



National Offender
Management Service

National Offender Management Service

Annual Report
and Accounts
2013–2014

National Offender Management Service

Annual Report and Accounts
2013–2014

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

Ordered by the House of Commons to be printed on 23 June 2014.



© Crown copyright 2014

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence v.2. To view this licence visit www.nationalarchives.gov.uk/doc/open-government-licence/version/2/ or email PSI@nationalarchives.gsi.gov.uk. Where third party material has been identified, permission from the respective copyright holder must be sought.

This publication is available at www.gov.uk/government/publications

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

Print ISBN 9781474106450

Web ISBN 9781474106467

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

ID 09061411 06/14

Printed on paper containing 75% recycled fibre content minimum.

Contents

Section 1	Purpose, Vision and Values	5
Section 2	Foreword	7
Section 3	Strategic Report	11
	3.1 About the National Offender Management Service	11
	3.2 Performance against Business Priorities	13
	3.3 Equality	37
	3.4 Our People	39
	3.5 Sustainability Report	42
Section 4	Accounts	51



Purpose, Vision and Values

1

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

2



The Government have set clear objectives for the NOMS Agency – to deliver public service reform; to transform the way we work; to improve rehabilitation outcomes; and to reduce cost for the taxpayer.

The last 12 months have been tough but this report records substantial progress against these objectives and colleagues across the Agency can be proud of what we have achieved.


Once again we have substantially reduced our costs – making savings of £274m whilst maintaining good performance outcomes for the public.

We are fundamentally changing the way we work in prisons through implementation of the fair and sustainable pay and grading reforms; restructuring the estate, introducing ‘new ways of working’ and delivering a more efficient operating model through the Benchmarking Programme.

By 2015-16 we will have reduced prison unit costs by £2,200 per place whilst maintaining safe, decent and secure prisons working to support rehabilitation. We could not have achieved this without the support of our staff and the positive engagement of our Trades Unions.

We have also worked closely with colleagues in the Transforming Rehabilitation Programme in the Ministry of Justice to develop and now implement fundamental changes to the way we work with offenders in the community. Again progress could not have been achieved without the positive engagement and support we have received from Probation Trusts.

Our operating model retains strong public sector provision to ensure public interest is always paramount – but we are working with an increasingly wide range of private, voluntary and social sector partners to drive innovation, transform rehabilitation and reduce unit costs. This puts the Agency at the forefront of public service reform.

A decorative graphic at the top of the page consists of a light green arrow pointing right, which overlaps with a darker green arrow pointing left, creating a central white space.

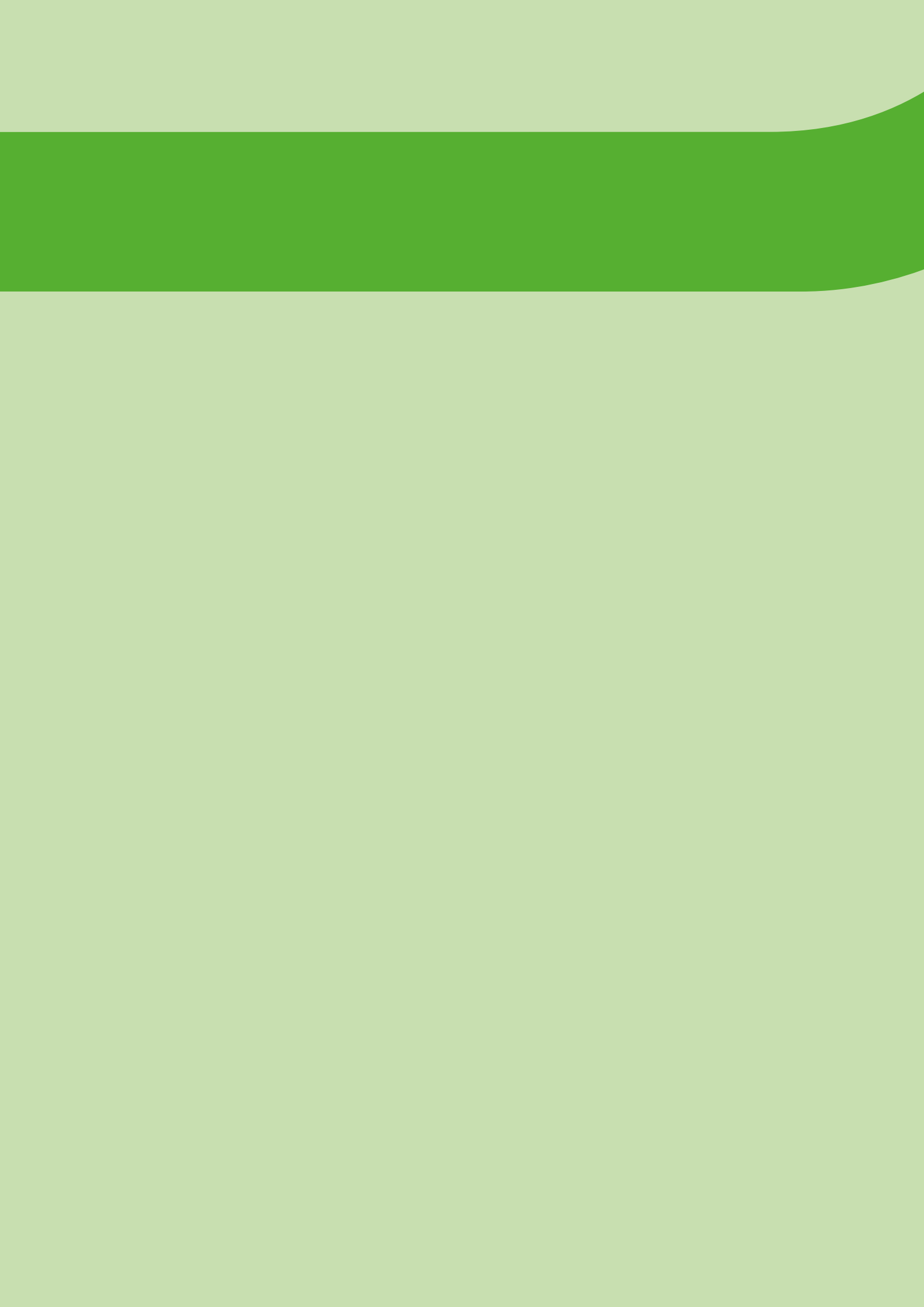
Given the scale of the financial challenge, the pace of change and the nature of our work in a complex and difficult operational environment - the outcomes achieved this year are a huge tribute to the dedication, commitment and professionalism of our staff. I am proud of them and the work we do for the public. Whilst the nature of our work means that the media tend to focus on us only when things go wrong – the reality is that every day staff do incredibly difficult work really well and as a result the Agency has gained an international reputation for the quality of the work we do.

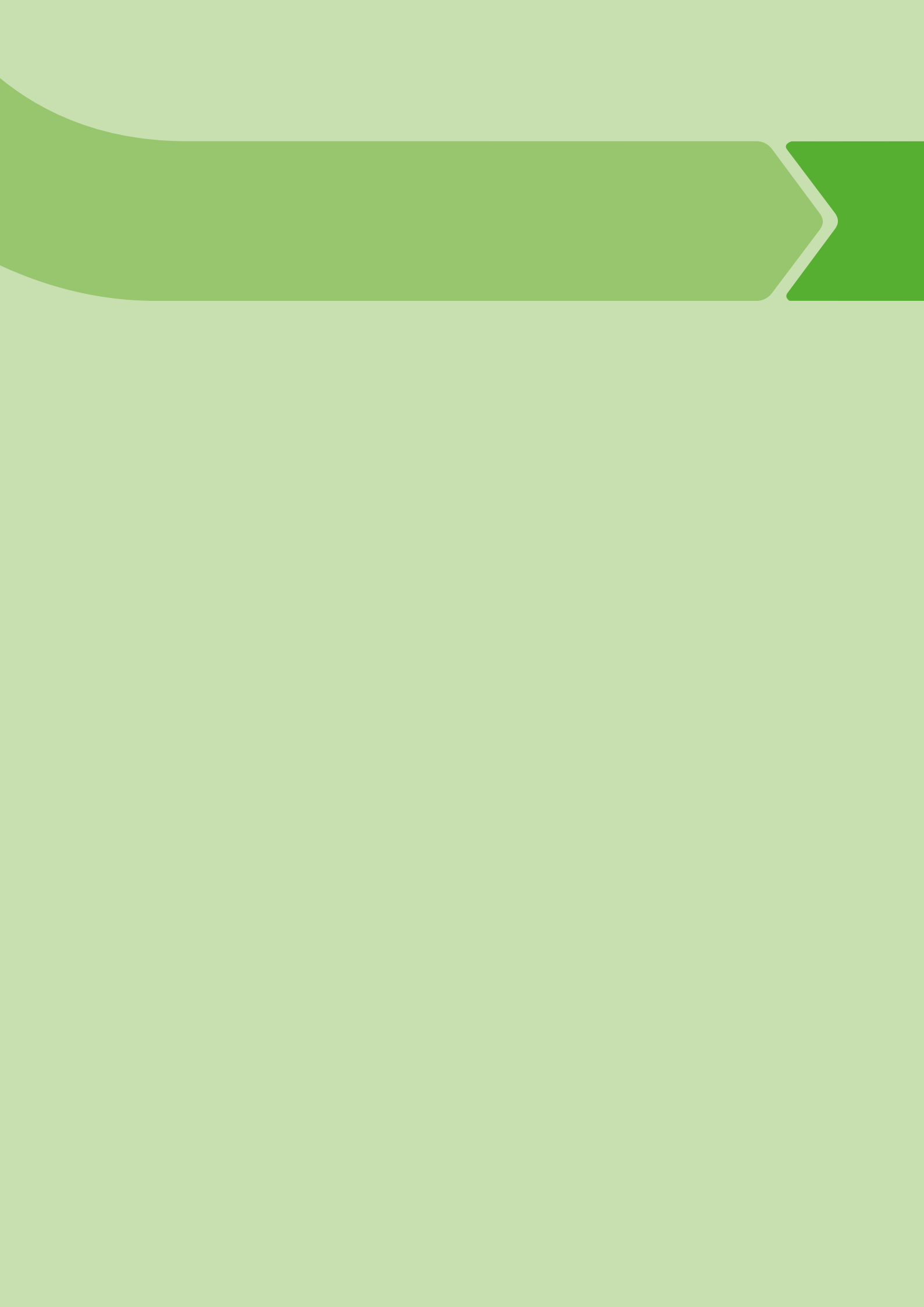
I am pleased to present the Agency's Sixth Annual Report and Accounts. It is a positive report and I want to take this opportunity to thank all our staff and our partners who work on a daily basis to keep the public safe and to help offenders to 'turn their lives around'.

Michael Spurr

Chief Executive

National Offender Management Service





Strategic Report

3.1 About 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. We are committed to protecting the public and reducing reoffending.

During 2013-14 we delivered our services through:

- Probation Trusts - 35 Trusts responsible for the delivery of probation services at a local level
- Public sector prisons – 106 prisons which provide around 82 per cent of prison places
- Private sector providers – operating 14 prisons under contract and providing other significant services including prisoner escorts and electronic monitoring (EM) of offenders
- Partnerships – with a range of public and social sector partners, including police, local authorities, health and education providers, and with a wide range of organisations in the voluntary and social enterprise sector
- Providing contracted services – the Agency is contracted by the Youth Justice Board to provide 1,120 commissioned beds for young people (under 18) and by the Home Office to provide 850 places at three Immigration Removal Centres

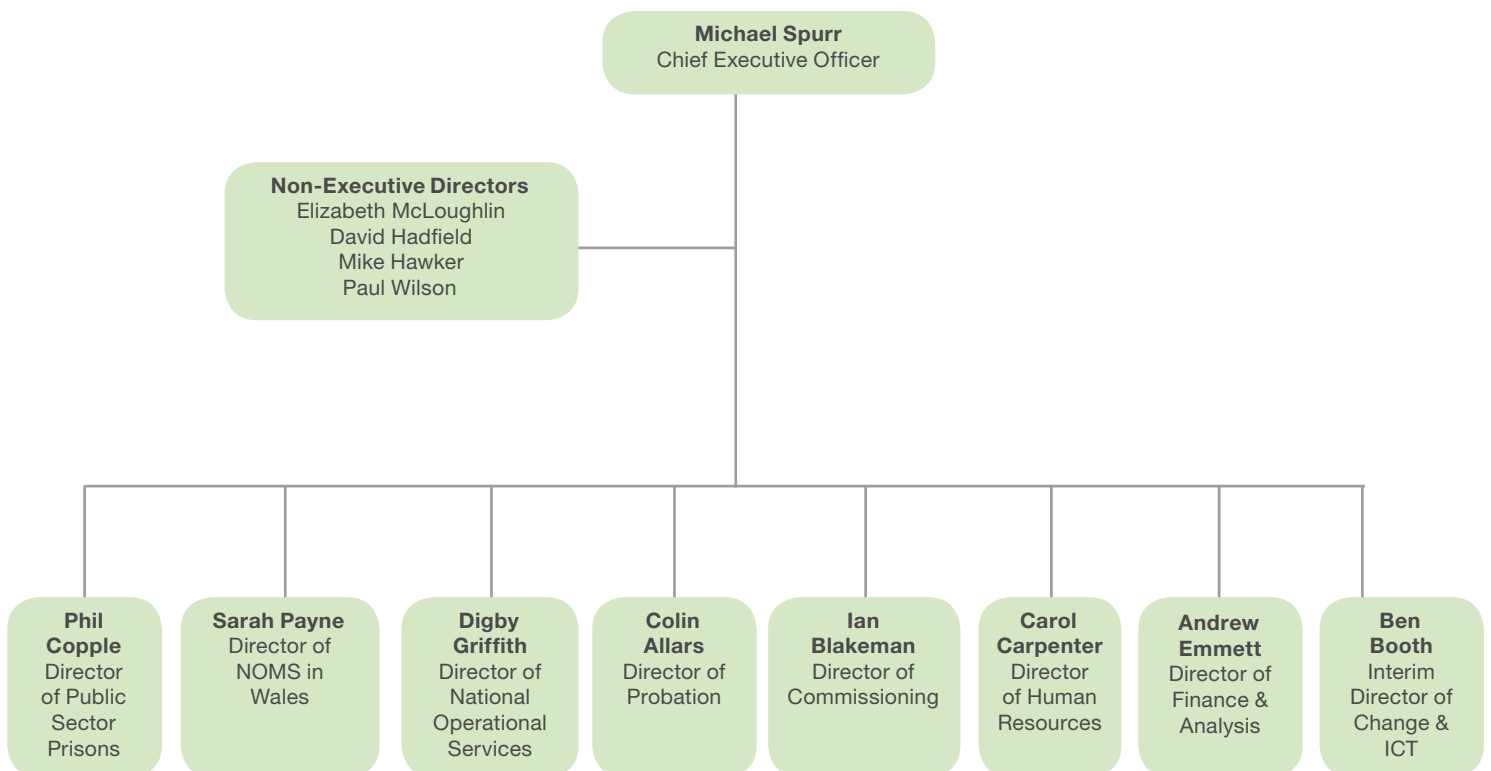
Our Headquarters (HQ) functions provide corporate and operational support services for the Agency and undertake the work required to meet our responsibilities to Parliament.

From 1 June 2014 Probation Trusts were replaced by the new National Probation Service (NPS) and 21 Community Rehabilitation Companies (CRCs). The NPS is responsible in the community for carrying out risk assessments of all offenders and for the direct management of those offenders who pose the highest risk of serious harm to the public and who have committed the most serious offences. The CRCs are responsible for delivering community requirements for medium and low risk offenders.

Agency structures were fundamentally reviewed in 2010-11 to reduce cost and provide clear accountability for delivery on functional lines.

In preparation for the new arrangements from 1 June we have consolidated our structures and created a specific directorate for NOMS in Wales.

The high-level organisational structure at 1 April 2014 is shown below. This structure will evolve further in 2014-15 to incorporate new arrangements for contract management of the CRCs post share sale.



As an Agency of the Ministry of Justice, NOMS' strategic direction is defined by the Ministry's strategic vision for reform, which is to create a more effective, less costly and more responsive justice system for the public. Our part in delivering this is set out in the 2014-15 NOMS Business Plan¹.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/302776/NOMS_Business_Plan_201415.pdf

3.2 Performance against Business Priorities

The following sections provide a summary of our achievements in 2013-14 and a more detailed report of performance against the NOMS business priorities. This section also includes operational performance statistics. The business priorities were agreed by the Agency Board and are set out in the 2013–14 Business Plan and in the chart below.





Preventing Victims by Changing Lives Strategic Narrative 2013-14

This year has been a challenging one across all of our business: in probation, in prisons and in HQ. During 2013-14 NOMS has been delivering the most wide-ranging change programme it has ever been through whilst maintaining every day operations. Delivering this change agenda is tough but it is absolutely necessary as we strive to improve services and reduce costs.

We have been supporting the development and have now commenced implementation of the Government's Transforming Rehabilitation reforms which will fundamentally change the way offenders are managed in the community. From 1 June 2014 the existing 35 Probation Trusts ceased to run service contracts for community provision. Instead a new NPS will manage those offenders who pose a high risk of serious harm to the public. Twenty-one CRCs will manage low and medium risk offenders – delivering the sentences of the court and working to reduce reoffending – being paid in part by the results they achieve. The changes are part of a system wide reform which is underpinned by legislation. This will extend statutory supervision for the first time to all 50,000 offenders sentenced to less than 12 months in custody including some of the most prolific offenders. Additionally this will enable an enhanced 'through the gate' service (see page 18), providing offenders with continuity of support from custody into the community.

In 2013-14 a huge amount of work has taken place in Trusts to prepare for implementation of the new arrangements. During this period of change probation staff have maintained a high standard of work and professionalism.

In 2013-14, we launched 'Our New Way' in prisons. Through its implementation we have made good progress in delivering effective prison regimes at lower cost to the taxpayer. We have done this by implementing a 'Benchmarking Programme' – changing the way prisons operate and ensuring the most efficient operating systems are applied consistently across the estate. The programme is underpinned by two fundamental principles: maintaining safe, decent and secure prisons and providing effective regimes which maximise purposeful activity, promote positive engagement with prisoners and support rehabilitation.

A huge amount of work has been required to make the necessary changes. The fact that overall performance has been maintained demonstrates the capability and the professionalism of prison service staff.

Our prison estate strategy remains focussed on ensuring we have sufficient accommodation to hold those committed by the courts. As part of the programme to modernise our prisons we have closed uneconomic places and commissioned new modern places at The Mount, Peterborough, Parc and Thameside. Work to develop a new 2,100 place prison in Wrexham, North Wales has also begun. By the end of the Spending Review (SR) period we will have more adult male places available than in 2010 and at a lower unit cost.

This has also been a challenging period for HQ staff – both in providing support for staff in Prisons and Probation and in taking forward policy reforms. A key area of focus during the year has been improving our contract management arrangements following the audit we commissioned on EM which identified significant overcharging by providers and shortfalls in our management of those contracts.

In addition, we began the restructure necessary to accommodate the new probation arrangements for June 2014 and work to prepare for the new NOMS in Wales Directorate. This new Directorate has been established because of the distinct differences arising from devolution. The Directorate will ensure that all offender management services in Wales are better integrated across the whole of the offender journey. NOMS in Wales will also ensure that opportunities for end-to-end commissioning and joint commissioning of services are maximised to enable economies of scale, seamless delivery and continuous improvement.

In 2012-13 NOMS received a positive National Audit Office (NAO) report on the 'Restructuring of the National Offender Management Service'. We received a further positive NAO report in 2013-14 on 'Managing the Prison Estate'. Both reports concluded that the Agency was delivering value for money for the taxpayer. We will look to build on this success in 2014-15.



Looking Ahead

During the next 12 months our priority will be delivering our core operational services in the community and in custody while we will continue to deliver the most wide-ranging reform programme in our history. In this challenging year we will:

- Maintain probation delivery and safe, secure and decent prisons within the agreed specifications
- Deliver far-reaching reforms right across our business – in the community, in custody and in HQ
- Complete our SR10 savings programme, delivering a 24 per cent reduction in Agency costs across the four year period – nearly £900m.

In 2014-15 we will welcome around 9,000 probation staff directly into the Agency with the creation of the NPS. This provides a real opportunity for probation and prison colleagues to work even more closely together, to improve our work on public protection and reducing reoffending. We have also established the new NOMS in Wales Directorate, responsible for prisons and probation in Wales, which will ensure that all offender management services in Wales are better integrated across the whole of the offender journey.

But we will not be able to do this within the Agency on our own. We will be working with colleagues in the new CRCs and with partners from the private, voluntary and social sector to help offenders ‘turn their lives around’. In doing so we will stay true to our values and united in our goal: ‘To prevent victims by changing lives’.

The sections below cover our work in 2013-14 to deliver our core services, reform priorities and new ways of working. More detail on our plans for 2014-15 can be found in our Business Plan.

Transforming Rehabilitation

Transforming the way in which offenders are managed in the community in order to bring down reoffending rates.

Our priority during 2013-14 has been to support development, prepare for and begin implementing the Government's wide-ranging reforms to probation and the way offenders are managed and rehabilitated in the community.

In May 2013, the Secretary of State for Justice launched the 'Transforming Rehabilitation Strategy', setting out plans to introduce a new system for the management and rehabilitation of offenders in the community across England and Wales. At the same time, the Offender Rehabilitation Bill was introduced into the House of Lords and received Royal Assent in March 2014. Once the reforms are fully implemented, there will be:

- Twenty-one CRCs, each of which will provide services in its geographical area. The CRCs will be owned and run by successful bidders in the competition that was launched on 19 September 2013 and will deliver services under contract to NOMS. CRCs will manage the majority of offenders in the community
- The NPS, as a public sector delivery arm of NOMS, with a distinct identity for Wales. The NPS will directly manage offenders who pose a high risk of serious harm to the public or those released from custody who have committed the most serious offences. It will have a key role at certain stages of the process for all offenders. For example, in advising the courts on sentencing, determining allocation of offenders based on their risk profile and dealing with enforcement action. Through these activities, NPS will work closely with CRCs
- Extended statutory supervision and rehabilitation for all 50,000 offenders sentenced to less than 12 months in custody, including some of the most prolific offenders. This means that every offender released from custody will for the first time receive statutory supervision and rehabilitation in the community.



Preparation for the NPS and CRCs

Since May 2013, we have been working together with the Rehabilitation Programme Team, Probation Trusts, the Probation Association and key stakeholders to finalise the detailed reforms and begin their implementation. As a result, from 1 June 2014, the new NPS and 21 CRCs took on their planned responsibilities. As part of this we have made preparations for around 9,000 Probation Trust staff to transfer to the NOMS Agency.

All 21 CRCs have been established as companies limited by shares, which are owned by the Secretary of State for Justice until share sale. Chief Executives have been appointed for all 21 CRCs, and NOMS has completed the appointment of two non-executive directors to each company, drawn from existing Trust Board members.

We have devised plans to cover the corporate service aspects of work including IT, HR, Finance, and Health and Safety. This will ensure the provision of shared services to NPS and the CRCs whilst maintaining continuity of business.

In parallel, we have worked across the department to develop robust contract management arrangements, taking on board learning from the MoJ and the wider Government Review of Contract Management, ensuring that arrangements are in line with NAO best practice. (See section on Contract Management page 31).

We have also closely supported the development of contractual payment incentives to ensure that contracted providers will be focussed on the objective to reduce reoffending and paid in full only if they are successful.

Through the gate services

As part of Transforming Rehabilitation, we are putting in place a nationwide service which will work 'through the gate', providing continuity of services for offenders in custody and upon release in the community. Under these arrangements an offender will receive services in prison and be provided with support 'through the gate' to ensure effective rehabilitation. Resettlement services will be delivered by CRCs in custody to all prisoners, with the opportunity for them to begin rehabilitative work pre release with those they will manage post release. A network of resettlement prisons is being developed which will facilitate the smooth transition from custody to community, aiming to release the majority of prisoners into their home area.

Core Work to Reduce Reoffending

In 2013-14 a key focus continued to be our work to reduce reoffending. This is at the heart of the work of all our staff. Our aim has continued to be reducing the level of reoffending and the harm to victims, changing offenders' lives and making communities safer. Our core work in this area is focussed on integrated offender management, effective management in the community and in custody. We do not undertake this work alone, often working in conjunction with other commissioners


The relationship between offender and supervisor is an important part of this work. Purposeful, structured and more effective face to face contact can be a powerful way of changing behaviour. Our 'Commissioning Intentions' document focuses on the importance of delivering effective offender services, enhancing public protection and giving offenders the necessary support to address their offending behaviour.

Key work to reduce reoffending includes:

- Ensuring that there is a sense of purpose in relation to rehabilitation, desistance and progression through a sentence which is shared and understood by all who work with offenders
- Ensuring that all who work with offenders consistently demonstrate behaviours and attitudes that support rehabilitation outcomes
- Learning opportunities offered in prisons, and enhanced access to mainstream learning and employment services for offenders on return to the community
- Making prisons places of work and strengthening the focus on employability post-release
- Work with specific groups of offenders, including through targeted Offender Behaviour Programmes
- Targeting resources on evidence-informed interventions and services which are likely to deliver the best outcomes for the investment

In 2013-14 other key work to reduce reoffending included:

- Aligning the Offenders Learning and Skills Service with the implementation of Transforming Rehabilitation. Working in partnership with the Skills Funding Agency, from the beginning of the 2014-15 academic year, all prisoners will be subject to a mandatory assessment of their competence in Maths and English
- The Virtual Campus which continues to show an increased usage within prisons. The Campus enables prisoners to access some online resources, including searching and applying for jobs through a very secure internet system

- 
- The migration of all data from the 43 case management systems (circa 2 million records) in use in the 35 Probation Trusts into a new single National Case Management System – National Delius
 - The migration of 43 separate Risk of Serious Harm and Needs Assessment Tools into one single tool, known as OASys
 - The roll out of National Prison Radio, which runs a number of programmes aimed at providing information on reducing reoffending and helping prisoners maintain contact with families
 - Working with partners to ensure the changes to the structures responsible for commissioning healthcare have a positive impact on outcomes
 - Working closely with the Department of Health to support the preparation and passage of the Care Bill which is currently before Parliament. This will clarify the statutory responsibility to ensure that prisoners, residents of approved premises and people subject to bail and criminal proceedings receive the same access to social care services as the general community
 - Co-commissioning Offender Personality Disorder Services with NHS England. During 2013-14 we started a joint programme to improve and expand access to a pathway of services for offenders with severe personality disorders.

Reducing Prison Unit Costs

Radically reshaping the way prisons operate and reducing overall unit costs

In 2013-14 we have made significant progress in reducing prison unit costs whilst maintaining a good service for the public. We have done this sustainably by establishing safe, decent, secure and efficient operating levels across public sector prisons in agreement with prison governors and their senior teams. This enables them to deliver regimes and more efficient operating models which help reduce the risk of prisoners reoffending. We have also continued to modernise our estate to ensure it offers best value for money to the taxpayer. Our focus in delivering this work has remained on maintaining safe, decent and secure prisons and ensuring positive engagement with prisoners.

The Prison Unit Cost Programme is driving the necessary changes. This consists of four inter-related work streams:

- **Specification and Commissioning** - to ensure we are commissioning the right services and targeting the right offenders. The 'Commissioning Intentions' document for 2014 and beyond was published in October 2013 and public sector prisons have agreed Service Level Agreements for the year ahead
- **Delivering the Public Sector Benchmarks** – which was identified during the most recent prison competition process, has ensured that public sector prisons operate in a new way to deliver offender regimes at less cost. Implementation of the Public Sector Benchmarks in phase one of the programme was applied to 50 Local and Category C prisons from October 2013. Some public sector prisons in phase two of the programme moved onto the benchmarks in late 2013-14 and the remainder will move in 2014-15
- **Capacity Management and Reconfiguration** - to close uneconomic accommodation and open new efficient places at lower cost (see Prison Capacity section overleaf)
- **Competing the Delivery of Services** - In 2013-14 we have maintained the momentum of our reform work, to open up the delivery of public services. This will include competing works and facilities management services at scale across 106 prisons. Invitations to tender for prison works and facilities management services currently costing approximately £110m were issued to the providers on the MoJ's Total Facilities Management Framework on 13 January 2014.



Prison Competitions

In 2013-14 we completed the current prison competition process. The main outcomes were:

- The responsibility for operating HMP Wolds transferred from G4S to Public Sector management on 1 July 2013, when the contract with G4S expired
- The competition for HMP Northumberland resulted in a contract award to Sodexo in July 2013, with Sodexo successfully taking responsibility for the operation of the prison on 1 December 2013
- We identified some new ways of working that could deliver improved regimes, and cost less. We are now applying these to introduce and establish more competitive benchmarks which are being applied at pace across public sector prisons. This is being taken forward through the Prison Unit Cost Programme and will deliver substantial savings (£306m pa cost reduction) by 2015-16
- The competition for the South Yorkshire cluster of prisons was ended on 22 November 2013 with no contract award made. Following the Secretary of State's decision to end the competition, the South Yorkshire cluster will remain under public sector management. Costs will be reduced by applying the Public Sector Benchmark

Prison Capacity

Following the Secretary of State's announcement in September 2013 four prisons were closed by December 2013 amounting to closing 1,400 uneconomic places, saving approximately £30m annually.

Ashfield, which was part of the Young People's Estate commissioned by the Youth Justice Board, changed its function to an adult male Category C establishment in July 2013. In addition, two prisons have been converted to male prisons: Downview converted from a female prison and Warren Hill, which formerly held Young Offenders. This restructuring will allow for the more effective use of custodial accommodation and form part of the Agency's overall plans to reduce prison costs by over £500m within this SR period, with the target for prison closures alone contributing gross savings of around £170m.

A key component of our prison estate strategy is to ensure we will always have enough places to receive into custody those committed by the courts. During 2013-14 work also began constructing new accommodation at The Mount, Peterborough, Parc and Thameside. These will all be operational by April 2015. In addition, we are constructing a new 2,100 place prison in Wrexham, North Wales which is scheduled to be fully operational by late 2017. By the end of the SR period and as a result of our capacity management programme we will have more adult male places than in 2010.

Women's Estate Review

The Women's Estate Review was published on 25 October 2013. The Review produced 17 high-level recommendations which signalled a new way of working for women's prisons – starting with ensuring that decision-making for women offenders takes into account three key priorities:

- Proximity to family (in particular dependent children) to maintain family ties throughout sentence
- Ability to access interventions to reduce risk of reoffending and meet women's needs
- Opportunity for meaningful resettlement which can continue on release, in line with the Government's Transforming Rehabilitation Programme.

Implementation of the review will therefore provide women with improved resettlement opportunities, including the establishment of employment links outside the prison for appropriately low risk women, whilst maintaining closeness to home.

During 2015, NOMS will be developing a new approach to the resettlement of women prisoners by opening units at HMP Styal and HMP Drake Hall and developing a further outlet of the successful Clink Restaurant, which will provide training and employment opportunities for offenders.



Deliver Core Probation, Prison and Corporate Services

Delivery of our key operational services and managing system wide delivery of offender services in England and Wales

In a year of significant change we have remained focussed on delivering our key operational services. We have maintained our focus on protecting the public, reducing reoffending and enforcing the orders of the courts. The following sections outline our main delivery achievements in 2013-14.

Delivering Core Operational Services

Probation

Delivering the Transforming Rehabilitation reforms at the same time as core services has been a significant challenge for probation delivery during the year. Trusts have remained accountable for ensuring public protection and maintaining business as usual in this time of considerable change. All Trusts have continued to deliver to a high standard and achieved a good overall performance.

Against a backdrop of reducing caseloads, Probation Trusts have delivered their savings targets and maintained overall levels of performance.

Through the period of transition to new structures, the probation service has continued to demonstrate its professionalism in maintaining operational delivery. The completion rate for offenders on orders and licences once again increased slightly, and the service has reduced its levels of sickness absence.

Measured across custodial and community settings there have been rises in both the percentage of offenders in employment and in the percentage of offenders in settled and suitable accommodation at end of sentence.

Further details on our operational performance in 2013-14 can be found in the Operational Performance section.

Prisons


We continue to hold securely the offenders whom the courts sentence to custody. While driving down prison unit costs through implementing benchmarking and new ways of working, we have ensured that prisons continue to be safe, decent and secure places to work, live and visit.

We launched ‘Our New Way’ in 2013-14 and through its implementation have made good progress in delivering effective prison regimes at lower cost to the taxpayer. We have done this sustainably using the Benchmarking Programme to enable a more efficient operating model which helps reduce the risk of prisoners reoffending.

Given the scale and the pace of change, we recognise that it will take time to embed and underpin the cultural change which ‘Our New Way’ spearheads. These changes complement the contribution public sector prisons will make to the wider Agency’s commitment to supporting the ‘Transforming Rehabilitation’ reforms and the reconfiguration of the prison estate, preparations for which are well underway.

In 2013-14 planned savings in public sector prisons have been delivered and performance has generally been maintained during a year of significant change. Highlighted achievements within public sector prisons during 2013-14 include:

- The implementation of benchmarking to 50 Local and Category C training prisons
- The commencement of benchmarking in women’s prisons, Category B training prisons, Young Offenders Institutes (YOIs), the High Security Estate and open prisons, and the design of benchmarks for the under 18 Young People’s estate
- Preparations to enable the CRCs to deliver ‘through the gate’ resettlement services
- Successful introduction of a new Incentives and Earned Privileges (IEP) scheme in public sector establishments. This ensures that progression through local IEP schemes to earn privileges is linked to responsible behaviour and positive engagement with rehabilitation and regime requirements. To gain the top level of privileges, prisoners must now help staff and other prisoners
- Development of more streamlined arrangements to enable the Agency to work more responsively and closely with Commissioners, including in the provision of co-commissioned health and education services and more broadly in an increasingly diverse delivery landscape
- Delivering savings of £84m through benchmarking and efficiencies and undertaking the work to facilitate a further £75m savings in 2014-15



In managing these challenging changes we are maintaining and sharpening our focus on delivering safe, decent and secure prisons which meet the requirements of NOMS' Operating Specifications, and which provide an environment and services that support the wider rehabilitative effort. We have in place arrangements to alter the local pace of change in order to manage this sensibly and mitigate the inevitable operational risks.

Safety, Security, Decency and Public Protection

In taking forward our reforms in prisons we are determined not to compromise safety, security, decency and public protection.

An Operational Assurance Board has been established to approve new working arrangements, and to ensure effective transition / mobilisation plans are in place to support the changes.

The Board has increased the benchmarked operational staffing levels in phase one prisons by over 300 posts in response to specific local issues and risks. This process demonstrates our commitment to managing the changes carefully and to maintaining safety, security and decency as a priority.

Safety

There is growing evidence that we are managing a more challenging prison population with the younger male adult population more prone to higher levels of violence than we have previously seen.

The overall level of assaults across the prison estate has reduced (with a rate of 167 assaults per 1,000 prisoners in 2013). However, it is concerning that, in particular, the number of serious assaults (on both staff and prisoners) has increased (1,575 incidents in 2013 accounting for 11 per cent of total assaults).

Action is being taken to address this. During 2013 we commissioned detailed work to review management of violence in custody which will lead to revised policy and implementation of action to reduce violence across the prison estate over the next 12 months. We have also strengthened our work with the police and the CPS to ensure that acts of violence are prosecuted in the courts.

The total number of reported incidents in prisons has increased – however, this is largely driven by a significant rise in ‘at height’ incidents where prisoners climb, for example onto safety netting as a means of protest. The vast majority of these incidents are of very short duration and are managed locally. Serious or prolonged disorder in prisons remains rare. Staff work professionally to de-escalate incidents and where this fails action is taken swiftly to resolve the situation and maintain order.

Around 23,000 incidents of self harm occur in prisons each year involving approximately 7,000 prisoners. The number of self harm incidents amongst women has fallen significantly in recent years, although women still account for a disproportionate number of incidents. Conversely, self harm incidents amongst the adult male population have increased.

Tragically, during this year there has been an increase in the number and rate of self-inflicted deaths². Whilst the rate of self-inflicted deaths was higher in the late 1990s and early 2000s the recent increase is of course a concern. We have undertaken work to ensure learning from the recent deaths is understood and disseminated and we are increasing safer custody measures in a targeted way across the estate to provide additional support to Governors where this is needed.

Security

Prisons have a duty to keep the public safe by holding securely those committed by the courts. Our record on escapes³ from prison and prison escorts remains very strong – with only four escapes in 2013-14.


At any one time around 6,000 prisoners are held in open prisons. Open prisons have played an important part in the prison system since 1936, holding lower risk offenders and preparing long term prisoners (including those serving indeterminate sentences) for release back into the community. As a result of improved risk assessment procedures the number of prisoners absconding⁴ from open prisons has reduced significantly over the last 10 years. There were 225 absconds in 2013-14 compared to 1,301 in 2003-04. Prisoners in open prisons can be released into the community on temporary licence to take part in work or resettlement activities to support rehabilitation. In 2013 there were over 500,000 releases on temporary licence with over 99 per cent being completed successfully. The number of prisoners who breach temporary release conditions and are arrested on suspicion of committing a further offence is relatively small (26 in 2012⁵) – but

² <https://www.gov.uk/government/collections/safety-in-custody-statistics>

³ An escape involves a prisoner overcoming a physical barrier or restraint

⁴ An abscond involves a prisoner leaving lawful custody without having to overcome a physical barrier or restraint

⁵ Table 4, Releases on Temporary Licence ad-hoc statistical bulletin,
<https://www.gov.uk/government/publications/statistical-notice-releases-on-temporary-licence-2012>



where they occur such breaches are serious, and undermine public confidence in the system.

Following three high profile temporary release failures in the summer of 2013 – one of which tragically resulted in the murder of a member of the public - the Secretary of State ordered a review of the Temporary Release system. In March he announced that tougher arrangements were to be introduced during 2014-15 including electronic tagging of offenders. Implementation of the new arrangements were brought forward following further temporary release failures in May 2014. Tagging will be introduced from December 2014 once the new technology becomes available.

In addition to the changes we are making to strengthen the Temporary Release system we have undertaken a wide range of security related activities in 2013-14 including:

- Preventing Escapes - We continue our work on preventing the escape of prisoners, with a completed protocol with court services, Escape List⁶ review and a scheduled new Escorts Prison Service Instruction. Whilst escapes remain at a low level, this extensive programme of work continues to strengthen our existing arrangements
- Tackling Organised Crime - NOMS has continued to work effectively with stakeholders, working with partner agencies to manage those involved in Serious Organised Crime
- Tackling Radicalisation - We have allocated resources to tackle radicalisation and extremism including overseeing the management of the most high risk extremists, working with partner agencies to manage threats and supporting frontline staff to counter extremist ideology
- Technology - NOMS has delivered the roll-out of the Mercury Intelligence System to effectively share intelligence to reduce labour intensive processes in important areas. Mercury allows NOMS to replace existing intensive practices in a number of areas, which include:
 - maintaining control and order within prisons
 - reducing drugs and mobile phones in prisons
 - preventing escapes and
 - managing risks posed by extremism and radicalisation.

⁶ A local list of prisoners who require security processes additional to those normally applied at the establishment in order to manage the identified risk of escape

- Drugs – NOMS continue to provide an improved framework to reduce the supply of drugs into prison, supporting drug free wing pilot sites and a trial of pioneering drug detection technology
- Mobile Phones - The disruption of mobile phone use for criminal activity continues to be a key area of focus for NOMS. In response, NOMS has put in place a new strategy for tackling illicit mobile phones
- Tackling Corruption - NOMS had a directly employed workforce of 35,630 as at 31 March 2014 and works with a wide range of partners. The vast majority of our staff and partners are committed professionals but as in any large organisation there are a small minority of corrupt staff who put their colleagues at risk. We have continued our efforts to detect, deter and disrupt corrupt staff in both public and private prisons and we remain committed to working collaboratively with law enforcement agencies to investigate and prosecute any individual abusing their public position. During the reporting year (2013-14) there were 24 individuals convicted by the courts and 10 Police Cautions. In addition 44 staff were dismissed or resigned as a result of corruption related disciplinary proceedings and investigations


Decency

Although in a transitional period and moving to new arrangements we have continued to promote and maintain decency in all our work and have improved physical conditions where we could. A fundamental feature of these new arrangements is the provision of sufficient staff to ensure that prisons can enable decency through the structure of the daily and weekly institutional routines. These provide time not only for the delivery of regime activities which help reduce prisoners' risks of reoffending and which assist their resettlement on release, but also for enabling basic requirements to be met - such as access to showers, clothing exchange and the cleanliness of living areas.

Additionally, we are developing initiatives which help promote the effectiveness of staff who work in prisoner-facing roles. These are based on research which has demonstrated the importance of staff professionalism and the significance of the quality of the daily interactions staff have with prisoners.

Public Protection in the Community

The National Multi-Agency Public Protection (MAPPA) team have been assisting MAPPA leads in meeting their statutory responsibilities in managing known high risk sexual and violent offenders.



Support and advice has been provided throughout 2013-14 to Probation Trusts in managing some very complex and high risk cases, including offenders convicted of terrorism or terrorism-related offences. There are around 120 offenders registered as Critical Public Protection (CPP) cases at any one time.

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

We have ensured efficient procedures operate to recall offenders to custody for breaches of their licence conditions throughout 2013-14. NOMS has operated an 'out of hours' service, to ensure that urgent recall requests are dealt with outside of normal working hours along with servicing an increased number of parole reviews.

Work in Prisons

Real progress continues to be made in the delivery of work for offenders across the prison estate. Work is defined as purposeful activity in prison which generates revenue or a product, either through a service or sales. This work does not include prisoners that are actively employed in support of the prisons; such as education, programmes, kitchens and domestic work.

NOMS has secured significant increases in the number of hours worked by offenders and the number of offenders undertaking work whilst in custody. Statistics published in July 2013⁷ show that in 2010–11 public sector prisons delivered around 10.6 million prisoner working hours which increased to over 13.1 million hours in 2012–13 with a further reported 1.5 million hours worked in private prisons⁸. Over the last three years the average number of prisoners working at any one time in public sector prisons increased from around 8,600 to around 9,700 in 2012–13 with a further reported 1,200 working in private prisons⁹.

The overall future growth strategy is based on gaining significant contracts for prisons that have the facilities and physical space to support such work. Prisons are also tasked with seeking commercial work at local levels. This has clear commercial and social benefits of developing business within prisons and is well received within the business community. Our Code of Practice identifies how we will work fairly to

⁷ NOMS Annual Report 2012-13: Management Information Addendum (pages 51 and 52)

⁸ ONE3ONE Solutions First Year in Business 2012-13

⁹ Figures do not include the substantial numbers of prisoners employed in support of the prisons; such as in kitchens or cleaning or work placements undertaken by offenders on release on temporary licence.

safeguard jobs in the community and ensure that prisoners continue to be treated with respect.

Corporate Services and other core priorities

Our HQ continues to provide Finance, HR, ICT and operational support to the Agency. This work includes supporting and enabling the Agency to deliver against its reform priorities and helping identify and deliver savings opportunities. Corporate services have been key to supporting the delivery of offender management across the NOMS operating model through this period of unprecedented change and financial challenge.

Contract Management

A key issue for the Agency and wider Department is improved contract management. The Department has been taking action to address the management of EM contracts and to review all aspects of contract management across the Department. This follows significant discrepancies we identified during the re-compete of the EM contract in the existing billing practices of Serco and G4S. Working alongside MoJ, we have managed to secure recovery of these overcharged funds (£168m) and the matter was referred to the Serious Fraud Office.


We are determined to take a more robust approach to contract management across NOMS. A project was commissioned in December 2013 to respond to both the MoJ and cross-government reviews of contract management, to enable the implementation of improvements within NOMS.

The MoJ Contract Management review identified some weaknesses but also some areas of good practice. This has resulted in a number of recommendations aimed at achieving best practice. These changes will enable contracts to be managed more robustly in future, delivering the best possible value for the taxpayer.

Electronic Monitoring

In 2013-14 we have been engaged in re-competing the EM contracts to introduce new technology and innovation whilst reducing unit costs.

A key intended innovation is the Multi-Purpose Ankle Tags that will use a range of technologies to provide both curfew and location monitoring of offenders using a single tag. The new technology will include (but is not limited to): Radio Frequency association similar to the current curfew systems; GPS and related satellite positioning systems; and the use of mobile phone networks to provide location.



Interim services commenced in early 2014 with Capita taking over delivery of the service from Serco and G4S.

Corporate Services

Other key corporate services work during 2013-14 included:

- Delivering the NOMS Transforming Rehabilitation Implementation Project to ensure all directorates across NOMS are ready to support the new probation arrangements
- Delivering key work to support the Agency's priorities including the Prison Unit Cost Programme and preparation for the creation of the NPS
- Development of an IT strategy and 'five year vision' for the NOMS Agency
- Working closely with the Home Office both at operational and policy making levels to ensure that foreign national offenders are effectively managed and decisions to remove a prisoner are made in a timely manner
- Designing a new finance function model in public sector prisons which will be implemented in 2014-15
- Driving timely, real improvements in attendance management across NOMS
- Providing a flexible resource to support to the TUPE (Transfer of Undertakings Protection of Employment Regulations) and pension advice including supporting the successful transfer of staff at HMP Northumberland

Resources

Drive continuous Improvement, Innovation and Efficiency

The financial year 2013-14 was the third year of the current SR period and we have continued to successfully deliver against stretching savings targets across the period. In 2013-14 we have delivered savings totalling £274m on top of the £475m savings delivered in 2011-12 and 2012-13. This represents a further reduction in 2013-14 of seven per cent of the resource budget, against the SR baseline. This has been a significant challenge, and we have achieved these savings whilst maintaining our focus on protecting the public, reducing reoffending and our responsibility to enforce the orders of the courts.

We have achieved these savings through a number of programmes including:

- Completing the wholesale restructure of our HQ (with new structures in place from 1 April 2012). This delivered a further £22m savings in 2013-14 (£86m since the start of the SR) and will achieve a reduction of 37 per cent (£92m)¹⁰ in NOMS HQ costs over the SR period
- Delivering efficiency savings in frontline services, with public sector prisons making benchmarking and efficiency savings of four per cent (£84m) as part of the Prison Unit Cost Programme and probation making savings totalling three per cent (£26m) in 2013-14. This is in addition to the nine per cent (£179m) public prisons and ten per cent (£90m) Probation Trust efficiency savings that were successfully delivered in 2011-12 and 2012-13
- A capacity management programme to ensure the most effective use of the prison estate. Since the start of the SR, we have opened new accommodation at prisons at a much lower unit cost. This has enabled us to reconfigure the estate and to close less efficient, uneconomic places across a number of sites/prisons. In 2013-14 £88m savings were delivered through the closure of uneconomic prison places as part of the Prison Unit Cost Programme, and we have saved £133m in total since the start of the SR. The closure of prisons in December 2013 will contribute significantly to the Agency's savings target in 2014-15 and significantly reduce the Department's maintenance liability

¹⁰ Forecast level of savings have increased from £91m as noted in NOMS Annual Report 2012-13

- Other savings, including contract spend and wider efficiencies totalling £54m in 2013-14

Decisions on where to target financial savings have been and will continue to be based on protecting operational delivery and frontline services and meeting our legal and regulatory requirements.

Financial Performance

Results for the Year

The Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) for the year is shown on page 80.

Operating costs

The financial accounts report net operating costs after taxation for 2013-14 as £3,757m (2012-13: £4,077m), a year on year decrease of £320m. The year end net operating costs reflect a number of specific items and adjustments incurred in 2013-14 compared to 2012-13.

Further information on financial performance, key estimates and assumptions can be found in the Accounts section of the Annual Report and Accounts.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position and Consolidated Cash Flows are on pages 81 to 83. The net asset position increased from £4,059m at 31 March 2013 to £4,223m at 31 March 2014, a movement of £164m.

The main drivers were:

£189m of capital additions, the largest area of capital spend was on house blocks and other accommodation.

The net pension liability has decreased from £1,338m in 2012-13 to £1,247m in 2013-14, a movement of £91m which reflects a triennial revaluation and improved stock market performance.

Operational Performance


NOMS Operational Performance 2013-14

MEASURE	JULY 2011- JUNE 2012 COHORT	2000
One-year proven reoffending rate for adult offenders discharged from prison or commencing a court order ¹¹	35.4%	40.9%
MEASURE	OUTCOME 2013–2014	OUTCOME 2012–2013
Delivering the Punishment and Orders of Courts		
The percentage of orders and licences that are successfully completed	77.2%	77.0%
The percentage of prisoners held in crowded ¹² accommodation across the prison system	22.9%	23.3%
The rate of self-inflicted deaths per 100,000 prisoners (3-year rolling average)	78	66
The rate of drug misuse in prisons as reflected by those testing positive in mandatory drug tests	7.4%	7.0%
Public Protection		
The number of Category A escapes	0	1
The number of escapes from prison and prison escorts ¹³	4	1
The rate of escapes from prison and prison escorts as a proportion of the average prison population	0.005%	0.002%
The number of escapes from contractor escorts	9	9
The rate of escapes from contractor escorts as a proportion of the throughput of prisoners	1 in 93,308 prisoner movements	1 in 96,867 prisoner movements
Reducing Reoffending (supplementing the overarching impact indicators)		
The percentage of offenders in employment at termination of their sentence, order or licence	38.0%	37.7%
The percentage of offenders in settled and suitable accommodation at termination of their sentence, order or licence	87.7%	86.9%
Staffing Indicators		
Staff sickness: average days per annum (NOMS and Probation Trusts)	10.53 days	10.41 days
Proportion of black and minority ethnic staff in the Agency (NOMS and Probation Trusts)	9.6%	9.1%

¹¹ Proven Reoffending Statistics Quarterly Bulletin July 2011-June 2012 <https://www.gov.uk/government/publications/proven-reoffending-statistics-quarterly-statistics-july-2011-to-june-2012>

¹² Crowding occurs when the number of prisoners in an accommodation unit exceeds the Certified Normal Accommodation in that unit

¹³ These figures do not include the Category A escape in 2012-13



The MoJ Proven Reoffending Statistics Quarterly Bulletin provides key statistics on reoffending in England and Wales, including proven reoffending rates for adult offenders released from prison or commencing a court order. For the most recent reporting period, between July 2011 and June 2012, around 190,000 adult offenders were discharged from prison or commenced a court order. Around 66,000 of these offenders were proven to have committed a re-offence within a year. This gives a one year proven reoffending rate of 35.4 per cent, which is slightly down compared to a year earlier. A comparison against the year 2000 baseline shows a 5.5 percentage point decrease in the rate of proven reoffending (from 40.9 to 35.4).

There was a further slight fall in the percentage of prisoners in crowded accommodation, from 23.3 per cent in 2012-13 to 22.9 per cent in 2013-14 despite increased population pressure from December onwards.

The three-year rate of self-inflicted deaths at March 2014 (78 per 100,000 population) is a matter we take extremely seriously, see Safety section on page 26.

Through the period of transition to new structures, the probation service has continued to demonstrate its professionalism in maintaining operational delivery. The completion rate for offenders on orders and licences once again increased slightly, from 77.0 per cent to 77.2 per cent and the service has reduced its levels of sickness absence.

Measured across custodial and community settings there have been rises in the percentage of offenders in employment at end of sentence (from 37.7 per cent in 2012-13 to 38.0 per cent in 2013-14) and in the percentage of offenders in settled and suitable accommodation at end of sentence (from 86.9 per cent to 87.7 per cent).

The overall rate of staff sickness for NOMS (HQ, public prisons and Probation Trusts) rose during 2013-14, from an average of 10.41 days per member of staff in 2012-13 to 10.53 days in 2013-14. The longer-term trend has been downward – and levels fell in the probation service and NOMS HQ in 2013-14 – but we will continue our focus on attendance management into 2014-15.

3.3 Equality

Working towards our equalities objectives

We published our equality objectives in the NOMS Business Plan 2013-14.

We are committed to fairness. We treat our staff properly and ensure equality of opportunity. We deliver our services fairly and respond to individual needs. We insist on respectful and decent behaviour from staff, offenders and others with whom we work. We recognise that discrimination, harassment and bullying can nevertheless occur and we take prompt and appropriate action whenever we discover them.

This chapter provides a high level description of some of the work that we did to further our objectives during 2013-14. Equalities monitoring data for this period will be published separately in our Equalities Annual Report in November 2014.

Equality Objectives

Equality Monitoring Data: Offenders

In 2013 we began work to improve the equality data information (protected characteristics¹⁴) collected from prisoners. This work is ongoing but significant improvements have already been realised. Data coverage across ethnicity, age, gender and disability are all to a point where credible information can be reported on. We have also updated its local/national equality monitoring tool to allow monitoring of selected prison regime activities across a wider group of protected characteristics¹⁴.

Equalities Monitoring Data: Staff

We have made improvements to our management information and now receive quarterly reports from our HR analysts on staff in post by the following protected characteristics: age, gender, full/part time, ethnicity, disability, sexual orientation and religion /belief. The information is broken down by grade and region. However, as is the picture across Government, we continue to struggle to raise our declaration rates which impacts on the validity of this data. We are working closely with the MoJ on this. Data on the NOMS Staff Gender split can be found in the Directors' Report.

¹⁴ Protected Characteristics – Race/Nationality, Age, Disability, Sexual Orientation and Religion



Disability: Prisoners with Learning Disabilities

In 2013-14 and 2014-15 NOMS awarded grants to external stakeholders. The funding allowed for the improving of capacity for third sector partners, other statutory organisations and NOMS to work with offenders with communication difficulties/disabilities. We are also working on developing an appropriate tool to determine whether prisoners have learning disabilities.

Disability: Reasonable Adjustments for Staff

We are developing a toolkit, which assists both staff and managers through the process of managing disability. It has been developed with assistance from key stakeholders across NOMS. We have also been contributing to a cross Government project aimed at pooling resource around provision of reasonable adjustments in the most complex cases. The project's recommendations have now been accepted and work has begun to implement these.

Commissioning and Contracted Services: Effective Management of Equality Issues

We have introduced two new commissioning intentions, both designed to ensure equality is included in any service level agreements with custody providers. These intentions ask that service provision identifies its service user and ensures the needs of the user are considered in the design and implementation of the service.

Women Offenders: Improved Outcomes

We have made significant progress in the past year to help improve outcomes for women offenders and equip them with the tools they need to turn their lives around and stop committing crime. We published a review of the women's custodial estate in October 2013 which announced a reconfiguration of the way women's prisons are run, including making all prisons resettlement prisons. Taking forward the recommendations in the review, we are developing and enhancing community employment regimes for appropriately low-risk women across the entire women's prison estate, to improve opportunities for developing employment links to where women will be resettled. We are also improving women's access to interventions and sentence progression by improving and increasing prison capacity near to urban areas. We will continue to press forward on delivering work to address the needs of women offenders and reconfigure the women's estate.

3.4 Our People

A diverse range of staff working in Probation, HM Prison Service and NOMS HQ were honoured with numerous awards in 2013-14. The selection below represents some of the major national awards received.

Queen's Birthday Honours

Nine members of staff from across NOMS received awards in Her Majesty the Queen's Birthday Honours List 2013.

MBEs have been awarded to:

George Baker, Senior Officer, HMP Huntercombe – For services to the community
Stephen Paice, Manager E, HMP Featherstone – For services to the Prison Service and prisoner education

Bushra Altaf Sheikh, Senior Probation Officer, West Yorkshire Probation Trust – For services to Probation work including ethnic minority communities

Leonard Willoughby, Instructional Officer, HMP Kirkham – For services to the Prison Service and prisoners

The British Empire Medal has been awarded to:

Paul Brett, Senior Officer, HMP Northumberland – For services to the Prison Service
Sylvia Cape, Volunteer, HMP Northumberland – For services to prisoners and their families

Edward Humphreys, Volunteer, Leicestershire & Rutland Probation Trust – For services to the Probation Service

Sarah Peel, Operational Support Grade, HMP Full Sutton – For services to the Prison Service and prison visitors

Peter Singleton, Administration Officer, HMP Whitemoor – For services to the Crown and voluntary services

New Year's Honours

The OBE has been awarded to:

John Biggin, Director, HMP & YOI Doncaster - For services to offender management and rehabilitation

Christine Goldstraw, Trust Chair, Nottinghamshire Probation Trust – For services to Probation and Criminal Justice



MBEs were awarded to:

Ilid Davies, Head of Public Protection, London Probation Trust - For services to public protection and the rehabilitation of residents of Approved Premises

Dean Gardiner, Senior Manager D, HMP Wormwood Scrubs – For services to prisoners

John Home, Director, Willowdene Farm Rehabilitation & Training Centre – For services to the rehabilitation of offenders

Lionel Hopkins, Chaplain, HMP Swansea – For services to prison staff and prisoners

The British Empire Medal was awarded to:

Judith Thomas, Volunteer, HMP Wormwood Scrubs – For services to the Prison Service

Civil Service Awards

Paul Foweather, Governor at HMP Full Sutton, won the Leadership Award at the Civil Service Awards.

He was recognised for his leadership in delivering outstanding operational performance and achieving impressive cultural change at one of the country's most complex and demanding high security prisons.

He maintained a strong operational focus in delivery while also developing the prison into an international business hub and developing a model practice for integrated drug strategy delivery.

Butler Trust Awards

The 2013-14 winners of the prestigious Butler Trust Awards included nine individuals or teams from public and private sector prisons in England and Wales, and six from Probation Trusts in England and Wales. The winners and an additional 23 commendees attended a ceremony at Buckingham Palace presented by The Butler Trust's patron, HRH The Princess Royal. This year's Princess Royal's Prize for Outstanding Achievement went to Andrew Small, a PE Officer from HMP Huntercombe. Full list of winners and commendees here:

<http://www.thebutlertrust.org.uk/winners>

Prison Officer of the Year Awards (internal)

Sharon Edmond, winner of the Prisoner Care and Management Category was named overall winner and Prison Officer of the Year 2013.

The officer at HMP and YOI Holloway was picked by Phil Copple, Director of Public Sector Prisons, who said: “I just felt she embodied our values so well and is doing an excellent job. She is clearly respected by all those she works with.”

Probation Champion of the Year (internal)

Melanie Bigg, winner of the Offender Management category was named as the overall winner of the Probation Awards 2013.

Phil Copple said at the time of the awards: “I felt that Melanie stood out in respect of her exceptional ability to engage often difficult offenders, motivate them to change their ways, assess their attitudes and actually through that to really live the value of preventing victims by changing lives.”

Sony Radio Academy Awards

Word Up, a Brixton run section of National Prison Radio, was given Bronze in the Community Awards for its intimate and compelling listening which allowed prisoners to explore their experiences and feelings through poetry.



3.5 Sustainability Report

Introduction

This is the third Sustainability Report for the National Offender Management Service (NOMS) prepared in accordance with 2011-12 guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting', and in line with the Government's Greening Government Commitments (GGC). These form the primary Sustainable Development efficiency driver across Government and include a series of reduction targets in areas such as carbon from energy, waste and water.

Further details are available at:

www.hm-treasury.gov.uk/frem_sustainability.htm

<http://sd.defra.gov.uk/gov/green-government/commitments/>

This report covers 106 public sector prisons, NOMS shared service and administration buildings and sites, four privately operated prisons contracted to provide sustainability data to MoJ and 35 Probation Trusts. Probation Trust shared occupations are not accounted for in this report, due to the limitations of extrapolating reliable sustainability data from service charge data. As these are modest in number or reported by the major occupier there is little benefit in extrapolating their sustainability data. This approach is consistent with last year's report and with the wider Government approach. Utilities consumed in prison industries are removed from consumption reporting to provide greater operational consistency between prisons. We do not consider that the exclusion of these areas has a material impact on sustainability reporting as a whole.

Governance, responsibilities and internal assurance

Overall governance and assurance is the responsibility of the MoJ Sustainable Development Team (SDT). Energy efficiency projects are managed through a variety of means including the MoJ Carbon Reduction Programme which prioritises projects against potential cost and carbon savings.

There remain some limitations to the accuracy of our financial and non-financial sustainability data. We are continuing to improve the quality of our internal controls, for example through internal audit, further engagement with both internal and external stakeholders and enhanced monitoring devices such as automated meter readers.

Business Plan commitments

Overall MoJ sustainability commitments are set out in an annex to the MoJ Business Plan 2012-15 as follows:

Assess and manage environmental, social and economic impacts and opportunities in its policy development and decision-making.

To enable the embedding of sustainable development principles into day to day working practices MoJ holds monthly Sustainable Development Board meetings, chaired by an MoJ Board-level 'Sustainable Development Champion', to steer and agree programmes of work and improve working practices across the different disciplines in the Ministry.

Implement the Department's plan to deliver on the Greening Government Commitments (GGC), supplying quarterly information and contributing to an annual report on progress.

GGC was launched on 1 April 2011, requiring Government departments to take action to significantly reduce environmental impact by 2014-15 (compared to a 2009-10 baseline). GGC objectives are a key priority for MoJ Estates Directorate, and are managed, reviewed and monitored by the SDT.

Sustainable procurement: Procure from small businesses with the aspiration that 25 per cent of contracts should be awarded to Small and Medium Enterprises (SME).

The MoJ is one of the top performing departments in Government in respect of expenditure with SMEs. In 2012-13, 35 per cent of MoJ spend went to SMEs, exceeding the Government's aspiration of 25 per cent. We have increased MoJ's spend with SMEs over the past two years by implementing a number of process changes to increase transparency and make it easier for SMEs to bid for MoJ work. This includes:

- Appointing a Ministerial SME Lead, supported by an SME Champion in MoJ's procurement team to oversee the implementation and delivery of the SME Action Plan www.gov.uk/government/organisations/ministry-of-justice/about/procurement
- Advertising business opportunities over £10,000 on Contracts Finder, the single advertising portal for Government opportunities, to ensure that businesses everywhere can bid for contracts

- 
- Publishing a quarterly pipeline of forthcoming opportunities on the MoJ website, providing SMEs with early sight of forthcoming tender opportunities to help them plan and, where appropriate, to enable them to either form consortia or join prime contractors in order to be in a stronger position to bid for our business www.gov.uk/government/organisations/ministry-of-justice/about/procurement
 - Removing the Pre Qualification Questionnaire for all sub Official Journal of the European Union tenders
 - Where possible, splitting large contracts into smaller “lots” that are more suitable for SMEs to bid for
 - Implementation of more efficient operating procedures to ensure that all but the most complex procurements are completed within the Government’s new 120 day target, and have discontinued the use of the lengthy Competitive Dialogue competition procedure unless it can be demonstrated that it delivers value for money. Our procurement projects are now being undertaken using the EU Open Procedure
 - MoJ has also been trialling Project Bank Accounts for construction suppliers, which aims to get payment to SME subcontractors immediately when the main contractor is paid, to further support SMEs working with Government. We already include a fair payment clause in all contract documentation with main contractors, which ensures payment to those further down the supply chain within 30 days

These measures will encourage innovation and broaden the scope of businesses who can respond to our requirements. MoJ is working to give all our suppliers the confidence to invest for the future and the ability to compete on a level playing field.

The full MoJ SME Action Plan including desired outcomes, success factors, contracting opportunities and case studies/success stories of the MoJ’s ongoing relationship with SMEs is available at:

www.gov.uk/government/organisations/ministry-of-justice/about/procurement

Social and Environmental Awareness

NOMS has been working with both the MoJ Ecology Team and the Sustainable Development (SD) Champion in the NOMS Co-financing Organisation to deliver the MoJ Statement on Social and Community Issues. Much of the practical delivery has been through national and local partnerships and Memorandums of Understanding, which supports the Restorative Justice Agenda whilst encouraging offenders to work with nature and the communities.

Climate Change Adaptation

NOMS has worked closely with the MoJ SD Team in planning to highlight those sites which have been considered by the Environment Agency to be at (high risk from flooding); and from a wider perspective to look at temperature increases and rises in sea level specifically at those sites on coastal and estuary.

The Agency has also worked across both its built and non-built estate, to rationalise the actions to adapt to climate change and reduce, where possible, the risk to its estate, enabling:

- NOMS to evaluate risks to its strategy for programme delivery on vulnerable flood plains and evaluate its baseline for future adaptation of targets and actions against climate change
- Also to prioritise its management of its high risk sites and, where necessary, divert and recalculate resources vital to operational delivery
- Identifies where stakeholders and central and lead partners need to act to facilitate further or additional actions to protect against climate change
- Establish a strategic partnership with the MoJ SD Team and other interested partners so that measures can be put in place to adapt to future climate change

Biodiversity Action Planning

NOMS has recently fully reviewed its National Biodiversity Action Plan (BAP) and 57 Habitat and Species Action Plans, through its Central and Lead partners, which are ultimately working towards the 2020 Biodiversity Targets.

With reference to the UK Biodiversity Strategy and the reduction of species decline by 2020, NOMS has incorporated a National BAP Coordinator within the MoJ Ecology Team; working closely with the National Biodiversity Network.

NOMS has established a national database for all of its UK and European designated sites, including databases for priority species such as bats, great crested newts and schedule 1 birds, and priority habitats so that its programme delivery and projects can react to planning and policy guidance and biodiversity offsetting.

NOMS is now working with the MoJ Ecology Team to deliver a structured programme of works that takes account of both Landscape Scale Conservation and Ecosystem Services as part of a wider Rural Proofing Programme.

Carbon Reduction Commitment

Carbon Reduction Commitment is a mandated energy reporting system for medium to large scale energy consumers. Participants must prepare detailed annual consumption reports and purchase sufficient allowances to cover their carbon impact. NOMS' reports form part of MoJ's annual Carbon Reduction Commitment submission managed by SDT. The associated NOMS carbon allowances for 2013-14 are estimated to be £4.3m.

The Environment Agency has produced the Annual Report Publication (ARP) which was published on 14 November 2013 and contains unranked aggregated data. This follows the Government's response to earlier consultation as part of the Government's wider simplification of the Carbon Reduction Commitment scheme.

Rural Proofing

As part of the MoJ estate management rationale, new estate management contracts highlight where countryside and local transport impacts are of prime importance to rural proofing. Transport plans are an important aspect of our environmental strategy through local planning requirements on new build properties. Establishing public transport routes and negotiating transport timetables is one aspect of how both carbon footprint and social and community plans can be effective in rural proofing across the MoJ estate.

The siting of new buildings is challenging to our estate, in respect of local planning policy statements and nature and heritage requirements; which may impact on both local leisure and tourism industries. Every aspect including nature, archaeological, tourism, leisure and rural diversification are assessed in the early stages of planning and design for all new builds across the MoJ estate as part of our rural proofing policy.

Carbon Management Plan (CMP)

The NOMS CMP has been valid for a five year period (2009-14) and will now be replaced by an MoJ Strategy outlining current and planned carbon saving projects including for NOMS.

Sustainable Construction

All major refurbishments and new builds are required to be Building Research Establishment Environmental Assessment Method (BREEAM) assessed to a standard of 'very good' for refurbishments and 'excellent' for new builds. In addition the Department is committed to reducing construction waste to landfill and ensures that all major refurbishment and new build projects have clauses requiring details on waste streams. During 2013-14 a total of four new build and two refurbishments were registered or completed. All achieved the required BREEAM status.

Energy

GREENHOUSE GAS (GHG) EMISSIONS		2013-14	2012-13	2011-12	2010-11
Non-Financial Indicators (tCO ₂ e)	Gross emissions for (scopes 1 and 2)	325,072	394,102	371,835	414,088
	Electricity: green/renewable	38,421	45,668	44,583	49,649
	Net emissions (scopes 1 and 2)	286,651	348,434	327,252	364,439
	Travel – emissions (scope 3)	21,037	10,283	10,427	10,360
	Gross GHG emissions (all scopes)	346,109	404,385	382,262	424,448
Non-Financial Indicators (mWh)	Electricity: (Grid, CHP, non-renewable)	239,998	263,561	271,046	274,879
	Electricity: renewable	79,999	87,651	90,349	91,262
	Gas	757,454	941,902	782,307	896,421
	Other energy sources	72,206	95,558	102,329	123,583
	Total energy	1,149,657	1,388,672	1,246,031	1,386,145
Financial indicators	Expenditure on energy (including CRC) (£m)	81.0	90.4	84.0	64.0
	Expenditure on official business travel (£m)	17.0	24.6	23.6	25.2

Performance Commentary (including targets)

NOMS is committed to reducing greenhouse gas emissions through energy efficiency. Delivering cost and carbon savings remain a NOMS priority. Carbon reduction targets are extremely challenging given limited capital available for investment. The targets are managed at site, region and corporate level. So far a number of prisons have achieved a 25 per cent carbon reduction from a 2009-10 baseline. These include: HMP Stocken, Guys Marsh, Pentonville, Bullingdon and Parkhurst. A further 10 sites are on a trajectory of reduction which, if continued, will see them achieve the target by 2014-15; these include: HMP Full Sutton, Coldingley, Aylesbury, Kirkham and Featherstone.

Controllable Impacts Commentary

Large projects such as the completed biomass installation at HMP Leyhill will save 1,238 tCO₂ pa. The Carbon Reduction Programme promotes and funds technologies for prisons that save carbon and reduce utility bills. In 2013-14 it delivered projects set to save over 3,000 tCO₂ pa. A range of projects have delivered these savings at numerous establishments including a lighting project at HMP Wayland, saving 23 tCO₂ pa; Variable Speed Drives at HMP Manchester, saving 60 tCO₂ pa; and valve and flange insulation at HMP Eastwood Park, saving 45t CO₂ pa.

A recent programme of optimising Building Management Systems will see an improvement in the controls and temperature settings of approximately 30 prisons (with the highest carbon emissions per offender).

Influenced Impacts Commentary

Behavioural Change has been delivered through the European Sustainable Energy Awards in Prisons (E-seaP). Using a whole-prison approach it has made a positive low-cost contribution to the energy saving activity in prisons. Collectively HMP Cardiff, Hewell, Littlehey, Usk/Prescoed and Swansea have saved 436 tCO₂ pa and more than 500 prisoners and prison staff have received training (with confirmed plans for a further 1500 next year).

In total, prison closures are estimated to have saved at least 16,000 tCO₂ pa.

WASTE		2013-14 ¹	2012-13 ²	2011-12 ³	2010-11 ⁴
Non-financial Indicators	Total waste disposals (Te)	43,632	50,858	46,964	52,621
	Total waste to landfill (Te)	12,717	18,618	20,772	22,185
	Total waste to reuse, recycling (Te)	21,262	27,154	25,720	30,295
	Total waste to anaerobic digestion and composting (Te)	3,269	3,599	n/a	n/a
	Total waste to energy from waste (EfW) incineration (Te)	6,273	1,487	472	141
	Total waste to incineration (not EfW) (Te)	111	0	0	0
Financial Indicators	Total waste disposal costs ⁵ (£m)	4.7	3.6	3.7	3.7

¹ Figures uplifted to represent a total prisoner population of 87,792 (as at March 2014)

² Figures uplifted to represent a total prisoner population of 83,852 (as at March 2013)

³ Figures uplifted to represent a total prisoner population of 86,131 (as at March 2012) and exclude the Probation Estate which was managed by HM Home Office.

⁴ Figures uplifted to represent a total prisoner population of 85,173 (as at August 2010) and exclude the Probation Estate which was managed by HM Home Office

⁵ Waste disposal costs include Probation Trusts where data is available

Performance Commentary (including targets)

Performance is driven towards meeting the Government's Greening Commitment to reduce, by 2015, the amount of waste generated by 25 per cent from a 2009-10 baseline. Numerous factors work against achieving waste minimisation in a prison; however, a 22 per cent reduction in waste arisings against the 2009-10 baseline has been achieved, with 10 prisons achieving the aspirational target of zero-waste-to-landfill. Of the total waste generated during 2013-14, 70 per cent was diverted away from landfill disposal.

Controllable Impacts Commentary

Waste and cost data is collected centrally direct from public and private sector managed prisons. The NOMS Probation estate is serviced under legacy contracts, delivered by facility management providers and total material tonnages for 2013-14 are estimated based on the actuals reported to the FM provider by their waste management contractors for the period 1 April to 31 December 2013. We continue to improve waste management performance and data collection through better management information systems. To account for reporting gaps, material tonnages and costs have been uplifted. Similarly, figures for previous years have been uplifted proportionally.

Influenced Impacts Commentary

Currently, 14 prisons operate under private sector management. Most waste minimisation opportunities were introduced across the custodial estate prior to the 2009-10 baseline year.

The NOMS Probation estate was transferred to the MoJ in 2012, having previously been managed by the Home Office. Facilities management providers have, where possible, supplied facilities for recycling wastes and also for confidential documents for shredding and onto recycling. In addition to utilising these facilities, staff and offenders are encouraged to reduce waste through in-house publications such as 'Sustainability Matters' and campaigns, such as 'Waste Awareness Week' and 'Environment Days'.

WATER

		2013-2014	2012-2013	2011-2012	2010-2011
Non-Financial Indicators	Water consumption (cubic metres)	8,152,840	8,114,430	8,293,786	8,134,344
Financial Indicators	Cost (£m)	22.1	22.0	19.1	17.9

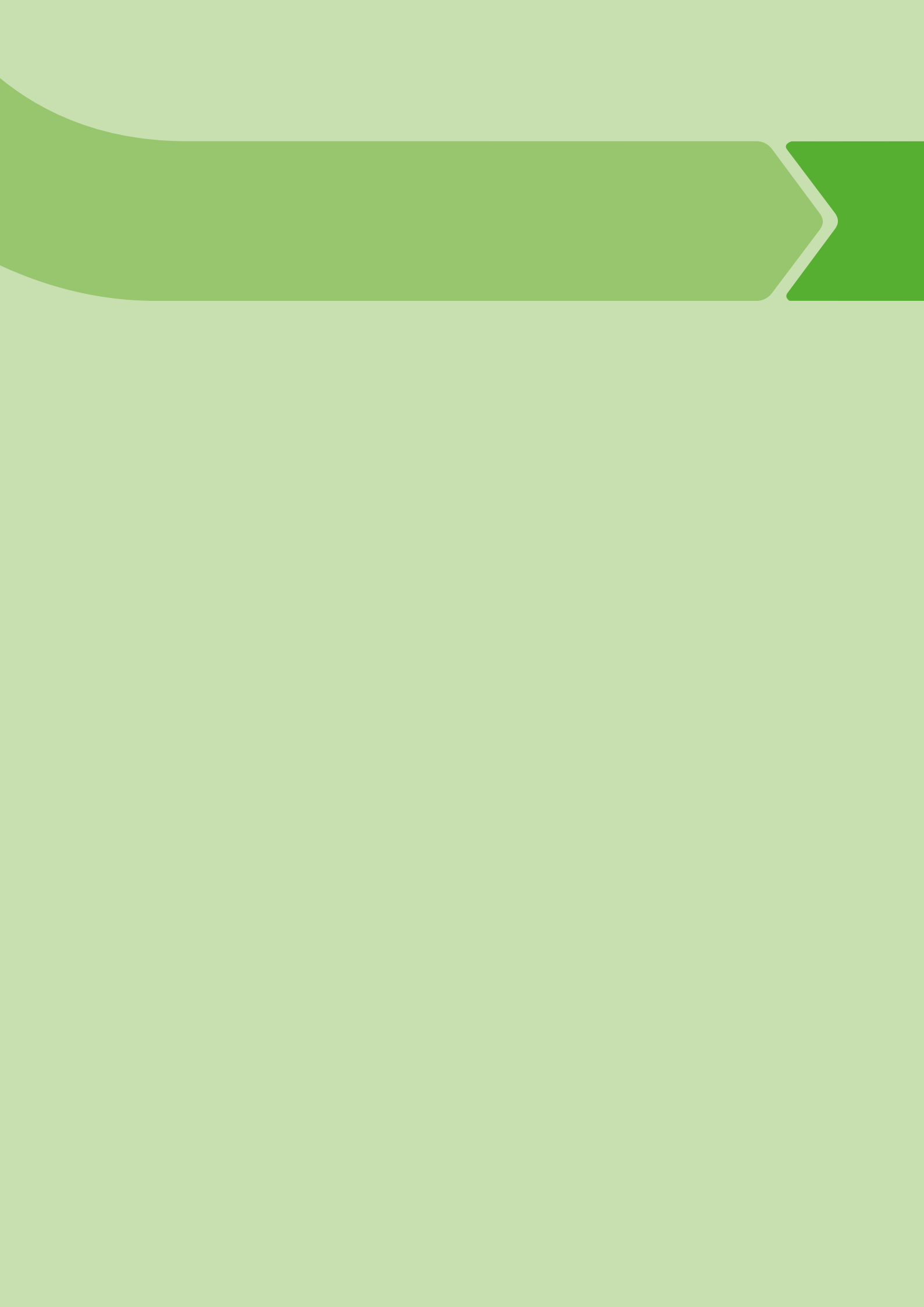
Delivering water savings remains a NOMS priority. The Governments GGC targets require a reduction in water consumed between 2009-10 and 2014-15.

Sites with the highest water consumption are being targeted with Water Automatic Meter Readers and associated pulse technology in order to identify continuous consumption. Action to remedy inordinately high water consumption is to be initiated on a site-by-site basis, starting with above ground surveys and potentially followed by below ground leak identification surveys.

Paper

The cost of paper (excluding VAT) is £0.9m (2012-13: £1.9m). NOMS data is provided under the Government Office Supplies (GOS) contract which commenced in October 2011. Under the terms of the contract, management data is distributed by the Government Procurement Service.

Data for Probation is provided by Probation Trusts. Paper costs from Trusts are limited as not all Trusts buy through the GOS contract.



Accounts

4

Directors' Report

Statutory background

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

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

The National Offender Management Service Agency Board and Executive Management Committee

The governance arrangements within NOMS for the period April 2013 to March 2014, as agreed by the Permanent Secretary of the MoJ and the NOMS Agency Board, included the following:

- A monthly NOMS Agency Board meeting focusing on strategic Agency priorities including change, performance, risk and investment
- A weekly NOMS Executive Management Committee 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 Civil Service Management Code.

The Chief Executive Officer's pay is determined under the rules set out in chapter 7.1 Annex A of the Senior Civil Service Management Code. Other members of the NOMS Agency Board and the Executive Management Committee are appointed by the Chief Executive Officer with agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the Management Board and the Executive Management Committee are set out in the Remuneration Report on pages 58 to 64.

During 2013-14, the following were members of the NOMS Agency Board, and the NOMS Executive Management Committee.

			NOMS Agency Board	NOMS Executive Management Committee
Chief Executive Officer	Michael Spurr		✓	✓
Director of Probation and Contracted Services	Colin Allars ¹	Until 15 October 2013		
Director of Probation		From 15 October 2013	✓	✓
Director of Change and ICT	Martin Bellamy	Until 7 February 2014	✓	✓
Director of Commissioning and Commercial (interim)	Ian Blakeman	Until 1 October 2013		
Director of Commissioning		From 1 October 2013	✓	✓
Director of Change and ICT (Interim)	Ben Booth	From 10 February 2014	✓	✓
Director of HR	Carol Carpenter		✓	✓
Director of Public Sector Prisons	Phil Copple		✓	✓
Director of Finance and Analysis	Andrew Emmett		✓	✓
Director of National Operational Services	Digby Griffith		✓	✓
Director of NOMS Wales	Sarah Payne	From 1 January 2014	✓	✓
Non-executive Director	David Hadfield		✓	
Non-executive Director	Mike Hawker		✓	
Non-executive Director	Elizabeth McLoughlin		✓	
Non-executive Director	Paul Wilson		✓	

¹ From October 2013 Colin Allars became the Director of Probation and the responsibilities for commissioning transferred to Ian Blakeman who was appointed Director of Commissioning.

Ex-officio members

			NOMS Agency Board	NOMS Executive Management Committee
Head of Communications	Lisa Appleyard		✓	✓
Head of Internal Audit	Tim Watkinson		✓	
Head of Planning and Analysis Group	Paul Ibrahim		✓	
Chief Executive's Office	Ken Everett	Until 31 May 2013	✓	✓
Chief Executive's Office	Hayley Ward	From 1 June 2013	✓	✓
Legal Adviser	Julia Crouch			✓
Media Adviser	Debbie Kirby Jen Wood David Langton			✓
Secretary to the Board and Committee	Katherine Myatt		✓	✓

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

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

Communications and employee involvement

NOMS remains committed to engaging and communicating with its staff and partners as we continue to manage high levels of change.

We encourage all staff to treat engagement as a normal way of working and we continue to put staff communication at the core of our reform agenda. We do this to ensure that all staff are aware of changes, and also to ensure their voice is heard.

It is important that our leadership is visible within our Agency and to external partners and we have a range of ways of making this happen. We hold regular senior leadership briefings for all staffing levels, surveys, teleconferencing and forums. We use our intranet to reflect all the staff in NOMS, with articles not only on important updates but on examples of success and innovation by staff.

An important area for NOMS in the last year has been preparing to welcome probation staff into the Core Agency with the creation of the National Probation Service (NPS). Communication with staff within the Probation Trusts and with staff currently within the Core Agency have been key to ensure that employees were aware of what the changes mean to them. Alongside the NPS there are 21 Community Rehabilitation Companies managing lower risk offenders and these services will ultimately be delivered by a wider market. It is important for NOMS to engage successfully with these bodies, as we do with existing partners who help us deliver our core aim of preventing victims by changing lives.

Staff diversity

NOMS is committed to fairness for all. We treat our staff properly and ensure equality of opportunity. We deliver our services fairly and respond to individual needs. We insist on respectful and decent behaviour from staff, offenders and others with whom we work. We recognise that discrimination, harassment and bullying can nevertheless occur and we take prompt and appropriate action whenever we discover them.

Detailed information about the representation of, and outcomes for, staff with protected characteristics is published in the Ministry of Justice Annual Report, available at:

<https://www.gov.uk/government/publications/diversity-report-2012-13>.

During 2013-14 we continued work on the NOMS Equalities Objectives 2012-16, published in our Business Plan². These include two specific objectives that focus on staff diversity issues:

Objective 2 – Equalities Monitoring Data: Staff

- Improve declaration rates for monitoring data on all protected characteristics for directly-employed staff
- Collect and publish monitoring data on key outcomes for staff
- Identify and where appropriate address disparities in outcomes for different groups

Objective 4 – Disability: Reasonable Adjustments for Staff

- Improve declaration rates for disability among staff
- Ensure that reasonable adjustments are made for all staff disclosing a disability

² <http://www.justice.gov.uk/downloads/corporate-reports/noms/2012/noms-business-plan-2013-2014.pdf>

Key work with Ministry of Justice is still underway to improve declaration rates. A Civil Service wide initiative created and published specific guidance document for line managers outlining the benefits of declaring personal information.

The Department of Work and Pensions project to improve reasonable adjustments for staff by providing access to all Departments to a Centralised Adjustment Team, which will focus on the 10 per cent of most complex reasonable adjustments within each Department, has been well received by all participating Civil Service departments. The project details have now been finalised and roll out will begin in the new financial year.

NOMS alongside internal stakeholders including the disability support network have undertaken a series of mini focus groups working to improve outcomes for staff with a disability. Equality Rights and Decency Group (ERDG) are currently creating a disability toolkit which will contain guidance, information and signposting for all aspects of managing staff with disabilities, provide guidance for staff and managers. The toolkit clearly identifies the roles of each support function within NOMS and the MoJ i.e. HR Business Partners and Workplace Support.

Gender data

As at 31st March 2014 there were a total of 37,218 employees in the prison estate and HQ, of which 13,550 (36 per cent) are female and 23,668 (64 per cent) are male. Within this there were a total of 559 Senior Managers, of whom 246 (44 per cent) are female and 313 (56 per cent) are male.

Sickness absence data

The average levels of absence due to staff sickness were 10.53 days across public sector prisons, NOMS HQ and Probation Trusts (2012-13: 10.41). The rate of sickness absence has increased by 1.2 per cent in 2013-14 compared to the previous year. As a result of this, there will be further management focus on absence management.

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 decreasing by £91m to £1,247m in 2013-14 (2012-13: £1,338m). The change is due to the value of pension assets increasing by £125m and the value of liabilities increasing by £34m.

Under the Transforming Rehabilitation Programme, the assets and liabilities in the individual Trusts' pension funds will be transferred to the Greater Manchester Pension Fund.

Further information can be found in the Remuneration Report, Accounting Policies and in Note 20 to the accounts.

Sustainable development

NOMS falls within the scope of reporting under the Government's Greening Commitment. As such we have produced a separate sustainability report showing performance against sustainability targets for greenhouse gas emissions, waste minimisation and management and the use of finite resources and their related expenditure. Further information can be found on pages 42 to 49 of the Strategic Report.

Future Developments

The vision for NOMS and the Ministry of Justice is "To deliver a transformed justice system and a transformed department which is more effective, less costly and more responsive to the public". Further information about future developments can be found in the Strategic Report.

Research and development

During 2013-14, the NOMS National Research Board met on a quarterly basis, overseeing the NOMS research priorities, programme and budget, and establishing coherent links with other MoJ analytical work. Science and technology projects were overseen through joint steering group meetings with the Home Office Centre for Applied Science and Technology (CAST). The focus was upon ensuring that research and scientific evidence would support the delivery of NOMS business priorities and the Agency Business Plan.

The National Research Committee (NRC) continued to review and quality assure internal and external research applications across prison establishments and Probation Trusts - 126 applications were considered by the NRC during 2013-14. In all cases, attention was given to the links to NOMS business priorities, the appropriateness and robustness of the proposals and the anticipated demands on resources. When approving applications, all researchers were requested to prepare a research summary for NOMS, helping to ensure that the findings from the research projects could drive operational policy and delivery and feed into the policy cycle. Further information on research and development is available at: <https://www.gov.uk/government/organisations/national-offender-management-service/about/research>

Significant Changes to NOMS reporting

There were no significant changes to the reporting requirement in 2013-14.

Financial Instruments

Details of the Agency's policy towards financial risk management can be found in the Accounting Policies and in Note 10 to the accounts.

Payment of creditors

In the year to 31 March 2014, NOMS paid 452,037 trade invoices with a value of £3.132bn. 87 per cent of all undisputed invoices were paid within five business days. This exceeds the target set by Government for Departments which requires 80 per cent of undisputed invoices to be paid within 5 business days. In the year 2012-13 NOMS also achieved 87 per cent.

The percentage of undisputed invoices paid within 30 days by the Probation Trusts is shown overleaf in 5 per cent ranges.

RANGE (%)	No. of Boards/Trusts within range	
	2013–2014	2012–2013
95–100	18	18
90–94.9	7	6
85–89.9	5	6
80–84.9	4	3
75–79.9	1	2
Total reported	35	35

Personal data related incidents

The following gives a summary report of significant personal data related incidents in 2013–14, which were formally reported to the Information Commissioner’s Office (ICO).

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
May 2013	Loss of media backup	Personal information relating to prisoners	Up to 2,935 offenders	An internal investigation was commissioned. The standalone IT system has been replaced with a centralised system.
July 2013	Details of offenders on work placement were left in a supermarket car park.	Personal information relating to prisoners	Approximately 25 offenders	The documents were recovered. A local investigation was commissioned and appropriate action taken.
October 2013	A briefcase containing an offender case file was left on the roof of a car as it was driven off.	Personal information relating to offender and third parties.	Approximately 8 individuals	The loss was reported to the police. A local investigation was commissioned and appropriate action taken.

In all 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 complete a compulsory Information Assurance training course when joining the Department and an annual refresher course.

In October 2013 a monetary penalty of £140k was imposed by the Information Commissioner’s Office (ICO) in relation to an incident at HMP Cardiff in 2011 where over 1,000 offender details were sent by email to prisoner visitors on three separate occasions. The MoJ paid the ICO £112k on 18 November 2013 which took into account 20 per cent discount for paying within one month.

Events after the reporting period

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

As a result of the ‘Transforming Rehabilitation’ programme announced by the Secretary of State for Justice, on 1 June 2014, a new National Probation Service has been created to protect the public from the most dangerous offenders and manage the provision of probation services. England and Wales has been divided into 21 contract areas which align closely with local authority and Police and Crime Commissioner Areas. The MoJ through NOMS is responsible for commissioning rehabilitation services. Probation service local delivery units are supporting the gathering of intelligence on needs and priorities at a local level, including from key partners (e.g. local authority needs assessments) to feed into the commissioning process.

The Trusts' assets and liabilities had not been transferred at the date the accounts were authorised for issue. See Note 24 to the accounts for further details.

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 £1,461,195. This is made up of:

- A notional cost of £330,000 and invoiced fees of £40,200 in respect of the National Audit Office's audit of the NOMS 2013–14 Agency Accounts. The invoiced fees are for an independent actuarial review of the Probation Trusts' pension liabilities to support the external audit opinion.
- Invoiced fees of £1,022,705 paid to the National Audit Office and £68,290 to the Wales Audit Office as auditors of the Probation Trusts

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

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
19 June 2014

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

Service contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at:

<http://www.civilservicecommission.independent.gov.uk>

A) Remuneration – Audited

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

Salary

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

Benefits in kind

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

The total value of benefits in kind paid to Directors and Non-Executive Directors was £77,200 (2012-13: £67,400). This comprised of travel and accommodation of £71,100 and subsistence of £6,100.

Bonuses

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

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonus payments made in 2013–14 are for bonuses awarded in 2012–13. Bonus payments made in 2012–13 are for bonuses awarded in 2011–12.

Single total figure of remuneration

Officials	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	Total (£'000)
	Salary £'000		Bonus Payments ¹ (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)		Total (£'000)				
Michael Spurr Chief Executive Officer	145-150	140-145	-	-	-	-	2	38	145-150	180-185			
Colin Allars ² Director of Probation	100-105	95-100	10-15	5-10	-	-	4	7	115-120	115-120			
Martin Bellamy Director of Change and ICT (until 7 February 2014)	135-140 (annualised 150-155)	145-150	-	-	-	-	29	53	165-170 (annualised 175-180)	200-205			
Ian Blakeman ³ Director of Commissioning	95-100	35-40 (annualised 95-100)	5-10	5-10	30,100	18,900	48	30	185-190	95-100 (annualised 150-155)			
Ben Booth ⁴ Interim Director of Change and ICT (from 10 February 2014)	40-45 (annualised 250-255)	-	-	-	-	-	-	-	40-45 (annualised 250-255)	-			
Carol Carpenter Director of Human Resources (from 5 November 2012)	85-90	35-40 (annualised 80-85)	5-10	-	-	-	38	7	135-140	40-45 (annualised 90-95)			
Phil Cople Director of Public Sector Prisons	100-105	95-100	10-15	5-10	38,800	25,000	65	(4)	220-225	125-130			
Andrew Emmetts ⁵ Director of Finance and Analysis (from 1 December 2012)	130-135	40-45 (annualised 125-130)	-	-	-	-	51	18	180-185	60-65 (annualised 145-150)			
Interim Director of Finance and Analysis (until 30 November 2012)	-	115-120 (annualised 185-190)	-	-	-	-	-	-	-	115-120 (annualised 185-190)			
Digby Griffith Director of National Operational Services	100-105	100-105	-	-	-	-	(3)	14	95-100	115-120			
Sarah Payne Director of NOMS Wales (from 1 January 2014)	25-30 (annualised 110-115)	-	-	-	-	-	6	-	30-35 (annualised 115-120)	-			

¹ 2012-13 Bonus payments have been restated to align pay and bonus banding.

² Colin Allars was Director of Probation and Contracted Services until 15 October 2013, when he became Director of Probation. Contracted Services transferred to the remit of the Director of Commissioning.

³ Ian Blakeman was Interim director of Commissioning and Commercial until 15 October 2013, when he became Director of Commissioning.

⁴ As an interim director, Ben Booth is remunerated through a third party agency. The fees shown are net of irrecoverable VAT and exclusive of agency fees.

⁵ As an interim director until 30 November 2012, Andrew Emmett was remunerated through a third party agency. The fees shown are net of irrecoverable VAT and exclusive of agency fees.

Compensation for loss of office

No directors were compensated for loss of office in 2013-14 (2012-13: 1)

Pay Multiples

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

The annualised banded remuneration of the highest paid director in NOMS in the financial year 2013-14 was £250,000-£255,000 (2012-13: £185,000-190,000). This was 8.8 times (2012-13: 6.5) the median remuneration of the workforce, which was £28,930 (2012-13: £28,930).

The highest paid director is the Interim Director of Change and ICT. NOMS is undergoing significant organisational change at the present time and the NOMS board deemed that the post of Director of Change and ICT should be occupied whilst a formal competition for the post was undertaken.

In 2013-14, no employee received remuneration in excess of the highest paid director (2012-13: Nil). Remuneration ranged from £11,626 to £250,000-£255,000 (2012-13: £13,100 to £185,000-£190,000).

The average number of full time equivalent staff in post in 2013-14 was 37,900 (2012-13: 41,955), a decrease of 4,055. The reduction in headcount occurred as a result of prison closures and staff transfer under TUPE as a result of a successful competition for HMP Northumberland, as well as other staff exit schemes.

The transfer of HMP Wolds into the public sector prison estate from a private sector provider has resulted in a reduction in pay of the lowest paid employee.

Non-Executive Directors' Remuneration

Officials	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)		Total (£'000)	
Mike Hawker Non-Executive Director and Chair of the Audit Committee	10-15	20-25	-	-	3,400	3,000	-	-	15-20	25-30
David Hadfield Non-Executive Director	10-15	15-20	-	-	500	1,000	-	-	10-15	15-20
Elizabeth McLoughlin Non-Executive Director	10-15	15-20	-	-	2,300	1,800	-	-	10-15	15-20
Paul Wilson Non-Executive Director	10-15	5-10 (annualised 10-15)	-	-	2,100	900	-	-	10-15	5-10 (annualised 10-15)

During 2012-13 it was agreed that all MoJ Non-executive Directors' remuneration would be standardised. These new levels were brought in at various points in the year for NOMS Non-executive Directors depending on individual contract renewals. Salary remuneration levels for all NOMS Non-executive Directors are now in the £10,000-£15,000 per annum bracket. Payments in 2012-13 reflect the value of payments received, irrespective of the financial year to which they relate.

B) Pension Benefits – Audited

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

Officials	Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/14	CETV at 31/3/13	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Michael Spurr Chief Executive Officer	55-60 plus lump sum 175-180	0-2.5 plus lump sum 0-2.5	1,056	990	(1)
Colin Allars Director of Probation and Contracted Services	35-40 plus lump sum 110-115	0-2.5 plus lump sum 0-2.5	688	643	2
Martin Bellamy Director of Change and ICT (until 7 February 2014)	25-30	0-2.5	420	367	23
Ian Blakeman Interim Director of Commissioning and Commercial (temporary promotion until 1 October 2013) Director of Commissioning (from 1 October 2013)	30-35 plus lump sum 95-100	0-2.5 plus lump sum 5-7.5	527	461	31
Carol Carpenter Director of Human Resources (from 5 November 2012)	15-20	0-2.5	193	158	18
Phil Copple Director of Public Sector Prisons	30-35 plus lump sum 90-95	2.5-5 plus lump sum 7.5-10	448	382	39
Andrew Emmett Director of Finance and Analysis	0-5	2.5-5	58	14	33
Digby Griffith Director of National Operational Services	50-55	0-2.5	807	754	(6)
Sarah Payne Director of NOMS Wales (from 1 January 2014)	35-40 plus lump sum 115-120	0-2.5 plus lump sum -2.5-0	822	773	3

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

Civil Service Pensions

Pension benefits are provided to employees of the NOMS Agency, excluding Probation Trusts, through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions apply from 1 April 2014. Benefits in **classic** accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition a lump sum equivalent to three years initial pension is payable on retirement. For **premium** benefits accrue at a rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic** there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In **nuvos** a member builds up a pension based on his pensionable earnings during the period

of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic, premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website:
<http://www.civilservice.gov.uk/pensions>

Local Government Pension Schemes

The schemes provide benefits to employees of the Probation Trusts on a 'final salary' basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of the pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80th of final pay of every year of total membership is payable on retirement. Details of these schemes are in Notes 3 and 20 to the accounts.

Michael Spurr
Agency Accounting Officer
19 June 2014

Statement of Accounting Officer's Responsibilities

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

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

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- Prepare the accounts on a going concern basis

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

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

Michael Spurr

Agency Accounting Officer

19 June 2014

Governance Statement

1. Introduction

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

1.2 My Executive Management Committee colleagues support me and the Agency Board in the day to day management of NOMS business and quickly identify and resolve issues that could impact on the delivery of the NOMS core objectives. For example, during the year both the Committee and Board have kept a very close eye on expenditure to ensure that meeting the NOMS' contribution to the Department's Spending Review savings target allowed for the delivery of safe, decent and secure custodial services and that public protection in the community was prioritised. Where savings plans have had to change, the associated risks were regularly reviewed and mitigating actions taken where necessary.

1.3 I have reported later in this statement on action we have taken following overcharging that the Department identified in the billing practices of Serco and G4S under the electronic monitoring contracts, and the significant weakness subsequently identified in our contact management practices. I have also highlighted the operational impact this had on the prison competition programme.

1.4 The forthcoming year is, once again, a challenging one. In May 2013, the Department published 'Transforming Rehabilitation: A Strategy for Reform. During 2014-15, we are implementing these reforms, transforming the way in which offenders are managed in the community in order to bring down reoffending rates. During the next 12 months our priority will be delivering our core operational services in the community and custody while we deliver the most radical reform programme in our history.

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

2. Governance Framework

NOMS Agency Board

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

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

2.3 NAB is the main decision making body at Agency level. It is responsible for NOMS' strategic direction; performance management (including finance); and risk assessment and management, within the context of overall MoJ strategy. The Board gives direction to, and ensures achievement of the objectives of NOMS operations and major change programmes; ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems

of internal control, and compliance with legislative and corporate governance requirements. The Board supports the Executive Management Team and ensures that in the delivery of prison and probation services the NOMS Vision and Values are upheld.

2.4 As well as regular oversight of the change portfolio, performance, risk and finance, among the matters considered by NAB in 2013-14 were:

- Transforming Rehabilitation Programme
- Prison Unit Cost Programme
- Review of Prisoners' Incentives and Earned Privileges
- Electronic Monitoring Contract Management
- National Partnership Agreement between NOMS, NHS England and Public Health England for the co-commissioning and delivery of healthcare in prisons in England
- NOMS Attendance/Sickness Management Strategy
- Planning Scenarios for 2013-14 to 2017-18
- Operationalising the NOMS IT Strategy

NOMS Executive Management Committee (NEMC)

2.5 To support the Board and manage the day-to-day business of NOMS, I chair weekly meetings of the NOMS Executive Management Committee (NEMC), which all Directors attend. As well as regular oversight of performance, finance and staff/stakeholder communications, among the matters considered by the Executive Management Committee in 2013-14 were:

- Transforming Rehabilitation Implementation/ Transition
- Prison Estate Strategy
- Organisational Restructure
- Self-inflicted Deaths in Custody
- Work in Prisons
- NOMS in Wales Operating Model
- Prison Unit Cost Programme
- Staff Engagement
- Restructure of NOMS' Health, Safety and Fire model
- Review of NOMS' Learning and Development
- NOMS Commissioning Intentions from 2014
- Serious Further Offence Review Process
- Transforming Youth Custody
- Serious Organised Criminals in Prison
- Use and Access of Social Media in NOMS
- Information Assurance
- Extremism
- Operational Stability/Incident Management in Prisons
- Contract payment Assurance

Sub-committees of the Board

2.6 A clearly defined sub-committee structure is in place to support the Board. The Board agree an annual work programme for each sub-committee and evaluate their performance at the end of the year.

2.7 The sub-committees report on their work to the Board quarterly and during 2013-14 the highlights have included:

Change Delivery Committee – maintains an overview of all change delivery, regularly reviews the status of the portfolio, provides a decision making forum to address key portfolio risks and issues and reviews programmes and projects at start up or those in exception. Overall, NOMS has a complex and significant change agenda and the programmes include:

The Organisational Restructure Programme, which has reshaped structures and significantly reduced Agency costs above establishment and Trust level, has implemented a revised common Job Evaluation System across the Agency; and has implemented major pay and structural reforms in Prisons (Fair and Sustainable) to drive down long term pay costs for NOMS. The programme was successfully completed in October 2013.

The Prison Unit Cost Programme consists of four related projects: Setting the Specification, Delivering the Public Sector Benchmark, Reconfiguring the Prison Estate and Competing the Delivery of Services. The overall aim is to reduce the unit cost of prison while maintaining safety and decency and optimising outcomes to protect the public and reduce reoffending. It is expected to complete in 2016.

The Offender Services Competitions Programme includes programmes and projects such as Prison Competitions, PCP1, which closed in 2013, PCP2, which will be formally closed in 2014, Community Payback Competition that closed in 2013, and Electronic Monitoring (EM) Recompetition, which is being delivered in three stages and will continue into 2015.

The NOMIS programme was implemented to provide prison and probation staff with the key case information they need to manage offenders efficiently and effectively throughout the system. Prison NOMIS is fully delivered and Probation Case Management systems successfully implemented. The NOMIS programme was completed in October 2013.

The NOMS ICT Services Contract provides business continuity and services with options to exit to Future Information Technology Sourcing Programme (FITS) towers earlier, as they become available. FITS provides a MOJ wide approach to Information and Communication Technology (ICT) contracting based upon service towers.

The MoJ led Rehabilitation Programme is transforming rehabilitation services for offenders to a more diverse market of providers; extending our rehabilitative approach to offenders sentenced for up to 12 months; and introducing payment by results. NOMS has created a sub-project, entitled the NOMS Transforming Rehabilitation Implementation Project (NOMS TRIP), to ensure that NOMS is ready for implementation of the MoJ Rehabilitation Programme objective to transition 35 Probation Trusts (people and caseloads) into the new National Probation Service (NPS) and 21 Community Rehabilitation Companies (CRCs), in 2014.

NOMS is using the Cabinet Office sponsored Major Projects Leadership Academy to support its Senior Responsible Owners in the successful delivery of change.

Financial Management Committee – provides detailed and in-depth review of financial aspects of NOMS and investment proposals.

- **In Year Reporting** – NOMS went into 2013-14 with a projected £105m funding shortfall. The Agency took decisive action to drive down spend and to implement benchmarked efficiency savings. The Financial Management Committee (FMC) has monitored the in year position through the monthly management accounts to ensure that appropriate decisions and measures were actioned to close the funding gap in year. The management accounts have been refined throughout the year to focus on the key risk - or opportunity - areas. These risks and opportunities have been managed successfully, taking over £90m out of the business to meet the shortfall and absorbing some additional costs from the wider change programmes, but we were unable to fully cover the initial gap of £105m. As a result the Agency ended the year with a small overspend against the initial resource budget allocation which was covered by 'virement' within the overall MoJ budget.
- **Major Programmes and Projects** – The FMC has also been responsible for the financial oversight of major programmes that have enabled us to deliver the required SR2010 savings. It also aims to ensure recent achievements are consolidated and further efficiencies realised. Due to the limited resources available and the challenges across the business arising from the scale of recent changes business cases have faced significant challenge prior to approval to ensure they represent value for money and are fully achievable. Only two major programmes with Opening Business Case and Final Business Case were approved in last financial year – Electronic Monitoring and Prison Unit Cost Programme. A further eight smaller projects have presented business cases one of which (Social Care Adaptations) was rejected. The FMC reviews the financial performance of the NOMS Major Programmes and Projects on a quarterly basis challenging performance issues as they arise. The risks to current and future year financial plans are regularly considered with action taken to mitigate these risks.
- **Future Year Allocations** – NOMS continued to face the tough challenge to live within the future year budget allocations of the SR2010 settlement. This challenge has been a focus of the FMC with significant risks identified that would cause NOMS to exceed the allocated budget and the identification of measures required to mitigate this.
- **Workforce Committee** – has oversight of all issues relating to the NOMS workforce, including strategic workforce planning; developing people capability; pay and reward strategy; and employee relations strategy.

Among the matters considered by the Committee in 2013-14 were:

- Workforce forecasts and plans – including the use of early departures, redeployments and reservists
- Recruitment – including Prison Officer recruitment and improving speed and flexibility
- Pay and reward strategy
- HQ workforce levels and costs
- Introduction of new performance management policy
- Strategies for improving attendance
- Workforce trends in the UK
- Talent management data
- HR Scorecard indicators
- Pension reform

Audit & Risk Committee – an advisory body, which has a non-executive membership. It provides independent advice on risk, control and governance issues, the Internal Audit work programme, and considers key recommendations from Internal Audit Reports and those of the National Audit Office. During the year the Committee has actively monitored progress against the accounts production timetable and has challenged management on the achievability of the deadlines set. The Committee has also considered the quality assurance of interventions, the impact of the TR Programme on NOMS, NAO VFM studies, NOMS commissioning, the re-designation of prisons, updates on contract management arrangements and reporting wrongdoing. The Committee also continues to focus on the implementation of internal audit, PAC and NAO recommendations.

2.8 Full details of NOMS board and committee membership including attendance records can be found in the tables in section 5 of this statement.

2.9 In November 2013, the Director of Finance and Analysis led a review by NEMC of the governance structure within NOMS and explored options for enhancing our operating model and governance. The review focused on the role of NEMC and its sub-committees and aimed to provide further clarity of decision making and rationalise the demands on Executive Directors. From April 2014, NEMC will focus on each of the following themes in rotation: Corporate Services, Operational Performance, Change Delivery and an Open Agenda. All NEMC meetings will continue to be chaired by the Chief Executive and attended by all Executive Directors; each NED will rotate between all three meetings.

2.10 Over the past year the Board has remained committed to their on-going development. They have engaged collectively in planned interventions to support the continuous improvement of organisational performance, particularly in light of significant organisational change, and have also focused on their effectiveness as a Board.

2.11 The Board is satisfied that it has sound Governance in place, that NOMS is compliant with the relevant sections of the Code. As NOMS is not a main Department, it is not chaired by a minister but by the Chief Executive Officer. Nor does it have a specific remuneration committee as the scope for making decisions on pay is limited and decisions on remuneration and bonuses are ratified by the MoJ Remuneration Committee.

2.12 The Board is content that the data with which it is provided is adequate, timely and comprehensive and there are robust arrangements for reviewing and checking data.

3. Oversight and Assurance Arrangements

3.1 The Board exercises oversight of the performance of NOMS by:

- Using the integrated performance, risk and planning framework to check the progress against delivery of the NOMS' key priorities. This includes monitoring performance using a balanced scorecard which has been developed with the Board to meet their needs. The Board has been asked to make decisions when performance is off track, in particular if there were potential implications for front line delivery
- Receiving up to date reports on the in year financial position and regular updates on the progress of major change projects and programmes. They have made decisions, based on agreed thresholds, on any issues that arise. They have also discussed issues that exceed the agreed thresholds (e.g. overspend, significant risks to delivery etc)
- Detailed scrutiny of the financial accounts production process
- Agreeing delegations to Directorates and throughout the governance structure to ensure the right decisions are being taken by the right people in the right place, whilst ensuring NAB is provided with the appropriate level of assurance
- Undertaking roaming visits to prisons and Probation Trusts

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

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

3.3 One of the key sources of independent assurance within NOMS comes from the integrated audit and assurance activities of the Internal Audit and Assurance, which meets the Public Sector Internal Audit Standards. The audit and assurance programme is closely linked to the key risks to NOMS. I have bi-lateral meetings with the Head of Internal Audit, who reports direct to me on all audit matters, to discuss emerging issues. The Head of Internal Audit has concluded in his annual report that, although he reported a number of weaknesses in the areas reviewed, he was satisfied that actions were in place to remedy them, and therefore he was able to give a reasonable assurance on the adequacy, effectiveness and reliability of risk management, control and governance.

3.4 Sources of internal assurance from which I draw include:

- Annual assurance statements from each of the Directors covering the key systems for which they are responsible
- Bi-lateral meetings with Non-Executive Directors to discuss any concerns they may have
- Regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects
- For Prisons, a process which requires all Governors to provide assurance on those areas that are considered key to the delivery of their objectives in the form of assurance statements on selected key systems to Deputy Directors, Custody. The assurance statements are subject to review by Internal Audit and Assurance
- For Probation Trusts a self assessment process which requires staff to assess the quality of a sample of their casework
- A report from the Chair of the Audit & Risk Committee concerning risk management and internal control
- Attendance at Audit & Risk Committee meetings

4. Risk Management

4.1 NOMS operates in a high risk operational environment and this is reflected in the types of risks managed as well as the risk management process which is driven by NAB. They review in detail the key risks to NOMS at least quarterly and consider them monthly in conjunction with the performance scorecard. The risks to our strategic priorities were identified at a workshop in June and included risks, such as those related to the delivery and pace/scale of the change agenda impacting on performance and Employee Relations, as well as overarching risks to delivering business as usual, such as risks around the IT infrastructure and failing to meet our duty of care.

We have worked closely with the Transforming Rehabilitation (TR) Programme to manage risks to business delivery around probation as the work to create a National Probation Service and 21 Community Rehabilitation Companies has progressed. To date the TR Programme is on track to deliver. To enable NOMS to manage the delivery and operational risks an Implementation and System Assurance Board, chaired by the NOMS CEO, was established to ensure smooth transition to the new structures. In addition to the public sector management of the National Probation Service, initially all Community Rehabilitation

Companies will also be directly managed within the public sector, thereby reducing the associated risks.

The risk of prison capacity not meeting population demand increased from late 2013 due to the prison population operating above published projections. This created pressure in the system and some financial pressures for the Agency. NOMS has implemented a range of measures to maintain sufficient capacity. These included changing the role or delaying the re-role of some prisons to maximise use of available places, re-opening mothballed accommodation in existing prisons, purchasing additional places in private prisons and a limited extension of crowding in public prisons.

Safety and security issues across the prison estate continue to receive close attention. The historically low escape rate has been maintained and whilst the number of reported incidents in prisons has increased – serious disorder remains rare. The total number of assaults in prisons has fallen but there has been an increase in serious assaults and self-inflicted deaths which is a concern. Specific actions have been taken to address these risks including strengthening the safer custody arrangements and the development of new violence management arrangements for implementation in 2014-15. This is an area that will continue to be very closely monitored.

Contract Management

During preparation for the recompetition of the electronic monitoring contract during 2013, we identified serious failures by Serco and G4S in both service delivery and billing practices, under the existing contract, which had resulted in the NOMS being overcharged over several years. This is now the subject of a criminal investigation by the Serious Fraud Office.

Immediate action to address the weaknesses identified in contract management of electronic monitoring was implemented including placing our staff permanently at each contractor's site, with direct access to supplier systems and data to monitor suppliers' performance in operational delivery on the ground. This ensured we had a much greater level of assurance that the suppliers were complying with their obligations in all aspects of the delivery of the contract from the start of the year.

These issues prompted the Department to commission a forensic audit by PwC of every MoJ contract held by G4S and Serco. The audit identified serious issues on the contract with Serco for prisoner escort services, where it was found that members of Serco staff had been wrongly recording the time when prisoners were being delivered ready for court. These matters have also been referred to the appropriate investigative authorities. The Department has agreed a settlement with both Serco and G4S of £170m in total ensuring no loss to the public purse and the audit found no evidence of material issues on any other contracts relating to NOMS. More widely the Government made clear that it expected both Serco and G4S to undergo a process of corporate renewal - to include greater openness and an overhaul of management on relevant contracts. The Government has now accepted the two companies' plans for renewal and will be keeping the situation under review to ensure full and timely implementation.

We subsequently carried out a review of our major service delivery contracts across the Agency and the results of this work have provided additional management assurance around payments made under these contracts.

In response to the problems on electronic monitoring, the Justice Secretary asked MoJ's Lead Non Executive Director, Tim Breedon, to lead a review of contract management across MoJ. This review, which concluded in December 2013, identified areas of good practice but also significant and long-standing weaknesses across MoJ including NOMS. These weaknesses related to a lack of clarity in roles and responsibilities, poor governance and risk management processes, insufficient resources and capability, insufficient management information and insufficient scrutiny of performance before making payments. The report recommended that, in order to provide assurance that contracts were being managed properly,

MoJ should, as a priority: undertake risk assessments on high-risk contracts; develop contract assurance plans for such contracts; strengthen processes for payment and service verification; establish or enforce governance processes for issues, changes, payments and service verification; and assess the scale of change required within MoJ contract management.

NOMS is working with the Department to implement these recommendations in full and MoJ established a programme to do so. Specifically:

- All contract owners in MoJ have provided assurance that key measures, including risk assessments, escalation routes and payment authorisation processes are in place on all major contracts
- A high-level common operating model has been agreed, and is in the process of being rolled out, which places ownership of the contract with the business area responsible for the relevant requirement that underpins the need for the contract, but supported by commercial contract management expertise provided from an enhanced central procurement function
- An outline team structure has been prepared that specifies the multi-functional composition of the teams needed to manage contracted-out services and (separately) supplier relationship management, with clearly defined roles and job descriptions underpinning this structure
- In order to address problems with the recruitment and retention of commercial professionals, MoJ are creating a specialist support service within the Department to assist with the development of a new contract management methodology; conducting a skills-gap analysis of existing staff; and introducing formal contract management training from the International Association of Commercial and Contract Management (IACCM)
- A new approach to developing and using Management Information has been established with a programme of 'deep dives' for key strategic contracts
- A new Commercial and Contract Governance Board has been established to oversee the Department's procurement and contract management activities
- An enhanced assurance approach has been developed to provide a greater breadth and depth of internal audit review

Many of the above actions have already been taken, with others, such as the enhanced use of Management Information, the internal audit of contracts and the skills-gap analysis and training, currently being implemented and will be fully in place by December 2014.

In 2013-14 we concluded the second phase of the Prison Competition Programme (PCP2). The programme was delayed as a result of the issues identified above about G4S and Serco. Ultimately it was not possible to complete the planned transfer of the three prisons in South Yorkshire (Lindholme, Moorland and Hatfield). The uncertainty this caused did have an impact on operational delivery at those prisons which were managed carefully through the operational Director responsible. HMP Wolds was transferred from G4S operation into the public sector and merged with HMP Everthorpe to form HMP Humber. HMP Northumberland transferred from public sector management to Sodexo. This major change was managed through a mobilisation team and did not result in any significant impact on performance. Clear business benefits are being delivered from both transfers.

Information Assurance

4.2 NEMC maintained a close interest in Information Assurance over the reporting period. NOMS has retained Information Assurance Maturity Model (IAMM) Level 2. Three incidents were reported to the Information Commissioner's Office during the year. In October 2013 MoJ paid on behalf of NOMS a monetary penalty of £112k to the Information Commissioners Office (ICO) in relation to an incident in 2011. The Agency is committed to ensuring effective Information Management and is alert to the risks around cyber security.

4.3 During 2013-14, the Agency took the following steps to improve arrangements:

- Publication of the information sharing policy which has resulted in positive steps being taken to address the risks surrounding sharing information with third parties
- A training and communications campaign to support the launch of the new Government Security Classification (GSC) scheme in April 2014
- Publication of a policy to support the launch of the new GSC scheme and the review and re-issue of updated versions of the information assurance and IT security policies to reflect the new GSC scheme and the re-organisational changes as a result of Transforming Rehabilitation programme
- A series of Local Information Manager (LIM) workshops across the country, which were attended by over 250 staff, to address the continued risk of lack of understanding among staff about information handling and implications of data compromise

4.4 During the coming year the Agency will continue to improve by:

- Working closely on the Transforming Rehabilitation Programme to address Information Assurance / Records Management issues and put in place measures to mitigate related risks to the Agency such as co-location and shared access to national IT systems by both the public and private sectors
- Continuing to support the implementation of information sharing agreements at all levels through work with headquarters groups, prisons and the new National Probation Service and ensuring that privacy impact assessments are completed in the early stages of all new IT projects
- Working together with the MoJ to identify effective methods for measuring the compliance of external suppliers with NOMS IA policies
- Continuing to embed information assurance policies across NOMS, in particular within the new National Probation Service and NOMS headquarters in order to maintain and improve upon IAMM level 2, with progress to be monitored by NEMC
- Continuing to operate a pro-active incident management service

4.5 NEMC will continue to receive and review periodic reports on information assurance.

5. Board Attendance

5.1 The tables below show the membership of the NOMS Board, NEMC and sub-committees and the attendance records of members at meetings during the period 1 April 2013 to 31 March 2014. The respective Chairs invited other officials to attend when required but these attendees are not recorded below.

Name	Role	NEMC	NAB
Michael Spurr	CEO	32 of 37	8 of 9
Phil Copple	Director of Public Sector Prisons	34 of 37	7 of 9
Ian Blakeman	To 30 September 2013: Director of Commissioning and Commercial. From: 1 October 2013 Director of Commissioning	29 of 37	4 of 9
Carol Carpenter	Director of HR	34 of 37	9 of 9
Digby Griffith	Director of National Operational Services	30 of 37	9 of 9
Andrew Emmett	Director of Finance and Analysis	32 of 37	9 of 9
Sarah Payne	Announced on 8 August 2013 and in post from 1 January 2014: Director of NOMS Wales	13 of 16	4 of 5
Colin Allars	To 15 October 2013: Director of Probation and Contracted Services. From 15 October 2013: Director of National Probation Services	34 of 37	8 of 9
Martin Bellamy	To 7 February 2014: Director of Change and ICT	28 of 34	6 of 8
Ben Booth	From 10 February 2014: Director of Change and ICT	6 of 7	2 of 2
David Hadfield	NOMS Non-Executive Director	N/A	8 of 9
Mike Hawker	NOMS Non-Executive Director	N/A	6 of 9
Liz McLoughlin	NOMS Non-Executive Director	N/A	6 of 9
Paul Wilson	NOMS Non-Executive Director	N/A	7 of 9
In attendance:			
Lisa Appleyard	Head of NOMS Communications	27 of 37	5 of 9
Debbie Kirby	Media Advisor (except for the period 24 June 2013 to 31 October 2013 when on secondment)	8 of 24	N/A
Jen Wood or David Langton	From 24 June 2013 to 31 October 2013: Media Advisors covering Debbie Kirby's secondment period	11 of 13	N/A
Julia Crouch	Legal Advisor	21 of 37	N/A
Ken Everett	To 31 May 2013: CEO's office	3 of 5	2 of 2
Hayley Ward	From 1 June 2013: CEO's office	26 of 32	5 of 7
Katherine Myatt	Board Secretary	32 of 37	7 of 9
Paul Ibrahim	Head of Performance and Analysis	N/A	7 of 9
Tim Watkinson	MoJ Head of Internal Audit and Assurance	N/A	5 of 9
Ann Beasley	MoJ Finance DG (as with all MoJ DG's has a standing invitation to attend NAB when subjects relevant to their area are discussed)	N/A	3 of 9

Change Delivery Committee

Name	Role	Attendance
Michael Spurr	Chair - CEO	8 of 10
Colin Allars	SRO, Director of Probation	7 of 10
Martin Bellamy	SRO, Director of Change and ICT (until Feb 2014)	9 of 9
Ben Booth	SRO, Interim Director of Change and ICT (from Feb 2014)	1 of 1
Ian Blakeman	SRO, Director of Commissioning	7 of 10
Lisa Appleyard	DD National Communications	5 of 10
Andrea Torrode	SRO, Electronic Monitoring	5 of 5
Clive Beard	Electronic Monitoring Project Manager	8 of 10
Stacey Tasker	DD National Operations Group	5 of 10
Malcolm Wills	Programme Manager Transforming Rehabilitation	8 of 10
Adrian Scott	Head of Security Group	4 of 10
Ian Maris	Head of Business and Financial Planning	8 of 10
Andrew Sinclair	Head of Change and Information Capability Group	7 to 10
Lucy Chappell	Head of Business Change and Continuity	5 of 7
Ian Young	MoJ ICT PPD (NOMS lead)	6 of 10

Financial Management Committee

Name	Role	Attendance
Andrew Emmett	Chair – Director of Finance and Analysis	9 of 9
Carol Carpenter	HR Director	2 of 9
Dave Mann	HR Representative – HR Directorate Business Manager	4 of 9
Ian Blakeman	Director of Commissioning	5 of 9
Nicola Lowit	Commissioning Representative – Deputy Director, PUCP	1 of 9
Tina Phillips	Head of Business Support	1 of 9
Martin Bellamy	Director of Change and ICT (until Feb 2014)	5 of 9
Andrew Sinclair	Change and ICT Representative – Deputy Director of Change and ICT	5 of 9
Colin Allars	Director of Probation	5 of 9
Phil Cople	Director of Public Sector Prisons	0 of 9
Paul Baker	PSP Representative, Deputy Director, Custody	6 of 9
Digby Griffith	Director of National Operational Services	7 of 9
In Attendance:		
Ted Kirby	Financial Controller	9 of 9
Liam Orme	Head of Audit Operations NOMS	7 of 9

Audit and Risk Committee

Name	Role	Attendance
Mike Hawker	Chair – Non-Executive Director	4 of 4
Liz McLoughlin	Non-Executive Director	4 of 4
Paul Wilson	Non-Executive Director	4 of 4
In Attendance:		
Michael Spurr	CEO	3 of 4
Andrew Emmett	Director of Finance and Analysis	4 of 4
Carol Carpenter	HR Director	2 of 4
Jac Broughton	Deputy Director, HR (CC Representative)	2 of 4
Tim Watkinson	MoJ Head of Internal Audit and Assurance	4 of 4
Liam Orme	Head of Audit Operations NOMS	4 of 4
Sajid Rafiq	Director, National Audit Office	2 of 4
Aileen Murphie	Director, National Audit Office (until Oct 2013)	3 of 3
Jeremy Lonsdale	Director, National Audit Office (from Oct 2013)	1 of 2
James Edmands	Audit Manager, National Audit Office	3 of 4
Clive Everest	External Auditor (PwC) (until Feb 2014)	3 of 4
Chris Hughes	External Auditor (PwC) (until Feb 2014)	4 of 4
Sebert Cox	Chair, Probation Association	4 of 4

Workforce Committee

Name	Role	Attendance
Michael Spurr	CEO	9 of 10
Phil Cople	Director of Public Sector Prisons	8 of 10
Colin Allars	Director of Probation	7 of 10
Digby Griffith	Director of National Operational Services	6 of 10
Andrew Emmett	Director of Finance and Analysis	5 of 10
Ian Blakeman	Director of Commissioning	9 of 10
Carol Carpenter	HR Director	8 of 10
Liz McLoughlin	Non-Executive Director	8 of 10
Martin Bellamy	Director of Change and ICT (until Feb 2014)	1 of 8
Ben Booth	Director of Change and ICT (from Feb 2014)	0 of 2
Michell Jarman-Howe	Deputy Director of Custody	5 of 10
Jac Broughton	Deputy Director HR	6 of 10
Jim Heavens	Head of HR Operations/Employee Relations (interim from June 2013)	8 of 10
Mandy Jones	Head of Equality, Rights and Diversity	6 of 10
Rachel White	Head of NOMS Organisational Development (from May 2013)	4 of 9
Linda Kelly	Head of Employee Relations (until June 2013)	2 of 3
John Robinson	Head of Learning and Development	4 of 4
Farha Bhatt	Head of Reward (until May 2013)	1 of 2
Hazel Roberts	Head of Reward (from May 2013)	7 of 8
Stephen Seddon	Head of Workforce Planning	8 of 8

Michael Spurr Agency Accounting Officer 19 June 2014

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 and of its group for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Agency and Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration 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 Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Offender Management Service's and the group'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 group; 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.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Offender Management Service's and the group's affairs as at 31 March 2014 and of the Consolidated and Agency net operating cost after taxation 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 ‘Strategic Report’ and the ‘Directors’ Report’ for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

20 June 2014

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

Notes	2013–2014			2012–2013		
	Core Agency		Consolidated	Core Agency Restated ¹		Consolidated Restated ²
	£'000	£'000	£'000	£'000	£'000	£'000
Administration costs						
Staff costs	3	71,063	71,063	76,734	76,734	
Other administrative costs	4	78,960	80,710	88,962	90,782	
Income	6	(4,365)	(4,362)	(4,722)	(4,722)	162,794
Programme costs						
Staff costs	3	1,459,445	2,135,719	1,579,949	2,247,077	
Other programme costs	5	2,548,575	1,996,255	2,635,064	2,056,386	
Income	6	(315,934)	(359,711)	(350,710)	(389,690)	
Consolidated Fund Extra Receipts (CFERS)	6b	(163,731)	(163,731)	0	3,864,303	0
Net operating costs before taxation		3,674,013	3,755,943	4,025,277	4,076,567	
Taxation		0	893	0	733	
Net operating costs after taxation		3,674,013	3,756,836	4,025,277	4,077,300	

Other Comprehensive Expenditure

Notes	2013–2014			2012–2013		
	Core Agency		Consolidated	Core Agency Restated ¹		Consolidated Restated ²
	£'000	£'000	£'000	£'000	£'000	£'000
Items that will not be reclassified to net operating costs:						
Net (gain)/loss on revaluation of property, plant and equipment	7	(142,040)	(142,101)	(203,785)	(204,133)	
Net (gain)/loss on revaluation of intangibles	8	(326)	(331)	(351)	(357)	
Net (gain)/loss on revaluation of assets held for sale	9	0	0	(88)	(88)	
Remeasurement of net pension liabilities	20	0	(173,213)	0	86,665	
Total comprehensive expenditure		3,531,647	3,441,191	3,821,053	3,959,387	

Note 1. Core Agency and Consolidated programme staff and other costs are restated. Within the Consolidated Statement of Financial Position, current and non-current provisions are restated.

Note 2: Programme staff and other costs are restated. Within Other Comprehensive Expenditure, the remeasurement of net pension liabilities is restated. These restatements affect the Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Taxpayers' Equity below. See Notes 3,5,19,20 and 28 for details

The notes on pages 85 to 130 form part of these accounts

Consolidated Statement of Financial Position as at 31 March 2014

Notes	31 March 2014		31 March 2013	
	Core Agency £'000	Consolidated £'000	Core Agency Restated ¹ £'000	Consolidated £'000
Non-current assets				
Property, plant and equipment	6,063,335	6,068,379	6,041,043	6,046,887
Intangible assets	88,886	89,521	60,732	61,846
Financial assets	367	367	402	402
Trade and other receivables	1,971	1,973	1,952	1,971
Total non-current assets	6,154,559	6,160,240	6,104,129	6,111,106
Current assets				
Assets held for sale	18,069	18,069	33,149	33,149
Inventories	38,681	38,681	40,889	40,889
Trade and other receivables	172,228	182,002	148,521	153,302
Cash and cash equivalents	2,759	32,076	1,726	44,330
Total current assets	231,737	270,828	224,285	271,670
Total assets	6,386,296	6,431,068	6,328,414	6,382,776
Current liabilities				
Trade and other payables	(430,662)	(449,582)	(402,915)	(429,496)
Provisions	(35,850)	(37,248)	(59,348)	(62,001)
Bank overdraft	(19,264)	(19,264)	(21,453)	(21,453)
Total current liabilities	(485,776)	(506,094)	(483,716)	(512,950)
Non-current assets plus/less net current assets/liabilities	5,900,520	5,924,974	5,844,698	5,869,826
Non-current liabilities				
Provisions	(144,346)	(144,364)	(137,831)	(137,935)
Trade and other payables	(310,850)	(310,850)	(334,992)	(334,992)
Pension deficit liability	0	(1,247,156)	0	(1,337,885)
Total non-current liabilities	(455,196)	(1,702,370)	(472,823)	(1,810,812)
Assets less liabilities	5,445,324	4,222,604	5,371,875	4,059,014
Taxpayers' equity				
General fund	4,250,166	3,026,045	4,248,685	2,934,374
Revaluation reserve	1,195,158	1,196,559	1,123,190	1,124,640
Total Taxpayers' equity	5,445,324	4,222,604	5,371,875	4,059,014

Michael Spurr Agency Accounting Officer 19 June 2014

The notes on pages 85 to 130 form part of these accounts

Consolidated Statement of Cash Flows for the year ended 31 March 2014

	Notes	2013–2014		2012–2013 Restated	
		Core Agency		Core Agency	
		£'000	£'000	£'000	£'000
		Consolidated	Consolidated	£'000	£'000
Cash flows from operating activities					
Net Operating Cost		(3,674,013)	(3,756,836)	(4,025,277)	(4,077,300)
Adjustments for non-cash transactions	3,4,5	444,071	505,563	518,998	568,878
Adjustment for notional charges to and from MoJ group		58,049	58,049	(91,074)	(91,074)
Adjustment for movement in Probation Trust post audit accounts	29	0	(315)	0	(1,892)
Adjustment for defined benefit pensions to add back non-cash costs and deduct cash paid		0	24,655	0	7,638
(Increase)/decrease in trade and other receivables					
Movement in trade receivables	13	(23,726)	(28,702)	220,750	214,698
Less: MoJ notional funding transfer through reserves	13	0	0	(217,495)	(217,495)
Less: Impairments in trade and other receivables	4,5	(423)	(423)	994	994
Less: Movement in disposal proceeds receivables		7,000	7,000	0	0
(Increase)/decrease in inventories	12	2,208	2,208	202	202
Increase/(decrease) in trade payables					
Movement in trade and other payables	15a,15b	3,605	(4,056)	19,508	23,566
Less: Movements on capital elements of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	15a,15b	24,611	24,611	605	605
Less: Movement in property, plant & equipment payable		(13,097)	(13,097)	10,595	10,588
Less: Movement in Thameside PFI liability valuation		0	0	(26,373)	(26,373)
Less: Payments of amounts due to the Consolidated Fund to MoJ		3	3	267	267
Utilisation of provisions	19	(46,038)	(48,660)	(28,596)	(32,750)
Net cash outflow from operating activities			456,263	408,381	457,852
Cash flows from investing activities					
Purchase of property, plant & equipment		(176,450)	(177,572)	(156,583)	(157,817)
Net transfer of assets from other government departments		0	0	(718)	(718)
Purchase of intangibles	8	(55)	(80)	(23)	(184)
Proceeds on disposal of property, plant and equipment		33,822	33,932	12,120	12,153
Proceeds on disposal of financial assets		0	0	0	0
Net cash outflow from investing activities			(142,683)	(145,204)	(146,566)

Consolidated Statement of Cash Flows for the year ended 31 March 2014 (continued)

	2013–2014		2012–2013 Restated	
	Core Agency		Core Agency	
	£'000	£'000	£'000	£'000
	Notes	Consolidated	Consolidated	Consolidated
		£'000	£'000	£'000
Cash flows from financing activities				
Net funding received from MoJ		3,552,000	3,552,000	3,758,000
Adjustments for income received and paid to the Consolidated Fund by MoJ on behalf of NOMS		(163,731)	(163,731)	0
Payments of amounts due to the Consolidated Fund to MoJ		(3)	(3)	(267)
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	15a, 15b	(24,611)	(24,611)	(605)
Net financing		3,363,655	3,363,655	3,757,128
Net increase/(decrease) in cash and cash equivalents in the year		3,222	(10,065)	(4,972)
Cash and cash equivalents at the beginning of the year	14	(19,727)	22,877	31,763
Cash and cash equivalents at the end of the year	14	(16,505)	12,812	22,877
(Decrease)/increase in cash and cash equivalents		3,222	(10,065)	(8,886)

The notes on pages 85 to 130 form part of these accounts

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	Notes	General Fund		Revaluation Reserve		Total Reserves	
		Core Agency	Consolidated	Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2012		4,668,894	3,494,747	991,140	992,402	5,660,034	4,487,149
Restatement of injury benefit provision	28	(63,633)	(63,633)	0	0	(63,633)	(63,633)
Restated balance as at 1 April 2012		4,605,261	3,431,114	991,140	992,402	5,596,401	4,423,516
Changes in taxpayers' equity for 2012-2013							
Net operating cost for the year to 31 March 2013 - restated		(4,025,277)	(4,077,300)	0	0	(4,025,277)	(4,077,300)
Net gain/(loss) on revaluation of property, plant and equipment		0	0	203,785	204,133	203,785	204,133
Less: Reversal of previous impairment		0	0	(13,923)	(13,923)	(13,923)	(13,923)
Net gain/(loss) on revaluation of intangible assets		0	0	351	357	351	357
Net gain/(loss) on revaluation of assets held for sale		0	0	88	88	88	88
Release of reserves to the general fund		58,251	58,417	(58,251)	(58,417)	0	0
Remeasurement of net pension liabilities		0	(86,665)	0	0	0	(86,665)
Movement in Probation Trusts' post audit accounts		0	(1,642)	0	0	0	(1,642)
Funding from the Consolidated Fund (Supply)		3,758,000	3,758,000	0	0	3,758,000	3,758,000
Settlement of transactions with MoJ		(259,034)	(259,034)	0	0	(259,034)	(259,034)
Notional items							
Auditor's remuneration	4	300	300	0	0	300	300
Corporate overhead charges	4,5	111,184	111,184	0	0	111,184	111,184
Restated balance as at 31 March 2013		4,248,685	2,934,374	1,123,190	1,124,640	5,371,875	4,059,014
Changes in taxpayers' equity for 2013-2014							
Net operating cost after tax for the year to 31 March 2014		(3,674,013)	(3,756,836)	0	0	(3,674,013)	(3,756,836)
Net gain/(loss) on revaluation of property, plant and equipment		0	0	142,040	142,101	142,040	142,101
Less: Reversal of previous impairment		0	0	0	0	0	0
Net gain/(loss) on revaluation of intangible assets		0	0	326	331	326	331
Net gain/(loss) on revaluation of assets held for sale		0	0	0	0	0	0
Release of reserves to the general fund		70,398	70,513	(70,398)	(70,513)	0	0
Remeasurement of net pension liabilities	20	0	173,213	0	0	0	173,213
Movement in Probation Trusts' post audit accounts	29	0	(315)	0	0	0	(315)
Funding from the Consolidated Fund (Supply)		3,552,000	3,552,000	0	0	3,552,000	3,552,000
Settlement of transactions with MoJ		114,664	114,664	0	0	114,664	114,664
Consolidated Fund Extra Receipts due to HM Treasury	6b	(163,731)	(163,731)	0	0	(163,731)	(163,731)
Notional items							
Auditor's remuneration	4	330	330	0	0	330	330
Corporate overhead charges	4,5	101,833	101,833	0	0	101,833	101,833
Balance as at 31 March 2014		4,250,166	3,026,045	1,195,158	1,196,559	5,445,324	4,222,604

The notes on pages 85 to 130 form part of these accounts

Notes to the Accounts

1. Basis of preparation

The financial statements have been prepared in accordance with the 2013–14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

1.2 Accounting convention

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

1.3 Changes in accounting policy and disclosures

a) New and amended standards adopted

IAS 1 'Presentation of Financial Statements – Other Comprehensive Income' (effective for accounting periods beginning on or after 1 July 2012). The impact on NOMS' accounts is that items presented in Other Comprehensive Expenditure will be grouped on the basis of whether they may subsequently be reclassified to net operating costs.

IAS 19 'Employee Benefits' was revised in June 2011 (effective for accounting periods beginning on or after 1 January 2013). The impact on NOMS' accounts is that:

- the interest cost and expected return on plan assets have been replaced with a net interest amount, which is calculated by applying a single discount rate to the net defined benefit liability.
- disclosures have been amended, including the presentation of defined benefit costs, plan assets and reconciliation of net pension liability, as presented in Note 20.

b) New standards, amendments and interpretations issued, but not effective, for the financial year beginning 1 April 2013, and not adopted early

The following new standards, interpretations and amendments, which are not yet effective, may have an effect on NOMS' future accounts:

- IFRS 9 'Financial Instruments' (effective date not yet known) will replace IAS 39 'Financial Instruments: Recognition and Measurement', and is expected to simplify and improve reporting of financial instruments.
- IFRS 13 'Fair Value Measurement' provides a consistent definition and measurement framework for determining fair value. The FReM's proposed adaptation of IFRS 13 for public sector application is expected to be effective from 1 April 2015.
- IFRS 10 'Consolidated Financial Statements' was issued jointly with IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', and amendments to IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'.

1.3 Changes in accounting policy and disclosures (continued)

The new group accounting standards introduce a single concept of control to clarify the basis for producing consolidated accounts and develop disclosure requirements, to allow better user understanding of the nature, extent and financial effects of the reporting entity's relationship with other entities and joint arrangements, including off balance sheet vehicles. The FReM's proposed adaptation of these standards for public sector application is due to be effective from 1 April 2014.

The adoption of the standards above is not expected to have a material impact on NOMS accounts.

1.4 Going concern

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

"Transforming Rehabilitation: A strategy for Reform", was published on 9 May 2013 by the Secretary of State for Justice.

As part of the transformation of rehabilitation, all Probation Trusts ceased operations on 1 June 2014. From this date the functions, assets, rights and liabilities of the Trusts transferred in full to the Secretary of State for Justice on behalf of the MoJ. They will be administered by a new National Probation Service (NPS), which is a directorate within NOMS, and 21 Community Rehabilitation Companies (CRCs).

The existing assets, liabilities and staff of the Trusts will be split between these entities in a practical way that reflects the services that each body will provide.

The Probation Trusts will be dissolved over the course of 2014-15 under section 5(1) (c) of the Offender Management Act 2007.

A tender process is currently under way with bidders to take ownership of the CRCs from January 2015. As part of the sale, the contracts will influence the operations of the CRCs, ensuring continuity of services beyond this date. MoJ/NOMS will continue to provide funding under this arrangement.

As the functions previously provided by the Trusts will continue to be provided or commissioned by public sector entities, the Accounting Officer, with the support of senior management, has concluded that within the context of the Financial Reporting Manual (FReM), it is appropriate for the Trusts to prepare their 2013–14 Annual Report and Accounts on a going concern basis.

NOMS management has concluded that these changes do not raise any uncertainty around the going concern status of the NOMS group accounts.

1.5 Basis of consolidation

Under Treasury direction, these accounts comprise a consolidation of NOMS Core Agency and the Probation Trusts, which are Non-Departmental Public Bodies (NDPBs). All significant intra-group balances and transactions have been eliminated in NOMS Consolidated accounts.

A small number of Trusts have control over other separate business entities. These entities have not been consolidated by the Trusts into their own statutory accounts and they have not been consolidated by NOMS, on the grounds that the transactions between the entities and Trusts are not material to the accounts.

1.5 Basis of consolidation (continued)

Trusts have developed staff mutual bids as part of the MoJ Transforming Rehabilitation programme. Any transactions in relation to the work of staff mutuals are included within the Trusts' accounts.

The Trusts' accounting reference dates align with the Agency, and their accounting policies are aligned with the Agency in all material areas.

A full listing of the entities included within the NOMS Agency boundary is given in Note 29.

1.6 Property, plant and equipment

Recognition and capitalisation threshold

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

Where significant purchases of individual assets which are separately beneath the capitalisation threshold arise in connection with a single project, they are treated as a grouped asset. The capitalisation threshold for grouped assets is £1 million (including irrecoverable VAT).

Assets under construction

Assets under construction are valued at historic cost within property, plant and equipment and are not subject to depreciation until completed. On completion, the asset's carrying value is transferred to the respective asset category.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

Valuation

Property, plant and equipment are carried at fair value in accordance with the FReM.

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

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

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

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

NOMS Core Agency accounts include Probation HQ properties valued by the VOA at £59m as at 31 March 2014. As at 31 March 2013, the total value was £52m, of which £11m was valued by the VOA and £41m was included at fair value using the Tender Price Index of Public Sector Buildings (Non-Housing).

1.6 Property, plant and equipment (continued)

Non-property assets are recorded at cost on purchase and restated at each Consolidated Statement of Financial Position (CSoFP) date using the Producer Price Index published by the Office for National Statistics.

Revaluation

The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments of property, plant and equipment.

Gains on revaluation are credited to the revaluation reserve and shown in other comprehensive expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to net operating costs in the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) to the extent of the amount previously expensed, and any excess is credited to the revaluation reserve.

When an asset's carrying value decreases as a result of a permanent diminution in the value of the asset, due to a clear consumption of economic benefit or service potential, the decrease is charged directly to net operating costs, with any remaining revaluation reserve balance released to the general fund.

A revaluation decrease, other than a result of permanent diminution, is reversed against any existing amount held in the revaluation reserve in respect of that same asset, with any residual decrease charged to net operating costs.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the CSoCNE and depreciation based on the asset's original cost is transferred from the revaluation reserve to general fund.

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 asset categories are reviewed annually. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life.

Depreciation commences in the month following acquisition of the non-current asset.

If an item of property, plant and equipment comprises two or more significant components, with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life.

Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings including Dwellings	Shorter of remaining life or up to 60 years (up to 55 years for dwellings) depending on building
Grouped assets	Depending on individual asset types comprising this asset
Leasehold buildings including Dwellings	Shorter of remaining life, remaining lease period or up to 50 years (up to 55 years for dwellings); 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, fixtures & fittings	3 to 15 years depending on individual asset type
Assets under construction	Not depreciated

1.7 Intangible 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. Intangibles comprise software developed by third parties, including MoJ, and licenses for purchased software. Intangibles are initially valued at cost.

The threshold for capitalising individual assets is £10,000 (including irrecoverable VAT). The threshold for capitalising grouped assets is £1 million (including irrecoverable VAT).

Intangible assets are amortised using the straight-line method over their anticipated useful lives. The useful lives of the software range from 3 to 10 years. Licences are amortised over the length of the licence.

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

1.8 Impairment

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

The recoverable amount of an asset is the higher of its 'fair value less costs to sell' and 'value in use'. For the purposes of the public sector, the FReM defines the 'value in use' of a non-cash-generating asset as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Impairment losses resulting from a clear consumption of economic benefit are recognised as expenditure in the CSocNE. If the impaired asset had been revalued previously, an amount equal to the impairment charge is transferred from the revaluation reserve to the general fund, up to the extent that a revaluation reserve is held for the asset.

Other impairment losses arising on an asset that had been revalued previously are recognised as a reduction in the revaluation reserve, up to the extent that a revaluation reserve is held for the asset, and any excess is recognised as expenditure in the CSocNE.

If an impaired asset had not been revalued previously, the impairment is recognised in full as a charge to the CSocNE.

At each reporting date NOMS also reviews impairment losses recognised in previous periods. Any reversal of an impairment loss is then recognised, in the CSocNE, to the extent that the original charge, adjusted for subsequent depreciation, was recognised, with any remaining amount recognised in the revaluation reserve.

1.9 Leases

A distinction is made between finance leases and operating leases.

Finance leases

Leases of assets where NOMS retains substantially all the risks and rewards of ownership are classified as finance leases. At the commencement of the lease term, finance lease assets and liabilities are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in either short term or long-term payables, depending on the dates NOMS is contractually obliged to make rental payments. The interest element of the finance cost is charged to the CSoCNE over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

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

1.10 Service Concession Arrangements including Private Finance Initiative arrangements

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

The future payment streams are assessed to identify separately the infrastructure interest and service components.

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

The interest element is charged to the CSoCNE over the contract period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Older prison PFI arrangements and other SCA use Treasury discount rates. HMP Thameside PFI and, where possible, any future PFI contracts will be accounted for using the interest rate implicit in the contract.

In addition to PFI prison contracts, the contracts for Prisoner Escort and Custody Services (PECS), and the contracts which ended in 2012-13 for Electronic Monitoring Services (EM) and the IT and Telephony System meet the conditions for SCA.

Transitional EM contracts with the former suppliers ended in 2013-14. An interim contract with a new supplier, using existing assets, is in place until the procurement of new contracts is completed later in 2014. At 31 March 2014, there was no asset or liability on the CSoFP.

1.11 Non-current assets held for sale

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

1.12 Inventories

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

1.13 Cash and cash equivalents

Cash and cash equivalents recorded in the CSoFP and Consolidated Statement of Cash Flows (CSoCF) includes cash in hand, deposits held at call with banks, and bank overdrafts.

1.14 Employee benefits

Pensions – PCSPS

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees. While this is an unfunded defined benefit scheme, in accordance with FReM 12.2.5, NOMS accounts for it as a defined contribution scheme. NOMS recognises the expected cost 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.

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. NOMS recognises contributions payable as an expense in the year in which it is incurred.

Probation LGPS Defined Benefit Plan

Past and present employees of the Probation 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. 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 pension funds are subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last formal actuarial valuation was at 31 March 2013 and the results are reflected in the 2013-14 accounts.

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

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

1.14 Employee benefits (continued)

The Probation Trusts obtain a professional calculation of the pension position at the reporting date from four independent actuaries. The assumptions underpinning the actuarial calculations for each fund are subject to review as part of each Trust's annual reporting and audit process. Pre-audit calculations are included in the consolidated NOMS accounts, to avoid the risk of delay in preparing these accounts.

To address the risk of a material movement in the pension liability as a result of using draft data, NOMS commissioned PricewaterhouseCoopers LLP (PwC) 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 associated risk of material misstatement to NOMS.

Early Departure Costs

NOMS is required to pay the additional cost of benefits beyond the normal PCSPS 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 1.80 per cent in real terms (2012–13: 2.35 per cent).

Civil Service Injury Benefit Scheme

From 1 April 1998 NOMS is required to pay benefits under the Civil Service Injury Benefits Scheme. The scheme pays benefits to any individual who suffers disease or injury, which is wholly or partially attributable to the nature of the duty, or who suffers an attack or similar act which is directly attributable to employment within the service. The estimated cash flow is discounted using HM Treasury's discount rate of 1.80 per cent in real terms (2012–13: 2.35 per cent).

1.15 Operating income

Operating income is generated directly from the operating activities of NOMS and includes both budgetary and non-budgetary income. Non-budgetary income is outside the ambit and is surrendered to the Consolidated Fund as Consolidated Fund Extra Receipts (CFERs).

Operating income includes receipts from the Youth Justice Board for the provision of places for juvenile offenders, from the Home Office and UK Border Agency for the provision of custodial services, from the European Union for resettlement services, and from NHS England, private sector providers and Welsh Government for the provision of healthcare services.

Income in respect of services rendered is recovered in line with the related service level agreement (SLA) on a full cost basis. Invoices are sent after the costs have been incurred by NOMS, 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.

Operating income also includes income from sales of goods produced by prison industries, and sales to prisoners through the prison shop and incentives and earned privileges scheme.

The Probation Trusts' income comprises rent, income from EU sources, income from other Government departments and miscellaneous income. The Probation Trusts can earn interest from various sources, including any interest from the investment of funds.

Operating income is stated net of recoverable VAT.

1.16 Administration and programme expenditure

The CSoCNE 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 HM Treasury's Consolidated Budgeting Guidance.

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 cover the costs of direct frontline service provision, such as public and private prison establishments, probation trusts, prisoner escorts and electronic monitoring, or support activities that are directly associated with frontline service delivery.

Examples of such support activities are centralised shared services, case working units, operational training, custodial capacity and property maintenance.

1.17 Notional costs

Notional costs in Notes 4 and 5 are credited directly to the general fund and comprise NAO's cost for the external audit of the accounts, and recharges by MoJ for central services – for example, NOMS' notional share of Private Office costs, Finance, HR, Expenses, Procurement, Estates and IT.

1.18 Segmental reporting

The statement of net expenditure by operating segments – see Note 2 – presents net operating cost 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.

1.19 Foreign exchange

Transactions that are denominated in a foreign currency are translated into British pounds sterling at the exchange rate specified in the contract. Transactions not covered by a related forward contract are translated into sterling at the exchange rate on the date of the 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 CSoFP date are translated at the rates at that date. These translation differences are dealt with in the CSoCNE.

1.20 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, and for which a reliable estimate can be made of the amount.

Provisions reflect the best estimate of the expenditure required to settle the obligation. Provisions are discounted to their present value using the real rates set by HM Treasury, where the effect is material.

1.21 Contingent liabilities

As required by Managing Public Money, 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.

1.21 Contingent liabilities (continued)

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.

1.22 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.

1.23 Corporation Tax

Under the Offender Management Act 2007, Probation Trusts are defined as corporate bodies and as such fall in scope for Corporation Tax. The CSoCNE and CSoFP include estimates of Corporation Tax costs and liabilities.

1.24 Third party assets

NOMS holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised on the CSoFP and are disclosed in Note 26.

1.25 Financial Instruments

Classification and measurement - financial assets

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

Loans and Receivables

Loans and receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are measured subsequently at amortised cost using the effective interest method less impairment.

Financial Assets at fair value through profit and loss

Share investments including milk production quotas were acquired at no cost by NOMS as a result of trading activities. They are held at fair value. Fair value is equal to market value at the reporting date, and the movement in the value of assets is recognised immediately in the CSoCNE, as income or as an expense.

Classification and measurement - financial liabilities

NOMS has financial liabilities, comprising PFI liabilities, finance lease liabilities, trade payables, other payables and accruals. Financial liabilities are measured initially at fair value, net of transaction costs, and subsequently at amortised cost using the effective interest method. Where the effect is material, estimated cash flows of financial liabilities are discounted.

1.26 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

Valuation of non-current assets

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

Pension costs

The present value of the net pension liability detailed in Note 20 depends on a number of actuarially derived assumptions about inflation, salary and pension trends, discount factors and mortality rates. The estimated liability is subject to fluctuation and uncertainty due to changes in these assumptions over time and differences between assumptions and actual events.

Provisions for liabilities and charges

The recognition and measurement of provisions for liabilities and charges reported in Note 19 rely on the application of professional judgment, historical experience and other factors expected to influence future events. Provision balances which contain regular, homogeneous transactions are often derived from complex financial models. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised.

Lease accounting

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

Service Concession Arrangements (SCAs)

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

Valuation of prisons identified for closure

As part of an ongoing estate rationalisation review, Ministers have identified a number of prisons for closure. Following this decision, management considers these properties to be excluded from the operational estate in the future. Prison buildings are specialised properties for which there is no active market; so on announcement of closure, their value is reduced to nil. As this change in valuation method indicates a permanent diminution in value, any impairment has been taken directly to the CSocNE, with the balance of any revaluation reserve taken to the general fund. The land on which the prisons are situated is non-specialised property, and its valuation method is altered to fair value less costs to sell, determined from market-based evidence.

1.27 Prior period adjustments

The changes to IAS 19 (refer to Note 1.3a) apply retrospectively, giving rise to a prior period adjustment to net operating costs and other comprehensive expenditure. Net pension assets and liabilities are unchanged.

During the year NOMS identified a liability in relation to injury benefit payments granted to current and former employees, as set out in Note 1.14. This gave rise to a prior period adjustment to provisions and operating costs. Net taxpayers' equity as at 31 March 2013 reduced by £68m as a result of the prior period adjustment.

The effect of the prior period adjustments on each line in the primary statements is set out in Note 28.

Comparative figures within some notes have been reclassified between sub-headings and disclosure notes restated to ensure consistency with current year reporting.

2. Statement of Operating Costs by Operating Segment

2a. Total net resource expenditure as reported to the Board

	Public Sector Prisons				Probation and Contracted Services				HQ				Budgets Held by MoJ				Total	
	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2012–2014	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Gross expenditure	1,905,214	2,053,020	1,502,361	1,520,232	339,823	311,056	0	0	3,747,398	3,884,308								
Income	(247,881)	(264,057)	(29,686)	(45,928)	(32,778)	(37,410)	0	0	(310,345)	(347,395)								
Net expenditure	1,657,333	1,788,963	1,472,675	1,474,304	307,045	273,646	0	0	3,437,053	3,536,913								

2b. Reconciliation between operating segments and CSocNE

	Public Sector Prisons				Probation and Contracted Services				HQ				Budgets Held by MoJ				Total	
	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2013–2014	2012–2013	2012–2014	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Total net operating costs after taxation by operating segment as reported to Board	1,657,333	1,788,963	1,472,675	1,474,304	307,045	273,646	0	0	3,437,053	3,536,913								
Items not reported to Board:																		
PFI prisons and service concession arrangements accounting treatment	0	0	2,153	5,359	(13,670)	3,847	0	0	(11,517)	9,206								
NOMS depreciation and impairment costs where the budget is held within MoJ	0	0	0	0	0	0	232,570	229,799	232,570	229,799								
NOMS other costs where the budget is held within MoJ	0	0	0	0	0	0	92,830	103,245	92,830	103,245								
Notional recharge from MoJ	0	0	0	0	101,833	111,184	0	0	101,833	111,184								
Consolidated Fund Extra Receipts (see Note 6b)	0	0	(163,731)	0	0	0	0	0	(163,731)	0								
Probation Trusts' net expenditure difference from NOMS funding	0	0	82,822	52,023	0	0	0	0	82,822	52,023								
Other, including accounting treatment of provisions	151	611	(1,155)	737	(14,020)	33,582	0	0	(15,024)	34,930								
Total net operating costs after taxation per CSocNE	1,657,484	1,789,574	1,392,764	1,532,423	381,188	422,259	325,400	333,044	3,756,836	4,077,300								

2. Statement of Operating Costs by Operating Segment (continued)

2b. Reconciliation between operating segments and CSoCNE (continued)

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

Resource outturn

Resource expenditure against a budget of £3,436m delegated to NOMS by MoJ was £3,437m as reported to the Board in the management accounts. The equivalent outturn after financial accounts adjustments is £1m lower at £3,436m.

Annually Managed Expenditure outturn

The provisional AME outturn reported to the Board was £130m. The equivalent outturn after financial accounts adjustments is £68m.

Capital outturn

The capital outturn reported to the Board was £26m, against a budget of £31m. The equivalent outturn after financial accounts adjustments is £1m higher at £27m.

Restatements

2012-13 Probation Trust pension costs have increased by £28m as a result of changes to IAS 19.

2012-13 Core Agency HQ Other has increased by £5m to reflect injury benefit provision costs. See Note 28.

3. Staff numbers and related costs

3a. Staff costs

	2013–2014			2012–2013
	Permanently employed staff	Others	Total	Restated Total
	£'000	£'000	£'000	£'000
Core Agency				
Wages and salaries	1,131,393	43,575	1,174,968	1,262,332
Social security costs	86,108	0	86,108	92,166
Other pension costs, departures and severance payments	268,947	0	268,947	284,070
	1,486,448	43,575	1,530,023	1,638,568
Less: recoveries in respect of outward secondments	(3,014)	0	(3,014)	(2,748)
Less: recoveries in respect of ICT project labour costs charged to MoJ	(346)	(744)	(1,090)	(6,619)
Early departure provisions created net of releases	880	0	880	22,398
Injury benefit scheme provision created	3,709	0	3,709	5,084
Total net costs	1,487,677	42,831	1,530,508	1,656,683
Core Agency				
Administration related staff costs	66,226	4,837	71,063	76,734
Programme related staff costs	1,421,451	37,994	1,459,445	1,579,949
Total net costs	1,487,677	42,831	1,530,508	1,656,683

3. Staff numbers and related costs (continued)

3a. Staff costs (continued)

	2013–2014			2012–2013
	Permanently employed staff	Others	Total	Restated
				Total
	£'000	£'000	£'000	£'000
Consolidated				
Wages and salaries	1,647,792	64,022	1,711,814	1,798,663
Social security costs	124,977	45	125,022	132,389
Other pension costs, departures and severance payments	379,401	34	379,435	383,454
	2,152,170	64,101	2,216,271	2,314,506
Less: recoveries in respect of outward secondments	(13,823)	0	(13,823)	(11,558)
Less: recoveries in respect of ICT project labour costs charged to MoJ	(346)	(744)	(1,090)	(6,619)
Early departure provisions created net of releases	1,715	0	1,715	22,398
Injury benefit scheme provision created	3,709	0	3,709	5,084
Total net costs	2,143,425	63,357	2,206,782	2,323,811
Consolidated				
Administration related staff costs	66,226	4,837	71,063	76,734
Programme related staff costs	2,077,199	58,520	2,135,719	2,247,077
Total net costs	2,143,425	63,357	2,206,782	2,323,811

Restatements

2012-13 consolidated other pension costs have increased by £2.3m as a result of changes to IAS 19. 2012-13 Core Agency injury benefit scheme programme costs have increased by £5.1m. See Note 28.

Senior managers

Details of the salary and pension entitlements of the most senior managers of NOMS are detailed in the remuneration report. These costs are included within the totals above.

Public interest transfers

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 2014 is included within the staff receivables lines in Note 13a.

Pension costs

208 persons retired early on ill health grounds (2012-13: 221). The total additional accrued pension liabilities in the year amounted to £0.4m (2012-13: £0.8m).

Core Agency

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

For 2013–14, employer's contributions of £201.3m were payable to the PCSPS (2012–13: £222.6m) at one of four rates in the range of 16.7 per cent to 24.3 per cent (2012-13: 16.7 per cent to 24.3 per cent) of pensionable pay (25.8 per cent 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 reflect past experience of the scheme.

3. Staff numbers and related costs (continued)

3a. Staff costs (continued)

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent (2012–13: 3 per cent to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Probation Trusts

The Local Government Pension Scheme (LGPS) for the Probation Trusts is a funded multi-employer defined benefit scheme. The Probation Trusts' share of the underlying assets and liabilities is shown in Note 20.

For 2013–14 employers' contributions of £87.7m were paid to the LGPS (2012–13: £92.1m) in a range from 10.1 per cent to 27.8 per cent (2012-13: 10.1 per cent to 26.5 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.

3b. Average number of persons employed

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

	2013-2014			2012-2013 Restated ³		
	Administration	Programme	Total	Administration	Programme	Total
Core Agency						
Administration	807	5,282	6,089	730	5,412	6,142
Industrial	10	2,672	2,682	2	3,100	3,102
Unified and operational grades ¹	180	26,338	26,518	250	29,807	30,057
Specialist ²	36	3,227	3,263	65	3,362	3,427
Agency and contract staff	52	691	743	50	411	461
Total	1,085	38,210	39,295	1,097	42,092	43,189
Consolidated						
Administration	807	21,725	22,532	730	22,307	23,037
Industrial	10	2,672	2,682	2	3,100	3,102
Unified and operational grades ¹	180	26,338	26,518	250	29,807	30,057
Specialist ²	36	3,227	3,263	65	3,362	3,427
Agency and contract staff	52	1,430	1,482	50	908	958
Total	1,085	55,392	56,477	1,097	59,484	60,581

Note 1: This includes all prison officers, operational managers and operational support staff.

Note 2: NOMS Core Specialist staff includes staff on secondment from Probation Trusts to prisons.

Note 3: Prior Year agency staff numbers have been restated and revised upwards as a result of an in-depth ledger to FTE analysis exercise. (Admin from 40 to 50 FTEs and Programme from 392 to 411 FTEs).

Prior year staff numbers have also been reclassified to align staff numbers more closely with the associated staff costs, and are now on a consistent basis with the current year. This has realigned 1,195 FTEs from admin to programme, based on function eg operational services, rather than location, eg HQ.

3. Staff numbers and related costs (continued)

3c. Reporting of civil service and other compensation schemes - exit packages

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

For Probation Trusts, redundancy and other departure costs have been paid in accordance with Trusts' redundancy policies. 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, meet the additional costs of early retirement. Ill-health retirement costs are met by the pension scheme and are not included in the table below.

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

	2013-2014			2012-2013		
	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band
Core Agency						
Exit package cost and band						
<£10,000	0	72	72	1	61	62
£10,001 - £25,000	0	995	995	1	446	447
£25,001 - £50,000	0	790	790	1	468	469
£50,001 - £100,000	0	612	612	1	395	396
£100,001 - £150,000	0	10	10	0	44	44
£150,001 - £200,000	0	3	3	0	10	10
£200,001 - £250,000	0	3	3	0	4	4
£250,001 - £300,000	0	0	0	0	2	2
Total number of exit packages	0	2,485	2,485	4	1,430	1,434
Total cost of exit packages (£'000s)	0	83,416	83,416	139	57,577	57,716
Consolidated						
Exit package cost and band						
<£10,000	5	120	125	8	267	275
£10,001 - £25,000	2	1,044	1,046	7	605	612
£25,001 - £50,000	1	810	811	4	535	539
£50,001 - £100,000	0	620	620	1	417	418
£100,001 - £150,000	0	15	15	0	45	45
£150,001 - £200,000	0	5	5	0	10	10
£200,001 - £250,000	0	4	4	0	4	4
£250,001 - £300,000	0	2	2	0	2	2
Total number of exit packages	8	2,620	2,628	20	1,885	1,905
Total cost of exit packages (£'000s)	91	87,380	87,471	358	65,407	65,765

The Core Agency figures above include £21.5m exit packages accounted for as a provision in Note 19 at 31 March 2013 (31 March 2014: £0.4m), which were accepted and paid in 2013-14. The residual £0.1m of the £21.6m provided at 31 March 2013 was released, as the schemes are now closed.

4. Other administrative costs

	2013–2014		2012–2013		
		Core Agency	Consolidated	Core Agency	Consolidated
	Notes	£'000	£'000	£'000	£'000
Accommodation and maintenance costs		3,981	3,981	4,645	4,645
Rentals under operating leases ¹		110	110	85	85
Interest charges		0	0	5	5
IT services including service concession arrangements		5,827	5,827	11,360	11,360
Auditor's remuneration – internal		2,559	3,218	2,672	3,382
Auditor's remuneration – external ²		40	1,131	19	1,129
Communications		618	618	1,220	1,220
Travel, subsistence and hospitality		3,921	3,921	3,780	3,780
Professional services		600	600	1,191	1,191
Other staff related costs		5,610	5,610	8,548	8,548
Other costs		6,341	6,341	2,497	2,497
		29,607	31,357	36,022	37,842
Non-cash items					
Depreciation	7	1,088	1,088	1,831	1,831
Amortisation	8	825	825	221	221
(Profit)/loss on disposal of non-current assets		1	1	(151)	(151)
Impairments on trade receivables		98	98	0	0
Impairments on other receivables		168	168	(993)	(993)
Auditor's remuneration – external		330	330	300	300
MoJ overhead recharges		46,843	46,843	51,732	51,732
		49,353	49,353	52,940	52,940
Total other administration costs		78,960	80,710	88,962	90,782

Note 1: Rentals under operating leases are in respect of office equipment.

Note 2: There was no external auditor's remuneration for non-audit work. The Core Agency fee is for an independent actuarial review of the probation trust pension liabilities to support the external audit opinion.

5. Other programme costs

	2013–2014		2012–2013 Restated		
		Core Agency	Consolidated	Core Agency	Consolidated
	Notes	£'000	£'000	£'000	£'000
Accommodation and maintenance costs		255,616	323,983	264,509	339,415
Rentals under operating leases		1,854	2,659	2,067	3,018
PFI, managed prisons and service concession arrangements		587,217	587,217	617,131	617,131
Interest charges		24,024	24,026	25,497	25,497
IT services including service concession arrangements		106,410	138,112	79,659	114,163
Communications		12,129	28,232	5,673	23,628
Offender related costs		287,206	313,248	300,848	325,919
Intra-NOMS transactions ¹		804,505	0	832,353	0
Travel, subsistence and hospitality		11,249	24,235	10,098	23,265
Professional services		15,575	26,551	14,223	25,529
Other staff related costs		25,961	38,388	20,235	32,445
Other costs		26,700	38,818	24,195	37,920
		2,158,446	1,545,469	2,196,488	1,567,930
Non cash items					
Depreciation	7	230,997	232,822	254,362	256,253
Amortisation	8	23,270	23,778	20,150	20,663
(Profit)/ loss on disposal of non-current assets		498	547	1,312	1,338
Provisions created net of releases	19	17,869	18,315	30,728	31,274
Unwinding of discount on provisions	19	6,597	6,597	5,275	5,275
Effect of extinguishing pension assets / liabilities	20	0	0	0	(8,022)
Net interest cost on pension assets / liabilities	20	0	57,829	0	54,926
Impairments on trade receivables		157	157	(1)	(1)
Net impairment of non-current tangible and intangible assets and assets held for sale		55,716	55,716	67,358	67,358
(Increase)/decrease in value of investments		35	35	(60)	(60)
MoJ overhead recharges		54,990	54,990	59,452	59,452
		390,129	450,786	438,576	488,456
Total other programme costs		2,548,575	1,996,255	2,635,064	2,056,386

Note 1: Intra-NOMS transactions relate to funding and other arrangements, such as EU funding and staff secondments, between NOMS and the Probation Trusts.

Restatements

2012-13 consolidated net interest cost on pension assets/liabilities has increased by £26.0m as a result of changes to IAS 19. 2012-13 Core Agency other staff related costs have reduced by £4.0m, and the unwinding of the discount on provisions has increased by £3.7m. See Note 28.

6. Income

6a. Operating income

	2013–2014		2012–2013	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Administration income				
Juvenile funding (YJB & MoJ)	2,178	2,178	2,916	2,916
Home Office	615	615	490	490
Probation Trust	3	0	0	0
Other income	1,569	1,569	1,316	1,316
Total administration income	4,365	4,362	4,722	4,722
Programme income				
Juvenile funding (YJB & MoJ)	96,413	96,413	124,687	124,687
Home Office	4,807	4,921	4,960	4,973
NHS and other healthcare providers	60,918	62,262	76,668	78,068
Welsh Government	5,215	5,215	6,027	6,027
UK Border Agency	60,958	60,958	46,421	46,421
Non-Central Government	644	24,523	2,079	17,352
Probation Trust	284	0	254	0
European Social Fund and other European funding	24,084	30,050	23,814	30,384
External sales of industries	9,251	9,251	8,255	8,255
Retail prison shop income	42,887	42,887	47,208	47,208
In-cell TV income	2,042	2,042	2,139	2,139
Other income	8,431	21,189	8,198	24,176
Total programme income	315,934	359,711	350,710	389,690
Total operating income	320,299	364,073	355,432	394,412

6b. Consolidated Fund Extra Receipts

Electronic Monitoring and Prisoner Escort and Custody Services (PECS) contracts

As disclosed in 2012-13, information came to light as part of the re-tendering process for electronic monitoring contracts, which led to the identification of billing issues under the previous contracts. During the year, the MoJ's investigation into the billing concluded with repayment agreements, under which the suppliers paid MoJ a total of £168m in refunds of over-charging, interest and profit share covering the life of the contracts from April 2005 to March 2014. A repayment of £2m was also received in relation to profit on the PECS contract with one of the same suppliers.

£6m of the total £170m was a refund for 2013-14 and has been retained by NOMS and off-set against charges in this financial year. £5m related to electronic monitoring and £1m to PECS.

The remaining £164m comprises a £163m refund of costs paid by NOMS between April 2005 and March 2013, interest and profit share on electronic monitoring; and £1m profit on prisoner escort and custody. This is due to HM Treasury as Consolidated Fund Extra Receipts (CFER).

In accordance with the FReM, CFER income of £164m has been recognised in the CSocNE as non-budget income and in the general fund as a CFER payover to MoJ, who will transfer the cash to HM Treasury on behalf of NOMS.

Other CFER receipts

The amounts collected by NOMS acting as agent for the Consolidated Fund were £2k (2012-13: £6k). Such receipts are not part of NOMS income and are held within trade and other payables in Note 15a.

7. Property, plant and equipment

Core Agency and Consolidated	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
2013-2014								
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
As at 1 April 2013	672,319	5,321,193	43,057	234,331	293,929	41,303	104,179	6,710,311
Additions	0	5,696	0	52	13,861	7	169,438	189,054
Disposals	0	0	0	(51,205)	(70,659)	(22,531)	0	(144,395)
Transfers	(105)	(642)	0	5,897	0	0	0	5,150
Re-classification	(22,571)	111,478	(3,416)	60	6,721	0	(123,071)	(30,799)
Impairments	793	(51,976)	(618)	(73)	(656)	(857)	(1,792)	(55,179)
Indexation/Revaluation	50,793	(181,319)	3,836	(802)	2,767	216	0	(124,509)
As at 31 March 2014	701,229	5,204,430	42,859	188,260	245,963	18,138	148,754	6,549,633
Depreciation								
As at 1 April 2013	0	(273,587)	(1,713)	(182,492)	(176,326)	(35,150)	0	(669,268)
Charge in year	0	(183,279)	(971)	(24,416)	(21,521)	(1,898)	0	(232,085)
Disposals	0	0	0	51,201	68,655	22,466	0	142,322
Transfers	0	89	0	0	0	0	0	89
Re-classification	0	1,354	128	0	0	0	0	1,482
Impairments	0	3,687	117	60	471	278	0	4,613
Indexation/Revaluation	0	267,231	166	668	(1,346)	(170)	0	266,549
As at 31 March 2014	0	(184,505)	(2,273)	(154,979)	(130,067)	(14,474)	0	(486,298)
Carrying value								
As at 31 March 2014	701,229	5,019,925	40,586	33,281	115,896	3,664	148,754	6,063,335
As at 1 April 2013	672,319	5,047,606	41,344	51,839	117,603	6,153	104,179	6,041,043
Consolidated								
Carrying value								
As at 31 March 2014	701,229	5,019,925	40,586	33,981	120,057	3,847	148,754	6,068,379
As at 1 April 2013	672,319	5,047,606	41,344	52,284	122,585	6,340	104,409	6,046,887
Consolidated asset financing:								
Owned	698,779	4,379,586	39,976	27,387	92,603	3,847	148,754	5,390,932
Finance leased	2,450	13,753	610	6,594	27,454	0	0	50,861
On-balance sheet (SoFP) PFI contracts	0	626,586	0	0	0	0	0	626,586
Carrying value as at 31 March 2014	701,229	5,019,925	40,586	33,981	120,057	3,847	148,754	6,068,379

Probation Trusts

Included in the Consolidated carrying value above is property, plant and equipment held by the Probation Trusts, which had a total carrying value of £5.0m (2012-13: £5.8m).

Non-operational assets

Included in the carrying values above are 44 non-operational sites with a combined value of £26.3m (2012-13: eighteen with a combined value of £25.1m). These sites are now vacant, but do not yet meet the criteria for classification as assets held for sale.

7. Property, plant and equipment (continued)

Transfers and reclassification

IT assets with a carrying value of £5.9m were transferred from MoJ in 2013-14. Land and buildings with a value of £0.7m were transferred to HMCTS. Property, plant and equipment with a carrying value of £29.3m was reclassified to assets held for sale

Core Agency and Consolidated	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
2012-2013								
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
As at 1 April 2012	658,323	5,324,938	41,919	158,042	288,974	41,084	77,617	6,590,897
Additions	0	4,021	0	54	13,893	114	127,906	145,988
Disposals	0	0	0	(139)	(24,716)	(1,045)	0	(25,900)
Transfers	0	0	0	49,741	0	717	(3,121)	47,337
Re-classification	(31,990)	90,466	(1,366)	15	4,690	31	(97,584)	(35,738)
Impairments	(1,013)	(52,890)	38	0	(1,271)	(308)	(639)	(56,083)
Indexation/Revaluation	46,999	(45,342)	2,466	26,618	12,359	710	0	43,810
As at 31 March 2013	672,319	5,321,193	43,057	234,331	293,929	41,303	104,179	6,710,311
Depreciation								
As at 1 April 2012	0	(277,060)	(922)	(119,167)	(172,827)	(29,293)	0	(599,269)
Charge in year	0	(185,842)	(973)	(42,406)	(20,528)	(6,444)	0	(256,193)
Disposals	0	0	0	140	24,046	985	0	25,171
Transfers	0	0	0	(337)	9	(9)	0	(337)
Re-classification	0	153	57	0	0	0	0	210
Impairments	0	0	0	0	962	213	0	1,175
Indexation/Revaluation	0	189,162	125	(20,722)	(7,988)	(602)	0	159,975
As at 31 March 2013	0	(273,587)	(1,713)	(182,492)	(176,326)	(35,150)	0	(669,268)
Carrying value								
As at 31 March 2013	672,319	5,047,606	41,344	51,839	117,603	6,153	104,179	6,041,043
As at 1 April 2012	658,323	5,047,878	40,997	38,875	116,147	11,791	77,617	5,991,628
Consolidated								
Carrying value								
As at 31 March 2013	672,319	5,047,606	41,344	52,284	122,585	6,340	104,409	6,046,887
As at 1 April 2012	658,323	5,047,878	40,997	39,191	121,871	11,957	77,617	5,997,834
Consolidated asset financing:								
Owned	671,983	4,474,422	40,769	44,079	93,573	6,340	104,409	5,435,575
Finance leased	336	6,454	575	8,205	29,012	0	0	44,582
On-balance sheet (SoFP) PFI contracts	0	566,730	0	0	0	0	0	566,730
Carrying value as at 31 March 2013	672,319	5,047,606	41,344	52,284	122,585	6,340	104,409	6,046,887

Transfers and reclassification

Property, plant and equipment comprising IT hardware with a carrying value of £49.4m was transferred from MoJ. Property, plant and equipment with a carrying value of £35.5m was reclassified to assets held for sale.

8. Intangible assets

Core Agency and Consolidated	Internally generated software	Software	Licences	Payments on Account & Assets under Construction	Total
2013-2014					
	£'000	£'000	£'000	£'000	£'000
Core Agency					
Cost or valuation					
As at 1 April 2013	0	138,937	15,997	0	154,934
Additions	0	55	0	0	55
Disposals	0	(2,565)	(14)	0	(2,579)
Reclassifications	0	0	0	0	0
Indexation/Revaluation	0	692	59	0	751
Transfers	0	51,869	0	0	51,869
As at 31 March 2014	0	188,988	16,042	0	205,030
As at 1 April 2013	0	(80,206)	(13,996)	0	(94,202)
Charge in year	0	(23,667)	(428)	0	(24,095)
Disposals	0	2,564	14	0	2,578
Indexation/Revaluation	0	(372)	(53)	0	(425)
As at 31 March 2014	0	(101,681)	(14,463)	0	(116,144)
Carrying value					
As at 31 March 2014	0	87,307	1,579	0	88,886
As at 1 April 2013	0	58,731	2,001	0	60,732
Consolidated					
Carrying value					
As at 31 March 2014	2	87,798	1,721	0	89,521
As at 1 April 2013	5	59,548	2,244	49	61,846
Consolidated asset financing:					
Owned	2	87,798	1,721	0	89,521
Carrying value as at 31 March 2014	2	87,798	1,721	0	89,521

Probation Trusts

Included in the Consolidated carrying value above are intangible assets held by the Probation Trusts, which had a total carrying value of £0.6m (2012-13: £1.1m).

Transfers

Software assets with a carrying value of £51.9m were transferred from MoJ in 2013-14.

8. Intangible assets (continued)

Core Agency and Consolidated 2012-2013	Internally generated software	Software	Licences	Payments on account & assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Core Agency					
Cost or valuation					
As at 1 April 2012	0	134,885	15,901	0	150,786
Additions	0	0	23	0	23
Disposals	0	(5)	(23)	0	(28)
Reclassifications	0	17	0	0	17
Indexation/Revaluation	0	787	96	0	883
Transfers	0	3,253	0	0	3,253
As at 31 March 2013	0	138,937	15,997	0	154,934
Amortisation					
As at 1 April 2012	0	(60,829)	(12,482)	0	(73,311)
Charge in year	0	(18,929)	(1,442)	0	(20,371)
Disposals	0	5	7	0	12
Indexation/Revaluation	0	(453)	(79)	0	(532)
As at 31 March 2013	0	(80,206)	(13,996)	0	(94,202)
Carrying value					
As at 31 March 2013	0	58,731	2,001	0	60,732
As at 1 April 2012	0	74,056	3,419	0	77,475
Consolidated					
Carrying value					
As at 31 March 2013	5	59,548	2,244	49	61,846
As at 1 April 2012	11	75,137	3,786	0	78,934
Consolidated asset financing:					
Owned	5	59,548	2,244	49	61,846
Carrying value as at 31 March 2013	5	59,548	2,244	49	61,846

9. Assets held for sale

Core Agency and Consolidated	2013–2014	2012-2013
	£'000	£'000
Cost or valuation		
As at 1 April	33,149	10,086
Disposals	(39,247)	(12,536)
Re-classifications	29,317	35,511
Impairments	(5,150)	0
Indexation/Revaluation	0	88
As at 31 March	18,069	33,149

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

10. Financial instruments

Categories of financial instrument

Details of receivables, cash balances and payables can be found in Notes 13, 14 and 15.

Credit risk

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

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

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

11. Impairments

The impairment of property, plant and equipment resulted in a net charge of £50.6m, arising primarily from the closure or announced closure of prisons. The impairment of assets held for sale resulted in a net charge of £5.1m. The total charge was £55.7m (2012-13: net impairment of £67.3m). All impairment was charged to the CSocNE in both financial years.

12. Inventories

Core Agency and Consolidated	31 March 2014	31 March 2013
	£'000	£'000
Industries and farms		
Raw materials	2,109	2,460
Work-in-progress	2,292	1,654
Finished goods	2,520	4,481
	6,921	8,595
Consumables	31,760	32,294
	38,681	40,889

13. Trade receivables and other current assets

13a. Analysis by type

	31 March 2014		31 March 2013	
	Core Agency	Consolidated	Core Agency	Consolidated
Amounts falling due within one year	£'000	£'000	£'000	£'000
Trade receivables	3,982	6,089	2,572	5,473
VAT	75,266	76,108	69,464	72,520
MoJ intra-group receivables, prepayments and accrued income	30,069	27,886	25,684	14,491
Other HM government receivables, prepayments and accrued income	32,265	37,568	31,216	36,875
Staff receivables	1,750	2,076	3,255	3,610
Other receivables	7,557	8,358	824	1,126
Prepayments	5,591	6,937	6,059	7,812
Accrued income	15,748	16,980	9,447	11,395
	172,228	182,002	148,521	153,302
Amounts falling due after more than one year				
Other receivables	0	1	0	1
Staff receivables	1,971	1,972	1,952	1,970
	1,971	1,973	1,952	1,971

13b. Intra-Government receivables

Amounts falling due:	31 March 2014				31 March 2013			
	Core Agency		Consolidated		Core Agency		Consolidated	
	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances with other central government bodies	124,873	0	124,201	0	114,212	0	107,789	0
Balances with local authorities	559	0	4,603	0	1,429	0	4,844	0
Balances with NHS bodies	12,165	0	12,705	0	10,723	0	11,199	0
Balances with public corporations and trading funds	3	0	53	0	0	0	54	0
	137,600	0	141,562	0	126,364	0	123,886	0
Balances with bodies external to government	34,628	1,971	40,440	1,973	22,157	1,952	29,416	1,971
	172,228	1,971	182,002	1,973	148,521	1,952	153,302	1,971

14. Cash and cash equivalents

	2013-2014	2012-2013
Core Agency	£'000	£'000
Balance as at 1 April	(19,727)	(14,755)
Net change in cash and cash equivalents	3,222	(4,972)
Balance as at 31 March	(16,505)	(19,727)
The following balances at 31 March were held at:		
Government Banking Service	1,183	514
Commercial banks and cash in hand	1,576	1,212
Cash at bank and in hand	2,759	1,726
Overdraft	(19,264)	(21,453)
Cash at bank and in hand	(16,505)	(19,727)
Consolidated		
Balance as at 1 April	22,877	31,763
Net change in cash and cash equivalents	(10,065)	(8,886)
Balance as at 31 March	12,812	22,877
The following balances at 31 March were held at:		
Government Banking Service	5,612	4,167
Commercial banks and cash in hand	26,464	40,163
Cash at bank and in hand	32,076	44,330
Overdraft	(19,264)	(21,453)
Cash at bank and in hand	12,812	22,877

NOMS' overdraft relates to uncleared items as at 31 March 2014.

15. Trade payables and other current liabilities

15a. Amounts falling due within one year

	31 March 2014		31 March 2013	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Trade payables	25,165	35,725	20,987	33,990
VAT	0	23,581	0	26,829
Imputed finance lease element of on-balance sheet (SoFP) PFI and other service concession arrangements	25,986	25,986	27,329	27,329
Current part of finance lease	1,431	1,431	557	557
MoJ intra-group payables, accruals and deferred income	107,556	52,116	85,179	22,697
Other HM government payables, accruals and deferred income	23,556	28,250	28,905	35,095
Other payables	979	979	1,162	10,518
Other taxes and social security	16	7,194	3	8,836
Accruals	220,269	244,053	221,491	238,441
Deferred income	25,702	30,265	17,301	25,203
	430,660	449,580	402,914	429,495
Amounts due to the Consolidated Fund:				
Consolidated Fund Extra Receipts (CFERs)	2	2	1	1
	430,662	449,582	402,915	429,496

Included above is £2k (2012-13: £1k) due to the Ministry of Justice for payment to the Consolidated Fund. £3k was paid over to the Ministry of Justice for payment to the Consolidated Fund in the year to 31 March 2014.

15b. Amounts falling due after more than one year

	31 March 2014		31 March 2013	
	Core Agency	Consolidated	Core Agency	Consolidated
Amounts falling due after more than one year	£'000	£'000	£'000	£'000
Imputed finance lease element of on-balance sheet (SoFP) PFI and other service concession arrangements	306,768	306,768	332,724	332,724
Finance leases	4,082	4,082	2,268	2,268
	310,850	310,850	334,992	334,992

15. Trade payables and other current liabilities (continued)

15c. Intra-Government payables

Amounts falling due:	31 March 2014				31 March 2013			
	Core Agency		Consolidated		Core Agency		Consolidated	
	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances with other central government bodies	119,108	0	96,181	0	106,689	0	80,623	0
Balances with local authorities	10,166	0	12,891	0	5,440	0	10,205	0
Balances with NHS bodies	1,798	0	2,012	0	1,958	0	2,444	0
Balances with public corporations and trading funds	56	0	57	0	0	0	185	0
	131,128	0	111,141	0	114,087	0	93,457	0
Balances with bodies external to government	299,534	310,850	338,441	310,850	288,828	334,992	336,039	334,992
	430,662	310,850	449,582	310,850	402,915	334,992	429,496	334,992

16. Commitments under PFI contracts and other service concession arrangements

16a. On-balance sheet (SoFP) PFI contracts and other service concession arrangements

Project Name	Contract Start Date	Duration (years)	Description
HMP Altcourse	December 1995	25	Design, build, finance and operate a category B prison at HMP Altcourse
HMP Parc	January 1996	25	Design, build, finance and operate a category B prison near Bridgend, South Wales
HMP Lowdham Grange	November 1996	25	Design, build, finance and operate a category B prison at HMP Lowdham Grange, Nottingham
HM/YOI Ashfield	July 1998	25	Design, build, finance and operate a young offenders and juveniles category B prison at Pucklechurch, near Bristol; converted in 2013 to hold adult offenders.
HMP Forest Bank	July 1998	25	Design, build, finance and operate a category B prison HMP Forest Bank, on site of former Agecroft power station
HMP Rye Hill	July 1999	25	Design, build, finance and operate a category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	September 1999	25	Design, build, finance and operate a category B prison and therapeutic community facility at HMP Dovegate, Marchington
HMP Bronzefield	December 2002	25	Design, build, finance and operate a category B prison at Ashford in Middlesex
HMP Peterborough	February 2003	25	Design, build, finance and operate a category B prison at Peterborough in Cambridgeshire
HMP Thameside	June 2010	25	Design, build, finance and operate a category B prison at Woolwich in London
Electronic Monitoring System	February 2014	1	Supply and operate Electronic tagging systems; interim contract
Prisoner Escort and Custody Service	August 2011	7	Supply and operate Prison Vans and Escorts
IT and Telephony System	January 2013	3	Supply and support IT and telephony systems

The duration in years for PFI prison contracts normally commences on or around the contractual prison opening date, which is two to three years after the contract signature date, allowing for the design and build. In 2012-2013 the contract start date for HMP Thameside was shown as March 2012, which was the contractual opening date; this has been amended to reflect the contract signature date, to be consistent with the disclosure of the other prison PFI contracts.

16. Commitments under PFI contracts and other service concession arrangements (continued)
16b. Commitments under PFI and other service concession contracts

Core Agency and Consolidated		
	31 March 2014	31 March 2013
On-balance sheet (SoFP)	£'000	£'000
(1) Details of the imputed finance lease charges are given in the table below for each of the following periods.		
Rentals due not later than one year	47,584	50,675
Rentals due later than one year but not later than five years	169,291	183,360
Rentals due later than five years	306,143	339,659
	523,018	573,694
Less interest element	(190,264)	(213,641)
Present value of obligations	332,754	360,053
(2) Present value of imputed finance lease charges are given in the table below for each of the following periods.		
Rentals due not later than one year	25,986	27,329
Rentals due later than one year and not later than five years	100,974	108,034
Rentals due later than five years	205,794	224,690
Total present value of obligations	332,754	360,053
(3) The service element of on-balance sheet PFI payments or other service concession transactions to which the Agency is committed is as follows:		
		Restated
Not later than one year	557,174	556,738
Later than one year but not later than five years	1,800,229	1,862,007
Later than five years	2,267,771	2,744,404
Total	4,625,174	5,163,149

Electronic Monitoring

In February 2014 NOMS entered into an interim contract for the provision of Electronic Monitoring services, which is due to expire in 2014-15, using existing assets acquired under the previous on-balance sheet service concession arrangement. These assets are fully depreciated, and because this contract expires within one year, no new service concession arrangement asset or obligation has been recognised. Future commitments have been disclosed in table (3) under this contract to a value of £60m at 31 March 2014.

Restatement

The 2012-13 comparative in table (3) has been restated from £5,187m disclosed in the 2012-13 accounts to £5,163m. This restatement is to commitments under PFI prison contracts to ensure consistency across all such contracts.

16c. Charge to the Consolidated Statement of Comprehensive Net Expenditure

The total amount charged in the CSoCNE in respect of on-balance sheet (CSoFP) PFI and other service concession arrangements transactions was £619,431k for the year to 31 March 2014 (2012-13: £628,561k). Of this total the service element was £596,070k (2012-13: £603,231k) and the interest charges were £23,361k (2012-13: £25,330k).

17. Commitments under leases

17a. Operating leases

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

		31 March 2014		31 March 2013	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Obligations under operating leases comprise:					
Land and Buildings	Not later than one year	14,735	14,735	15,407	15,407
	Later than one year but not later than five years	42,727	42,727	46,632	46,632
	Later than five years	30,544	30,544	36,524	36,524
		88,006	88,006	98,563	98,563
Other	Not later than one year	796	1,101	988	1,444
	Later than one year but not later than five years	585	967	742	1,273
	Later than five years	0	0	2	2
		1,381	2,068	1,732	2,719

17b. Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

Core Agency and Consolidated		31 March 2014		31 March 2013	
		£'000		£'000	
Obligations under finance leases comprise:					
Land and Buildings	Not later than one year		130		130
	Later than one year but not later than five years		356		427
	Later than five years		470		530
			956		1,087
Less interest element			(336)		(382)
Present value of obligations			620		705
Other	Not later than one year		2,000		766
	Later than one year but not later than five years		4,207		2,019
			6,207		2,785
Less interest element			(1,314)		(665)
Present value of obligations			4,893		2,120

17. Commitments under leases (continued)

17b. Finance leases (continued)

Core Agency and Consolidated		31 March 2014	31 March 2013
		£'000	£'000
Present value of obligations under finance leases for the following periods comprises:			
Land and Buildings	Not later than one year	91	85
	Later than one year but not later than five years	255	306
	Later than five years	274	314
Present value of obligations		620	705
Other	Not later than one year	1,340	472
	Later than one year but not later than five years	3,553	1,648
Total present value of obligations		4,893	2,120

18. Other financial commitments

NOMS has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of services including: the management of prisons which are owned by NOMS and other contracted out services. Avon & Somerset Probation Trust had other financial commitments which consisted of non-cancellable contracts (which are not leases) mainly for payroll services. The payments to which NOMS and Trusts are committed as at 31 March 2014 are as follows:

	31 March 2014		31 March 2013	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Not later than one year	162,158	162,210	151,405	151,493
Later than one year but not later than five years	355,549	355,549	335,914	335,977
Later than five years	729,581	729,581	626,050	626,050
	1,247,288	1,247,340	1,113,369	1,113,520

19. Provisions for liabilities and charges

	2013-2014					Total
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Injury benefit scheme	
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	17,334	26,376	63,562	21,558	68,349	197,179
Provided in year	600	1,576	35,171	349	3,709	41,405
Provisions not required written back	0	0	(18,878)	(69)	0	(18,947)
Provisions utilised in year	(5,187)	(1,349)	(14,072)	(21,489)	(3,941)	(46,038)
Borrowing costs (unwinding of discount)	419	(1,670)	148	0	7,700	6,597
Balance as at 31 March	13,166	24,933	65,931	349	75,817	180,196

	2012-2013					Total
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Injury benefit scheme Restated	
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	21,757	31,627	45,273	0	63,633	162,290
Provided in year	840	570	59,537	21,558	5,084	87,589
Provisions not required written back	0	(5,695)	(23,684)	0	0	(29,379)
Provisions utilised in year	(5,774)	(1,233)	(17,564)	0	(4,025)	(28,596)
Borrowing costs (unwinding of discount)	511	1,107	0	0	3,657	5,275
Balance as at 31 March	17,334	26,376	63,562	21,558	68,349	197,179

	2013-2014					Total
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Injury benefit scheme	
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	17,334	26,376	64,860	23,017	68,349	199,936
Provided in year	600	1,576	36,100	1,258	3,709	43,243
Provisions not required written back	0	0	(19,361)	(143)	0	(19,504)
Provisions utilised in year	(5,187)	(1,349)	(15,063)	(23,120)	(3,941)	(48,660)
Borrowing costs (unwinding of discount)	419	(1,670)	148	0	7,700	6,597
Balance as at 31 March	13,166	24,933	66,684	1,012	75,817	181,612

	2012-2013					Total
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Injury benefit scheme Restated	
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	21,757	31,627	49,875	2,013	63,633	168,905
Provided in year	840	570	60,625	22,312	5,084	89,431
Provisions not required written back	0	(5,695)	(25,222)	(8)	0	(30,925)
Provisions utilised in year	(5,774)	(1,233)	(20,418)	(1,300)	(4,025)	(32,750)
Borrowing costs (unwinding of discount)	511	1,107	0	0	3,657	5,275
Balance as at 31 March	17,334	26,376	64,860	23,017	68,349	199,936

19. Provisions for liabilities and charges (continued)

Analysis of expected timing of discounted cash flows

	31 March 2014					Total
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Injury benefit scheme	
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	4,447	7,298	20,087	349	3,669	35,850
Later than one year but not later than five years	8,503	9,576	36,528	0	14,000	68,607
Later than five years	216	8,059	9,316	0	58,148	75,739
Balance as at 31 March	13,166	24,933	65,931	349	75,817	180,196

	31 March 2013					Total
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Injury benefit scheme Restated	
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	4,877	7,479	21,999	21,558	3,435	59,348
Later than one year but not later than five years	11,544	9,079	28,271	0	12,972	61,866
Later than five years	913	9,818	13,292	0	51,942	75,965
Balance as at 31 March	17,334	26,376	63,562	21,558	68,349	197,179

	31 March 2014					Total
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Injury benefit scheme	
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	4,447	7,298	20,822	1,012	3,669	37,248
Later than one year but not later than five years	8,503	9,576	36,546	0	14,000	68,625
Later than five years	216	8,059	9,316	0	58,148	75,739
Balance as at 31 March	13,166	24,933	66,684	1,012	75,817	181,612

	31 March 2013					Total
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Injury benefit scheme Restated	
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	4,877	7,479	23,193	23,017	3,435	62,001
Later than one year but not later than five years	11,544	9,079	28,375	0	12,972	61,970
Later than five years	913	9,818	13,292	0	51,942	75,965
Balance as at 31 March	17,334	26,376	64,860	23,017	68,349	199,936

Early retirement provision

NOMS meets the additional costs of benefits beyond the normal PCSPS benefits and for employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. NOMS provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by HM Treasury real discount rate of 1.80 per cent (2012-13: 2.35 per cent).

19. Provisions for liabilities and charges (continued)

Leasehold property dilapidations

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

- Updated information relating to property vacations
- New properties leased during the year
- A change in the discount rate applied

Costs are discounted by HM Treasury (HMT) real discount rates. HM Treasury (HMT) have issued revised discount rates for 2013-14, the revised discount rates are:

- Up to five years: -1.9 per cent
- Between five and ten years: -0.65 per cent
- More than ten years: 2.2 per cent

Other provisions

Other provisions primarily comprise legal claims against the Core Agency and Probation 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 23. Provisions for four cases which have resulted in annuities arising from litigation and the community payback provision are discounted using the HMT rates as these provisions span a number of years, over 20 years in some cases. Other general litigation provisions are not discounted, on the basis that most claims would normally crystallise within twelve months and the potential discounting on those that could continue for longer is uncertain and is not material.

Voluntary Early Departure Schemes (VEDS) provision

A number of VED schemes were in operation during 2013-14. All offers made under these schemes and accepted by staff in 2013-14 have been accounted for as expenditure, and accrued where the payments were not made in year or provided for either where offers had been made, but not accepted by 31 March, or where the amount was uncertain. Consolidated 2012-13 provisions have been reclassified to show Probation Trusts' VEDS provisions separately from other provisions.

Civil Service Injury Benefits Scheme provisions

NOMS meets the costs of the Civil Service Injury Benefits Scheme (CSIBS) for payments granted under the scheme after 1 April 1998. CSIBS pays benefits to any individual who suffers an injury which is wholly or partially attributable to the nature of their duty, or who suffers an attack or similar act which is directly attributable to employment within the service. Benefits are paid only in respect of loss of earning capacity and are designed to enhance a beneficiary's income up to a guaranteed minimum figure.

19. Provisions for liabilities and charges (continued)

NOMS has identified the long term nature of the CSIBS awards and as such has established a provision for the estimated payments discounted by HM Treasury at a real discount rate of 1.80 per cent.

This gave rise to a prior period adjustment to reflect the opening balance as at 1 April 2012 of £63.6m, movements on the provision during 2012-13 and the closing provision as at 31 March 2013 of £68.3m. See also Note 28.

20. Consolidated pension liability

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-sixtieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three-eighths 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 ranging from 5.5 per cent to 7.5 per cent 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 retirement benefits.

A full actuarial valuation was carried out at 31 March 2013 by various actuaries. For 2013–14, employers' contributions of £87.7m were paid to the LGPS (2012-13: £92.1m) in a range from 10.1 per cent to 27.8 per cent (2012-13: 10.1 per cent to 26.5 per cent). 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. Employer's contributions to 31 May 2014 will be in the range of 10.1 per cent to 35.1 per cent of salaries. Employer's contributions from 1 June 2014 will not be required to be paid by the Probation Trusts as they have ceased trading. Future contributions are referred to in Note 24.

Partnership accounts are excluded under IAS 19.

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

	2013-2014	2012-2013 Restated
	£'000	£'000
	%	%
Inflation assumption	2.4 - 2.9	2.5 - 3.3
Rate of increase in salaries	3.6 - 4.7	4.0 - 5.1
Rate of increase for pensions in payment and deferred pensions	2.3 - 2.9	2.4 - 5.9
Discount rate	4.2 - 4.5	4.6 - 5.5

20. Consolidated pension liability (continued)

Movements in the defined benefit obligation during the year:

	31 March 2014			31 March 2013 Restated		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Plan assets	0	2,635,202	2,635,202	0	2,306,648	2,306,648
Funded liabilities	(3,928,113)	0	(3,928,113)	(3,461,984)	0	(3,461,984)
Unfunded liabilities	(44,974)	0	(44,974)	(41,342)	0	(41,342)
Opening balance at 1 April	(3,973,087)	2,635,202	(1,337,885)	(3,503,326)	2,306,648	(1,196,678)
Current service costs	(108,235)	(1,080)	(109,315)	(94,559)	(990)	(95,549)
Past service costs (including curtailments)	(3,059)	0	(3,059)	(4,140)	0	(4,140)
Gains and losses on settlements	0	0	0	0	0	0
Total current and past service costs	(111,294)	(1,080)	(112,374)	(98,699)	(990)	(99,689)
Net interest (cost) income	(174,067)	116,238	(57,829)	(164,839)	109,913	(54,926)
Remeasurements						
Returns on plan assets, excluding amounts included in interest cost	0	18,618	18,618	0	166,345	166,345
Gain/(loss) from change in demographic assumptions	(4,444)	0	(4,444)	(6,002)	0	(6,002)
Gain/(loss) from change in financial assumptions	66,450	166	66,616	(295,933)	0	(295,933)
Experience gains/(losses)	94,894	(2,471)	92,423	1,335	47,590	48,925
Total remeasurements	156,900	16,313	173,213	(300,600)	213,935	(86,665)
Contributions						
Employers	0	86,668	86,668	0	92,051	92,051
Plan participants	(29,637)	29,637	0	(29,874)	29,874	0
Unfunded benefits	0	1,051	1,051	0	0	0
Receipt/(Payment) of bulk transfer value	0	0	0	0	(6,782)	(6,782)
Payment from plans						
Benefit payments	121,544	(122,075)	(531)	106,455	(106,943)	(488)
Unfunded benefit payments	2,873	(2,342)	531	2,992	(2,504)	488
Receipt/(Payment) of bulk transfer value	0	0	0	14,804	0	14,804
Closing balance at 31 March	(4,006,768)	2,759,612	(1,247,156)	(3,973,087)	2,635,202	(1,337,885)
Plan assets	0	2,759,612	2,759,612	0	2,635,202	2,635,202
Funded liabilities	(3,964,059)	0	(3,964,059)	(3,928,113)	0	(3,928,113)
Unfunded liabilities	(42,709)	0	(42,709)	(44,974)	0	(44,974)
Closing balance at 31 March	(4,006,768)	2,759,612	(1,247,156)	(3,973,087)	2,635,202	(1,337,885)

Restatement

2012-13 movements in the defined benefit obligation, along with plan assets in the scheme and major actuarial assumptions, have been restated to reflect changes to IAS 19. Movements have been reclassified, but closing balances are unchanged. See Note 28.

20. Consolidated pension liability (continued)

The plan assets in the scheme were:

	Value as at 31 March 2014	Value as a percentage of total scheme assets at 31 March 2014	Restated Value as at 31 March 2013	Restated Value as a percentage of total scheme assets at 31 March 2013
	£'000	%	£'000	%
Equities	1,517,401	55	1,491,671	57
Government Bonds	139,093	5	161,833	6
Other Bonds	190,300	7	189,767	7
Property	184,345	7	159,956	6
Cash and cash equivalents	81,891	3	74,293	3
Other	646,582	23	557,682	21
Total plan assets	2,759,612	100	2,635,202	100

Sensitivity analysis:

The sensitivity analysis regarding the principal assumptions used to measure the scheme liabilities varies between actuaries, and the results are set out in the individual Trust accounts.

21. Capital commitments

	31 March 2014		31 March 2013	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Property, plant and equipment	116,000	116,000	64,043	64,125
	116,000	116,000	64,043	64,125

A house block building programme commenced during the year, and at 31 March 2014 the capital commitment for this programme was £71m.

On 30 May 2014 the MoJ announced the award of a contract for the construction of a new prison in North Wales, giving rise to a capital commitment in 2014-15 of £212m.

22. Related party transactions

The Ministry of Justice (MoJ), the parent entity, provided funding of £3,552m during the year (2012-13: £3,758m). In addition MoJ provides a number of shared services to NOMS. These services are recharged notionally by MoJ for services provided at a total cost of £101.8m (2012-13: £111.2m) and are included in Notes 4 and 5. Additionally, a number of invoiced transactions take place between NOMS and MoJ for services provided.

During the year, NOMS provided custodial services to the Youth Justice Board (part of MoJ) and UK Border Agency (part of the Home Office). NOMS also receives funding from other Government departments and local authorities for education, healthcare and resettlement services, such income is included in Note 6.

The MoJ paid £164m receipts to HM Treasury consolidated fund on behalf of NOMS, in relation to a contractual repayment from suppliers.

Mike Hawker, Non-Executive Director and Chair of the Audit Committee, is also a trustee of the board of The Shaw Trust. The Shaw Trust had transactions of an immaterial value with NOMS during 2012-13 and 2013-14. The Shaw Trust is also a potential bidder for a Community Rehabilitation Company under the Transforming Rehabilitation Programme.

22. Related party transactions (continued)

The following Probation Trusts have supported staff and management in the development of staff mutuals, which have been developed under the Secretary of State for Justice's Transforming Rehabilitation agenda:

Cumbria Probation Trust
Devon and Cornwall Probation Trust
Dorset Probation Trust
Essex Probation Trust
Greater Manchester Probation Trust
Hampshire Probation Trust
Humberside Probation Trust
Kent Probation Trust
Lancashire Probation Trust
Leicestershire and Rutland Probation Trust
Lincolnshire Probation Trust
London Probation Trust
Merseyside Probation Trust
Surrey and Sussex Probation Trust
West Mercia Probation Trust
West Yorkshire Probation Trust
York and North Yorkshire Probation Trust

Details of Probation Trusts' other related parties are disclosed in the individual Trust annual report and accounts.

23. Contingent liabilities

NOMS has the following contingent liabilities:

Claims for injury to staff, prisoners and the public amounting to £49.2m (£51.0m in 2012-2013) have been indicated to NOMS, where the likelihood of a liability arising is deemed 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 19.

Community Payback

Following the outsourcing of Community Payback Services from London Probation Trust (LPT) to a private sector provider in October 2012, NOMS has a contingent liability, in addition to the provision disclosed in Note 19, to fund the first £2m of any future pension deficit that may arise.

Civil Service Injury Benefit Scheme:

NOMS meets the costs of the Civil Service Injury Benefits Scheme (CSIBS) for payments granted under the scheme after 1 April 1998. CSIBS pays benefits to any individual who suffers an injury which is wholly or partially attributable to the nature of their duty, or who suffers an attack or similar act which is directly attributable to employment within the service. Benefits are paid only in respect of loss of earning capacity and are designed to enhance a beneficiary's income up to a guaranteed minimum figure. NOMS considers that at 31 March 2014 the potential future liability arising from unsettled cases is not material to these accounts.

23. Contingent liabilities (continued)

Payment by Results (PbR):

Contracts are in place for Payment by Results (PbR) schemes at HMP Doncaster and HMP Peterborough in relation to reducing reoffending.

The contracts are based on programmes for cohorts of offenders, who are then monitored for 12 to 24 months. Following that period, reoffending by members of the cohort during the monitoring period is assessed. The contracts stipulate a mechanism by which an additional payment would be payable to the contractor on a sliding scale in the event of reoffending rates for the cohorts of offenders meeting or exceeding targets. In the case of HMP Doncaster there is also a mechanism to claw back payments in the event of reoffending targets not being met.

The maximum possible additional payments by NOMS under the two contracts total £12.75m.

At 31 March 2014, a number of cohorts were underway or being monitored. The first cohort under each scheme is now in the assessment phase, and the outcomes are expected to be finalised in summer 2014.

NOMS considers that at 31 March 2014, the likelihood of costs arising from the success of the schemes remains uncertain.

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 uncertain.

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

24. Events after the reporting period

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

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

Dissolution of Probation Trusts

All Probation Trusts ceased operations on 1 June 2014. The operations of the Trusts have been divided between the National Probation Service and 21 Community Rehabilitation Companies, both public sector entities. MoJ/NOMS has committed to ensuring all services will continue under the new structure, using the same assets and resources, for the foreseeable future.

On 1 June 2014 a Property Transfer Scheme, under the Offender Management Act 2007 Schedule 2, effected the transfer of existing assets, liabilities and staff of the Trusts to the NPS and CRC public sector bodies in a practical way that reflects the services that each provides. Some assets and liabilities remained in the Trusts to be settled as soon as practically possible.

A tender process is currently under way with bidders due to take ownership of the CRCs in winter 2014–15.

The Accounting Officer has concluded that there is no further impact on the financial statements other than that referred to in Note 1.4.

NOMS management has concluded that these changes do not raise any uncertainty around the going concern status of the NOMS group accounts.

24. Events after the reporting period (continued)

Basis of allocation of balances after the Trusts ceased trading on 1 June 2014

As at 1 June 2014, the assets and liabilities of the Probation Trusts will be allocated between the NPS and CRC as follows:

Pensions

As at 1 June 2014 the Trusts' existing pension liabilities and corresponding assets will be transferred to the Greater Manchester Pension Fund (GMPF). The Trusts will no longer be required to pay employer contributions to the fund.

The responsibility for funding the past service liabilities and all future contributions associated with those original employees who are active members of the LGPS have transferred with the employee to the new employer (the CRCs or the NPS) as referred to in Note 1.4. The MoJ ensures that the past service liabilities are 100% funded on an ongoing basis from the date the employees transferred to the CRCs.

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

Leases and service contracts

Property and IT leases remain within the Ministry of Justice. All other service contracts have been transferred to the relevant entity based on where the services of that contract will be provided. Where the services are shared by both entities, the contract will in most cases be transferred to the majority user.

Staff related balances

All staff related balances, not settled by the Trusts shortly after 1 June 2014, have been allocated to the relevant entity each member is transferred.

All other balances

Existing debtors and creditors that remain within the Trusts are to be settled from existing funds. All other balances have been allocated on a practical basis taking in to account future use, staff member allocation and services provided by that entity. Where an asset, liability or service is utilised by both entities it will likely remain within the NPS/NOMS.

The finalisation of the split of assets and liabilities has not been completed as at the date of this report. Therefore financial information is not available.

25. Losses and special payments

The following losses and special payments are included within the CSoCNE:

Core Agency	2013-2014		2012-2013	
	Cases	£'000	Cases	£'000
Cash losses	1,274	417	1,172	570
Losses of accountable stores	6,832	1,397	5,760	1,306
Fruitless payments and constructive losses	16	4	144	33
Claims waived or abandoned	12	291	202	42
Administrative write-offs	5	439	0	0
Losses statement	8,139	2,548	7,278	1,951
Special payments	7,386	21,126	4,978	19,348

Consolidated	2013-2014		2012-2013	
	Cases	£'000	Cases	£'000
Cash losses	1,296	419	1,190	575
Losses of accountable stores	6,832	1,397	5,760	1,306
Fruitless payments and constructive losses	23	7	146	33
Claims waived or abandoned	44	296	240	50
Administrative write-offs	72	459	68	75
Losses statement	8,267	2,578	7,404	2,039
Special payments	7,415	21,369	5,128	21,532

In 2013-14 NOMS made three (2012–2013: one) special payments over £300,000, which were compensation payments of £315,000, £408,350 and £464,217 to operational NOMS staff injured in the course of their duties.

A total of £439,347 was written off during 2013-14 as a result of historical imbalances in a control account (2012-13: none).

As disclosed in the 2012-13 accounts, as a result of information which came to light as part of the re-tendering process for electronic monitoring contracts, issues were identified in relation to billing under contracts that ended in 2013-14. During the year, the MoJ's investigation into the suppliers concluded in repayment agreements, under which the suppliers repaid a total of £168m, including interest and profit elements, plus investigation costs. The repayments relating to prior periods, all interest and profit elements are being paid over by MoJ to HMT as consolidated fund extra receipts. NOMS is satisfied that there are no recordable losses as a result of these agreements, as all identified overbilling has been repaid. In addition, both suppliers have agreed to meet part of NOMS' costs of transition to interim electronic monitoring contracts with a new supplier, which NOMS will set against relevant costs, most of which are due to be incurred in 2014-15. Both suppliers were referred to the Serious Fraud Office (SFO), which has instigated criminal investigations. Further recoveries and potential losses may be incurred in future, subject to the outcome of the SFO's investigations.

26. Third party assets

At 31 March 2014 NOMS held third parties' monies of £11.1m (£10.0m at 31 March 2013). This relates to monies held on behalf of prisoners and is therefore not included in the accounts.

A number of assets are held by Probation Trusts on behalf of third parties. These assets are not therefore included in the accounts. Avon & Somerset, Cheshire, Cumbria, Essex, Greater Manchester, Kent, London, Lincolnshire, Norfolk & Suffolk, Northumbria, Wales, Warwickshire, and West Mercia Probation Trusts hold monetary assets such as bank balances and monies on deposit, listed securities, amenity funds, trust funds and charitable donation funds.

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

	2013-2014	2012-2013
Consolidated	£'000	£'000
Balance as at 1 April	216	156
Funds paid in during the year	103	142
Funds paid out during the year	(78)	(82)
Balance as at 31 March	241	216

27. Fees and charges

NOMS is required, in accordance with HM Treasury's Managing Public Money, to disclose results for the areas of its activities where fees and charges are made. NOMS makes fees and charges in relation to the provision of healthcare and for operating juvenile places. NOMS fee recovery targets are 100 per cent in all cases. See Note 6 for details of these funding streams.

28. Prior period adjustments

Revised IAS 19 Employee Benefits

In the current year, NOMS applied the amendments to IAS 19 Employee Benefits (revised 2011), which are mandatory for accounting periods beginning on or after 1 January 2013. The standard requires retrospective application, which gives rise to a prior period adjustment, which affects Notes 3, 5 and 20.

Within Note 20, the interest cost and expected return on plan assets have been replaced with 'net interest', calculated by applying a single discount rate to the net defined benefit liability/(asset). The affect on expenditure is shown within Note 5 interest costs. Within Note 20, administrative costs are no longer recognised within remeasurements (formerly 'actuarial losses'), but as current service costs. Retrospective application causes an increase of £28.3m in expenditure within the CSoCNE and a reduction of the same amount in remeasurements within other comprehensive expenditure in 2012–13, as shown below. The net assets and liabilities are unchanged.

Civil Service Injury Benefit Scheme provision

In the current year NOMS identified the long term nature of the CSIBS awards and established a provision for the estimated payments. The liability at 31 March 2012 and 2013 was material, giving rise to a prior period adjustment, which affects Notes 3, 5 and 19.

Within the CSoCTE, the provision balance as at 1 April 2012 of £63.6m has been reflected in the CSoCTE as an adjustment to opening funds. Within Note 19, provisions created, utilised and unwound during 2012–13 have been recognised. These movements affect Note 3 injury benefit scheme provision created, Note 5 other staff related costs and Note 5 unwinding of discount respectively. The closing provision as at 31 March 2013 was £68.3m. The overall effect is an increase of £4.7m in expenditure within the CSoCNE, £68.3m increase in provisions in the CSoFP and £68.3m reduction in taxpayers' equity in 2012–13, as shown overleaf.

28. Prior period adjustments (continued)

Extract from the Consolidated Statement of Comprehensive Net Expenditure	2012-2013	2012-2013
	Core Agency	Consolidated
	£'000	£'000
Extract from the 2012-13 accounts before restatement:		
Net operating expenditure after taxation	4,020,561	4,044,273
Other comprehensive expenditure	(204,224)	(89,602)
Total comprehensive expenditure	3,816,337	3,954,671
Restatement:		
Increase in programme staff costs (pension current service cost)	0	2,326
Increase in programme staff costs (injury benefit provision)	5,084	5,084
Increase in programme expenditure (interest costs)	0	25,985
Increase in programme expenditure (unwinding of discount)	3,657	3,657
Decrease in programme expenditure (other staff related costs)	(4,025)	(4,025)
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	0	(28,311)
	4,716	4,716
Extract from the 2012-13 accounts after restatement:		
Net operating expenditure after taxation	4,025,277	4,077,300
Other comprehensive (income) / expenditure	(204,224)	(117,913)
Total comprehensive expenditure after restatement	3,821,053	3,959,387
Extract from the Consolidated Statement of Financial Position	2012-2013	2012-2013
	Core Agency	Consolidated
	£'000	£'000
Extract from the 2012-13 accounts before restatement:		
General fund balance as at 31 March 2013	4,317,034	3,002,723
Restatement:		
Increase in provisions due within one year	(3,435)	(3,435)
Increase in provisions due after more than one year	(64,914)	(64,914)
	(68,349)	(68,349)
General fund balance after restatement	4,248,685	2,934,374
Extract from the Comprehensive Statement of Changes in Taxpayers' Equity	2012-2013	2012-2013
	Core Agency	Consolidated
	£'000	£'000
Extract from the 2012-13 accounts before restatement:		
General fund balance as at 31 March 2013	4,317,034	3,002,723
Restatement:		
Increase in provisions as at 1 April 2012	(63,633)	(63,633)
Increase in net operating expenditure after taxation	(4,716)	(33,027)
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	0	28,311
	(68,349)	(68,349)
General fund balance as at 31 March 2013 after restatement	4,248,685	2,934,374

29. The Agency boundary

NOMS Agency accounts include the entities listed below. The 35 Probation Trust accounts are consolidated at their pre-audit stage, due to the timing of the preparation and publication of the Trusts' statutory accounts, to allow NOMS to meet Parliamentary publication deadlines. Whilst checks are carried out to ensure the differences between Trusts' pre-audit and post-audit accounts are not material to the NOMS Agency accounts, there is an immaterial difference to be reflected, each year, in the current year of the NOMS Agency accounts. In the NOMS Agency accounts for 2013-14, the net difference in relation to the Trusts' 2012-13 accounts was £101k, which is reflected within two lines in the Consolidated Statement of Changes in Taxpayers' Equity; £214k gain within the pension actuarial gain/loss and £315k other movements in Probation Trusts' post audit accounts.

A small number of the Trusts have control over other separate business entities. These entities have not been consolidated by the Trusts into their own statutory accounts and they have not been consolidated by NOMS, on the grounds that the transactions between the entities and Trusts are not material to the accounts. These separate business entities are not therefore included within the list below.

Staff mutuals have been developed as part of the Transforming Rehabilitation programme.

Entities within the Agency boundary:

Avon and Somerset Probation Trust	Lincolnshire Probation Trust
Bedfordshire Probation Trust	London Probation Trust
Cambridgeshire and Peterborough Probation Trust	Merseyside Probation Trust
Cheshire Probation Trust	Norfolk and Suffolk Probation Trust
Cumbria Probation Trust	Northamptonshire Probation Trust
Derbyshire Probation Trust	Northumbria Probation Trust
Devon and Cornwall Probation Trust	Nottinghamshire Probation Trust
Dorset Probation Trust	South Yorkshire Probation Trust
Durham Tees Valley Probation Trust	Staffordshire and West Midlands Probation Trust
Essex Probation Trust	Surrey and Sussex Probation Trust
Gloucestershire Probation Trust	Thames Valley Probation Trust
Greater Manchester Probation Trust	Wales Probation Trust
Hampshire Probation Trust	Warwickshire Probation Trust
Hertfordshire Probation Trust	West Mercia Probation Trust
Humberside Probation Trust	West Yorkshire Probation Trust
Kent Probation Trust	Wiltshire Probation Trust
Lancashire Probation Trust	York and North Yorkshire Probation Trust
Leicestershire and Rutland Probation Trust	

