



HM Prison &
Probation Service

Her Majesty's Prison and Probation Service

Annual Report and Accounts 2019–20

HC 708



Her Majesty's Prison and Probation Service

Annual Report and Accounts

2019–20

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

Ordered by the House of Commons to be printed 24 September 2020.



© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

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

This publication is available at www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at: hmppscommunications@justice.gov.uk

ISBN 978-1-5286-1929-5

CCS0320325228 09/20

Printed on paper containing 75% recycled fibre content minimum.

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

Contents

Performance report	3
Overview	4
Vision, principles and outcomes	4
Foreword by the Chief Executive Officer	6
How our services are structured	8
Performance summary	9
Financial performance	15
Performance against our principles	17
Enable people to be their best	17
An open, learning culture	23
Transform through partnerships	28
Modernise our estates and technology	34
Our people	41
Sustainability report	44
Accountability report	53
Corporate governance report	54
Directors' report	54
Governance statement	58
Statement of Accounting Officer's responsibilities	75
Remuneration and staff report	76
Parliamentary accountability	97
Certificate and report of the Comptroller and Auditor General to the House of Commons	99
Financial statements	103
Financial statements	104
Notes to the accounts	108



Performance report



Overview

This section sets out the agency’s vision, principles and outcomes as laid out in the Her Majesty’s Prison and Probation Service Business Strategy: Shaping our Future, which was published in November 2019.

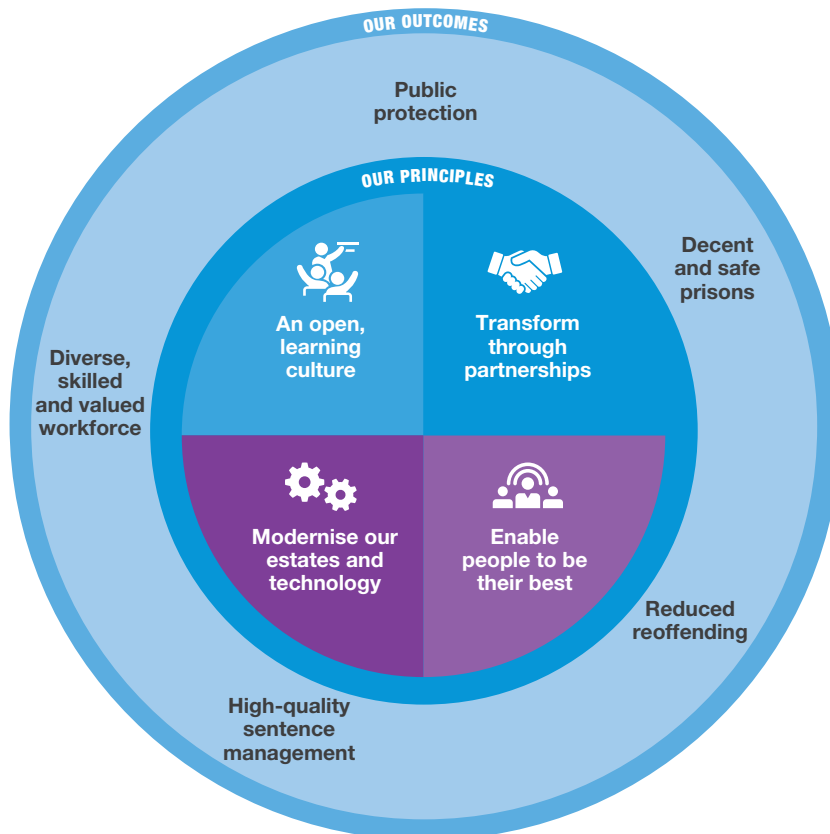
Vision, principles and outcomes

Vision

Working together to protect the public and help people lead law-abiding and positive lives

The strategy is the start of us coming together as a more proactive, inclusive and aspirational agency better equipped to respond to challenges, make informed decisions about achieving our priorities and respond to the direction set by ministers. We want a diverse, skilled and valued workforce working in a safe, decent and secure estate, delivering high-quality sentence management, so we can reduce reoffending and protect the public.

The strategy has four principles that all our work aligns with to achieve our outcomes



HMPPS principles

Enable people to be their best

Recruit a more diverse group of staff to achieve an inclusive culture that supports everyone to reach their potential

Better demonstrate our care for the wellbeing of our people

Attract new talent and provide existing staff with opportunities to improve skills, knowledge and experience, and develop their careers



An open, learning culture

Continually look for ways to improve performance and deliver our services efficiently and effectively

Increase the use of evidence, insight and data to improve our understanding of what works, looking at good practice inside and outside of HMPPS

Learn from our successes and what has not worked well, and share that learning across HMPPS and our partners



Transform through partnerships

Improve collaboration across HMPPS to make best use of our collective expertise and influence

Expand and strengthen our partnerships, coordinating services so that those we manage can access the right interventions at the right time

Enhance how we work with our partners to better use our collective resources



Modernise our estates and technology

Work with Ministry of Justice (MoJ) to develop a long-term plan to invest in our estate – balancing improvements through investments in existing buildings with building new and modern facilities

Invest in key elements of our technology to improve the speed and functionality of IT provision for our staff

Improve technology and infrastructure to find more cost-effective ways of working and unlock innovative approaches to rehabilitation



Outcomes

If we work to our principles, we are confident we will be successful in delivering the following outcomes:

Protecting the public – Reducing reoffending – Decent and safe prisons

Diverse, skilled and valued workforce – High-quality sentence management

Foreword by the Chief Executive Officer



My first year as the Chief Executive of HMPPS has been different than I envisaged when I started in April 2019. As with the rest of the country, we have had to cope with the new and unexpected challenges of COVID-19.

I am really proud of the way people in HMPPS have risen to the challenge, going the extra mile to provide a safe place for people in prison and youth custody and a continuous service for those under our supervision. COVID-19, however, has not dominated our year. We have made significant progress towards creating a different future, including reducing levels of violence across our estate and planning for a unified probation service.

Significantly, the development and launch (in November 2019) of our new strategy signalled the start of our coming together as One HMPPS – a more proactive, inclusive and aspirational organisation, better equipped to meet challenges, make informed decisions and respond to the direction set by ministers.

The strategy's four principles of enabling people to be their best, modernising our estates and technology, having an open and learning culture, and transforming through partnerships sit above all of our work, and it is against these principles we present our performance and progress in this report.

During 2019–20, we faced increasing and sustained prison population pressures. We continued developing our long-term prison estates strategy including the investment of £2.5 billion to create an additional 10,000 prison places by the mid-2020s. In May 2019, we began construction of a new £253 million prison at Wellingborough. When complete, it will provide 1,680 places and be the first purpose-built Category C resettlement prison.

Safety in prisons is an absolute priority for HMPPS. This year we have seen the first decrease in the level of assaults in custody after several years of continued increases. This is really encouraging, and shows the impact of sustained efforts in this area. However, rates of self-harm continue to be high. Building relationships between staff and prisoners, through schemes such as key work, will be vital in the coming months to make prisons safer for those who live and work in them.

To help us tackle high levels of violence and self-harm within the youth secure estate, we have introduced dedicated youth justice training for all prison officers in the Youth Custody Service (YCS) as well as in-room telephony to all YCS

establishments. These phones have been so important to enable children to maintain contact with their families and others, especially in recent months. In June 2019 and January 2020, we held the first peace symposiums to bring partners together and build an ethos across the YCS that puts children at the heart of everything we do.

In probation, our planning has continued towards a unified model, which will bring all offender management work together from June 2021. This is a unique opportunity to think differently about the services we provide, particularly in terms of helping people to manage addictions and offending behaviour, and have joined-up support for people to rebuild their lives after leaving prison. As a first step, Wales successfully completed the integration of offender management in December 2019, and six new regional directors of probation were appointed across England and Wales.

In recent months, we have adapted rapidly to respond to COVID-19, developing an effective approach to manage the virus – with changes to prisons’ regimes, probation supervision arrangements and central functions – and safeguarding the future vision against further disruption through changes to plans for probation reform. I am really proud that advice from Public Health England shows that the steps we have taken have helped to save lives and protect our staff.

Despite this, we have lost some of our staff to COVID-19. We will want to pay tribute to them properly once we are able to be together again. In the meantime, we should take a moment to remember the colleagues and service users who are no longer with us, and my thoughts are with their friends, families and colleagues at this difficult time.

This year has given us opportunities to learn and to do things differently. We will reflect on this as One HMPPS, joining up across prisons, probation and youth custody to better support one another, and coordinate our services so that those in our care or under our supervision can be supported to change their behaviour.

I am proud to lead an organisation of such talented and committed teams and people. Their dedication throughout this year has meant we have continued to provide our vital services in some of the most challenging of circumstances. Our staff truly are Hidden Heroes.



Dr Jo Farrar

Chief Executive Officer
Her Majesty’s Prison and Probation
Service


How our services are structured



82,990
 prisoners held in England and Wales
 (as at 31/03/20)

21,928
 full-time equivalent prison officers in post
 (as at 31/03/20)

241,350
 offenders on probation (that is, court orders and pre/post release supervision) at the end of March 2020. This represents a 3% decrease compared to the end of March 2019.



Performance summary

Safety of the people who work in, live in and visit prisons is an absolute priority. In the year to the end of March 2020, we saw the first year-on-year decrease in the level of assaults in custody, after continued increases over the past few years. There were also fewer deaths and self-inflicted deaths in custody in 2019 than there were in 2018. However, we know more still needs to be done.

While levels of self-harm continue to be unacceptably high, it is encouraging to see that we may be turning the corner.

Ensuring that prisons are places of safety is imperative if we are to make them places of hope. We have seen encouraging signs in terms of safety, which have contributed to a gradual improvement in the ratings of prisons on our performance framework.

We focus on taking the best actions and decisions that we are confident will be effective, for the best reasons and to the best of our abilities. This is how we will improve performance and address the challenges that we face.

Timely and accurate performance data is key to the effective management of the agency. Key performance indicators (KPIs) are reviewed annually to ensure that they reflect ministerial priorities and the departmental strategy.

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

The department's analytical services function provides monthly KPI data to the prison, probation and YCS Operational Management Committees which review the latest position, trends and actions that may be required to address areas of poor performance and manage risks.

Most of the measures and many of the agency's risks also feed into the MoJ performance dashboards, which are discussed monthly at the Departmental Executive Committee and at the HMPPS Chief Executive's Hold to Account meetings with the MoJ Permanent Secretary.

Probation

The National Probation Service (NPS) met or exceeded its targets on all of its KPIs in **2019–20** (April to March) and maintained or improved performance against all but two compared with **2018–19**.

CRC performance nationally was above target on four out of eight KPIs in **2019–20** (April to March). Of the remaining four, one showed an improvement compared with **2018–19**.

Initial contact – this is whether the first face-to-face appointment takes place within the required timescale (five business days for Community Orders (CO) / Suspended Sentence Orders (SSO); one business day for release from custody on licence).

NPS initial contact (CO and SSO)

97.1%  97.4%

NPS initial contact (release from custody on licence)

99.3%  99.2%

Target 97%

CRC initial contact (CO and SSO)

96.9%  94.4%

CRC initial contact (release from custody on licence)

97.1%  94.6%

Target 93%

Sentence plan timeliness – sentence plans completed within the required timescale (10 or 15 business days after first appointment)

NPS sentence plan timeliness (CO and SSO)

97.6%  97.9%

NPS sentence plan timeliness (licence)

98.0%  97.9%

Target 97%

CRC sentence plan timeliness (CO and SSO)

94.9%  89.1%

CRC sentence plan timeliness (licence)

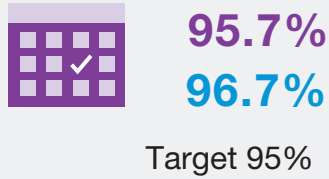
94.1%  86.4%

Target 97%

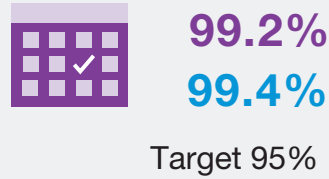
Probation

NPS breach and recall timeliness – timeliness of actions taken in response to breach of CO, SSO or licence in **2019–20** and **2018–19**

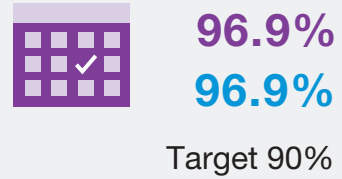
Alleged breaches of COs/SSOs presented to the court within required timescale (10 business days)



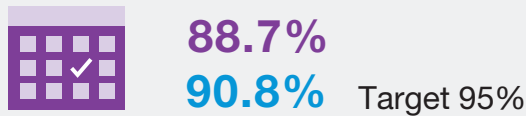
Alleged breaches of licence referred within 24 hours for recall to custody



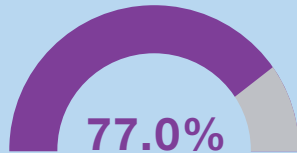
Completion within 10 business days of risk management plan following recall to custody



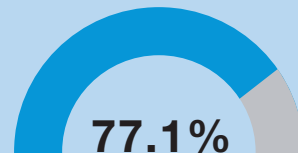
CRC breach referral timeliness – (referral of alleged breach of CO, SSO or Post-Sentence Supervision within eight business days)



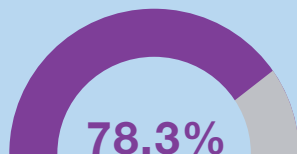
Completion of the sentences of the court



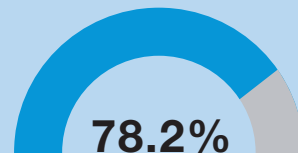
NPS completion of CO and SSO



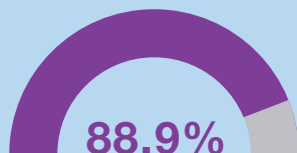
Target 75%



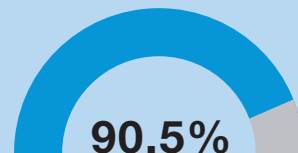
CRC completion of CO and SSO



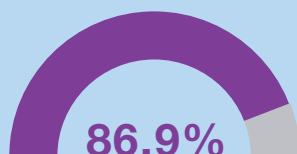
Target 75%



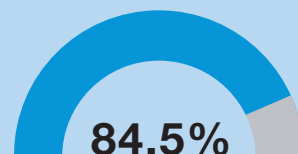
CRC completion of unpaid work



Target 90%



CRC completion of accredited programmes



Target 90%

Prison

Rate of prisoner-on-prisoner assaults per 1,000 prisoners

12 months ending
March 2019



12 months ending
March 2020



There has been a decrease in the rate of **prisoner-on-prisoner** assaults per 1,000 prisoners in the 12 months ending March 2020 when compared with the 12 months ending March 2019.

Rate of assaults on staff per 1,000 prisoners

12 months ending
March 2019



12 months ending
March 2020

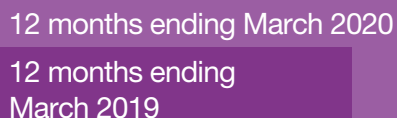


There has been a small decrease in the rate of **assaults on staff** per 1,000 prisoners in the 12 months ending March 2020 when compared with the 12 months ending March 2019.

Rate of self-harm incidents per 1,000 prisoners

777

700



There has been an increase in the rate of **self-harm incidents per 1,000 prisoners** and the rate of **self-harming individuals per 1,000 prisoners** in the 12 months ending March 2020 when compared with the 12 months ending March 2019.

Rate of self-harming individuals per 1,000 prisoners

12 months ending
March 2019

151

12 months ending
March 2020

159

Average rates of positive random mandatory drug tests (excluding new psychoactive substances)

The rate of positive random mandatory drug tests excluding New Psychoactive Substances rose slightly in 2019–20.

Apr 2018 – Mar 2019 **10.0%**

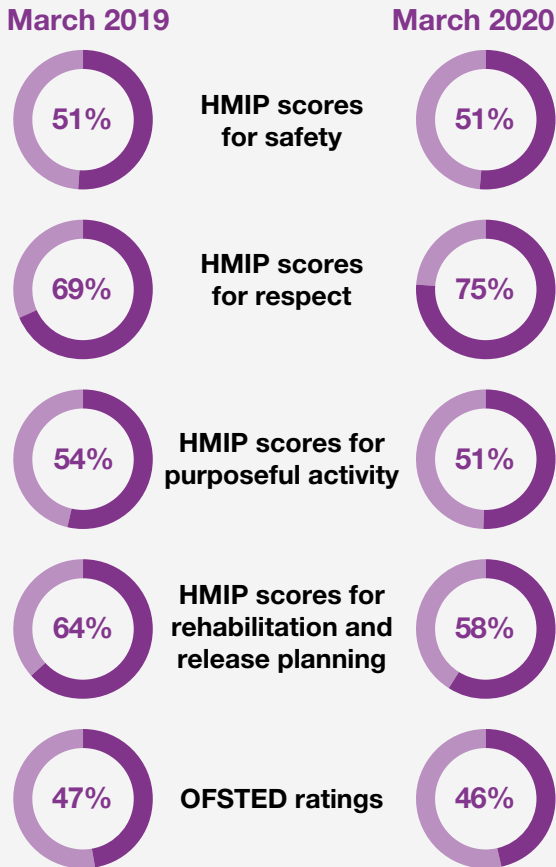
Apr 2019 – Mar 2020 **10.2%**

For the period from December 2019 to March 2020, when tests included further New Psychoactive Substances, the rate of positive tests for such substances was 9.4%.

Prison

Published HMIP and Ofsted scores

The performance of prisons in meeting standards set by HM Inspectorate's healthy prison tests (percentage good or reasonably good) and by Ofsted (percentage good or outstanding).

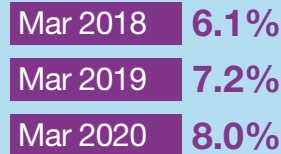


Inspection reports published in 2019–20 showed a higher proportion of prisons meeting HMIP standards for respect, but the proportion declined for purposeful activity, and rehabilitation and release planning. Safety remained unchanged.

The proportion meeting Ofsted standards also fell slightly.

Staffing

Resignation rate for **band 3–5 prison officers** (doesn't include the youth custody estate), for 12 months ending:



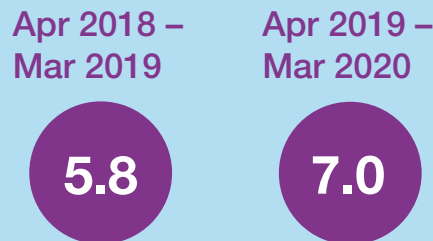
Security

Number of escapes from prison and prison escorts



There were two escapes from prisons and prison escorts in 2019–20 compared with three in the previous year.

Rate of absconds per 100,000 prisoner days (for open and semi-open prisons only)



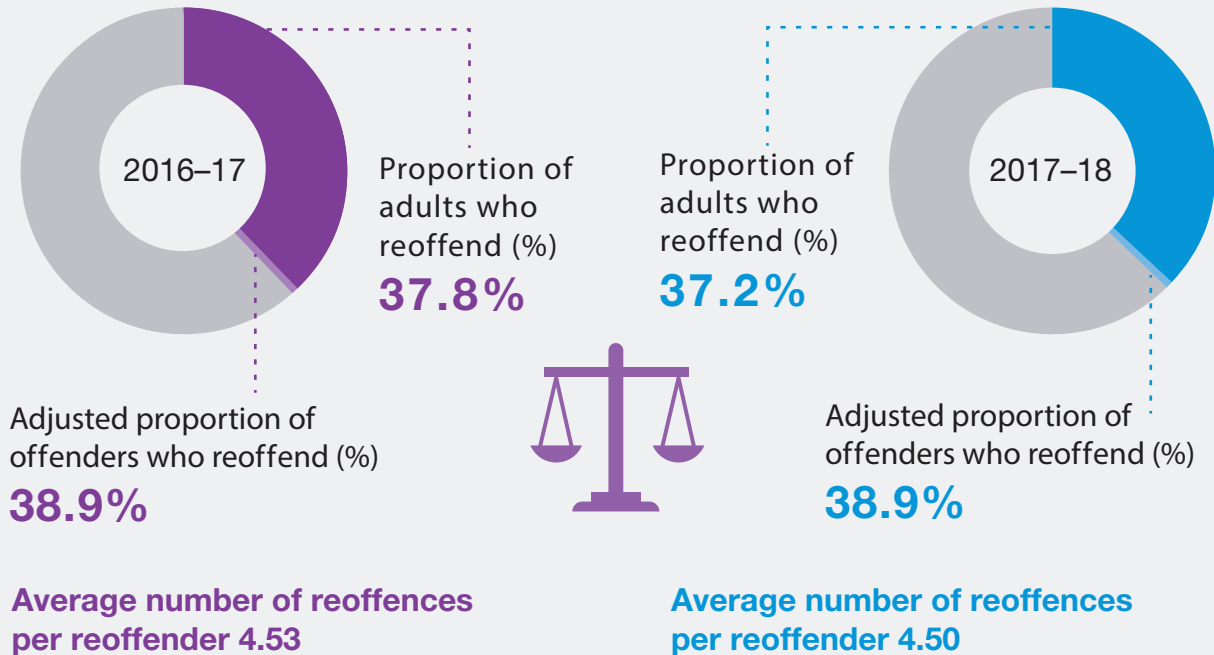
The rate of absconds from open and semi-open prisons increased from 5.8 per 100,000 prisoner days in 2018–19 to 7.0 in 2019–20.

Statistics on safety in custody are published every quarter at: <https://www.gov.uk/government/collections/safety-in-custody-statistics>

Proven reoffending rate

The annual average of proven reoffending rate in April 2017 to March 2018 for adult offenders discharged from prison or commencing a court order shows a very small decrease when compared with the rate in April 2016 to March 2017.

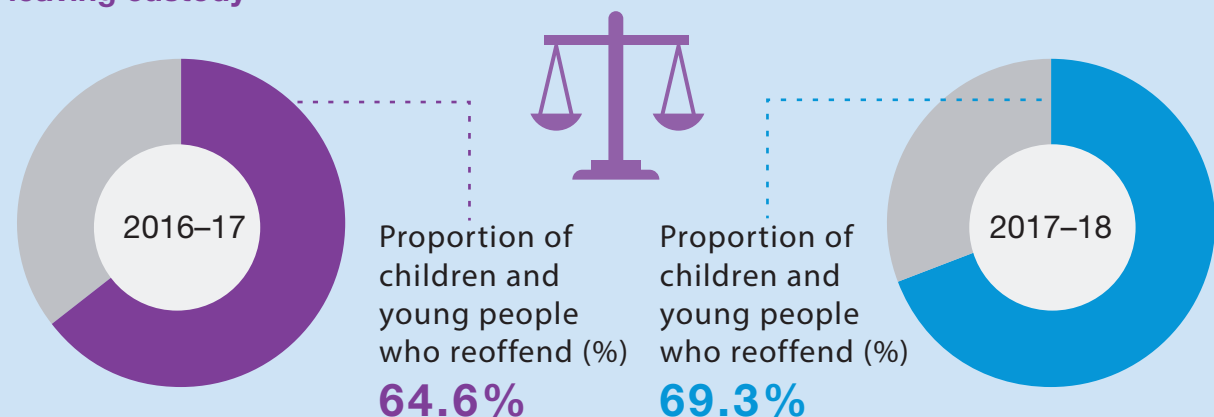
One-year proven reoffending rate for adults released from prison or commencing a court order



Adjusted rate indicates the expected rate of reoffending given the cohort characteristics

The annual average proven reoffending rate in April 2017 to March 2018 for children and young people leaving custody increased when compared with the rate in April 2016 to March 2017.

One-year proven reoffending rate for children and young people leaving custody



Financial performance



Where we spent our money in 2019–20

HMPPS committed gross resource expenditure of £4.5 billion. This was £0.3 billion more than 2018–19. In addition to this, £0.2 billion of capital spend was incurred. This represents a continuing pattern of investment in our prison and probation services.

We are spending more of our money on areas that really matter. There has been a continued focus on improving conditions and performance in prisons alongside a drive to implement reform across probation. We have invested in our prisons and our estate, and continue to invest in the wide-ranging probation change programme.

How we are financed

We are primarily financed by funding from the MoJ as our parent department. We also generated £273 million operating income in 2019–20 as a result of various

initiatives to generate revenue in addition to recharges of costs incurred.

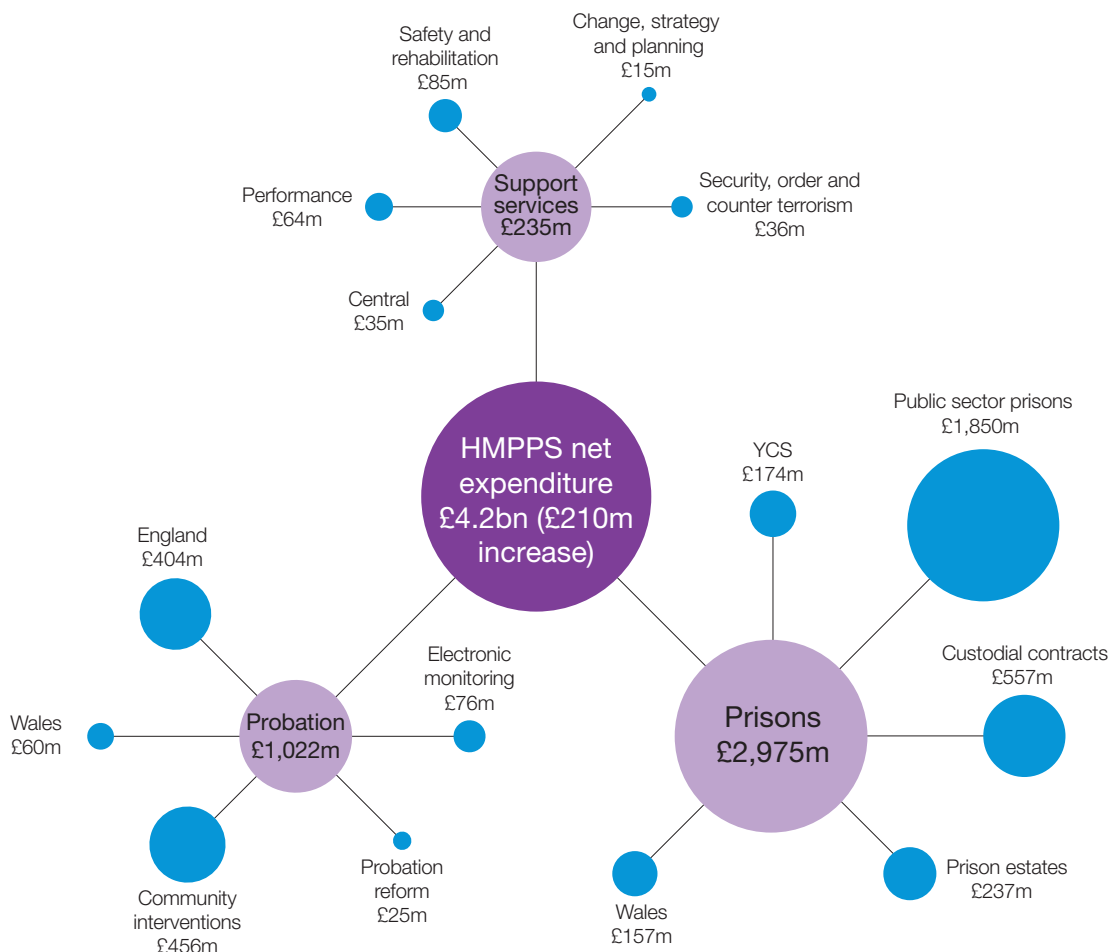
The retail prison shop income comes from a contract providing offenders with a weekly opportunity to make purchases with their own funds for food, hobby materials and other items. It is a self-funding contract, where offender purchases, and the margin made on these, are used to offset the total cost 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 develop transferable skills.

HMPPS receives a financial allocation from the European Union via the European Social Fund Managing Authority (Department for Work and Pensions) for delivery of resettlement services to offenders, up to 2023. The funding is used to support offenders who may be disengaged from mainstream activity, in both custody and community settings, to increase employability and provide opportunities to access mainstream services.

We also recover costs from funding partners as follows:

- 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)

The split of resource DEL between custodial and community services and support services is set out in the table below:



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.

The Finance Function

2019–20 was the second full year where the agency's financial management was provided through the MoJ functional leadership model. This model brings together specialists into a single, unified team across the department with the vision of putting finance at the heart of decision-making, with finance business partners working alongside operational colleagues and centres of excellence established to support the production of financial and management accounts.

Performance against our principles



Enable people to be their best

Performance overview:

We want HMPPS to be an inclusive organisation that attracts a workforce that, at all levels, better reflects the society we serve.

Strategic priority for 2019–20:

Recruit a more diverse group of staff to achieve an inclusive culture that supports everyone to reach their potential.

We have continued to tailor attraction communications to address different employment markets, seeking to attract a more diverse candidate pool and obtain applications from candidates with life skills, including experience of dealing with a broad range of people. During 2019–20, we have:

- launched our HMPPS People Plan, which will create a more diverse workforce where everyone feels included, and foster confident leaders who inspire and empower others
- continued to drive the Lammy report delivery programme to ensure that all recommendations are implemented, to reduce discriminatory treatment of Black, Asian and Minority Ethnic (BAME) prisoners
- established an inclusive recruitment team to ensure that all BAME staff and candidates have the right support, mentorship and opportunities when working for or applying to a role in HMPPS

We have many existing initiatives that we want to build upon through the HMPPS People Plan, so that our managers and leaders can be successful in their roles. We are also developing multiple pathways

to bring people into the service at different points in their careers, and give them the support and development that equips them to thrive and do well.

With a focused effort on those pathways, and the right sort of development, we are making a concerted effort to improve the representation, more quickly than would otherwise be the case, of women and ethnic minorities in more senior positions.

Strategic priority for 2019–20:

Better demonstrate our care for the wellbeing of our people.

The HMPPS People Plan outlines our aims over the next three years. The plan incorporates work that is underway, including:

- developing a Wellbeing Strategy that focuses on mental and physical health, financial wellbeing and a safe and healthy workplace
- setting up a Wellbeing Group to connect and network wellbeing teams and activities
- introducing Trauma Risk Management
- promoting all our employee support services so people know what is available and how to access them

While continuing the wider rehabilitative culture work is integral to our ability to reduce reoffending, and to providing safe and decent prisons, building a positive and rehabilitative culture also applies to how we treat our staff.

By building perceptions of fairness, and making improvements to the working environment, we can help our people to be their best.

However, we know that unacceptable behaviours still happen; they can make people uncomfortable in the workplace, hold people back, and even mean we lose good staff. When it comes to inclusivity and diversity, we need to be more proactive, so we are setting up a Tackling Unacceptable Behaviours Unit. As part of this, we are:

- training mediators
- setting up a confidential staff helpline
- learning more about where we have issues that we should address so that we can take the necessary action

This really matters. It is about our values of humanity and respect, but it is also about enabling the agency to deliver more effectively by allowing everybody within it to flourish.

We have a thriving set of staff networks, to assist with this challenge, of which we should all be proud. These include:



These networks are all working hard to advocate for and support people with different protected characteristics, with the increasing support of allies for their groups. In this respect, we are proud that with the MoJ we moved up to fifth in the Stonewall Workplace Equality Index this year.

We are also coordinating a high-profile wellbeing campaign for both prison and probation staff, alongside the Samaritans, Public Health England/NHS England and our Occupational Health and Employee Assistance programme providers. We propose that if the campaign is successful, it will become an annual drive. This campaign has the support of the Lord Chancellor and Minister Frazer.

We are aware that staff working days lost has now reached an average of 10 days, which is an increase upon the previous year. Mental and behavioural disorders and musculoskeletal system problems collectively account for about 60% of working days lost. We played a pivotal role in the development of the MoJ's refreshed Health and Wellbeing Strategy, which has four wellbeing strands, one being mental health (Healthy Mind).

Strategic priority for 2019–20:

Attract new talent and provide existing staff with opportunities to improve skills, knowledge and experience, and develop their careers.

We have many ongoing campaigns to recruit into HMPPS and provide opportunities for our talented workforce to enhance their learning and development. We are committed to:

- attracting and retaining talented people
- supporting and developing our people
- continuing to increase the diversity of new recruits and ensuring we attract the right people with the right skills

Over recent years we have seen an increased number of new prison and probation officers joining the service and providing high-quality and high-impact training is crucial to their success. We have:

trained over

3,300 

officers on the Prison Officer Entry Level Training programme since April 2019

passed a further cohort of

550
learners



through the Professional Qualification in Probation campaign in late 2019, of which 349 allocated candidates joined NPS and CRCs in January 2020 and will qualify in March 2021, with the remainder due to join CRCs in July 2020

placed

350 
new entrant
prison officers

into the new Level 3 Custody and Detention apprenticeship

agreed funding for a further

500
full-time
equivalent
prison
officers

in 2020 and an impact assessment is underway

grown the

**Unlocked
Graduates
Scheme**

a bespoke programme aimed at bringing top talent into the agency



seen a high number of staff complete the

**Youth Justice
Foundation
Degree
qualification**

which will enable staff to meet the needs of children in our care

HM Inspectorate of Probation has widely reported that across divisions, probation officer workloads are too high. To meet the anticipated significant future demand and pressures on our workforce, anticipated as a result of the government's commitment to recruit 20,000 new police officers, we have launched a new Probation Workforce Reform programme, which is:

- creating a strengthened, innovative and professional probation workforce
- ensuring we have the right number of probation staff with the right level of skills and capabilities
- rapidly accelerating recruitment of qualified probation officers to match anticipated criminal justice sector demand
- serving the probation system to protect the public and reduce reoffending

We have invested in improving the capability of our current employees, in areas such as the YCS. We are building the skills required to effectively work with the youth secure estate's challenging cohort of children, and continue to demonstrate staff value by assisting them through training to build HMPPS careers. We have also:

- built on our frontline staff skills and sharing of good practice across the estate by introducing an HMPPS Standards Coaching team in both Feltham and Werrington
- permanently recruited a national Head of Safeguarding who has extensive experience working with children in the community

We have new and existing programmes aimed at developing leadership skills and capability for our staff, such as the:

- Senior Leaders Programme, which uses placements outside of HMPPS in other government departments and public agencies to fully explore and develop leadership capability
- Accelerated Development Scheme, which sees high-potential prison officers advance to Head of Function level within 18 months

Case study

Prison officer apprenticeship

Attracting new talent

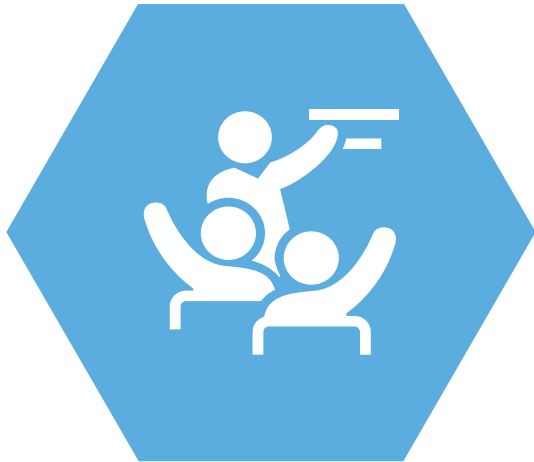
Through 2019–20, we piloted a new Level 3 Custody and Detention apprenticeship to become the default learning route for all new prison officers.

The 18-month programme creates greater challenge for learners, providing them with an interactive, engaging learning experience. It also:

- increases levels of in-role learning in establishments, with support provided by apprenticeship coaches
- introduces a welcome event involving ex-offenders to capture new recruits' hearts and minds and promote an early belief in changing lives and building a rehabilitative culture
- offers the professionalisation of receiving a qualification following the end-point assessment

The apprenticeship is contributing to our goal that learning happens outside of a classroom and where reflective practice becomes a healthy habit which improves performance, resilience and wellbeing.

It will professionalise our officers and recognise the diverse skills and attributes needed to be confident and competent in their roles.



An open, learning culture

Performance overview:

We focus on taking actions that we are confident will be effective – building an open, learning culture so we can make the biggest difference. We focus on taking the best decisions, for the best reasons and to the best of our abilities. This is how we will improve performance and address the challenges that we face.

Strategic priority for 2019–20:

Continually look for ways to improve performance and deliver our services efficiently and effectively.

We need to keep developing our knowledge of what works, drawing on a diverse range of expertise. We are continually looking for ways to improve our performance and deliver all our services more efficiently and effectively. To contribute to this, we have:

- established new performance committees for prisons, probation and youth custody to ensure that performance is actively monitored, and any performance-related issues are dealt with swiftly
- held the Safety Conference and Violence Symposium. These were examples of us bringing together a range of internal and external stakeholders to consolidate what we know and look to draw on the expertise and experience of others
- launched ‘Insights19’, a vibrant programme of over 150 free learning and development events, open to all staff who worked for, or alongside, HMPPS. This included our partners from across the public, private and third sectors

We have seen a gradual improvement in our internal assessments of prison performance and we are now getting corresponding recognition from external bodies. Her Majesty’s Inspectorate of Prisons has identified improvements in a number of prisons including Liverpool, Wormwood Scrubs and Nottingham (following high-profile inspections).

Improvements have also been seen in many other inspection reports, with Highpoint, Buckley Hall and Cardiff being further examples where additional investment and the hard work of staff is beginning to succeed.

Performance in the NPS has also been strong throughout 2019–20. The latest data shows that the overall performance across all measures is at or above target. However, performance has varied across NPS divisions and we are aware improvement in the CRCs is required.

Her Majesty’s Inspectorate of Probation year two ratings show that three of the eight CRCs to have undergone an inspection have now improved their overall rating to “good”. The remaining five “require improvement” (one being a single point off being rated “good”). The inspectorate also completed seven NPS inspections under their new regime.



Our contract management team will continue to closely monitor performance in CRCs during the transition period to future probation arrangements.

The 2018 Female Offender Strategy set out the government’s aim to improve outcomes for female offenders in custody and the community given their specific risks and needs. We have developed a training package – POWER – for our staff to ensure they are skilled in assessing and managing women, enabling them to respond to women in a gender and trauma informed way.

Over 100 staff across the community and custody workforce have now completed this training. Over the coming months we will be looking to review the content and delivery model to ensure the package is also accessible to CRC staff.

Strategic priority for 2019–20:

Increase the use of evidence, insight and data to improve our understanding of what works, looking at good practice inside and outside of HMPPS.

We can be proud that we are continuing to deliver good, evidence-based changes that will help us to realise our ambitions. The estates reconfiguration and the Offender Management in Custody (OMiC) model are rooted in what we know works in prisons, and we have made huge progress in implementing them. We must continue to embed and sustain them.

Accurate data is key to the effective management of the agency. KPIs are reviewed annually to ensure that they reflect ministerial priorities and the departmental strategy.

We provide monthly performance data to the HLT alongside internal scrutiny reports and finance and risk updates from each of the agency's sub committees. These are reviewed to determine the latest position, trends and relevant actions that may be required to address areas of poor performance and to manage risks, reported through the agency's risk register and sub committee updates.

We continue to look at innovative ways for improvement using key evidence and data to promote best practice, such as:

- improving the quality of information the courts receive from probation when sentencing by developing a pre-sentence report interview checklist that focuses on the priority needs of female offenders
- ongoing work to restrict the supply of drugs in our prisons, reduce demand and build recovery
- creating a new Counter Corruption Unit to improve our approach to tackling corruption (including cases of bribery) and to proactively pursue those suspected of corrupt activity
- delivering nationally the Effective Proposal Tool that captures the range of interventions available, including those designed specifically for women
- testing and implementing the new Generation 4 Digital Solution, which will roll out key digital products to improve data 'truth' (single source of data), improve offender information and contract management
- developing within probation, comprehensive strategies to invest in both our core contact centre estate and the digital and technology tools available to staff
- visiting all CRCs to ensure that they continue to be compliant with information security standards through

to the end of contracts

- continuing to record, mitigate and report on all HMPPS data incidents, which were in excess of 1,200 during 2019
- streamlining data capture and reporting processes for key practice areas across the youth secure estate through the information development project
- the publication of Her Majesty's Inspectorate of Prisons' thematic report into child separation and the launch of the separation taskforce. The findings from the taskforce will drive forward wholesale change in the YCS estate

In May 2019, following a public consultation and evaluation of different options, plans to significantly change the probation service were announced. Our proposed future system, the unified probation model, will come into effect in England when current CRC contracts expire in June 2021.

The impact of COVID-19 required a reassessment of plans for the unified model, and on 11 June 2020 the Lord Chancellor announced changes to safeguard these plans against any future disruption. Under these changes:

- all offender management, unpaid work and accredited programmes will be brought together under HMPPS, facilitating high-quality sentence management for all offenders
- we will provide more tailored rehabilitative and resettlement services that can be called off at a regional and local level to respond to need
- the existing geographical layout will be simplified to create 12 new regions for public sector and contracted provision across England and Wales

We will over the next four years be delivering an ambitious estates modernisation programme, which will look not only to redress the historical underspending in the estate but further look to provide a modern, safe and secure environment for staff which underpins the values set out in the unified model.

In December 2019, as a first step towards the unified model, Wales successfully completed the integration of offender management into the NPS. In England, we began implementing the new model from April 2020, appointing 12 probation regional directors to oversee the new regions across England and Wales and to assist with the transition into 12 new coterminous regions from seven divisions.

Strategic priority for 2019–20:

Learn from our successes and what has not worked well, and share that learning across HMPPS and our partners.

We need to keep building our understanding of what works and what does not. We are focused on taking actions that we are confident will be effective and sharing these outcomes.

To enable us to do this, we have:

- established a new approach to support performance improvements in our most challenged prisons – the Prison Performance Support programme. The programme aims to provide meaningful support to governors and their teams to address the underlying causes of poor performance

- continued to support operational performance by delivering a programme of assurance in custody and the community, giving the agency confidence in the quality and consistency with which it responds to external scrutiny
- created a reducing reoffending directorate to influence change in culture, behaviours and actions internally and externally. It will provide challenge to entrenched thinking as well as recognising and celebrating what we are doing well and highlighting what we are not doing so well
- worked to improve performance across the YCS estate led by targeted assurance work stemming from an increased onsite presence in the public sector sites and the secure training centres
- continued the work to ensure that a consistent approach to assurance and risk registers is in place throughout the estate

Case study

YCS peace symposiums

Improving performance in the Youth Custody Service

The YCS peace symposiums were established to help build the ethos of One YCS across youth custody.

To create an exciting and energised multi-sector forum, the first peace symposium took place in June 2019 with the second in January 2020. (A third event is planned for later in 2020.)

‘Positive peace’ provides an overarching approach for a wide range of activities and interventions across youth custody – one which align sectors, stakeholders, colleagues and children.

Each symposium has hosted a wide range of established and international speakers, supporting YCS in developing our service.

Senior leaders and stakeholders from across youth justice come together to learn and contribute. They have the opportunity to consult and consider how approaches can best fit together to provide positively orientated, safe and effective services for both colleagues and children.

The symposiums have already become a place where our shared learning can be tested and developed, creating a shared understanding of the direction of YCS.

This joined up approach is providing a key step in achieving One YCS.



Transform through partnerships

Performance overview:

Staff across prisons, probation and youth custody service have a wealth of knowledge and experience. We want to act increasingly as One HMPPS, building on the Offender Management in Custody (OMiC) model, coordinating the provision of services so that those in our care or under supervision can access the most appropriate interventions, at the best time, to support them to change their behaviour.

Strategic priority for 2019–20:

Improve collaboration across HMPPS to make best use of our collective expertise and influence.

Working collaboratively across the agency and with our stakeholders is imperative to achieve the best outcomes possible for both offenders and staff.

Our new strategy is very clear about how we are much stronger when we work together, to get the best outcomes for those in our care. We must continue to nurture a whole-system perspective in which we think of ourselves as One HMPPS.

We have partners in the community that play a vital role in reducing reoffending. Since probation is always place-based, and based in the community alongside those partners, they are best positioned to take a leadership role on behalf of HMPPS. However, prisons must play their full part in this effort alongside probation, especially those establishments with a resettlement function. During 2019–20, through collaborative working we have:

- continued the implementation of the OMiC model, with the ambition to make transformational improvements in safety and the quality of case management in custody, giving the best possible opportunities for prisoners to change their lives to become law-abiding citizens on release
- started the second phase of the OMiC programme. This phase sees the transfer of approximately 20,000 cases from being held by staff in the community to staff in prison offender management units

- worked with charities and partners in UK and Welsh government – to use our collective expertise to find innovative solutions to tackling self-harm, with all public sector establishments in Wales currently developing harm reduction action plans
- successfully merged Wales CRC and NPS Wales in December 2019
- begun implementation of an integrated care framework – Secure Stairs, which addresses the needs of children and young people in secure children’s homes, secure training centres and young offender institutions
- engaged in cross-departmental commissioning of the Prisoner Escort and Custody Service (PECS) Generation 4 contract which will see a bespoke service for our children moving through courts and on to establishments
- worked with colleagues across the department on shaping the government’s vision for the future of the children’s secure estate across justice, welfare and mental health
- established a multi-disciplined team to lead on preparations and manage the risks to the agency from the possibility of a no deal Brexit

Strategic priority for 2019–20:

Expand and strengthen our partnerships, coordinating services so that those we manage can access the right interventions at the right time.

Partnership working is vital for the successful delivery of the justice system. Working in partnership with key justice stakeholders will aid delivery of efficient and effective services that will achieve better outcomes for the community and individuals in the justice system or at risk of entering it.

The transition from custody to the community is a critical part of any offender’s experience of the criminal justice system. This means that we have been working hard to join up our work, and to ensure that that transition is as smooth as possible.

The involvement of probation officers working in prisons as part of OMiC is helpful in facilitating this joint working at a local level, while prison group directors and probation divisional directors are coming together to progress this within regions and alongside external partners.

We continue to develop innovative approaches to working with partners, communities and individuals to understand and more effectively address the needs of those who have offended or are at risk of offending and make communities safer. These have included:

producing an **operational strategy which sets out our commitments** over the next two years

deploying over **400 probation officers** and over **100 senior probation officers**

into prisons. Further deployment throughout 2020 was expected, but has been impacted by COVID-19



opening an **approved premises for women** in London. This is the first time there has been a service for women in London since 2008

exploring **new options for all Welsh children** in the criminal justice system to be placed in secure accommodation in Wales and nearer to their home communities



developing a **performance dashboard**, soon to be implemented which brings together all our accommodation measures into one place, **leading to greater consistency** and transparency and helping support our partnership working

transferring **302** former CRC staff to NPS Wales

working closely with the Department for Education to explore the possibility of **jointly commissioning welfare and justice places in secure children's homes**

commencing a project to expand the capacity of our approved premises to fulfil a ministerial **commitment to provide an additional**

200  **beds over the coming years**

developing a **new way of monitoring and tracking bed-spaces** on our performance hub which leads to greater transparency, closer contract monitoring and efficiency

implementing a new **initiative to reduce suicide, self-harm and self-harming behaviour** in our residential services – upskilling staff, updating processes, and introducing new ways of supporting families and residents

Strategic priority for 2019–20:

Enhance how we work with our partners to better use our collective resources.

We are driving a step change in the agency and the whole system response to reoffending to galvanise and make a reality of the One HMPPS vision, which aims to create a sense of a shared mission with our partners across government and in the public, private and third sectors.

We continue to have regular engagement with our health partners in both England and Wales, which we have been able to rely on at important times. Meanwhile, our work with providers of education and work places, and with charities providing support for prisoners during and after their time in custody, is fundamental to reducing reoffending and helping to protect the public.

There have been some great examples of collaborative working with our partners through 2019–20 to improve the service we provide, which include:

- delivering a challenging set of objectives for the PECS programme which provided a best-fit and value for money solution, improved data sharing and is driving service improvements to ensure the ongoing safe and decent transportation of prisoners and detainees
- delivery of the New Futures Network, which increases employment opportunities upon release
- roll out of the digitised Person Transfer Request (PTR) – to 44 police forces. We have completed the PTR pilot in prisons (public) and roll out has begun (private prisons pilots are underway). The YCS pilot began in May 2020
- holding a cross-sector event – YCS peace symposium with attendees from children’s homes, secure training centres, young offender institutions and academics to discuss how we reframe violence in the youth estate and further drive forward our positive peace agenda (see case study)
- working in partnership with the Oasis Charitable Trust as the successful applicant for the country’s first secure school, and in close collaboration with other agencies, including NHS England, the Department for Education and the MoJ to turn this commitment into a reality
- establishing the cross-departmental National Social Care Partnership Board to drive consistency in the delivery of social care across the prison estate and to improve the continuity of care for individuals post-release
- strengthening our relationships with the Department of Health and Social Care and the directors of Adult Social Services which has improved our engagement with social care colleagues in local authorities
- working with a wide range of commissioners, stakeholders and partners to influence strategy, promote access to services and address the housing needs of offenders
- developing an accommodation framework and supporting toolkit to set out our responsibilities, our partners’ responsibilities and our key commitments over the next two years

Our Security, Order and Counter-Terrorism directorate has continued to work closely with law enforcement agencies, particularly following recent serious and high-profile incidents, and our relationships with those organisations have been strengthened by the way that those relationships are being managed.

Following two incidents of convicted terrorist offenders, subject to supervision on licence, committing further terrorist attacks in London, we have reviewed how TACT (Terrorism Act) and TACT-related offenders are managed in the community. Planning for TACT-related offenders due to be released, or that could be released, in the forthcoming months has intensified as an additional control measure. This has included:

- considering whether additional licence conditions, increased reporting levels and re-issuing Global Positioning System (GPS) tags are appropriate
- appointing Jonathan Hall QC to undertake a review of how effectively multi-agency public protection arrangements operate when it comes to the management of TACT, TACT-related and other extremist offenders. The report is due to be completed by summer 2020
- introducing emergency legislation to change the release point for existing TACT and TACT-related offenders serving determinate sentences, so that they will not be released automatically at the halfway point but will have to serve at least two-thirds of their sentence in custody, after which they must go before the parole board to determine whether they are safe to be released
- agreeing additional funding in January 2020, which will allow us to increase the number of places in approved premises over the next two years, with the aim of ensuring all terrorist offenders are housed under supervision for up to 12 months after release
- a requirement to enhance 10% of the overall approved premises estate across England and Wales to better manage TACT and other very high-risk offenders

Case study

The Good Loaf

Expanding and strengthening our partnerships

As a social business, Northamptonshire's The Good Loaf bakery looks to benefit the community by providing learning, training and employment opportunities to vulnerable local women in an innovative attempt to break the cycle of poverty, unemployment and offending.

Despite having only been fully operational for around three years, The Good Loaf has already established fantastic working relationships with probation.

Alongside paid staff and volunteers, the project offers unpaid work opportunities to women subject to community sentences.

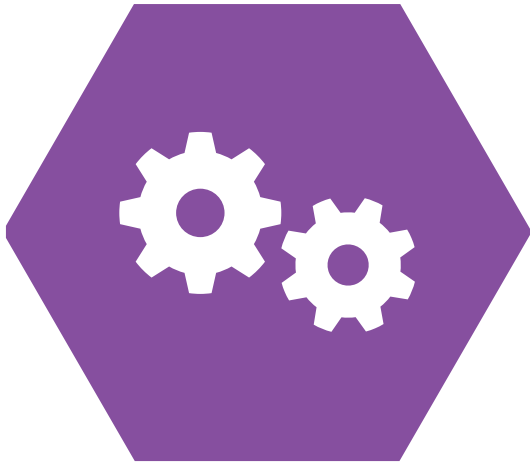
By working through structured work placements, participants gain practical skills and experience in a real work environment. Those who complete the bakery's six-week work programme acquire a Level 1 AIM Award in Hospitality and Catering, a Level 1 AIM Award in Volunteering and a Level 2 Certificate in Food Safety.

Over 150 vulnerable women have already trained through the work programme.

As well as providing practical training and employment opportunities, the project also hosts a women's centre where women subject to statutory probation supervision (and those who are not) can access support, advice and assistance on a broad range of issues.

Domestic abuse courses are also offered to women who have been subject to, or have committed, such acts, and an effective 'out of court' disposal scheme has been established in conjunction with the local police and Police and Crime Commissioner.

Having received glowing feedback following visits from government ministers and the Chief Probation Officer, The Good Loaf offers more than just a service, it offers women a genuine opportunity to change their lives.



Modernise our estates and technology

Performance overview:

Many of our buildings are old and dilapidated. We require a programme to build and invest in maintenance to ensure our prisons are decent and support our efforts to rehabilitate those in our care. Our ageing technology has put a strain on frontline staff. Improved technology will make it easier for our people to do their jobs more efficiently. Technology also offers the potential to develop smarter, innovative ways to address the needs of those in custody and the community.

Strategic priority for 2019–20:

Work with Ministry of Justice to develop a long-term plan to invest in our estate – balancing improvements through investment in existing buildings with building new and modern facilities.

In August 2019, the Prime Minister announced a £2.5 billion commitment to build up to 10,000 additional modern and decent prison places to replace old, expensive and unsuitable accommodation. We have turned around plans at pace to ensure we are prepared for the increase in population and continue to provide appropriate and secure accommodation to those who receive a custodial sentence from the courts.

The funding and delivery of around 6,500 of these places will come through the construction of four new prisons, which will improve rehabilitation, help local economies and provide a much-needed boost to the construction sector. The first of these will be built at Full Sutton, alongside the high security establishment in operation at the site. Work is underway to identify locations for the remaining three – one of which will be in the North of England and two in the South.

To modernise our estates and technology, during 2019–20 we have:

opened a **houseblock at HMP Stocken** in June 2019, which reached capacity in February 2020

begun **implementing the design and procurement phase for the new prison development at Glen Parva**, which will run concurrently until summer 2020. Subject to approvals, construction is **scheduled to start in summer 2020**

brought together all HMPPS accommodation services into a single **division**. This involved the successful transfer of almost **1,000 staff**, **85 approved premises** and **11 independent approved premises**

started construction of a **new resettlement prison at Wellingborough** – work is on track for the prison to open in December 2021



expanded the **category D estate by re-rolling HMP Haverigg**, creating 470 places suitable for men convicted of sex offences



awarded **framework agreements to six operators**

who are now eligible to participate in mini-competitions for the operation of new builds, starting with the new prison at Wellingborough



continued to address the backlog of prison maintenance



The government has also announced an additional investment package of more than £140 million to improve the prison, youth custody and probation estates, increasing capacity and improving IT services (in addition to the allocation of funding for the programme of maintenance and renewal, mentioned further on). This investment in infrastructure and the provision of more enabled environments will really help in the efforts to reduce reoffending, allowing us to remain focused on our long-term objectives and make a real difference to people's lives.

As well as constructing new prisons, we are continuing to reconfigure the existing estate so that people in custody will be held in the right place, determined by their risk and need, at the right time in their custodial journey, so their rehabilitation can be managed more effectively.

Through our reconfiguration project we have made a commitment to simplify the adult male estate into three main functions (reception, resettlement and training); the first phase of this went live in February 2020 with prisons in Wales, the South West and the North East all adopting the new offender flows, and transitioning towards their new models of operational delivery.

With the prison population increasing, it is vital that we get this right so that we can ensure prisoners are held in decent and modern conditions. The benefits of our work to improve the estate have been seen in some of the recent inspection reports, where Her Majesty's Inspectorate of Prisons has reflected on the changes since their previous visit.

In March 2020, the YCS formally decommissioned Medway secure training centre to prepare for refurbishment works to launch the first secure school. This calendar year has seen significant

collaborative working to get to this position, such as:

- safe and planned transfers for the young people who were residing there
- redeployment of the staffing group
- continued partnership working with the new secure schools operator, Oasis

We have also acted to strengthen contract management arrangements for the facilities management contracts (including Gov Facility Services Ltd), ensuring that performance measures are more stringently monitored, and failing service levels identified and escalated where necessary.

We have commissioned a series of detailed surveys to capture a full and agreed asset database across the custodial estate. However, the programme has been impacted by COVID-19 restrictions, requiring us to pause on-site surveying operations for a time. As at 31 March 2020, 39 surveys had been completed and eight surveys were within a week of completion. The remainder of the programme will be re-baselined once surveying operations can resume.

Alongside this, we have developed an intelligent client delivery model for facilities management, maintenance and renewal. A draft programme of maintenance and renewal for 2020–21 has been approved (subject to population pressures). This includes:

- shower refurbishments
- asset replacement, based on highest risk items likely to fail, on hire, or requiring frequent maintenance
- health, safety and fire, and critical capacity schemes

We have secured an additional £156 million (£100 million capital and £56 million resource) funding for financial year 2020–21, which will support the progress of this work.

Case study

Prison development at Wellingborough

Building new and modern facilities

Construction of a new £253 million prison at Wellingborough began in May 2019. It will provide 1,680 places and be the first purpose-built category C resettlement prison.



Wellingborough's primary purpose is to create spaces that reduce reoffending, resulting in safer communities and better outcomes for offenders. The construction is part of a series of schemes to meet the wider ambition of reforming and modernising the prison estate to make it more efficient, safer and focused on rehabilitation.

The design principles include creating a normalised environment for residents that is flexible and encourages a degree of self-determination. Specific features include:

- smaller houseblocks in non-galleried landings (accommodating 60 men per floor in three spurs of 20)
- secure, sealed windows with toughened glass and integrated ventilation grills to prevent access to drugs and mobile phones, reduce noise and stop waste being thrown from windows
- a central hub bringing together education, healthcare, reception, the library and a multi-faith space

The project is also providing a boost to the local economy, creating hundreds of construction jobs and training and apprenticeship opportunities. Of the workforce onsite, 31% are from the local area (within 25 miles). In January 2020, 48% of the onsite spend was with small and medium enterprises and 21% of spend was carried out within the local area.

The construction is also directly supporting rehabilitation by employing ex-offenders and prisoners released on temporary licence (target of 25% of workforce), including serving prisoners from HMP Lindholme who worked on prison prototyping.

Last year we also launched the CITB (Construction Industry Training Board) Construction Skills Centre, which has seen over 420 local people being trained and 23 apprenticeship opportunities. Our target is to train up to 800 local people and provide 50 apprenticeship opportunities.

In July 2019, we launched the competition for the operation of the prison. Final bids for the competition were submitted in February 2020 and the successful operator is due to be announced in July 2020.

Strategic priority for 2019–20:

Invest in key elements of our technology to improve the speed and functionality of information technology (IT) provision for our staff.

There is much more that we can and must do to improve the speed and functionality of IT provision for our staff.

We are working closely with colleagues from the MoJ Digital team on a range of projects, including:

- new programmes to help staff with core tasks within their day-to-day duties including checking prisoner details quickly, keeping in touch with colleagues across the prison, checking their duties and shifts from anywhere, at any time
- new hardware such as handheld portable devices
- the Quantum IT replacement programme

We have improved probation IT, which now enables staff to work remotely, enhancing partnership working and co-location. Every probation officer now has a mobile phone, improving contact with offenders subject to supervision.

Many of the new IT tools that are already available or are being created at the digital studios will unlock opportunities for our staff and partners also working in prisons.

As a result of the restrictions put in place during COVID-19, there has been a requirement for laptops to be distributed to prisons and regional offices to support parole hearings and independent adjudications. As at June 2020, there have been 33 laptops distributed to a total

of 32 prisons for the purpose of parole hearings, and 20 laptops distributed across 15 regional offices for the purpose of independent adjudications.

Strategic priority for 2019–20:

Improve technology and infrastructure to find more cost-effective ways of working and unlock innovative approaches to rehabilitation.

The agency requires technology that enables all staff to fulfil their roles efficiently and supports service users in their rehabilitation.

In response to the cancellation of social visits to prisons during COVID-19, we have started to deploy video calling technology for family and friends. As at June 2020, the technology has currently been deployed to 20 prisons, of which 15 are live.

The YCS is working with MoJ Digital and commissioned the development of a YCS digital strategy. This will focus on developing child-facing digital services at HM YOI Cookham Wood as a proof of concept that will better link education utilising digital tools, with the roll out of in-room technology. All establishments within the YCS now have in-room telephony, an essential step forward for the children being able to maintain contact with families, significant others and professionals.

Work to **roll out in-cell telephony** has progressed this year to help make existing prison places more modern and support family contact for prisoners.

By mid February

58%



of all prisons, and

61%

of all cells

had in-cell telephony

55 public prisons

and

13 contracted prisons

now have

in-cell telephony operating

This is part of important work to

improve our infrastructure and find

cost-effective ways of working to **reduce reoffending**



Electronic Monitoring (EM) continues to allow us to monitor offenders more effectively and innovatively to support wider justice system reform. As well as continuing the successful delivery of the core EM service, the programme has made significant progress during 2019–20, supporting HMPPS strategic principles. Specifically, we have:

Completed the national roll out of satellite enabled GPS location monitoring tags, enabling innovative ways to manage offenders in the community, both increasing public protection and delivering a cost-effective alternative to custody where appropriate



Rolled out location monitoring tags to youth cohorts, (began in November 2019 with roll out across England and Wales completed in March 2020)

Prepared for the delivery of alcohol monitoring tags in late 2020, which is in keeping with the government's manifesto commitment to tackle alcohol fuelled crime



Progressed the delivery and testing of the new EM service and portal



Case study

Location monitoring tags

Improving technology to aid rehabilitation

In the most significant change in electronic monitoring in a decade, location monitoring tags have become a valuable extra tool to manage eligible people under probation supervision in the community.

Using GPS technology to record an individual's movements, the tags have the potential to divert some people in our care from custody and motivate the right behaviour from those under supervision by monitoring:

- compliance with exclusion zones
- attendance at mandatory appointments, such as treatment programmes or education activities
- compliance with a curfew
- a person's location and their movements (known as trail monitoring)

In one case, a subject was serving an Indeterminate Public Protection (IPP) sentence, linked to his turbulent relationship with his ex-partner.

His offender manager recognised a risk that he would attempt to rekindle the relationship once released. So, the Parole Board approved the release with the addition of trail monitoring and monitored exclusion zones around his ex-partner's home for greater assurance.

When the ex-partner reported to her probation Victim Liaison Officer that the subject had followed her from a supermarket car park, the offender manager had to consider recalling him to prison.

The trail monitoring data allowed the offender manager to see that this was a chance meeting outside the subject's exclusion zone, and that the subject had left the scene quickly and in the opposite direction to the victim once he had seen her.

As a result, the subject could demonstrate good behaviour, was not recalled, and continued their rehabilitation in the community.

The victim was also reassured that she had not been followed by her ex-partner.

Our people



A diverse range of staff and external partners working in and with HMPPS were honoured with national awards in 2019–20. They include:

Queen's Birthday Honours 2019

The CBE was awarded to:

Richard Vince. Executive Director Long Term and High Security Estate, HMPPS. For services to HMPPS.

The MBE was awarded to:

Margaret Dixon, Independent Monitoring Board, HMP Bure. For voluntary service in the UK and overseas.

The British Empire Medal (BEM) was awarded to:

Mark Le Sage, former prison officer. For voluntary service to the community and the rehabilitation of offenders.

Rachael Sarjantson, Senior Officer HMP Hull. For services to prisoners and their families.

New Year Honours 2020

The CBE was awarded to:

Teresa Clarke, Prison Group Director, West Midlands. For services to improving outcomes for care leavers.

The OBE was awarded to:

Dr Jo Bailey, Head of Psychology Services. For services to forensic psychology, offender rehabilitation and public safety.

Gabrielle Lee, Governor HMP and YOI Low Newton. For services to prisoners and their families.

Jason Turner, Founder, iSore Media. For services to people with substance and criminal justice issues.

Graham Wilkinson, Senior Manager, Equality, Interventions and Operational Practice Group. For public service.

The MBE was awarded to:

Carolyn Butlin, Middle Manager, Essex Community Rehabilitation Company. For services to probation and community safety.

Butler Trust Awards 2019–20

The 2019–20 winners of the prestigious Butler Trust Awards included 10 individuals working in prisons and probation in England and Wales.

A further 20 individuals received commendations, and all were invited to attend a ceremony presented by The Butler Trust's patron, HRH The Princess Royal.

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



HMPPS internal staff awards

Prison Officer of the Year Awards 2019

The Game Changers team from HMP Isis won the public safety category and was chosen from all the finalists as overall winner of the 2019 awards. Jo Farrar, HMPPS Chief Executive Officer said: "Their willingness to use their individual life experiences to help others made this a special nomination."

2019
PRISON OFFICER
OF THE YEAR
AWARDS

Changing Lives Champions

Other category winners:

Change and innovation

Rob Littlewood, Prison Officer, HMP New Hall

Changing lives

Rebecca Hounslow, Supervising Officer, HMP Holme House

Fairness, decency and respect

Benita Connolly, First Line Manager, HMP Oakwood

Lifetime achievement

Paul Fawcett, Prison Officer, HMP Preston

Partnership working

Peter Bryan, Physical Education Officer, HMP Huntercombe

Safety, security and care

Emma Marthews, Safer Custody Hub Manager, HMP Hewell

Staff support

Wendy Burt, Prison Offender Manager, HMP The Verne

Team of the year

Q Branch, HMP Leeds

HMPPS internal staff awards

Probation Awards 2019

Probation Officer Jo Brown from NPS North East Division was named Probation Champion of the Year after first winning the Changing Lives Category, where she was nominated by the mother of a teenage boy who she helped get support and a tailored intervention for.

Jo Farrar, HMPPS CEO said: “I was so impressed with how Jo worked in partnership to get proper help for Max. She was able to work with others to make a real difference to people’s lives and potentially keep Max out of the adult criminal justice system in future.”



Other category winners:

Change and innovation

Simon Bland, Case worker, Derbyshire, Leicestershire, Nottinghamshire and Rutland CRC

Fairness, decency and respect

Carol Lee, Community Support Navigator, Wigan Cheshire and Greater Manchester CRC

Lifetime achievement

Barbara Tudor, Senior Probation Officer, NPS Midlands

Partnership working

Sonja Harrison, Senior Probation Officer, NPS North East

Public safety

Lee Cartner, Probation Officer, NPS North West

Staff support

Beth Phillips, NPS South West and South Central

Supporting victims

Alan Clarke, Victim Liaison Officer, NPS North East

Team of the year

Case Support Workers (Ashford and Brighton), Kent, Surrey and Sussex CRC

Sustainability report



Introduction

The MoJ is committed to putting sustainability at the heart of its operations and decision-making through embedding sustainability principles into everything that it does.

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: [Government financial reporting manual 2019 to 2020 – GOV.UK](#).

Objectives

As well as maintaining legal compliance, supporting delivery of the Greening Government Commitments (GGC) and procuring sustainable goods and services, HMPPS is committed to supporting MoJ’s vision to:

- lead the way in greening government
- embed environmental sustainability in everything we do

- support MoJ’s strategic objectives by reducing reoffending, transforming the estate, reducing costs, and making MoJ staff feel proud

Scope

The scope of this report is performance against the GGC 2016–2020 from a 2009–10 baseline where possible. The report covers 110 public sector prisons, our shared service and administration buildings, four privately operated prisons (Doncaster, Northumberland, Oakwood and Thameside) and National Probation Service locations.

Governance

Overall governance and assurance of sustainability is managed by the MoJ sustainability team and performance is monitored by the MoJ senior sustainability board, chaired by our Chief Property Officer and Sustainability Champion.

We follow the MoJ’s [Sustainable Operations Strategy](#) which sets out how the department embeds environmental sustainability throughout its estate, operations and procurement activity. MoJ has also developed a number of other sustainability strategies and policies for its staff and supply chain to follow.

Performance data

Sustainability data is gathered and validated by Arcadis and Avieco, our external consultants employed to manage our data, and quality assured by the Building Research Establishment on behalf of Defra. The data below shows our present position for the financial year 2019–20 against a 2009–10 baseline (unless otherwise stated).

We are unable to report data from locations where landlords do not provide data. All data is UK only. Environmental data is estimated for a 12-month period from January 2019 to December 2019 and therefore does not align with data reported elsewhere in this report, which refers to the 2019–20 financial year (1 April 2019 to 31 March 2020).

Environmental data for the previous year (2018–19) has been restated to include actual environmental performance for the 2018–19 financial year. The greenhouse gas conversion factors used can be found in the government environmental impact reporting requirements for business.¹

GGC performance

Requirement by 2020	MoJ target	2019–20 performance compared to 2009–10 baseline
Reduce greenhouse gas (GHG) emissions	-38%	-37%
Reduce overall waste	-31%	-15%
Reduce waste sent to landfill	<10%	2%
Increase amount of waste recycled	>59%	85%
Continue to reduce total estate water consumption	-4%	-1%

Table 1: HMPPS contribution to overall MoJ performance 2019–20

¹ [Greenhouse gas reporting: conversion factors 2019 – GOV.UK](#)

Greenhouse gases

Greenhouse gas emissions		2009–10	2017–18*	2018–19*	2019–20
Non-financial indicators (tonnes CO ₂ e)	Total gross scope 1 (direct) emissions	166,983	156,474	154,341	158,287
	Total gross scope 2 (indirect) emissions	236,377	114,035	92,644	82,806
	Total gross scope 3 (official business travel) emissions	6,334	17,952	16,173	15,643
	Total emissions – Scope 1, 2 & 3†	409,694	288,461	263,159	256,736
Related energy consumption (kWh)	Electricity	371,635,000	324,369,905	327,284,350	323,965,944
	Gas	891,395,000	725,386,293	715,895,508	718,756,814
	Other energy sources	117,571,000	36,881,824	44,196,140	49,297,260
	Total energy consumption	1,380,601,000	1,086,638,022	1,087,375,998	1,092,020,017
Financial indicators (£m)	Expenditure on energy	68	69	67	74
	Expenditure on official business travel	25	20	22	21
	Total expenditure on energy and business travel	93	89	89	95

* Non-financial indicators have been restated to include actual environmental performance for the financial year

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

Table 2: Overall greenhouse gas emissions and financial costs 2019–20

Energy consumption by HMPPS accounts for 76% of MoJ's total energy use (based on 2019–20 figures). HMPPS carbon emissions show an overall 37% decrease since 2009–10. We have continued to reduce our overall carbon emissions through a range of energy and carbon saving measures this financial year including:

- replacement of old and inefficient lighting with energy-efficient LED across the prison and probation estate, investing over £1.4 million to save £175,000 and 1,440 tCO₂e per annum
- installation of gas optimisation devices on 500 boilers across the prison estate
- energy efficiency surveys which have highlighted both easy win and investment opportunities at HMPPS's worst performing prisons. Improvement work will be implemented in the 2020–21 year
- renewables surveys, which will provide MoJ with a high-level view of the opportunities for solar PV, wind, biomass, heat pumps and battery storage across the prison estate
- installation of automatic metering on prison gas supplies, which has enabled HMPPS to identify excessive consumption and improve the accuracy of invoices
- putting 'Net Zero' at the heart of new prison design, recognising that what we build now will still be in use by 2050

MoJ is also working with the Modern Energy Partners (MEP) programme at three prisons on the Isle of Sheppey to develop a programme of work to reduce carbon emissions from the establishments by 80%. Work has begun on phase 1 to improve the energy efficiency of the prisons through projects such as LED lighting, building management and heating system improvements and the installation of metering equipment.

We have also begun planning for phase 2 having identified 15 MoJ sites for inclusion as 'test-bed' sites to build upon the knowledge gained from the phase 1 pathfinder site. MEP is a collaborative project between Energy Systems Catapult, the Cabinet Office and the Department for Business, Energy and Industrial Strategy (BEIS), working with private sector specialists and Crown Commercial Service.

HMPPS is transitioning its fleet vehicles away from a dependence on diesel to petrol/electric hybrids or to pure electric where viable options are available to meet the GGC target that 25% of all cars are to be ultra-low emission vehicle compliant by 2022.

The MoJ will also continue to monitor the technological landscape with a view to electrifying other vehicles outside of the mandate, including vans and minibuses. Both new build prison projects are proceeding on the basis of installing electric vehicle charging points on 20% of all car parking spaces.

Case study

Prison cell LED gear trays

Throughout 2019–20, over 6,000 prison cell lamps have been replaced with state of the art LED 'gear tray' lighting solutions which reduce energy consumption by 64%. The project has delivered savings of 220 tCO₂e and £93,000 in energy savings per annum.

The gear trays also have the added benefit of delivering a higher quality light output, are more robust and have a life expectancy of four times that of the old fluorescent tubes they are replacing.

Waste

Waste		2009–10	2017–18*	2018–19*	2019–20	
Non-financial indicators (tonnes)	Hazardous waste	47	N/A	N/A	N/A†	
	Non-hazardous waste	Landfill	24,830	2,906	764	901
		Reused/recycled	24,735	20,765	32,232	33,573
		Composted/anaerobic digestion	-	1,649	2,166	2,524
	Incinerated with energy from waste	175	8,289	4,106	5,406	
	Incinerated without energy recovery	-	15	0	3	
	Total waste	49,787	33,624	39,322	42,406	

* Non-financial indicators have been restated to include actual environmental performance for the financial year

† Hazardous waste data was not available throughout the reporting year. It will be included in future years once access to a reliable source for this data has been sought

Table 3: Waste and financial costs 2019–20

Waste disposed of by HMPPS accounts for 78% of MoJ's total waste (based on 2019–20 figures). We have continued to reduce the amount of waste produced by 15% since 2009–10 and maintained our avoidance of landfill to 2% of total waste.

In 2019–20, over 140 staff and around 1,100 offenders were employed in waste management workshops, working around 900,000 hours between them throughout the year.² Over £280,000 was spent within establishments for new capital machinery throughout the year. This consisted of balers, compactors and food waste digesters/driers.

A toolkit is being developed for key stakeholders within establishments that will include the information required to operate an efficient and decent Waste Management Workshop. This will be agreed and published internally in 2020.

² Figures reported as available from Prison Industries in March 2020

Case study

Waste management training

HMPPS actively manages prison waste management workshops, which employ offenders to sort through waste, separating out items suitable for reuse and processing materials for recycling. Offenders successfully gain WAMITAB (Waste Management Industry Training and Advisory Board) accredited waste management qualifications, which will assist them in gaining employment upon release.

The waste qualifications registered from 27 prisons throughout 2019–20 are detailed in the table below.

Qualification	Number of registrations
WAMITAB Level 1 Diploma in Recycling Activities	2
WAMITAB Level 2 Diploma for Sustainable Waste Management Operative	5
WAMITAB Level 2 Diploma in Sustainable Recycling Activities	58
WAMITAB Level 1 Award in Reuse and Refurbishment	81
WAMITAB Level 1 Award in Waste and Recycling	447
Total	593

Biodiversity

The HMPPS estate is one of the largest and most diverse across central government, containing species and habitats representative of both rural and urban settings, and connected to regionally, nationally and internationally important designated sites.

Fifty extended phase 1 habitat surveys have been completed for our most environmentally sensitive sites – that is, large landholdings or those containing priority species – which give a baseline condition of our land and will inform future management in line with the HM Government publication ‘A Green Future’.

HMPPS continues to work with its facilities management providers in supporting best environmental practice and training.

Wildlife can offer significant wellbeing and skills opportunities. The annual HMPPS Wildlife Award showcases environmental good practice, volunteering and social community projects (won in 2019 by HMP Hewell, for its integrated programme of woodland improvements for nesting birds and family visit activities).

The MoJ ecologists continue to work with their volunteer partners (such as the Bat Conservation Trust and Amphibian and Reptile Groups UK) on national conservation and education projects, and have ongoing relationships with RSPB, the Woodland Trust and the British Dragonfly Society. All organisations are working with HMPPS to implement training opportunities for offenders alongside their species and habitat work.

Case study

Reducing reoffending through sustainability

HMPPS supports offenders to undertake training and learn new skills, while also improving our biodiversity and natural surroundings. For example, at HMP Humber they produce a range of dormouse, bat, fox and hedgehog homes in offender wood workshops, which are then used to encourage wildlife across the MoJ estate. At HMP Kirkham offenders have learnt how to manage the establishment's flock of Hebridean sheep, which are used for conservation grazing and on the fields to improve the condition of the land.

Water

Water consumption		2009–10	2017–18*	2018–19*	2019–20
Non-financial indicators (m ³)	Whole estate	8,527,771	8,273,287	8,393,180	8,431,278
Financial indicators (£m)	Water supply and sewage costs	20	23	24	25

* Non-financial indicators have been restated to include actual environmental performance for the financial year

Table 4: Water consumption and financial costs 2019–20

Water consumption by HMPPS accounts for 93% of MoJ's total water use (based on 2019–20 figures). We have reduced water usage across the estate by focusing on improving consumption monitoring processes and by fixing leaks in ageing infrastructure. A water management programme on the prison estate is focusing on opportunities for consumption reduction and water leak detection.

Case study

HMP Prescoed water leak survey

HMPPS had had a longstanding leak at the farm at HMP Prescoed. The farm is very extensive, making leak detection really difficult. The MoJ sustainability team, having analysed historical data and compared it to prison water use benchmarks to determine the scale of the problem, funded a water and leak detection survey.

The leak detection process was very complex, involving specialist pipe-tracing equipment and even a sniffer dog trained to detect the chlorine in water.

The leak was eventually located and repaired. The survey and repair cost approximately £15,000 and will save HMPPS an estimated £54,000 per annum. Just as importantly, we will no longer be wasting around 18,000 m³ of water per year – nearly 4 million gallons.

Other sustainability commitments

<p>Sustainable procurement</p>	<p>We have an in-house procurement team who ensure extensive sustainability clauses are embedded within the department’s facilities management and ICT contracts. New contracts require that suppliers meet the Government Buying Standards. A new Sustainable Procurement Policy for the MoJ was approved by the Senior Sustainability Board in February 2019.</p>
<p>Climate change adaption</p>	<p>The MoJ is mindful of the risks posed by climate change and has taken steps to avoid overheating in prisons. It will continue its programme to review and introduce measures to mitigate against overheating in the existing prison estate.</p> <p>HMPPS has incorporated climate change scenarios in its New Prisons Construction 10,000 Places programme energy modelling. This will help to reduce summertime overheating, and minimise summertime cooling energy demand. Application of BREEAM (sustainability assessment method) requirements will also ensure that new prisons sites and designs consider and address flood risk, rainfall and solar gain.</p> <p>A Climate Change Adaption Strategy, developed with input from Defra, was approved by the MoJ Senior Sustainability Board in February 2020. This will be published in the summer of 2020 as climate change adaptation plans are put into action next financial year.</p>
<p>Rural proofing</p>	<p>Working with Defra, the MoJ has developed a set of clear screening questions and supporting guidance for policy professionals to help them rapidly and reliably assess policy options for potential sustainability impact.</p> <p>This guidance is being further developed since taking a draft to the Policy Profession Board earlier in the year. The aim is to ensure its use on all policy options so that, where particular options will require more detailed impact assessment as they are developed, they are clearly highlighted and results are recorded to support robust evidencing and the use of the screening questions.</p>
<p>Procurement of food and catering</p>	<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>
<p>Sustainable construction</p>	<p>HMPPS is committed to the MoJ’s sustainable construction standards using BREEAM standard of “excellence” for new builds and “very good” for refurbishments over stated minimum threshold values. Where a BREEAM assessment is required, a costed option to achieve a higher rating than that mandated by the policy is also presented.</p> <p>The department has developed guidance for project teams on applying the BREEAM policy to reduce the risk of assessments failing to achieve the required standards or not being completed.</p>



Dr Jo Farrar
 Chief Executive and Accounting Officer
 9 September 2020



Accountability report



Corporate governance report

Directors' report

Statutory background

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

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

The HMPPS Agency Board and Leadership Team

The governance arrangements within HMPPS for the period 1 April 2019 to 8 May 2019, as agreed by the Permanent Secretary and the HMPPS Agency Board (HAB), included:

- four HAB meetings focusing on strategic priorities including performance, risk and investment
- a weekly Agency Management Committee (AMC) with a rotating focus on performance, finance, change, and service support

These were supported by:

- a comprehensive range of sub-committees and three operational management committees – for probation, prisons and the YCS – reporting to the AMC

CEO Dr Jo Farrar revised these arrangements further following her appointment on 1 April 2019, and as of 8 May 2019, the AMC was replaced with:

- a weekly HMPPS Leadership Team (HLT) with a rotating focus on people, change, performance, finance and risk, and infrastructure. It retained the same membership as the AMC

Governance dedicated to the business's COVID-19 response was put in place in March 2020, including daily HLT COVID-19 meetings.

Dr Jo Farrar was appointed as CEO of HMPPS by the Permanent Secretary of the MoJ on 1 April 2019.

The CEO'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 HAB and HLT are appointed by the CEO with the agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the HAB and the HLT are set out in the Remuneration and Staff Report on pages 76 to 96.

As of 31 March 2020 the structure of the HAB and HLT was:

HAB

Core members:

Non-Executive Directors x4 (including one chairing)

CEO

Director General (DG), Prisons

DG, Probation and Wales

Executive Director, YCS

Executive Director, Strategy, Planning and Performance

MoJ Director, Financial Strategy, Planning and Performance

MoJ People Group Director – Strategy and Delivery

In attendance:

Head of the CEO's Office

Secretariat

HLT

Core members:

CEO (chair)

DG, Prisons

DG, Probation and Wales

Executive Director, YCS

Executive Director, Strategy, Planning and Performance

MoJ Director, Financial Strategy, Planning and Performance

MoJ People Group Director – Strategy and Delivery

In attendance:

Head of the CEO's Office

Secretariat

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

During 2019–20 the members of the HAB and HLT were:

Core members:

Non-Executive Director – Gerard Lemos (chair)*

Non-Executive Director – Alan Hammill*

Non-Executive Director – Rob Butler (until 8 November 2019, position remains vacant – recruitment halted due to COVID-19)*

Non-Executive Director – Lesley King-Lewis*

CEO – Dr Jo Farrar

DG Prisons – Phil Copple (interim, appointed as permanent as of 1 November 2019)

DG Probation and Wales – Amy Rees (interim, appointed as permanent as of 30 September 2019)

Executive Director, YCS – Helga Swidenbank

Executive Director, Change, Strategy and Planning – Adrian Scott (until 13 March 2020)

Executive Director, Performance – Ian Blakeman (until 13 March 2020)

Executive Director, Strategy, Planning and Performance – Ian Blakeman (as of 14 March 2020)

MoJ Director, Financial Strategy, Planning and Performance – James McEwen

MoJ People Group Director, Strategy and Delivery – Mark Adam (as of 6 June 2019)

In attendance:

Head of the CEO's Office – Sarah McKnight (until 22 September 2019)

Head of the CEO's Office – Natalie Sands (as of 23 September 2019)

*HAB only

Details of company directorships and other significant interests held by HMPPS's directors can be found in Note 21 of the accounts on page 148. The chart on the following page illustrates the management structure of HMPPS as of June 2020.

Changes to the HAB and HLT since 1 April 2020 include:

Abigail Farley became Head of the CEO's Office on an interim basis, covering for Natalie Sands from 29 April 2020 to March 2021.

As of 8 June 2020, Diane Caddle – Executive Director, Safety and Rehabilitation (interim), Cheryl Avery – Executive Director, Commercial Liaison and Gary Badley – Executive Director, Prison Supply (interim), attended HLT on rotation to increase diversity of thought and bring a BAME perspective to discussions, as part of the business's commitment to drive diversity and inclusion across HMPPS.

As of 1 September 2020, Lorna Maden, MoJ Director, Finance Business Partnering, became a member of HLT and the Agency Board, replacing James McEwen, MoJ Director, Financial Strategy, Planning and Performance, who became interim MoJ Chief Financial Officer.

CEO, DG and Director Structure

Dr Jo Farrar
Chief Executive Officer HMPPS



Phil Cople
Director General Prisons



Amy Rees
Director General of Probation and Wales



Claudia Sturt
Executive Director SOCT



Alan Scott
Executive Director Public Sector Prisons North



Ian Blakeman
Executive Director of Strategy, Planning and Performance



Helga Swidenbank
Executive Director Youth Custody Service



Sonia Flynn
Executive Director Chief Probation Officer and Women



Jim Barton
Executive Director Probation Reform Programme



Diane Caddle
Interim Executive Director Safety and Rehabilitation



Michelle Jarman-Howe
Executive Director Public Sector Prisons South



Gary Badley
Interim Executive Director Prison Supply



Hannah Meyer
Executive Director Reducing Reoffending



Chris Jennings
Interim Executive Director Wales



Cheryl Avery
Executive Director Commercial Liaison



Richard Vince
Executive Director, High Security and Long Term Estate



***James McEwen**
MoJ Director, Financial Strategy, Planning and Performance



***Mark Adam**
MoJ People Group Director, Strategy and Delivery



Hannah Meyer
Executive Director Reducing Reoffending



Ian Barrow
Interim Executive Director Probation Workforce Programme

Non-Executive Directors



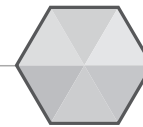
Gerard Lemos
Lead Non-Executive Director HMPPS Agency Board



Alan Hammill
Non-Executive Director ARAC Chair and HMPPS Agency Board



Lesley King-Lewis
Non-Executive Director HMPPS Agency Board and ARAC



Position Vacant
Non-Executive Director HMPPS Agency Board



Seyi Obakin
Non-Executive Director ARAC

*MoJ directors that are members of the HMPPS Leadership Team and Agency Board

Governance statement

Introduction

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

The organisation operates in accordance with its published framework document which sets out the arrangements for the governance, accountability, financing, staffing and operation of the agency, agreed between the Secretary of State for Justice and the Agency Chief Executive Officer (CEO) and approved by the Chief Secretary to the Treasury.

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

Throughout the year the HMPPS Leadership Team (HLT) and the HMPPS Agency Board (HAB) have maintained close scrutiny of day-to-day business, risk, performance and financial expenditure through formal governance arrangements. Actions have been taken to respond to issues and mitigate risks to the business as necessary. Specific actions have been taken in response to significant risks and issues, set out on pages 64 to 69.

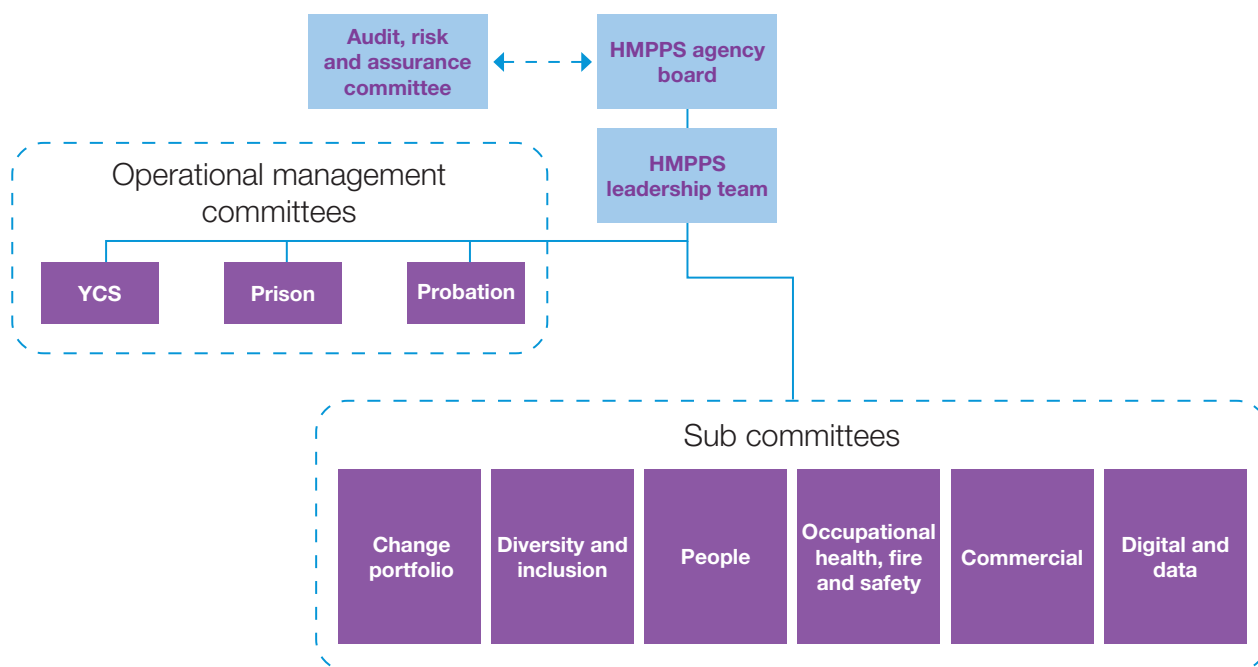
The remainder of this statement explains in more detail the arrangements in place to govern HMPPS from 1 April 2019.

Governance framework

Overall responsibility for HMPPS rests with myself as the CEO, supported by the HAB and HLT. I am also a member of the MoJ Departmental Board, chaired by the Secretary of State for Justice, and a member of the MoJ Executive Committee, chaired by the Permanent Secretary. I also have regular meetings with the minister with responsibility for prisons and probation and with the Secretary of State for Justice.

In 2019–20, I slightly revised governance arrangements shortly after I became CEO in April 2019, and in March 2020 put in place additional governance to manage the impact of COVID-19 on the business. These are outlined in detail on page 61. The governance structures in place for the majority of the year are described below.

HMPPS governance structure as of March 2020



HAB

The HAB was chaired by the lead non-executive director and met quarterly. It provided support and advice to me, as CEO, regarding the strategic direction of HMPPS. The board gave direction to, and drove achievement of, the objectives of HMPPS's operations. It ensured competent and prudent management was in place as well as sound planning, proper procedures for the maintenance of adequate accounting, other records and systems of internal control and compliance with legislative and corporate governance requirements.

Following my arrival as CEO of HMPPS and in consultation with the HAB chair, we reviewed and aligned the agendas and reports presented to HAB to ensure a more strategic focus on key priorities and their delivery. This included deep dives on highly significant issues, for example our strategy to reduce violence in prisons. We also improved the line of sight and consistency on HMPPS's performance reporting between HLT and HAB. A key discussion of the HAB and the HLT during

this year has been the new HMPPS strategy which represents a substantial increase of focus and direction for the agency as discussed on page 4.

The HAB's responsibilities also included:

- agreeing the vision and strategy of HMPPS 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 leadership team to deliver operations

Key issues and reports discussed during the year:

- regular oversight of performance, risk, finance and change – including Audit, Risk and Assurance Committee (ARAC) chair's reports and corporate risk register, change portfolio and management accounts updates,

and prison, probation and YCS performance packs

- HMPPS vision and strategy, and spending review – creation and implementation of the HMPPS strategy and vision launched in November 2019, and spending review prioritisations
- prison and probation supply and demand – the significant risk of demand outstripping supply and the related mitigations and contingencies being developed
- approach to the most challenged prisons – new system-wide arrangements to drive up performance across the estate, including the prison performance support programme
- communications and stakeholder engagement – including the 2020 Communications Strategy and objectives to help deliver the business’s strategic goals

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

HLT

As CEO I chaired the weekly HLT meeting, which is responsible for supporting the HAB in the day-to-day management of the business. This included all agency-wide corporate and operational issues, as well as prison, probation and YCS performance, finance and risk management. It’s supported by the three operational management committees (OMCs) for prisons, probation and youth custody chaired by the DG

Prisons, DG Probation and Executive Director of the YCS respectively, and the sub-committees shown on the governance chart on page 59.

Key issues and reports discussed during the year:

- response to COVID-19 – daily HLT meetings to consider strategic and operational issues at pace to address and manage the impact of COVID-19
- probation reform programme – including key decisions, milestones and plans for transition to the unified model
- prison safety – challenges faced from levels of violence, self-harm and self-inflicted deaths and actions being taken by the safety programme to address them
- secure schools project – the development of the new secure school at Medway, a new form of custodial establishment for young people
- digital strategy and prioritisation – funding prioritisations for digital provision and creation of the HMPPS digital strategy
- EU exit – regular updates and inputs into plans regarding the impact on HMPPS of the UK exiting the EU
- HMPPS People Plan – development and launch of the people plan to impact on the related strategic principle

ARAC

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

Key issues and reports discussed during the year:

- HMPPS strategy and People Plan – how the strategy and People Plan have been developed and how this would be launched into the business and help address the key strategic risk for HMPPS around its people
- HMPPS risk management – endorsed the revised agency strategic risk management approach, which is consistent with the departmental thematic approach, and undertook deep dive reviews of key risk dashboards
- Probation reform programme – the arrangements underpinning the governance of the programme and the key risks impacting on the delivery of reform and effect on business as usual probation services
- Prison and probation digital plans – periodically considered progress against the development of an HMPPS digital prioritisation strategy and plans for prisons and probation
- Counter fraud arrangements – that have been established and operating across HMPPS, including the relationship with the Government Internal Audit Agency (GIAA) and MoJ Counter fraud teams
- Information security – arrangements HMPPS has in place to manage information security risks, data breaches and in managing general data protection regulation (GDPR) requirements
- COVID-19 – strategic arrangements in place to manage the agency's response to managing the impact and risks around COVID-19, notably around capacity management

Details of HAB, HLT and ARAC membership, including attendance records, can be found on page 73.

Changes to governance in-year

As of 1 March 2019, governance arrangements were revised to reflect the reorganisation of the agency management structures, and to support the CEO and recently appointed DGs. New change, strategy and planning, and performance directorates were created to further refine the business's focus on these areas. As part of the ongoing move to the functional leadership model, parts of the HMPPS HR directorate moved to MoJ in line with other professional support functions that provide a service to the agency from the MoJ, including finance, estates, commercial and communications.

Agency governance and accountability was revised to reflect these new structures. The weekly Agency Management Committee (AMC) replaced the Executive Management Committee (EMC), with a revised and reduced membership, and a rotating focus on performance, finance, change and service support. This was supported by three OMCs – for prisons, probation and the YCS – and a range of sub-committees.

I reviewed these arrangements further after becoming CEO on 1 April 2019, and as of 8 May 2019, the AMC became the HLT, with this structure remaining in place for the rest of the reporting year. In addition to business as usual, structures, meetings and governance dedicated to the business's COVID-19 response were put in place in March 2020, including the HLT meeting on a daily basis to consider the response to operational issues caused by the pandemic.

Oversight and assurance arrangements

The HAB provides scrutiny of: performance, risk management, systems and financial accounts.

The HLT exercises oversight of the performance of HMPPS by:

- using the performance, risk and planning framework – including monthly reports from the sub-committees and operational management committees – to check the progress against delivery of HMPPS’s key priorities
- receiving up-to-date reports on the in-year financial position and regular updates on the progress of major change projects and programmes. It made decisions, based on agreed thresholds, on any issues that arose. It also discussed issues that exceeded the agreed thresholds (for example: overspend, significant risks to delivery)
- agreeing delegations to directorates and throughout the governance structure to ensure the right decisions are being taken by the right people in the right place, while ensuring the HAB was provided with the appropriate level of assurance

The HAB also considered information from a range of external sources, which included:

- HM Chief Inspectors of Probation and Prison and Independent Monitoring Boards
- the Prisons and Probation Ombudsman
- the National Audit Office
- the Youth Justice Board

In addition, one of the key sources of independent assurance within HMPPS came from the internal audit service provided by GIAA. The internal audit

programme was closely linked to the key risks to HMPPS and the CEO regularly discussed emerging issues with the Head of Internal Audit. Internal audit issued a number of “limited” rated audit reports where improvements were identified as being required across key organisational processes, which reflects the significant risks that HMPPS is facing around the maintenance of its estate.

The key area of control weakness relates to the management of technology risks. However, the majority of corporate systems reviewed were rated “moderate”. In accordance with the cross-government internal audit opinion definitions, the Head of Internal Audit has provided a moderate annual audit opinion on the adequacy of HMPPS’s framework of governance, risk management and control in his annual report for 2019. Moderate is defined as: “Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.” This remains consistent with the previous year.

Internal Audit make recommendations as a result of their work, which are aimed at improving the control framework. The implementation of those recommendations which are accepted by management are tracked and reported to each meeting of ARAC.

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

- annual assurance statements from each of the directors covering the key systems for which they are responsible
- a ‘second line’ assurance function, reviewing operational delivery
- bilateral 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 ARAC
- attendance at the ARAC

Improving governance

The Corporate Governance Code for Central Government Departments recommends that a Board Effectiveness Evaluation is carried out annually. In March 2020, KPMG were commissioned to undertake a governance review of the HLT and the sub-committees reporting to it to further improve their effectiveness and ways of working. However, due to the outbreak of the COVID-19 pandemic that month, this has been paused until a point when it's practical to resume this piece of work.

The HAB was satisfied that it had sound governance in place, and that HMPPS was compliant with the relevant sections of the guidance. During 2019–20, HAB meetings were chaired by the lead non-executive director 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.

Quality of information

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

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


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

Risk management and significant issues

HMPPS operates in a high-risk operational environment and this is reflected in the types of risks managed, as well as the risk management process.


The following key significant risks and issues were identified and assessed after consideration of the HMPPS corporate risk register and DGs'/Executive Directors' annual assurance statements, and have been linked to the relevant strategic principle.

HMPPS strategic principles:	
1) Enable people to be their best	3) Transform through partnerships
2) An open, learning culture	4) Modernise our estates and technology

Specific operational issues		
Topic: COVID-19 – principles 2, 3, 4		
Detail	Key mitigations	Impact on risk
<p>The impact of COVID-19 on the business created the potential risk of the inability to provide a functioning service, resulting from any or all of the following: population exceeding available capacity and headroom required to compartmentalise prisoners effectively; disorder and instability; explosive COVID-19 outbreaks leading to hospitalisations and deaths; insufficient Personal Protective Equipment (PPE) and testing; and loss of staff confidence risking walk-outs.</p> <p>Measures taken mean these risks have been mitigated to reduce their impact or avoided to date.</p>	<ul style="list-style-type: none"> • Effective partnership with Public Health England (PHE)/ Public Health Wales (PHW) to manage health risks. • Effective partnership and planning to purchase PPE ahead of forecasted 14-day and 28-day demand. • Effective partnership and planning to provide testing to symptomatic prison and probation staff and prisoners. • Increasing headroom to around 5,500 by June 2020 through additional temporary accommodation and increased early release. • Boosting staffing resilience at the frontline through pay incentives, redeployment of HQ staff and offers to former staff to return on temporary contracts; delivering exceptional regime management plans that prioritise: meals, medication and health services; prisoner safety and welfare; and family contact. • Strong support for staff and trade union engagement locally and nationally. 	<p>Impact on risk</p> 

Specific operational issues

Topic: Prison safety – principles 1, 2

Detail	Key mitigations	Impact on risk
<p>The high levels of assaults, self-harm and self-inflicted deaths impact adversely on the safety and wellbeing of staff and prisoners and in some cases can potentially lead to incidents of disorder in prisons.</p> <p>There has been a moderate decrease in the number of assaults in custody – the first time since 2013 that the annual level has fallen. Self-inflicted deaths also fell. While these decreases are promising, we recognise the numbers are still too high and we continue our efforts to reduce them further.</p> <p>We have seen a concerning increase in self-harm.</p> <p>The latest published safety statistics show the following in the most recent 12 months:</p> <ul style="list-style-type: none"> • assaults have decreased by 8% • prisoner-on-prisoner assaults decreased by 10% • prisoner-on-staff assaults decreased by 5% • serious prisoner-on-prisoner assaults decreased by 8% • serious assaults on staff decreased by 5% • self-harm incidents increased by 11% • self-inflicted deaths decreased by 13% 	<p>A wide-ranging comprehensive safety programme to tackle violence and reduce self-harm and self-inflicted deaths continues to stabilise the system and achieve a reduction in the trends. Specific actions include:</p> <ul style="list-style-type: none"> • Offender Management in Custody (OMiC) key work – which promotes positive staff-prisoner relationships – started in all 92 male closed prisons. Arrangements to implement the model in the women’s and open estate have started. • Roll out of the revised Assessment, Care in Custody and Teamwork (ACCT) case management system to support those at risk of suicide and self-harm. • Roll out of PAVA incapacitant spray alongside SPEAR (personal protection training) and rigid bar handcuffs. • The 10 Prisons project using additional funding to tackle drug use, violence and improve living conditions – was completed. The prisons involved saw a 16% reduction in the rate of assaults, and this learning is informing a new performance support programme to assist our most challenged prisons. • A comprehensive youth custody range of strategies to specifically support children and young people in our care. 	<p>Impact on risk</p> 

Specific operational issues

Topic: Counter terrorism (CT) – principle 3

Detail	Key mitigations	Impact on risk
<p>Our case management and assurance processes for monitoring Terrorism Act (TACT) and extremist offenders during and after sentence – including the release process – has been subject to significant scrutiny following the high-profile incidents of terrorism in 2019–20.</p>	<ul style="list-style-type: none"> • The government passed a new terrorist sentencing Act in February 2020 to prevent terrorist offenders being released automatically at the midway point of their sentence, and ensure that they cannot be released before the end of their sentence without a thorough risk assessment by the Parole Board. In addition, new national level assurance processes have been implemented. • The forthcoming Counter Terrorism Sentencing and Release Bill will introduce longer sentences and improve our ability to monitor terrorist offenders when they are released, which will support licence supervision on probation. • Alongside legislative measures, an investment and improvement programme is underway across the sector. This includes a range of capacity (resource) and capability building measures and will be governed by a cross-HMPPS and multi-agency board. • In addition, an independent review of Multi-Agency Public Protection Arrangements (MAPPA) is being carried out, as well as a serious further offence review and a serious case review. 	<p style="text-align: center;">↔</p>

Topic: Serious further offences (SFOs) – principles 1, 3

Detail	Key mitigations	Impact on risk
<p>Under 0.5% of offenders subject to statutory probation supervision are convicted of a serious further offence (SFO) in any one year. However, each case has at least one victim, and as failings in supervision come to light, they can undermine public confidence. HMPPS has a duty to the victims of SFOs and the public to carry out a rigorous review of the way the offender was supervised in order to identify and remedy any failings.</p> <p>Currently, the national SFO team is not meeting its 20 working days target to quality assure and provide feedback to the NPS and CRCs on these SFO reviews.</p>	<ul style="list-style-type: none"> • The national SFO team identifies any cases which are high profile, either on account of the nature of the offending or the emerging scale of practice failings. • Important lessons learnt from SFO reviews are identified and addressed via revised operational guidance and/or in direct engagement with the Chief Probation Officer, probation divisional directors or chief executives of CRCs. • From 1 April 2021 HMIP will quality assure a random sample of SFO reviews throughout the year to introduce the additional assurance of independent scrutiny. • Additional resource has been recruited to the National SFO team to clear a backlog of quality assuring SFO reviews by the end of 2020–21 and further support the volume of work arising from high-profile cases and inquests. 	<p style="text-align: center;">↓</p>


Specific operational issues

Topic: Supply and demand – principles 3, 4


Detail	Key mitigations	Impact on risk
<p>During 2019–20, we faced increasing and sustained population pressures. Risk of demand outstripping supply is most acute and imminent in the adult male estate, due to higher than projected remand demand and rates of recall. This is in addition to continued loss of spaces owing to deterioration.</p> <p>Responding to COVID-19 has presented new capacity pressures and uncertainties. Although there have been some population falls as a result of reduced upstream court activity, we are using available capacity to implement a compartmentalisation strategy to isolate the sick, shield the vulnerable and cohort new arrivals to reduce risk. We require additional headroom to fully implement this strategy across the estate.</p> <p>Now compartmentalisation is achieved, we will remain vulnerable to underlying population growth caused by upstream activity returning to normal or near-normal levels.</p>	<p>We are working closely with the wider department to assess demand projections, understand supply risks across the whole system, develop and implement mitigations. In addition we are:</p> <ul style="list-style-type: none"> • Addressing some of the most immediate maintenance pressures across the prison estate with a £156 million investment. • Developing a long-term prison estates strategy and investing £2.5 billion to create an additional 10,000 prison places by the mid-2020s. • Delivering a further 3,500 places through new prisons in development at Wellingborough and Glen Parva and a houseblock at Stocken. • Addressing the increase in capacity that will be needed to meet the anticipated demand upon probation with a dedicated workforce programme. • In response to COVID-19 we are delivering a number of schemes to increase available headroom, including: managing the estate we have creatively; support for early release schemes; additional temporary residential units within our estate; the identification of alternative accommodation; and expediting sentencing hearings digitally using video conferencing options. 	<p style="text-align: center;">↑</p>

Specific operational issues

Topic: Stability of Community Rehabilitation Companies (CRCs) and transition to new structures – principles 1, 3 and 4

Detail	Key mitigations	Impact on risk
<p>Performance of CRC contracts remains unsatisfactory. The probation reform programme was formed to put in place replacement arrangements from the point CRC contracts end in June 2021. Delivery confidence in the programme is amber red, reflecting the inherent complexity and time pressures we face in managing transition.</p>	<ul style="list-style-type: none"> • We announced the Unified Model (UM), in early 2019, which would bring responsibility for all offender management work into the NPS (from June 2021). • In October we launched the Probation Delivery Partner competition to award contracts to providers to deliver accredited programmes, unpaid work and structured interventions. • We recruited six new NPS regional directors to support the move from six NPS divisions to 11 regions plus Wales. • Significant investment in the probation service was secured for 2020–21, to fund transition to new structures. • The impact of COVID-19 has made the delivery of these reforms more complex. It is vital for public and judicial confidence that we have the flexibility to deliver a national response to any future challenges that COVID-19 presents. We have reviewed and considered alternative options to simplify the reforms. Under those revised plans, announced on 11 June 2020, we will bring the delivery of unpaid work and behavioural change programmes under the control of the NPS instead of contracting them out to Probation Delivery Partners. This will give us a critical measure of control over these core services as we recover from the impact of COVID-19. Delivery confidence of the programme remains at amber red, reflecting the level of complexity that still exists. However, simplifying the reforms means the programme can place more focus on planning the transition of a greater proportion of CRC services to a new model now. 	<p style="text-align: center;">Impact on risk</p> <p style="text-align: center;"></p>

Topic: Youth Custody Service – principles 1, 2, 3

Detail	Key mitigations	Impact on risk
<p>During 2019–20, we continued to experience high levels of violence and self-harm within the youth secure estate, with many young people in custody demonstrating particularly complex needs. There are also challenges with behavioural management approaches, and with suitability of existing secure accommodation, with work underway to develop alternative provision in the form of secure schools.</p>	<p>To address these concerns, the YCS is:</p> <ul style="list-style-type: none"> • Investing in staff, education and psychology services, including providing funding for every prison officer in the YCS to undertake a youth justice qualification and transition to the new youth justice worker specialist role over the next 4 years. • Opening specialist ‘enhanced support’ units for those children with the most complex needs; and implementing a behaviour management strategy, underpinned by an integrated framework of care encompassing education, health and behavioural support, to ensure a consistent level of care based on individual need. • Trialling ‘secure schools’, with a focus on education, healthcare and rehabilitation that will be run by alternative providers. The first school will be opened in Medway, with work progressing on this basis. • The Separation Taskforce – created in response to the HMIP thematic on separation in under 18 YOIs – has now published its report, with a range of actions and improvements taking place to ensure separation of children is handled sensitively, appropriately and with effective scrutiny. 	<p style="text-align: center;">Impact on risk</p> <p style="text-align: center;"></p>

Specific operational issues

Topic: Recruitment and retention – principles 1, 2

Detail

The recruitment of prison and probation officers and other frontline operational delivery roles remains a priority. As at 30 June 2020 there were 21,169 full-time equivalent band 3 to 5 prison officers in post, 0.7% less than the same period in 2019. The leaving rate among band 3 to 5 prison officers in the 12 months to 30 June 2020 was 11.1%, down from 11.5% for the 12 months to 30 June 2019.

A changing labour market along with COVID-19 guidance has impacted on our ability to recruit new staff. Getting back to full productivity will be dependent on wider government guidance however, recruitment recovery plans have been implemented and capacity in the recruitment pipeline is increasing.

Key mitigations

Our recruitment activity is being ramped up to counter the market effects and includes:

- Tailored attraction and communications to address different employment markets, seeking to attract a more diverse candidate pool and obtain applications from candidates with relevant life skills.
- Capacity has been increased through additional face-to-face assessment centres.
- Moving all volume recruitment selection events to a virtual platform. Digital interviews are available as standard. Implemented ‘virtual’ assessment centres for probation officer recruitment which rolls out to prison officer recruitment in coming months.
- Work to support retention across prisons and probation, with staff being given the opportunity to develop their professional skills and qualifications through apprenticeships.

Impact on risk



Topic: Digital/technical debt/GDPR – principles 3, 4

Detail

A significant, but reducing, portion of HMPPS technology suffers from ‘technical debt’. Obsolete systems and dated infrastructure require substantial investment to reduce this. Without action, risks include data loss, downtime and the inability to change systems to respond to business change. Primarily as a result of old systems, GDPR compliance is unacceptably low.

Considerable progress has been made in the past year to mitigate against some of the risk, however continued investment is required to effectively and permanently address the deficiencies.

Digital services are provided through MoJ Digital as part of the functional leadership model.

Key mitigations

As part of the sustained investment plan to address technical debt and GDPR compliance we:

- Introduced major technical improvements in network security.
- Introduced infrastructure to remove huge amounts of technical risks for recovery and rebuilding, improving system resilience.
- Reduced the need for file transfers and improved data quality through technical solutions.
- Ensured robust systems are in place to maintain and protect information assets and to improve GDPR compliance, including the ongoing improvement of deletion of data functions in key IT systems.
- Commenced the Prison Technology Transformation programme (PTTP), which will roll out a new technology service across HMPPS.

Impact on risk



Information assurance (IA)

HMPPS is committed to ensuring effective information management and security and is alert to the risks surrounding information assets. During 2019–20, the information security team continued to work with stakeholders across HMPPS, MoJ and contracted service providers to promote IA policies, with a key strand of work being to implement GDPR throughout the estate to address the challenge of non-compliance issues. While the business's paper-based GDPR compliance is reasonable, our technology-based GDPR compliance is unacceptably low, primarily due to our old systems.

HMPPS have an agreed action plan with MoJ, who are targeting the highest priority HMPPS IT systems to improve their compliance first, as these systems present the biggest risk. Activities are also underway to apply the retention policy to a backlog of records in core offender management systems. The team also continued to:

- promote information governance in headquarters/NPS/prisons and CRCs. During 2019–20 we visited 135 HMPPS sites to advise on and monitor IA compliance, and visited all CRCs to ensure they continue to be information security compliant
 - support HMPPS by attending security working groups with many of the large contractors and initiatives
 - strengthen HMPPS information sharing controls with appropriate agreements in place across the estate
 - investigate information security-related incidents when required, as well as acting as the HMPPS liaison with the Information Commissioner's Office (ICO) on all self-reported serious data breaches
- carry out records management on behalf of the HMPPS estate, working closely with MoJ colleagues, as well as offering specialist IA advice to programmes and projects
 - worked with the MoJ on an investigation into the management of electronic monitoring contracts with G4S and Serco. An interim report was published in November 2013 following HMPPS commissioning an internal investigation. It was subsequently referred to the Serious Fraud Office (SFO) and both the MoJ and HMPPS continued to collate evidence for the investigation which covered a 10-year life span of engagement with contractors. On 16 December 2019, the SFO announced it had charged two former Serco members of staff with fraud by false representation and false accounting in relation to representations made to the MoJ between 2011 and 2013. The SFO have yet to conclude their investigation with regard to G4S

Personal data-related incidents

Three significant personal data-related incidents were reported to the Information Commissioner's Office (ICO) in 2019–20. All three have come back with no further action required.

Month of incident	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
May 2019	A member of staff's house was broken into resulting in the theft of a laptop, mobile phone and the personal sensitive data of seven members of staff. This included photocopies of their marriage certificates, driving licences, passports, P60s and credit card statements.	Personal information.	Seven members of staff.	Self-reported to the ICO, which has confirmed no further action is required.
June 2019	An NPS staff member's car was broken into and their laptop, diary containing service user appointments and notebook containing notes of prison visits, as well as paperwork relating to a service user, was taken.	Personal information.	22 service users.	Self-reported to the ICO, which has confirmed no further action is required.
June 2019	During an investigation to support the case for the dismissal of a member of staff suspended by Nacro, it was discovered that they had sent eight emails to their personal email account which included service user court paperwork, statements and licences for a service user, staff names and contact details, and a list of all BASS addresses in the Thames Valley region.	Personal information of one service user and staff contact details.	One service user.	Self-reported to the ICO, which has confirmed no further action is required.

Whistleblowing arrangements

HMPPS has a counter corruption and reporting wrongdoing policy, and a whistleblowing policy in place. Each 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.

These policies allow staff to contact the independent integrity 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 policies provide staff with information on sources of advice and support, such as trade unions, workplace support or staff networks, and the Civil Service Commission. HMPPS had three cases referred to nominated officials during the reporting period that met the criteria, all of which were resolved with no case to answer.

The People Survey results provide a measure of the effectiveness of these policies. 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 2019 survey with the previous survey in 2018, indicated that overall there is a slight increase in awareness and also a slight increase of confidence in these areas. HMPPS will continue to monitor responses on an annual basis.

Environmental sustainability

2019–20 has seen environmental sustainability significantly increase its profile and importance in both HMPPS, the wider MoJ and also in the media. Over the last year, HMPPS has taken a number of steps to further embed environmental sustainability across the business including:

- agreeing sustainability priorities with the CEO and DGs to guide their decision-making. For prisons, this includes more fully incorporating environmental sustainability in our maintenance activity and prison operations
- putting environmental requirements at the heart of major programmes such as the new prison capacity programme and next generation facilities management; and considering how to maximise links between environmental activities and offender rehabilitation in the probation reform programme
- committing to including environmental sustainability objectives in the HMPPS business plan

Looking forward, we will:

- agree targets for energy and water use with prison governors
- track progress against CEO and DG sustainability priorities
- incorporate environmental sustainability in the HMPPS assurance framework, helping to embed this important agenda
- support development of MoJ's plans for delivering net zero carbon and net gain biodiversity

Attendance charts

For HLT, HAB and ARAC from 1 April 2019 to 31 March 2020:

Name	Role	HLT	HAB
Gerard Lemos	Lead Non-Executive Director	N/A	5 of 5
Alan Hammill	Non-Executive Director	N/A	5 of 5
Lesley King-Lewis	Non-Executive Director	N/A	4 of 5
Rob Butler	Non-Executive Director (until 8 November 2019)	N/A	4 of 4
Dr Jo Farrar	CEO of HMPPS	33 of 35	5 of 5
Phil Cople	DG Prisons (interim, appointed as permanent as of 1 November 2019)	28 of 35	5 of 5
Amy Rees	DG Probation and Wales (interim, appointed as permanent as of 30 September 2019)	25 of 35	5 of 5
Helga Swidenbank	Executive Director, YCS	31 of 35	1 of 5
Adrian Scott	Executive Director, Change, Strategy and Planning (until 13 March 2020)	25 of 33	4 of 5
Ian Blakeman	Executive Director, Performance (until 13 March 2020)	30 of 33	5 of 5
Ian Blakeman	Executive Director, Strategy, Planning and Performance (as of 14 March 2020)	2 of 2	0 of 0
James McEwen	MoJ Director, Financial Strategy, Planning and Performance	25 of 35	4 of 5
Mark Adam	MoJ People Group Director – Strategy and Delivery (as of 6 June 2019)	24 of 29	1 of 4

Name	Role	ARAC
Alan Hammill	Chair/HMPPS Non-Executive Director	4 of 4
Seyi Obakin	ARAC Non-Executive Director	4 of 4
Lesley King-Lewis	HMPPS Non-Executive Director	4 of 4
<i>In attendance</i>		
Dr Jo Farrar	HMPPS CEO	4 of 4
Ian Blakeman	HMPPS Executive Director, Strategy, Planning and Performance	2 of 2
Caroline Patterson (until 25 November 2019)	MoJ Director, Financial Reporting and Control	2 of 3
Henry Young (from 26 November 2019, covering for Caroline Patterson until January 2021)	MoJ Group Finance	1 of 1
James McEwen	MoJ Director, Financial Strategy, Planning and Performance	3 of 4
Liam Orme	Group Chief Internal Auditor, GIAA	4 of 4
Gary Wilkin	Senior Audit Manager, GIAA	4 of 4
Steven Corbishley	Director, National Audit Office	4 of 4
Oliver Lodge	Director, National Audit Office	4 of 4

Conclusion

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

Statement of Accounting Officer's responsibilities

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

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

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

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

- prepare the accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

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

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that HMPPS's 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://civilservicecommission.independent.gov.uk/>

Remuneration

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

Salary

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

Taxable benefits

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

Bonuses

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

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonus payments made in 2019–20 are for bonuses awarded in 2018–19. Bonus payments made in 2018–19 are for bonuses awarded in 2017–18.

Pension benefits

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

Total remuneration (audited)

Officials	2019–20					2018–19				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000
Dr Jo Farrar Chief Executive Officer (from 1 April 2019)	155–160	-	-	24,000 ¹	175–180	N/A	N/A	N/A	N/A	N/A
Phil Cople Interim Director General, Prisons (until 31 October 2019) Director General, Prisons (from 1 November 2019)	150–155	-	10–15	119,000	275–280	140–145	-	10–15	55,000	205–210
Amy Rees Interim Director General, Probation (until 29 September 2019) Director General, Probation and Wales (from 30 September 2019)	130–135	-	10–15	104,000	245–250	120–125	-	10–15	53,000	180–185
James McEwen² Director, Finance Strategy, Planning and Performance (from 28 July 2018)	110–115	-	10–15	45,000	165–170	70–75 (110–115 annualised)	-	15–20	22,000	110–115
Mark Adam³ Director, MoJ People Group, Strategy and Delivery (from 6 June 2019)	90–95 (110–115 annualised)	-	10–15 ⁴	36,000	135–140	N/A	N/A	N/A	N/A	N/A
Helga Swidenbank Executive Director Youth Custody Service (from 3 September 2018)	115–120	-	10–15	46,000	170–175	65–70 (110–115 annualised)	-	-	26,000	90–95

Officials	2019-20					2018-19				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000
Adrian Scott Executive Director, Electronic Monitoring (until 28 February 2019) Executive Director, Change, Strategy and Planning (from 1 March 2019 until 13 March 2020)	115-120 (120-125 annualised)	-	10-15	99,000	225-230	115-120	-	15-20	33,000	165-170
Ian Blakeman Executive Director, Prison Improvement (from 8 May 2018, until 28 February 2019) Executive Director, Performance (from 1 March 2019, until 13 March 2020) Executive Director, Strategy, Planning and Performance (from 14 March 2020)	110-115	37,400	10-15	44,000	200-205	95-100 (105-110 annualised)	3,300	-	24,000	125-130
Michael Spurr Chief Executive Officer (until 31 March 2019)	N/A	N/A	N/A	N/A	N/A	145-150	-	-	1,000	145-150
Sonia Flynn (formerly Crozier) Executive Director Probation and Women (until 28 February 2019)	N/A	N/A	N/A	N/A	N/A	105-110 (115-120 annualised)	-	10-15	42,000	160-165
Ian Porée Executive Director Community Interventions (until 28 February 2019)	N/A	N/A	N/A	N/A	N/A	125-130 (140-145 annualised)	-	-	59,000	185-190
Andrew Emmett⁵ Executive Director Finance (until 31 July 2018)	N/A	N/A	N/A	N/A	N/A	45-50 (135-140 annualised)	-	-	17,000	65-70

Officials	2019–20					2018–19				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000
Mark Read Executive Director Youth Custody Service (until 8 April 2018)	N/A	N/A	N/A	N/A	N/A	0–5 (100–105 annualised)	-	-	1,000	0–5
Sara Robinson Interim Executive Director Youth Custody Service (until 2 September 2018)	N/A	N/A	N/A	N/A	N/A	40–45 (95–100 annualised)	-	5–10	14,000	60–65
Simon Boddis Executive Director Prison Estate Transformation Programme (until 28 February 2019)	N/A	N/A	N/A	N/A	N/A	85–90 (90–95 annualised)	-	10–15	6,000	100–105
Claudia Sturt Executive Director, Security, Order and Counter Terrorism (until 28 February 2019)	N/A	N/A	N/A	N/A	N/A	100–105 (110–115 annualised)	400	-	27,000	125–130
Digby Griffith Executive Director, Rehabilitation and Assurance (until 28 February 2019)	N/A	N/A	N/A	N/A	N/A	95–100 (100–105 annualised)	-	-	51,000	145–150
Martin Beecroft Executive Director, Human Resources (until 28 February 2019)	N/A	N/A	N/A	N/A	N/A	100–105 (110–115 annualised)	-	-	41,000	140–145

- ¹ Dr Jo Farrar did not accrue PCSPS pension benefits in 2019–20 but joined the Partnership pension scheme from 1 April 2019. Employer contributions to the Partnership pension account are included in the 'Pension related benefits' column of this table and included in the GETV table below
- ² Director, Finance Strategy, Planning and Performance is part of the MoJ Functional Leadership group and is not included in the staff cost note or staff numbers within the HMPPS accounts but is included in the MoJ accounts. As an HMPPS Board member they are included in the Remuneration Report above
- ³ Director, MoJ People Group, Strategy and Delivery is part of the MoJ Functional Leadership group and is not included in the staff cost note or staff numbers within the HMPPS accounts but is included in the MoJ accounts. As an HMPPS Board member they are included in the Remuneration Report above
- ⁴ Director, MoJ People Group, Strategy and Delivery bonus relates to 2018–19. He was appointed to HMPPS Agency Board on 6 June 2019
- ⁵ The Executive Director Finance (up to 31 July 2018) was paid for untaken annual leave during 2018–19 resulting in an increase in salary

Compensation for loss of office (audited)

The FReM requires entities to provide details of any payments made to any person who was not a director at the time the payment was made, but who had been a director of the entity previously. An employee who had at one time been on the Board left HMPPS under an MoJ Voluntary Early Departure Scheme (VED), approved by Cabinet Office, during the financial year. This resulted in a VED payment in the band £110,000–£115,000. The identity of the past director has not been disclosed.

Pay multiples (audited)

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

	2019–20	2018–19
Band of highest paid director's total remuneration (£000)	160–165	155–160
Median total remuneration (£)	26,697	27,738
Ratio	6.1:1	5.7:1

In 2019–20, 0 employees received remuneration in excess of the highest paid director (2018–19: 0 employees).

In 2019–20 remuneration ranged from £15,000–£20,000 to £160,000–£165,000.

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

Non-Executive Directors' remuneration (audited)

	2019–20			2018–19		
	Fees (excluding bonuses paid) £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Fees (excluding bonuses paid) £'000	All taxable benefits (to nearest £100)	Bonus payments £'000
Gerard Lemos Lead Non-Executive Director (from 1 May 2018)	15–20	-	-	15–20 (15–20 annualised)	-	-
Alan Hammill Non-Executive Director	10–15	400	-	10–15	200	-
Rob Butler Non-Executive Director (until 8 November 2019)	5–10 (10–15 annualised)	-	-	10–15 (10–15 annualised)	-	-
Lesley King-Lewis Non-Executive Director (from 1 May 2018)	10–15	-	-	10–15 (15–20 annualised)	-	-

Gerard Lemos chaired the HMPPS Agency Board meetings during 2019–20

Pension benefits (audited)

Cash Equivalent Transfer Value

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension benefit due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Officials	Accrued pension at pension age as at 31/3/20 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/20 £'000	CETV at 31/3/19 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Dr Jo Farrar¹ Chief Executive Officer (from 1 April 2019)	N/A	N/A	N/A	N/A	N/A	23,700
Phil Cople Interim Director General, Prisons (until 31 October 2019) Director General, Prisons (from 1 November 2019)	60–65 plus a lump sum of 135–140	5–7.5 plus a lump sum of 7.5–10	1,100	967	82	N/A
Amy Rees Interim Director General, Probation (until 29 September 2019) Director General, Probation and Wales (from 30 September 2019)	40–45 plus a lump sum of 5–10	5–7.5 plus a lump sum of 0–2.5	536	454	54	N/A
James McEwen Director, Finance Strategy, Planning and Performance (from 28 July 2018)	30–35	2.5–5	411	371	16	N/A
Mark Adam Director, MoJ People Group, Strategy and Delivery (from 6 June 2019)	5–10	0–2.5	89	64	16	N/A
Helga Swidenbank Executive Director Youth Custody Service (from 3 September 2018)	0–5	2.5–5	51	18	24	N/A

Officials	Accrued pension at pension age as at 31/3/20 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/20 £'000	CETV at 31/3/19 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Adrian Scott Executive Director, Electronic Monitoring (until 28 February 2019) Executive Director, Change, Strategy and Planning (from 1 March 2019 until 13 March 2020)	40-45 plus a lump sum of 90-95	2.5-5 plus a lump sum of 7.5-10	685	589	66	N/A
Ian Blakeman Executive Director, Prison Improvement (from 8 May 2018 until 28 February 2019) Executive Director, Performance (from 1 March 2019, until 13 March 2020) Executive Director, Strategy, Planning and Performance (from 14 March 2020)	50-55 plus a lump sum of 115-120	2.5-5 plus a lump sum of 0-2.5	1,001	926	26	N/A

¹ Dr Jo Farrar joined the Partnership pension scheme from 1 April 2019. No PCSPS pension benefits were accrued in 2019-20.

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: three 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**. (The pension

figures quoted show pension earned in PCSPS or **alpha** – as appropriate. Where the member has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) 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 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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

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

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

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

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

Local Government Pension Scheme

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

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

For the year to 31 March 2020, HMPPS paid employers' pension contributions of £318.1 million to the PCSPS and £87.5 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.

Staff costs (audited)

	2019–20	2018–19
	£'000	£'000
Permanent staff – wages and salaries	1,597,016	1,554,961
Permanent staff – social security costs	163,706	160,814
Permanent staff – pension costs	501,566	359,366
Agency staff costs	54,722	62,179
Departures and severance payments	10,969	11,450
Inward secondments	9,554	4,235
Sub-total	2,337,533	2,153,005
Recoveries in respect of outward secondments	(6,299)	(6,646)
Total net costs	2,331,234	2,146,359

Pension costs (audited)

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

Consultancy costs (audited)

Expenditure on consultancy was £3.2 million in 2019–20 (2018–19: £1.7 million).

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 2020		31 March 2019	
	Number	Percentage	Number	Percentage
£60,000–£69,999	-	0%	-	0%
£70,000–£79,999	13	18%	9	14%
£80,000–£89,999	15	21%	14	21%
£90,000–£99,999	30	41%	26	38%
£100,000–£109,999	3	4%	9	14%
£110,000–£119,999	7	10%	5	8%
£120,000–£129,999	1	1%	-	0%
£130,000–£139,999	1	1%	1	2%
£140,000–£149,999	2	3%	2	3%
£150,000–£159,999	0	0%	-	0%
£160,000–£169,999	1	1%	-	0%
£170,001–£179,999	0	0%	-	0%
Total	73	100%	66	100%

Staff numbers (audited)

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

	2019–20			2018–19		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	49,831	-	49,831	48,781	-	48,781
Staff engaged on capital projects	-	84	84	-	127	127
Other	-	1,242	1,242	-	1,415	1,415
Total	49,831	1,326	51,157	48,781	1,542	50,323

Reporting of Civil Service and other compensation schemes – exit packages (audited)

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

Exit package cost and band	2019–20			2018–19		
	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	-	80	80	-	68	68
£10,001 – £25,000	-	77	77	-	68	68
£25,001 – £50,000	-	311	311	-	253	253
£50,001 – £100,000	-	107	107	-	78	78
£100,001 – £150,000	-	2	2	-	1	1
£150,001 – £200,000	-	-	-	-	-	-
£200,001 – £250,000	-	-	-	-	-	-
£250,001 – £300,000	-	-	-	-	-	-
Total number of exit packages	-	577	577	-	468	468
Total cost of exit packages (£'000)	-	19,256	19,256	-	14,299	14,299

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.

These figures include 30 HMPPS staff members leaving under MoJ voluntary early departure schemes. The costs for these schemes are being accounted for by MoJ in their accounts.

Included within 'Other Departures agreed' above in the year to 31 March 2020 are 544 efficiency departure exit packages at a value of £17.1 million, within payment bands £0 to £150,000. In 2018–19, there were 462 efficiency departure exit packages at a value of £14.3 million, within payment bands £0 to £150,000. Efficiency departures are authorised in the interests of the continued efficiency of the service and the wellbeing of the individual, under section 6.3 of the Civil Service Management Code.

Staff diversity

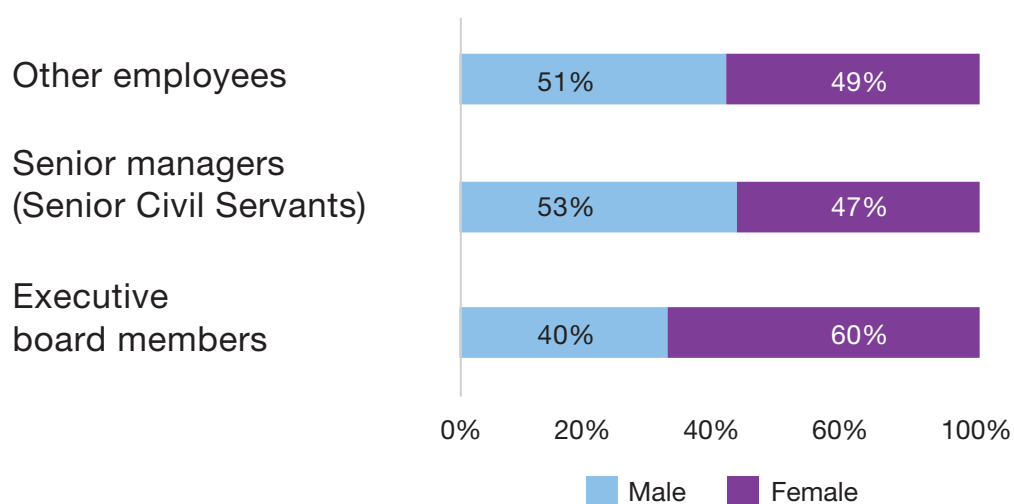
Staff composition data

As at 31 March 2020 the breakdown of employees was as follows:

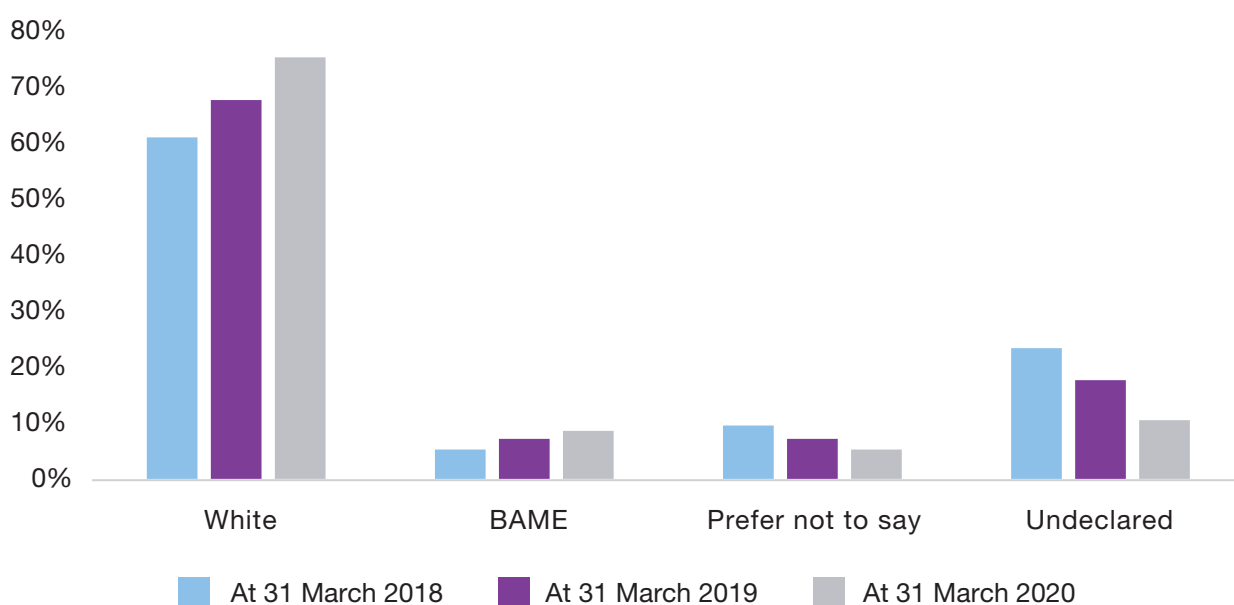
	Male	Female	Total
Executive Board Members	2 (40%)	3 (60%)	5
Senior managers (Senior Civil Servants)	36 (53%)	32 (47%)	68
Other employees	26,942 (51%)	25,193 (49%)	52,855
Total	26,980 (51%)	25,948 (49%)	52,928

Senior Civil Servants includes substantive grades only

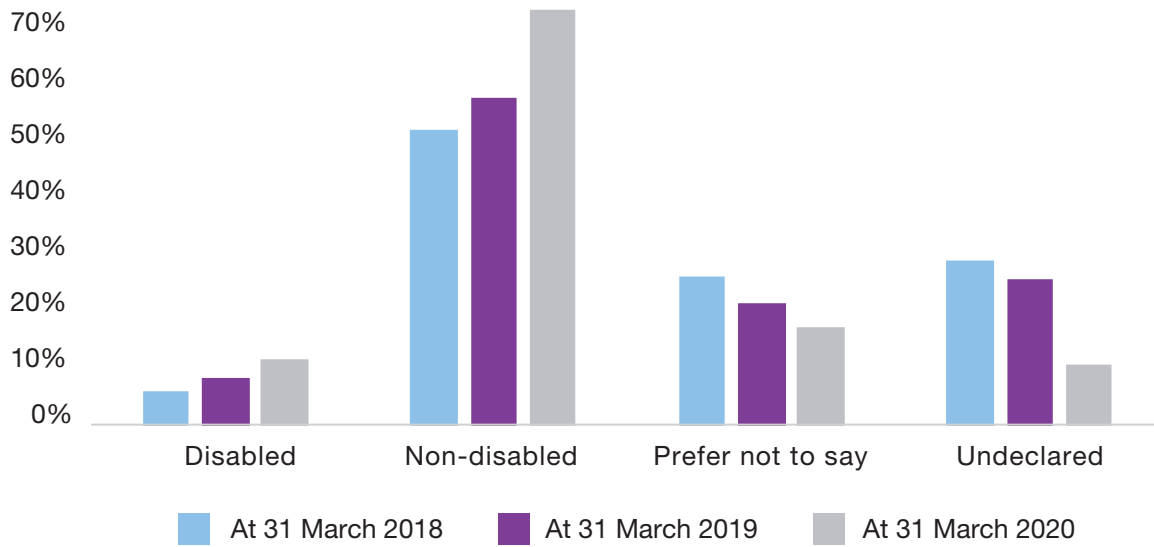
Breakdown of employees by gender



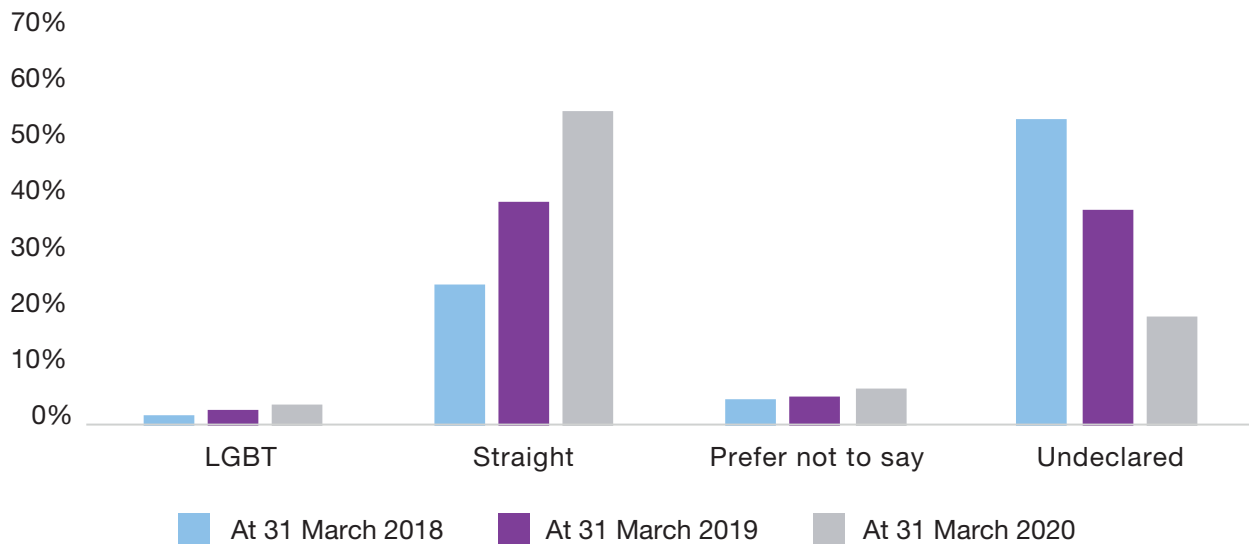
Breakdown of employees in post by declared ethnicity



Breakdown of employees in post by declared disability



Breakdown of employees in post by declared sexual orientation



HMPPS aims to ensure staff in our organisation are treated fairly, with transparency, and are well-supported with sensitivity and regard for their individual circumstances. We recognise that our workforce is still not diverse enough, including at senior levels, and outcomes for some groups remain significantly worse than others in key areas. We are committed to continuing our work to change this, and to strengthen our position as a modern, professional and effective organisation.

We are already reflecting on our learning and the progress we have made to date under the 10 strategic priorities published as part of the HMPPS equality strategy 2018–20 and, as we approach the end of this period, we will be identifying priority areas for development under the new strategy, due for publication next year. Progress against these priorities and Lammy recommendations have continued to be managed through a formal programme of work, overseen by the diversity and inclusion sub-committee on a quarterly basis.

We also continue to recognise the importance of providing our staff with training and professional development that mirrors the values of the organisation and helps individuals understand how diversity and inclusion is pivotal in supporting rehabilitation. Our Learning and Development team are currently reviewing all HMPPS operational and NPS products to ensure they have an appropriate equality analysis evidencing consideration of the nine protected characteristics when developing, reviewing or delivering to our staff. The new level 3 Custody and Detention Officer apprenticeship has also been developed during this reporting year, and ensures that diversity and inclusion is embedded within all aspects of new prison officers' learning journeys.

We have continued to make progress against our targets to increase the numbers of Black and Minority Ethnic (BAME) staff in our workforce and in senior leadership positions. We have increased the recruitment of BAME prison staff (between January 2017 and December 2019, 10.5% and 12.3% of all formal offers accepted for prison officer and operational support grade roles respectively were by BAME candidates) and workforce statistics show that, as at 31 December 2019, 10.3% of HMPPS staff who declared their ethnicity were from BAME groups.

We have successfully worked to increase staff declaration rates in order to improve the reliability of our data and analysis, and have developed quarterly data packs which are disseminated across the business to highlight declaration rates by business area. We have now met the targets we had set to increase our staff declaration rates across ethnicity, disability status, religion and sexual orientation by December 2020,

significantly ahead of time. However, despite this achievement, we recognise that continued work will be necessary to maintain progress and allow further analysis of data relating to the experiences and outcomes of our staff.

We continue to offer further support for disabled, LGBT+ and BAME staff through three dedicated staff networks, which are each led by a full-time, salaried network lead. Network membership and awareness of support available to staff has grown across HMPPS and the networks play an active role in voicing the experiences of their members and contributing to organisational change. Our Pride in Prisons and Probation (PiPP) staff network was highly commended by Stonewall and contributed towards the MoJ rating of 5th in the Stonewall Workplace Equality Index 2020 table.

Disability

The HMPPS disability workstream continues to progress as we work closely with DAWN, the staff disability network, to ensure that staff with disabilities are treated fairly. Work has continued on the scrutiny and review of a number of HR policies, and refreshed policies are expected to be published as a result of this in the near future.

The Workplace Adjustment Passport (WAP) was rolled out across HMPPS HQ and prisons with accompanying guidance in May 2019 with good uptake, and this is now being adopted across NPS. Work to deploy, test and evaluate our new Mental Health Allies (MHA) programme is also underway; the programme has rolled out in the Southern House office, with options for wider roll out now being agreed.

Sickness absence data

In the year ended 31 March 2020, HMPPS staff lost an average of 10.0 working days to sickness absence (2018–19: 9.3 days).

Staff turnover and departmental turnover

In 2019–20, staff turnover was 10.1% (2018–19: 9.7%) and department turnover was 10.7% (2018–19: 10.1%). Department turnover includes transfers of staff within the Civil Service. Transfers within the Civil Service are not included in staff turnover.

The department continues to monitor turnover rates and support initiatives to maintain a healthy level of turnover. The annual Civil Service People Survey, coupled with other research, helps us to understand our people's experience of working in MoJ and take appropriate action to improve effectiveness, including where turnover becomes problematic. 'Departmental Turnover' includes transfers of staff within the Civil Service. These are excluded from 'Turnover'.

Communications and employee involvement

Communicating with, and engaging with, our internal and external audiences is vitally important for our organisation; ensuring messages are appropriate for each audience and that they are provided in the most effective way.

The HMPPS Communications team has provided a wide range of communications, focused mainly on our people based in operational and non-desk based environments, but also for those using our services, as well as stakeholders and partners.

We have continued to work closely with partners such as National Prison Radio and prison newspaper Inside Time, to continue to inform and engage with those people in our care to maximise the reach of communication messages across this audience in particular.

Important areas of work over the 2019–20 year include:

- launching the HMPPS strategy which sets out the ambitions for the agency's future, and from which a longer term strategy plan will be developed
- supporting HMPPS in providing COVID-19 messaging for staff, prison residents and their families, those under community supervision, stakeholders and partners. These communications have required changes to the way HMPPS provides its services and adapting processes to react to the changing position
- providing support to HMPPS staff following the London Bridge terrorist attack, and communicating the implications of changes to the sentences of those convicted of terrorist offences that followed the incident
- supporting probation colleagues through the probation reform programme which will bring together a unified probation system, while delivering the day-to-day business, protecting the public and delivering services to those under probation supervision
- supporting prisons to continue to embed the offender management model, which brings together the skills of prison and probation colleagues to support people through their sentences, and helps to improve prison safety and reduce reoffending
- providing communications to help to reduce violence, self-harm and self-inflicted deaths in custody by providing safe and decent conditions, and making people aware of the tools available to them so that they feel supported

- highlighting the impact that our staff make as part of their day-to-day work to positively help people in our care to change their lives for the better, as part of the changing lives together campaign
- building pride and engagement in our staff – the People Survey response rate across HMPPS was marginally improved, and the engagement index was up 1 percentage point overall across HMPPS, with an increase or the same results across eight of the nine survey areas

Talent management

Developing talent and leadership within HMPPS is an integral part of our strategy and people plan which sets out our vision to be an organisation that enables our people to be their best and fosters confident leaders at all levels. Our transformative talent agenda prioritises developing internal talent while also recognising the importance of bringing diversity of talent and experience into our senior leadership roles by attracting and developing external candidates.

Throughout 2020–21, we will embed our new talent agenda, developing three new programmes, Spark, Catalyst and Ignite, which aim to stretch and develop capability in our people at all levels across prisons, probation, YCS and headquarters. Over the next year we will wind down and close some of our existing talent programmes to be replaced by these new, enhanced offers.

In addition to this, throughout the past year we have piloted new talent development programmes which will be evaluated and considered for roll out more widely across the organisation in the next year.

Current talent development initiatives:

- Unlocked Graduates programme (talent acquisition)
- First line manager core programme (internal development)
- Experienced manager programme (internal development)
- Master's programme (internal development)

Current pilots:

- Aspiring leaders programme (internal development)
- Experienced first line leader programme (internal development)
- Senior leaders programme (internal development)

Current talent programmes to be closed in 2020–21:

- Senior leaders scheme – to be replaced by Catalyst
- Accelerated development programme – to be replaced by SPARK
- Empowered senior leaders programme – to be replaced by Senior leaders programme
- LEAP

New talent development schemes:

- Spark – fast track scheme for internal and external candidates
- Ignite – open to internal and external candidates aimed at developing a talent pool who can quickly be developed in to our top leaders
- Catalyst – direct entry scheme to bring external advanced leadership straight in to positions of influence
- Continuation of parts one and three of Senior leaders programme (internal development)

Off-payroll engagements

During the financial year 2019–20, HMPPS has reviewed off-payroll engagements where we are required to consider intermediaries, (IR35), legislation using HMRC’s guidance and online status indicator. We have advised our contracting body of the outcome of the status determinations so that, where appropriate, tax deductions are made at source from payments made in respect of the engagement with HMPPS. 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 104:

	2019–20		2018–19	
	Cases	£'000	Cases	£'000
Cash losses	606	72	1,010	148
Losses of accountable stores	18,115	2,850	16,136	2,525
Fruitless payments and constructive losses	2	1	8	9,278
Claims waived or abandoned	110	456	25	14,804
Administrative write-offs	-	-	-	-
Losses statement	18,833	3,379	17,179	26,755
Special payments to staff	680	10,398	1,113	12,588
Special payments to offenders	5,942	16,293	6,108	15,711
Special payments to third parties	209	1,401	308	1,512
Special payments	6,831	28,092	7,529	29,811

In 2019–20, HMPPS made zero (Q4 2018–19: three) loss payments over £300,000.

In 2019–20, HMPPS made nine (Q4 2018–19: five) special payments over £300,000, which were:

- Eight compensation payments were made to operational members of HMPPS staff injured in the course of their duties: £1,328,453; £506,878; £426,455; £406,500; £404,203; £357,000; £379,568; and £329,209.
- One compensation payment was made to a prisoner for a personal injury: £3,676,672.

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) that may be affected by our operations. This assurance covers the following amounts:

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

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

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



Dr Jo Farrar

Chief Executive and Accounting Officer

9 September 2020

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 2020 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 2020 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.

Emphasis of matter – material uncertainty regarding property valuations

I draw attention to the disclosures made in Note 1.20 *Critical accounting estimates and judgements* to the financial statements, which describes the effects of a material valuation uncertainty on the professional revaluations of land and

building assets arising from the impacts of COVID-19 on land markets and building costs. My opinion is not modified in respect of this matter.

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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- HM Prison and Probation Service's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- HM Prison and Probation Service's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about HM Prison and Probation Service's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from

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

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

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

and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude on the appropriateness of HM Prison and Probation Service's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HM Prison and Probation Service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause HM Prison and Probation Service's to cease to continue as a going concern.

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

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

22 September 2020

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



Financial statements



Financial statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2020

	Notes	2019–20 £'000	2018–19 £'000
Income from contracts with customers	3a	(226,381)	(212,250)
Other operating income	3b	(34,247)	(33,325)
Total operating income		(260,628)	(245,575)
Staff costs	4a	2,331,234	2,146,359
Purchase of goods and services	4b	2,325,604	2,286,349
Depreciation, amortisation and impairment charges	4c	256,556	309,859
Notional expenditure	4d	312,353	330,155
Total operating expenditure		5,225,747	5,072,722
Net operating expenditure		4,965,119	4,827,147
Finance expense	4e	60,633	53,676
Net (gain)/loss on transfers by absorption		12	(5,886)
Net expenditure for the year		5,025,764	4,874,937

Other Comprehensive Expenditure

For the year ended 31 March 2020

Items which will not be reclassified to net operating expenditure:	Notes	2019–20 £'000	2018–19 £'000
Net (gain) on revaluation of property, plant and equipment	5	(310,937)	(160,078)
Net (gain) on revaluation of intangible assets	6	(213)	(564)
Net loss on revaluation of assets held for sale	7	15	-
Remeasurement of net pension liabilities (gain)/loss	18	(352,068)	267,477
Total comprehensive expenditure		4,362,561	4,981,772

The Notes on pages 108 to 148 form part of these accounts

Statement of Financial Position

At 31 March 2020

	Notes	31 March 2020		31 March 2019	
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	5	8,115,566		7,772,015	
Intangible assets	6	39,789		67,225	
Investments		451		559	
Total non-current assets		8,155,806		7,839,799	
Current assets					
Assets held for sale	7	15,882		3,163	
Inventories	8	58,616		63,435	
Trade and other receivables	9	228,715		216,121	
Cash and cash equivalents	10	15,654		34,636	
Total current assets		318,867		317,355	
Total assets		8,474,673		8,157,154	
Current liabilities					
Trade and other payables	11a	(628,667)		(608,321)	
Financial liabilities	13	(18,680)		(17,438)	
Provisions	12	(90,501)		(86,974)	
Total current liabilities		(737,848)		(712,733)	
Non-current assets less net current liabilities		7,736,825		7,444,421	
Non-current liabilities					
Trade and other payables	11b	(1,561)		(1,921)	
Financial liabilities	13	(180,649)		(199,329)	
Provisions	12	(220,491)		(212,580)	
Pension deficit liability	18	(1,637,818)		(1,850,086)	
Total non-current liabilities		(2,040,519)		(2,263,916)	
Assets less liabilities		5,696,306		5,180,505	
Taxpayers' equity					
General Fund			2,770,006		2,470,440
Revaluation Reserve			2,926,300		2,710,065
Total taxpayers' equity			5,696,306		5,180,505

The Notes on pages 108 to 148 form part of these accounts



Dr Jo Farrar

Chief Executive and Accounting Officer

9 September 2020

Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
Cash flows from operating activities			
Net expenditure		(5,025,764)	(4,874,937)
Adjustments for non-cash transactions		622,954	737,281
Adjustment for notional transactions with MoJ group		75,768	16,942
Adjustment for pension contributions paid less service costs	18	94,479	41,175
(Increase) in trade and other receivables:	9	(12,594)	(53,285)
Less: Impairments in trade and other receivables	4	(3,362)	740
(Increase)/decrease in inventories	8	4,819	(14,231)
Increase in trade and other payables	11a, 11b	19,986	90,325
Increase/(decrease) in capital payables		7,384	(4,608)
Less: Payments of amounts due to the Consolidated Fund to MoJ		-	13
Utilisation of provisions	12	(37,376)	(37,963)
Net cash outflow from operating activities		(4,253,706)	(4,098,548)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(283,566)	(215,922)
Purchase of intangibles	6	(5,463)	(2,579)
Proceeds on disposal of property, plant and equipment		149	180
Proceeds on disposal of assets held for sale		10,801	86,521
Proceeds on disposal of investments		241	-
Net cash outflow from investing activities		(277,838)	(131,800)
Cash flow from financing activities			
Net funding received from MoJ		4,530,000	4,249,000
Payments of amounts due to the Consolidated Fund to MoJ			(13)
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	13b	(17,438)	(19,746)
Net financing		4,512,562	4,229,241
Net (decrease) in cash and cash equivalents in the period		(18,982)	(1,107)
Cash and cash equivalents at the beginning of the period	10	34,636	35,743
Cash and cash equivalents at the end of the period	10	15,654	34,636
(Decrease) in cash and cash equivalents		(18,982)	(1,107)

The Notes on pages 108 to 148 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

	Notes	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2018		2,862,084	2,727,964	5,590,048
Changes in taxpayers' equity for 2018–19				
Net expenditure for the year to 31 March 2019		(4,874,937)	-	(4,874,937)
Net gain/(loss) on revaluation of:				
Property, plant and equipment	5	-	160,078	160,078
Intangible assets	6	-	564	564
Assets held for sale	7	-	-	-
Release of reserves to the General Fund		178,541	(178,541)	-
Remeasurement of net pension liabilities	18	(267,477)	-	(267,477)
Funding from the MoJ		4,249,000	-	4,249,000
Settlement of transactions with MoJ		16,942	-	16,942
Notional items:				
Auditor's remuneration	4	273	-	273
Notional element of MoJ overhead recharges	4	306,014	-	306,014
Balance at 31 March 2019		2,470,440	2,710,065	5,180,505
Changes in taxpayers' equity for 2019–20				
Net expenditure for the year to 31 March 2020		(5,025,764)	-	(5,025,764)
Net gain/(loss) on revaluation of:				
Property, plant and equipment	5	-	310,937	310,937
Intangible assets	6	-	213	213
Assets held for sale	7	-	(15)	(15)
Release of reserves to the General Fund		94,900	(94,900)	-
Remeasurement of net pension liabilities	18	352,068	-	352,068
Funding from the MoJ		4,530,000	-	4,530,000
Settlement of transactions with MoJ		75,768	-	75,768
Notional items:				
Auditor's remuneration	4	282	-	282
Notional element of MoJ overhead recharges	4	272,312	-	272,312
Balance at 31 March 2020		2,770,006	2,926,300	5,696,306

The Notes on pages 108 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 Government Financial Reporting Manual (FRoM) 2019–20 issued by HM Treasury. The accounting policies contained in the FRoM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM 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 that are considered material to the accounts.

The functional and presentational currency of HMPPS is the British pound sterling (£).

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 2020.

b) New and amended standards adopted

There have been no new or amended standards adopted in the financial year beginning 1 April 2019.

c) New standards, amendments and interpretations issued, but not effective, for the financial year beginning 1 April 2019, and not adopted early

IFRS 16 Leases 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 is of low value. The assets, to be described as 'right of use' assets, will be presented under Property, Plant and Equipment. The standard is expected to have a material effect on HMPPS's financial statements. In March 2020 HM Treasury announced that the adoption of IFRS 16 will be deferred and will now be adopted from 1 April 2021.

Details of HMPPS's lease commitments can be found in Note 14.

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. This is expected to come into effect for

accounting periods commencing on, or after, 1 January 2021 and should be included in the 2021–22 FReM at the earliest. To assess the impact of the standard, HMPPS is reviewing contracts which meet the definition of insurance contracts.

HMPPS does not consider that any other new, or revised standard, or interpretation will have a material impact.

d) Changes in presentation and reclassifications

There have been no changes to presentation or reclassifications in 2019–20. Changes required to reflect the revised structure of HMPPS have been made to the Statement of Operating Costs by Operating Segment (Note 2) and the 2018–19 Statement has been restated for comparability.

1.4 Going concern

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

1.5 Operating income

Operating income is generated directly from the operating activities of HMPPS and is recognised as revenue in the Statement of Comprehensive Net Expenditure (SoCNE) in accordance with IFRS 15. Revenue is recognised when a performance obligation included within an agreement with a customer is satisfied, at the transaction price allocated to that performance obligation.

A large proportion of operating income relates to grant funding from the European Social Fund, and the recharge of expenditure to other government

departments, particularly healthcare funding and Immigration Removal Centres (IRCs).

Healthcare funding is recognised on an accruals basis. Establishments log healthcare activity (medical escorts and bedwatches), which is used as the basis for raising invoices with standard 30-day payment terms.

The recharge of expenditure for IRCs is also recognised on an accruals basis. The cost of running the IRCs, including head office support costs, is recharged under a service level agreement, whereby the costs are recharged based on management accounts information and an agreed rate for each prison bed used in the year.

Another significant element of operating income comes from retail sales in prison shops, where the income is recognised on the exchange of goods.

Operating income is stated net of VAT. Further information can be found in Note 3.

Supply funding drawn down from the department is treated as financing and credited directly to the General Fund in line with the FReM.

1.6 Purchases of goods and services

Purchases of goods and services are recognised on an accruals basis. Accrued expenditure is recognised when HMPPS has an unconditional obligation to pay customers, and is based on agreed amounts, contractually or by another form of mutual agreement.

1.7 Staff costs

Staff costs are recognised as expenses on an accruals basis when HMPPS has an unconditional contractual obligation to pay them.

1.8 Notional costs

Notional costs comprise statutory auditors' remuneration, which represents the National Audit Office's (NAO's) cost for the audit of HMPPS's accounts, and notional costs for HMPPS's usage of corporate services provided by MoJ. Such notional costs are credited directly to the General Fund. The majority of the notional recharge costs relate to IT services, HR services, estates costs, and shared services processing charges that are centrally managed by the department on behalf of HMPPS.

1.9 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 completion, 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

Subsequent to initial recognition, property, plant and equipment, and intangible assets are carried at fair value.

Land and buildings (including dwellings) are recorded 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, carrying values are adjusted by the application of indices or through desktop valuations.

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

Assets which were recently 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, surplus assets are valued at fair value in accordance with *IFRS 13 Fair Value Measurement*.

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 not considered as surplus and is maintained at current value in existing use. Otherwise, the asset is assessed as being surplus and valued at fair value under *IFRS 13 Fair Value Measurement*.

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).

Subsequent to initial recognition, intangible assets are recognised at fair value. As no active market exists for the intangible assets held by HMPPS, fair value is assessed as 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 fair value figures of surplus, non-operating properties, is the market approach in accordance with *IFRS 13 Fair Value Measurement*; 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.

For other property assets in continuing use, fair value is interpreted as market value or 'value in use'. In the Red Book this is defined as "market value on the assumption that property is sold as part of the continuing enterprise in occupation". The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Depreciated historical cost is used as a proxy for fair value for those assets with short useful lives or low values, as allowed by the FReM.

Revaluation

Gains arising on revaluation are credited to the Revaluation Reserve and shown in Other Comprehensive Expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to the SoCNE to the extent of the previous amount expensed, and any excess is credited to the Revaluation Reserve.

A revaluation decrease (other than as a result of a permanent diminution) is reversed against any existing amount held in the Revaluation Reserve in respect of that same asset, with any residual decrease taken to net operating costs in the SoCNE.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the SoCNE and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Fund.

Please see *1.20 Critical accounting estimates and judgments* for information on the effect of COVID-19 on revaluations.

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. Useful lives are reviewed annually. Where a change to the life of an asset or asset category is determined, depreciation is charged on

a straight-line basis over the assessed remaining life. Depreciation commences in the month of acquisition for all non-current assets.

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 and equipment Furniture, fixtures and 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

1.10 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction, 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 their fair value less the costs of selling the asset. Any subsequent impairment or reversal of impairment is recognised in the SoCNE. Non-current assets classified as held for sale are not depreciated.

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

SoCNE. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Fund.

1.11 Impairment

At each reporting date, HMPPS assesses all assets for indications of impairment. If any such indications exist, 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 permanent diminution in the value of the asset, due to a clear consumption of economic benefit or service potential, are recognised directly in the SoCNE, and any revaluation reserve held for the asset is transferred to the General Fund.

The reversal of an impairment loss is recognised in the SoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the Revaluation Reserve.

Please see *1.20 Critical accounting estimates and judgments* for information on the effect of COVID-19 on impairments.

1.12 Deferred income

Following the adoption of IFRS 15, deferred income is recognised at the point in time where income has been received but a performance obligation has not been met.

1.13 Payables

These are financial liabilities other than those classified as held at fair value through profit or loss (Net Operating Expenditure). Payables are recognised at the point in time where the expense of the same transaction is recognised.

They are valued initially at fair value, with the transaction value regarded as the fair value at the date of initial recognition. Where the time value of money is considered to be material, the estimated cash values are discounted using the effective interest rate. They are derecognised when all obligations are settled.

1.14 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 in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

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

1.15 Service Concession Arrangements including Private Finance Initiative arrangements

Service Concession Arrangements (SCAs), 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 SCAs 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 in the period the 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 balance of the liability. Older prison PFI arrangements and other SCAs use Treasury discount rates. HMP Thameside PFI and, where possible, any future PFI contracts will use the interest rate implicit in the contract.

1.16 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.

1.17 Employee benefits

Defined benefit pension schemes

Principal Civil Service Pension Scheme

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.

Local Government Pension 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.

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 2019 and was carried out during 2019. The results of the valuation as at 31 March 2019 were shown in the actuarial report as at 31 March 2020 and are reflected in the 2019–20 accounts.

HMPPS obtains a professional calculation of the pension liability 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's annual reporting and audit process.

The plan liability is the present value of the defined benefit obligation less the fair value of plan assets at the reporting date. 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.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding interest) are recognised within Other Comprehensive Expenditure in full in the period in which they arise. Service costs are recognised in the SoCNE and are spread systematically over the working lives of the employees. The net interest charge in the SoCNE reflects the unwinding of the discount applied to the net liabilities of the scheme.

National Employment Savings Trust (NEST) Defined Contribution Pension Scheme

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

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

Civil Service Injury Benefits Scheme

HMPPS is required to pay benefits to staff who are members of the PCSPS, who are injured in connection with their employment, under the Civil Service Injury Benefits Scheme. Benefits are paid only in respect of loss of earning capacity, and a provision is made for expected future costs. 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.

1.18 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 for which a reliable estimate can be made of the amount.

If the likelihood of payment is less than probable, but greater than remote, or the obligation cannot be measured reliably, 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.

1.19 Value Added Tax

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

1.20 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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 addressed below.

Revaluation and impairment 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 conditions.

Impact of COVID-19 on land and building valuations

Valuations have been conducted on behalf of the agency by the VOA. As is common with many valuations with a reporting date of 31 March 2020, the report included a material uncertainty clause due to the impact of COVID-19. This does not mean, nor is it intended to imply, that the values supplied in the report cannot be relied upon; they are firm valuations for financial reporting purposes. The presence in a report of a material uncertainty clause is sometimes misunderstood and the Global Director of Valuation at the Royal Institute of Chartered Surveyors (RICS) has issued the following explanatory statement to give reassurance:

“Where a material uncertainty clause is being used, its purpose is to ensure that any client relying upon that specific valuation report understands that it has been prepared under extraordinary circumstances. The term is not meant to suggest that the valuation cannot be

relied upon; rather, it is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. Indeed, with regard to the process itself, professional valuers will almost certainly have undertaken far more due diligence than normal, in order to arrive at their estimate of value.”

The agency acknowledges the uncertainty but considers that there is limited evidence to indicate that there is an impact relevant to the valuation of the estate from COVID-19. While this lack of evidence reduces the level of certainty that can be attached to such a valuation, the valuation provided is considered to be an appropriate basis on which to determine value at the date of reporting.

The overwhelming majority of the agency’s estate is specialist property in operational use. The valuer concluded that there has been no diminution identified in the public sector’s ongoing requirement for these operational assets nor reduction in their ongoing remaining economic service potential as a result of the incidence of COVID-19. More detail on the level of uncertainty on key asset categories is below.

Sensitivity Analysis

The value of specialised buildings is linked to the cost of rebuilding. The RICS Building Cost Information Service Tender Price Index (TPI) is a measure of inflation in the construction industry, and is used to estimate how the cost of rebuilding specialised buildings changes from year to year. Valuations of specialised buildings are based on a TPI of 335 that was published on 14 March 2020. This is an increase of 3.7% from the previous years figure of 323. BCIS have advised that it is

too early for issues related to COVID-19 to have impacted on the TPI index. However, by way of illustration, a change in the TPI of 1 point would lead to change in the value of the estate by £20 million.

Land associated with specialised buildings, is valued using modern equivalent residential or office land-use sites, the majority based on commercial or residential redevelopment of the respective locations. While price growth was strong in 2019–20, by the 31 March 2020 valuation date, the UK had entered lockdown due to COVID-19, physical viewings were no longer permitted and the market consequently quietened. The professional view of the valuers is that any impact would fall within normal valuation tolerances, and therefore the degree of uncertainty inherent within the valuation relating to land associated with specialised buildings is low relative to other types of property.

LGPS assets and liabilities

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

In March 2020, there were significant falls in some global markets as a result of the COVID-19 pandemic. This reduced the value of the LGPS assets recorded by GMPF and the share of assets applicable to HMPPS. With the gain in asset value prior to the final quarter of the financial year, the net impact was a reduction of approximately 10% compared to the asset value at the start of the year. This reflected GMPF's particular asset mix,

including a relatively high exposure to equity markets.

While the impact of COVID-19 produces some uncertainty on the market valuation of properties, management acknowledges the uncertainty but considers that the valuation provided by GMPF is appropriate at the date of reporting. Within the asset mix, property is 4% of the total relating to HMPPS share.

The overall reduction in the asset valuation is offset by a reduction in the pension liabilities following the 2019 triennial valuation. The pension liabilities for 2019–20 reflect the appropriate assumptions, taking account of COVID-19. All assumptions remain under constant review. As the economic climate changes and more information becomes available, assumptions will be updated to reflect this. More detail is reflected in Note 18, Pensions.

Provisions for liabilities and charges

The recognition and measurement of provisions rely on the application of professional judgement, 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.

Critical judgements in applying HMPPS accounting policies

Lease accounting

Judgement is required on initial classification of leases as either operating or finance leases. Where a lease is taken out for land and buildings combined, both the building and land elements may be capitalised as separate finance leases, if

they meet the criteria. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease.

Service Concession Arrangements

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

2. Statement of Operating Costs by Operating Segment

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

The HMPPS directorate structure is as follows:

Public Sector Prisons

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

Custodial Contracts

Custodial Contracts includes a range of system-wide contracts and third sector

providers delivering offender services, including privately managed prisons and prisoner escort and custody services contracts. Through these contracts HMPPS seeks to ensure effective system-wide performance, promoting and supporting the integration of services at local level.

Youth Custody Services

The Youth Custody Service (YCS) is a distinct arm of HMPPS with responsibility for all aspects of work with young people (aged 10 to 17 years) both in Young Offender Institutions (YOIs) and in Secure Training Centres (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. The YCS are also heavily involved in the implementation work for the launch of secure schools.

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.

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.

Change, Strategy and Planning

Change Strategy and Planning is a multi-functional directorate covering Prison Estates and Transformation, Prison Facilities Management, Electronic Monitoring, Prison Escort and Custody Services programme, and HMPPS Change Delivery. The directorate is also responsible for setting the strategic direction of HMPPS, modernising pay and reward for our staff, and transforming our information security.

Prison Estates and Transformation includes a portfolio of new build projects, the reconfiguration programme and a prison estates maintenance and improvements (PEMI) section. In addition to building two new Cat C prisons, and a houseblock at Stocken, the new build portfolio aims to build 10,000 safe prison places as quickly as possible to meet expected demand. The reconfiguration programme is continuing to reconfigure the estate into three functions (reception, training, and resettlement) so that prisoners are held in establishments appropriate to their needs. PEMI manages the contracts and service level agreements with facilities management providers to ensure that the prison estate is safe, compliant with health and safety legislation, and in good working order.


Prison facilities management undertakes essential maintenance across the prison estate, to ensure that conditions are kept to a safe and decent level. Facilities management services include repairs

and maintenance to showers, serveries, boilers, and gates; ensuring prison cells and wings are fire safety compliant; and carrying out urgent remedial work due to vandalism. These services are provided by a mixture of private sector providers and a government-owned company.

Electronic monitoring is an effective offender management tool, which can give suspects and offenders a chance to maintain their ties with the community, while protecting the public. The electronic monitoring team is responsible for managing the existing service by contracted providers, which now includes location monitoring following the successful national roll out. It is also continuing to develop the new national service, which allows HMPPS to monitor offenders and suspects on bail even more effectively and innovatively, in order to support the justice system reform.

The Prison Escort and Custody Services programme is a business-critical re-procurement of existing contracts, and new contracts were signed 30 October 2019. The contracts enable the criminal justice system to function by providing for the physical movement of prisoners between police stations, courts and prisons, inter-prison transfers and the movement of children and young people between Secure children's homes, STCs and courts. The service also covers the safety and security of prisoners in the court cell areas and court docks.

The HMPPS Change Delivery function analyse, challenge, govern and assure all change within HMPPS. They report directly to the Change Portfolio Board and the HMPPS Leadership Team, providing insight and analysis on the entire HMPPS change landscape. Investment is a combination of resource and capital funding across our prison



estate. A key activity this year has been the development of an end to end change management framework – from defining potential HMPPS projects to resourcing, delivering and implementing change all the way through to realising benefits, while at the same time building the change capability and efficiency within the organisation.

Community Interventions

The Community Interventions directorate manages a number of third sector providers delivering offender services: the Community Rehabilitation Companies, Independent Approved Premises and the Bail Accommodation and Support Services (BASS) contract. The directorate is also responsible for the Public Protection Group, which provides advice, guidance and casework management in relation to public protection, mental health and indeterminate sentences.

During the course of 2019–20, the Community Interventions directorate took responsibility for the HMPPS-controlled approved premises.

Support Services

This area includes the Security, Order and Counter Terrorism (SOCT) and Safety and Rehabilitation (S&R) directorates. S&R includes Psychology, Safety, Drugs Strategy, Education, Prison Industries, Families and Equalities.

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 2019–20 to reflect the HMPPS structure. 2018–19 comparatives are presented in the revised format for comparability.

2a Total net resource expenditure as reported to Board in 2019–20

	Gross expenditure £'000	Income £'000	2019–20 Net £'000
Public Sector Prisons	1,989,555	(140,040)	1,849,515
Custodial Contracts	560,841	(3,499)	557,342
Youth Custody Services	204,918	(31,119)	173,799
Probation and Women	410,497	(6,174)	404,323
HMPPS Wales	228,848	(11,436)	217,412
Change, Strategy and Planning	367,181	(38,849)	328,332
Community Interventions	457,379	(1,009)	456,370
Probation Reform Programme	25,008	-	25,008
Performance	64,900	(1,024)	63,876
Support Services	196,128	(40,253)	155,875
Total	4,505,255	(273,403)	4,231,852

2b Reconciliation between operating segments and SoCNE in 2019–20

	Gross expenditure £'000	Income £'000	2019–20 Net £'000
Total net expenditure by operating segment as reported to the Board	4,505,255	(273,403)	4,231,852
PFI prisons and service concession arrangements accounting treatment	4,586	-	4,586
HMPPS costs where the budget is held within MoJ	378,849	14,943	393,792
MoJ overhead recharges	312,269	-	312,269
Capital income and expenditure	-	(2,168)	(2,168)
Net gain on transfers by absorption	12	-	12
Accounting treatment of provisions (AME)	85,412	-	85,412
Other	9	-	9
Total net expenditure per SoCNE	5,286,392	(260,628)	5,025,764

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

	Gross expenditure £'000	Income £'000	2018–19 Net £'000
Public Sector Prisons	1,889,646	(139,424)	1,750,222
Custodial Contracts	545,817	(2,834)	542,983
Youth Custody Services	173,416	(27,623)	145,793
Probation and Women	464,002	(12,349)	451,653
HMPPS Wales	212,571	(10,940)	201,631
Change Strategy and Planning	313,859	(1,806)	312,053
Community Interventions	392,967	(69)	392,898
Probation Reform Programme	7,463	-	7,463
Performance	61,743	(661)	61,082
Support Services	161,433	(5,359)	156,074
Total	4,222,917	(201,065)	4,021,852

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

	Gross expenditure £'000	Income £'000	2018–19 Net £'000
Total net expenditure by operating segment as reported to the Board	4,222,917	(201,065)	4,021,852
PFI prisons and service concession arrangements accounting treatment	4,041	-	4,041
HMPPS costs where the budget is held within MoJ	433,579	(44,245)	389,334
MoJ overhead recharges	330,646	-	330,646
Capital income and expenditure	14,484	-	14,484
Net gain on transfers by absorption	(5,886)	-	(5,886)
Other, including accounting treatment of provisions	120,731	(436)	120,295
Total net expenditure per SoCNE	5,120,512	(245,746)	4,874,766

3. Income

	2019–20	2018–19
	£'000	£'000
(a) Income from contracts with customers		
External sales of prison industries	10,601	11,538
Retail prison shop income	56,693	54,206
In-cell TV income	1,759	1,829
Healthcare funding	59,917	61,636
Running of Immigration Removal Centres	22,122	24,326
Youth remand income	29,774	25,844
Education funding	6,817	6,244
Counter-terrorism funding	6,677	6,412
Electronic monitoring services	14,902	1,288
Estates recharges	263	4,096
Other income	16,856	14,831
Total income from contracts with customers	226,381	212,250
(b) Other operating income		
European Social Fund and other European funding	27,446	24,383
Rental income	6,801	8,942
Total other operating income	34,247	33,325
Total operating income	260,628	245,575

Income from contracts with customers includes sales to prisoners through the prison shop, healthcare funding and youth remand income.

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 76 to 96.

	2019–20	2018–19
	£'000	£'000
Permanent staff – wages and salaries	1,597,016	1,554,961
Permanent staff – social security costs	163,706	160,814
Permanent staff – pension costs	501,566	359,366
Agency staff costs	54,722	62,179
Departures and severance payments	10,969	11,450
Inward secondments	9,554	4,235
Sub-total	2,337,533	2,153,005
Recoveries in respect of outward secondments	(6,299)	(6,646)
Total net costs	2,331,234	2,146,359

4b Purchase of goods and services

	2019–20	2018–19
	£'000	£'000
PFI prison service charges and managed prison charges	439,167	440,779
SCA charges for Prisoner Escort and Custody Services	143,784	131,032
Electronic monitoring	71,869	73,563
Contracted probation services (CRCs)	403,122	398,132
Accommodation, maintenance and utilities	500,348	477,659
Offender-related costs	324,078	308,459
Offender learning	154,302	148,599
Secure children's homes	25,098	26,806
Secure Training Centres	29,523	29,406
IT services and telecommunications	18,356	14,276
Training and other staff-related costs	31,654	41,186
Travel, subsistence and hospitality	45,153	47,922
Professional services	38,730	27,420
Communications, office supplies and services	12,372	13,314
Compensation costs	43,591	76,075
Other costs	44,457	31,721
Total purchase of goods and services	2,325,604	2,286,349

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

4c Depreciation, amortisation and impairment charges

	Notes	2019–20 £'000	2018–19 £'000
Depreciation – Property, plant and equipment	5	288,570	277,451
Amortisation – Intangible assets	6	33,112	29,258
Impairment (reversal) – Property, plant and equipment	5	(68,488)	(7,037)
Impairment charge – Intangible assets	6	-	1,927
Impairment charge – Assets held for sale	7	-	9,000
Impairment charge/(reversal) – Trade and other receivables		3,362	(740)
Total depreciation, amortisation and impairment charges		256,556	309,859

4d Notional expenditure

	2019–20 £'000	2018–19 £'000
MoJ overhead recharges	312,269	330,646
Net (profit) on disposal of assets	(198)	(764)
External auditor's remuneration	282	273
Total other non-cash expenditure	312,353	330,155

MoJ overhead recharges

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

External auditor's remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year, HMPPS did not purchase any non-audit services. The cost for the audit of the HMPPS Annual Report and Accounts for 2019–20 was £282,000 (2018–19: £273,000).

4e Finance expense

	Notes	2019–20 £'000	2018–19 £'000
Interest on LGPS pensions	18	45,321	41,035
Unwinding of discount on provisions	12	1,227	(2,660)
Total non-cash finance expense		46,548	38,375
Finance charge on PFI and leased assets		14,085	15,301
Total cash finance expense		14,085	15,301
Total finance expense		60,633	53,676

5. Property, plant and equipment

2019-20	Land £'000	Buildings £'000	Dwellings £'000	Information Technology £'000	Plant and Equipment £'000	Furniture, Fixtures and Fittings £'000	Payments on Account and Assets under Construction £'000	Total £'000
Cost or valuation								
At 1 April 2019	904,095	6,469,346	35,669	215,617	310,219	13,081	249,422	8,197,449
Additions	-	19,190	-	6,909	11,698	20	238,365	276,182
Disposals	-	-	-	(57)	(17,764)	(324)	-	(18,145)
Transfers	-	-	-	-	-	-	-	-
Reclassifications	(11,077)	117,082	(10,429)	(1,466)	(2,600)	(626)	(113,503)	(22,619)
Impairments	202	69,655	59	(37)	(662)	(156)	(604)	68,457
Revaluations	50,050	(6,886)	862	1,421	2,115	(14)	-	47,548
At 31 March 2020	943,270	6,668,387	26,161	222,387	303,006	11,981	373,680	8,548,872
Depreciation								
At 1 April 2019	-	4	32	(199,368)	(213,868)	(12,234)	-	(425,434)
Charged in year	-	(265,948)	(998)	(4,524)	(17,081)	(19)	-	(288,570)
Disposals	-	-	-	57	16,673	324	-	17,054
Transfers	-	-	-	-	-	-	-	-
Reclassifications	-	40	181	1	-	2	-	224
Impairments	-	-	-	-	29	2	-	31
Revaluations	-	265,384	786	(1,327)	(1,468)	14	-	263,389
At 31 March 2020	-	(520)	1	(205,161)	(215,715)	(11,911)	-	(433,306)
Carrying value								
At 31 March 2020	943,270	6,667,867	26,162	17,226	87,291	70	373,680	8,115,566
At 1 April 2019	904,095	6,469,350	35,701	16,249	96,351	847	249,422	7,772,015
Asset financing:								
Owned	941,034	5,847,279	25,332	17,226	84,203	70	373,680	7,288,824
Finance leased	2,236	19,114	830		3,088			25,268
On-balance sheet (SoFP) PFI contracts		801,474						801,474
At 31 March 2020	943,270	6,667,867	26,162	17,226	87,291	70	373,680	8,115,566

Non-operational assets

Included in the carrying values above are eight non-operational sites with a combined value of £10.3 million (2018–19: five non-operational sites with a combined value of £12.9 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

Properties with a total carrying value of £22.4 million were reclassified to assets held for sale in 2019–20.

Impairment reversals

Impairment reversals have been recognised for establishments previously earmarked for closure where proposals have changed and they are now expected to remain in use.

5. Property, plant and equipment (continued)

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

6. Intangible assets

2019–20	Software	Licences	Payments on Account and Assets under Construction	Total
Cost or valuation	£'000	£'000	£'000	£'000
At 1 April 2019	323,217	18,353	0	341,570
Additions	38	304	4,908	5,250
Disposals	(32)	-	-	(32)
Reclassifications	1	1	-	2
Revaluations	2,102	-	-	2,102
Transfers	213	-	-	213
At 31 March 2020	325,539	18,658	4,908	349,105
Amortisation				
At 1 April 2019	(260,179)	(14,166)	-	(274,345)
Charged in year	(30,319)	(2,793)	-	(33,112)
Disposals	32	-	-	32
Reclassifications	(2)	-	-	(2)
Revaluations	(1,889)	-	-	(1,889)
Transfers	-	-	-	-
At 31 March 2020	(292,357)	(16,959)	-	(309,316)
Carrying value				
At 31 March 2020	33,182	1,699	4,908	39,789
At 1 April 2019	63,038	4,187	-	67,225
Asset financing				
Owned	33,182	1,699	4,908	39,789
At 31 March 2020	33,182	1,699	4,908	39,789

At 31 March 2020 and 31 March 2019 there were no individually material intangible assets.

6. Intangible assets (continued)

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

7. Assets held for sale

	31 March 2020	31 March 2019
	£'000	£'000
Cost or valuation		
At 1 April	3,163	97,033
Reclassifications	22,395	534
Disposals	(9,661)	(85,404)
Impairments	-	(9,000)
Revaluations	(15)	-
At 31 March	15,882	3,163

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 2020	31 March 2019
	£'000	£'000
Industries and farms		
Raw materials	12,874	15,601
Work-in-progress	2,402	2,571
Finished goods	14,063	12,709
	29,339	30,881
Consumables	29,277	32,554
Total inventories	58,616	63,435

9. Trade and other receivables

	31 March 2020	31 March 2019
	£'000	£'000
Trade receivables	33,567	30,603
Other receivables	38,361	39,874
VAT receivables	75,985	43,521
Intra-departmental receivables	6,817	36,927
Prepayments	29,669	31,865
Accrued income	44,316	33,331
Total trade and other receivables	228,715	216,121

10. Cash and cash equivalents

	31 March 2020	31 March 2019
	£'000	£'000
Balance at 1 April	34,636	35,743
Net change in cash and cash equivalents	(18,982)	(1,107)
Balance at 31 March	15,654	34,636
The following balances at 31 March were held at:		
Government Banking Service	15,052	33,684
Commercial banks and cash in hand	602	952
Cash at bank and in hand	15,654	34,636

Third party monies

At 31 March 2020, HMPPS held cash of £15.6 million (£14.8 million at 31 March 2019) 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 2020	31 March 2019
	£'000	£'000
Trade payables	63,964	33,593
Taxation and social security	39,903	45,937
Other payables	39,079	32,351
Intra-departmental payables	55,601	93,830
Accruals	362,674	321,296
Deferred income	67,403	81,273
Current part of finance leases	43	41
	628,667	608,321

11b. Amounts falling due after more than one year

	31 March 2020	31 March 2019
	£'000	£'000
Local authority loan balances	1,382	1,698
Finance leases	179	223
	1,561	1,921

12. Provisions for liabilities and charges

	31 March 2020				31 March 2019
	Leasehold property dilapidations	Injury benefit scheme	Litigation and other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	41,094	129,980	128,480	299,554	256,334
Provided in year	903	29,117	51,831	81,851	112,877
Provisions not required written back	(381)	(961)	(32,922)	(34,264)	(29,034)
Provisions utilised in year	(296)	(5,649)	(31,431)	(37,376)	(37,963)
Unwinding of discount	-	-	1,227	1,227	(2,660)
Balance at 31 March	41,320	152,487	117,185	310,992	299,554

Analysis of expected timing of discounted cash flows

	31 March 2020			31 March 2019	
	Leasehold property dilapidations	Injury benefit scheme	Litigation and other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000
Not later than one year:	10,262	5,445	55,295	71,002	86,974
Later than one year but not later than five years:	25,728	21,347	52,803	99,878	92,526
Later than five years:	5,330	125,695	9,087	140,112	120,054
Balance at 31 March	41,320	152,487	117,185	310,992	299,554

Leasehold property dilapidations

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

- updated information relating to property vacations
- new properties leased during the year
- leases terminated during the year

Civil Service Injury Benefits Scheme provisions

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

Litigation and other provisions

Litigation provisions £67.1 million* (£66.4 million 2018–19) comprise legal claims against HMPPS and 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.

Other provisions £44.1 million (£57.5 million 2018–19) primarily consists of: £32.5 million (£52 million 2018–19) subcontract breakage costs arising from the early termination of a contract; a £5 million provision arising from a terminated contract; and other provisions arising in accordance with the terms of the specific contracts. 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.

* Opening and closing balances include the life-cycle value for annuities, which is separate from the extracted litigation provisions total.

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 start date	Duration (years)	Description
HMP Altcourse	December 1997	25	Design, build, finance and operate an 800 place category B prison at HMP Altcourse
HMP Parc	December 1997	25	Design, build, finance and operate a 1,519 place category B prison near Bridgend, South Wales
HMP Lowdham Grange	February 1998	25	Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham
HMP Ashfield	November 1999	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	January 2000	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	January 2001	25	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	July 2001	25	Design, build, finance and operate a 1,060 place category B prison and therapeutic community facility at HMP Dovegate, Marchington
HMP Bronzefield	June 2004	25	Design, build, finance and operate a 500 place category B prison at Ashford in Middlesex
HMP Peterborough	March 2005	25	Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire
HMP Thameside	March 2012	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

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 2020	31 March 2019
	£'000	£'000
Rentals due not later than one year	31,437	31,437
Rentals due later than one year but not later than five years	110,041	117,314
Rentals due later than five years	147,842	172,006
	289,320	320,757
Less interest element	(89,991)	(103,990)
Present value of obligations	199,329	216,767

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 2020	31 March 2019
	£'000	£'000
Rentals due not later than one year	18,680	17,438
Rentals due later than one year and not later than five years	71,935	74,245
Rentals due later than five years	108,714	125,084
Present value of obligations	199,329	216,767

The decrease in the present value of obligations is due to capital repayments of £17.5 million (2018–19: £19.7 million).

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

	31 March 2020	31 March 2019
	£'000	£'000
Not later than one year	435,984	515,995
Later than one year but not later than five years	1,219,640	1,435,951
Later than five years	861,964	1,087,249
Total service element	2,517,588	3,039,195

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 £539.1 million for the year to 31 March 2020 (2018–19: £513.4 million). Of this total, the service element was £525.1 million (2018–19: £498.2 million) and the interest charges were £14 million (2018–19: £15.2 million).

14. Commitments under leases

14a. Operating leases

HMPPS leases various land and buildings under non-cancellable operating lease agreements. The land and buildings comprise probation estate, HQ estates, one MOTO (Twyver House) and one prison (HMP Dartmoor) and have lease terms ranging from 9 months to 79 years. The operating leases do not have purchase options.

The land and buildings operating lease expenditure charged to the SoCNE during the year is £18.9 million (2018–19: £18.1 million). This is included within accommodation, maintenance and utilities in Note 4b.

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

		31 March 2020	31 March 2019
		£'000	£'000
Obligations under operating leases comprise:			
Land and buildings	Not later than one year	13,785	13,142
	Later than one year but not later than five years	32,447	32,172
	Later than five years	17,607	13,151
Total obligations under operating leases		63,839	58,465

14b. Finance leases

The net present value of total future minimum lease payments under finance leases is £0.2 million (2018–19: £0.3 million).

15. Other financial commitments

	31 March 2020	31 March 2019
	£'000	£'000
Not later than one year	798,045	738,857
Later than one year but not later than five years	932,186	1,033,755
Later than five years	152,766	223,506
Total other financial commitments	1,882,997	1,996,118

Included within the table above is a commitment of £243.7 million (2018–19: £565.4 million), £16.1 million (2018–19: £17.4 million) and £16.0 million (2018–19: £14 million) relating to the Fee for Service (FfS), Fee for Use (FfU) and Payments by Results (PbR) elements of the contracts with Community Rehabilitation Companies.

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 2020	31 March 2019
	£'000	£'000
Property, plant and equipment	345,514	133,729
Total capital commitments	345,514	133,729

17. Contingent liabilities

HMPPS faces claims amounting to £55.1 million (2018–19: £116.3 million) for injury to staff, prisoners and the public and for third party contract disputes where the likelihood of a liability arising is deemed possible but not likely or not reliably measurable. Other claims where it is more likely than not that a liability will arise have been provided for in the accounts. See Note 12.

IR35 Legislation

A change in legislation from April 2017 placed the responsibility for assessment of employment status of contingent workers on to the end client where the engaging client is a public sector body. As the end client, the MoJ group is responsible for deciding whether engagements are inside the off-payroll

working rules or not, and passing on status determinations to the fee-paying agency, so that appropriate tax and NI deductions are made. The public sector engager may be liable for any tax unpaid as a result of an incorrect determination passed to the fee-paying agency.

In 2019, HMRC challenged the MoJ group to revisit employment status determinations for all off-payroll workers engaged as at and since April 2017, where we had previously concluded workers are operating outside of the off-payroll working rules on the basis the individual worker could be substituted by another worker at the choice of the worker without consultation with the department and without the department having any right of veto.

IR35 legislation states that if the client has taken reasonable care and fulfilled its other duties in reaching its conclusion in assessing whether a worker is outside of scope, the responsibility for deducting tax and NICs and paying these to HMRC will not rest with it. The department applied the off-payroll rules with diligence and care, taking a considered assessment of the status of each contingent worker in the first instance, using HMRC's online status determination tool. HMPPS may be liable for any tax unpaid as a result of an incorrect determination passed to the fee-paying agency. HMPPS discloses an unquantified contingent liability in respect of tax and NI that would have been paid to HMRC had the engagements been considered inside scope of IR35.

Remote contingent liabilities reported to Parliament are disclosed in the Accountability Report on page 98.

18. Pensions

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

44 persons retired early on ill health grounds (2018–19: 66). The total additional accrued pension liabilities in the year amounted to £0.2 million (2018–19: £0.3 million).

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'Alpha' – are unfunded, multi-employer defined benefit schemes. HMPPS is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS at 31 March 2016. Details can be found at www.civilservicepensionscheme.org.uk.

For the year to 31 March 2020, employer's contributions of £318.1 million were

payable to the PCSPS (2018–19: £233.1 million) at rates in the range of 26.6% to 30.3% (2018–19: 20.0% to 24.5%) of pensionable pay (34.1% for prison officer grades with reserved rights) based on salary bands (2018–19: 27.9%).

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 2019–20 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 £1.2 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% (2018–19: 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 2020.

National Employment Savings Trust (NEST) Defined Contribution Pension Scheme

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

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

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

Pension contributions are based on a pensionable pay range, of between £6,136 and £50,000 (2018–19: £6,032 and £46,350). A minimum pension contribution is not mandatory for pensionable pay below £6,136 (2018–19: £6,032). Minimum contributions for 2019–20 were 8% in total: 3% by employers, 4% by employees, with 1% through tax relief from government (2018–19: 2% by employers and 3% by employees). For the year to 31 March 2020, employer contributions of £0.09 million were paid.

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). In addition, 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. This is via one LGPS pension fund which is with Greater Manchester Pension Fund (GMPF).

The LGPS is a statutory scheme primarily governed by the LGPS Regulations 2013 and the LGPS (Transitional Provisions,

Savings and Amendment) Regulations 2014. These are subject to amendment over time. The LGPS is a funded, multi-employer defined benefit scheme. HMPPS recognises an LGPS pension scheme liability in these accounts, in accordance with IAS 19.

The LGPS pension liability transferred from probation trusts to HMPPS on 1 June 2014, under the Transforming Rehabilitation programme, which saw the creation of the CRCs and NPS. 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 2020, HMPPS paid employers' contributions of £87.5 million to GMPF, relating to current probation staff, at 29.6% (£87.0 million for 2018–19 at 29.6%).

Following the 2019 Triennial Valuation, the employer contribution rates for 2020–21 to 2022–23 will remain unchanged at 29.6%.

The pension position as at 31 March 2020, as detailed below, is based on the actuarial report from Hymans Robertson LLP, the independent actuary for GMPF, in compliance with IAS 19. There were no plan curtailments or settlements during the year.

Full details of GMPF's Investment Strategy Statement, Funding Strategy Statement, including its annual report and financial statements, and responsibilities of the GMPF Management Panel can be found on the GMPF website www.gmpf.org.uk. Tameside Metropolitan Borough Council is the Administering Authority of GMPF.

A number of assumptions are made as part of the actuarial valuation process and the major assumptions are set out in the table below. The assumptions underlying the calculation of the net liability as at 31 March 2020 are used for accounting purposes as required under IAS 19.

Risks associated with the fund in relation to accounting, including COVID-19 impact

In March 2020, there were significant falls in some global markets as a result of the COVID-19 pandemic. This reduced the value of the LGPS assets recorded by GMPF and the share of assets applicable to HMPPS, as set out in the disclosure below. This reflected

GMPF's asset mix, including a relatively high exposure to equity markets. While the impact of COVID-19 produces some uncertainty on the market valuation of properties, management acknowledges the uncertainty but considers that the valuation provided by GMPF is appropriate at the date of reporting.

The overall reduction in asset valuation is offset by a reduction in the pension liabilities following the 2019 triennial valuation, as shown in the disclosure below. The pension liabilities for 2019–20 reflect the appropriate assumptions, taking account of COVID-19. All assumptions remain under constant review. As the economic climate changes and more information becomes available assumptions will be updated to reflect this.

Discount rate

The discount rate is the most significant financial assumption for assessing pension obligations. A reduction in the discount rate results in an increase in pension liability for accounting purposes and vice versa. This discount rate used in these financial statements, as required by IAS 19, is based on the market yields on high quality corporate bonds valued as at the reporting date of 31 March. Hymans corporate bond yield curve is based on the constituents of the iBoxx AA corporate bond index. The discount rate assumptions set by the actuary are considered appropriate in light of COVID-19.

Inflation

The inflation assumption is the second most significant financial assumption for assessing pension obligations and typically drives the assumption for salary growth and pension increases (to the extent they are inflation linked). A higher inflation assumption will lead to an

increase in pension liabilities. The inflation rate assumptions used have not been altered in light of COVID-19 at this point in time as it is too early to assess the future impact on pension and salary rates, beyond the assumptions already made.

Mortality

Based on very high-level analysis it is not expected that mortality arising from COVID-19 in the short term will have a significant impact on the valuation of the pension liability for HMPPS. In the longer term, COVID-19 may have an impact on future mortality, but it is too early at this stage to quantify this and the mortality rate assumptions used have not been altered in light of COVID-19 at this point in time.

Risk mitigation strategies

The GMPF Management Panel carries out a similar role to the trustees of a pension scheme. They are key decision makers for:

- Investment Strategy
- Monitoring investment activity and performance
- Overseeing administrative activities
- Guidance to officers in exercising delegated powers
- Reviewing Governance arrangements

Each local authority within Greater Manchester is represented on the Management Panel, along with MoJ. There have been no concerns raised by MoJ to date on GMPF's investment or funding strategy or asset performance.

McCloud Judgment

The December 2018 McCloud Judgment found that transitional arrangements put in place during the reform of firefighters, and judges, pension schemes was discriminatory on grounds of age. The government has confirmed this ruling also applies to the LGPS. Based on the findings of the Government Actuary's Department (GAD), published in June 2019 and taking account of the proposed remedial action published by HM Treasury in July 2020 in their consultation document, Hymans Robertson LLP has calculated an estimated past service cost applicable to HMPPS. This has resulted in an additional cost of £25.3 million, reflected in the pension liability. Further information on the McCloud Judgment can be found at: <https://www.civilservicepensionscheme.org.uk/members/mccloud-judgment/>

The major assumptions used by the LGPS actuary were:

	31 March 2020	31 March 2019
	%	%
Rate of increase in salaries	2.7	2.6
Rate of increase for pensions in payment and deferred pensions	1.9	2.5
Discount rate	2.3	2.4

Mortality

The mortality assumptions are based on current expectations of life expectancy, which assumes a long-term rate of 1.5%. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	Female
Current pensioners	20.5 years	23.1 years
Future pensioners*	22.0 years	25.0 years

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

Movements in the LGPS defined benefit obligation during the year:

	31 March 2020			31 March 2019		
	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		4,130,169	4,130,169	-	3,852,960	3,852,960
Funded liabilities	(5,933,632)	-	(5,933,632)	(5,306,407)	-	(5,306,407)
Unfunded liabilities	(46,623)	-	(46,623)	(46,952)	-	(46,952)
Opening balance at 1 April	(5,980,255)	4,130,169	(1,850,086)	(5,353,359)	3,852,960	(1,500,399)
Current service costs	(180,207)	-	(180,207)	(151,992)	-	(151,992)
Past service costs (including curtailments)	(25,711)	-	(25,711)	(1,252)	-	(1,252)
Total current and past service costs	(205,918)	-	(205,918)	(153,244)	-	(153,244)
Net interest (cost) income	(144,356)	99,035	(45,321)	(144,875)	103,840	(41,035)
Remeasurements						
Returns on plan assets, excluding amounts included in interest expense/(income)	-	(429,906)	(429,906)	-	182,143	182,143
Gain/(loss) from change in financial assumptions	434,167	-	434,167	(448,363)	-	(448,363)
Experience gains/(losses)	167,038	-	167,038	(1,257)	-	(1,257)
Gain from change in demographic assumptions	180,769	-	180,769	-	-	-
Total remeasurements	781,974	(429,906)	352,068	(449,620)	182,143	(267,477)
Contributions						
Employers*	-	108,026	108,026	-	108,645	108,645
Plan participants	(26,094)	26,094	-	(26,318)	26,318	-
Unfunded benefits	-	3,413	3,413	-	3,424	3,424
Payment from plans						
Benefit payments	158,803	(158,803)	-	143,737	(143,737)	-
Unfunded benefit payments	3,413	(3,413)	-	3,424	(3,424)	-
Closing balance at 31 March	(5,412,433)	3,774,615	(1,637,818)	(5,980,255)	4,130,169	(1,850,086)
Plan assets	-	3,774,615	3,774,615	-	4,130,169	4,130,169
Funded liabilities	(5,372,978)	-	(5,372,978)	(5,933,632)	-	(5,933,632)
Unfunded liabilities	(39,455)	-	(39,455)	(46,623)	-	(46,623)
Closing balance at 31 March	(5,412,433)	3,774,615	(1,637,818)	(5,980,255)	4,130,169	(1,850,086)

* £108.0 million is the actuarial calculation (based on actual and estimated amounts) of the employer contribution figure for both NPS and the 21 CRCs (2018–19: £108.6 million)

The plan assets in the LGPS were:

	Quoted price (in active markets) £'000	Quoted price (not in active markets) £'000	Value at 31 March 2020 £'000	Value as a percentage of total assets at 31 March 2020 %	Value at 31 March 2019 £'000	Value as a percentage of total assets at 31 March 2019 %
Equities	2,048,256	194,876	2,243,132	59	2,393,805	58
Government bonds	-	-	-	-	27,198	1
Other bonds	700,310	-	700,310	19	772,996	19
Property	-	159,046	159,046	4	196,170	5
Cash and cash equivalents	59,873	-	59,873	2	103,162	2
Other	94,656	517,598	612,254	16	636,838	15
Total plan assets	2,903,095	871,520	3,774,615	100	4,130,169	100

Sensitivity analysis

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

	31 March 2020		31 March 2019	
	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	525,077	10	619,973	10
0.5% increase in the salary increase rate	60,340	1	96,493	2
0.5% increase in the pension increase rate	459,478	8	512,946	9

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

19. Financial instruments

Categories of financial instrument

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

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

HMPPS holds share investments of £0.4 million (2018–19: £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's financial liabilities are trade payables, other payables, accruals and finance leases. It is unlikely that HMPPS will encounter difficulty in meeting its obligations associated with these liabilities, as it is financed by the MoJ, whose resources and capital are voted annually by Parliament.

Foreign currency risk

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

20. Special shares

The Secretary of State for Justice holds one special share in each of the 20 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 Warwickshire and West Mercia Community Rehabilitation Company Limited
- The West Yorkshire Community Rehabilitation Company Limited

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

- transferring or disposing of:
 - any security interest in relation to the services agreement. The services agreement with HMPPS is for the delivery of rehabilitation services by the CRC
 - a substantial part of the business, its assets or employees, which would materially affect the ability

of the company to carry out the services agreement

- legal or beneficial interest in the company's ordinary shares
- voluntary winding-up or dissolution of the company, or appointing an administrator
- creating, issuing, purchasing, reducing, buying-back or redeeming shares in the company, or varying voting rights attached to shares

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

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

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

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

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

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

21. Related party transactions

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

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

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

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

Lesley King-Lewis, Non-Executive Director, is Chief Executive Officer of Windsor Leadership which is a supplier to HMPPS. HMPPS made payments to Windsor Leadership totalling £13,890 in 2019–20. There is an outstanding balance of £1,000 as at 31 March 2020.

22. 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.

Following earlier announcements that offender management would be brought back in-house, it was announced on 11 June 2020 that the delivery of unpaid work and key programmes to stop criminals reoffending will also be brought under the control of the NPS within HMPPS when the current CRC contracts end in June 2021. This will result in around 2,000 additional staff being transferred into HMPPS from the CRCs.

On 29 June 2020, HMPPS announced that four further prisons are to be built across England over the next six years. Two of the prisons will be in the North-West, the first of which will be built next to HMP Full Sutton, in East Yorkshire, with the other two in the South-East. The operators of the prisons will be announced in due course with the intention that at least one prison will be operated by the public sector.

In July 2020, the government launched a consultation document on changes to public service pensions to remove discrimination arising from the transitional protection arrangements that were introduced when the schemes were reformed in 2014–15. This also applies to the LGPS and the impact of the proposed changes have been reflected in these accounts as a past service cost.

In June 2020, a judgment in a tribunal case relating to the Teachers' Pension Scheme found that a survivor's pension for a widower or surviving male civil partner was less favourable than for a widow or surviving female civil partner and as a result directly discriminated on the basis of sexual orientation. Both MHCLG and Greater Manchester Pension Fund have confirmed that this is immaterial to the Local Government Pension Scheme and no further adjustment is required in these accounts.

CCS0320325228

978-1-5286-1929-5