving £60 million per year across MoJ. Overall there has been a net reduction of approximately 1,500 staff headcount in NOMS during the year.



Accounts

3

Management Commentary

Statutory background

On 1 April 2008 the National Offender Management Service (NOMS) became an Executive Agency of the Ministry of Justice (MoJ), bringing together the National Probation Service, the former NOMS HQ and the Prison Service to enable more efficient and effective delivery of services.

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

Preventing victims by changing lives Our Statement of Purpose

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

Our Vision

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

Our Values

In delivering prison and probation services, we will:

- Be objective and take full account of public protection when assessing risk
- Be open, honest and transparent
- Incorporate equality and diversity in all we do
- Value and empower staff, and work collaboratively with others
- Treat offenders with decency and respect
- Embrace change and innovation, and local empowerment, and
- Use our resources in the most effective way, focusing on outcomes and delivering value for money for the taxpayer.

Performance against Key Performance Indicators (KPIs) during 2010–11

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

Results for the year

The Statement of Comprehensive Net Expenditure (SoCNE) for the year is shown on page 35. The Statement of Changes in Taxpayers' Equity is shown on page 38.

Operating costs

The net operating cost before tax for 2010–11 stands at £4,192m compared to the restated figure of £4,721m in 2009–10, a decrease of 11.2%.

The 2009–10 outturn figures included a material impairment on the value of the buildings across the estate following a full revaluation. However, specific actions to reduce staff numbers – using a Voluntary Exit Scheme, and very tight controls around recruitment – helped to reduce ongoing costs (see notes 3 and 4).

Statement of Financial Position

The Statement of Financial Position and Statement of Cash Flows are on pages 36 and 37.

The net asset position has increased from £3,682m in 2009–10 to £4,679m in 2010–11. The largest single element is a reduction in the net pension liability of £617m.

Payment of creditors

In the year to 31 March 2011, NOMS paid 486,500 trade invoices with a value of £2.7bn, of which 76% were paid over the reporting period in line with the Government Directive on prompt payment, which requires payment within five business days. (In 2009–10, 88% were paid within the previous target of 30 days). 98% of trade invoices received by the Shared Service Centre were loaded onto the system within two days. In January 2011 additional technology was introduced to aid resolution of disputed invoices in a more timely manner.

From 1 April 2010 the 34 Probation Boards and 8 Probation Trusts were reorganised into 35 Probation Trusts.

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

RANGE (%)	No. of Boards/Trusts within range	
	2010–2011	2009–2010
95–100	14	18
90–94.9	10	11
85–89.9	7	6
80–84.9	0	5
75–79.9	0	1
70–74.9	3	1
65–69.9	0	0
60–64.9	0	0
55–59.9	1	0
Total reported	35	42

Treatment of Pension Liabilities

Present and past employees of NOMS, excluding Probation Trusts, receive pension benefits covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. NOMS

meets the cost of pension cover provided for the staff employed, by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

Past and present employees of the Probation Trusts are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme, and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

The annual recalculation of the individual Trusts' pension liabilities has resulted in the net pension liability reducing from £1,396m in 2009–10 to £773m in 2010–11. The largest single element of this reduction is the change from using the Retail Price Index (RPI) to the Consumer Price Index (CPI) for pension increases. There were also changes to the actuarial assumptions reflected in these numbers following the triennial revaluation of the pension funds.

The triennial actuarial valuation of the Trusts' LGPS contributions was completed on 31 March 2010 and resulted in revised employer contributions from 1 April 2011.

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

Accounts format

The completion of the Probation Trusts programme as at 1 April 2011 and the Trusts' status as Non-Departmental Public Bodies has required us to re-format these accounts to a 'Group' account basis. As of the 2010–11 Accounts, data will be split between NOMS Core Agency and NOMS Consolidated. Under NOMS interpretation of the accounting standards (IAS 27), intra-group eliminations have been applied at 'NOMS Consolidated' level only. The comparator year's data has been restated as required in the Standards. This restatement has not led to any changes to prior year NOMS Consolidated net assets or comprehensive income or expenditure.

During 2010–11 NOMS discovered two material errors that have been restated. These were: provisions of £33.4m made in 2010–11 related to 2008–09 but not previously recognised; and a capital accrual made in error in 2009–10. Additionally, the comparator year's data has been restated to remove the 'cost of capital' charges that are no longer reported. See note 25.

Sickness absence data

The average levels of absence due to staff sickness were 9.81 days across NOMS against a target of 10.0 days.

Personal data related incidents

The following gives a summary report of significant personal data related incidents in 2010–11, which were formally reported to the Information Commissioner's Office.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
May	Missing Offender File.	Restricted information relating to an Offender.	Offender plus named individuals where contact details were recorded.	File later found. Staff issued with reminder to handle files appropriately.
May	2 DVDs were handed in to a local newspaper by a member of public, who claimed to have found them in a skip. An article was written in the newspaper describing how the DVDs were found and an overview of the contents.	2 DVD recordings of sex offender programmes.	9 offenders involved in the programmes and 2 programme staff were on the recording. No individuals were identified but some information on offence details were published in the newspaper article.	A statement was given to the newspaper and the DVDs were retrieved from the newspaper editor. The security arrangements for disposable media were reviewed and re-issued to the staff involved.
November	A fax was transmitted from a Probation Office to an incorrect recipient number.	Sex Offender Referral Documentation intended for one of the Approved Premises.	1 offender.	All staff in the Probation Trust were reminded of the guidance to follow when faxing documents with particular attention to the need to have pre-dialled numbers in the Fax machines.

In the above cases, a risk assessment was carried out to assess who, if anyone, should be notified and to ensure measures were in place to mitigate risk to individuals and prevent recurrence of the incident. All MoJ staff now undertake a compulsory Information Assurance training course when joining the department.

Events after the reporting period

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

- NOMS moved to a functional operating model from 1 April 2011. The following directors, who were appointed as part of this model on 15 February 2011, attended the NOMS Agency Board and the National Executive Management Committee during the transitional period until they became full members of both as from 1 April 2011: Steve Wagstaffe, Director of Public Sector Prisons; Colin Allars, Director of Probation and Contracted Services; and Phil Copple, Director of National Operational Services.
- On 16 May 2011 a second voluntary early departure scheme was announced for staff at all levels in Headquarters and three other specified staff groups. Staff in the eligible groups will have an option to leave on either 31 October 2011 or 31 December 2011. However, there can be no guarantee at this stage that funding will be available for exits on 31 December 2011.
- New contracts for Prisoner Escort and Custody Services have been awarded with effect from 29 August 2011 and are expected to realise savings of £29 million in the first full year of operations, including over £17 million in the remainder of 2011–12, and £261 million over the full seven year contract.
- Prison Competitions have been completed and new contracts awarded for four prisons. The new contracts will be effective from October 2011 for contracts for HMP Birmingham, HMP Doncaster, and from April 2012 for HMP Featherstone 2 which were let to private sector providers. HMP Buckley Hall was retained by the public sector HM Prison Service.

- Three bidders have been formally selected by NOMS to go forward to the final stages of the competition to run Community Payback services in London. Serco, Sodexo and Com:pact (a joint venture of A4E and Mitie) have been selected after initial expressions of interest were assessed by NOMS' procurement experts. No probation trust came forward with a bid to be prime contractor in the London lot.
- It was announced on 13 July 2011 that there would be a further round of prison competitions and closures. Eight public sector prisons will be competed and one private sector prison will be re-competed. Additionally, two public sector prisons are expected to be closed.

Sustainable development

NOMS continues to take forward the Government's sustainable development agenda, which forms part of its drive for efficiency and effectiveness, as well as reducing emissions and adverse environmental impacts and meeting Government targets for sustainability.

Implementation of its sustainable development policy is overseen by the Sustainable Development Working Group, a sub-committee of the NOMS Management Board, which meets quarterly. Membership includes senior representatives from those areas with significant environmental impacts along with colleagues from the operational line and with the central MoJ also represented. NOMS, through implementing Carbon Management Plans for both the Prison and Probation Services, continues to make significant steps in its operational response to the Government's environmental agenda as well as integrating sustainable development into everyday business and playing its part in contributing to the MoJ's own sustainability aims.

New and challenging Government targets aimed at achieving, among other things, reductions in emissions, water consumption and waste by 2015 were introduced in February 2011 and these, together with existing targets for reducing greenhouse gas emissions, are to be included in a sustainability report to be part of the Annual Report and Accounts from 2011–12 as required by the FrEM. However, for the dry run year 2010–11, a sustainability report may be included, but there is no requirement to do so.

The Government's sustainability targets, together with the requirement for a sustainability report to be included in the Annual Report and Accounts from 2011–12, will ensure that sustainability continues to be a significant area of work.

Future developments

As an Executive Agency of the MoJ, our strategic direction is set in the MoJ Corporate Strategy for 2011–15. The strategy sets out a single objective: 'To deliver a transformed justice system and a transformed department – more efficient, more effective, less costly and more accountable and responsive to the public'.

Underpinning that objective, the MoJ Business Plan 2011–2015 sets out five major commitments that have been outlined in the Structural Reform Plans:

- Introduce a rehabilitation revolution
- Reform sentencing and penalties
- Reform courts, tribunals and legal aid, and work with others to reform delivery of criminal justice
- Assure better law
- Reform how we deliver our services.

The NOMS Business Plan for 2011–12 sets out how we will contribute to the Department's objectives and provides more detail about the eight NOMS business priorities for 2011–12 as follows:

Transformation

- 1 Rehabilitation – Breaking the Cycle
- 2 Rebalancing capacity
- 3 Commissioning and Competition
- 4 Organisational Restructure

Operational Delivery

5. Delivering the punishment and orders of the courts
6. Public Protection
7. Reducing Reoffending
8. Improving efficiency and reducing costs

The NOMS Business Plan can be found at:
www.justice.gov.uk

NOMS success will only be achieved in close partnership with the MoJ as it develops the strategic policy context within which we operate

and take forward the Government's plans for sentencing reform to make better use of prison and community sentences to punish offenders and improve public safety. We are also dependent upon our partnerships with other departments, particularly with the health and education services which work within our prisons and with offenders in the community, in order to meet the Government's aspiration to break the cycle of offending.

Research and development

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

The Committee assesses applications and looks to approve national studies that will be both beneficial to NOMS and not overly resource intensive for Prisons and Probation. This enables research to play a pivotal role in enhancing policy development and programme evaluations. The NRC maintains close contact with lead NOMS psychologists to ensure all local research projects are captured in the overall NRC research database. This ensures there is a full and comprehensive list of all research undertaken within NOMS. Prison Instruction PSI 2010/41 and Probation Instruction PI 2010/24 have now been released and look to facilitate the development of a single approach for applications to undertake research within NOMS. Further development work on the inclusion of Probation Trusts within the remit of the NRC is ongoing.

Communications and employee involvement

NOMS continues to attach great importance to communicating effectively with its staff and partners, particularly in a time of significant change. A variety of channels are used, including regular email cascades, face to face briefing events at all levels, phone-ins, online content on intranets and external internet sites, surveys and printed material where appropriate.

These channels are used to engage and inform staff working in probation trusts, prisons and

headquarters, as well as NOMS' key stakeholders within MoJ, other Government departments and more widely. This included significant work briefing widely on Spending Review announcements, NOMS restructuring and specific proposals on prison closures and competition outcomes.

While the central internal and stakeholder communications function is ensuring improvements in quality and consistency of communication, maximising the benefits of available resources, and eliminating any duplication, directorates and senior managers have also invested in engagement with staff, ensuring visible leadership to all parts of the Agency and its partners. This has included directorate level People Plans, responding to the civil service-wide Staff Engagement Survey, and 'listen to improve' sessions at all levels.

Staff diversity

During the year 2010–11 the Service continued to work closely with the Equalities and Human Rights Commission (EHRC) to deliver the formal action plan to tackle sexual harassment in NOMS. This was delivered towards the end of the year, when the Commission confirmed that it was pleased with the progress that had been made. The one ongoing action is for all staff to have received Challenge It Change It training by the end of December 2011.

Other key work has included the development of a new Agency Instruction on the Equality of Treatment for Employees which was issued on 14 April 2011.

We have also been investigating the disproportionality in staff performance markings which currently show that Black and Minority Ethnic (BME) staff receive a lower proportion of exceeded markings compared to their white colleagues. Similarly, staff with disabilities are also less likely to receive an exceeded marking. We will be introducing checklists and guidance to support both managers and staff during the 2011–2012 reporting year.

In 2010–11 NOMS met its BME representation target for the third successive year. As at 31 March 2011, 9.2% of staff employed directly or indirectly by NOMS across the Agency were BME against a target of 8.5%.

Audit

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

Total audit fees reported in the Accounts are £1,770,000. This is made up of:

- the notional cost of the National Audit Office's audit of the NOMS 2010–11 Agency Accounts is £300,000
- actual fees of £24,000 paid to the National Audit Office for audit work in respect of central NOMS re-charges to individual Probation Trusts, and
- actual fees of £1,446,000 paid to the Audit Commission's and Wales Audit Office's appointed auditors of the individual Probation Trusts which are consolidated within the NOMS Agency Accounts.

As Accounting Officer, I have taken all steps to ensure that:

- I am aware of any relevant audit information
- the Auditor is aware of that information, and
- there is no relevant audit information of which the Auditor is unaware.

The National Offender Management Service Agency Board and Executive Management Committee

The governance arrangements within NOMS for the period April 2010 to March 2011, as agreed by the Permanent Secretary of the MoJ and the NOMS Agency Management Board, included the following:

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

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

The Chief Executive Officer's pay is determined under the rules set out in chapter 7.1 Annex A of the Senior Civil Service Management Code. Other members of the National Offender Management Service Agency Board and the Executive Management Committee are appointed by the Chief Executive Officer or the Director General with agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the Management Board and the Executive Management Committee are set out in the Remuneration Report on pages 23 to 27.

Membership of these bodies is set out in the table on pages 21 and 22.

My thanks and appreciation is extended to all past and present members of the Executive Management Committee and the Agency Board for their hard work and effort during this reporting year.

Michael Spurr
Agency Accounting Officer
17 July 2011

From 1 April 2010 to 31 March 2011 the following were members of the NOMS Agency Board, and the NOMS Executive Management Committee

			At 31 March 2011	
			NOMS Agency Board	NOMS Executive Management Committee
Director General	Phil Wheatley	until 30 June 2010	✓	✓
Chief Operating Officer	Michael Spurr	until 7 June 2010	✓	✓
Chief Executive	Michael Spurr	from 8 June 2010	✓	✓
Director of High Security Prisons	Danny McAllister			✓
Director of HR	Robin Wilkinson		✓	✓
Director of Finance & Performance	Paul Ibrahim (interim)	until 4 July 2010	✓	✓
Director of Finance	Camilla Taylor	from 5 July 2010	✓	✓
Director of Estate Capacity ***	John Aspinall	until 30 June 2010	✓	✓
Director of Service Development	Ian Poree		✓	✓
Director of Operations (East)	Trevor Williams	from 7 June 2010 until 31 March 2011	✓	✓
Director of Operations (West)	Yvonne Thomas	from 7 June 2010 until 31 March 2011	✓	✓
Director of ICT	David Kennedy (interim)	until 18 June 2010	✓	✓
Director of ICT	Martin Bellamy	from 7 June 2010	✓	✓
Director-General Criminal Justice Group	Helen Edwards**		✓	
MoJ Executive Management Board representative				
Director-General, Finance and Commercial	Ann Beasley**		✓	
MoJ Executive Management Board representative				
Director of Offender Health	Richard Bradshaw *			✓
Non-Executive Director	Mike Hawker		✓	
Non-Executive Director	Elizabeth McLoughlin	from 26 April 2010	✓	
Non-Executive Director	David Hadfield	from 12 May 2010	✓	

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

** Employed by the Ministry of Justice and therefore not within the NOMS Remuneration Report

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

(Continued on next page)

Ex-officio members

At 31 March 2011

			NOMS Agency Board	NOMS Executive Management Committee
Race & Equalities Adviser	Matt Wotton (interim)	until 9 April 2010	✓	✓
Race & Equalities Adviser	Claire Cooper (interim)	from 10 April 2010 until 14 June 2010	✓	✓
Head of Communications	Lisa Appleyard		✓	✓
Head of Audit & Corporate Assurance	Joyce Drummond-Hill		✓	
Media Adviser	Debbie Kirby **			✓
Legal Adviser	Andrew Dodsworth **	until 12 August 2010		✓
Legal Adviser	John Crane**	from 7 February 2011		✓
Director-General's Office	Ken Everett	until 30 June 2010	✓	✓
Chief Executive's Office	Ken Everett	from 1 July 2010	✓	✓
Secretary to the Board and Committee	Katherine Savidge		✓	✓

** Employed by the Ministry of Justice

Remuneration Report

Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- The funds available to departments as set out in the Government's departmental expenditure limits
- The Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retirement age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

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

A) REMUNERATION – AUDITED

	2010–2011			2009–2010		
	Salary (as defined below)	Bonus	Benefits in kind (rounded to nearest £100)	Salary (as defined below)	Bonus	Benefits in kind (rounded to nearest £100)
	£'000	£'000	£	£'000	£'000	£
Phil Wheatley Director General until 30 June 2010	40–45 (full year equivalent 160–165)	10–15	–	160–165	10–15	–
Michael Spurr Chief Operating Officer until 7 June 2010. Chief Executive from 8 June 2010	140–145 (full year equivalent 140–145)	05–10	–	130–135	10–15	17,900
Danny McAllister Director of High Security Prisons	90–95	05–10	–	90–95	10–15	29,700
Paul Ibrahim Director of Finance & Performance (Interim) until 4 July 2010	20–25 (full year equivalent 80–85)	05–10	–	10–15 (full year equivalent 75–80)	05–10	–
Camilla Taylor Director of Finance – (from 5 July 2010)	75–80 (full year equivalent 110–115)	–	–	–	–	–
Robin Wilkinson Director of Human Resources	100–105	10–15	–	100–105	10–15	–
Ian Porée Director of Service Development	135–140	10–15	–	135–140	10–15	–
John Aspinall Director of Estate Capacity (until 30 June 2010) ¹	30–35 (full year equivalent 120–125)	10–15	–	110–115	10–15	–
David Kennedy Director of ICT – Interim (until 18 June 2010)	70–75 (full year equivalent 370–375)	–	–	50–55 (full year equivalent 370–375)	–	–
Martin Bellamy Director of ICT from 7 June 2010	110–115 (full year equivalent 145–150)	–	–	–	–	–
Trevor Williams Director of Operations (East) (from 7 June 2010)	95–100 (full year equivalent 115–120)	05–10	19,900	–	–	–
Yvonne Thomas Director of Operations (West) (from 7 June 2010)	85–90 (full year equivalent 110–115)	05–10	23,200	–	–	–
Mike Hawker Non-Executive Director and Chair of Audit Committee ²	15–20	–	2,500	10–15	–	–
Elizabeth McLoughlin Non-Executive Director (from 26 April 2010) ²	15–20	–	–	–	–	–
David Hatfield Non-Executive Director (from 12 May 2010) ²	10–15	–	–	–	–	–

Bonus payments made in 2010–11 are for bonuses awarded in 2009–10. Bonus payments made in 2009–10 are for bonuses awarded in 2008–09.

Note 1: From 1 July 2010 the Directorate transferred to MoJ.

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

Richard Bradshaw, Director of Health and member of the NOMS Executive Management Committee, is paid by the Department of Health and is included in its remuneration report.

Helen Edwards and Ann Beasley are MoJ staff and are included in the MoJ remuneration report.

Salary

'Salary' includes the gross salary; overtime; reserved rights to London weighting or London allowances; termination payments; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. Directors' bonuses are determined by the MoJ SCS Pay Committees – Chaired by Robin Wilkinson for SCS payband 1 and chaired by Suma Chakrabarti for SCS paybands 2 and 3, working within the parameters set by the Senior Salaries Review Body. The bonuses allocated to the above Directors vary within the range of 0% and 9.9% of their annual gross salary as at 31 March 2011.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits received by Trevor Williams, Yvonne Thomas and Mike Hawker (Non-Executive Director) are in respect of costs for accommodation, travel and the pecuniary liability in respect of tax paid under the employer PAYE settlement agreement with HM Revenue and Customs.

B) PENSION BENEFITS – AUDITED

	Total accrued pension at pension age as at 31 March 2011 & related lump sum	Real increase/ (decrease) in pension & related lump sum at pension age	CETV at 31 March 2011	CETV at 31 March 2010 ¹	Real increase/ (decrease) in CETV after adjustment for inflation & changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Phil Wheatley Director General	80–85 plus lump sum of 240–245	(0–2.5) plus lump sum of (0–2.5)	1,842	1,824	(3)
Michael Spurr Chief Operating Officer until 7 June 2010. Chief Executive from 8 June 2010	50–55 plus lump sum of 150–155	2.5–5 plus lump sum of 12.5–15	804	671	71
Danny McAllister Director of High Security Prisons	30–35 plus lump sum of 90–95	0–2.5 plus lump sum of 0–2.5	677	656	5
Camilla Taylor Director of Finance (from 5 July 2010)	0–5 plus lump sum of 0–5	0–2.5 plus lump sum of 0–2.5	45	24	17
Paul Ibrahim Director of Finance & Performance Interim (until 4 July 2010)	25–30 plus lump sum of 75–80	0–2.5 plus lump sum of 2.5–5	377	335	11
Robin Wilkinson Director of Human Resources	30–35 plus lump sum of 90–95	0–2.5 plus lump sum of 0–2.5	362	330	3
Ian Porée Director of Service Development	5–10 plus lump sum of 0–5	0–2.5 plus lump sum of 0–2.5	76	53	14
John Aspinall Director of Estate Capacity (until 30 June 2010) ³	40–45 plus lump sum of 120–125	0–2.5 plus lump sum of 2.5–5	659	628	23
David Kennedy Director of ICT – Interim (until 18 June 2010)	n/a ²	–	–	–	–
Martin Bellamy Director of ICT (from 7 June 2010)	15–20 plus lump sum of 0–5	0–2.5 plus lump sum of 0–2.5	235	202	15
Trevor Williams Director of Operations (East) – (from 7 June 2010)	55–60 plus lump sum of 0–5	0–2.5 plus lump sum of 0–2.5	972	912	(2)
Yvonne Thomas Director of Operations (West) (from 7 June 2010)	5–10 plus lump sum of 0–5	0–2.5 plus lump sum of 0–2.5	105	79	17

Note 1: The actuarial factors used to calculate CETVs were changed during 2010–11. The CETVs at 31 March 2010 and 31 March 2011 have both been recalculated using the new factors for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last years' accounts which was calculated using the previous factors.

Note 2: David Kennedy was a contractor and was not paid through the payroll. Therefore, there are no pension entitlements with NOMS.

Note 3: The Estates Capacity Directorate became part of MoJ on 1 July 2010

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

Civil Service Pensions

Present & past employees of the NOMS Agency, excluding Probation Trusts, receive pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). Until 30 July 2007, civil servants had the choice of one of three statutory 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Consumer Price Index. New entrants after 30 July 2007 may no longer join a 'final salary' scheme and instead may choose between Nuvos, a defined benefit scheme based on members average earnings or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (Partnership Pension Account).

Past and present employees of the Probation Trusts are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme, and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

(i) Nuvos Scheme

Pension accrues at the rate of 2.3% of pensionable pay earned in the scheme year (April-March). There is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum limit set by HM Revenue and Customs (HMRC) which is currently 25% of the total notional value of members pension benefits (the commutation rate is £12 of lump sum for each £1 of pension given up). Members pay contributions of 3.5% of pensionable earnings and pension benefits will be limited to 75% of final pay. The minimum pension age is 65. Pensionable earnings elements will be as 'premium' except that they will not be limited by reference to the earnings cap. On 31 March each year the balance on the pension account at that date is increased in line with the Consumer Price Index for the year to the previous September. On death, pensions are payable to the surviving spouse usually at 3/8ths of the member's pension. On death in

service, the scheme pays either twice the final pay (less any lump sums already paid) or five times the accumulated pension. In the event of Medical Retirement on the grounds of ill health the pension will be paid early without reduction. If the higher award is due because the member cannot ever work again, an enhancement may be made up to age 65. Camilla Taylor is a member of the NUVOS scheme.

(ii) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions. Phil Wheatley, Michael Spurr, John Aspinall, Paul Ibrahim, Danny McAllister and Robin Wilkinson are members of the Classic Scheme.

(iii) Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum limit set by HMRC which is currently 25% of the total notional value of the member's pension benefits, subject to the Lifetime Allowance (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's

pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60. Martin Bellamy, Ian Poree, Yvonne Thomas and Trevor Williams are members of the Premium Scheme.

(iv) Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

(v) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% of the employee's pensionable earnings (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum, subject to the Lifetime Allowance.

(vi) The Local Government Pension Scheme

This scheme provides benefits on a 'final salary' basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay of every year of total membership is payable on retirement. The scheme permits employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Members pay contributions of between 5.5% and 7.5% of pensionable earnings. Employers pay the balance of the cost of providing benefits,

after taking into account investment returns.

Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn. The CETV figure for 31 March 2010 is not the same as the figure quoted last year as the factors used to calculate the CETV were revised during the year.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses current market valuation factors for the start and end of the period.

Michael Spurr
Agency Accounting Officer
17 July 2011

Statement of Accounting Officer's Responsibilities

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

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

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM), and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the FReM, have been followed and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis.

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

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

Statement on Internal Control

1. Scope of responsibility

As Agency Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of National Offender Management Service (NOMS) policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my letter of delegation and in Managing Public Money.

I have bilateral meetings with the Permanent Secretary of the MoJ, with the Minister with responsibility for Prisons and Probation and with the Secretary of State for Justice. The results of NOMS risk reviews are shared with the MoJ.

2. Purpose of the system of internal control

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

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

The system of internal control has been in place in NOMS for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

3. Capacity to handle risk

The NOMS Agency Board (NAB) drives the risk management process. They review the key risks to NOMS on a quarterly basis, more often if necessary, and consider whether any new risks are emerging. The review involves an assessment of the effectiveness with which the systems in place to manage the risks are

operating. The Board also assess the extent to which they have control over the management of the risk and in a number of cases have concluded that they have only partial control. There is a process in place whereby the Agency escalates key risks over which the Board has only partial control to the Ministry's risk register – if the Board are agreed that there is little more action they can take to reduce the likelihood of the risk materialising or its impact if it is realised. The risk register is reviewed in its entirety more than once during the year to ensure that any new or emerging risks as a result of the need to restructure to realise the efficiencies necessary to operate within a tight budget. The risks to our strategic priorities were identified at a workshop at the beginning of May as part of the planning process and included risks to our strategic priorities, such as risks related to a shortfall of skills/resources to deliver the breaking the cycle agenda, capacity not meeting demand and industrial relations, as well as overarching risks to delivering both change and business as usual, such as risks around the IT infrastructure and failing to meet our duty of care. At that workshop the Board discussed the need to articulate their level of risk tolerance for each of the corporate risks and the need to make the link between risk management and business and financial planning more evident.

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

4. The risk and control framework

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

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

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

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

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

The most significant of the risks, in terms of high likelihood and high impact managed during the year, included the risks associated with the SR10 settlement, industrial action and loss of order and control. The Board have sought to strengthen their management of these risks and the likelihood of two of them materialising was decreasing slightly towards the end of the year. However, the risk of industrial action remained high for the majority of the year because of the impact of the Spending Review, potential changes to Public Sector pensions, Prison closures, Competition and the challenges around agreeing workforce reforms.

5. Review of effectiveness

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

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

- An Executive Management Committee which meets weekly to discuss and consider current business issues
- An Agency Board which meets every six weeks to consider the strategic direction of the Agency, including its plans and associated risks. Each quarter they conduct a specific review of finance and performance. The governance arrangements were reviewed during 2010–11 to reflect the new structure but throughout the year, the Board comprised the Chief Executive Officer, the Directors of HR, Finance and IT and three non-executive directors, as well as the relevant Operational Directors
- Annual assurance statements from each of the Directors covering the key systems for which they are responsible
- Reports from independent bodies which include HM Chief Inspector of Probation, HM Chief Inspector of Prisons, the Independent Monitoring Boards, the Prisons and Probation Ombudsman and National Audit Office
- Regular bilaterals with the Chief Inspector of Probation, the Chief Inspector of Prisons and with the Prisons Ombudsman
- Regular reports by Internal Audit, to standards defined in the Government Internal Audit Standard, which include the Head of Audit & Corporate Assurance's independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement
- Bilateral meetings with Non-Executive Directors to discuss any concerns they may have
- Bilateral meetings with the Head of Audit & Corporate Assurance, who reports direct to me on all audit matters, to discuss emerging issues
- Regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects
- For Prisons, a self-audit process which requires all establishments to assess their compliance with applicable standards, supplemented by assurance statements on selected key systems to Deputy Directors, Custody. Both processes are subject to review by Internal Audit and compliance is monitored by Standards Audit
- For Probation Areas/Trusts, a self-assessment process which requires staff to assess the quality of a sample of their casework
- Implementation of a robust prioritisation methodology for actions based on risk ranking and cost-benefit analysis
- Establishment of key performance indicators and regular review of performance against them
- A report from the Chair of the Audit Committee concerning risk management and internal control
- Attending Audit Committee meetings.

6. Information Assurance

In January 2011 I approved the bringing together of Information Assurance and Information Management into a single integrated team under the Senior Information Risk Owner, and a review of the information risks and issues facing NOMS was undertaken which was informed by the work of Internal Audit and external audit by the ICO. This has provided the basis for business plans which include explicit activities to address weaknesses which have been identified in information sharing, HQ asset registers, data retention, and use of protective marking. The NOMS Executive Management Committee, which I chair, is taking a close interest in this work and will receive periodic reports to assist progress monitoring. NOMS is operating a proactive incident management service which provides support to business units as well as recording and reporting incidents. Information Assurance is explicitly covered in Governors' Assurance Statements and in each of the Probation Area/Trusts Statements on Internal Control. Three incidents have been reported to the Information Commissioner's Office.

7. Significant control issues

The Head of Internal Audit has concluded in her annual report that, although she reported a number of weaknesses in the areas reviewed, she was satisfied that actions were in place to remedy them, and therefore she was able to give a reasonable assurance on the adequacy, effectiveness and reliability of risk management, control and governance.

Internal Audit have been consulted about the following significant potential control issues⁴ identified by management for inclusion in this statement, and confirm that from the evidence of their work there are no other key issues to be included of which they are aware:

Prison Disturbances

There were two serious disturbances at prisons during the year:

HMP/YOI Moorland – a serious disturbance occurred between 2–4 November 2010. This led to accommodation for about 300 prisoners being lost. The subsequent investigation found that there was no one triggering event which led to the disturbance. However there were a number of contributory factors which made a disturbance more likely which were not critical in any one area, but cumulatively, and with hindsight, were contributory. Sixteen recommendations were made, which are all subject to monitoring and follow up by the Deputy Director via a detailed action plan. All recommendations are on target.

HMP Ford – a serious disturbance occurred between 30 December 2010 – 1 January 2011 which involved around 40 prisoners. Accommodation for around 40 prisoners was lost during the disturbance. The subsequent investigation found that there was no evidence that the incident could have been predicted by staff or managers, although some issues were raised in terms of the effectiveness of the security and intelligence function, and a lack of clarity around the roles and responsibilities of night staff. Nineteen recommendations were made, all of which were accepted. An action plan is in place, and all actions are on target to be completed at the agreed time.

Unpaid Work

During the year an investigative TV journalist report highlighted deficiencies in the standards of supervision associated with Community Payback provision in three Probation Trusts.

Each Trust was required to investigate the situation, review supervision arrangements and as necessary strengthen their controls. They were required to provide individual assurance statements to demonstrate the controls in place.

In addition, Community Payback delivery is being competed during 2011–12 and contracts will be explicit about monitoring and assurance arrangements.

⁴ Within this section a significant control issue is defined as an event that: seriously prejudiced or prevented the achievement of a PSA target, resulted in the need to seek additional funding from HM Treasury or the significant diversion of resources from another aspect of the business, (Internal and External) Audit and Audit Committees view as material, or has attracted significant public interest or has seriously damaged the reputation of the department.

National Offender Management Information System

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

The PAC report made 12 recommendations. The government formally responded to the report through a Treasury Minute which was published on 28 January 2010. NOMS has implemented 11 recommendations. The remaining recommendation relating to possible enhanced data sharing is being taken forward by the National Offender Management Service and, more widely, the Ministry of Justice, but requires longer-term action and review. It is expected to have been implemented by the end of 2012.

Financial Accounting

We noted concerns around our financial accounting capabilities in the 2009–10 statement, most notably our project management of the accounts production process, the shortage of relevant skilled staff and the accounts template. Specific progress has been made in all areas through implementing project governance within the Agency, which has ensured alignment to the wider MoJ accounts production project; by filling, through external competition, a key managerial post within the NOMS Financial Accounting Team; and by the introduction of a more robust accounts template. These improvements, which have been ongoing throughout the year, assisted NOMS in delivering accounts to a pre-recess timetable.

Although improvements have been made, we recognise that further improvement is required, particularly in the accounting for non-current assets, which remained a significant area of weakness in 2010–11. Major elements of the assets work will be consolidated within the MOJ Core during 2011–12. We will, in preparation for the 2011–12 accounts, review and build new cross-boundary processes and procedures for the accounting of non-current assets to build on our successes of this year.

NAO Report on Financial Management in the Ministry of Justice

The report highlighted that the Ministry and NOMS did not understand the costs of activities in prisons and probation in sufficient detail. The Ministry explained that a major programme to specify and cost the main activities within NOMS was underway and that it would be completed by December 2011. The programme is on track to deliver to timescale and has the potential to generate significant savings and operational benefits.

Michael Spurr
Agency Accounting Officer
17 July 2011

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

I certify that I have audited the financial statements of the National Offender Management Service for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the National Offender Management Service's affairs as at 31 March 2011, and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the 'About the National Offender Management Service' section and the 'Management Commentary' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit;
- the statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

19 July 2011

Statement of Comprehensive Net Expenditure

	For the year ended 31 March 2011				For the year ended 31 March 2010 Restated			
	Notes	Core Agency		Consolidated		Core Agency	Consolidated	
		£'000	£'000	£'000	£'000		£'000	£'000
Administration Costs								
Staff costs	3	92,637		92,637		90,804		90,804
Other administrative costs	5a	56,000		57,446		51,527		53,061
Operating income	6	(11,663)	136,974	(11,663)	138,420	(11,552)	130,779	132,313
Programme Costs								
Staff costs	3	1,751,132		2,471,226		1,765,910		2,472,002
Other programme costs	5b	2,608,909		1,979,297		3,230,195		2,547,024
Operating income	6	(366,465)	3,993,576	(397,820)	4,052,703	(390,132)	4,605,973	(430,650)
Net operating cost before taxation		4,130,550		4,191,123		4,736,752		4,720,689
Taxation		0		1,057		0		0
Net operating cost after taxation		4,130,550		4,192,180		4,736,752		4,720,689

Other Comprehensive Expenditure

	For the year ended 31 March 2011				For the year ended 31 March 2010 Restated			
	Notes	Core Agency		Consolidated		Core Agency	Consolidated	
		£'000	£'000	£'000	£'000		£'000	£'000
Net (gain)loss on revaluation of property, plant and equipment		(79,933)		(80,354)		338,951		331,576
Net (gain)loss on revaluation of intangibles		0		0		0		0
Net (gain)loss on revaluation of available for sale financial assets		0		0		0		0
Total comprehensive expenditure for the year ended 31 March 2011		4,050,617		4,111,826		5,075,703		5,052,265

Statement of Financial Position

	Notes	As at 31 March 2011				As at 31 March 2010 Restated			
		Core Agency		Consolidated		Core Agency		Consolidated	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets									
Property, plant and equipment	7	5,940,932	5,948,797	5,770,077	5,778,678				
Intangible assets	8	117,893	119,904	118,243	120,804				
Financial assets	10a	404	404	158	158				
Receivables falling due after more than one year	12	2,221	2,353	2,140	2,636				
Total non-current assets		6,061,450	6,071,458	5,890,618	5,902,276				
Current assets									
Assets classified as held for sale	9	13,647	13,647	14,221	14,221				
Inventories	11	40,343	40,343	37,847	37,847				
Trade and other receivables	12	211,797	221,151	95,844	99,486				
Cash and cash equivalents	13	4,550	92,030	(22,423)	57,917				
Total current assets		270,337	367,171	125,489	209,471				
Current liabilities									
Trade and other payables	14a	(392,921)	(468,881)	(485,351)	(552,316)				
Corporation tax liability	14a	0	(1,057)	0	0				
Bank overdraft	13	(77,999)	(77,999)	(404)	(404)				
Total current liabilities		(470,920)	(547,937)	(485,755)	(552,720)				
Non-current assets plus/less net current assets/liabilities		5,860,867	5,890,692	5,530,352	5,559,027				
Non-current liabilities									
Provisions	15	(127,759)	(162,040)	(115,530)	(161,660)				
Other payables	14b	(270,939)	(270,959)	(325,586)	(325,610)				
Pension Deficit Liability	16	0	(772,719)	0	(1,389,689)				
Total non-current liabilities		(398,698)	(1,205,718)	(441,116)	(1,876,959)				
Assets less liabilities		5,462,169	4,684,974	5,089,236	3,682,068				
Taxpayers' equity									
General fund		4,494,468	3,715,950	4,184,375	2,775,765				
Revaluation reserve		967,664	968,960	904,817	906,232				
Donated asset reserve		37	64	44	71				
		5,462,169	4,684,974	5,089,236	3,682,068				

Michael Spurr, Agency Accounting Officer. July 2011

Statement of Cash Flows

	As at 31 March 2011		For the year ended 31 March 2010 Restated					
	Core Agency		Consolidated		Core Agency		Consolidated	
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Operating Cost		(4,130,550)	(4,192,180)	(4,736,752)		(4,720,689)		
Cash flows from operating activities								
Adjustments for non-cash transactions	5a,5b	285,331	290,765	805,937		816,284		
Adjustment for NPS Pension funding*		0	72,966	0		28,527		
(Increase)/Decrease in trade and other receivables								
Movement in trade receivables	12a	(116,034)	(121,382)	(135)		4,398		
Less: Movement in bad debt provision	5a,5b	816	816	3,628		3,628		
Change in value of investments	10a	(246)	(246)	(26)		(26)		
(Increase)/Decrease in inventories	11	(2,496)	(2,496)	432		431		
Increase/(Decrease) in trade payables								
Movement in trade payables	14a	(147,077)	(137,029)	(32,111)		(56,444)		
Less: Movements on capital elements of payments in respect of finance leases and on-balance sheet PFI contracts	14a,14b	54,647	54,651	35,657		35,681		
Less: Movement in property, plant and equipment payable		23,306	23,306	25,332		25,332		
Less: Payments of amounts due to the Consolidated Fund to MoJ		153	263	11		1,865		
Utilisation of provisions	15	(9,044)	(22,746)	(9,033)		(14,500)		
Less: Movements in provisions opening balances relating to restatement of prior years	25	33,438	33,438					
Net cash outflow from operating activities		122,794	192,306	829,692		845,176		
Cash flows from investing activities								
Purchase of property, plant and equipment		(440,342)	(440,970)	(622,560)		(624,042)		
Purchase of Intangibles		(16,043)	(16,043)	(4,160)		(6,512)		
Proceeds of Disposals of non-current Assets		75,788	75,788	5,296		5,212		
Net cash outflow from investing activities		(380,597)	(381,225)	(621,424)		(625,342)		
Cash flow from financing activities								
Net funding received from Ministry of Justice		4,392,531	4,392,531	4,562,840		4,562,840		
Payments of amounts due to the Consolidated Fund to MoJ	14a	(153)	(263)	(11)		(1,865)		
(Capital element) of payments in respect of finance leases and on-balance sheet PFI contracts	14a,14b	(54,647)	(54,651)	(35,657)		(35,681)		
Net financing		4,337,731	4,337,617	4,527,172		4,525,294		
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(50,622)	(43,482)	(1,312)		24,439		
Cash and cash equivalents at the beginning of the period		(22,827)	57,513	(21,515)		33,074		
Cash and cash equivalents at the end of the period		(73,449)	14,031	(22,827)		57,513		
(Decrease)/Increase in cash		(50,622)	(43,482)	(1,312)		24,439		

Statement of Changes in Taxpayers' Equity

	Notes	General Fund		Revaluation Reserve		Donated Asset Reserve		Total Reserve	
		Core Agency Restated £'000	Consolidated Restated £'000	Core Agency Restated £'000	Consolidated Restated £'000	Core Agency Restated £'000	Consolidated Restated £'000	Core Agency Restated £'000	Consolidated Restated £'000
Changes in taxpayers' equity for 2009–10									
Balance as at 1 April 2009 Restated		4,299,033	3,528,811	1,302,600	1,284,920	61	89	5,601,694	4,813,820
Net operating cost for the year to 31 March 2010		(4,736,752)	(4,720,689)					(4,736,752)	(4,720,689)
Net gain/(loss) on revaluation of property, plant and equipment				(338,951)	(331,567)			(338,951)	(331,567)
Movement in year of donated asset reserves	7c					(17)	(18)	(17)	(18)
Release of reserves to the general fund		58,832	47,121	(58,832)	(47,121)			0	0
Pension Actuarial (Loss)/Gain			(642,560)					0	(642,560)
Income not appropriated in aid paid to MoJ			(180)					0	(180)
Notional Items									
Auditor's remuneration	5a	422	422					422	422
Funding from the Consolidated Fund (Supply) – current year		4,562,840	4,562,840					4,562,840	4,562,840
Balance as at 31 March 2010 Restated		4,184,375	2,775,765	904,817	906,232	44	71	5,089,236	3,682,068
Pension Actuarial gain as a result of restatement of past service cost	16		296,527					0	296,527
Changes in taxpayers' equity for 2010–11									
Net operating cost after tax for the year to 31 March 2011		(4,130,550)	(4,192,180)					(4,130,550)	(4,192,180)
Net gain/(loss) on revaluation of property, plant and equipment				79,933	80,354			79,933	80,354
Movement in year of donated asset reserves	7c					(7)	(7)	(7)	(7)
Discovered assets		1,019	1,019					1,019	1,019
Release of reserves to the general fund		30,712	32,498	(30,712)	(32,498)			0	0
Other movements on revaluation of non-current tangible assets*				13,626	14,872			13,626	14,872
Pension Actuarial (Loss)/Gain			393,409					0	393,409
Notional Items									
Auditor's remuneration	5a	300	300					300	300
Funding from the Consolidated Fund (Supply) – current year		4,392,531	4,392,531					4,392,531	4,392,531
Corporate overhead charges	5a	16,081	16,081					16,081	16,081
Balance as at 31 March 2011		4,494,468	3,715,950	967,664	968,960	37	64	5,462,169	4,684,974

* Historic cumulative adjustments to the Property, Plant and Equipment revaluation reserve to ensure consistency of closing balance on revaluation reserve.

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2010–11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as at the reporting date to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the policy which has been judged to be the most appropriate to the particular circumstances of the National Offender Management Service (NOMS) for the purpose of giving a true and fair view has been selected. NOMS' accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

NOMS has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

1.1 Accounting convention

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

1.2 Machinery of Government changes and restatement of comparatives

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

The completion of the Probation Trusts programme as at 1 April 2011 and the Trusts' status as Non-Departmental Public Bodies has required us to reformat these accounts to a 'Group' account basis. As of the 2010–11 Accounts, data will be split between NOMS Core Agency and NOMS Consolidated. Under NOMS interpretation of IAS 27, intra-Group eliminations have been applied at 'NOMS Consolidated' level only. The comparator year's data has been restated as required in the Standards. This restatement has not led to any changes to prior year NOMS Consolidated net assets or comprehensive income or expenditure.

As part of wider MoJ rationalisation some functions previously within NOMS – for example estates and procurement – have been moved to the MoJ centre. Costs of these functions continue to be recognised in the NOMS Accounts representing the costs of the service received.

1.3 Tangible non-current assets

Valuation basis

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

Valuation method

Land and buildings are included at fair value on the basis of professional valuations, which are conducted for each property at least once every five years. Professional valuations are undertaken using the Royal Institution of Chartered Surveyors; (RICS) 'Red Book' (RICS Appraisal and Valuation Standards).

Farms and surplus freehold land, prison officers' quarters – including some leaseholds – and some other non-specialised buildings are included at open market valuations. Freehold prison buildings, which are specialised buildings, are included at depreciated replacement cost in accordance with the Red Book adjusted for functional obsolescence. The land upon which freehold buildings are sited is valued at the lower of alternative site values or market value in accordance with RICS Appraisal and Valuation Standards 6th Edition. The Valuation Office Agency (VOA) carried out a revaluation of all land and buildings as at 31 March 2009. One off revaluations of 11 specific prison sites and Approved Premises were carried out in-year by the VOA.

Land and buildings are restated at each Statement of Financial Position date using the Building Cost Information Service (BCIS) and RICS Price Indices. In 2010–11 the Valuation Office Agency carried out the indexation on behalf of NOMS, and Probation property was indexed in-house.

Building projects in progress at the year-end are carried forward as assets under construction at cost to date and are not subject to depreciation until they are available for use.

Non-property assets, mainly equipment in excess of £10,000, are included at cost upon purchase and are restated at each Statement of Financial Position date using the Price Index Numbers for Current Cost Accounting (Office for National Statistics).

Capitalisation threshold

The threshold for capitalising individual assets is £10,000 (including irrecoverable VAT). A materially significant purchase of individual items may arise in connection with a single project. In accordance with IFRS, NOMS accounts for such a materially significant purchase and treats this type of purchase as a grouped asset. These grouped assets fall into two categories; they can be an integrated system of diverse equipment designed to deliver a specific solution, for example, an IT equipment refresh project; and, a materially significant acquisition of furniture or IT at a single site. The threshold for capitalising grouped assets is £1 million (including irrecoverable VAT).

Grouped assets must meet the threshold criteria above and include:

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

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

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

All new furniture is now charged directly to the Statement of Comprehensive Net Expenditure (SoCNE).

Componentisation

NOMS identifies those parts of an asset that it considers will be replaced sooner than and separately from the rest of the asset. These are parts that have a cost that is significant in relation to the total cost of the asset.

Revaluation of non-current assets

The Revaluation Surplus reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments in non-current assets and inventory (excluding donated assets). Upward revaluations go to the revaluation reserve. Downward revaluations are charged to the revaluation reserve if there is a prior credit balance; otherwise they are charged to the SoCNE.

Donated Asset Reserve

Donated tangible non-current assets are capitalised at their current value on receipt, and this value is credited to the Donated Assets Reserve. Subsequent valuations are also taken to this reserve. Each year an amount equal to the depreciation charge on the assets is released from the Donated Asset Reserve to the Statement of Comprehensive Net Expenditure.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to write off the value of assets less estimated residual value evenly over their estimated useful lives or for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or assets categories are reviewed annually and any changes are discussed with the relevant authorities to ensure that budgeting

implications have been properly considered. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life.

Asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings	Shorter of remaining life or up to 60 years depending on building
Grouped assets	Depending on individual asset types comprising this asset
Leasehold buildings	Shorter of remaining life, remaining lease period or up to 50 years; whichever is appropriate
Information technology	3 to 15 years depending on individual asset type
Plant & equipment	3 to 15 years depending on individual asset type
Vehicles	5 to 15 years depending on individual asset type
Furniture & fittings	3 to 15 years depending on individual asset type
Assets under construction	Not depreciated

Impairment

All non-current assets are assessed annually for indications of impairment – permanent diminutions in the service potential, or as a result of change of use – as at 31 March. Where indications of impairment exist, the asset value is tested for impairment by comparing the book value to the recoverable amount. In accordance with IAS 36, the recoverable amount is determined as the higher of the ‘fair value less costs to sell’ and the ‘value in use’. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and written down to the recoverable amount and an impairment loss is recognised in the SoCNE. Any reversal of an impairment charge is recognised in the SoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in the SoCNE. The remaining amount is recognised in the Revaluation Surplus.

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

Intangible assets under construction are subject to an annual impairment test.

1.4 Non-current assets held for sale

NOMS identifies non-current assets held for sale as assets whose carrying amount will be recovered through sale rather than through continuing use. Depreciation on non-current assets held for sale ceases upon reclassification. Depreciation is reinstated and retrospectively applied to any assets which are subsequently not sold and re-classified as in-use.

In 2010–11 non-current assets held for sale were valued at £13.6m. See note 9.

1.5 Intangible non-current assets

NOMS recognises intangible assets only if it is probable that future service potential will flow to NOMS and the cost of the asset can be measured reliably. The future service potential can be defined as a direct contribution of the intangible asset to the delivery of services to the public. These intangibles mainly comprise internally developed software for internal use and licenses for purchased software.

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

The useful lives of intangible assets are assessed to be finite. As there is no active market for these intangible assets, their fair value is assessed at the revalued amount less any accumulated amortisation and accumulated impairment losses.

The revalued amount and indications of impairment are determined from an annual appraisal of the assets' underlying business case using discounted future economic benefits (cost savings). The net present value of the project is compared with the total current cost, and impaired accordingly.

The intangible assets are amortised using the straight-line method over its anticipated useful life. The useful lives of the software range from 3 to 10 years.

Intangible assets are restated at each Statement of Financial Position date using ONS IT price indices.

1.6 Leases

A distinction is made between finance leases and operating leases. Finance leases are leases where substantially all of the risks and rewards incidental to ownership of leased non-current assets are transferred from the lessor to the lessee when assessed against the qualitative and quantitative criteria in IAS 17. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Finance leases

NOMS' finance lease rights and obligations are initially recognised at the commencement of the lease term as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments determined at the inception of the lease. The assets are disclosed as leased buildings and are depreciated over the period during which NOMS is expected to benefit from the use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the outstanding lease liability, according to the interest rate implicit in the lease or the HM Treasury rate where a rate could not be extrapolated from the lease.

Finance lease liabilities are allocated between current and non-current components. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

Operating leases

NOMS has entered into a number of operating lease arrangements. Rentals under operating leases are charged to the SoCNE on a straight-line basis. Assets provided under operating leases are not recognised on NOMS' Statement of Financial Position.

Operating leases – incentives

NOMS treats lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) as an integral part of the consideration for the use of the leased asset. The incentives are accounted as an integral part of the net consideration agreed for the use of the leased asset over the lease term, with each party (the lessor and lessee) using a single amortisation method applied to the net consideration.

1.7 IFRIC 4 Determining whether an arrangement contains a lease

In determining whether NOMS holds a lease, contracts that use assets are assessed to determine whether the substance of the arrangements contain a lease. The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The arrangement is then assessed under IAS 17 to determine whether it should be accounted for as a finance or operating lease.

1.8 Service concessions and PFI transactions

Service concession arrangements

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

The Prisoner Escort and Custody Services (PECS) and Electronic Monitoring Services (EMS) meet these conditions and are recognised in these accounts as Service Concession Arrangements.

The infrastructural assets related to these contracts are recognised as non-current assets. These assets are valued, indexed and depreciated consistently with other assets in the same class. Initial recognition of the underlying assets' value was at the estimate provided by the contractors or in the contract forecast.

Leased assets under service concession arrangements are recognised at the present value of the lease payments. The useful economic life was determined as the shorter of the life of the asset or the duration of the contract, while the interest rate used is derived from the FReM by adding an assumed cost of capital rate of 3.5% to the inflation rate.

Private Finance Initiatives

NOMS accounts for Private Finance Initiative (PFI) transactions in accordance with the FReM and IFRIC 4.

Where NOMS regulates the service provided and controls the PFI infrastructure, or has a residual interest in the infrastructure, the asset is recognised on the Statement of Financial Position. For non-owned assets, the asset is treated as a finance lease in accordance with IAS 17: Leases, and the asset and corresponding liability is capitalised.

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

Where the PFI infrastructure is not capitalisable, but the contract contains a lease arrangement under IFRIC 4, the contract is accounted for as an operating lease.

In all other circumstances, NOMS recognises the expenditure as and when it falls due.

1.9 Donated assets

Donated tangible non-current assets are capitalised at their current value on receipt, and this value is credited to the donated assets reserve.

1.10 Antiques and works of art

Only antiques and works of art, single or grouped, with a value (hammer price) of £10,000 (including VAT where appropriate) or more are accounted for as non-current assets. The policy is only to capitalise works of art purchased after 1 April 2005. Items acquired before that date regardless of current value are not held on the Statement of Financial Position but are subject to inventory controls. Antiques and works of art are depreciated on an individual basis and should be professionally valued and re-lived over a period to be determined.

NOMS currently has seven items classified as works of art, all of which were acquired prior to 1 April 2005, and are therefore not recognised in the financial statements. These items are not subject to depreciation and have a combined fair value assessed to be £164,500.

1.11 Investments

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

1.12 Inventories and Work-in-Progress

Inventories comprise raw materials, work-in-progress, finished goods and consumable stores. Inventories are valued at the lower of current replacement cost and net realisable value. Current replacement cost is not considered materially different to historical cost.

1.13 Employee benefits

Pensions – Defined Benefit Plan

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees. The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits. NOMS recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from the employees' services by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

Probation LGPS Defined Benefit Plan

Past and present employees of the local Probation Boards and Trusts are covered by the provisions of the Local Government Pension Scheme (LGPS) via locally administered pension funds. This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

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

The Probation Trusts annually recalculate the pension position at the reporting date. This work is currently carried out by four independent actuaries. There are differences in the assumptions underpinning each set of actuarial calculations for each Probation scheme. These calculations and assumptions are subject to review by the Audit Commission as part of each Board or Trust annual reporting process. There is a risk to NOMS of delays in this process, and pre-audit calculations may be included in the consolidated NOMS accounts.

To address the risk of a material movement in the pension liability as result of using draft data, NOMS has commissioned Deloitte Total Reward and Benefits Ltd to evaluate the LGPS disclosures supplied by the Probation Trusts. This review evaluates the reasonableness of the assumptions and methods used by the actuaries against those used by peer organisations, and assesses the impact and risks to NOMS associated therewith.

Pensions – Defined Contribution Schemes

Under defined contribution plans NOMS' legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits is borne by the employee.

In respect of the defined contribution schemes, NOMS recognises the contributions payable as an expense in the year in which it is incurred.

Pension benefits – Indexation

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public sector pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of up-rating index-linked features of post employment benefits has been recognised as negative past service costs in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public sector pension schemes, there is a legitimate expectation that RPI would be used is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no need for a change to the accounting treatment adopted in these accounts.

Early Departure Costs

NOMS is required to pay the additional cost of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme has been announced and is binding on NOMS. The estimated cash flow is discounted using HM Treasury's discount rate of 3.2% in real terms.

1.14 Operating income

Operating income is income that relates directly to the operating activities of NOMS. It predominantly comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It includes both income appropriated in aid of the Estimate and income due to the Consolidated Fund, which in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT.

Operating income also includes other income such as that from investments, receipts from the Youth Justice Board for the provision of places for juvenile offenders, from the UK Border Agency for the provision of custodial services, from the Department for Children, Schools and Families and the Department for Business, Innovation and Skills for the provision of education services, and from the Department of Health, Primary Care Trusts and Welsh Assembly Government for the provision of healthcare services.

Income in respect of services rendered is recovered in line with the related SLA on full cost basis. Invoices are sent after the costs have been incurred by NOMS, and/or invoiced to NOMS by the supplier. Where these costs are related to construction works in progress, the supplier invoices are independently certified stating a stage of completion.

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

NOMS provides some services to the Parole Board – relating to accommodation and postage – but does not recharge as the values involved are immaterial to the NOMS Accounts.

1.15 Administration and programme expenditure

The SoCNE is analysed between administration and programme income and expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in the Spending Review by HM Treasury.

Administration budgets cover the costs of all NOMS administration including the provision of a corporate management and governance framework, policy setting, legislative reporting and associated back office support services.

Programme budgets are defined as the costs of direct frontline service provision (e.g. public and private prison establishments, probation trusts, prisoner escort & electronic monitoring) or support activities that are directly associated with frontline service delivery.

Examples of support activities that are directly associated with frontline services are:

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

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

The operating costs – see note 5a and 5b – reflect the notional recharges of MoJ central services – for example, NOMS' notional share of Private Office Costs. These costs have not previously been included in the NOMS accounts

as they were previously immaterial. The value has increased this year to reflect additional IT services that have come into the scope of recharging for the first time in 2010–11. Given the low value in prior years we have not restated prior year costs to reflect this additional information.

1.16 Segmental analysis of spend as reported to the Management Board

The segmental analysis – see note 2 – presents the financial information based on the structure reported to the NOMS Management Board. The segments reflect the main directorate structure within NOMS allowing the Board to have a clear view on the costs of front-line operations.

1.17 Foreign exchange

Transactions that are denominated in a foreign currency are translated into Sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into Sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in a foreign currency at the Statement of Financial Position date are translated at the rates at that date. These translation differences are dealt with in the SoCNE. Given the immaterial values of any foreign currency transactions we do not consider them to be a financial risk.

1.18 Non cash-costs

Non-cash costs in the SoCNE include the external auditors' remuneration, which represents the cost of the audit of the financial statements carried out by the National Audit Office.

1.19 Provisions

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when NOMS has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation. We discount provisions where applicable at the discount rates set by HM Treasury.

1.20 Contingent liabilities

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

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be reported under IAS 37 are stated at the amount reported to Parliament.

1.21 Value Added Tax

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

1.22 Corporation Tax

Probation Trusts are in scope for Corporation Tax. These accounts include estimates of Corporation Tax liabilities. Any relief from Corporation Tax applies at MoJ Group level, and therefore has not been applied to the estimates included in these accounts.

1.23 Third party assets

NOMS holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised on the Statement of Financial Position and are disclosed within Note 23.

1.24 Consolidated Fund Extra Receipts (CFERs)

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

1.25 Financial instruments

In addition to cash, NOMS has three categories of financial assets:

Loans and Receivables

Trade receivables, other receivables, impositions outstanding and loans that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Financial Assets at Fair Value through Profit and Loss

Financial Assets – derivatives, mainly related to the sale of land and Share Investments acquired by NOMS as a result of trading activities at no cost – disclosed in note 10a of the accounts are held at Fair Value through Profit and Loss. Fair Value is equal to the market value at the reporting date, and the movement in the value of the assets is recognised immediately in the SoCNE, as income or as an expense.

Available-for-sale financial assets

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

NOMS has one category of financial liabilities:

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Finance lease liabilities and trade payables are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2. Analysis of spend by section as reported to the NOMS Agency Board

The following table presents the net cost of operations and total net assets by reportable operating segment for the year ended 31 March 2011.

	2010–2011 Core Agency		2010–2011 Consolidated		2009–2010 Core Agency		2009–2010 Consolidated	
	Net Expenditure	Total Assets	Net Expenditure	Total Assets	Net Expenditure	Total Assets	Net Expenditure Restated	Total Assets Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Directorate								
Prisons and Probation	3,466,191	244,796	3,528,675	351,373	3,331,108	164,336	3,317,564	259,976
Capacity Programme	325,446	5,176,560	325,446	5,176,560	913,892	5,020,781	913,892	5,020,781
Finance & Performance	169,915	221,337	169,915	221,337	237,066	208,212	237,066	208,212
HQ and Policy	168,998	689,094	168,144	689,359	254,686	622,778	252,167	622,778
Grand Total	4,130,550	6,331,787	4,192,180	6,438,629	4,736,752	6,016,107	4,720,689	6,111,747

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

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

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

3. Staff costs

Staff costs consist of:				
			2010–2011	2009–2010
	Permanently employed staff	Others	Total	Total
Core Agency	£'000	£'000	£'000	£'000
Wages and salaries	1,420,563	57,162	1,477,725	1,465,151
Social security costs	101,894	0	101,894	103,078
Other pension costs	267,639	0	267,639	288,517
Sub-total	1,790,096	57,162	1,847,258	1,856,746
Less recoveries in respect of outward secondments	(3,489)	0	(3,489)	(32)
	1,786,607	57,162	1,843,769	1,856,714
Core Agency				
Administration related staff costs	80,655	11,982	92,637	90,804
Programme related staff costs	1,705,952	45,180	1,751,132	1,765,910
	1,786,607	57,162	1,843,769	1,856,714
Consolidated				
Wages and salaries	2,003,901	74,959	2,078,860	2,097,619
Social security costs	146,494	35	146,529	149,290
Other pension costs	385,335	0	385,335	363,381
Sub-total	2,535,730	74,994	2,610,724	2,610,290
Less recoveries in respect of outward secondments	(46,861)	0	(46,861)	(47,484)
	2,488,869	74,994	2,563,863	2,562,806
Consolidated				
Administration related staff costs	80,655	11,982	92,637	90,804
Programme related staff costs	2,408,214	63,012	2,471,226	2,472,002
	2,488,869	74,994	2,563,863	2,562,806

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the National Offender Management Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the scheme was carried out at 31 March 2007 and details can be found in resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010–11 employers' contributions of £257.8m were payable to the PCSPS (2009–10: £250.6m) at one of four rates in the range of 16.7% to 24.3% of pensionable pay (25.8% for Prison Officer grades with reserved rights) based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' pension contributions were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2009–10: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

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

For 2010–11 employers' contributions of £93.8m were payable to the LGPS (2009–10: £95.9m) in a range from 13.5 to 25.2 per cent. The scheme's actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

One hundred and seventy-six persons retired early on ill health grounds. The total additional accrued pension liabilities in the year amounted to £0.6m (2009–10: £1.1m).

In cases of public interest transfers staff may be entitled to benefits in kind including housing loans. The balance of housing loans outstanding as at 31 March 2011 is shown within staff receivables in note 12(a).

3a. Reporting of Civil Service and other compensation schemes - exit packages

Core Agency	2010–2011			2009–2010		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Exit package cost and band						
<£10,000	0	7	7	0	0	0
£10,001 – £25,000	0	165	165	0	0	0
£25,001 – £50,000	0	194	194	0	207	207
£50,001 – £100,000	0	263	263	0	254	254
£100,001 – £150,000	0	104	104	0	8	8
£150,001 – £200,000	0	40	40	0	0	0
£200,001 – £250,000	0	15	15	0	0	0
£250,001 – £300,000	0	3	3	0	0	0
£300,001 – £350,000	0	3	3	0	0	0
£350,001 – £400,000	0	0	0	0	0	0
£400,001 – £450,000	0	0	0	0	0	0
£450,001 – £500,000	0	1	1	0	0	0
Total number of exit packages	0	795	795	0	469	469
Total cost of exit packages (£'000s)	0	43,729	43,729	0	29,267	29,267
Consolidated						
Exit package cost and band						
<£10,000	6	133	139	5	86	91
£10,001 – £25,000	1	338	339	3	108	111
£25,001 – £50,000	5	344	349	0	309	309
£50,001 – £100,000	1	303	304	0	328	328
£100,001 – £150,000	0	106	106	0	15	15
£150,001 – £200,000	0	40	40	0	6	6
£200,001 – £250,000	0	15	15	0	0	0
£250,001 – £300,000	0	3	3	0	0	0
£300,001 – £350,000	0	3	3	0	0	0
£350,001 – £400,000	0	0	0	0	0	0
£400,001 – £450,000	0	0	0	0	0	0
£450,001 – £500,000	0	1	1	0	0	0
Total number of exit packages	13	1,286	1,299	8	852	860
Total cost of exit packages (£'000s)	286	55,340	55,626	82	42,192	42,274

For NOMS core, redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

For Probation Trusts, redundancy and other departure costs have been paid in accordance with the trust's redundancy policy. The trusts' pay the statutory minimum redundancy allocation based on age and length of service as set out in the Employment Rights Act 1996 and, where applicable, and subject to the Pension Plan and Redundancy rules, meets the additional costs of early retirement. Ill-health retirement costs are met by the pension scheme and are not included in the table above. Exit costs are accounted for in full in the year the exit package is confirmed.

4. Staff numbers

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

Core Agency	2010–2011			2009–2010		
	Admin	Programme	Total	Admin	Programme	Total
Administration	2,154	6,281	8,435	1,843	6,629	8,472
Industrial	712	2,862	3,574	451	3,178	3,629
Unified and Operational Grades*	571	33,090	33,661	652	33,926	34,578
Specialist	191	2,929	3,120	227	3,064	3,291
Agency and Contract Staff	126	432	558	286	595	881
	3,754	45,594	49,348	3,459	47,392	50,851
Consolidated						
Administration	2,154	24,393	26,547	1,843	25,846	27,689
Industrial	712	2,862	3,574	451	3,178	3,629
Unified and Operational Grades*	571	33,090	33,661	652	33,926	34,578
Specialist	191	3,789	3,980	227	3,918	4,145
Agency and Contract Staff	126	999	1,125	286	1,155	1,441
	3,754	65,133	68,887	3,459	68,023	71,482

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

In June 2010 approximately 1,300 NOMS Headquarters staff within the Shared Service Centre and Estates Capacity Directorate transferred to MoJ. These staff have been included in the above figures throughout the year. The figures presented here will therefore vary from other published sources of NOMS staff numbers.

5. Other Operating Costs

5(a). Administration costs

Notes	2010–2011		2009–2010 Restated	
	Core Agency £'000	Consolidated £'000	Core Agency £'000	Consolidated £'000
Accommodation and maintenance costs	7,511	7,511	3,071	3,071
Rentals under operating leases	54	54	141	141
PFI Service Charges	1,689	1,689	3,035	3,035
PFI Finance Charges	75	75	116	116
IT Services	18,348	18,348	18,414	18,414
Auditor's remuneration	24	1,470	25	1,557
Communications	1,623	1,623	2,070	2,070
Travel, subsistence and hospitality	3,528	3,528	4,996	4,996
Professional services	2,462	2,462	1,820	1,820
Other staff related costs	3,996	3,996	4,937	4,937
Other costs	1,758	1,758	6,493	6,495
	41,068	42,514	45,118	46,652
Non cash items				
Depreciation	7b	1,635	1,635	4,896
Amortisation		370	370	1,108
(Profit)/Loss on disposal of non current assets	7b	(3,394)	(3,394)	(17)
Bad Debt provisions	15	(60)	(60)	0
Auditor's remuneration		300	300	422
Corporate overhead recharge		16,081	16,081	0
		14,932	14,932	6,409
Total other administration costs		56,000	57,446	51,527
				53,061

5(b). Programme Costs

	Notes	2010–2011		2009–2010 Restated	
		Core Agency £'000	Consolidated £'000	Core Agency £'000	Consolidated £'000
Accommodation and maintenance costs		289,523	361,472	304,697	386,804
Rentals under operating leases		2,410	3,760	3,156	3,156
PFI Service Charges		526,772	526,772	531,556	531,556
PFI Finance Charges		22,615	22,615	25,483	25,483
IT Services		134,165	166,533	121,119	142,177
Communications		8,934	27,067	11,500	32,425
Offender related costs		1,240,544	364,483	1,260,004	335,968
Travel, subsistence and hospitality		17,164	36,987	21,277	41,549
Professional services		20,720	31,764	22,630	35,924
Other staff related costs		44,568	59,386	54,209	73,092
Other costs		31,095	102,625	75,036	129,015
		2,338,510	1,703,464	2,430,667	1,737,149
Non cash items					
Depreciation	7b	219,098	221,724	231,412	234,010
Amortisation		22,708	23,281	19,446	19,513
(Profit)/Loss on disposal of non current assets	7b	1,214	1,596	2,312	2,396
Provisions created net of releases	15	21,273	23,126	24,932	32,556
Bad Debt provisions		(756)	(756)	(3,628)	(3,628)
Net impairment/revaluation of non-current assets		6,862	6,862	525,054	525,054
(Increase)/Decrease in value of investments		0	0	0	(26)
		270,399	275,833	799,528	809,875
Total other programme costs		2,608,909	1,979,297	3,230,195	2,547,024

The impairment charge for 2010–11 has arisen due to the revaluation of land and buildings as a result predominantly of change in use. The revaluation of land, buildings and dwellings resulted in a net impairment to the SoCNE of £20,152k. Other assets revalued in year resulted in a net reversal of prior year impairments of £7,654k, for other assets, and a net reversal in year of £5,718k for assets under construction. This resulted in a net impairment of £6.9m (2009–10: £525.1m).

2009–10 figures have been restated as a result of a change in accounting policy. Cost of capital notional charges have been removed from the prior year comparatives. Cost of capital in 2009–10 accounts was £178,833k in programme costs and £2,519k in administration costs. Total programme costs reported in 2009–10 were therefore £2,725,857k, and total administration costs were £55,580k.

6. Operating Income

	2010–2011			2009–2010		
	Appropriated in aid	Not appropriated in aid	Total	Appropriated in aid	Not appropriated in aid	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000
Administration income						
Youth Justice Board receipts	4,128	0	4,128	5,081	0	5,081
Home Office receipts	6,605	0	6,605	0	0	0
Other income	930	0	930	6,471	0	6,471
Total administration income	11,663	0	11,663	11,552	0	11,552
Programme income						
Youth Justice Board receipts	149,535	0	149,535	174,742	0	174,742
Dept. for Business, Innovation and Skills receipts	18,573	0	18,573	18,587	0	18,587
Dept. of Health receipts	67	0	67	10,919	0	10,919
Home Office receipts	879	0	879	15,030	0	15,030
Primary Care Trusts receipts	69,777	0	69,777	78,958	0	78,958
Welsh Assembly receipts	6,811	0	6,811	6,899	0	6,899
UK Border Agency receipts	7,222	0	7,222	6,526	0	6,526
European Social Fund receipts	31,864	0	31,864	11,437	0	11,437
External sales of industries	6,776	0	6,776	5,761	0	5,761
Retail prison shop income	42,499	0	42,499	42,151	0	42,151
Other income	32,462	0	32,462	19,122	0	19,122
Total programme income	366,465	0	366,465	390,132	0	390,132
Total operating income	378,128	0	378,128	401,684	0	401,684
Consolidated						
Administration income						
Youth Justice Board receipts	4,128	0	4,128	5,081	0	5,081
Home Office receipts	6,605	0	6,605	0	0	0
Other income	930	0	930	6,471	0	6,471
Total administration income	11,663	0	11,663	11,552	0	11,552
Programme income						
Youth Justice Board receipts	149,535	0	149,535	174,742	0	174,742
Dept. for Business, Innovation and Skills receipts	18,573	0	18,573	18,587	0	18,587
Dept. of Health receipts	67	0	67	10,919	0	10,919
Home Office receipts	879	0	879	15,030	0	15,030
Primary Care Trusts receipts	69,777	0	69,777	78,958	0	78,958
Welsh Assembly receipts	6,811	0	6,811	6,899	0	6,899
UK Border Agency receipts	7,222	0	7,222	6,526	0	6,526
European Social Fund receipts	31,864	0	31,864	11,437	0	11,437
External sales of industries	6,776	0	6,776	5,761	0	5,761
Retail prison shop income	42,499	0	42,499	42,151	0	42,151
Other income	63,386	431	63,817	59,460	180	59,640
Total programme income	397,389	431	397,820	430,470	180	430,650
Total operating income	409,052	431	409,483	442,022	180	442,202

7. Property, Plant and Equipment

	Land	Buildings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2010	680,303	4,606,562	40,402	108,860	233,891	43,199	443,635	6,156,852
Additions	0	3,705	0	7,498	734	0	409,697	421,634
Disposals	(33,516)	(48,420)	(1,418)	(1,842)	(10,614)	(2,034)	(2,334)	(100,178)
Transfers	(3,812)	354,886	4,929	25,254	16,770	52	(414,584)	(16,505)
Reclassification	0	0	(1,105)	0	0	0	0	(1,105)
Current year Impairments posted to the SoCNE	0	(97,799)	(902)	2,619	4,170	866	0	(91,046)
Indexation/ Revaluation	22,845	104,821	889	7,340	4,280	(1,117)	0	139,058
At 31 March 2011	665,820	4,923,755	42,795	149,729	249,231	40,966	436,414	6,508,710
Depreciation								
At 1 April 2010	0	(164,798)	0	(68,463)	(135,359)	(18,155)	0	(386,775)
Charge in year	0	(167,369)	(1,011)	(21,481)	(24,416)	(6,466)	0	(220,743)
Disposals	0	18,006	10	1,311	9,332	1,604	0	30,263
Transfers	0	78	23	3,963	(6,856)	0	0	(2,792)
Reclassification	0	0	0	0	0	0	0	0
Indexation/ Revaluation	0	26,345	952	(10,345)	(4,819)	136	0	12,269
At 31 March 2011	0	(287,738)	(26)	(95,015)	(162,118)	(22,881)	0	(567,778)
Net book value								
At 31 March 2011	665,820	4,636,017	42,769	54,714	87,113	18,085	436,414	5,940,932
At 1 April 2010	680,303	4,441,764	40,402	40,397	98,532	25,044	443,635	5,770,077
Asset financing:								
Owned	665,587	4,158,400	42,519	43,748	83,650	18,085	436,414	5,448,403
Finance leased	233	24,904	250	10,966	3,463	0	0	39,816
On-balance sheet PFI contracts	0	452,713	0	0	0	0	0	452,713
At 31 March 2011	665,820	4,636,017	42,769	54,714	87,113	18,085	436,414	5,940,932

(continued)

	Land	Buildings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2010	680,303	4,606,562	40,402	109,607	252,691	44,534	443,635	6,177,734
Additions	0	3,705	0	7,581	2,616	0	409,698	423,600
Disposals	(33,516)	(48,420)	(1,418)	(1,914)	(13,161)	(2,034)	(2,334)	(102,797)
Transfers	(3,812)	354,889	4,929	25,306	16,782	35	(414,592)	(16,463)
Reclassification	0	0	(1,105)	0	0	0	0	(1,105)
Current year impairments posted to the SoCNE	0	(97,799)	(902)	2,619	4,170	866	0	(91,046)
Indexation/ Revaluation	22,845	104,821	889	7,429	5,062	(1,117)	0	139,929
At 31 March 2011	665,820	4,923,755	42,795	150,628	268,160	42,284	436,407	6,529,852
Depreciation								
At 1 April 2010	0	(164,798)	0	(68,802)	(146,139)	(19,317)	0	(399,056)
Charge in year	0	(167,369)	(1,011)	(21,617)	(26,768)	(6,604)	0	(223,369)
Disposals	0	18,006	10	1,383	11,357	1,604	0	32,360
Transfers	0	78	23	3,925	(6,804)	9	0	(2,769)
Reclassification	0	0	0	0	0	0	0	0
Indexation/ Revaluation	0	26,345	952	(10,402)	(5,251)	135	0	11,779
At 31 March 2011	0	(287,738)	(26)	(95,513)	(173,605)	(24,173)	0	(581,055)
Net book value								
At 31 March 2011	665,820	4,636,020	42,769	55,115	94,555	18,111	436,407	5,948,797
At 1 April 2010	680,303	4,441,764	40,402	40,805	106,552	25,217	443,635	5,778,678
Asset financing								
Owned	665,587	4,158,403	42,519	44,149	91,092	18,111	436,407	5,456,268
Finance leased	233	24,904	250	10,966	3,463	0	0	39,816
On-balance sheet PFI contracts	0	452,713	0	0	0	0	0	452,713
Net book value at 31 March 2011	665,820	4,636,020	42,769	55,115	94,555	18,111	436,407	5,948,797

(continued)

	Land	Buildings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2009	738,089	4,774,992	46,521	73,205	211,150	39,684	713,435	6,597,076
Additions	225	4,438	80	43,730	19,695	28	556,409	624,605
Disposals	(1,023)	3,045	(3,714)	(69)	7	(7)	0	(1,761)
Transfers	0	661,690	(2,485)	0	(10,171)	0	(826,209)	(177,175)
Reclassification	0	0	0	(8,362)	3,200	108	0	(5,054)
Impairment	0	0	0	0	0	0	0	0
Indexation/ Revaluation	(56,988)	(837,603)	0	356	10,010	3,386	0	(880,839)
At 31 March 2010	680,303	4,606,562	40,402	108,860	233,891	43,199	443,635	6,156,852
Depreciation								
At 1 April 2009	0	(25,082)	0	(56,697)	(114,053)	(3,296)	0	(199,128)
Charge in year	0	(179,744)	(965)	(18,673)	(22,449)	(646)	0	(222,477)
Disposals	0	2	6	65	7,607	6	0	7,686
Transfers	0	0	0	0	1,347	0	0	1,347
Reclassification	0	0	0	4,035	(113)	(50)	0	3,872
Indexation/ Revaluation	0	40,026	959	2,807	(7,698)	(14,169)	0	21,925
At 31 March 2010	0	(164,798)	0	(68,463)	(135,359)	(18,155)	0	(386,775)
Net book value								
At 31 March 2010	680,303	4,441,764	40,402	40,397	98,532	25,044	443,635	5,770,077
At 1 April 2009	738,089	4,749,910	46,521	16,508	97,097	36,388	713,435	6,397,948
Asset financing:								
Owned	680,303	3,970,526	38,413	17,320	84,948	25,044	443,635	5,260,189
Finance leased	0	27,187	1,989	0	0	0	0	29,176
On-balance sheet PFI contracts	0	444,051	0	23,077	13,584	0	0	480,712
At 31 March 2010	680,303	4,441,764	40,402	40,397	98,532	25,044	443,635	5,770,077

(continued)

	Land	Buildings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2009	738,740	4,776,754	46,521	105,906	228,938	41,008	713,435	6,651,302
Additions	225	4,438	80	16,350	13,806	28	556,409	591,336
Disposals	(1,023)	3,045	(3,714)	(153)	(10,277)	(36)	0	(12,158)
Transfers	0	659,205	0	28,271	10,653	0	(826,209)	(128,080)
Reclassification	(651)	(1,761)	0	(10,168)	1,684	108	0	(10,788)
Impairment	0	(6,847)	0	0	0	0	0	(6,847)
Indexation/ Revaluation	(56,988)	(828,272)	(2,485)	(30,599)	7,887	3,426	0	(907,031)
At 31 March 2010	680,303	4,606,562	40,402	109,607	252,691	44,534	443,635	6,177,734
Depreciation								
At 1 April 2009	0	(25,146)	0	(80,759)	(128,172)	(4,310)	0	(238,387)
Charge in year	0	(179,744)	(965)	(18,789)	(24,400)	(15,016)	0	(238,914)
Disposals	0	2	6	130	8,786	36	0	8,960
Transfers	0	0	0	(1,184)	(128)	0	0	(1,312)
Reclassification	0	64	0	4,035	0	0	0	4,099
Indexation/ Revaluation	0	40,026	959	27,765	(2,225)	(27)	0	66,498
At 31 March 2010	0	(164,798)	0	(68,802)	(146,139)	(19,317)	0	(399,056)
Net book value								
At 31 March 2010	680,303	4,441,764	40,402	40,805	106,552	25,217	443,635	5,778,678
At 1 April 2009	738,740	4,751,608	46,521	25,147	100,766	36,698	713,435	6,412,915
Asset financing								
Owned	680,303	3,970,526	38,413	17,728	92,968	25,217	443,635	5,268,790
Finance leased	0	27,187	1,989	0	0	0	0	29,176
On-balance sheet PFI contracts	0	444,051	0	23,077	13,584	0	0	480,712
Net book value at 31 March 2010	680,303	4,441,764	40,402	40,805	106,552	25,217	443,635	5,778,678

Impairments

A specific impairment of £0.4m was made following an incident at HMP Ford. Other impairments were as a result of a change in use (due to transfers in year of assets under construction) to the value of £85.0m. A reversal of prior year impairments of £78m resulted in a net impairment to the SoCNE of £6.9m.

As at 31 March 2011 the NOMS approved premises estate was revalued by Mark O'Brien BSc (Hons) MRICS of the Valuation Office Agency. Land and Buildings relating to the custodial estate were valued by Michael Hardman, FRICS on 31 March 2009, also of the Valuation Office Agency. The commercial properties occupied by Probation Trusts were revalued by DTZ Plc (Jonathan K Crawford MRICS & Jeremy D Payne FRICS) on 31 March 2009. All valuations were in accordance with the RICS Valuation Standards 6th Edition. Specialised properties are valued at depreciated replacement cost, adopting where appropriate alternative site locations; non operational surplus property is valued at market value and other properties at existing use value. Assets not revalued in the year were subject to indexation.

Lessors

The agency holds as lessor properties with a value of £5.812m. These were all subject to revaluation as at 31 March 2011 (2009–10: £6.465m). No properties were acquired in the year for the purpose of letting.

7(a). Common User Estate Property

Freehold properties occupied by the agency which are part of the former Common User Estate are not included on the Statement of Financial Position as they are considered to be assets of the Home Office. The Home Office made no charge in respect of these buildings.

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

	2010–2011		2009–2010 Restated	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£,000
Depreciation and amortisation based on cost or valuation	243,820	247,019	256,870	259,535
Depreciation on donated assets	(9)	(9)	(8)	(8)
Depreciation and amortisation charged to statement of net expenditure	243,811	247,010	256,862	259,527
Net book value of disposals	73,608	73,990	7,591	7,591
Proceeds on disposal	(75,788)	(75,788)	(5,296)	(5,212)
Loss/(profit) on disposal of tangible and intangible non-current assets	(2,180)	(1,798)	2,295	2,379
Depreciation and other charges in respect of tangible and intangible non-current assets	241,631	245,212	259,157	261,906

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

During the period, NOMS acquired non-current assets with an aggregate cost of £433.9m. Cash payments of £456.4m were made as reflected in the cash flow statement.

8. Non-Current Intangible Assets

	Development	Software	Licences	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Core Agency					
Cost or valuation					
At 1 April 2010	0	145,667	6,035	0	151,702
Additions	0	16,043	0	0	16,043
Disposals	0	(555)	(3,047)	0	(3,602)
Impairment	0	0	0	0	0
Reclassification	0	(17,922)	0	17,922	0
Indexation/Revaluation	0	2,422	77	0	2,499
Transfers	0	(6,250)	7,747	0	1,497
At 31 March 2011	0	139,405	10,812	17,922	168,139
Amortisation					
As at 1 April 2010	0	(29,415)	(4,044)	0	(33,459)
Charge in year	0	(22,242)	(836)	0	(23,078)
Disposals	0	42	3,047	0	3,089
Impairment	0	0	0	0	0
Reclassification	0	0	0	0	0
Indexation/Revaluation	0	(771)	(30)	0	(801)
Transfers	0	8,048	(4,045)	0	4,003
At 31 March 2011	0	(44,338)	(5,908)	0	(50,246)
Net book value					
At 31 March 2011	0	95,067	4,904	17,922	117,893
At 1 April 2010	0	116,252	1,991	0	118,243
Consolidated					
Cost or valuation					
At 1 April 2010	9	148,370	6,035	0	154,414
Additions	0	16,043	0	0	16,043
Disposals	0	(555)	(3,047)	0	(3,602)
Impairment	0	0	0	0	0
Reclassification	0	(17,922)	0	17,922	0
Indexation/Revaluation	2	2,456	90	0	2,548
Transfers	128	(7,049)	8,410	0	1,489
At 31 March 2011	139	141,343	11,488	17,922	170,892
Amortisation					
As at 1 April 2010	(1)	(29,565)	(4,044)	0	(33,610)
Charge in year	(44)	(22,633)	(991)	0	(23,668)
Disposals	0	42	3,047	0	3,089
Impairment	0	0	0	0	0
Reclassification	0	0	0	0	0
Indexation/Revaluation	(1)	(778)	(31)	0	(810)
Transfers	(26)	8,082	(4,045)	0	4,011
At 31 March 2011	(72)	(44,852)	(6,064)	0	(50,988)
Net book value					
At 31 March 2011	67	96,491	5,424	17,922	119,904
At 1 April 2010	8	118,805	1,991	0	120,804

	Development	Software	Licences	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Core Agency					
Cost or valuation					
At 1 April 2009	0	17,011	6,035	0	23,046
Additions	0	4,160	0	0	4,160
Disposals	0	(210)	0	0	(210)
Impairment	0	0	0	0	0
Reclassification	0	0	0	0	0
Indexation/Revaluation	0	(4,889)	0	0	(4,889)
Transfers	0	129,595	0	0	129,595
At 31 March 2010	0	145,667	6,035	0	151,702
Amortisation					
As at 1 April 2009	0	(16,262)	(4,044)	0	(20,306)
Charge in year	0	(20,546)	0	0	(20,546)
Disposals	0	4,847	0	0	4,847
Impairment	0	0	0	0	0
Reclassification	0	0	0	0	0
Indexation/Revaluation	0	2,546	0	0	2,546
Transfers	0	0	0	0	0
At 31 March 2010	0	(29,415)	(4,044)	0	(33,459)
Net book value					
At 31 March 2010	0	116,252	1,991	0	118,243
At 1 April 2009	0	749	1,991	0	2,740
Consolidated					
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2009	0	18,389	9,748	0	28,137
Additions	9	5,243	1,260	0	6,512
Disposals	0	(210)	(4,721)	0	(4,931)
Impairment	0	0	0	0	0
Reclassification	0	8,018	0	0	8,018
Indexation/Revaluation	0	(12,665)	(252)	0	(12,917)
Transfers	0	129,595	0	0	129,595
At 31 March 2010	9	148,370	6,035	0	154,414
Amortisation					
At 1 April 2009	0	(11,985)	(8,420)	0	(20,405)
Charge in year	(1)	(20,078)	(542)	0	(20,621)
Disposals	0	144	4,721	0	4,865
Impairment	0	0	0	0	0
Reclassification	0	(3,873)	0	0	(3,873)
Indexation/Revaluation	0	6,227	197	0	6,424
At 31 March 2010	(1)	(29,565)	(4,044)	0	(33,610)
Net book value					
At 31 March 2010	8	118,805	1,991	0	120,804
At 1 April 2009	0	6,404	1,328	0	7,732

9. Assets held for sale

	2010–2011		2009–2010	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Cost or valuation				
At April 2010	14,221	14,221	18,948	18,948
Additions	0	0	5,960	5,960
Disposals	(5,907)	(5,907)	(4,327)	(4,327)
Reclassifications	(41)	(41)	(3,612)	(3,612)
Indexation/Revaluation	5,374	5,374	(2,748)	(2,748)
At 31 March 2011	13,647	13,647	14,221	14,221

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

10(a). Investments

	2010–2011			2009–2010 Restated		
	Available for Sale Investments	Derivatives	Total	Available for Sale Investments	Derivatives	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Agency						
At 1 April 2010	144	14	158	102	30	132
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Revaluation/Impairment	0	0	0	0	0	0
Fair value adjustment recognised in income/expenditure	155	91	246	42	(16)	26
Movement in year	155	91	246	42	(16)	26
At 31 March 2011	299	105	404	144	14	158
Consolidated						
Balance at 1 April 2010	144	14	158	102	30	132
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Revaluation/Impairment	0	0	0	0	0	0
Fair value adjustment recognised in income/expenditure	155	91	246	42	(16)	26
Movement in year	155	91	246	42	(16)	26
At 31 March 2011	299	105	404	144	14	158

Share investments relate to the Milk Investment Board. Whilst NOMS produce and provide milk for sale, these assets are not held for sale. Derivatives relate mainly to the sales of land. These investments were acquired by NOMS as a result of trading activities at no cost.

10(b). Financial Instruments

Categories of financial instruments

	Notes	Core 31 March 2011 £'000	Consolidated 31 March 2011 £'000	Core 31 March 2010 £'000	Consolidated 31 March 2010 Restated £'000
Financial Assets					
Cash	13	(73,449)	14,031	(22,827)	57,513
Loans and receivables					
Trade receivables	12	18,364	22,168	19,090	23,647
Other receivables	12	195,654	201,336	78,894	78,475
		214,018	223,504	97,984	102,122
Financial assets at fair value through profit and loss					
Quoted investments	10a	299	299	144	144
Derivative instruments milk quotas	10a	105	105	14	14
		404	404	158	158
Carrying amount of Financial Assets		140,973	237,939	75,315	159,793
Financial Liabilities					
Financial Liabilities at amortised cost					
Finance lease liabilities	14a,14b	312,242	312,262	370,570	370,593
Trade payables	14	104,851	90,686	175,374	172,521
Carrying amount of Financial Liabilities		417,093	402,948	545,944	543,114

Derivative instruments milk quotas relate to the Milk Investment Board. Whilst NOMS produce and provide milk for sale, these assets are not held for sale. Quoted investments relate mainly to the sales of land. These investments were acquired by NOMS as a result of trading activities at no cost.

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

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

CREDIT RISK

NOMS is exposed to minimal credit risk as loans and receivables are comprised of trade and other debtors. The maximum exposure to credit risk is the risk that arises from potential default of a debtor and is equal to the total amount of these outstanding.

NOMS manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship.

NOMS has no collateral to mitigate against credit risk.

Ageing of Financial Assets as at 31 March 2011

	Not past due or impaired £'000	Past due 1–30 days £'000	Past due 31–60 days £'000	Past due 61–90 days £'000	Past due 90+ days £'000	Total £'000
Not impaired						
Cash	14,031	0	0	0	0	14,031
Trade receivables	0	18,265	2,222	668	1,013	22,168
Other receivables	0	175,179	10,783	10,783	4,590	201,335
Impaired						
Total	14,031	193,444	13,005	11,451	5,603	237,534

LIQUIDITY RISK

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

Maturity of Financial Liabilities as at 31 March 2011

	On demand	Within 1 year	Between 1 to 5 years	After more than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Finance lease liabilities	0	41,303	91,801	179,158	312,262
Trade payables	0	90,686	0	0	90,686
Total	0	131,989	91,801	179,158	402,948

MARKET RISK

Interest rate risk

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

Foreign currency risk

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

11. Inventories

	2010–2011		2009–2010	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Industries and farms				
Raw materials	1,375	1,375	1,386	1,386
Work-in-progress	1,889	1,889	2,033	2,033
Finished goods	3,723	3,723	3,549	3,549
	6,987	6,987	6,968	6,968
Consumables	33,356	33,356	30,879	30,879
	40,343	40,343	37,847	37,847

12. Trade Receivables and other current assets

12(a). Analysis by type

	2010–2011	2009–2010
Core Agency	£'000	£'000
Amounts falling due within one year		
Trade receivables	18,364	19,090
HM Government Receivables	146,870	42,001
Staff Receivables	2,582	821
Other Receivables	17,645	11,209
Prepayments and accrued income	26,336	22,723
	211,797	95,844
Amounts falling due after more than one year		
Other receivables	0	0
Staff receivables	2,221	2,140
	214,018	97,984

	2010–2011	2009–2010
Consolidated	£'000	£'000
Amounts falling due within one year		
Trade receivables	22,168	23,647
HM Government Receivables	147,046	37,058
Staff Receivables	2,983	1,476
Other Receivables	17,350	11,555
Prepayments and accrued income	31,604	25,750
	221,151	99,486
Amounts falling due after more than one year		
Other receivables	0	496
Staff receivables	2,353	2,140
	223,504	102,122

12(b). Intra-Government Receivables

	2010–2011		2009–2010	
	Receivables: amounts falling due within one year	Receivables: amounts falling due more than one year	Receivables: amounts falling due within one year	Receivables: amounts falling due more than one year
Core Agency	£'000	£'000	£'000	£'000
Balances with other central government bodies	152,475	0	41,016	0
Balances with local authorities	82	0	227	0
Balances with NHS bodies	3,206	0	5,364	0
Balances with public corporations & trading funds	0	0	0	0
	155,763	0	46,607	0
Balances with bodies external to Government	56,034	2,221	49,237	2,140
	211,797	2,221	95,844	2,140

	2010–2011		2009–2010	
	Receivables: amounts falling due within one year	Receivables: amounts falling due more than one year	Receivables: amounts falling due within one year Restated	Receivables: amounts falling due more than one year Restated
Consolidated	£'000	£'000	£'000	£'000
Balances with other central government bodies	149,921	0	48,468	0
Balances with local authorities	4,402	0	5,332	0
Balances with NHS bodies	3,711	0	5,704	0
Balances with public corporations & trading funds	62	0	31	0
	158,096	0	59,535	0
Balances with bodies external to Government	63,055	2,353	39,951	2,636
	221,151	2,353	99,486	2,636

13. Cash and Cash Equivalents

	31 March 2011	Movement	31 March 2010
Core Agency	£'000	£'000	£'000
Balance as at 1 April 2010	(22,827)	0	(21,515)
Net change in cash and cash equivalents	(50,622)	0	(1,312)
Balance as at 31 March 2011	(73,449)	0	(22,827)
The following balances at 31 March were held at:			
Office of Paymaster General	0	0	1,191,222
Government Banking Service	3,202	0	(1,207,305)
Commercial banks and cash in hand	1,348	0	(6,340)
Cash at bank and in hand	4,550	26,973	(22,423)
Overdraft	(77,999)	(77,595)	(404)
Cash at bank and in hand	(73,449)	(50,622)	(22,827)

	31 March 2011	Movement	31 March 2010
Consolidated	£'000	£'000	£'000
Balance as at 1 April 2010	57,513	0	33,074
Net change in cash and cash equivalents	(43,482)	0	24,439
Balance as at 31 March 2011	14,031	0	57,513
The following balances at 31 March were held at:			
Office of Paymaster General	0	0	1,191,222
Government Banking Service	3,202	0	(1,207,305)
Commercial banks and cash in hand	88,828	0	74,000
Cash at bank and in hand	92,030	34,113	57,917
Overdraft	(77,999)	(77,595)	(404)
Cash at bank and in hand	14,031	(43,482)	57,513

NOMS overdraft relates to uncleared items as at 31 March 2011.

14. Trade Payables and other current liabilities

14(a). Amounts falling due within one year

	31 March 2011		31 March 2010	
	Core	Consolidated	Core	Consolidated
	£'000	£'000	£'000	£'000
Trade payables	104,851	90,686	175,374	172,521
Current part of imputed finance lease element of on balance sheet PFI contracts	41,230	41,230	44,891	44,891
Current part of Finance lease	73	73	93	93
HM Government payables	0	45,697	0	11,806
Other payables	1,870	1,870	1,852	1,852
Corporation tax payable	0	1,057	0	0
Accruals and deferred income	244,725	288,894	263,122	320,985
	392,749	469,507	485,332	552,148
Amounts due to the Consolidated Fund:				
Consolidated Fund Extra Receipts (CFERs)	172	431	19	168
	392,921	469,938	485,351	552,316

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

	31 March 2011		31 March 2010	
	Core	Consolidated	Core	Consolidated
	£'000	£'000	£'000	£'000
Imputed finance lease element of on-balance sheet PFI contracts	270,053	270,053	324,733	324,733
Finance leases	886	906	853	877
	270,939	270,959	325,586	325,610

14(c). Intra Government Payables

	31 March 2011					31 March 2010			
	Core		Consolidated			Core		Consolidated	
	Payables: amounts falling due within one year	Payables: amounts falling due over one year	Payables: amounts falling due within one year	Payables: amounts falling due over one year	Payables: amounts falling due within one year	Payables: amounts falling due over one year	Payables: amounts falling due within one year Restated	Payables: amounts falling due over one year Restated	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balances with other central government bodies	10,931	0	19,898	0	6,253	0	7,009	0	
Balances with local authorities	2,059	0	4,981	0	17,702	0	22,264	0	
Balances with NHS bodies	3,354	0	3,777	0	764	0	1,133	0	
Balances with public corporations & trading funds	0	0	117		0		105	0	
	16,344	0	28,773	0	24,719	0	30,511	0	
Balances with bodies external to government	376,577	270,939	441,165	270,959	460,632	325,586	521,805	325,610	
	392,921	270,939	469,938	270,959	485,351	325,586	552,316	325,610	

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

On-balance sheet PFI contracts

Project name	Contract start date	Duration (years)	Estimated Capital value (£m)	Description
HMP Altcourse	December 1995	27	53.2	Design, build, finance and operate an 800 place category B prison at HMP Altcourse
HMP Parc	December 1995	27	85.2	Design, build, finance and operate an 840 place category B prison near Bridgend, South Wales
HMP Lowdham Grange	November 1996	27	48.8	Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham
HM/YOI Ashfield	June 1998	27	23.1	Design, build, finance and operate a 400 place young offenders and juveniles 'category B prison at Pucklechurch, near Bristol
HMP Forest Bank	July 1998	27	45.9	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agecroft power station
HMP Rye Hill	July 1999	27	30.9	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	September 1999	27	68.8	Design, build, finance and operate an 1060 place category B prison and therapeutic community facility at HMP Dovegate Marchington
HMP Bronzefield	December 2002	27	45	Design, build, finance and operate an 500 place category B prison at Ashford in Middlesex
HMP Peterborough	February 2003	27	68.6	Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire
The Prison Service – Heat/Energy Tranche 1	November 1998	15	9	Installation and maintenance of boilers in prisons and the provision of heating/energy services
The Prison Service – Heat/Energy Tranche 2	August 2001	11	10	The installation and maintenance of boilers in prisons and the provision of heating/energy services
Prison Escort Service	August 2004	7	3.5	The supply and running of the Prison Vans and Escorts
Electronic Monitoring System	April 2005	8	6	The supply of Electronic tagging system
IT and Telephony System	July 2000	12	4.3	The supply of IT and telephony system

The estimated capital value of the Heat/Energy contracts is the original capital cost, the value of these is subsumed in the total building value of the relevant prison. All other values are at current depreciated cost. In the case of the Heat/Energy Tranche 2 contract, the supplier was notified on 31 March 2011 of the Agency's intention to cancel the contract effective from 9 July 2011.

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

	2011–2010		2010–2009	
	Core Agency	Consolidated	Core Agency	Consolidated Restated
	£'000	£'000	£'000	£'000
Not later than one year:	60,977	60,977	67,632	67,632
Later than one year but not later than 5 years:	151,573	151,573	191,658	191,658
Later than 5 years:	240,163	240,163	274,771	274,771
	452,713	452,713	534,061	534,061
Less interest element	(141,430)	(141,430)	(164,414)	(164,414)
	311,283	311,283	369,647	369,647

14(e). Charge to the Statement of Comprehensive Net Expenditure and future commitments

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

	2010–2011		2009–2010	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Not later than one year:	562,705	562,705	573,187	573,187
Later than one year but not later than 5 years:	1,631,946	1,631,946	1,274,287	1,274,287
Later than 5 years:	2,820,457	2,820,457	2,742,115	2,742,115
	5,015,108	5,015,108	4,589,589	4,589,589

NOMS entered into a new contract for Prisoner Escort and Custody Services which was signed prior to the balance sheet date but is not effective until 28 August 2011. The figures in notes 14d and 14e reflect the future capital commitment and liabilities of the contract.

14(f). Commitments under leases

		2010–2011		2009–2010 Restated	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Obligations under operating leases comprise:					
Land and Buildings	Not later than one year:	23,543	23,543	28,176	28,176
	Later than one year but not later than 5 years:	75,675	75,675	80,556	80,556
	Later than 5 years:	144,347	144,347	156,723	156,723
		243,565	243,565	265,455	265,455
Other	Not later than one year:	959	1,706	1,616	2,322
	Later than one year but not later than 5 years:	992	1,532	1,789	2,594
	Later than 5 years:	49	49	90	90
		2,000	3,287	3,495	5,006
Obligations under finance leases comprise:					
Land and Buildings	Not later than one year:	130	130	155	155
	Later than one year but not later than 5 years:	522	522	520	520
	Later than 5 years:	696	696	815	815
		1,348	1,348	1,490	1,490
	Less interest element	(491)	(491)	(544)	(544)
		857	857	946	946
Other	Not later than one year:	75	95	0	0
	Later than one year but not later than 5 years:	27	27	0	0
	Later than 5 years:	0	0	0	0
		102	122	0	0
	Less interest element	0	0	0	0
		102	122	0	0

14(g). Other financial commitments

NOMS has entered into non-cancellable contracts (which are not leases or PFI contracts). The payments to which NOMS is committed during 2010–11, analysed by the period during which the commitment expires are as follows:

	2010–2011		2009–2010	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Not later than one year:	205,265	205,368	230,062	230,730
Later than one year but not later than 5 years:	374,837	374,935	351,791	351,961
Later than 5 years:	850,106	851,122	11,071	11,996
	1,430,208	1,431,425	592,924	594,687

Current year liabilities include operating contract commitments for HMP Birmingham, HMP Doncaster and HMP Featherstone II.

15. Provisions for Liabilities and charges

	2010–2011				2009–2010 Restated			
	Early Departure costs	Leasehold property dilapidations	Other provisions	Total	Early Departure costs	Leasehold property dilapidations	Other provisions	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2010	22,445	49,592	43,493	115,530	11,780	40,506	47,345	99,631
Provided in year	13,658	0	31,784	45,442	14,032	9,593	20,542	44,167
Provisions not required written back	0	(6,749)	(17,912)	(24,661)	0	(507)	(19,568)	(20,075)
Provisions utilised in year	(3,780)	0	(5,264)	(9,044)	(4,207)	0	(4,826)	(9,033)
Discount unwinding	492	0	0	492	840	0	0	840
Balance at 31 March 2011	32,815	42,843	52,101	127,759	22,445	49,592	43,493	115,530

	2010–2011				2009–2010 Restated			
	Early Departure costs	Leasehold property dilapidations	Other provisions	Total	Early Departure costs	Leasehold property dilapidations	Other provisions	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2010	60,103	49,592	51,965	161,660	49,961	40,506	53,187	143,654
Provided in year	13,658	0	34,955	48,613	16,236	9,593	27,035	52,864
Provisions not required written back	0	(6,749)	(19,230)	(25,979)	(76)	(507)	(19,726)	(20,309)
Provisions utilised in year	(14,164)	0	(8,582)	(22,746)	(6,858)	0	(8,531)	(15,389)
Discount unwinding	492	0	0	492	840	0	0	840
Balance at 31 March 2011	60,089	42,843	59,108	162,040	60,103	49,592	51,965	161,660

15(a). Analysis of expected timing of discounted flows

	2010–2011				2009–2010 Restated			
	Early Departure costs	Leasehold property dilapidations	Other provisions	Total	Early Departure costs	Leasehold property dilapidations	Other provisions	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year:	6,651	20,079	52,101	78,831	4,549	20,079	43,493	68,121
Later than one year but not later than 5 years:	18,122	11,791	0	29,913	12,395	11,791	0	24,186
Later than 5 years:	8,042	10,973	0	19,015	5,501	17,722	0	23,223
Balance at 31 March 2011	32,815	42,843	52,101	127,759	22,445	49,592	43,493	115,530

	2010–2011				2009–2010 Restated			
	Early Departure costs	Leasehold property dilapidations	Other provisions	Total	Early Departure costs	Leasehold property dilapidations	Other provisions	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year:	12,179	20,079	57,563	89,821	12,182	20,079	50,289	82,550
Later than one year but not later than 5 years:	33,184	11,791	994	45,969	33,192	11,791	1,118	46,101
Later than 5 years:	14,726	10,973	551	26,250	14,729	17,722	558	33,009
Balance at 31 March 2011	60,089	42,843	59,108	162,040	60,103	49,592	51,965	161,660

Early departure costs

NOMS meets the additional costs of benefits beyond the normal PCSPS benefits and Local Government Pensions Scheme (LGPS) benefits respectively for employees who retire early by paying the required amounts annually to the PCSPS or LGPS over the period between early retirement and normal retirement date. NOMS provides for this cost in full when the early retirement programme becomes binding on the Agency by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9% in real terms where material. Trusts use the pension rate applicable to each trust to discount their early departure costs.

Leasehold dilapidations

The provision was previously understated in 2009–10 by £33.4m. The significance of this understatement is such that 2009–10 has been restated. Dilapidation costs are an estimate of the expenditure required to return vacated leased buildings to their original condition. The movement in year is as a result of updated information relating to property vacations.

NOMS is currently in negotiation with the landlord of HMP Lancaster Castle regarding its closure. Until the prison is formally delisted as a prison NOMS will be liable to continue to pay £240k per annum in rent. A dilapidation charge is possible, but as this site has multiple tenants the outcome of these negotiations cannot be assessed with certainty.

Other provisions

The provision has largely been made up of various legal claims against the agency and trusts. This provision reflects all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated. The figures represent the best estimate of the amount payable in respect of the claims indicated. As the claims are subject to litigation which could affect the time period of utilisation, legal claims which are likely to succeed with a lesser degree of certainty or cannot be estimated reliably are disclosed as contingent liabilities in note 19. Other provisions are not discounted on the basis that claims are expected to crystallise within twelve months.

16. Pension Liability

Pension costs

As part of the terms and conditions of employment of its officers and other employees, the 35 Probation Trusts offer retirement benefits. Although these will not actually be payable until employees retire, the Trusts have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The provisions of the Local Government Pension Schemes (LGPS), which are statutory and fully funded, cover present and past employees. The 35 Probation Trusts participate in the Local Government Pension Schemes administered by various bodies.

The Local Government Pension Schemes provide benefits on a final salary basis at a normal retirement age of 65. Benefits accrue at the rate of one-eightieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three-eightieths of final pay of every year of total membership is payable on retirement. The schemes permit employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Members pay contributions of 6% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirements benefits.

A full actuarial valuation was carried out at 31 March 2010 by various actuaries. For 2010–11, employers' contributions of £93.8m were payable to the LGPS (2009–10 £95.9m) in a range from 13.5% to 25.2%. The schemes' actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect the past experience of the schemes.

Partnership accounts are excluded under IAS 19.

The impact of the change from using RPI to CPI to estimate future pension costs has resulted in a gain in year of £297m.

The current year's employers' contributions and an approximate value for the next two years are within the ranges as follows:

Employers' contributions for 2010–11 were 13.5% to 25.2% of salaries;
Employers' contributions for 2011–12 will be 10.1% to 26.2% of salaries; and
Employers' contributions for 2012–13 will be 10.1% to 26.5% of salaries.

The major assumptions used by the actuary were in the ranges of:

	2010–2011	2009–2010
	%	%
Inflation assumption	2.7–3.7	3.3–3.9
Rate of increase in salaries	2.7–5.2	4.6–5.7
Rate of increase for pensions in payment and deferred pensions	2.7–6.9	3.3–7.1
Discount rate	5.4–5.6	5.5–6.4

Mortality assumption

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

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

	Expected long term rate of return at 2010–2011	Value at 2010–2011	Expected long term rate of return at 2009–2010	Value at 2009–2010	Expected long term rate of return at 2008–2009	Value at 2008–2009
	%	£'000	%	£'000	%	£'000
Equities	7.2–8.4	1,557,904	7.4–8.0	1,447,128	6.9–7.5	964,547
Government bonds	4.3–4.9	231,694	4.2–5.0	223,252	0.1–5.6	189,346
Other bonds	4.9–6.4	182,293	5.0–6.5	171,126	5.3–6.7	153,881
Property	3.0–7.9	152,344	3.0–8.5	138,414	4–6.6	121,079
Other	0.5–8.0	127,052	0.5–8.0	120,869	0.5–7.5	103,033
Total		2,251,287		2,100,789		1,531,886
(Present value of scheme liabilities)		(3,024,006)		(3,496,587)		(2,253,129)
Surplus/(Deficit) of the scheme		(772,719)		(1,395,798)		(721,243)
Net pension Asset/(Liability)		(772,719)		(1,395,798)		(721,243)
Adjustment for restatement of comparatives, following publication of probation trust accounts				6,109		2,641
Net Pension Asset/(Liability) per published NOMS Accounts 2009–10				(1,389,689)		(718,602)

	2010–2011	2009–2010
	£'000	£'000
Pension Cost		
Current service cost	104,865	58,295
Past service cost (Gain in change from RPI to CPI)	(296,527)	142
Past service cost (Other)	13,957	4,832
Effect of Curtailment	2,363	3,994
Effect of Settlement	360	856
Total operating charge	(174,982)	68,119

	2010–2011	2009–2010	2008–2009
	£'000	£'000	£'000
Analysis of amount credited to other finance income or debited to other finance charge			
Expected return on pension scheme assets	(142,608)	(97,454)	(113,287)
Interest on pension scheme liabilities	187,007	155,923	138,824
Net return	44,399	58,469	25,537

	2010–2011	2009–2010
	£'000	£'000
Changes to the present value of Liabilities during the year		
Opening present value of liabilities	3,496,587	2,253,132
Current service cost	104,865	58,295
Interest cost	187,007	155,923
Contributions by members	32,674	34,006
Actuarial (gains)/losses on liabilities*	(412,598)	1,077,946
Benefits paid	(102,698)	(92,539)
Past service cost (Gain in change from RPI to CPI)	(296,527)	142
Past service cost (Other)	13,957	4,832
Curtailments	2,361	3,994
Settlements	(1,622)	856
Closing present value of liabilities	3,024,006	3,496,587

* Includes changes to actuarial assumptions

	2010–2011	2009–2010
	£'000	£'000
Changes to the Fair Value of Assets during the year		
Opening fair value of assets	2,100,789	1,531,889
Expected return on assets	142,608	97,454
Actuarial (gains)/losses on assets	(19,189)	433,030
Contributions by the employer	95,246	96,616
Contributions by members	32,905	34,084
Benefits paid	(102,797)	(92,539)
Net increase from disposals and acquisitions	0	0
Curtailments	205	127
Settlements	1,520	128
Closing fair value of assets	2,251,287	2,100,789

	2010–2011	2009–2010
	£'000	£'000
Actual Return on Assets		
Expected return on assets	142,608	97,454
Actuarial gains/(losses) on assets	(19,189)	433,030
Actual return on assets	123,419	530,484

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

	2010–2011	2009–2010	2008–2009	2007–2008	2006–2007
	£'000	£'000	£'000	£'000	£'000
Fair value of assets	2,251,287	2,100,789	1,531,886	1,878,427	1,907,252
Present value of liabilities	3,024,006	3,496,587	2,253,129	2,365,977	2,430,901
Surplus/(Deficit)	(772,719)	(1,395,798)	(721,243)	(487,550)	(523,649)
Experience gains/(losses) on scheme assets	2,032	337,755	(444,267)	(220,561)	31,702
Experience gains/(losses) on scheme liabilities	181,478	(75,274)	(30,398)	94,492	(18,166)
Percentage experience gains/(losses) on scheme assets	0%	16%	-29%	-12%	2%
Percentage experience gains/(losses) on scheme liabilities	6%	-2%	-1%	4%	-1%

17. Capital commitments

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

	2010–2011		2009–2010	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Contracted capital commitments	156,947	156,947	421,262	421,262

18. Related party transactions

The Ministry of Justice (MoJ) is a related party. During the year it provided funding of £4,393m. In addition the MoJ provides a number of shared services to NOMS. These services are recharged and a non-cash cost of £16.1m is included in note 5. During the year, NOMS provided custodial services to the Youth Justice Board (part of the MoJ) and UK Border Agency (part of the Home Office). In addition, NOMS received funding from other Government Departments for education, healthcare and resettlement services. Income from the Departments is shown in note 6.

Phil Wheatley, the former Agency Accounting Officer of NOMS for the period 1 April 2010 to 30 June 2010, and the Director of Local Delivery in the Home Office for that period, are related parties. The son of the former Agency Accounting Officer, for the same period, was a prison governor.

David Kennedy, interim Director of ICT until 18 June 2010, is a Director of ASE Consulting Ltd which provides consultancy services to NOMS and MoJ. During the period in which David Kennedy was a director of ICT, NOMS paid £86k to ASE Consulting Ltd.

19. Contingent Liabilities

NOMS has contingent liabilities in respect of the following matters:

Claims for injury to staff, prisoners and the public amounting to £34.7m (£19.8m in 2009–10) have been indicated to NOMS, where the likelihood of a liability arising is possible but not likely. Other claims for compensation where it is more likely than not that a liability will arise have been provided for in the accounts – see note 15.

Other Contingent Liabilities reported to Parliament

An indemnity of up to £50m, in respect of any one accident, has been given to the British Airports Authority (BAA). This is in respect of damage or injury caused to third parties arising out of the negligence of NOMS in their use of vehicles travelling airside for the repatriation of prisoners. The likelihood of a liability arising from these contingencies is considered to be remote.

The Prison Service would be liable to meet any uninsured costs incurred by the privately managed prisons.

20. Events occurring after the reporting period

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

NOMS moved to a functional operating model from 1 April 2011. The following directors, who were appointed as part of this model on 15 February 2011, attended the NOMS Agency Board and the National Executive Management Committee during the transitional period until they became full members of both as from 1 April 2011: Steve Wagstaffe, Director of Public Sector Prisons; Colin Allars, Director of Probation and Contracted Services; and Phil Copple, Director of National Operational Services.

On 16 May 2011 a second voluntary early departure scheme was announced for staff at all levels in Headquarters and other specified staff groups. Staff in the eligible groups will have an option to leave on either 31 October 2011 or 31 December 2011. However, there can be no guarantee at this stage that funding will be available for exits on 31 December 2011.

New contracts for Prisoner Escort and Custody Services have been awarded with effect from 29 August 2011 and are expected to realise savings of £29 million in the first full year of operation, including over £17 million in the remainder of 2011–12, and £261 million over the full seven year contract.

Prison Competitions have been completed and new contracts awarded for four prisons. The new contracts will be effective from October 2011 for contracts for HMP Birmingham, HMP Doncaster, and from April 2012 for HMP Featherstone 2, all of which were let to private sector providers. HMP Buckley Hall was retained by the public sector HM Prison Service.

Three bidders have been formally selected by NOMS to go forward to the final stages of the competition to run Community Payback services in London. Serco, Sodexo and Com:pact (a joint venture of A4E and Mitie) have been selected after initial expressions of interest were assessed by NOMS' procurement experts. No Probation Trust came forward with a bid to be prime contractor in the London lot.

It was announced on 13 July 2011 that there would be a further round of prison competitions and closures. Eight public sector prisons will be competed and one private sector prison will be re-competed. Additionally two public sector prisons are expected to be closed.

21. Financial Targets

There were no key financial targets for the Agency or trusts.

22. Losses and Special Payments

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

	2010–2011		2009–2010	
	Cases	£'000	Cases	£'000
Core Agency				
Cash losses	1,459	452	904	623
Losses of accountable stores	3,225	1,756	3,825	983
Fruitless payments and constructive losses	387	77	425	419
Claims waived or abandoned	128	915	96	1,697
Administrative write-offs	0	0	0	0
Special payments	4,475	14,556	4,497	12,735
	9,674	17,756	9,747	16,457

Consolidated	2010–2011		2009–2010 Restated	
	Cases	£'000	Cases	£'000
Cash losses	1,474	453	909	623
Losses of accountable stores	3,230	1,758	3,832	985
Fruitless payments and constructive losses	393	82	456	421
Claims waived or abandoned	138	921	100	1,699
Administrative write-offs	48	18	55	90
Special payments	4,667	18,487	4,723	17,327
	9,950	21,719	10,075	21,145

In 2010–11 there were nil payments in respect of compensation claims by staff over £250,000 (one in 2009–10), one compensation payment in respect of prisoners' claims over £250,000 (nil in 2009–10) no compensation payments were made in respect of claims from members of the public over £250,000 (nil in 2009–10).

A total of £740,435 was written off as a result of disputed invoices between NOMS and HMCS.

In addition, there was a £406,000 impairment at HMP Ford due to damage caused to a building as a result of concerted indiscipline, and an estimated £300,000 repair bill resulting from a fire on a wing at HMP Wellingborough.

23. Third Party Assets

NOMS holds third parties' monies of £10.3m (£10.4m in 2009–10). This relates to monies held on behalf of prisoners and is therefore not included in the financial statements.

A number of assets are held by Probation Trusts on behalf of third parties. These assets are not therefore included in the accounts. The assets held at the reporting date comprised monetary assets, such as bank balances and monies on deposit, listed securities, trust funds and amenity funds.

Cheshire Probation Trust, Humberside Probation Trust, Northumbria Probation Trust and Wales Probation Trust administer trust funds. Kent Probation Trust and Norfolk & Suffolk Probation Trust administer amenity funds. Manchester Probation Trust, Warwickshire Probation Trust and West Mercia Probation Trust have monetary assets such as bank balances & monies on deposits, listed securities, trust funds and amenity funds.

The combined value of these third party assets is set out in the table below:

	2010–2011		2009–2010	
	£'000		£'000	
Balance at 1 April 2010	167		204	
Funds paid in during the year	4		24	
Funds paid out during the year	(26)		(61)	
Balance at 31 March 2011	145		167	

24. Fees and charges

NOMS is required, in accordance with HM Treasury's Managing Public Money, to disclose results for the areas of its activities where fees and charges are made. NOMS details on fees and charges relating to the provision of healthcare, education within prisons, together with the income received for operating juvenile places on behalf of the Youth Justice Board are set out in this note.

	2010–2011			2009–2010		
	Gross Income	Full Cost	Surplus/ (deficit)	Gross Income	Full Cost	Surplus/ (deficit)
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000
Dept for Business, Innovation and Skills	18,573	18,853	(280)	18,587	18,346	241
Primary Care Trusts	69,777	69,343	434	78,958	76,687	2,271
Youth Justice Board	153,663	145,890	7,773	179,823	177,168	2,655

25. Prior period adjustment

During 2010–11 NOMS discovered the following material errors:

Provisions of £33.4m recognised in 2010–11 related to the period 2008–09 and were not previously recognised.

A capital accrual of £25.3m for the purchase of land was made in 2009–10. The land was recognised as an addition in the 2009–10 accounts with the intention to build an establishment, subject to planning permission. The planning permission was subsequently refused. The effect of this error is not reflected in the table below because the net impact on the SoCNE is nil.

Prior year accounts have been restated to remove cost of capital per the FReM, following the 'Clear Line of Sight' project (2009–10 £181.4m; 2008–09 £225.3m).

A historic cumulative adjustment to the Property, Plant and Equipment revaluation reserve in order to ensure consistency of 2010–11 closing balance on revaluation reserve resulted in an adjustment to 2008-09 opening balance of £4,394k.

Extract from the 2010–11 consolidated financial statements before correction of the errors:

	2009–2010	2008–09
	£'000	£'000
Extract from the statement of comprehensive net expenditure	4,902,040	4,918,848
Cost of capital	(181,351)	(225,306)
	4,720,689	4,693,542
Extract from the statement of changes in taxpayers' equity general fund	3,715,518	4,851,662

Extract from the 2010–11 consolidated financial statements after correction of the errors:

	2009–2010	2008–09
	£'000	£'000
Extract from the statement of comprehensive net expenditure	4,720,689	4,726,980
	4,720,689	4,726,980
Extract from the statement of changes in taxpayers' equity general fund	2,775,765	3,528,811

	2009–2010	2008–09
	£'000	£'000
Extract from the statement of comprehensive net expenditure	4,902,040	4,918,848
Leasehold dilapidations correction	0	33,438
Other provisions mis-statements	0	0
Removal of cost of capital	(181,351)	(225,306)
Extract from restated statement of comprehensive net expenditure	4,720,689	4,726,980

26. Taxation

Probation Trusts are liable to pay corporation tax. While the trusts are not expected to be liable for tax, the change in treatment of the revaluation of LGPS from RPI to CPI had resulted in a charge in year of £1,057k.

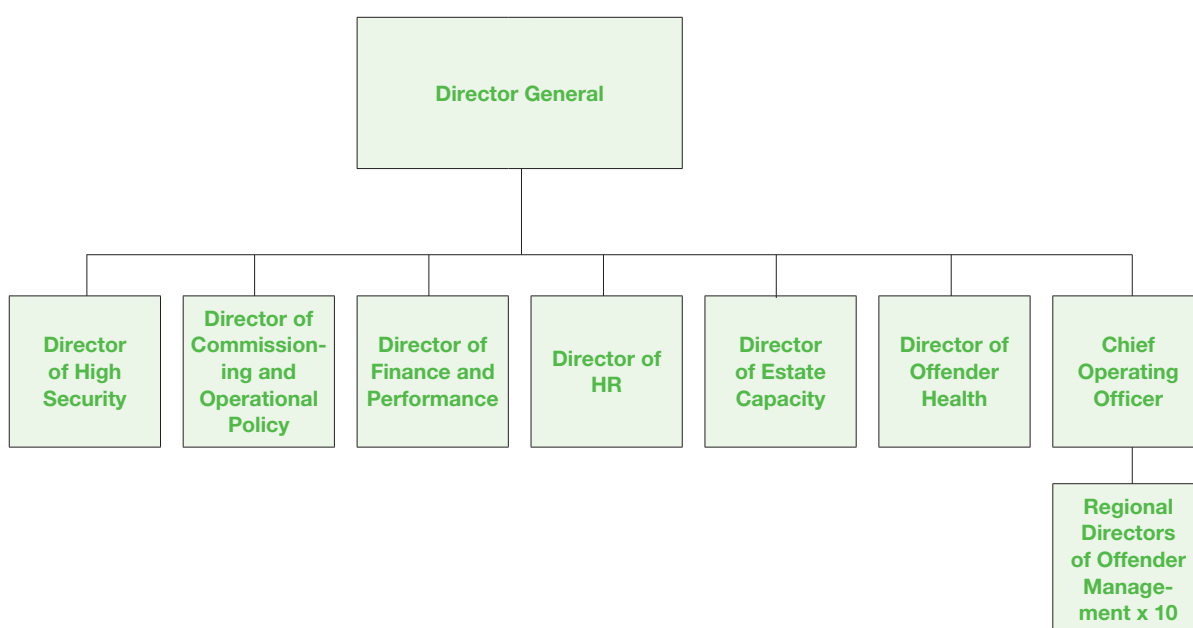
This liability will be consolidated within the Ministry of Justice, where group relief is available.



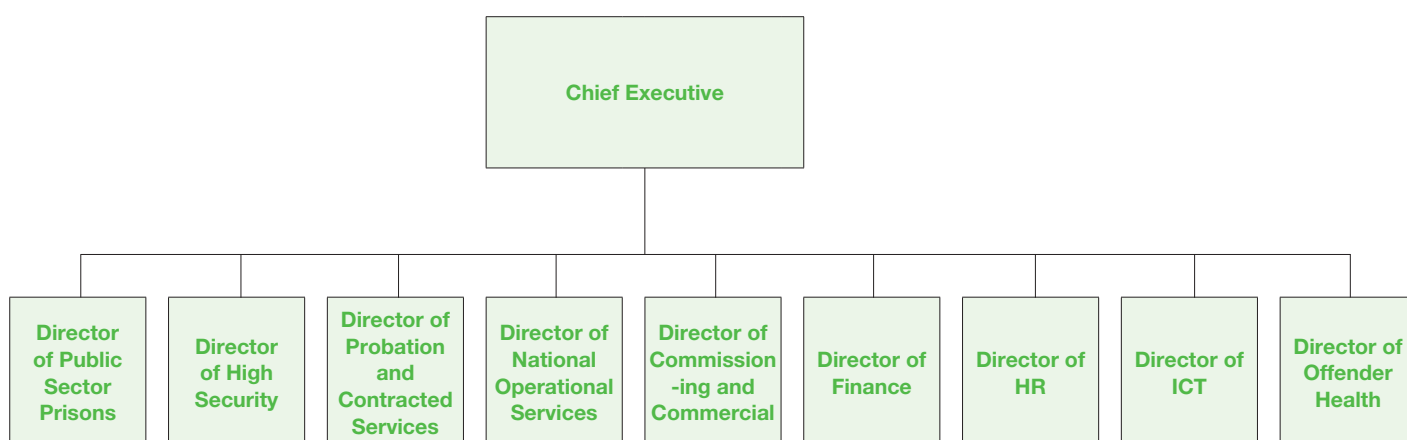
The Agency's organisational structure

4

NOMS structure 1 April 2010



NOMS structure 1 April 2011





Published by TSO (The Stationery Office)
and available from:

Online
www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail
TSO, PO Box 29, Norwich, NR3 1GN
Telephone orders / General enquiries: 0870 600 5522
Order through the Parliamentary Hotline
Lo-call: 0845 7 023474
Fax orders: 0870 600 5533
E-mail: customer.services@tso.co.uk
Textphone: 0870 240 3701

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders / General enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: bookshop@parliament.uk
Internet: www.bookshop.parliament.uk

TSO@Blackwell and other Accredited Agents

Customers can also order publications from
TSO Ireland
16 Arthur Street, Belfast BT1 4GD
Phone: 028 9023 8451
Fax orders: 028 9023 5401

