



HM Prison &
Probation Service

Her Majesty's Prison and Probation Service Annual Report and Accounts 2017-18

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Her Majesty's Prison and Probation Service Annual Report and Accounts 2017-18

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Performance Report



Overview

Purpose, Vision and Values

Preventing victims by changing lives

We provide effective and humane Prison, Probation and Youth Custody services which protect the public from harm and help people who have been convicted of offences to reform so they can contribute positively to society.

Our Values

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

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

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

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

Foreword by the Chief Executive Officer



I'm pleased to present the first Annual Report for HM Prison and Probation Service (HMPPS) which was launched as an Agency on 1 April 2017.

HMPPS has a duty to implement the sentences and orders of the courts; to protect the public; and to rehabilitate offenders. I'm proud to lead an Agency which provides such a vital public service and immensely proud of our dedicated and professional staff who work tirelessly every day to keep communities safe and to prevent victims by helping those

convicted by the courts to 'turn their lives around'.

The last few years have been particularly challenging both in prisons and in probation as we have implemented a major change agenda to reduce costs and to expand community supervision to all those released from a custodial sentence. Over the last 12 months we have continued to meet our primary responsibilities – effectively delivering the sentences of the courts; holding prisoners securely; and making some progress on reoffending, particularly for those on community sentences and for those serving prison sentences over 12 months. But we have also faced some significant operational issues, particularly around safety and living conditions in prisons and in the quality of community supervision for many low and medium risk offenders.

Whilst there has been a welcome and marked reduction in the rate of self-inflicted deaths in prisons (2017 was the sixth lowest rate in 25 years) the underlying levels of self-harm remain a real concern and violence against prisoners and staff has increased. A key part of our response to these issues lies in the roll out of the new Offender Management in Custody (OMiC) model which increases staffing levels on residential units and provides an officer 'key worker' for every prisoner. Regrettably, progress on implementing the OMiC model was delayed due to a sharp, unanticipated rise in the prison population over the summer of 2017 but arrangements are now back on track and will begin to make a difference over the next 12 months.

Similarly, the rise in prisoner numbers impacted on our ability to improve living conditions requiring us to maintain more accommodation 'in use' than had been planned. However, a reduction in prisoner numbers in 2018 has enabled progress to be made and this will accelerate as new places are provided through the government's Prison Estate Transformation programme.

In the community we took necessary action to adjust contracts with Community Rehabilitation Companies in response to concerns about service provision and are continuing to work with them to improve quality of delivery which remains a priority for 2018-19.

Despite considerable operational pressures, the Agency effectively managed resources and strengthened internal procedures to achieve an improved audit rating on

governance, risk management and internal controls which was a commendable achievement. Also worthy of special mention is the fact that during the year the National Probation Service received an Excellence Award from the British Quality Foundation and specialist prison staff supported the relief efforts in the British Virgin Islands following the dreadful impact of Hurricane Irma in September 2017.

The Agency will continue to face challenges in 2018-19 but it has amazing resilient and dedicated staff. The government has increased the funding available for front line operations and is investing in the estate to tackle crowding and living conditions in prisons. We have a clear and coherent plan in place to address operational pressures, improve standards and achieve better outcomes for the public.

The work delivered during 2017-18 provides clear evidence of progress and I'm confident that this will accelerate over the next 12 months.

Michael Spurr

Chief Executive Officer
Her Majesty's Prison and Probation Service

How our services are structured

We provide effective day-to-day operation of prison and probation services through:

- 102 Public Sector Prisons (operational)
- 14 Private Prisons
- 7 National Probation Service (NPS) divisions
- 5 Young Offender Institutions/sites for young people (part of the 102 Prisons) (1 private)
- 1 Immigration Removal Centre
- 3 Secure Training Centres (2 private)

We report on our performance across four main areas:

Managing Offenders in the Community

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

Managing Offenders in Custody

- we carry out custodial orders and sentences given by the courts and through public and private sector establishments, helping people in our care to reform. (This includes reducing violence, self-harm and self-inflicted deaths in prisons.)
- education and work opportunities are provided for offenders to reduce reoffending rates on release
- we deliver a safe and secure prisoner escort service through private suppliers

HMPPS in Wales

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

Other Priority Areas

- we manage the custody of female offenders through a dedicated women's prison estate and providing probation services to female offenders in the community
- we carry out custodial roles and sentences given by the courts to young people under the age of 18, providing child-centred services aimed at successful transition to the community and to adulthood

- we support the Home Office in the removal of Foreign National Offenders (FNOs) through the provision of dedicated prison places for FNOs

We work with the following partners/Arm's Length Bodies to deliver our services:

- **Her Majesty's Inspectorate of Prisons** – ensures independent inspection of places of detention, reports on conditions, treatment and promotes positive outcomes for those detained and the public
- **Her Majesty's Inspectorate of Probation** – reports on the effectiveness of work with offenders to reduce reoffending and protect the public
- **Independent Advisory Panel on Deaths in Custody** – advises ministers on ways to reduce the number of deaths in custody
- **Independent Monitoring Board** – monitors each prison on a regular basis to confirm the treatment received by those detained is fair, just and humane
- **Immigration Removal Centres (IRCs)** – we are commissioned by the Home Office to run an IRC
- **Prisons and Probation Ombudsman (PPO)** – investigates deaths in custody and complaints from prisoners, children in secure training centres/homes, immigration detainees and those subject to probation supervision
- **Parole Board** – determines whether prisoners with relevant sentences can be safely released
- **Prison Service Pay Review Body** – makes recommendations to government on pay for operational staff and managers
- **Sentencing Council** – issues guidelines on sentencing and evaluates the impact of guidelines on sentencing practice
- **Youth Justice Board (YJB)** – monitors the youth justice system, advises the Secretary of State, and identifies and promotes good practice
- **Lay observers** – regularly monitor the treatment of those detained in prison escort vans (and those in court custody facilities operated by HM Courts and Tribunal Service)

Performance Summary

2017-18 saw the Agency start to build strong foundations in order to make sure we are in the best position to deliver greater improvements in the years ahead.

Our prison population has almost doubled since 1993 and is projected to continue to rise to 88,000 by 2021-22. As at December 2017, we were managing over 152,000 offenders on pre- and post-release supervision and over 118,000 offenders on court orders. We have approximately 46,500 staff across the Agency.

Having the right number of staff and the right quality of staff is vital to building a successful service and has been at the centre of our priorities. An additional £100 million was made available to enable the recruitment 2,500 prison officers by December 2018. We met that target, ahead of schedule, at the end of the financial year, and will continue our recruitment drive with a focus on those sites that are harder to recruit to.

We have also recruited 1,000 new probation support officers and trainee probation officers. We are planning to bring in a further 500 trainee probation officers and 300 probation support officers in 2018-19 to meet anticipated demand and fill gaps as staff retire or move on. The criteria to join the probation training scheme have broadened which will ensure we are attracting a broad range of candidates.

There remain some challenges around our retention of staff, particularly new staff in prisons, and as a result we are piloting a new prison officer training scheme. Recruits will have a longer training period spending more of their time in an establishment, making sure they are better prepared for when they start working in a prison.

The new staff are vital to the success of our Offender Management in Custody model (OMiC), which was piloted last year and is now being implemented across the estate.

OMiC means we can give every adult male in the estate one to one sessions every week with a band three prison officer, known as a key worker. Their role is to guide, coach and support an individual through their sentence.

Probation staff will work in prisons on secondment for a number of years, as part of the offender management team. This will provide additional support for more challenging caseloads and ensure better sentence coordination.

Some of our major prison projects in 2017-18 included the opening of the 2,106 bed prison, HMP Berwyn, in North Wales. The prison successfully opened on time and on budget.

We also completed the implementation of smoke-free prisons which means offenders and staff can now live and work free from the harm of second hand smoke.

In the National Probation Service (NPS), the Effective, Efficient Excellent (E3) programme concluded. E3 was created to design and implement an operating model using best practice from the 35 Probation Trusts that now form the NPS.

With the completion of this work, the NPS is now focused on what we want it to look like by 2020. We have begun our implementation of a new IT system in probation, which will continue in 2018-19. We will also focus on ensuring the CRCs are in a position to offer the right interventions. Action to amend the CRC contracts to better reflect the balance of fixed and variable costs has been a first step to achieving this.

We are also using technology more effectively to inform sentencers of what interventions are available to them but more work needs to be done to get better outcomes for those sentenced to a community order. This in turn will give the judiciary more confidence in the offer of our interventions.

While we can be proud of some of our achievements this year, we know we must continue to make further improvements in the future.

While we saw a decrease in the number of self-inflicted deaths; assaults and self-harm are still increasing. We acknowledge that drug use is too widespread across the estate, particularly in our Category B and C prisons. The emergence of psychoactive substances has exacerbated the drug use problem and causes increased violence in prisons.

The Urgent Notification process by Her Majesty's Inspectorate of Prisons (HMIP), was introduced and highlighted issues at HMP Nottingham. Some other inspection outcomes also fell below the standards we strive to achieve including at HMP Liverpool. This specific focus by HMIP has helped us to target resources at prisons that need additional support. However, we must not forget that we have also had encouraging HMIP reports, including at HMP Feltham and more widely across the Youth Custody estate.

In order to best support operational staff so they can reduce reoffending, we have made a number of changes to our structures. We have created prison group directors who oversee a much smaller group of governors than before. We have established the position of Director of Prison Improvement to lead our new drug strategy and to take on the wider responsibilities of prison safety work. We have identified the 10 prisons in the country where we will see a coordinated approach on leadership and culture.

We faced in year a significant rise in the prison population during the year 2017-18 and while we took steps to ensure that we manage the impact of this, it presented us with challenges. This meant that we had to take the decision to keep open two prisons which we had planned to close, HMP Hindley and HMP Rochester. It also prevented us closing places to undertake planned maintenance work and those delays will impact in the year ahead.

We also need to focus on the delivery of services by the CRCs, where performance was not as we would have wanted it to be. While we continue to work with the CRCs to

improve the service they provide, particularly in relation to improving consistency of enforcement, it remains a challenging landscape for the year ahead.

The substantial changes to the way the parole system is operated, following the court judgements in the Worboys case, has meant we have separated out the work of the safer custody and public protection groups. Our Public Protection Group now sits under our probation directorate so that we can focus on one of our main priorities, which is serious further offence reviews. The safer custody team will sit under the Director of Prison Improvement.

Within our Security, Order and Counter Terrorism directorate we have spent the last year building the foundations to tackle the modern face of criminal behaviour, including drones, serious organised crime and mobile phones.

There has been a £3 million investment in a national intelligence unit and another £3 million invested in a national serious organised crime unit, which includes regional teams. These units will provide support at a national level but also send additional resources into probation regions or establishments where there is a high risk from serious organised crime. £8.2 million has been invested in prison analysis and search capability at a local level.

After beginning to make significant changes, this year we must focus on getting the basics right so staff are fully equipped to support those in our care to change their lives.

Managing Offenders in the Community

In the 2017-18 HMPPS Business Plan, we committed to deliver a more efficient probation service that integrated community services better with those in the custodial setting while continuing to provide effective advice to the courts, manage offenders safely in the community and provide a service to victims. This is delivered through the NPS and CRCs. One of the major tools in managing offenders in the community is Electronic Monitoring (EM).

The National Probation Service

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

Over the last year we have met the commitments set out in our Business Plan primarily by completing a significant change programme that has standardised and made more efficient the core processes of the NPS. The E3 Change Programme sought to identify the best practice from across England and Wales and embed it in all business areas. As a result of this work, we now deliver more reports to courts on the day of request (supporting the work of our partners in the criminal justice system to deliver speedy justice).

We are committed to integrating our services better with those provided in custody. We have spent the last year working closely with our prison colleagues to help design a new OMiC model of delivery and this year we begin the process of full implementation. This will ensure there is a more effective transition for offenders who are released on licence and that the risk-management and offender sentence-planning skills of probation officers are embedded within the prison setting.

To further improve the service we provide to the courts, we have developed a new Smart Proposals tool that ensures all our court report writers have access to the full list of available and suitable interventions provided by the NPS and by the CRCs. This tool will ensure we deliver consistent sentence recommendations in all courts.

We also provide a service for victims of serious sexual or violent offences, to enable them to receive information about the progress of the offender's sentence and any significant milestones, such as a Parole Board review. We have developed our service to enhance the functionality of the Victim Contact Scheme: this enables Victim Liaison Officers to have access to more comprehensive data to support the assistance we give to victims.

We have continued to recruit additional probation professionals into the NPS to enable us to further develop the services we provide. In 2017-18, we recruited almost 1,000 trainee probation officers and probation service officers.

Community Rehabilitation Companies

In 2017-18, we conducted a comprehensive review of the CRC performance framework to remove duplication and avoid potential for perverse incentives.

It was accepted that the CRCs fixed costs were not adequate to ensure the delivery of services to the required quality, as stipulated within the contract. In June 2017, we made a contractual change, varying the payment mechanism to reflect more accurately the level of CRCs' fixed costs. We anticipate that this change will enable CRCs to be better able to operate effectively.

There has been a general improvement in service level performance across CRCs for 2017-18. These changes have made a positive impact, but with further pressure resulting from the payment by results metrics, the financial pressures on CRCs will continue to present risks which require managing in the years ahead.

Our contract management teams robustly manage compliance with contracts. Where a provider is not performing satisfactorily, we may impose a contractually binding 'Improvement Plan' setting out the actions to be taken, apply a 'Service Credit' to compensate us for our losses or, ultimately, terminate a contract for material breach. To date 67 'Improvement Plans' have been put in place, 38 of which have been completed and removed, with 29 remaining in place.

In April 2017, we initiated a Whole System Improvement Programme. Phase one of the programme ran until December 2017. During this time we have confirmed case allocation was operating as intended, refreshed best practice guidance and collected and analysed CRC workforce data so we better understand our fixed cost base.

Phase two of the programme is now underway with 10 workstreams looking to improve areas such as: how we share risk information more effectively; better collection and use of feedback from service users; and identifying and dissemination of good practice.

In August 2017, we introduced the Home Detention Curfew Taskforce to respond to concerns about the rising prison population. We have worked with CRCs to improve the timeliness and quality of their response to prison requests for Home Circumstance Reports; significant progress has been made. This was achieved during a substantial increase in volumes. Learning has been incorporated into a revised Probation Instruction issued in March 2018.

Electronic Monitoring (EM)

One of the tools used to manage offenders in the community is EM. There were 63,400 new EM notifications in 2016-17. (The figure for 2017-18 will be published in the Annual HMPPS Digest 2017-18 on 26 July 2018). On an average day there are around 11,000 individuals being electronically monitored.

In 2017-18 the EM provider reported undertaking over 280,000 visits to the home of subjects to install equipment, ensure appropriate monitoring and decommission the equipment at the end of the order. This is in addition to the telephone contacts that are made to individuals to encourage compliance and provide support.

During the year there have been improvements in the accuracy, speed and nature of information provided to stakeholders to ensure enforcement of orders is swift and effective. Joint work with colleagues in HM Courts and Tribunals Service (HMCTS) has ensured any vulnerabilities between agency interfaces are understood and managed.

Work has also continued on the next generation of EM. Our EM Programme is responsible for developing a new national service, which will allow us to monitor offenders more effectively and innovatively to support wider justice system reform. The new service will continue to offer the ability to monitor and enforce curfew conditions while also providing a new location monitoring capability learning from a MoJ GPS pilot.

The MoJ GPS pilot to test how the availability and use of GPS tags may affect the behaviour of decision makers and offenders, finished on schedule on 31 March 2018. During the pilot more than 600 tags were imposed, demonstrating a clear demand for GPS tags as a location monitoring tool for subjects on court bail, home detention curfew and those managed on licence. The pilot also demonstrated the demand for a tag that can monitor both location and curfew in parallel, as around half of the tags imposed had both requirements.

Our programme team is working with our suppliers to agree a plan and it is anticipated that the new EM service will be in place in 2019. The contract to provide the EM hardware services was successfully awarded to G4S in June 2017 and signed in November 2017. This followed a negotiated procurement competition in line with EU Public Procurement regulations. Work is underway to incorporate the integration of G4S as the EM hardware provider.

Public Protection in the Community

We also play a vital role in protecting the public through our work in a number of other areas.

The Criminal Justice Act 2003 (CJA 2003) provides for the establishment of Multi-Agency Public Protection Arrangements (MAPPA) in each of the 42 criminal justice areas in England and Wales. The Responsible Authority is the primary agency for MAPPA. This is the Police, Prison and NPS in each area. The Responsible Authority has a duty to ensure that the risks posed by specified sexual and violent offenders are assessed and managed appropriately.

These MAPPA arrangements are designed to protect the public, including previous victims of crime, from serious harm by sexual and violent offenders. They also ensure that the local criminal justice agencies and other bodies dealing with offenders work together in partnership in dealing with these offenders.

We published the MAPPA Annual Reports in October 2017 on behalf of the Secretary of State and in accordance with the Criminal Justice Act 2003. These can be found at: <https://mappa.justice.gov.uk/connect.ti/MAPPA/view?objectId=11230928>

Our Offender Assessment System (OASys) is a key tool used to assess the risks and needs of offenders and to create plans for working with them and managing their risk.

In 2017-18 we have:

- successfully transformed the platform used to host OASys to provide HMPPS with a more agile approach to future updates and changes to the database
- created mechanisms for improved identification of offenders with a potential learning difficulty, thereby ensuring they are referred for further assessment

In the NPS we deliver mandatory polygraph testing, which has become a valued tool in the management of high-risk sex offenders. By the end of April 2018, nearly 3,000 tests had been completed on 1,586 high-risk sex offenders in the community since testing began in August 2014. We continue to develop our risk management tools for sex offenders and expect to be updating our existing actuarial risk predictor in the autumn with a more efficient and refined measure.

We have secured the continued accreditation of Horizon (a programme for men with sexual convictions) as well also securing the accreditation of internet Horizon (a new programme for internet only sexual offenders). We supported the roll down of “old” programmes for men with sexual convictions in the community and the embedding of new approaches for this group. We also provided support to embed Kaizen (a programme for men with sexual, violence or intimate partner violence convictions) within custody.

Work has begun on closer inter-agency working between HMPPS and Home Office Immigration Enforcement following the implementation of Schedule 10 of the Immigration Act 2016. This will improve outcomes for public protection by ensuring that appropriate safeguards are put in place by the agencies in managing foreign national offenders who are unable to be immediately deported.

Indeterminate Sentence Prisoner (ISP) Progression

We are overseeing a range of initiatives, through the joint HMPPS and Parole Board Imprisonment for Public Protection (IPP) action plan, to help Indeterminate Sentence Prisoners, and particularly IPP prisoners, better understand their risks and increase their chances of successful and sustained release into the community. Such initiatives include:

- central case reviews
- bringing greater focus to engaging with and supporting the operational arms of the Agency, both prisons and probation

Restricted Patients

We continue to manage restricted patients under the Mental Health Act 1983 under delegated authority from the Secretary of State. The Mental Health Casework Section (MHCS) 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.

During 2017-18, the MHCS has:

- dealt with a backlog of casework decisions
- engaged with the independent review of the Mental Health Act
- continued to work closely with HMPPS and NHS colleagues to seek to improve the speed and efficiency of transfer of prisoners to secure hospitals
- continued to deliver its improvement programme

Recall and parole

We continue to operate an efficient system for revoking licences where that is necessary to protect the public. We have rolled-out briefing across prisons and probation in England and Wales, and produced guidance to ensure that recall is used only where necessary to protect the public and that recalled offenders remain in custody only as long as necessary to protect the public.

- in 2017, the number of recalls to custody remained fairly static compared to 2016 with a very small increase of around 1.6%. This small increase was mostly accounted for by Offender Rehabilitation Act (ORA) recalls which increased by around 13% from 7,818 to 8,825. Recalls of offenders sentenced to 12 months and over decreased by around 5% from 13,741 in 2016 to 13,089 in 2017. About 43% of all recalls in 2017 involved charges of further offending
- the number of recalls involving female offenders increased by 20% in 2017 from 2016. This number has been increasing in recent years, particularly since 2015. Females are more likely to receive short-term sentences, and this has increased the proportion of female offenders recalled since the implementation of ORA in 2015
- the number of recalls involving IPPs increased by 25 in 2017 from 2016. The increase is largely explained by the increasing numbers of IPPs released by the Parole Board and managed in the community in recent years
- we continued to work closely with the Parole Board and supported its work to reduce its backlog

Managing Offenders in Custody (Public & Private)

Within custody our role is to ensure that prisons – whether managed by the public or private sector – deliver the custodial orders of the courts. We strive to provide a safe, secure and decent environment – an essential foundation for building a supportive and rehabilitative culture that motivates and enables prisoners to make positive changes in their lives. There has been a significant reduction in self-inflicted deaths, with 69 self-inflicted deaths in 2017-18, compared with 115 in the previous year. We have also seen a continuation of historically low levels of escape.

We continue to implement the OMiC model – introducing a new key worker role and improving the way in which we case manage individuals in order to assist them towards rehabilitation. We have seen a significant increase in staffing, with high levels of recruitment during this period.

2017-18 continued to be a challenging period with ongoing operational difficulties. Assaults have increased to 29,485 (an increase of 13%) in the 12 months to December 2017. Serious assaults increased by 10% in the same period to 3,856. Assaults on staff increased by 23% to 8,429.

There have been some critical HMIP inspections during this period, including HMP Liverpool and Wormwood Scrubs, as well as the first use of the Urgent Notification process for HMP Nottingham.

In January 2018, Carillion plc went into liquidation. Its subsidiary, Carillion (AMBS) Limited, which held the facilities management contracts for 52 prisons in the South of England, was placed into liquidation. To ensure continuity of service, Carillion (AMBS) Limited continued to deliver facilities management services for a short period whilst the MoJ's contingency plans were mobilised. A government-owned company, Gov Facility Services Limited, assumed responsibility in February for delivering services to the 52 prisons. This ensured an effective transition of responsibilities and minimised service disruption in these prisons.

A strengthened HMPPS National Service Management team is now managing the service level provisions of the agreement between MoJ / HMPPS and Gov Facility Services Limited alongside the continuing contracts with Amey Community Care Ltd and Mitie Care and Custody Ltd. The aim is to drive up performance and make sure that prison facilities management and maintenance services meet the expected standards including safety and responsiveness.

Safety and Decency

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

Prisons hold a disproportionate number of people who are at high risk of suicide and self-harm, which can be intensified in the prison environment through feelings of hopelessness, isolation and the loss of supportive relationships.

A central safety team is in place to provide guidance, advice, and share best practice to governors and staff. Regional safety teams, accountable to 17 prison group directors and coordinated by HMPPS / MoJ Safety team, work directly with prisons.

We have undertaken a wide range of safety-related activities in 2017-18, which include:

- investing additional expenditure that will ramp up to £100 million in additional staff to improve safety, through implementation of the new OMiC model and enhancements to searching and intelligence work

- commencing key worker delivery in 20 prisons, meaning increasing numbers of prisoners will have dedicated and tailored support from an officer
- development of improved case management, including a case management system – Challenge, Support and Intervention Plan – for managing violent prisoners
- a net increase of 3,086 full-time equivalent prison officers between October 2016 and March 2018. Ongoing recruitment will continue to ensure that there are sufficient staffing levels to successfully roll out the OMiC work
- introducing mentors and recruitment advisors in prisons and providing all governors with a retention toolkit, in addition to targeted recruitment campaigns for those prisons with the greatest recruitment needs
- forming a Drugs Taskforce which will be working to support all prisons, but with increased support for some of the prisons facing the greatest levels of challenge. We are working in partnership with law enforcement agencies and health partners, and replicating the three equally important elements of the overall government drug strategy but applying them to prisons. Those elements are restricting supply, reducing demand, and building recovery
- incorporating the Five Minute Intervention (FMI) and Body-Worn Video Camera (BWVC) training into the core curriculum for new officer training and training for key workers. The FMI approach encourages prison officers to recognise that everyday conversations with offenders are a potential opportunity for rehabilitation
- revising the introductory training on suicide and reducing self-harm, which we have agreed targets with each governor. Since the start of April 2017 over 14,300 new and existing staff across the estate have completed at least 1 of the 6 modules of the training
- work on a new prison safety framework, with a focus on getting the basics right, through improving physical conditions, meeting the needs of the prison population, continuing to develop meaningful partnerships and ensuring procedurally just processes are in place. The Prison Safety framework will be supported through continued prioritisation on the recruitment, retention and development of our people and we will look to publish in 2018-19
- continuing to work with family services providers to support prisoners to strengthen their family and significant other ties, as one method of preventing reoffending and reducing the likelihood of intergenerational crime
- the appointment of an experienced operational Deputy Director for Prison Safety who has overseen the introduction of a new framework with a renewed focus on gangs, debt, rehabilitative culture and risk management processes for the vulnerable and the violent
- making prisoner self help leaflets available on a range of subjects – these have been incorporated into digital platforms where prisons have in cell IT

Statistics on safety in custody are published every quarter at:

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

Security, Order and Counter Terrorism

We have a Security, Order and Counter Terrorism directorate (SOCT) to support our mission to prevent victims by changing lives. We do this by creating the conditions for a firm, stable and secure base on which decent regimes, relationships and rehabilitation can be built.

We have undertaken a wide range of security related activities in 2017-18 to tackle some of the complex underlying issues. These include:

- extending the contract for our existing drug testing arrangements to continue to provide support to prisons. We will consider our future approach to drug testing as part of the HMPPS Drugs Taskforce
- delivery of next generation technological solutions to tackle key threats at five prisons in 2017-18, and continuing to work across government and internationally to develop cutting edge solutions
- raising awareness of crime in prison with key stakeholders, including through a highly successful national crime in prison learning day for colleagues from across the Criminal Justice System
- a number of successful prosecutions of assaults under Section 24 of the Offence against the Person Act 1861 through improved partnership working with the CPS
- developing a revised categorisation assessment tool, including a digital solution to accessing a wider range of information and intelligence from across law enforcement agencies. National roll out of the tool will be subject to the results of a phased pilot and impact analysis taking place during spring and summer 2018
- piloting and commencing the rollout of new technology that allows for seized mobile devices to be locally interrogated. This will eventually be available in around 30 prisons. In conjunction with this, we have reviewed and are updating the Prison Service Instruction that covers the seizure and examination of mobile phones to ensure it meets this new model
- refining the operating model for the Security Risk unit. The unit has developed a vulnerability assessment tool which has supported a number of prisons in identifying and assessing their physical and procedural security risks. We have extended this support to the NPS to ensure the whole HMPPS estate is covered and have developed a framework with which to identify and prioritise future security risks to ensure the organisation is resilient to emerging threats
- designing a new strategy and operating model to coordinate the activity of 5 new specialist units who will disrupt and undermine organised criminals who commit crime in prisons and on licence. These teams are now in place across England and Wales

- setting a new comprehensive corruption strategy for encompassing Protect, Prevent, Pursue and Prepare objectives and designing a new operating model having gathered evidence and appraised of the current model
- establishing the Digital Investigations unit with specialist staff focusing on the lawful exploitation of mobile phone communications data, internet research and strengthening our partnership with Crimestoppers
- implementation of the new Joint Extremism Unit along with progressing a new strategy to deal with extremism in prisons. This includes building a network of counter terrorism specialists, updated training for 13,000 prison personnel to challenge extremism, enhanced vetting for prison chaplains and improved processes to remove extremist literature from prisons
- implementing consistent tactical products for prisons and probation, informing effective management of key threats in both community and custody, by identifying criminal activity being carried out by individuals and networks
- introducing local tactical assessments for establishments, which improve the ability of local staff to identify threats specific to their prison. This in turn feeds into regional intelligence assessments, to enable effective allocation of resources, via the regional tasking processes which have been implemented across all areas, in partnership with key partner agencies
- continuing to evolve the national tasking framework. The framework directs the allocation of resource against significant operational and strategic threats and has informed the Agency's response to several issues including psychoactive substances, and key networks supplying illicit items via drones
- recruitment of staff to the regional and national teams in the National Intelligence unit, supporting the delivery of new processes and products across England and Wales to support operational activity and policy development

Prison Capacity

We must ensure that we have enough places to hold all those committed into custody and that our estate will be configured in a way that matches the characteristics of the population. The second half of 2017 was particularly challenging with an unexpected spike in the population, alongside a loss of accommodation through incidents. This was managed effectively by bringing on accommodation previously out-of-use such as at HMP Bedford; implementing contingency crowding both in the public and private sector; and delaying some maintenance projects. Although demand has decreased so far during 2018, the underlying trend remains upwards.

In 2017-18, we delivered, through the Prison Estate Transformation Programme (PETP), the achievements set out below. This is a big step forward in enabling delivery of up to 10,000 decent prison places to improve rehabilitation and create safe and secure environments for staff and offenders:

- published (in October 2017) the PETP programme's vision to simplify the organisation of the prison estate gradually by 2021 into three key functions:

reception, training and resettlement. Planning towards achieving this vision with a period of gradual change between now and 2021 is taking place with partners and stakeholders

- operating models for the 3 core prison types (reception, training and resettlement) have all been developed, published and are being adopted by prisons
- HMP Durham has become a reception prison and HMP Holme House has become a training prison as part of simplifying the estate in line with the vision
- begun introducing a significant expansion of video capability in prisons through the introduction of video conferencing centres (VCCs) as part of the wider prison reform agenda. New VCCs are already operational in HMP Durham and HMP Wandsworth which link prisons to courts
- received outline planning permission at the former HMP&YOI Glen Parva, HMP Wellingborough and land next to HMP Full Sutton. Project partner agreements have been awarded for the detailed design work at Glen Parva and Wellingborough
- begun work on a new houseblock at HMP Stocken, which will create 206 decent prison places
- begun work on the sale of the former HMP Holloway site. Expected to be concluded in the summer
- begun reconfiguration of The Verne (IRC) into a male prison, which is expected to open later this year

Work in Prisons and Education

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

The number of prisoners working in prison industries (prison jobs provided by private sector employers, HMPPS internal supply needs or other government departments) at any one time has increased. Data indicates a 25% increase of prisoners working daily in public sector prisons was delivered between 2010-11 and 2016-17.

That data shows that we have moved from a daily average of 7,500 working in Industries in Public Sector Prisons to around 9,400. This is equivalent to approximately 14% of the population. It should also be noted that there are many more in activity and training such as working in prison kitchens or undertaking vocational training delivered by prison education, which do not form part of these figures.

When privately managed prisons are included, the number increases to an average of 11,200 prisoners who are engaged daily in prison industries. Their work encompasses:

- manufacturing cell doors, bedding and clothing for the internal HMPPS market
- performing laundry services

- working for commercial businesses producing merchandise, supporting a supply chain or hosting a business within the prison
- performing work for other government departments such as producing camouflage nets for the Ministry of Defence

Following the publication of the MoJ Employment and Education Strategy we have launched the New Futures Network (NFN) which will replace ONE3ONE Solutions with a new focus to build on our relationships with employers and link work performed in prison industries with employment on release across England and Wales. The NFN will:

- target both large and small employers to promote the benefits of employing ex-prisoners on release
- build partnerships between employers and prisons, linking the work prisoners do in custody with jobs on release
- feedback messages from employers about the training that prisoners will need

During 2017-18, we have put in place post inspection support and intervention to ensure that governors, and their education providers have effective performance improvement plans in those prisons subject to Urgent Notification and / or receiving an Ofsted judgement of inadequate or requires improvement.

Working in partnership with the Education and Training Foundation, we have developed a course for governors and senior leaders to help them to undertake their new responsibilities in the management of education delivery in prisons.

Other Priority Areas

Women Offenders – Women in the Community

During 2017-18, we have continued to develop a greater understanding about the complexity of women's needs and how this might contribute to their offending and rehabilitation. We know that women are more likely than men to complete their community order (75% and 71% respectively) and that the adult proven reoffending rate for women is lower than for men (22.9% compared to 29.7%).

There is also evidence that working with women in a trauma-informed, gender-specific way is more likely to deliver positive outcomes than managing them in a gender-neutral way.

The majority of women offenders are managed by the CRCs and numbers have remained relatively stable with, on average, around 26,000 women under supervision in the community at any one time. The NPS has worked with the CRCs to consider how to improve the offer for women as part of community orders and licences. To support this work, the NPS:

- meets regularly with strategic leads for women offenders in all CRCs (pursuant to HMIP recommendations) to identify and share best practice
- developed a CRC / Authority Forum to take forward collaborative working
- issued a newsletter to share information and good practice
- worked to ensure all services for women are included on the rate card to maximise the range of options available to women

To progress our objective to reduce the numbers of women sentenced to short custodial sentences in appropriate cases, we conducted a review of pre-sentence reports (PSRs) on women. We have issued guidance to authors to make some immediate improvements and will be developing a gender-specific assessment tool and gender-specific report template to further improve the quality of PSRs on women.

We have started to roll out the Effective Proposal Tool (formerly known as the SMART Tool) to support PSR authors in proposing robust, individually tailored community sentences which address a woman's individual risks and needs. Early data relating to use of the Effective Proposal Tool has enabled us to identify the extent to which specific options are being proposed and in the longer term will enable us to target any required remedial actions and to identify gaps in provision.

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

- ensured issues relating to women are included in regular communications with sentencers about the services NPS and CRCs provide
- taken into account feedback from interviews with judges and magistrates in developing a tool to support PSR writers when preparing PSRs on women.

The final version will specifically include the need for report authors to make better links between a woman's experience of abuse or trauma to her offending

- developed proposals to expand the approved premises (AP) estate for women
- shared evaluations, which are showing promising outcomes, about whole system approaches to managing women in the community
- issued evidence-based guidance for staff managing women offenders in the community
- extended the use of Bail Accommodation Support Service accommodation to enable it be used to provide accommodation for women (and men) who are subject to post-release supervision
- reviewed the Women Awareness Staff Programme (WASP)
- trained a number of NPS trainers in trauma-informed approaches – and we will consider how this can be most effectively rolled out across NPS and CRCs to promote effective engagement with women offenders

The development of a professional register and regulatory framework is an ongoing and complex piece of work as it impacts across HMPPS and CRCs. Work to date has focussed on reviewing and ensuring compliance with current policies in relation to authorisation to practise and exclusion. We have also established governance arrangements to ensure the work is developed with oversight and input from HMPPS Workforce Reform and the MOJ Probation programme.

Women Offenders – Women in Custody

During 2017-18, the Women's Estate continued to develop and maintain a clear focus on the specific and distinct needs of women offenders both in prisons and in the community and to improve arrangements that enable women in prisons to maintain better contact with their children to support more effective rehabilitation and long-term family care.

The key focus of work undertaken during 2017-18 has been safety. In March 2017 the Independent Advisory Panel on Deaths in Custody (IAP) published a report looking into the self-inflicted deaths of 12 women in prison during 2016. On the same day the Prisons and Probation Ombudsman (PPO) published a bulletin which drew on a review of 19 of its investigations into the deaths of women in custody between 2013 and 2016.

The IAP report made a series of community and prison-based recommendations aimed at preventing suicide and self-harm and keeping women safe. In addition to making improvements to mental health provision, and notably to develop a gender-aware and trauma-informed environment in all women's prisons, the recommendations also focused on improving the transfer of information about women at risk, maximising family contact and family input, where appropriate and safe to do so, and preparing women for release.

The PPO bulletin identified lessons under the themes of identifying, monitoring and acting on risk; the role of mental health; bullying; the Assessment, Care in Custody and Teamwork process; and emergency response. Meetings have been held with the Chair of IAP and with the Deputy PPO to give updates on the positive progress achieved on their recommendations.

We have instigated bi-annual Safety Summit meetings attended by senior representatives from the Agency, MOJ, NHS England (NHSE), Public Health England (PHE), IAP, PPO, academic and voluntary sectors. Two summits were held during 2017-18. These identified key issues and provided expert advice on ways to progress them.

NHSE have held a series of regional summits which bring together commissioners of custodial health services, providers of custodial health services and governors. These meetings have focused on improving communication and service delivery. The Agency, alongside other relevant parties, worked with PHE's Health and Justice Team to develop a set of gender-specific evidence-based standards to improve the health and wellbeing of women in prison. These standards were published in March 2018.

Working together enabled a well-planned, estate-wide response to smoking cessation. As a group the Women's Estate successfully transferred to becoming smoke free in September 2017.

Much progress has been achieved on the key work strands identified in 2016-17. Becoming Trauma Informed has been mainstreamed with the majority of staff trained and we have women delivering the Healing Trauma intervention in a growing number of establishments. We also continue to work with partners to identify improved services and support for the women in our care who have been victimised during child and adulthood. This will remain a key priority during 2018-19.

Foreign National Offenders

Foreign National Offenders (FNOs) represent 11% of the prison population. Many will be removed from the UK at the end of their sentence. The removal of FNOs is the responsibility of the Home Office.

We support this work through the provision of dedicated prison places for FNOs at the two FNO-only prisons and in hub prisons where immigration staff are embedded and are able to work closely with prison service colleagues. We have agreed to provide a third FNO-only prison in 2019.

During the year, we worked closely with the MoJ, the Foreign and Commonwealth Office and the Department of International Development to support the wider work on returns.

The principal tool for removing FNOs is the Early Removal Scheme (ERS) which accounted for 2,077 removals in 2017-18. We further supported removals by transferring 108 FNOs to prisons in their own country under prisoner transfer

arrangements. These arrangements supplement the ERS by transferring longer term prisoners who would otherwise remain the UK for some considerable time.

Youth Justice

On 1 September 2017, responsibility for day-to-day management of the Young People's Estate transferred from the Youth Justice Board for England and Wales (YJB) to HMPPS. We established the Youth Custody Service (YCS) in September 2017 to deliver services in the public sector; oversee and monitor services delivered by the private sector and local authorities; and place children appropriately.

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

We work with youth justice stakeholders to support young people to live positive and crime free lives. Our ambition is to provide a safe place for young people to live and for staff to work, free from violence and harm so that everyone can thrive in a positive environment. Our early priorities were to stabilise the organisation and integrate it into HMPPS. The management structure is now in place and recruitment to roles in HQ and to operational roles is ongoing.

Since the formation of the YCS, we have achieved the following:

- ensured children are listened to and providers are held to account, by implementing a framework for monitoring performance and robust contract management plans
- provided assurance that commissioned services are being delivered by establishing new transparent governance and reporting structures to oversee our monitoring activity
- taken steps to target levels of violence and self-harm by introducing a behaviour management strategy and a programme of infrastructure projects including the Enhanced Support unit at HMYOI Feltham
- developed a route to therapeutic environments for children and young people to live in by working in partnership with NHSE to progress the SECURE STAIRS project (a project to develop and implement a framework of integrated care for the Children and Young People's Secure Estate)
- engaged with governors and education providers to inform plans to improve existing provision and shape future provision
- responded promptly and decisively to inspection recommendations for the sites we operate, consistently driving up the ratings we are given by independent inspectors
- developed an equalities action plan to address the recommendations of the Lammy Report



- introduced a greater range of specialist skills for staff including new job descriptions, conflict resolution teams, psychology interventions and the Youth Justice foundation degree
- worked with colleagues from across the MoJ to develop the Secure Schools strategy
- acted on the recommendations of the Youth Custody Improvement Board

HMPPS in Wales

We established the HMPPS in Wales directorate in 2014-15 because of the distinct differences arising from devolution: in Wales, the Welsh Government has responsibility for delivering a wide range of public services including health, education and social services; there is a legal requirement for all public services to be delivered bilingually in Welsh and English; and some services are funded differently to those in England.

Criminal justice is not devolved, but achieving our overarching aims of public protection, reducing reoffending and driving improvement internally across custody and the community depends significantly on close working relationships with partners throughout Wales, both devolved and non-devolved.

Our Executive Director of HMPPS in Wales has been appointed as the senior point of contact for MoJ in Wales and is leading the overall coordination of the department's work and relationship with the Welsh Government. Working together in this way has opened up opportunities to recognise and take advantage of the different way in which services are delivered in Wales. For example, we have agreed with ministers to collaborate on a strategic blueprint to frame the way we work together. We are starting by focusing on women and young people with a view to extending the approach to adult males as these areas are progressed. We have established two key groups to support this work:

- the Justice in Wales Strategy group brings together operational and policy colleagues from Welsh Government, MoJ and Crown Prosecution Service (CPS), working collaboratively to deliver the best possible justice system in Wales
- the Justice in Wales Operations group has been set up to improve and integrate working between the operational justice agencies in Wales, bringing together the senior leaders in Wales from HMPPS, HMCTS, Legal Aid Agency, Youth Justice Board and CPS

The 'Framework to support positive change for those at risk of offending in Wales 2018-23', developed jointly by Welsh Government and HMPPS in Wales on behalf of the All Wales Criminal Justice Board, was published in March 2018. It sets out how organisations in Wales will work together to provide support to any offender who requires it – at the right time, in the right place and in the right way – to ensure positive outcomes are achieved not only for offenders but also those at risk of offending, as well as their families and our communities.

We have taken the decision to implement the Offender Management model in full, rolling out both the key worker and case management models simultaneously across all of our prisons. A governance structure has been set up in Wales to ensure a cross-directorate response to implementation.

We are committed to improving safety in our prisons. We have invested additional resource in our local prisons to enhance our drug testing capability. Working closely with our police colleagues, we have implemented a Crimes in Prisons reporting

framework and introduced a single point of contact role in each of our prisons. HMP Cardiff is piloting Challenge, Support and Intervention Plan (CSIP) – a multi-agency approach to managing violence in a proactive way.

The Wales Integrated Serious Dangerous Offender Management (WISDOM) pilot, aimed at reducing reoffending and the risk of serious harm via a multi-agency approach, is now operating across 5 colocated pilot sites with cohorts selected using crime profiles of pilot sites. The WISDOM operating manual has been ratified, ensuring a consistent approach across Wales, including to the use of GPS monitoring to assist in offender management. A formal and robust evaluation of WISDOM is being undertaken by the University of Nottingham.

The Supporting Transition of Military Personnel (SToMP) All Wales ex-Armed Service Personnel (ASP) Prisoner Pathway was designed with criminal justice and third sector partners and implemented in October 2017. This ensures a consistent pan-Wales identification and support process for all ex-ASPs in Welsh prisons. SToMP has designed and produced a pan-Wales directory of support services for ex-ASPs and has secured funding to:

- commission research focussing on ex-ASPs and healthy relationships
- develop a SToMP transition officer role linked to Military Corrective Training Centre Colchester
- deliver a series of community days across prisons in Wales to encourage the identification of ex-ASPs and engage the ex-ASP and their family with the relevant support

Corporate Services and other core priorities

Contract Management

A considerable proportion of HMPPS spending is contractual. During 2017-18, significant work has been carried out to improve our contract management processes and to develop team capability. This included:

- continuation of the Transforming Contract Management (TCM) programme which is focused on improving the way we manage our contracts. This programme made considerable progress, with contract management teams focusing on bespoke areas of work to improve the way they monitor service delivery, analyse data and approach contract management from a risk based perspective. Contract management plans, and risk management and reporting, are just two areas that have been enhanced, to ensure processes are clear and adhered to, and to achieve consistency across the management of the 21 contracts
- significant focus on training and development commenced late 2017 to work on staff capability and a training and development strategy will be launched in 2018
- effectively using our project delivery resource service which has enabled us to establish new programmes of work to deliver on our change priorities. These include the prison retail contract re-competition, the uniform contract re-competition, a drugs strategy review, youth custody reform, implementing recommendations from the Lammy Review and relocating our headquarters

One of our main contract management responsibilities has been to focus greater attention on the quality of CRC service delivery and conduct whole scale reviews into specific areas of practice, as noted earlier in this report. This includes:

- Broader Compliance Activities (BCA) which have been introduced as an addition to day-to-day compliance monitoring. The BCA work focuses on key areas nationally where more detailed monitoring is required (for example: unpaid work, offender contact and enforcement practice)
- the introduction of a new CRC performance dashboard which gives a system-level view of CRC contract operations and performance, reported on a monthly basis to the CRC Delivery Board. This dashboard has supported a move to a 'risk-based' contract management approach which focuses on improved use of data and management information to drive contract management attention into specific areas of performance and practice
- a review of the first significant 'risk-based' area, which was CRC enforcement practice (commenced in December 2017). Contract management data, combined with concerns raised by the Judiciary and HMIP reviews instigated this national review to improve CRC enforcement performance and achieve consistency in practice. The review reports to the Senior Presiding Judge on a six-weekly basis, covering local work underway within CRCs and in joint working with courts and the NPS. The review continues into 2018 where it is expected that monthly data will start to reflect the local improvements

- a review of contract compliance processes that was undertaken to achieve greater efficiency. New processes will reduce numbers of standardised service level checks where performance remains high for a set period, relieving contract management time to undertake more detailed quality reviews on service delivery and wider contractual obligations

Grants

We also grant fund a number of projects that contribute to our broad aims and specific priorities. In 2017-18 funding has been awarded to a number of voluntary, community and social enterprise organisations to support strategic aims, test out new and innovative ideas and develop capacity in organisations. Projects include:

- Samaritans – providing key support for prisoners who are suicidal and at risk of self-harm and supporting safer custody work in prisons
- Citizens Advice Bureau – providing advice and support to victims of alleged miscarriages of justice
- Prison Radio – a key source of information for offenders about issues that affect them
- Koestler Trust – who encourage artistic activity and raise awareness more generally about offenders' art
- National Association of Prison Visitors – who support prison visitors to provide a vital service for offenders who lack external support
- Prisoners Abroad – an organisation that supports resettlement of offenders returning to the UK after serving sentences abroad

Assurance of the services we provide

In April 2017, we created a new internal assurance function to provide assurance of the quality of prison and probation services across all providers. This new function has completed a number of assurance activities in 2017-18:

- carried out assurance activity in prisons across England and Wales, and focused on the key business priorities of safety and security
- supported initiatives to improve safety and to reduce violence, self-inflicted deaths and self-harm. We developed a new audit to assess progress, including implementation of recommendations of the PPO relating to deaths in custody
- completed nearly 100 internal security audits and developed an improved security audit to be rolled out in 2018-19 to maintain and improve standards of security in prisons
- developed a new approach to assurance and managing risks focused on safeguarding children and young people to be rolled out in 2018-19

Health and Social care

We have continued to strengthen and broaden our partnerships with both health and social care sector partners and published a new National Partnership Agreement for

Prison Healthcare in England 2018-2021. In the new agreement, the original tripartite partnership of HMPPS, PHE and NHSE has been joined by the MoJ and the Department of Health and Social Care (DHSC). This marks the establishment of an even stronger level of co-operation and cohesiveness between all those who can impact on the policy, commissioning and delivery of health and social care services in both public and private sector prisons in England.

Together, we have renewed and clarified our commitment to: improve the health and wellbeing of people in prison and reduce health inequalities; to reduce reoffending and support rehabilitation by addressing health-related drivers of offending behaviour; and to support access to and continuity of care through the prison estate, pre-custody and post-custody into the community. We have collaborated to enable provision of high quality healthcare across the prison estate, and where there have been problems, such as at HMP Liverpool, we have worked together to respond effectively.

The mental health of prisoners, in particular, has been subject to public and Parliamentary scrutiny. The National Audit Office (NAO) published a report on mental health in prisons in June 2017 and the HMPPS Chief Executive Officer and MoJ Permanent Secretary were called to give evidence by the Public Accounts Committee in October 2017. We have maintained our close collaboration with NHSE and DHSC to support the development of NHS plans to address the very real concerns there are about the mental health of some people who are sent to prison, and we will continue these efforts across community and custodial services with the expectation that people can access the right care in the right place at the right time.

We have continued our partnership working with the Association of Directors of Adult Social Services and with local authorities to ensure men and women in prison have access to care and support services if they have eligible needs. We have seen the number of social care assessments completed in prisons increase and the men and women with eligible needs have been supported with appropriate equipment or with care and support services, contributing significantly to independent living and rehabilitation for some of the most vulnerable people in the system.

A proof of concept approach has been developed for how those currently in custody can access the Truth Project. The Truth Project, is part of the Independent Inquiry into Child Sexual Abuse and allows victims and survivors of child sexual abuse to share their experiences in a supportive and confidential setting. In addition, our Historic Child Abuse team have coordinated, or had input into, the witness statement responses to 15 formal requests for information from the Independent Inquiry.

Digital & Technology

During 2017-18, our Digital & Technology team moved to become part of a consolidated Justice Digital & Technology directorate, in line with MoJ-wide functional leadership changes. The team has, however, continued to remain accountable for the delivery of digital and technology services and help progress a diverse portfolio of change on behalf of the Agency.

A more modern, flexible, scalable and ultimately cheaper replacement for the legacy IT contracts for prisons and HQ has been sourced and is being consolidated and managed as part of a cross department, and more closely aligned, service model.

Our core applications have been modernised and moved to the cloud, which has reduced costs, improved access to data, and brought the applications up to a standard where the Agency can take ownership and introduce faster technical change cycles to improve services and support reform.

The ability to self-manage our core applications, means we are now also better able to leverage and free up our data to radically improve services for our people by redesigning them around needs. Using the capability created in the Agency's Digital Studio, the team has been able to work with colleagues in the business to develop and deliver into service new products such as those required by the Offender Management model, more quickly and at a lower cost. This approach has also helped deliver better functionality to existing applications, such as the NPS case management system (Delius) which has improved the user experience and saved staff time and effort.

In the prison estate, the use by offenders of basic computers and in-cell telephony is being piloted in two prisons – HMP Wayland and HMP Berwyn. The purpose is for prisoners to manage some of their own day-to-day tasks that would normally be managed by officers manually on paper. Automation of processes in prisons allows staff to be redeployed from administrative tasks to security-based and rehabilitation tasks. Current manual processes are a major source of frustration for both offenders and officers as paper requests often get lost, are time consuming and manual rekeying of information is prone to human error.

Phone access in prisons can be challenging. Most prisoners can only call out during prisoner association periods. This often creates tension and is a catalyst for incidents such as arguments, bullying, assaults and the smuggling of illegal mobile phones into prisons. The introduction of in-cell telephony in private sector prisons produced significant improvements in security, fewer assaults, less bullying and fewer incidents of self-harm. The pilot is still running in both prisons and the benefits will be monitored.

Work is also being progressed with a number of other prisons in HMPPS' estate to deliver enhanced technical capabilities including in-cell telephony and wing-based computers that allow prisoners to manage their own day-to-day tasks.

Human Resources

Having the right number of staff and the right quality of staff is vital to building a successful service and has been at the centre of our priorities.

An additional £100 million was made available to enable the recruitment of 2,500 prison officers by December 2018. We met that target, ahead of schedule, at the end of the financial year, and will continue our recruitment drive with a focus on those sites that are harder to recruit to.

One of our biggest challenges this year has been to meet the record number of applications for prison officer roles during 2017-18. We have expanded the number of assessment centres from 4 to 15. Additionally, to meet the demand for training new prison officers, we have extensively expanded our training capacity across England and Wales from 1,900 places up to 5,300 in 44 locations.

We have established a contract with a social enterprise, Unlocked Graduates, to recruit and develop a cohort of some of the best graduates in the country to be prison officers. In September 2017, we welcomed our first cohort of 52 graduate prison officers to the programme. The success of the recruitment campaign has resulted in HMPPS requesting Unlocked to recruit 115 graduates as part of a second cohort to start in September 2018.

We have developed a leadership programme for all of our senior operational leaders called the Empowered Senior Leaders Programme, which will be rolled out to all in-charge prison governors and NPS senior managers over the next two years. The programme will ensure that all the senior leaders across the business cover topics such as inspiring leadership, engaging and empowering staff and how to deliver change for the future.

One of the primary areas of focus for us over the reporting period has been to deliver a reduction in staff sickness and offer a greater emphasis on staff wellbeing. During 2017-18, we launched the HMPPS Staff Wellbeing Strategy and have supported and trained over 200 local wellbeing champions who will promote staff health and wellbeing across our workforce.

Our total average working days lost has been reduced from 10.1 days in 2016-17 to 9.2 days in 2017-18.

As part of the support to the creation of the HMPPS Youth Custody Service, we successfully supported the machinery of government transfer of 69 staff into HMPPS from the Youth Justice Board. Work to establish the new function is continuing with HR supporting the change and embedding process.

The relationship with our trade unions is crucial to helping to maintain safe, decent and secure working environments. This year we have worked hard to maintain employee relations stability through the use of positive engagement practice that has included regular dialogue and stakeholder management.

Following the Grenfell Fire disaster, the National Fire Safety team were required to give assurance to ministers of the safety of the custodial estate. The team reviewed all technical standards and guidance, including the use of cladding to ensure our buildings and occupants are safe. The review found that all safety requirements were being met across the estate.

Financial Services and Performance

This financial year, the HMPPS finance function moved into a functional leadership model with the aim of bringing together specialists into a single, unified team across the MoJ. While embedding the new model we have continued to manage our resources across the year to enable us to live within our means.

Finance is embedded within decision making with finance business partners working alongside operational colleagues in prison, probation, youth custody and our change programmes. The Executive Director, Finance has remained a member of the Agency Board and Executive Management Committee.

We have established Centres of Excellence in supporting the production of financial and management accounts in an effective professional manner. The governance function supports operational groups in interpretation and compliance with finance policy and procedures.

Financial outturn

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

Resource outturn

The HMPPS resource budget of £3,765 million includes £21 million of digital and HR shared services which have transferred to MoJ. HMPPS have carefully managed our expenditure to report a resource outturn of £3,709 million against the corresponding budget of £3,744 million. The underspend of 1% is attributable to delays in recruitment and contractual settlements with CRCs, offset by increased expenditure across the facilities management contract and the incremental recruitment costs required to deliver the accelerated Prison Officer Entry Level Training (POELT) programme.

Annually Managed Expenditure (AME) outturn

HMPPS AME budget includes non-cash Local Government Pension Scheme (LGPS) pension costs and provisions movements which are inherently volatile. The AME outturn for 2017-18 is £84 million against a budget of £130 million. This is attributable to impairment reversals of property, plant and equipment and increase in the value of LGPS pension assets.

Capital outturn

The original capital budget delegated to us at the beginning of 2017-18 was £199 million. The budget was revised down by £133 million to £66 million in an agreement with the MoJ, which supported departmental priorities and reflected anticipated delays in change projects within HMPPS. Subsequently, the projects were able to make greater progress than anticipated and an in-year agreement with MoJ authorised us to exceed this revised budget leading to an outturn of £84 million.

Where we spent our money in 2017-18

The majority of our £4.6 billion operating expenditure is on the delivery of our frontline prison and probation services with a high level of fixed or semi-fixed costs. The below chart illustrates the areas on which we currently spend our budgets. Staff costs are the largest area of spend, accounting for 42% of total operating expenditure.



How we are financed

We are primarily financed by funding from the MoJ as parent department. In 2017-18 we also generated £255 million operating income detailed below.

We actively seek opportunities to expand Public Sector Prisons Industry revenue from external sources.

The largest external contract is with the Ministry of Defence which generated over £3 million of income in 2017-18. This work allows us to provide meaningful activity to prisoners while developing their employment skills and so aid rehabilitation and reduce the risk of reoffending on release.

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

HMPPS Co-financing Organisation (CFO) receives a financial allocation from the EU via the European Social Fund Managing Authority (Department for Work and Pensions) for delivery of resettlement services to offenders during the period 2015-2020. The funding

is used to support offenders considered hard to reach, in both custody and community settings, to increase employability and provide opportunities to access mainstream services. HMPPS CFO supports policy objectives relating to offender resettlement, employment and education.

We also recover costs from funding partners as follows:

- provision of youth custody places (YJB and MoJ) until responsibility transferred to HMPPS on 1 September 2017
- provision of custodial services to foreign national prisoners, running immigration removal centres and counter-terrorism activities (Home Office)
- provision of healthcare services (NHS England, private sector and Welsh Government)

Financial management

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

At the start of the financial year, budgets are delegated from the MoJ Permanent Secretary as Principal Accounting Officer to the HMPPS Chief Executive Officer who may then make sub delegations to other budget holders within HMPPS directorates. Budget holders are required to meet the conditions of their delegation letters and the requirements of the MoJ's Financial Control Framework.

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

The 'licence to operate' scheme requires that budget holders must have completed training in order to continue as a budget holder. This has continued to be delivered to senior managers across HMPPS, with the majority of sessions now completed. Prison establishments complete the Statement on Internal Financial Control confirming that appropriate controls and management checks are in place.

A Government Internal Audit Agency (GIAA) report on budgetary control in HMPPS was completed in 2017-18 and a 'substantial' opinion was provided on the framework of governance, risk management and control.

Operational Performance

HMPPS Operational Performance 2017-18

Measure	April 2015 to March 2016*	April 2005 to March 2006
One-year proven reoffending rate for adult offenders discharged from prison or commencing a court order ¹	37.2%	41.5%

* Please note: there was a change of data source in the middle of 2015-16 and users should be careful when using this figure to compare to previous years.

Measure	Outcome 2017-18	Outcome 2016-17
Public Protection		
The number of category A escapes	0	0
The number of escapes from prisons and prison service escorts	4	7
The rate of escapes from prisons and prison escorts as a proportion of the average prison population	0.005%	0.008%
The number of escapes from contractor escorts	9	8
The rate of escapes from contractor escorts as a proportion of the throughput of prisoners	1 in 67,123 prisoner movements	1 in 81,981 prisoner movements
Safety		
Self-inflicted deaths per 1,000 prisoners ²	0.8	1.3
Prisoner-on-prisoner assaults: incidents per 1,000 prisoners ³	248 (12 months ending December 2017)	224 (12 months ending December 2016)
Assaults on prison staff: incidents per 1,000 prisoners ⁴	98 (12 months ending December 2017)	80 (12 months ending December 2016)

¹ Proven Reoffending Statistics: April 2016 to June 2016, published 26 April 2018 (<https://www.gov.uk/government/statistics/proven-reoffending-statistics-april-2016-to-june-2016>)

² Safety in Custody Statistics quarterly Bulletin: quarterly update to December 2017, published 26 April 2018 (<https://www.gov.uk/government/statistics/safety-in-custody-quarterly-update-to-december-2017>)

³ As above.

⁴ As above.

Measure	Outcome 2017-18	Outcome 2016-17
Delivering the punishment and orders of courts		
The percentage of prisoners held in crowded accommodation across the prison system	24.2%	24.5%
The rate of drug misuse in prisons as reflected by those testing positive in mandatory drug tests ⁵	10.6%	9.3%
Community Rehabilitation Companies: percentage of Community Orders and Suspended Sentence Orders successfully completed ⁶	78.0% (April to December 2017)	78.2%
National Probation Service: percentage of Community Orders and Suspended Sentence Orders successfully completed ⁷	73.2% (April to December 2017)	71.4%
Staffing indicators		
Staff sickness: average working days lost per annum ⁸		
<ul style="list-style-type: none"> • HMPPS overall • Public Sector Prisons • National Probation Service • Headquarters and regional services • Youth Custody Service 	9.2 9.1 10.0 6.4 11.5	10.1 10.0 11.5 6.0 13.2
BAME staff representation across HMPPS ⁹	8.2% (31 March 2018)	8.2% (31 March 2017)

The Proven Reoffending Statistics bulletin published on 26 April 2018 provides key statistics on proven reoffending in England and Wales. It gives proven reoffending figures for adult and juvenile offenders, who were released from custody, received a non-custodial conviction at court, received a caution, or received a reprimand or

⁵ Excludes tests for New Psychoactive Substances which will be published for the first time on 26 July 2018 in the HMPPS Annual Digest.

⁶ Community Performance Quarterly Management Information release, update to December 2017, published 26 April 2018 (<https://www.gov.uk/government/statistics/community-performance-quarterly-mi-update-to-december-2017>) and Community Performance Quarterly and Annual: 2016 to 2017, published 27 July 2017 (<https://www.gov.uk/government/statistics/community-performance-quarterly-and-annual-2016-to-2017>). Full-year performance outturns for 2017-18 will be published on 26 July 2018.

⁷ As above.

⁸ HMPPS Workforce Statistics Bulletin, March 2018, published 17 May 2018 (<https://www.gov.uk/government/statistics/her-majestys-prison-and-probation-service-workforce-quarterly-march-2018>)

⁹ As above.

warning between April 2016 and June 2016. The bulletin also gives annual average reoffending rates up to financial year 2015-16. A proven re-offence is defined as any offence committed in a one year follow-up period that leads to a court conviction, caution, reprimand or warning in the one year follow-up or within a further six month waiting period to allow the offence to be proven in court.

The key reoffending statistic for HMPPS is the one-year proven reoffending rate for adult offenders discharged from prison or commencing a court order. For the period April 2015 to March 2016, the annual average proven reoffending rate was 37.2%.

The proven reoffending rate for adult offenders starting a court order (community sentence or suspended sentence order) was 33.3%. The proven reoffending rate for adult offenders released from custody was 47.8%. The rate for those released from short sentences has been consistently higher compared to those released from longer sentences. Adults who served sentences of less than 12 months reoffended at a rate of 63.6%, compared to 31.0% for those who served determinate sentences of 12 months or more.

There was one escape from a prison and three escapes from prison staff escorts in 2017-18. The total of four escapes is a fall compared to 2016-17 in which there were seven (four escapes from a prison and three from prison staff escorts). The rate of escapes from contractor escorts increased from one per 81,981 prisoner movements in 2016-17 to one per 67,123 movements in 2017-18. There were no Category A escapes.

There were 69 self-inflicted deaths in prison custody in the 12 months ending March 2018 (a rate of 0.8 per 1,000 prisoners) compared to 115 in the 12 months ending March 2017 (1.3 per 1,000 prisoners).

In the 12 months to December 2017 there were 248 prisoner-on-prisoner assault incidents per 1,000 prisoners, up from 224 in the same period in 2016. There were 98 incidents of assault on staff per 1,000 prisoners in the 12 months to December 2017, up from 80 in the previous year.

The average percentage of prisoners in crowded accommodation in 2017-18 was 24.2%, slightly down from 24.5% in 2016-17.

The rate of prisoners who tested positive for drugs in random mandatory drug tests rose from 9.3% in 2016-17 to 10.6% in 2017-18. This excludes tests for new psychoactive substances.

CRCs' performance on the percentage of Community Orders (COs) and Suspended Sentence Orders (SSOs) successfully completed was maintained at around 78% during April to December 2017. For COs and SSOs supervised by the National Probation Service the successful completion rate improved from 71.4% in 2016-17 to 73.2% in April to December 2017.



HMPPS staff lost an average of 9.2 working days to sickness absence in 2017-18. This is a reduction of 0.9 days compared to 2016-17.

The proportion of staff from BAME backgrounds across all of HMPPS at 31 March 2018 was 8.2%, unchanged from 31 March 2017.

Equalities

We are determined to discharge our obligations under the Equality Act 2010. We influenced the progress of the Lammy Review into the experiences of Black and Minority Ethnic individuals in the Criminal Justice System, which reported in September 2017. We have accepted the 13 recommendations that are strongly associated with the work of our Agency. Our Equalities team is closely involved in delivering the agreed responses.

The Lammy Review recommendations and ten aligned strategic priorities approved at board level are captured through an equality strategy due to be issued shortly.

During 2017-18 we have:

- established a formal programme structure to drive delivery of the Lammy Review recommendations and the wider strategic priorities. An external advisory and scrutiny panel on Lammy has been set up
- developed guidance to underpin the instruction on the care and management of transgender offenders, which gives full effect to the recommendations of the 2016 MoJ review. A transgender advisory board continues to monitor progress in our delivery against the instruction and the review conclusions
- worked to continue to embed equality analysis as routine to core business
- secured accreditation of a suite of programmes for men with learning disabilities and challenges

Our People

A diverse range of staff and external partners working in probation, prisons and HMPPS headquarters were honoured with national awards in 2017-18. They include:

Queen's Birthday Honours 2017

The OBE was awarded to:

Gwyneth Morgan, Founder of Prisoner Penfriends

MBEs were awarded to:

Eric McGraw, Lately Editor of Inside Time

Joanne Noble, Prison Officer Specialist (Healthcare), HMP Manchester

Derek Groves, Band 4 Physical Education Specialist, HMP Hull

The British Empire Medal (BEM) was awarded to:

Louisa Harbottle, Prison Visitor, HMP Frankland

Gillian Vine, Former Chair of Buckinghamshire Association for the Care of Offenders (BACO)

New Year Honours 2018

The CBE was awarded to:

Alan Scott, Executive Director, Public Sector Prisons North

The OBE was awarded to:

Jeannine Hendrick, Governor HMP Exeter and Violence Reduction Project Manager

Jackie Hewitt-Main, CEO The Cascade Foundation

The MBE was awarded to:

Ed Gatenby, Head of Residence and Services, HMP Durham

Angela Tate, Probation Officer, HMP Isle of Wight

The British Empire Medal (BEM) was awarded to:

Andrea Manson, Senior Health and Safety Advisor, HMPPS HR Directorate

Butler Trust Awards 2017-18

The 2017-18 winners of the prestigious Butler Trust Awards included 10 individuals working in prisons and probation in England and Wales.

A further 15 individuals received commendations, and all were invited to attend a ceremony at St James's Palace presented by The Butler Trust's patron, HRH The Princess Royal in March 2018.

Alongside her award, Eileen Whittaker, a volunteer counsellor at HMP/YOI Styal, received The Princess Royal's Prize for Outstanding Achievement for exceptional service in leading counselling services for women.

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

HMPPS internal staff awards

Prison Officer of the Year Awards 2017

Prison Officer Iain Foskett, from HMP High Down, winner of the Fairness, Decency and Respect category was named the Prison Officer of the Year by HMPPS Chief Executive Officer Michael Spurr. He said: "Iain is a fantastic prison officer who is respected by everyone at High Down for his professionalism, resilience and genuine care for prisoners."

Other category winners:

Change and Innovation

Kissie Goodwin, HMP/YOI Isis

Changing Lives

Bernie Hare, HMP Bullingdon

Lifetime Achievement

Lynne Gaita, HMP Bedford

Partnership Working

Paul Handley, HMP Altcourse

Public Safety

Mia Penfold, HMP Elmley

Safety, Security and Care

Alison Hemming, HMP Stocken

Staff Support

Joanne Stanton, HMP Manchester

Team of the Year

Segregation Unit Team, HMP Wealstun

Probation Awards 2017

Probation Officer Gareth Key, from North East NPS, winner of the Changing Lives category was named Probation Champion of the Year by HMPPS Chief Executive Officer Michael Spurr. He said: "Gareth represents everything that is good about probation. He is caring and compassionate and genuinely believes that people can change. He is truly inspirational and he is a role model for others."

Other category winners:

Change and Innovation

Liam Mason, DLNR CRC

Fairness, Decency and Respect

Aaron McCabe, HIOW CRC



Lifetime Achievement

Jeanette Kuyateh, North West NPS

Partnership Working

Jenny Webster, SEE NPS

Public Safety

Angela Tate, SWSC NPS

Staff Support

Andrew Reynolds, Wales NPS

Supporting Victims

Kelly-Anne Ford, BeNCH CRC

Team of the Year

Midlands Divisional Sexual Offending Team, Midlands NPS

Sustainability Report

Introduction

This is the Sustainability Report for HMPPS prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at: <https://www.gov.uk/government/publications/government-financial-reporting-manual-2017-to-2018>

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

Sustainability

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

Objectives

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

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

Our sustainability objectives are to:

- deliver on the Greening Government Commitments (GGC) ¹⁰
- embed compliance with the government buying standards in departmental and centralised procurement contracts

Scope

The scope of this report is performance against the Greening Government Commitments 2016-2020.

The report covers 114 public sector prisons, our shared service and administration buildings, five privately operated prisons (Birmingham, Doncaster, Northumbria, Oakwood and Thameside) and National Probation Service (NPS) locations.

¹⁰ <http://sd.defra.gov.uk/gov/green-government/commitments/>

Governance and data validation

The MoJ Estates Directorate Sustainability Operations team are responsible for reporting and managing sustainability in the department. The data is gathered and validated by Arcadis and Carbon Smart, our external consultants employed to manage our data, and quality assured by the Building Research Establishment on behalf of the Department for Environment, Food and Rural Affairs (Defra).

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

The greenhouse gas conversion factors used can be found in the government environmental impact reporting requirements for business.¹¹

GGC Performance

Requirement	MoJ target by 2020	2017-18 performance
Reduce greenhouse gas (GHG) emissions	22%	30%
Reduce overall waste	Greater than 31%	25%
Reduce waste sent to landfill	Less than 10%	9%
Increase amount of waste recycled	Greater than 59%	63%
Continue to reduce total estate water consumption	Greater than 4%	3%

Table 1: HMPPS contribution to overall MoJ Performance 2017-18

Performance against GGC is embedded in all the facilities management contracts and Prison Estate Transformation Programme (PETP).

Greenhouse gases

Greenhouse Gas Emissions*		2009-10	2014-15	2015-16	2016-17	2017-18
Non-Financial Indicators (tonnes CO ₂ e)	Total Gross Scope 1 (Direct) emissions	166,983	172,751	164,351	158,437	146,471
	Total Gross Scope 2 (indirect) emissions	236,377	165,158	158,811	159,425	113,325
	Total Gross Scope 3 (Official business travel) emissions	6,334	22,603	25,850	21,405	25,605
	Total Emissions - Scope 1, 2 & 3	409,694	360,512	349,012	339,267	285,401
Related Energy Consumption (kWh)	Electricity	371,635,000	334,153,020	317,399,723	386,905,790	322,348,228
	Gas	891,395,000	776,472,182	739,733,850	760,559,021	732,050,504
	Other energy sources	117,571,000	84,100,292	80,431,523	41,000,648	41,928,766
	Total energy consumption	1,380,601,000	1,194,725,494	1,137,565,096	1,188,465,459	1,096,327,498
Financial Indicators (£ million)	Expenditure on energy	68	77	76	76	69
	Expenditure on official business travel	25	16	17	21	20
	Total expenditure on energy and business travel	93	93	93	97	89

Table 2: Overall Greenhouse gas emissions and financial costs 2017-18

¹¹ <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2018 to March 2018.

Our carbon emissions show an overall 30% decrease since 2009-10. While this is partly due to the decarbonisation of the grid, we have continued to reduce our overall carbon emissions through the PETP. We continue to rationalise our estate, with plans to build new prisons and close older less efficient sites and several probation offices. Investment in LED lighting on the custodial estate in 2016-17 and 2017-18 has further improved our overall performance.

We are agreeing with the Department for Business, Energy and Industrial Strategy (BEIS) a new stretching greenhouse gas reduction target for 2019-20. This new Ministry of Justice (MoJ) target is expected to be a 38% reduction by 2019-20. It will replace the current 22% MoJ target from 2018-19 and builds on our previous success in this area.

Waste

Waste		2009-10	2014-15	2015-16	2016-17	2017-18	
Non-Financial Indicators (tonnes)	Hazardous waste	47	-	-	62	-	
	Non-hazardous waste	Landfill	24,830	11,961	8,969	3,181	3,360
		Reused/Recycled	24,735	20,500	20,688	16,353	21,897
		Composted/ Anaerobic Digestion	-	1,170	1,629	1,398	1,594
	Incinerated with energy from waste	175	7,503	7,636	11,370	10,661	
	Incinerated without energy recovery	-	162	101	81	22	
	Total waste	49,787	41,296	39,023	32,445	37,534	
Financial Indicators (£m)	Total disposal cost	3.3	5.7	4.5	5.3	Not available	
	Total paper procurement cost	n/k	900	900	925	Not available	

Table 3: Waste and financial costs 2017-18

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2018 to March 2018.

We have continued to reduce the amount of waste produced by 25% since 2009-10 and improved our avoidance of landfill to 91% of total waste.

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

In some instances, these units are linked to external charitable causes and community enterprises.

Community and life skills, together with transferable practical skills, form an important part of the Restorative Justice programme for offenders. In 2017-18 an average of 472 offenders were employed in WMUs working an average of 1,197 hours a week between them.

Water

Water Consumption		2009-10	2014-15	2015-16	2016-17	2017-18
Non-Financial Indicators (m ³)	Whole Estate	8,527,771	8,015,221	7,811,515	7,801,855	8,273,287
Financial Indicators (£m)	Water Supply & Sewage Costs	20	22	22	23	23

Table 6: Water consumption and financial costs 2017-18

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2018 to March 2018.

We have continued to monitor unaccounted water use in prisons to minimise water losses in old infrastructure.

External Reviews

During 2016-17, the MoJ was subject to an Environmental Audit Committee (EAC) Inquiry into sustainability. Overall, the EAC found the MoJ had strengths in the arrangements it had in place to promote and monitor some aspects of environmental sustainability, that it had met its 2020 Greening Government Commitment target for reducing carbon emissions, and was developing a structured approach to reducing carbon emissions on its existing estate.

The EAC also found some weakness including governance arrangements and meeting Government Buying Standards on sustainable construction – HMPPS is contributing to the improvements required.

Other Sustainability Commitments	
Sustainable Procurement	We have an in-house procurement team who ensure extensive sustainability clauses are embedded within the MoJ's facilities management and ICT contract. New contracts require that suppliers meet the Government Buying Standards. New procurement staff will be provided with training on sustainable procurement.
Climate Change Adaption	Climate resilient designs are incorporated in retrofit projects and new builds, including PETP. In addition, robust business continuity plans are in place to manage occurrences of extreme weather events.
Rural Proofing	We are committed to mainstreaming sustainable development in the policy making process. A check list of specific impact tests now forms part of the policy impact assessment guide, giving greater assurance that due consideration will be given to impacts often see as peripheral such as sustainability and rural proofing.

Other Sustainability Commitments	
Biodiversity & Natural Environment	<p>HMPPS continues to support the national MoJ Strategy and Policy for Biodiversity across its diverse estate for the protection and management of its designated sites on the public and private sector Prison Service estate.</p> <p>HMPPS in conjunction with the MoJ Principal Ecologist has completely reviewed the HMPPS Wildlife Award for 2018 and the award now rewards and recognises biodiversity good practice and social community projects for restorative justice.</p> <p>With 95% of HMPPS Sites of Specific Scientific Interest (SSSIs) in a recovering condition, HMPPS is confident in their future management position, and is actively working towards raising three more of its SSSIs into a favourable condition by 2020.</p>
Procurement of Food & Catering	<p>All food supplied is produced to UK or equivalent standards. Menus are designed to reflect in-season produce and purchased locally, where feasible to do so, to reduce food miles and to assist in supporting our local suppliers. The 2017 MoJ HM Prison Service contract places specific obligations on the contractor to report progress in the sustainability and environmental area and these are aligned with the Defra Balanced Scorecard (of which the applicable aspects of the Government Buying Standard for food are included).</p>
Sustainable Construction	<p>We reviewed, refreshed and published our Sustainable Construction policy in 2018. 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 2017-18, all six potential new prisons under PETP have been registered for BREEAM.</p>

Michael Spurr

Agency Accounting Officer

20 June 2018

Accountability Report



Corporate Governance Report

Directors' Report

Statutory background

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

The Agency Board and Executive Management Committee

The governance arrangements within HMPPS for the period April 2017 to March 2018, as agreed by the Permanent Secretary and the Agency Board, included:

- four HMPPS Agency Board meetings focusing on strategic agency priorities including performance, risk and investment
- an HMPPS Executive Management Committee which meets three times a month

These were supported by:

- a weekly Executive Management Committee update meeting
- a comprehensive range of sub-committees reporting to the Executive Management Committee (see page 63 for the HMPPS governance structure)

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

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

The Chief Executive Officer's pay is determined under the rules set out in chapter 7.1 (Annex a) of the Senior Civil Servant Management Code. Other members of the Agency Board and Executive Management Committee are appointed by the Chief Executive Officer with the agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the Agency Board and the Executive Management Committee are set out in the Remuneration and Staff Report on pages 79 to 95.

On 31 March 2018, the structure of the HMPPS Agency Board and Executive Management Committee was:

Agency Board:

Core members:

Non-Executive Directors x3 (including one as chair, noting two positions were vacant)

CEO

Executive Director, Prisons

Executive Director, Security, Order and Counter Terrorism

Executive Director, HMPPS Wales

Executive Director, Estate Transformation

Executive Director, Youth Custody Service

Executive Director, Probation and Women

Executive Director, Community Interventions

Executive Director, Rehabilitation and Assurance

Executive Director, HR

Executive Director, Finance

Executive Director, Electronic Monitoring (EM) Programme/Procurement

Associate members (support functions). Associate members are non-voting members of the HMPPS Agency Board and do not have authority or responsibility for controlling or directing the major activities of the HMPPS Agency Board during the year. They are invited to attend for specific items relevant to their area of expertise:

MoJ Deputy Director of Prison and Probation Analytical Services

MoJ Commercial Director

MoJ Director General of Offender Reform and Commissioning Group

MoJ Chief Digital and Information Officer

In attendance:

MoJ Legal Advisor

Head of the Executive Management Office for the CEO

CEO Secretariat

Executive Management Committee

Core members:

CEO - (chair)

Executive Director, Prisons

Executive Director, Security, Order and Counter Terrorism

Executive Director, HMPPS Wales

Executive Director, Estate Transformation

Executive Director, Youth Custody Service

Executive Director, Probation and Women Offenders

Executive Director, Community Interventions
 Executive Director, Rehabilitation and Assurance
 Executive Director, HR
 Executive Director, Finance
 Executive Director, EM Programme/Procurement

Associate members. Associate members are non-voting members of the HMPPS EMC and do not have authority or responsibility for controlling or directing the major activities of the HMPPS EMC during the year. They are invited to attend for specific items relevant to their area of expertise:

Executive Director, Public Sector Prisons South
 Executive Director, Public Sector Prisons North
 Executive Director, Long Term High Security
 Executive Director, MoJ Commercial

In attendance:

MoJ Legal Advisor
 Internal Communications
 Head of the Executive Management Office for the CEO
 CEO Secretariat

During 2017-18, the members of the HMPPS Agency Board and the HMPPS Executive Management Committee were:

Core members:

MoJ Permanent Secretary Richard Heaton* (chaired the meetings of the Agency Board from 19 July 2017 on an interim basis until the appointment of three new non-executive directors on 1 May 2018)
 Non-Executive Director – Paul Wilson* (until 2 February 2018)
 Non-Executive Director – Alan Hammill*
 CEO – Michael Spurr
 Executive Director, Prisons – Phil Copple
 Executive Director, Security, Order and Counter Terrorism – Claudia Sturt
 Executive Director, HMPPS Wales (interim) and Estate Transformation – Simon Boddis (until 23 July 2017)
 Executive Director, Estate Transformation – Simon Boddis (from 24 July 2017)
 Executive Director, HMPPS Wales – Amy Rees (from 24 July 2017)
 Executive Director, Youth Custody Service (interim) – Sara Robinson (from 1 April 2017 to 8 October 2017 and from 12 March 2018)
 Executive Director, Youth Custody Transition Programme – Mark Read (until 8 October 2017)
 Executive Director, Youth Custody Service and Transition – Mark Read (from 9 October 2017 to 8 April 2018)

Executive Director, Probation and Women – Sonia Crozier
Executive Director, Community Interventions (interim) – Jim Barton (until 4 October 2017)
Executive Director, Community Interventions – Ian Porée (from 5 October 2017)
Executive Director, Digital – Bryan Clark (until 19 March 2018)
Executive Director, Rehabilitation and Assurance – Digby Griffith
Executive Director, HR – Martin Beecroft
Executive Director, Finance – Andrew Emmett
Executive Director, Electronic Monitoring (EM) Programme/Procurement – Adrian Scott

Associate members:

MoJ Deputy Director of Prison and Probation Analytical Services (interim) – Natasha Trasi* (from 1 April 2017 to 22 June 2017)
MoJ Deputy Director of Prison and Probation Analytical Services – Jonny Hughes*(from 27 June 2017)
MoJ Commercial Director – Kate Ellis (until 26 October 2017)
MoJ Commercial Director – Jim Rawlings (from 30 October 2017)
MoJ Director General of Offender Reform and Commissioning Group – Justin Russell*
MoJ Chief Digital and Information Officer – Tom Read*
Executive Director, Public Sector Prisons South – Michelle Jarman-Howe**
Executive Director, Public Sector Prisons North – Alan Scott**
Executive Director, Long Term High Security – Richard Vince **
National Lead for HMPPS Drug Strategy, Ian Blakeman** (from 11 December 2017)

In attendance:

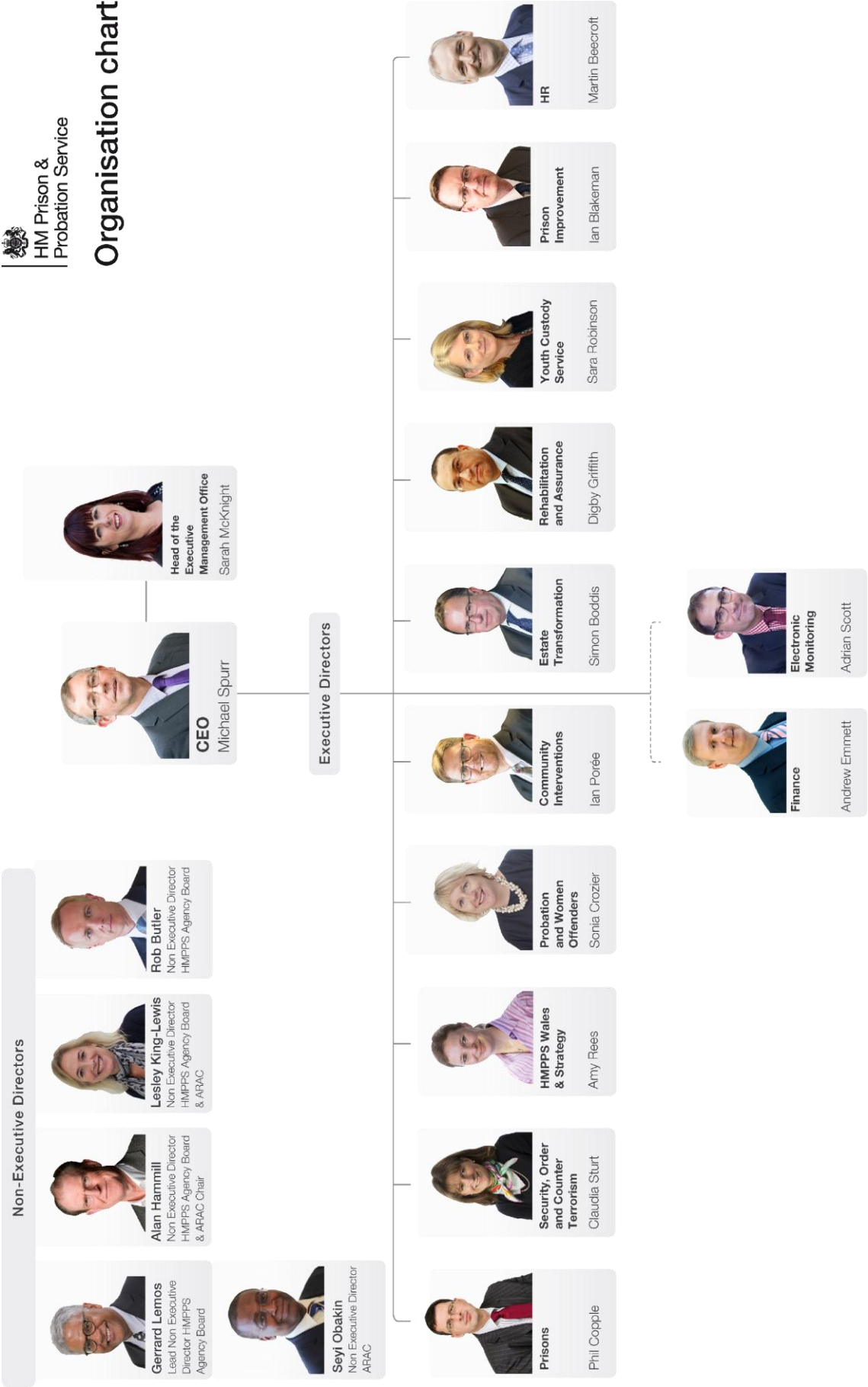
MoJ Legal Advisor – Nick Fussell
Internal Communications - Lisa Appleyard**
Head of the Executive Management Office for the CEO – Sarah McKnight

* *Agency Board only* ** *EMC only*

Details of company directorships and other significant interests held by HMPPS' directors can be found in Note 21 of the accounts on page 146.

The chart on the following page illustrates the management structure of HMPPS as of May 2018.

Organisation chart



Changes to the HMPPS Agency Board and EMC since 1 April 2018 include:

Gerard Lemos, Rob Butler and Lesley King-Lewis were appointed as non-executive directors of the Agency Board on 1 May 2018. Gerard Lemos will chair the Agency Board meetings.

Seyi Obakin was appointed as a non-executive director of the Audit and Risk Assurance Committee on 1 May 2018. Lesley King-Lewis was also appointed as a member of the ARAC on that date.

In addition, Ian Blakeman was appointed Executive Director, Prison Improvement, on 8 May 2018.

Following the recruitment of the new non-executive directors, the arrangements and membership of the Agency Board and EMC were revised as below as from 1 April 2018.

Agency Board members

Non-Executive Director – Gerard Lemos (chair)

Non-Executive Director – Lesley King-Lewis

Non-Executive Director – Rob Butler

Non-Executive Director – Alan Hammill

CEO – Michael Spurr

Executive Director, Prisons – Phil Cople

Executive Director, HMPPS Wales – Amy Rees

Executive Director, Probation and Women Offenders – Sonia Crozier

Executive Director, Community Interventions – Ian Porée

Executive Director, Finance – Andrew Emmett

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

Executive Director, Estate Transformation – Simon Boddis

In attendance:

MoJ Legal Advisor – Nick Fussell

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

CEO Secretariat

Additional members of the EMC will be invited to attend the Board for specific discussions related to their area.

Executive Management Committee members:

CEO – Michael Spurr (chair)

Executive Director, Prisons – Phil Cople

Executive Director, HMPPS Wales – Amy Rees

Executive Director, Probation and Women Offenders – Sonia Crozier

Executive Director, Community Interventions – Ian Porée

Executive Director, Finance – Andrew Emmett
Executive Director, Youth Custody Service (interim) – Sara Robinson
Executive Director, Prison Improvement – Ian Blakeman
Executive Director, Security, Order and Counter Terrorism – Claudia Sturt
Executive Director, Estate Transformation – Simon Boddis
Executive Director, Rehabilitation and Assurance – Digby Griffith
Executive Director, HR – Martin Beecroft
Executive Director, Electronic Monitoring – Adrian Scott

In attendance:

MoJ Legal Advisor – Nick Fussell
Internal Communications – Lisa Appleyard
Head of the Executive Management Office for the CEO – Sarah McKnight
CEO Secretariat

Governance Statement

Introduction

As Agency Accounting Officer, I have maintained effective governance arrangements during 2017-18. Policies and procedures were in place to provide a sound system of internal control to support Her Majesty's Prison and Probation Service (HMPPS) in delivering its statutory duties and to meet aims and objectives set by ministers whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my letter of delegation and in Managing Public Money.

Throughout the year I have been supported by my executive management team and by the Agency Board in discharging my responsibilities as Agency Accounting Officer. We have maintained close scrutiny of day-to-day business, risk, performance and financial expenditure through our formal governance arrangements and have taken action to respond to issues and mitigate risks to the business as necessary during the year. We have taken specific actions in response to significant risks and issues which are set out in more detail later in this statement.

The remainder of this statement sets out in more detail the arrangements I put in place to govern the HMPPS Agency from 1 April 2017.

Governance Framework

Overall responsibility for the HMPPS Agency rested with me as Chief Executive Officer, supported by the Agency Board. Membership included the executive directors and Agency non-executive directors.

I am also a member of the MoJ Departmental Board, which is chaired by the Secretary of State for Justice, and a member of the MoJ Executive Committee which is chaired by the Permanent Secretary. I have regular meetings with the minister with responsibility for prisons and probation and with the Secretary of State for Justice.

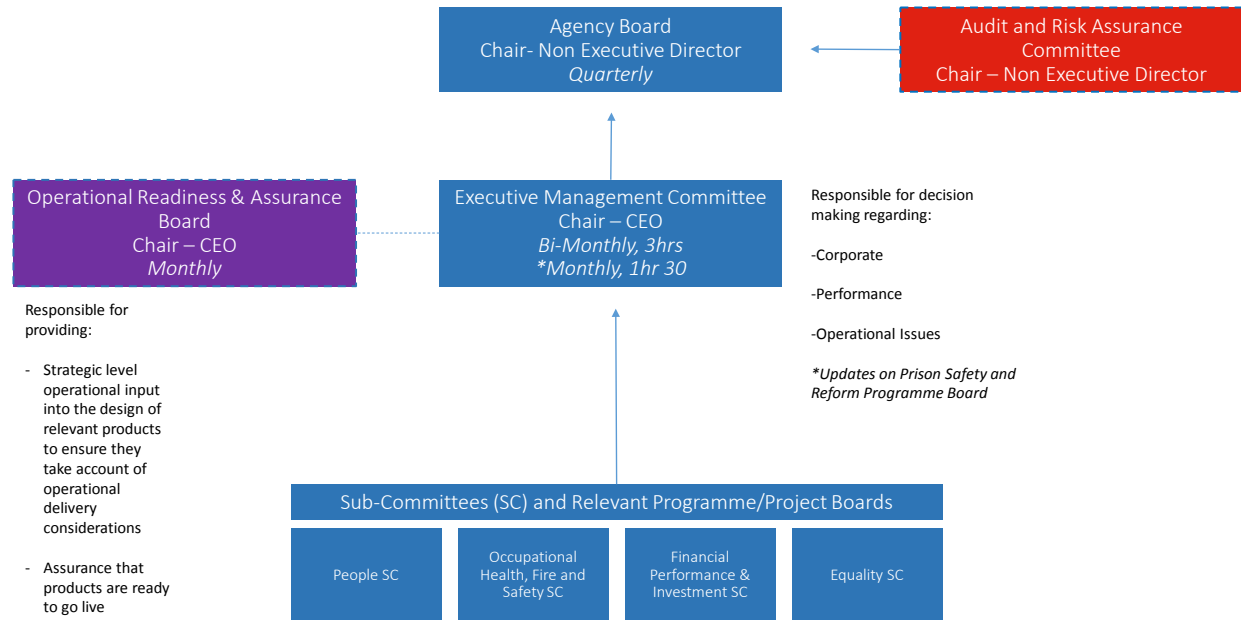
The HMPPS Agency Board (HAB) was responsible for the Agency's strategic direction; performance management including finance, and risk assessment and management, within the context of overall MoJ strategy. The board gave direction to, and drove achievement of, the objectives of the Agency's operations; 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.

As well as oversight of performance, risk and finance, among the matters considered by the Agency Board in 2017-18 were key strategic issues including: prison stability/capacity; pay/workforce strategy; CRC performance/the Probation Review and the Lammy Review, as well as living conditions in prisons.

The HMPPS Executive Management Committee supported the HAB in managing the day-to-day business of HMPPS. In addition, the Prison Safety and Reform Operational

Assurance and Readiness Board (ORAB) ensured that operationally-focused members of the HMPPS executive management team could input into and assure new system/services coming out of the MoJ Prison Safety and Reform; Youth Custody; and Probation Review programmes.

HMPPS Governance Structure



Agency Board

The Agency Board meets quarterly and it provides support and advice to me as the Chief Executive regarding strategic direction of the Agency. The board’s responsibilities include:

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

Executive Management Committee

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

Operational Readiness and Assurance Board

I chair this board which meets once a month. Although it is part of the MoJ Prison Safety and Reform programme governance structure, its purpose is to ensure that operationally-focused members of the HMPPS executive team have input into the

design of relevant products to ensure they take into account operational delivery considerations and provide assurance that new services/systems are ready to go live.

Audit & Risk Assurance Committee

This committee is an advisory body, which is chaired by a non-executive director and has a non-executive membership. The committee provides independent advice on governance, risk management and control issues; and on the internal audit work programme. It provides scrutiny of the accounts, and considers key recommendations from internal audit reports and the National Audit Office. During the year, the committee also focused attention on: cyber security and prison and probation ICT strategies; the effectiveness of the HMPPS Whistleblowing arrangements; the impact of the change portfolio on business operations, as well as the revised Agency risk management framework, including conducting 'deep dive' reviews on risks relating to governor empowerment, prison estate transformation and the establishment of the new Agency.

Full details of Agency Board, Audit and Risk Assurance Committee and Executive Management Committee membership, including attendance records, can be found in the Attendance Charts on pages 76 and 77.

During 2017-18, we have completed reorganisation of Agency structures and revised governance arrangements. Four new non-executives have been appointed to the board and audit committee (from May 2018). In light of these changes, we took the decision to defer a board effectiveness review to the second quarter of 2018-19. We have continued to apply the learning from previous effectiveness reviews to the running of the Agency Board and Executive Management Committee.

The Agency Board was satisfied that it had sound governance in place, and that HMPPS was compliant with the relevant sections of the guidance. During 2017-18, Agency Board meetings were chaired by the MoJ Permanent Secretary as an interim arrangement pending appointment of new non-executives. The appointment process for non-executives concluded in April 2018 and Agency Board meetings will in future be chaired by a lead non-executive in accordance with the Agency Framework Document. HMPPS did not have a specific remuneration committee as the scope for making decisions on senior pay was limited. Decisions on senior pay, remuneration and bonuses were ratified by the MoJ Remuneration Committee.

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

Oversight and Assurance Arrangements

The Agency Board provided scrutiny of:

- Performance
- Risk Management
- Systems
- Financial Accounts

The Executive Management Committee exercised oversight of the performance of HMPPS by:

- using the performance, risk and planning framework to check the progress against delivery of HMPPS' key priorities. This included monitoring performance using performance dashboards. The Executive Management Committee was asked to make decisions when performance was off track, in particular if there were potential implications for operational delivery
- receiving up-to-date reports on the in-year financial position and regular updates on the progress of major change projects and programmes. It made decisions, based on agreed thresholds, on any issues that arose. It also discussed issues that exceeded the agreed thresholds (for example: overspend, significant risks to delivery etc.)
- agreeing delegations to directorates and throughout the governance structure to ensure the right decisions are being taken by the right people in the right place, whilst ensuring the Agency Board was provided with the appropriate level of assurance

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

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

In addition one of the key sources of independent assurance within HMPPS came from the Internal Audit service provided by the Government Internal Audit Agency, which met the public sector internal audit standards. The Internal Audit programme was closely linked to the key risks to HMPPS and I regularly discussed emerging issues with the Head of Internal Audit. Based on the cross government Internal Audit opinions, the Head of Internal Audit has provided a 'moderate' annual audit opinion on the adequacy of the Agency's framework of governance, risk management and control in her annual report for 2017-18. This is an improvement on the 'limited' opinion given in 2016-17 and

reflects identified improvements in control and also the level of action we have taken to address Internal Audit recommendations made in 2016-17.

In addition to Internal Audit, sources of internal assurance from which I draw include:

- annual assurance statements from each of the directors covering the key systems for which they are responsible
- a 'second line' assurance function, reviewing operational delivery
- bi-lateral meetings with non-executive directors to discuss any concerns they may have
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects
- corporate oversight of high value contracts and operational assurance activity to confirm the quality of contractual service delivery
- a report from the Chair of the Audit & Risk Assurance Committee
- attendance at Audit & Risk Assurance Committee meetings

Risk Management and Significant issues

Escalation of violence and self-harm

The level of violence in prisons continues to cause a significant concern, with overall levels increasing during 2017-18. The number and rate of self-inflicted deaths has been significantly reduced in 2017-18 but underlying levels of self-harm have risen which remains a serious concern.

The number of assaults on staff in the latest quarter (October to December 2017) reached a record high of 2,327, an increase of 5% over the previous quarter; and also reached a record high of 8,429 in the 12 months to December 2017, up 23% on the previous year. There were 21,270 prisoner-on-prisoner assaults in the 12 months to December 2017 (a rate of 248 per 1,000 prisoners), up 11% from the previous year, and a new record high. The latest quarter saw 5,579 incidents, a decrease of 2% from the previous period. There were five homicides in the 12 months to March 2017, an increase of two compared to the same period last year.

We have a wide-ranging Safety programme that is coordinating our activity to address the issues of violence, self-harm and self-inflicted deaths. The programme also oversees the roll out of the revised Offender Management in Custody arrangements and work to promote rehabilitative cultures in prisons.

Our immediate focus has been to attempt to stabilise the system and reverse the current trends through a number of initiatives which will help to improve overall safety in prisons. These include investing £100 million to boost the front line by creating an additional 2,500 funded officer posts. Between the end of October 2016 (the closest data point to when the commitment was made) and the end of March 2018, the number of band 3 to 5 prison officers (FTE – full time equivalent) increased from 17,955 to

21,041, a net increase of 3,086 FTE officers. This is the highest number of officers in post since the end of May 2013. The recruitment drive continues and will continue until we reach required levels across the prison estate.

We know that positive staff-prisoner relationships are key to improving safety. That is why, as part of the roll-out of the Offender Management in Custody (OMiC) model, we are using our extra staff to move to a new key worker model so that officers can engage, challenge and support a small caseload of prisoners. All new officers will receive key worker training as part of their POELT course and all existing officers will receive their training ahead of starting these key worker duties. We are rolling out key workers across the estate, currently over 30 prisons are delivering key worker sessions to prisoners.

Our new Challenge Support and Intervention Plan (CSIP) is a case management model to help prisons manage violent individuals or those who pose a raised risk of violence. To support governors and prison staff across the estate, we have increased the level of support for prisons by bolstering regional safety teams to provide advice to prisons and to spread good practice on identifying and supporting prisoners at risk.

We have continued the rollout of Five Minute Intervention (FMI) training, which is available to everyone who works in an establishment, and invested in 5,600 Body Worn Video Cameras (BWVC) to help protect our staff and we are working closely with the police and the Crown Prosecution Service to prosecute prisoners who assault staff. A major assurance programme is being carried out to assess the quality of work in reducing violence and self-harm, with audits in one hundred establishments due to be completed by the end of December 2018.

The causes of rising violence are complex but there is no doubt that the illicit use of drugs – particularly the dramatic increase in the use of psychoactive substances in prisons since 2013 – is a significant factor. We are aware for example that some prisoners are trying to pay off drug debts by assaulting staff. This is in addition to the violence generally associated with illicit drug dealing and from some users when under the influence of psychoactive substances. Debt is a key driver of violence and self-harm and we have developed a strategy to boost prisoners' resilience to debt and to improve their financial management.

A new Drugs Taskforce was created early in 2018 and a cross-government steering group on Drugs in Prisons is now in place, bringing together experts on security and health to focus initially on the 30 prisons that have the most prevalent drugs problem. Continued investment to tackle these threats includes: £3 million to establish new national and regional intelligence units which work with prisons and probation and law enforcement partners to develop intelligence on offenders who present the greatest threat to prison security, including those from organised crime supplying drugs; and £8 million to provide increased searching via regional dedicated search teams in prisons, significantly enhancing HMPPS' organisational capability to disrupt the supply of illicit drugs.

We deploy a range of robust security measures to tackle the illicit economy, including the use of surveillance, body scanners, intelligence-led searches and detection dogs, with more than 300 dogs trained to specifically detect psychoactive substances. We are working closely with government partners on the development of counter drone technology and a specialist team of prison service and police investigators now work together to intercept drones and track down the criminals behind them. To date, there have been at least 28 sentences imposed relating to drone activity, with those convicted serving a total of more than 80 years in prison. In December 2017, this joint working approach broke up a major organised crime gang that used drones to smuggle drugs, weapons and mobile phones with an estimated value of up to £1.2 million into prisons across the UK.

Although there was a significant reduction in self-inflicted deaths in 2017-18, levels of self-harm remain a matter of concern. The latest published statistics for the period up to December 2017 show a 2% decrease in the number of self-harm incidents quarter on quarter to 11,790, but an 11% increase in the 12 months to December 2017 to 44,651, a record high. The rate of self-harm in the 12 month period was 521 per 1,000 prisoners, which varies significantly by gender - 445 per 1,000 in male establishments (up 12% on the previous year), compared to 2,093 per 1,000 in female establishments (up 8% on the previous year).

Many of the initiatives already highlighted to improve overall safety will also help to reduce incidents of self-harm. In addition, all new prison officers are trained in the revised and improved suicide and self-harm prevention training during their initial training and we are rolling this out to staff in establishments who have direct contact with prisoners. The training comprises six modules, which includes the identification of risk and triggers; and mental health awareness training, to help increase the confidence and skills of staff in supporting prisoners in distress. We are revising the Assessment, Care in Custody and Teamwork (ACCT) documentation to make it easier to use and further clarify the inherent flexibility of the ACCT process to be adapted for different prisoners' needs.

We continue to work in partnership with key stakeholders including NHS England, Public Health England, local authorities and third sector organisations to support vulnerable prisoners' needs. For example, we have provided grant funding of £500,000 to the Samaritans in each of the last two years to support the Listeners scheme (prisoner volunteers trained by Samaritans) and a further three years' funding has now been agreed. We have provided an additional £150,000 in 2017-18 to fund a number of other projects including a learning tool for staff and emotional resilience training for prisoners in their early days of custody.

Population

In 2017, the population increased by around 1,300 between May and August. At its peak the population was around 1,600 prisoners higher than projected. During this period it was necessary to make use of contingency places across the estate, which included deferring the closure of both HMP Rochester and HMP Hindley to ensure

sufficient capacity. The impact of this was contained but the position was made worse following incidents of prisoner indiscipline requiring places to be taken out of use; the need to reduce operational capacity at certain prisons to support stability; and through the loss of capacity in order to address issues with living conditions, including carrying out essential maintenance and fire safety upgrades.

These pressures have eased in early 2018, mainly due to the impact of improved performance in processing Home Detention Curfew applications to support effective resettlement and rehabilitation post-release. This has meant that the projected rise in the population across the first part of the year has not materialised. However, the pressure on places will continue as cells may have to be taken out of use as a result of the further deterioration of the fabric of some parts of the estate, alongside increasing levels of violence resulting in prisoners damaging their cells. This not only has the potential to impact on available capacity to hold prisoners, but will also require significant investment.

We know that the current estate is crowded, some of it is out-of-date and that some prisoners are held in prisons that do not best meet their needs. Through our Prison Estate Transformation programme we are getting the basics right by building decent prisons to improve rehabilitation and create safe and secure environments for staff and offenders. The government's manifesto included a commitment to build up to 10,000 new prison places which will provide the conditions to enable governors to achieve better rehabilitation outcomes. The government has since announced plans, subject to planning approvals, value for money and affordability, to build six modern prisons. As well as constructing new prisons we are reconfiguring the existing estate so that prisoners will be held in the right place at the right time in their journey and the prison population can be managed more effectively.

Living Conditions

In 2017-18, living conditions and the associated facilities management services for prisons have become of increasing concern. The thematic HMIP report on living conditions and the subsequent HMIP report on HMP Liverpool highlighted significant concern about the quality of some of the accommodation kept in use. The thematic report had a number of recommendations on cell size/crowding, maintenance, sanitation and time out of cell. These criticisms have been compounded by concerns about the facilities management services being provided to prisons, in particular over ensuring that both planned and reactive maintenance are carried out on a timely basis and to sufficient quality so that cells which are taken out of use whether due to damage, vandalism or for routine repairs are put back in use as quickly as possible. This concern has been further compounded by increasing levels of vandalism, as well as by population increases, which meant we were increasingly having to delay planned maintenance works, re-open accommodation and delay closures in response to the pressures on the system.

It is not acceptable to hold prisoners in cells that are not of the required standard. So in response to the report on HMP Liverpool we reduced capacity by 404 spaces,

introduced new cell checking arrangements, and put in place additional prisoner cleaning parties to make sure we address the issues raised. Towards the end of the financial year, we put in place work to systematically tackle concerns about facilities management. Alongside strengthening contract management this has four strands of activity:

- **Maintain Service** – Maintaining continuity of supply
- **Compliance** – ensuring compliance with statutory and mandatory inspection and maintenance obligations
- **Priority Sites Improvement** – a focus on priority sites that require urgent maintenance of cells and shared areas
- **Future Vision** – to develop a future vision for facilities management service delivery

We are also ensuring that our system focuses on getting the basics right in prisons and – through the new management structures designed for the Prisons Directorate – have ensured that operational grip, management and oversight is increased. We have now completed recruitment of the three new executive director posts and the new prison group director structures are in place across England and Wales.

Carillion

In January 2018, Carillion plc entered into compulsory liquidation. Its subsidiary, Carillion (AMBS) Limited provided facilities management (FM) services to 52 prisons in the south of England. To ensure continuity of service, Carillion (AMBS) Limited acting through the Official Receiver continued to deliver FM services while the MoJ's contingency plans were mobilised. Gov Facility Services Limited (GFSL), a MoJ sponsored, government-owned company, has taken over responsibility for delivering the FM services that were provided by Carillion (AMBS) Limited. This ensures an effective transition of responsibilities and minimises service disruption. The HMPPS National Service Management team continue to manage the service level provisions of the agreement between MoJ/HMPPS and GFSL, in particular to drive up performance and make sure that prison FM services meet the standards expected.

Recruitment and Retention

We made significant inroads to recruit prison officers but some areas still remain challenging, particularly London and the south-east where labour market competition is highest. We have taken action in response to this through targeted recruitment campaigns focusing on individual and groups of prisons in this area. The response to this tailored recruitment activity has resulted in significant improvements in the number of candidates we have attracted. Many of these candidates have successfully progressed to undertake their training across a number of these sites with increasing numbers subsequently completing training and joining the teams in prisons.

Market supplements agreed by the Prison Service Pay Review Body continue to be applied to 'hard to recruit' sites. Recruitment efforts will continue until we have recruited sufficient staff to deliver the Offender Management in Custody levels we require and are

able to fill vacancies across the estate. Previously, there had been a significant rise in the number of officers leaving the service. This impacted recruitment efforts during 2016 when we could achieve little more than replace turnover. By contrast in 2017-18, we have seen retention rates stabilise. This has allowed us to achieve a net gain of 3,086 band 3-5 officers at the end of March 2018 from the end of October 2016, with significantly more scheduled to commence their training in the coming months. This inevitably means that the focus will need to shift to ensure that new staff are embedded effectively in establishments. This requires establishments to support through mentoring and line management of the new staff to help them build their operational experience. The retention of staff is still an issue in a number of locations, however, for reasons which are complex and vary from prison to prison. We are taking action to support those prisons with the highest attrition and have developed a toolkit and targeted resources to support sites where there are particular challenges.

The National Probation Service caseload continues to rise, increasing by 21% since January 2015, including an 11% increase in offenders on licence. This, together with changes to the operating model, created significant resource gaps in parts of the country. These gaps result in staff holding higher than average caseloads and an over-reliance on agency staff. Plans to increase staff numbers for probation service officers and probation officers also continue to be challenging. Last year, we appointed 84 probation officers through the Professional Qualification in Probation programme (these candidates were trained to become fully qualified probation officers) and recruited 75 probation officers. In addition, we have run national campaigns resulting in the recruitment of 476 trainee probation officers and 437 probation service officers.

Building on this, our recruitment efforts will continue in the coming year. We have broadened the entry requirement for the Professional Qualification in Probation to appeal to a greater diversity of candidates. We aim to recruit a further 650 trainee probation officers and a further 600 probation service officers in the next year. To address challenges in recruiting staff (trainee probation officers, probation officers and senior probation officers) to specific areas, most noticeably in the south-east and Thames Valley, we have continued to offer market forces supplements. Notwithstanding these pressures, core operational performance has been sound throughout the past year.

Community Rehabilitation Companies

The number of cases allocated to CRCs and the volume of work resulting from sentence requirements imposed by the courts are materially lower than forecast. This has impacted on CRC revenues, undermining their ability to invest in service innovation. This is against a context in which the overall workload for CRCs has increased as they have taken on the task of post-release supervision to those sentenced to under-12 months in custody.

As a result of findings from the Probation System Review, in May 2017 we published our intention to modify the CRC contracts in the Official Journal of the European Union. In the summer of 2017, CRC contracts were amended so that payments more

accurately reflected their costs, allowing them to improve delivery. The detail of these changes was set out in a written ministerial statement in July 2017.

The variations in CRC contracts have continued to attract external scrutiny. The NAO carried out an investigation into the changes to CRC contracts described above. The NAO report, published in December 2017, clearly set out the facts in relation to why and how the contracts were adjusted, as well as the financial and other implications of the adjustments. The MoJ Permanent Secretary and I were called to give evidence by the Public Accounts Committee in January 2018 relating to the CRC contract variations.

A significant proportion of CRC forecast income is linked to reoffending performance. This Payment by Results element is paid based on providers' success in reducing both the binary (proportion who reoffend) and frequency (of those who reoffend, how many offences do they commit) measures. CRCs have been successful in reducing the proportion of offenders who reoffend by over 2 percentage points. In contrast, the frequency rate of reoffending has increased in 19 of 21 CRCs (based on January data). We are continuing to work with providers to understand what is driving that divergence in performance and what further steps should be taken to improve operational delivery.

We have dedicated contract management teams that robustly monitor compliance with contracts on a local basis to make sure providers fulfil their contractual commitments to deliver services which reduce reoffending, protect the public and provide value for money to the taxpayer. Performance against service levels has improved during the year, but published data shows that some CRCs are not yet meeting targets. Where providers miss a target we take a range of actions as necessary; these may include improvement plans, service credits, and closely tracking implementation of steps to drive up performance. We do recognise, however, that contractual performance targets often do not gauge the quality of providers' work, which is why there is a divergence between internal performance metrics and the findings of HMI Probation on individual area and thematic inspections. We have supported HMI Probation to strengthen their oversight regime for the inspection of probation services from April 2018 to provide stronger scrutiny and transparency.

Shared Services

In January 2017, HMPPS migrated its HR, finance, payroll and procurement services from the Phoenix platform to a new IT system called the Single Operating Platform (SOP). This is part of Cabinet Office's next generation Shared Services Strategy which sets out a new model to share HR, procurement, finance and payroll functions and join up ways of working across government. Since implementation, there have been issues with accommodating the complexity of HMPPS' payroll and HR policies. This included an error in pension contribution calculations for NPS staff which was identified and resolved during the year. In addition, recruitment, pre-employment services and vetting have been under significant strain through the volume of requests arising from government initiatives.

HMPPS, MoJ and the wider Civil Service HR community are working to address these issues and have instigated a payroll improvement programme. This has seen improvements in the level of payroll accuracy in the later part of the year. Efficiency improvements have been made in the recruitment system including HMRC employment history checks in place of written referencing. The level of cases in progress has significantly reduced, although further joint effort is needed to reduce this even further and speed up time to hire. We are also working closely with Greater Manchester Pension Fund scheme administrators to rectify issues with pension calculations and Annual Benefit Statements.

HMPPS is committed to delivering further improvement and working to establish better outcomes through its support for the next generation of solutions built in-line with the Cabinet Office Shared Services future strategy principles of improved user experience, convergence to common data structures, and processes and the consideration of the future cloud based technology.

Information Assurance (IA)

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

During 2017-18, the team worked with stakeholders across HMPPS, NPS, MoJ and contracted service providers to update HMPPS IA policies. The new Records, Information Management and Retention Policy amalgamates three former records management policies and ensures that HMPPS and its stakeholders handle and treat information appropriately and in a consistent way.

The team, on behalf of the Agency, also took the following steps to improve IA arrangements by:

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

During the coming year, HMPPS will continue to improve IA by:

- publishing an updated IT Security Policy to ensure compliance across prisons, NPS and HMPPS headquarters
- continuing work to ensure compliance with forthcoming new data protection regulations, including the creation of a cross-directorate agency working group
- ensuring HMPPS compliance with General Data Protection Regulation and Law Enforcement Directive
- continuing to operate a proactive IA incident management service across HMPPS
- further improve IA security awareness across the business by up-skilling the local desk side support managers to conduct compliance checks mandated by policy, and report identified weaknesses to the centre

Personal data related incidents

Two significant personal data related incidents were reported to the Information Commissioner’s Office (ICO) in 2017-18.

Month of Incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification of steps
October 2017	Unavailability of private meeting space in Town Hall premise led to some Service User appointments being held in Town Hall public spaces resulting in appointments to be witnessed and potentially overheard. Local MP and national media – The Guardian – were informed.	Personal circumstances discussed verbally between Offender Manager and Service User.	Undetermined number of Service Users over a 6 to 9 month period.	CRC self-reported to the ICO as precautionary and proactive. No ICO action taken. Reallocation of cases to alternative site (an NPS/CRC dedicated office).
October 2017	Child Protection notification letters (22 sheets) stored by the NPS were found by member of public in the street and handed to local news agency. Likely cause was missed information stored in redundant furniture upon vacation of a premise.	Name, date of birth, address of the child. Names, addresses of adults. Dates and locations of Child Protection meetings.	Up to 22 family units comprising of child and parent identifiers.	Extensive investigation conducted. Local newspaper published an article on the discovery. ICO detected the news article and contacted NPS but have not formally asked for detail.

Whistleblowing Arrangements

HMPPS has a reporting wrongdoing policy in place which has a number of avenues where staff can raise their concerns about possible wrongdoing or malpractice at work in an appropriate way. Any member of staff who raises a concern about wrongdoing in good faith, and that they reasonably believe to be true, will be protected from any form of discrimination or victimisation arising from the allegation. The reporting wrongdoing

policy allows staff to contact the reporting wrongdoing hotline or one of a number of senior nominated officials outside the usual management line, in exceptional circumstances when staff do not feel able to raise concerns with their line manager (or someone more senior in the management line) or it is inappropriate to raise with line management.

The policy provides staff with information on sources of advice and support, such as trade unions, workplace support or staff networks and the Civil Service Commission. HMPPS did not have any cases referred to nominated officials during the reporting period that met the criteria. In prisons, concerns can also be raised with local corruption prevention managers.

The People Survey results provide a measure of the effectiveness of the reporting wrongdoing policy. Employees are asked to respond to questions including awareness of how to raise a concern and confidence in the investigation process. A comparison of data from the 2017 survey with the previous survey in 2016, indicates that overall there has been a slight decrease in awareness and the same level of confidence in these areas. HMPPS will continue to monitor responses on an annual basis.

Attendance Charts

Name	Role	Executive Management Committee	Agency Board
	Core members		
Richard Heaton	Chair (Acting from 19 July 2017) - MoJ Permanent Secretary	N/A	3 of 4
Alan Hammill	Non-Executive Director	N/A	4 of 5
Paul Wilson	Non-Executive Director (to 2 February 2018)	N/A	4 of 5
Michael Spurr	CEO of HMPPS	27 of 29	5 of 5
Phil Copple	Executive Director, Prisons	24 of 29	4 of 5
Andrew Emmett	Executive Director, Finance	22 of 29	4 of 5
Martin Beecroft	Executive Director, Human Resources	25 of 29	4 of 5
Claudia Sturt	Executive Director, Security, Order and Counter Terrorism	21 of 29	4 of 5
Digby Griffith	Executive Director, Rehabilitation and Assurance	27 of 29	4 of 5
Sonia Crozier	Executive Director, Probation and Women	20 of 29	2 of 5
Jim Barton	Executive Director, Community Interventions (Interim) (from 1 April 2017 to 4 October 2017)	8 of 14	3 of 3
Ian Porée	Executive Director, Community Interventions (from 5 October 2017)	15 of 15	2 of 2
Bryan Clark	Executive Director, Digital (until 19 March 2018)	22 of 29	5 of 5
Sara Robinson	Executive Director, Youth Custody Service (Interim) (from 1 April 2017 to 8 October 2017) and (from 12 March 2018)	11 of 16	2 of 3
Mark Read	Executive Director, Youth Custody Transition Programme (from 1 April 2017 to 8 October 2017)	9 of 15	2 of 2
	Executive Director, Youth Custody Service (9 October 2017 to 8 April 2018)	13 of 14	2 of 3
Simon Boddis	Executive Director, HMPPS Wales (Interim) and PETP (from 1 April 2017 to 23 July 2017)	7 of 8	1 of 1
	Executive Director, Prison Estate Transformation Programme (from 24 July 2017)	17 of 21	3 of 4
Amy Rees	Executive Director, HMPPS Wales (from 24 July 2017)	18 of 21	2 of 3
Adrian Scott	Executive Director, Electronic Monitoring Programme Procurement	6 of 29	0 of 5
	Associate Members *		
Natasha Trasi	Interim Deputy Director of Prison and Probation Analytical Services (from 1 April 2017 to 22 June 2017)	1 of 5	1 of 1
Jonny Hughes	MoJ Deputy Director of Prison and Probation Analytical Services (from 26 June 2017)	2 of 24	2 of 4
Kate Ellis	MoJ Commercial Director (until 26 October)	1 of 17	0 of 3
Jim Rawlings	MoJ Commercial Director (from 30 October)	1 of 12	0 of 2
Justin Russell	MoJ Director General of Offender Reform and Commissioning Group	N/A	2 of 5
Tom Read	MoJ Chief Digital and Information Officer	N/A	0 of 1
Michelle Jarman-Howe	Executive Director, Public Sector Prisons South	0 of 29	N/A
Alan Scott	Executive Director, Public Sector Prisons North	1 of 29	N/A
Richard Vince	Executive Director, Long Term High Security	0 of 29	N/A

Name	Role	Executive Management Committee	Agency Board
Ian Blakeman	National Lead for HMPPS Drug Strategy (from 11 December 2017)	1 of 7	N/A
	In attendance		
Lisa Appleyard	HMPPS Head of Communications	7 of 29	N/A
Nick Fussell	MoJ Legal Director	16 of 29	5 of 5
Sarah McKnight	Head of Executive Management Office	10 of 29	2 of 5

- * Associate members (support functions) are non-voting members of the HMPPS EMC/Agency Board and do not have authority or responsibility for controlling or directing the major activities of HMPPS EMC/Agency Board during the year. They are invited to attend for specific items relevant to their area of expertise.

ARAC

Name	Role	
Alan Hammill	Chair/Non-Executive Director	4 of 4
Paul Wilson	Non-Executive Director (until 2 Feb 2018)	2 of 3
	In attendance	
Michael Spurr	CEO	4 of 4
Andrew Emmett	Executive Director, Finance	3 of 4
Ted Kirby	Head of Financial Management & Control (until 30 June 2017)	1 of 1
Ann Owen	Head of Financial Management & Control (from 17 July 2017)	2 of 3
Linda Costello	GIAA MoJ Group Chief Internal Auditor	2 of 4
Liam Orme	GIAA Head of Audit Operations, HMPPS	4 of 4
Steven Corbishley	Director, National Audit Office	3 of 4
Oliver Lodge	Director, National Audit Office	4 of 4

Statement of Accounting Officer's Responsibilities

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

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

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

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

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

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

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

Remuneration and Staff Report

Remuneration policy

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

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

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

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

Further information about the work of the Review Body can be found at:

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

Service contracts

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

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

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

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

Remuneration

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

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

Salary

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

Taxable Benefits

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

Bonuses

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

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonus payments made in 2017-18 are for bonuses awarded in 2016-17. Bonus payments made in 2016-17 are for bonuses awarded in 2015-16.

Pension Benefits

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Total remuneration

	2017-18				2016-17				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100) £'000	Bonus payments £'000	Pension related benefits (to nearest £1000) ¹² £'000	Total amount of salary and fees £'000	All taxable benefits (to nearest £100) £'000	Bonus payments £'000	Pension related benefits (to nearest £1000) ¹² £'000	Total £'000
Officials									
Michael Spurr Chief Executive Officer	145-150	-	-	-	145-150	-	15-20	25	185-190
Phil Copple Executive Director, Prisons	135-140	-	10-15	30	175-180	6.5	10-15	183	335-340
Claudia Sturt Executive Director, Security, Order and Counter Terrorism	110-115	-	-	26	135-140	0.2	5-10	144	260-265
Sonia Crozier Executive Director, Probation and Women	115-120	-	-	46	160-165	-	-	24	85-90
Simon Boddis Executive Director, Prison Estate Transformation Programme (from 1 April 2017) and Interim Executive Director, HMPPS Wales (from 1 April 2017 until 23 July 2017)	90-95	-	-	33	125-130	0.1	-	63	120-125
Amy Rees ¹³ Executive Director, HMPPS Wales (from 24 July 2017)	80-85 (115-120 annualised)	-	-	27	105-110	n/a	n/a	n/a	n/a

¹² The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

¹³ Executive Director, HMPPS Wales transferred from another Government Department (OGD) on 24 July 2017 and her remuneration was paid by the OGD until 31 July 2017.

Officials	2017-18				2016-17				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100) £'000	Bonus payments £'000	Pension related benefits (to nearest £1000) ¹² £'000	Total amount of salary and fees £'000	All taxable benefits (to nearest £100) £'000	Bonus payments £'000	Pension related benefits (to nearest £1000) ¹² £'000	Total £'000
Jim Barton Interim Executive Director, Community Interventions (from 1 April 2017 until 4 October 2017)	40 - 45 (85 - 90 annualised)	-	5-10	59	110-115	n/a	n/a	n/a	n/a
Ian Porée Executive Director, Community Interventions (from 5 October 2017)	65-70 (140-145 annualised)	-	-	21	85-90	30-35 (140-145 annualised)	10-15	17	60 -65
Sara Robinson Interim Executive, Director Youth Custody Service (from 1 April 2017 until 8 October 2017 and from 12 March 2018)	50-55 (95-100 annualised)	-	5-10	21	85-90	n/a	n/a	n/a	n/a
Mark Read ¹⁴ Executive Director, Youth Custody Transition Programme (until 8 October 2017). Executive Director Youth Custody Service (from 9 October 2017)	100-105	-	10-15	22	130-135	95-100	-	35	135-140
Digby Griffith Executive Director, Rehabilitation and Assurance	100-105	-	-	11	110-115	100-105	-	23	125-130
Adrian Scott Executive Director, Electronic Monitoring Programme / Procurement	95-100	-	10-15	24	135-140	95-100	-	89	185-190

¹⁴ There is an overlap in Executive Director, Youth Custody Service. Sara Robinson joined on 12 March (Interim) and Mark Read left on 8 April 2018.

	2017-18				2016-17				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100) £'000	Bonus payments £'000	Pension related benefits (to nearest £1000) ¹² £'000	Total amount of salary and fees £'000	All taxable benefits (to nearest £100) £'000	Bonus payments £'000	Pension related benefits (to nearest £1000) ¹² £'000	Total £'000
Officials									
Martin Beecroft Executive Director, Human Resources	110-115	-	-	44	110-115	0.1	-	44	155-160
Andrew Emmett ^{15, 16} Executive Director, Finance	125-130 (130-135 annualised)	-	-	50	130-135	-	-	52	180-185
Bryan Clark ^{15, 17} Executive Director, Digital (until 19 March 2018)	155-160 (160-165 annualised)	-	-	60	160-165	0.1	-	63	225-230

¹⁵ The Executive Director, Finance and Executive, Director Digital are part of the MoJ Functional Leadership group. They are not included in the staff cost note or staff numbers within the HMPPS accounts but are included in the MoJ accounts. As HMPPS Board members they are included in the Remuneration Report above.

¹⁶ The Executive Director Finance purchased additional leave during the year resulting in a reduction in salary.

¹⁷ With effect from 20 March 2018, the role of Executive, Director Digital on the HMPPS Board has ceased. In line with the MoJ's Functional Leadership model, digital services for HMPPS are now provided through the MoJ, The MoJ Chief Information Officer is not a core member of the HMPPS Board. To ensure digital services provided meets HMPPS business needs, Adrian Scott (Executive Director Electronic Monitoring Programme/Procurement) will lead for HMPPS on the Digital Prisons programme and Ian Porée (Executive Director Community Interventions) will lead for HMPPS on probation IT.

Compensation for loss of office

No directors were compensated for loss of office in 2017-18 or 2016-17.

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.

	2017-18	2016-17
Band of highest paid director's total remuneration (£000) at 31 March	145-150	160-165
Median total remuneration (£)	27,840	29,038
Ratio	5.3:1	5.6:1

The median total remuneration and ratio has reduced in 2017-18. This reflects natural attrition and the increased recruitment of prison officer grades and probation staff as well as the transfer of headquarters staff to MoJ under the Functional Leadership model.

In 2017-18, 0 employees received remuneration in excess of the highest paid director (2016-17: 1 employee).

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

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

Non-Executive Directors' Remuneration

	2017-18			2016-17		
	Fees (excluding bonuses paid)	All taxable benefits (to nearest £100)	Bonus payments	Fees (excluding bonuses paid)	All taxable benefits (to nearest £100)	Bonus payments
	£'000	£'000	£'000	£'000	£'000	£'000
Alan Hammill Chair of the Audit and Risk Assurance Committee	10-15	0.2	-	10-15	0.5	-
Paul Wilson (until 2 February 2018)	10-15 (10-15 annualised)	0.6	-	5-10 (10-15 annualised)	0.2	-

Richard Heaton chaired the HMPPS Agency Board meetings during 2017-18 in his capacity as Permanent Secretary at the Ministry of Justice. He did not receive any

additional remuneration for this role and his salary and remuneration is reported in the Ministry of Justice's Annual Report and Accounts.

Pension Benefits

Cash Equivalent Transfer Value

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

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

Real increase in CETV

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

Officials	Accrued pension at pension age as at 31/3/18 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/18 £'000	CETV at 31/3/17 £'000	Real increase in CETV £'000
Michael Spurr Chief Executive Officer	65 - 70 plus a lump sum of 200 - 205	0 - 2.5 plus a lump sum of 0 - 2.5	1,423	1,340	(8)
Phil Copple Executive, Director Prisons	50 - 55 plus a lump sum of 125 - 130	0 - 2.5 plus a lump sum of 0	824	766	5
Claudia Sturt Executive Director, Security, Order and Counter Terrorism	35 - 40 plus a lump sum of 90 - 95	0 - 2.5 plus a lump sum of 0	645	598	7
Sonia Crozier Executive Director, Probation and Women	10 - 15	2.5 - 5	124	88	24

Officials	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Simon Boddis Executive Director, Prison Estate Transformation Programme (from 1 April 2017) and Interim Executive Director, HMPPS Wales (from 1 April 2017 until 23 July 2017)	45 - 50	0 - 2.5	895	845	32
Amy Rees Executive Director, HMPPS Wales (from 24 July 2017)	30 - 35 plus a lump sum of 0 - 5	0 - 2.5 plus a lump sum of 0	361	344	6
Jim Barton Interim Executive, Director Community Interventions (from 1 April 2017 until 4 October 2017)	20 - 25	2.5 - 5	228	187	30
Ian Porée Executive Director, Community Interventions (from 5 October 2017)	30 - 35	0 - 2.5	406	389 ¹⁸	7
Sara Robinson Interim Executive Director, Youth Custody Service (from 1 April 2017 until 8 October 2017 and from 12 March 2018)	5 - 10	0 - 2.5	94	93	1
Mark Read Executive Director, Youth Custody Transition Programme (until 8 October 2017). Executive Director, Youth Custody Service (from 9 October 2017)	35 - 40 plus a lump sum of 95 - 100	0 - 2.5 plus a lump sum of 0	662	616	5
Digby Griffith Executive Director, Rehabilitation and Assurance	60 - 65	0 - 2.5	1,169	1,083	8
Adrian Scott Executive Director, Electronic Monitoring Programme / Procurement	35 - 40 plus a lump sum of 85 - 90	0 - 2.5 plus a lump sum of 0	534	495	5
Martin Beecroft Executive Director, Human Resources	30 - 35	2.5 - 5	508	456	28
Andrew Emmett Executive Director, Finance	15 - 20	2.5 - 5	283	228	37
Bryan Clark Executive Director, Digital (until 19 March 2018)	10 - 15	2.5 - 5	172	112	43

¹⁸ Prior year amounts have been restated as revised information has been received during the year from our pension provider.

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

Civil Service Pensions

Pension benefits are provided to employees of HMPPS excluding Local Government Pension Scheme (LGPS) members through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65, if higher).

From that date, all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years, and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022.

All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for all members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**.

In **nuvos**, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's

earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Local Government Pension Scheme

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

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

For the year to 31 March 2018, HMPPS paid employers' pension contributions of £212.3 million to the PCSPS and £79.5 million to GMPF (LGPS). Further details of these schemes and related costs and liabilities are in Note 18 to the accounts.

Staff costs, numbers and composition

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

Staff costs

	2017-18	Restated 2016-17
	£'000	£'000
Wages and salaries	1,392,697	1,357,675
Social security costs	147,554	135,552
Pension costs	342,431	288,377
Agency staff costs	60,903	50,773
Departures and severance payments	9,833	17,818
Inward secondments	4,768	5,842
Sub-total	1,958,186	1,856,037
Recoveries in respect of outward secondments	(6,600)	(5,936)
Total net costs	1,951,586	1,850,101

2016-17 Departures and severance payments have been restated by £6.2 million. Movements in provisions for early retirement costs and voluntary early departures have been reclassified from provision expense to Departures and severance payments. Injury Benefit utilisation has been reclassified from Departures and severance and is included in compensation costs in Note 4b. This reclassification is made to better reflect the nature of these costs.

The Apprenticeship Levy, implemented across England on 6 April 2017, is a new employment tax of 0.5% of the annual pay bill and these costs are included within social security costs. Further details of the Apprenticeship Levy can be found at:

<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work>

Pension costs

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

Consultancy costs

Expenditure on consultancy was £5.9 million in 2017-18 (2016-17: £3.1 million). The increase is attributable to support for the Electronic Monitoring, Probation Service Review and Prison Reform programmes.

Senior civil service (SCS) salaries

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

Salary band	31 March 2018		31 March 2017	
	Number	Percentage	Number	Percentage
£60,000-£69,999	-	0%	2	3%
£70,000-£79,999	9	17%	10	16%
£80,000-£89,999	17	31%	14	23%
£90,000-£99,999	13	24%	19	32%
£100,000-£109,999	8	15%	7	11%
£110,000-£119,999	4	7%	4	7%
£120,000-£129,999	-	0%	-	0%
£130,000-£139,999	1	2%	2	3%
£140,000-£149,999	2	4%	2	3%
£150,000-£159,999	-	0%	-	0%
£160,000-£169,999	-	0%	1	2%
£170,001-£179,999	-	0%	-	0%
Total	54	100%	61	100%

11 SCS staff transferred to MoJ on 1 April 2017 under the Functional Leadership model and have been excluded from the above figures for 2017-18, including Executive Director, Digital and Executive Director, Finance. Both directors are members of the HMPPS Board and their salaries are disclosed within the total remuneration table on page 81. The table above includes the salaries of all other HMPPS executive directors.

Staff numbers

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

	2017-18			2016-17		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	44,407	-	44,407	43,224	-	43,224
Staff engaged on capital projects	-	85	85	-	53	53
Other	-	1,610	1,610	-	1,203	1,203
Total	44,407	1,695	46,102	43,224	1,256	44,480

On 1 April 2017, 562 FTEs transferred over to MoJ under the Functional Leadership model and are not included in the HMPPS staff numbers for 2017-18. These staff will be shown in the MoJ accounts.

Reporting of civil service and other compensation schemes - exit packages

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

Exit package cost and band	2017-18			2016-17		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	20	20	-	35	35
£10,001 - £25,000	-	307	307	-	228	228
£25,001 - £50,000	-	96	96	-	146	146
£50,001 - £100,000	-	41	41	-	98	98
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-
Total number of exit packages	-	464	464	-	507	507
Total cost of exit packages (£'000)	-	12,880	12,880	-	16,604	16,604

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

Included within 'Other Departures agreed' above in the year to 31 March 2018 are 427 inefficiency dismissal exit packages at a value of £12.1 million, within payment bands £0 to 100,000. In 2016-17, there were 459 inefficiency dismissal exit packages at a value of £14.3 million, within payment bands £0 to 100,000.

Staff diversity

HMPPS are determined to proactively discharge our responsibilities under the Equality Act 2010. We are committed to fostering an inclusive and diverse workforce in which everyone is empowered to thrive.

HMPPS worked closely with the Lammy Review into the experiences of Black Asian and Minority Ethnic (BAME) individuals in the Criminal Justice System, which reported in September 2017. The HMPPS recommendations have been accepted, two of which attend directly to the diversity of our workforce; one on achieving BAME recruitment

consistent with the working population and another on increasing our BAME senior leader cadre. A series of measures is underway to deliver against these recommendations including better identification of talent amongst under-represented groups. Ongoing data analysis will allow us to monitor and drive progress.

Ten strategic priorities, agreed at senior level will align with the Lammy recommendations to drive and focus our equality-related work and will be delivered through an overarching Agency Equalities programme. These comprise of four priorities relating to improving equalities outcomes for staff, four relating to service users and two underpinning priorities, one of which is to improve Agency data. Staff facing priorities include a focus on increasing staff 'diversity data' declarations. Improvements have been made to our staff operating platform which will make it easier for staff to complete their personal data which will lead to improved declaration rates. This will enable HMPPS to analyse this information and respond to disproportionate outcomes for protected groups.

Delivery of the Lammy recommendations is reviewed monthly by a board made up of senior leaders. Each quarter the Equality Sub Committee monitors progress with the entire Equality programme, both the ten strategic priorities and the Lammy recommendations. An external advice and scrutiny panel has been set up to provide advice and challenge in the delivery of the Lammy recommendations. By delivering through a formal programme structure we are determined to make systematic, sustainable progress.

All eligible HMPPS staff can apply for a nine-month development opportunity aimed at Black, Asian and Minority Ethnic staff, to boost confidence and improve career prospects through co-coaching. These opportunities are promoted within the organisation.

In October 2017, the MoJ achieved Disability Confident Leader accreditation following a pan-MoJ application. As an Executive Agency of MoJ, HMPPS now holds Disability Confident Leader status in its own right. We continue to participate in the Guaranteed Interview Scheme. For NPS staff, the rollout of new technology under the Transforming Technology programme has commenced and will benefit those staff who require assistive technology. The MoJ, including HMPPS, jumped 101 places to 13 in the Stonewall Workplace Equality Index.

We have maintained a commitment to full-time salaried network leads to represent the interests of BAME staff, LGBT+ staff, and staff with disabilities. The networks have a key role to play in voicing the experiences of their members and contributing to organisational change. The network for staff with disabilities recently produced a helpful video for Time to Talk (about mental health) day, featuring one of the network members.

Work was undertaken to review and optimise the provision of Occupational Health and Employee Support. A national programme to support health and wellbeing has been rolled out across HMPPS. Local wellbeing champions have been appointed in business units to support and direct staff to support services proactively. Wellbeing is being

driven by these champions across the NHS 5 Ways to Wellbeing: *Connect, Be active, Take notice, Keep learning; Give.*

HMPPS recently carried out a review of its Welsh Language scheme and published the third and final annual monitoring report of progress. A refreshed Scheme will be published later this year. A Welsh version of this Annual Report and Accounts will be produced.

Sickness absence data

In the year ending 31 March 2018, HMPPS staff lost an average of 9.2 working days to sickness absence (2016-17: 10.1 days).

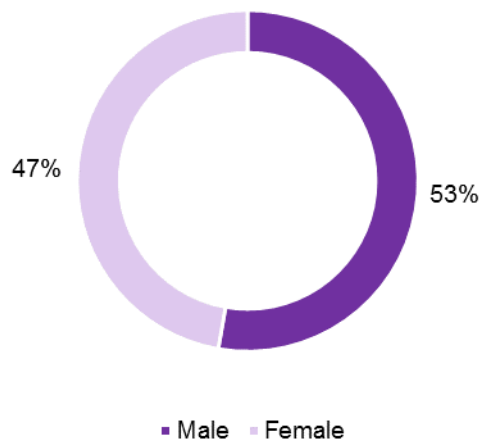
Gender data

As at 31 March 2018 the breakdown of employees by gender was as follows:

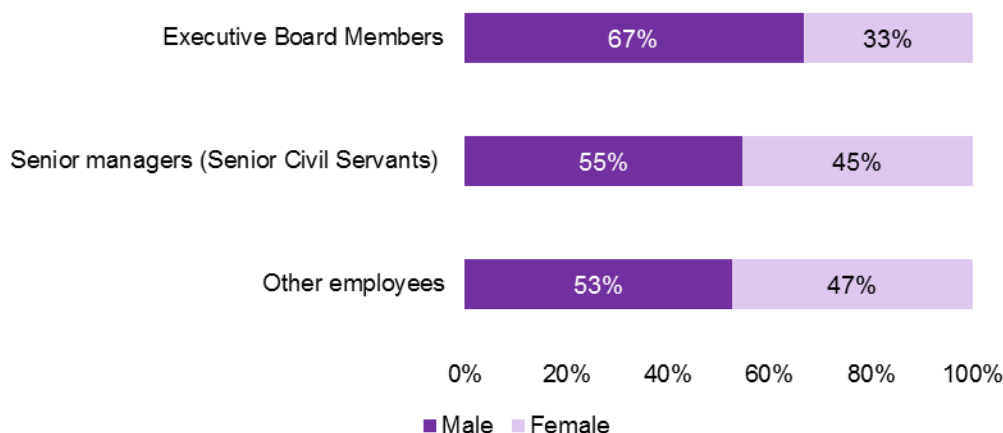
	Male	Female	Total
Executive Board Members	8 (67%)	4 (33%)	12
Senior managers (Senior Civil Servants)	23 (55%)	19 (45%)	42
Other employees	25,899 (53%)	23,185 (47%)	49,084
Total	25,930	23,208	49,138

Senior Civil Servants includes substantive grades only.

Overall male and female employees



Breakdown of employees by gender



Communications and employee involvement

This year, the HMPPS Communications function moved into a functional leadership model with the aim of bringing together specialists into a single, unified team across the MoJ.

The communications team began the year focused on the rebranding of NOMS to HMPPS. This major piece of work involved a full rebrand and setting out of the purpose and role of HMPPS. By the end of August 2017, 93% of staff surveyed said they were aware that NOMS had become HMPPS.

Other important areas of work for HMPPS Communications over the 2017-18 year include:

- working with MoJ to provide employee pride, advocacy and interaction with the prison officer recruitment campaign
- supporting prisons and probation to roll out the new Offender Management in Custody model
- supporting the roll out of smoke free prisons across the estate
- supporting rehabilitative culture through language and imagery
- building pride and engagement in our staff – People Survey response rates were up 20 percentage points in NPS, and the engagement index across HMPPS was up 2 percentage points overall

Our work to increase employee engagement and promote the rehabilitation culture approach will continue in 2018-19 as we launch the Changing Lives Together Campaign. The campaign will share stories that highlight the impact our staff have made to positively help people in our care change their lives for the better.

Talent Management

HMPPS is committed to ensuring that it has effective talent management and career progression arrangements in place across both prisons and probation. Senior leadership development in prisons has had significant focus in 2017, which saw the launch of a number of new products and initiatives to provide a more diverse senior leadership cadre, and also to develop our current managers and leaders.

New Talent acquisition initiatives:

We have introduced these programmes with the first cohorts recruited during the reporting year and with plans in place to recruit the second cohorts in 2018/19:

- Unlocked Graduate Prison Officers
- Direct Entry Senior Leaders Scheme
- Accelerated Development Scheme

New leadership development programmes have been introduced across prisons and probation:

- Empowered Senior Leaders
- Leadership programme for NPS and HQ senior managers

And specifically for prison managers new leadership and management development programmes have been launched:

- Experienced Managers programme
- First-line Manager programme
- LEAP

The new prison group director structures will provide additional coaching, mentoring and development support through the operational line for governors and their teams.

The focus for leadership in NPS is on ensuring that the probation system operates effectively across organisational boundaries so that offender management systems and all aspects of service delivery operate coherently and effectively across the NPS and CRCs.

Off-payroll engagements

During the financial year 2017-18, HMPPS has reviewed all off-payroll engagements using HMRC's guidance and on-line status indicator. Where engagements have been assessed as being within scope of the intermediaries (IR35 legislation), the paying agency has been advised of this determination so that appropriate tax deductions are made at source from payments made in respect of the engagement. Further details of off-payroll engagements in HMPPS can be found in the MoJ departmental resource accounts.

Parliamentary Accountability

Regularity of expenditure

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

Losses and special payments

The following losses and special payments are included within the Statement of Comprehensive Net Expenditure on page 105:

	2017-2018		2016-2017	
	Cases	£'000	Cases	£'000
Cash losses	598	454	1,105	1,171
Losses of accountable stores	11,696	1,914	9,808	2,079
Fruitless payments and constructive losses	3	1,420	18	716
Claims waived or abandoned	53	6,043	46	63
Administrative write-offs	2	17	-	-
Losses statement	12,352	9,848	10,977	4,029
Special payments to staff	1,116	14,903	1,438	10,975
Special payments to offenders	4,957	10,286	4,936	8,713
Special payments to third parties	443	1,343	527	1,378
Special payments	6,516	26,532	6,901	21,066

In 2017-18, HMPPS incurred three losses over £300,000 (2016-17: one):

- a constructive loss of £1,414,922 for sunk costs relating to the cessation of the HMP Rye Hill project. The decision was made to terminate the project after a review identified that the progression of Rye Hill no longer aligned with the Prison Estate Transformation programme's strategic requirements, particularly in terms of value for money. The loss includes abortive costs and the impairment of assets under construction
- £5,983,000 recoveries from CRCs which were written-off. The monthly Fee For Service (FFS) payments to CRCs are based on estimated offender volumes. At the end of each contract year, actual volumes are calculated and recoveries made where volumes are lower than estimated. New assumptions applied to the FFS payments resulted in HMPPS waiving sums that had not yet been recovered from CRCs
- overpayments to 69 staff of £354,115. Exit overpayments made to staff were written-off under the advice of the Cabinet Office and with approval from the Accounting Officer. During 2017-18, the government lost a Judicial Review

against the changes made to the calculation and upper tariffs applied within the Civil Service Compensation Scheme, the result being that the current lawful terms for compensation are those included within the previous 2010 terms. For all those who exited under the 2016 terms, their exit payments were reworked under 2010 terms

In 2017-18, HMPPS made six special payments over £300,000 (2016–17: two):

- six compensation payments were made to operational members of HMPPS staff injured in the course of their duties: £2,792,574, £919,310, £490,147, £318,927, £405,000 and £750,000

Remote contingent liabilities

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

HMPPS has the following remote contingent liabilities:

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

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

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

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

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

Michael Spurr

Agency Accounting Officer

20 June 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of HM Prison and Probation Service for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of HM Prison and Probation Service's affairs as at 31 March 2018 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the HM Prison and Probation Service's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the HM Prison and Probation Service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

26 June 2018



Financial Statements



Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2018

	Notes	2017-18		Restated 2016-17	
		£'000	£'000	£'000	£'000
Income from sale of goods and services	3a	(67,378)		(62,360)	
Other operating income	3b	(187,431)		(235,390)	
Total operating income			(254,809)		(297,750)
Staff costs	4a	1,951,586		1,850,101	
Purchase of goods and services	4b	2,141,183		2,219,828	
Depreciation, amortisation and impairment charges	4c	234,224		386,975	
Other non-cash expenditure	4d	313,651		94,345	
Total operating expenditure			4,640,644		4,551,249
Net operating expenditure			4,385,835		4,253,499
Finance expense	4e		55,849		64,764
Net (gain)/loss on transfers by absorption	22		(56,779)		-
Net expenditure for the year			4,384,905		4,318,263

Other Comprehensive Expenditure

For the year ended 31 March 2018

Items which will not be reclassified to net operating expenditure:	Notes	2017-18		2016-17	
		£'000	£'000	£'000	£'000
Net (gain)/loss on revaluation of property, plant and equipment	5		(555,481)		(430,473)
Net (gain)/loss on revaluation of intangible assets	6		(1,416)		(5,390)
Net (gain)/loss on revaluation of assets held for sale	7		-		399
Remeasurement of net pension liabilities (gain)/loss	18		(171,492)		341,287
Total comprehensive expenditure			3,656,516		4,224,086

The Notes on pages 109 to 148 form part of these accounts

Statement of Financial Position

At 31 March 2018

	Notes	31 March 2018		31 March 2017	
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	5	7,661,659		7,153,248	
Intangible assets	6	96,207		92,862	
Investments		529		467	
Total non-current assets			7,758,395		7,246,577
Current assets					
Assets held for sale	7	97,033		10,600	
Inventories	8	49,204		42,471	
Trade and other receivables	9	162,836		230,190	
Cash and cash equivalents	10	35,743		26,225	
Total current assets			344,816		309,486
Total assets			8,103,211		7,556,063
Current liabilities					
Trade and other payables	11a	(537,494)		(716,281)	
Provisions	12	(42,300)		(43,393)	
Total current liabilities			(579,794)		(759,674)
Non-current assets less net current liabilities			7,523,417		6,796,389
Non-current liabilities					
Trade and other payables	11b	(218,936)		(225,113)	
Provisions	12	(214,034)		(215,934)	
Pension deficit liability	18b	(1,500,399)		(1,578,376)	
Total non-current liabilities			(1,933,369)		(2,019,423)
Assets less liabilities			5,590,048		4,776,966
Taxpayers' equity					
General fund			2,862,084		2,554,525
Revaluation reserve			2,727,964		2,222,441
Total taxpayers' equity			5,590,048		4,776,966

The Notes on pages 109 to 148 form part of these accounts

Michael Spurr

Agency Accounting Officer

20 June 2018

Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2017-18		2016-17	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net expenditure		(4,384,905)		(4,318,263)	
Adjustments for non-cash transactions		499,425		586,149	
Adjustment for notional transactions with MoJ group		138,135		28,806	
Adjustment for pension contributions paid less service costs	18	51,838		1,915	
(Increase)/decrease in trade and other receivables					
Movement in trade and other receivables:	9	67,354		(86,293)	
Less: Impairments in trade and other receivables	4	(6,855)		862	
Less: Movement in disposal proceeds receivables		-		(1,000)	
(Increase)/decrease in inventories	8	(6,733)		(3,701)	
Increase/(decrease) in trade and other payables:					
Movement in trade and other payables	11a,11b	(184,964)		103,317	
Less: Movements on capital elements of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	11a,11b	6,023		33,874	
Less: Movement in property, plant & equipment payable	5	1,735		(23,118)	
Less: Payments of amounts due to the Consolidated Fund to MoJ		9		4	
Utilisation of provisions	12	(35,605)		(37,273)	
Net cash outflow from operating activities			(3,854,543)		(3,714,721)
Cash flows from investing activities					
Purchase of property, plant & equipment	5	(179,465)		(191,879)	
Purchase of intangibles	6	(30,172)		(10,367)	
Proceeds on disposal of property, plant and equipment		8,894		15,504	
Net cash outflow from investing activities			(200,743)		(186,742)
Cash flow from financing activities					
Net funding received from MoJ		4,083,000		3,953,517	
Payments of amounts due to the Consolidated Fund to MoJ		(9)		(4)	
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	11a,11b	(18,187)		(33,874)	
Net financing			4,064,804		3,919,639
Net increase/(decrease) in cash and cash equivalents in the period			9,518		18,176
Cash and cash equivalents at the beginning of the period	10	26,225		8,049	
Cash and cash equivalents at the end of the period	10	35,743		26,225	
(Decrease)/increase in cash and cash equivalents			9,518		18,176

The Notes on pages 109 to 148 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2018

	Notes	Restated General Fund £'000	Revaluation Reserve £'000	Restated Total Reserves £'000
Balance at 31 March 2016		3,000,318	1,916,149	4,916,467
Changes in taxpayers' equity for 2016-17				
Net expenditure for the year to 31 March 2017		(4,318,263)	-	(4,318,263)
Net gain/(loss) on revaluation of:				
Property, plant and equipment	5	-	430,473	430,473
Intangible Assets	6	-	5,390	5,390
Assets held for sale	7	-	(399)	(399)
Release of reserves to the general fund		129,172	(129,172)	-
Remeasurement of net pension liabilities	18	(341,287)	-	(341,287)
Funding from the MoJ		3,953,517	-	3,953,517
Settlement of transactions with MoJ		35,619	-	35,619
Notional items:				
Auditor's remuneration	4	273	-	273
Notional element of MoJ overhead recharges	4	95,176	-	95,176
Balance at 31 March 2017		2,554,525	2,222,441	4,776,966
Changes in taxpayers' equity for 2017-18				
Net expenditure for the year to 31 March 2018		(4,384,905)	-	(4,384,905)
Net gain/(loss) on revaluation of:				
Property, plant and equipment	5	-	555,481	555,481
Intangible Assets	6	-	1,416	1,416
Assets held for sale	7	-	-	-
Release of reserves to the general fund		75,182	(75,182)	-
Net expenditure transfers from YJB		19,940		19,940
Revaluation reserve transfers from YJB		(23,808)	23,808	-
Remeasurement of net pension liabilities	18	171,492	-	171,492
Funding from the MoJ		4,083,000	-	4,083,000
Settlement of transactions with MoJ		138,135	-	138,135
Notional items:				
Auditor's remuneration	4	273	-	273
Notional element of MoJ overhead recharges	4	228,250	-	228,250
Balance at 31 March 2018		2,862,084	2,727,964	5,590,048

The Notes on pages 109 to 148 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

1.1 Basis of preparation

The accounts have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

1.2 Accounting convention

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

1.3 Changes in accounting policy and disclosures

a) Changes in accounting policies

There have been no changes in accounting policies for the year ended 31 March 2018.

b) New and amended standards adopted

There have been no new or amended standards adopted in the period ended 31 March 2018.

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

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

IFRS 9 may have an impact on the impairment methodology used by HMPPS to value its outstanding debt however this is not expected to have a material impact on the future accounts. Details of trade and other receivable balances can be found in Note 9.

IFRS 15 is not expected to have any impact on future accounts as HMPPS' revenue contracts do not span across financial years. Details of HMPPS' income streams can be found in Note 3.

IFRS 16 will change the way HMPPS recognises, measures, presents and discloses leases that it holds. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The full impact of IFRS 16 on HMPPS will not be determined until it has been adopted for use in the public sector by the FReM. Details of HMPPS' lease commitments can be found in Note 14.

d) Changes in presentation and reclassifications

The classifications in the staff costs (Note 4a) and purchase of goods and services (Note 4b) have been revised to more accurately reflect the nature of the expenditure. Prior year comparatives have been restated to ensure comparability across years.

1.4 Going concern

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

1.5 Transfer by absorption

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

MoJ internal restructure

On 1 September 2017, responsibility for day-to-day management of the young people's estate transferred from the Youth Justice Board for England and Wales (YJB) to HMPPS. The impact of the transfer is shown in Note 22.

1.6 Operating income

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

Operating income is stated net of VAT.

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

1.7 Notional costs

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

1.8 Property, plant and equipment and Intangible assets

Initial recognition and capitalisation threshold

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

Significant purchases of assets which are separately beneath the capitalisation threshold, in connection with a single project, are treated as a grouped asset, with a capitalisation threshold of £1 million (including irrecoverable VAT).

Intangible assets are recognised if it is probable that future service potential will flow to HMPPS and the cost can be measured reliably. Intangible assets comprise software developed by third parties, including MoJ, and software licences.

Assets under construction

Assets under construction are valued at historic cost within property, plant and equipment and intangible assets. The assets are not subject to depreciation until completed, when the carrying value is transferred to the respective asset category. Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

Subsequent valuation

Property, plant and equipment and intangible assets are carried at fair value.

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

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

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

Assets which were held for their service potential but are now surplus are valued at current value in existing use where there are restrictions on HMPPS or the asset, which would prevent access to the market at the reporting date. Otherwise, the surplus asset is valued at fair value in accordance with IFRS 13.

In determining whether a non-operational asset is surplus, HMPPS assesses whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is maintained at current value in existing use. Otherwise, the asset is assessed as being surplus and valued at fair value under IFRS 13.

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

Non-property assets are recorded at cost on purchase and restated at each reporting date using the Producer Price Index published by the Office for National Statistics (ONS).

As there is no active market for the intangible assets held by HMPPS, their fair value is assessed at the revalued amount less accumulated amortisation and impairment losses. Intangible assets are revalued at each reporting date using the Services Producer Price Index published by the ONS.

Fair value hierarchy and inputs

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

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

Depreciation and amortisation

Depreciation and amortisation are charged on a straight-line basis at rates calculated to write off the value of assets less estimated residual value evenly over their estimated useful lives or for leased assets, over the life of the lease or the period implicit in the repayment schedule. Useful lives are reviewed annually. Following a change to the life of an asset or asset category, depreciation is charged on a straight-line basis over the remaining life. Depreciation commences in the month following acquisition of the non-current asset.

If an asset comprises two or more significant components, with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life. Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings including dwellings	Shorter of remaining life or up to 60 years (up to 55 years for dwellings) depending on building
Leasehold buildings including dwellings	Shorter of remaining life, remaining lease period or up to 50 years (up to 55 years for dwellings)
Information technology Plant & equipment Furniture, fixtures & fittings	3 to 15 years depending on individual asset type
Vehicles	5 to 15 years depending on individual asset type
Intangible assets - software	3 to 10 years
Intangible assets - licences	Length of the licence

1.8 Non-current assets held for sale

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

1.9 Impairment

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

Impairment losses are recognised in the SoCNE, except where the asset had been revalued previously and a revaluation reserve is held for the asset. In this case the value of the reserve is released first, and then excess impairment is charged to the SoCNE. Impairment losses resulting from a clear consumption of economic benefit are recognised directly in the SoCNE, and any revaluation reserve held for the asset is transferred to the general fund.

1.10 Leases

Finance leases

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

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in payables. HMPPS is contractually obliged to make rental payments. The interest element of the finance cost is charged to the SoCNE over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

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

1.11 Service Concession Arrangements including Private Finance Initiative arrangements

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

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

The interest element is charged to the SoCNE over the contract to produce a constant periodic rate of interest on the remaining liability. Older prison PFI arrangements and other SCA use Treasury discount rates. HMP Thameside PFI and, where possible, any future PFI contracts will use the interest rate implicit in the contract.

In addition to PFI prison and Secure Training Centre contracts, the contract for Prisoner Escort and Custody Services (PECS) meet the conditions for SCA. Commitments are recognised in Note 13.

1.12 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 Employee benefits

Pensions – PCSPS

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees in HMPPS HQ and prisons. While this is an unfunded defined benefit scheme, in accordance with the FReM adaptation of IAS 19, HMPPS accounts for it as a defined contribution scheme. HMPPS recognises contributions payable as an expense in the year in which they are incurred, and the legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

Pensions – Probation LGPS Defined Benefit Scheme

HMPPS probation staff and past employees of the Probation Trusts, including those who transferred to CRCs, are covered by the provisions of the Local Government Pension Scheme (LGPS), via a pension fund administered by the Greater Manchester Pension Fund (GMPF). This is a funded defined benefit scheme. Retirement benefits are determined independently of the investments of the scheme, and employers are obliged to make additional contributions where assets are insufficient to meet current and future retirement benefits.

The Secretary of State for Justice has provided a guarantee to GMPF in respect of the CRCs' participation in the GMPF for pension liabilities that transferred to the CRCs.

The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last formal actuarial valuation was at 31 March 2016 and was carried out during 2016. The results of the valuation as at 31 March 2016 were shown in the actuarial report as at 31 March 2017 and was reflected in the 2016-17 accounts.

HMPPS obtains a professional calculation of the pension position at the reporting date from Hymans Robertson LLP, the independent actuary for GMPF. The assumptions underpinning the actuarial calculations are subject to review as part of HMPPS' annual reporting and audit process.

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

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

Civil Service Injury Benefits Scheme

HMPPS is required to pay benefits to staff who are members of the PCSPS under the Civil Service Injury Benefits Scheme. The Government Actuary's Department (GAD) provides HMPPS with annuity rates each year covering whole of life (for total liability value), 1 year and 1 to 5 years (for cash flow values). These assumptions take the time value of money into account.

1.14 Provisions and contingent liabilities

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when HMPPS has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount. If the likelihood of payment is less than probable, but greater than remote, a contingent liability is disclosed in the accounts.

Provisions and contingent liabilities are valued at the best estimate of the expenditure required to settle the obligation. They are discounted to present value using rates set by HM Treasury, where the effect is material.

1.15 Value Added Tax

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

1.16 Critical accounting estimates and judgements

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

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

Valuation of non-current assets

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

LGPS Pension costs

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

Provisions

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

Lease accounting

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

Service Concession Arrangements

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

2. Statement of Operating Costs by Operating Segment

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

The HMPPS directorate structure is as follows:

Public Sector Prisons

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

Custodial Contracts

The Custodial Contracts directorate manages a range of system-wide contracts and third sector providers delivering offender services, including privately managed prisons, prisoner escort and custody services and the prisons facilities management contracts. Through these contracts the directorate seeks to ensure effective system-wide performance, promoting and supporting the integration of services at local level.

Youth Custody Services

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

Probation and Women

The Probation and Women's directorate is responsible for line management and leadership of probation services in England. The National Probation Service is a statutory criminal justice service that supervises high-risk offenders released into the community, working closely with local delivery partnerships including prisons, Community Rehabilitation Companies and other providers. The directorate also provides the courts with pre-sentence reports, which advise on appropriate sentencing measures for all persons convicted of an offence. The Women's Estate maintains a clear focus on the specific and distinct needs of women offenders both in prisons and in the community and has developed improved arrangements to enable women in prisons to maintain better contact with their children to support more effective rehabilitation and long term family care.

HMPPS Wales

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

Community Interventions

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

Electronic Monitoring

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

Operational Support

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

Table 2a presents resource expenditure, which is reported to the board by segment. Table 2b reconciles this total to the SoCNE, which also includes Annually Managed Expenditure (AME) and SoCNE expenditure which counts towards capital for budgeting purposes. The reporting format has been revised for 2017-18 to reflect the HMPPS structure. 2016-17 outturn has been restated in the revised format for comparability.

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

	Gross expenditure	Income	2017-18 Net
	£'000	£'000	£'000
Public Sector Prisons	1,736,472	(145,403)	1,591,069
Custodial Contracts	849,358	(30,842)	818,516
Youth Custody Services	132,864	(29,550)	103,314
Probation & Women	428,289	(12,943)	415,346
HMPPS Wales	192,577	(9,323)	183,254
Electronic Monitoring	70,484	(1,662)	68,822
Community Interventions	368,961	186	369,147
Operational Support	186,847	(6,045)	180,802
Total	3,965,852	(235,582)	3,730,270

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

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

2a Total net resource expenditure as reported to Board in 2016-17

	Gross expenditure £'000	Income £'000	2016-17 Net £'000
Public Sector Prisons	1,656,255	(148,677)	1,507,578
Custodial Contracts	812,735	(32,800)	779,935
Youth Custody Services	61,628	(40,383)	21,245
Probation & Women	430,805	(17,196)	413,609
HMPPS Wales	167,471	(10,987)	156,484
Electronic Monitoring	76,383	(2,268)	74,115
Community Interventions	384,197	(61)	384,136
Operational Support	144,955	(8,971)	135,984
Total	3,734,429	(261,343)	3,473,086

2b Reconciliation between operating segments and SoCNE in 2016-17

	Gross expenditure £'000	Income £'000	2016-17 Net £'000
Total net expenditure by operating segment as reported to the Board	3,734,429	(261,343)	3,473,086
PFI prisons and service concession arrangements accounting treatment	(2,405)	-	(2,405)
Budgets held by MoJ	711,925	(9,428)	702,497
MoJ overhead recharges	95,172	-	95,172
Other, including accounting treatment of provisions	49,913	-	49,913
Total net expenditure per SoCNE	4,589,034	(270,771)	4,318,263

3. Income

	2017-18	2016-17
	£'000	£'000
(a) Income from sale of goods and services		
External sales of prison industries	12,431	9,884
Retail prison shop income	53,092	50,594
In-cell TV income	1,855	1,882
Total income from sale of goods and services	67,378	62,360
(b) Other operating income		
Juvenile funding (YJB & MoJ)	34,422	63,536
NHS and other healthcare providers	56,386	56,268
European Social Fund and other European funding	22,777	20,194
Welsh Government	3,724	3,199
Home Office	47,816	52,912
Community Rehabilitation Companies	11,616	27,541
Other income	10,690	11,740
Total other operating income	187,431	235,390
Total operating income	254,809	297,750

Income from the sale of goods and services includes sales of goods produced by prison industries, and sales to prisoners through the prison shop and incentives and earned privileges scheme.

Other operating income includes receipts from: Youth Justice Board (YJB) and MoJ for the provision of youth custody places; Home Office for the provision of custodial services to foreign national prisoners, running immigration removal centres (through UK Visas and Immigration) and counter-terrorism work; European Union for resettlement services; Community Rehabilitation Companies for the provision of estates and IT; and NHS England, private sector providers and Welsh Government for the provision of healthcare services.

Income in respect of services rendered is recovered in line with the related service level agreement (SLA) on a full cost basis.

4. Expenditure

4a Staff numbers and related costs

Staff numbers and further details of related costs, including exit packages, are reported in the Remuneration and Staff report on pages 79 to 95.

	2017-18	Restated 2016-17
	£'000	£'000
Wages and salaries	1,392,697	1,357,675
Social security costs	147,554	135,552
Pension costs	342,431	288,377
Agency staff costs	60,903	50,773
Departures and severance payments	9,833	17,818
Inward secondments	4,768	5,842
Sub-total	1,958,186	1,856,037
Recoveries in respect of outward secondments	(6,600)	(5,936)
Total net costs	1,951,586	1,850,101

2016-17 departures and severance payments have been restated by £6.2 million. Movements in provisions for early retirement costs and voluntary early departures have been reclassified from provision expense to departures and severance payments. Injury Benefit utilisation has been reclassified from departures and severance and is included in compensation costs. This reclassification is made to better reflect the nature of these costs.

The Apprenticeship Levy, implemented across England on 6 April 2017, is a new employment tax of 0.5% of the annual pay bill and these costs are included within social security costs. Further details of the Apprenticeship Levy can be found on the gov.uk website: <https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work>.

4b Purchase of goods and services

	Notes	2017-18 £'000	Restated 2016-17 £'000
PFI prison service charges and managed prison charges		429,554	414,388
SCA charges for Prisoner Escort and Custody Services		121,976	119,109
Electronic Monitoring		59,899	66,115
Contracted probation services (CRCs)		388,623	410,125
Accommodation, maintenance and utilities		410,781	403,194
Offender related costs		323,428	303,011
Offender learning		158,274	146,682
Secure Children's Homes		14,723	-
Secure Training Centres		17,933	-
IT services and telecommunications		6,380	184,194
Training and other staff related costs		45,495	28,171
Travel, subsistence and hospitality		46,426	33,954
Professional services		35,931	24,915
Communications, office supplies and services		13,284	13,205
Compensation costs		34,218	35,395
Other costs		34,258	37,370
Total purchase of goods and services		2,141,183	2,219,828

2016-17 purchase of goods and services have been restated by reclassifying SCA charges for Prisoner Escort and Custody Services separately from Electronic Monitoring.

2016-17 accommodation, maintenance and utilities costs have been restated by £19.3 million by reclassifying movements in provisions for leasehold property dilapidations from provision expense. Offender related costs, training and other staff related costs and other costs have all been restated by separately classifying compensation costs. Compensation costs include compensation paid to staff, prisoners and third parties and also include movements in provisions for litigation costs. These reclassifications are made to better reflect the nature of these costs.

2017-18 purchase of goods and services includes expenditure on Secure Children's Homes and Secure Training Centres. This follows the transfer of responsibility for day-to-day management of the young people's estate from the YJB to HMPPS on 1 September 2017.

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

4c Depreciation, amortisation and impairment charges

	Notes	2017-18 £'000	2016-17 £'000
Depreciation - Property, plant & equipment	5	259,181	255,029
Amortisation - Intangible assets	6	33,742	31,211
Impairment charge/(reversal) - Property, plant & equipment	5	(68,966)	102,485
Impairment charge/(reversal) - Intangible assets	6	3,284	(1,024)
Impairment charge/(reversal) - Assets held for sale	7	128	136
Impairment charge/(reversal) - Trade and other receivables		6,855	(862)
Total depreciation, amortisation and impairment charges		234,224	386,975

4d Other non-cash expenditure

	Notes	2017-18 £'000	2016-17 £'000
MoJ overhead recharges		314,088	95,176
Net (profit)/loss on disposal of assets		(710)	(1,104)
External auditor's remuneration		273	273
Total other non-cash expenditure		313,651	94,345

MoJ overhead recharges

The MoJ overhead recharges represent the costs of services shared with MoJ including estates, ICT, finance and HR shared services and commercial. It includes £85.8 million for finance, communications, digital and analytical services which have transferred to MoJ under Functional Leadership.

External auditors' remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year, HMPPS did not purchase any non-audit services. The cost comprises £273,000 (2016–17: £273,000) for the audit of the HMPPS Annual Report and Accounts.

4e Finance expense

	Notes	2017-18 £'000	2016-17 £'000
Interest on LGPS pensions	18	41,678	41,770
Unwinding of discount on provisions	12	(2,519)	4,393
Total non-cash finance expense		39,159	46,163
Finance charge on PFI and leased assets		16,690	18,601
Total cash finance expense		16,690	18,601
Total finance expense		55,849	64,764

5. Property, plant and equipment

2017-18	Land £'000	Buildings £'000	Dwellings £'000	Information Technology £'000	Plant & Equipment £'000	Furniture, Fixtures & Fittings £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or Valuation								
At 1 April 2017	925,874	5,906,954	37,955	199,653	266,546	12,542	181,047	7,530,571
Additions	-	11,806	-	5,556	20,148	355	139,865	177,730
Disposals	-	-	-	(14)	(7,450)	-	-	(7,464)
Transfers	9,581	56,339	-	-	26	-	3,615	69,561
Reclassifications	(93,094)	143,276	(815)	1,136	(1,378)	20	(153,327)	(104,182)
Impairments	1,656	68,843	(143)	-	(45)	(3)	(2,784)	67,524
Revaluations	26,918	525,761	1,922	3,981	3,818	70	-	562,470
At 31 March 2018	870,935	6,712,979	38,919	210,312	281,665	12,984	168,416	8,296,210
Depreciation								
At 1 April 2017	-	(1,133)	(1)	(180,861)	(182,973)	(12,355)	-	(377,323)
Charged in year	-	(228,043)	(1,066)	(10,159)	(19,862)	(51)	-	(259,181)
Disposals	-	-	-	14	6,952	-	-	6,966
Transfers	-	(613)	-	-	(5)	-	-	(618)
Reclassifications	-	1,143	9	-	-	-	-	1,152
Impairments	-	1,423	2	5	12	-	-	1,442
Revaluations	-	-	-	(3,824)	(3,094)	(71)	-	(6,989)
At 31 March 2018	-	(227,223)	(1,056)	(194,825)	(198,970)	(12,477)	-	(634,551)
Carrying value								
At 31 March 2018	870,935	6,485,756	37,863	15,487	82,695	507	168,416	7,661,659
At 1 April 2017	925,874	5,905,821	37,954	18,792	83,573	187	181,047	7,153,248
Asset financing:								
Owned	868,904	5,684,925	37,063	14,936	76,104	507	168,416	6,850,854
Finance leased	2,031	17,862	800	551	6,591	-	-	27,836
On-balance sheet (SoFP) PFI contracts	-	782,969	-	-	-	-	-	782,969
At 31 March 2018	870,935	6,485,756	37,863	15,487	82,695	507	168,416	7,661,659

Non-operational assets

Included in the carrying values above are 15 non-operational sites with a combined value of £13.0 million (2016-17: 17 non-operational sites with a combined value of £99.9 million). These sites are vacant, but do not yet meet the criteria for classification as assets held for sale.

Reclassification as assets held for sale

Property with a carrying value of £94.2 million was reclassified to assets held for sale in 2017-18.

5. Property, plant and equipment (continued)

2016-17	Land £'000	Buildings £'000	Dwellings £'000	Information Technology £'000	Plant & Equipment £'000	Furniture, Fixtures & Fittings £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or Valuation								
At 1 April 2016	798,804	6,136,644	40,926	180,012	256,764	12,541	129,280	7,554,971
Additions	-	8,679	-	6,628	13,087	67	186,535	214,996
Disposals	-	-	-	(19)	(4,233)	(67)	-	(4,319)
Transfers	-	25	-	1,844	-	-	-	1,869
Reclassifications	(7,256)	125,856	(1,198)	493	(2,008)	-	(134,678)	(18,791)
Impairments	(2,731)	(103,088)	18	-	(104)	-	(90)	(105,995)
Revaluations	137,057	(261,162)	(1,791)	10,695	3,040	1	-	(112,160)
At 31 March 2017	925,874	5,906,954	37,955	199,653	266,546	12,542	181,047	7,530,571
Depreciation								
At 1 April 2016	-	(338,553)	(3,171)	(155,327)	(164,319)	(12,324)	-	(673,694)
Charge in year	-	(216,941)	(1,030)	(16,401)	(20,559)	(98)	-	(255,029)
Disposals	-	-	-	15	3,977	67	-	4,059
Transfers	-	-	-	-	-	-	-	-
Reclassifications	-	1,095	103	-	-	-	-	1,198
Impairments	-	3,488	-	7	15	-	-	3,510
Revaluations	-	549,778	4,097	(9,155)	(2,087)	-	-	542,633
At 31 March 2017	-	(1,133)	(1)	(180,861)	(182,973)	(12,355)	-	(377,323)
Carrying value								
At 31 March 2017	925,874	5,905,821	37,954	18,792	83,573	187	181,047	7,153,248
At 1 April 2016	798,804	5,798,091	37,755	24,685	92,445	217	129,280	6,881,277
Asset financing:								
Owned	923,589	5,192,099	37,206	16,142	71,488	187	181,047	6,421,759
Finance leased	2,285	13,629	748	2,650	12,085	-	-	31,397
On-balance sheet (SoFP) PFI contracts	-	700,093	-	-	-	-	-	700,093
Carrying value at 31 March 2017	925,874	5,905,821	37,954	18,792	83,573	187	181,047	7,153,248

6. Intangible assets

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

At 31 March 2018 and 31 March 2017 there were no individually material intangible assets.

6. Intangible assets (continued)

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

7. Assets held for sale

	31 March 2018	31 March 2017
	£'000	£'000
Cost or valuation		
At 1 April	10,600	6,682
Reclassifications	94,247	17,593
Transfers	-	-
Disposals	(7,686)	(13,140)
Impairments	(128)	(136)
Revaluations	-	(399)
At 31 March	97,033	10,600

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

8. Inventories

	31 March 2018	31 March 2017
	£'000	£'000
Industries and farms		
Raw materials	15,121	13,356
Work-in-progress	2,879	2,214
Finished goods	4,934	2,710
	22,934	18,280
Consumables	26,270	24,191
Total inventories	49,204	42,471

9. Trade and other receivables

	31 March 2018	31 March 2017
	£'000	£'000
Trade receivables	17,055	38,028
Other receivables	31,944	35,558
VAT receivables	49,185	49,021
Intra-departmental receivables	10,150	52,346
Prepayments	31,376	26,723
Accrued income	23,126	28,514
Total trade and other receivables	162,836	230,190

10. Cash and cash equivalents

	31 March 2018	31 March 2017
	£'000	£'000
Balance at 1 April	26,225	8,049
Net change in cash and cash equivalents	9,518	18,176
Balance at 31 March	35,743	26,225
The following balances at 31 March were held at:		
Government Banking Service	34,611	25,111
Commercial banks and cash in hand	1,132	1,114
Cash at bank and in hand	35,743	26,225

Third party monies

At 31 March 2018, HMPPS held cash of £13.9 million (£13.6 million at 31 March 2017) on behalf of offenders. As this cash belongs to third parties, the balance is not included in the SoFP in these accounts.

11. Trade and other payables

11a. Amounts falling due within one year

	31 March 2018	31 March 2017
	£'000	£'000
Trade payables	49,350	63,904
Taxation and social security	37,712	35,441
Other payables	26,590	28,771
Intra-departmental payables	13,902	166,118
Accruals	370,615	376,809
Deferred income	19,492	15,315
Current part of finance leases	57	822
Imputed finance lease element of on balance sheet (SoFP) PFI contracts	19,767	29,097
Consolidated Fund extra receipts (CFERs)	9	4
	537,494	716,281

11b. Amounts falling due after more than one year

	31 March 2018	31 March 2017
	£'000	£'000
Imputed finance lease element of on balance sheet (SoFP) PFI contracts	216,746	224,781
Local authority loan balances	1,915	-
Finance leases	275	332
	218,936	225,113

Local authority loan balances includes legacy loans to Probation Trusts which transferred to HMPPS. In prior years the balance was included in accruals. In 2017-18, the balance has been reclassified to more accurately reflect its nature. In 2016-17, the local authority loan balance was £2.5 million.

12. Provisions for liabilities and charges

	31 March 2018					31 March 2017	
	Early retirement costs	Leasehold property dilapidations	Voluntary early departures	Injury benefit scheme	Litigation & other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	3,135	48,233	625	130,491	76,843	259,327	233,540
Provided in year	2	297	-	7,820	53,432	61,551	99,225
Provisions not required written back	(26)	(1,443)	(17)	(2,859)	(22,075)	(26,420)	(40,558)
Provisions utilised in year	(1,937)	(853)	(608)	(5,129)	(27,078)	(35,605)	(37,273)
Unwinding of discount	(11)	(4,758)	-	-	2,250	(2,519)	4,393
Balance at 31 March	1,163	41,476	-	130,323	83,372	256,334	259,327

Analysis of expected timing of discounted cash flows

	31 March 2018					31 March 2017	
	Early retirement costs	Leasehold property dilapidations	Voluntary early departures	Injury benefit scheme	Litigation & other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year:	888	10,278	-	4,935	26,199	42,300	43,393
Later than one year but not later than five years:	275	7,989	-	19,094	43,601	70,959	69,373
Later than five years:	-	23,209	-	106,294	13,572	143,075	146,561
Balance at 31 March	1,163	41,476	-	130,323	83,372	256,334	259,327

Early retirement provision (PCSPS members)

Under a scheme that closed in 2011, HMPPS meets the additional costs of benefits beyond the normal PCSPS benefits and for employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. HMPPS provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments.

Leasehold property dilapidations

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

- updated information relating to property vacations
- new properties leased during the year
- a slight decrease in the cost per square metre of the properties leased due to the general market conditions which has decreased prices

Litigation and other provisions

Other provisions primarily comprise legal claims against HMPPS. This provision reflects all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which are likely to succeed with a lesser degree of certainty or cannot be estimated reliably are disclosed as contingent liabilities in Note 17.

Provisions for six cases which have resulted in annuities arising from litigation are discounted using the HMT rates as payments are due over a number of years, more than 20 years in some cases. Other general litigation provisions are not discounted, on the basis that most claims would normally crystallise within twelve months and the potential discounting on those that could continue for longer is uncertain and is not material.

Civil Service Injury Benefits Scheme provisions

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

13. Commitments under PFI contracts and other service concession arrangements

13a. On-balance sheet (SoFP) PFI contracts and other service concession arrangements

Project Name	Contract Signature Date	Duration (years)	Description
HMP Altcourse	December 1995	25	Design, build, finance and operate an 800 place category B prison at HMP Altcourse
HMP Parc	January 1996	25	Design, build, finance and operate a 1,519 place category B prison near Bridgend, South Wales
HMP Lowdham Grange	November 1996	25	Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham
HMP Ashfield	July 1998	25	Design, build, finance and operate a 400 place young offenders and juveniles category B prison at Pucklechurch, near Bristol; converted in 2013 to hold adult offenders
HMP Forest Bank	July 1998	25	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of the former Agecroft power station
HMP Rye Hill	July 1999	25	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	September 1999	25	Design, build, finance and operate a 1,060 place category B prison and therapeutic community facility at HMP Dovegate, Marchington
HMP Bronzefield	December 2002	25	Design, build, finance and operate a 500 place category B prison at Ashford in Middlesex
HMP Peterborough	February 2003	25	Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire
HMP Thameside	June 2010	25	Design, build, finance and operate a 900 place category B prison at Woolwich in London
Oakhill Secure Training Centre	May 2004	25	Design, construct and manage a secure training centre, located in Oakhill, Milton Keynes,
Prisoner Escort and Custody Services	August 2011	9	The supply and running of prison vans and escorts

13b. Commitments under PFI and other service concession contracts

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

	31 March 2018 £'000	31 March 2017 £'000
Rentals due not later than one year	34,941	45,316
Rentals due later than one year but not later than five years	123,639	123,549
Rentals due later than five years	197,117	216,110
	355,697	384,975
Less interest element	(119,184)	(131,097)
Present value of obligations	236,513	253,878

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

	31 March 2018 £'000	31 March 2017 £'000
Rentals due not later than one year	19,767	29,097
Rentals due later than one year and not later than five years	75,495	72,553
Rentals due later than five years	141,251	152,228
Present value of obligations	236,513	253,878

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

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	485,635	556,369
Later than one year but not later than five years	1,604,436	1,588,775
Later than five years	1,203,143	1,559,718
Total service element	3,293,214	3,704,862

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

13c. Charge to the Consolidated Statement of Comprehensive Net Expenditure

The total amount charged in the SoCNE in respect of on-balance sheet (SoFP) PFI and other service concession arrangements transactions was £491.9 million for the year to 31 March 2018 (2016-17: £592.0 million). Of this total, the service element was £475.3 million (2016-17: £573.7 million) and the interest charges were £16.5 million (2016-17: £18.2 million).

14. Commitments under leases

14a. Operating leases

HMPPS leases various land and buildings under non-cancellable operating lease agreements. The land and buildings comprises of Probation estate, HQ estates and one prison (HMP Dartmoor) and have lease terms ranging from 9 months to 54 years. The operating leases do not have purchase options.

The land and buildings operating lease expenditure charged to the SoCNE during the year is £19.1 million (2016-17: £21.4 million). This is included within Accommodation, maintenance and utilities in Note 4b.

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

		31 March 2018	31 March 2017
		£'000	£'000
Obligations under operating leases comprise:			
Land and buildings	Not later than one year	13,181	12,142
	Later than one year but not later than five years	35,881	30,234
	Later than five years	12,834	16,319
Total obligations under operating leases		61,896	58,695

14b. Finance leases

The net present value of total future minimum lease payments under finance leases is £0.3 million (2016-17: £1.2 million), comprising mainly prison radios, due to be paid in less than five years.

15. Other financial commitments

	31 March 2018	31 March 2017
	£'000	£'000
Not later than one year	778,502	620,031
Later than one year but not later than five years	1,516,324	1,787,072
Later than five years	391,605	472,048
Total other financial commitments	2,686,431	2,879,151

Included within the table above is a commitment of £1,259.1 million (2016-17: £1,566.7 million) and £18.3 million (2016-17: £18.8 million) relating to the Fee for Service (FfS) and Fee for Use (FfU) elements of the contracts with Community Rehabilitation Companies.

The CRC contracts include a Payments by Results (PbR) element, under which additional amounts will be payable to the CRCs on a sliding scale upon the achievement of targeted reductions in reoffending. The maximum amount payable over the duration of the contracts based on the projected volume of offenders is £524.1 million. This additional value has not been disclosed in the table above, due to uncertainty of the amounts at this stage of the contracts. Also, FfS and PbR are based on a predicted volume of offenders, changes in which will result in a corresponding increase or reduction in the amount payable to CRCs.

16. Capital commitments

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

	31 March 2018	31 March 2017
	£'000	£'000
Property, plant and equipment	84,786	102,331
Intangible assets	-	5,720
Total capital commitments	84,786	108,051

17. Contingent liabilities

HMPPS faces claims amounting to £102.1 million (2016-17: £59.8 million) for injury to staff, prisoners and the public and for third party contract disputes where the likelihood of a liability arising is deemed possible not likely or not reliably measureable. Other claims where it is more likely than not that a liability will arise have been provided for in the accounts. See Note 12.

Remote contingent liabilities reported to Parliament are disclosed in the Accountability Report on page 53.

18. Pensions

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

76 persons retired early on ill health grounds (2016-17: 101). The total additional accrued pension liabilities in the year amounted to £0.3 million (2016-17: £0.4 million).

Principal Civil Service Pension Scheme

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

For the year to 31 March 2018, employer’s contributions of £212.3 million were payable to the PCSPS (2016–17: £204.1 million) at rates in the range of 20.0%-24.5% (2016-17: 20.0%-24.5%) of pensionable pay (27.9% for prison officer grades with reserved rights) based on salary bands. The employer contribution rates for 2018-19 remain unchanged. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Partnership pension accounts

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers’ contributions of £1.1 million were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2016–17: 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.04 million, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. There were no contributions due and no contributions prepaid to the partnership pension providers at 31 March 2018.

Local Government Pension Scheme

HMPPS offers retirement benefits within the Local Government Pension Scheme (LGPS) to probation staff working within the National Probation Service (NPS). Past employees of the probation trusts, and staff who transferred from the trusts to CRCs and HMPPS, are also covered by the provisions of LGPS via one pension fund which is with Greater Manchester Pension Fund (GMPF). The LGPS is a funded, multi-employer defined benefit scheme. HMPPS recognises an LGPS pension scheme liability in these accounts.

The LGPS pension liability transferred from probation trusts to HMPPS on 1 June 2014. A liability arises as employees earn their future entitlement to payments when they retire. The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The contribution rates reflect benefits as they are accrued, and reflect the past experience of the schemes.

The LGPS provides benefits on a 'final salary' basis, up to 31 March 2014, at a normal retirement age of 65. For pensionable service up to 31 March 2008, benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay of every year of total membership is payable on retirement. Benefits accrued at the rate of 1/60th of pensionable salary for service from 1 April 2008 to 31 March 2014 with no automatic lump sum.

From 1 April 2014, the scheme provides benefits on a career average revalued earnings (CARE) basis. Benefits accrue at the rate of 1/49th of pensionable salary for each year of service.

The scheme permits employees to take a lump sum payment on retirement in exchange for a reduction in their future annual pension. Members pay contributions of between 5.5% and 12.5% of pensionable earnings. Member contributions changed from 1 April 2014 and benefits accrued from this date are on a CARE basis, with protections in place for those members in the scheme before the changes took effect.

For the year to 31 March 2018, HMPPS paid employers' contributions of £75.9 million to GMPF, relating to current probation staff, at 29.6% (£73.9 million for 2016–17 at 29.6%). The employer contribution rates for 2018-19 remain unchanged.

The pension position as at 31 March 2018 is based on the actuarial report from Hymans Robertson LLP, the independent actuary for GMPF.

The major assumptions used by the LGPS actuary were:

	31 March 2018	31 March 2017
	%	%
Rate of increase in salaries	2.5	2.8
Rate of increase for pensions in payment and deferred pensions	2.4	2.4
Discount rate	2.7	2.6

Movements in the LGPS defined benefit obligation during the year:

	31 March 2018			31 March 2017		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Plan assets	-	3,751,762	3,751,762	-	3,107,200	3,107,200
Funded liabilities	(5,280,227)	-	(5,280,227)	(4,252,700)	-	(4,252,700)
Unfunded liabilities	(49,911)	-	(49,911)	(47,900)	-	(47,900)
Opening balance at 1 April	(5,330,138)	3,751,762	(1,578,376)	(4,300,600)	3,107,200	(1,193,400)
Current service costs	(155,484)	-	(155,484)	(94,460)	-	(94,460)
Past service costs (including curtailments)	(1,602)	-	(1,602)	(9,285)	-	(9,285)
Gains and losses on settlements	-	-	-	-	-	-
Total current and past service costs	(157,086)	-	(157,086)	(103,745)	-	(103,745)
Net interest (cost) income	(138,994)	97,316	(41,678)	(150,132)	108,362	(41,770)
Remeasurements						
Returns on plan assets, excluding amounts included in interest expense/(income)	-	16,455	16,455	-	554,337	554,337
Gain/(loss) from change in financial assumptions	154,423	-	154,423	(834,747)	-	(834,747)
Experience gains/(losses)	614	-	614	(49,719)	-	(49,719)
Gain/(loss) from change in demographic assumptions	-	-	-	(11,158)	-	(11,158)
Total Remeasurements	155,037	16,455	171,492	(895,624)	554,337	(341,287)
Contributions						
Employers ¹⁹	-	101,870	101,870	-	98,307	98,307
Plan participants	(25,043)	25,043	-	(26,541)	26,541	-
Unfunded benefits	-	3,379	3,379	-	3,519	3,519
Payment from plans						
Benefit payments	139,486	(139,486)	-	142,985	(142,985)	-
Unfunded benefit payments	3,379	(3,379)	-	3,519	(3,519)	-
Closing balance at 31 March	(5,353,359)	3,852,960	(1,500,399)	(5,330,138)	3,751,762	(1,578,376)
Plan assets	-	3,852,960	3,852,960	-	3,751,762	3,751,762
Funded liabilities	(5,306,407)	-	(5,306,407)	(5,280,227)	-	(5,280,227)
Unfunded liabilities	(46,952)	-	(46,952)	(49,911)	-	(49,911)
Closing balance at 31 March	(5,353,359)	3,852,960	(1,500,399)	(5,330,138)	3,751,762	(1,578,376)

¹⁹ £101.9 million is the actuarial calculation (based on actual and estimated amounts) of the employer contribution figure for both NPS and the 21 CRCs (2016-17: £98.3 million).

The plan assets in the LGPS were:

	Value at 31 March 2018 £'000	Value as a percentage of total scheme assets at 31 March 2018 %	Value at 31 March 2017 £'000	Value as a percentage of total scheme assets at 31 March 2017 %
Equities	2,379,210	62	2,590,201	69
Government Bonds	33,386	1	49,362	1
Other Bonds	749,620	19	564,300	15
Property	131,913	3	102,883	3
Cash and cash equivalents	140,927	4	104,246	3
Other	417,904	11	340,770	9
Total Plan Assets	3,852,960	100	3,751,762	100

Sensitivity Analysis

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

	31 March 2018		31 March 2017	
	Approximate monetary amount £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %
0.5% decrease in real discount rate	527,062	10%	519,750	10%
0.5% increase in the salary increase rate	86,971	2%	89,634	2%
0.5% increase in the pension increase rate	433,376	8%	421,964	8%

19. Financial instruments

Categories of financial instrument

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

Loans and receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market. Receivables are assessed at each SoFP date and impaired where recoverability is in doubt.

HMPPS holds share investments of £0.5 million in milk companies due to the milk producing prison farms run by HMPPS at HMP Usk and HMP Hewell. They are held as financial assets at fair value through profit and loss. Fair value is equal to market value at the reporting date, and the movement in the value of assets is recognised immediately in the SoCNE, as income or as an expense.

HMPPS has financial liabilities comprising PFI liabilities, finance lease liabilities, trade payables, other payables and accruals. Financial liabilities are measured initially at fair value. Where the effect is material, estimated cash flows of financial liabilities are discounted.

Credit risk

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

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

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

20. Special shares

The Secretary of State for Justice holds one special share in each of 21 Community Rehabilitation Companies, which are listed below. In accordance with the FReM, HMPPS does not recognise special shares on its SoFP.

- The Bedfordshire, Northamptonshire, Cambridgeshire and Hertfordshire Community Rehabilitation Company Limited
- The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited
- The Cheshire and Greater Manchester Community Rehabilitation Company Limited
- The Cumbria and Lancashire Community Rehabilitation Company Limited
- The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited
- The Dorset, Devon and Cornwall Community Rehabilitation Company Limited
- The Durham Tees Valley Community Rehabilitation Company Limited
- The Essex Community Rehabilitation Company Limited
- The Hampshire and Isle of Wight Community Rehabilitation Company Limited
- The Humberside, Lincolnshire and North Yorkshire Community Rehabilitation Company Limited
- The Kent, Surrey and Sussex Community Rehabilitation Company Limited
- The London Community Rehabilitation Company Limited
- The Merseyside Community Rehabilitation Company Limited
- The Norfolk and Suffolk Community Rehabilitation Company Limited
- The Northumbria Community Rehabilitation Company Limited
- The South Yorkshire Community Rehabilitation Company Limited
- The Staffordshire and West Midlands Community Rehabilitation Company Limited
- The Thames Valley Community Rehabilitation Company Limited
- The Wales Community Rehabilitation Company Limited
- The Warwickshire and West Mercia Community Rehabilitation Company Limited
- The West Yorkshire Community Rehabilitation Company Limited

Special shareholder consent is required for a number of decisions, including:

- transferring or disposing of:
- any security interest in relation to the services agreement. The services agreement with HMPPS is for the delivery of rehabilitation services by the CRC
- a substantial part of the business, its assets or employees, which would materially affect the ability of the company to carry out the services agreement
- legal or beneficial interest in the company's ordinary shares
- voluntary winding-up or dissolution of the company, or appointing an administrator
- creating, issuing, purchasing, reducing, buying-back or redeeming shares in the company, or varying voting rights attached to shares

In accordance with the services agreement, the special shareholder may require the transfer of assets from the company to a replacement service provider.

The special shareholder has the right to require a CRC to effect the disposal of shares held by 'prohibited persons', who are persons who are subject to sanctions or whose holding appears to the special shareholder to be prejudicial to the security interests of the community in the context of the management of offender services within the community.

The special shareholder has voting rights in regard to any attempt to change the role of the special shareholder, rights attached to the special shareholding or key definitions within a CRC's articles of association.

The special shareholder may appoint a representative, who would be entitled to observer rights and access to the same information as the company directors.

The shareholding may be redeemed at any time by the shareholder.

The shareholder has no right to capital or profits of the company, other than redeeming the nominal £1 value of the share.

21. Related party transactions

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

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

A close relative of Amy Rees, Executive Director, HMPPS Wales, is employed by HMPPS on a permanent basis.

A close relative of Amy Rees, Executive Director, HMPPS Wales, is employed by PwC. PwC are providers of professional services to HMPPS.

Sir Martin Narey, who is a non-executive director of MoJ, is also a non-executive member of the board of Unilink Software Ltd, which is a supplier to HMPPS. HMPPS made payments to Unilink totalling £2.6 million in 2017-18 (2016-17: £0.9 million).

22. Ministry of Justice internal restructure

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

YJB is an executive non-departmental public body within the MoJ departmental boundary. Transfers of functions are accounted for on an absorption basis in accordance with the FReM. The net assets relating to the transferred functions have been brought into the HMPPS financial statements at the date of transfer with no adjustment to carrying value. The net asset carrying value is recorded as a non-operating gain in the SoCNE. The analysis below shows the net assets that transferred to HMPPS on 1 September 2017. The accounting policies of YJB are considered to be consistent with HMPPS.

	Notes	01 September 2017 £'000
Non-current assets		
Property, plant and equipment	5	68,943
Current liabilities		
Trade and other payables	11a	(757)
Non-current liabilities		
Trade and other payables	11b	(11,407)
Net gain on transfers by absorption		56,779



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.

HMPPS is an Executive Agency of the MoJ and has been allocated an annual budget for the financial year 2018-19.

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