



Gov Facility  
Services Limited

Company Registration Number 11061429



# Annual Report and Accounts **2019-2020**

From April 2019 to March 2020  
CP 289





Gov Facility Services Limited Annual Report and Accounts 2019-2020  
Company Registration Number 11061429

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

October 2020



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Section

1

Strategic  
Report

## Chair's Statement



**I ended last year with recognition of the distance travelled by GFSL since its creation, acknowledging the efforts of our staff and knowing that there was a huge amount still to do to get the business into the shape we all want to see.**

The year just past has seen GFSL strengthen core operational delivery and build upon the early investment in its people and systems following its creation. We end the financial year with far more directly employed staff, with improving confidence, with good quality work and support for the rehabilitation of offenders through the provision of constructive activity and improved working relationships with our customer, HMPPS. We have stood up to the challenges that Covid-19 brought and I want to pay tribute to everybody for what has been achieved, sometimes in the most difficult of circumstances.

As a Company we are as clear today as we were a year ago that there is much still to be done but we have made considerable progress towards our vision of being the provider of choice for our customer and the taxpayer in what is a challenging and complex operating environment.

Colin Allars  
Chair, GFSL



**We have stood up to the challenges that Covid-19 brought and I want to pay tribute to everybody for what has been achieved**

## CEO's Overview



**I am pleased to introduce the 2019/20 Annual Report and Accounts for Gov Facility Services Limited (GFSL), which in the year continued to focus on providing key Facilities Management (FM) services within the southern region for Her Majesty's Prison and Probation Service (HMPPS), sponsored by the Ministry of Justice (MOJ).**

### Second Year of Operation

Our second year of operation proved to be almost as challenging as our first, although for slightly different reasons. The business continued to face challenges with respect to the ongoing development of its core operating infrastructure and associated management processes required to underpin operations, the recruitment of additional technical staff from an extremely challenging FM marketplace, and the ongoing focus from the prisons service to achieve higher levels of estates assurance and planned maintenance outputs.

I'm pleased to report that the business did make substantial headway in most of these areas, particularly in respect to; the levels of planned maintenance and repair work completed on time, the level of health and safety and statutory compliance assurance work completed in the region as a whole, the level of capital investment projects completed, and the number of work placement hours made available to offenders under the existing Clean, Rehabilitative, Enabling and Decent (CRED) programme. The business also helped to improve the quality of the technical asset and life cycle investment information available to the service.

We continued to place a high level of focus on health and safety as well as the wellbeing of our employees, offenders and prison staff. This included improving our ongoing engagements with our workforce and the levels of specialist technical training required to underpin our core services. We continued our drive to improve efficiency with a focus on the further development of our underlying processes to support the day to day operations. Work now remains ongoing to achieve a level of ISO 9001 accreditation during the 2020/21 operating year.

At the outset of the 2019/20 operating period, the business remained heavily dependent on third party agency and



**The business did make substantial headway**



**We continued to place a high level of focus on health and safety as well as the wellbeing of our employees, offenders and prison staff**





**We recognise the challenges of delivering FM related services within the current UK prison environment**

specialist subcontractor support. Following approval from HM Treasury in April 2019, the business started a formal recruitment drive. This initiative proved quite challenging, mainly due to the existing resourcing shortfalls within key parts of the wider Facilities Management marketplace and existing perceptions of working in the Prison environment. Despite these issues we have made substantial progress in a difficult recruitment market.

Finally, I would like to express my sincere thanks to all of the permanent and temporary employed staff, and supply partners, who remained focused on delivering services throughout the year. All helped GFSL and the wider department complete a substantial level of work that has in real terms added great value to the existing prisons estate. Their unwavering commitment and ongoing professionalism, especially with the ongoing Covid-19 situation, was impressive and has set a clear example as to what can be achieved by such a team when they pull together in the face of such adversities. Their achievements should not be overlooked, all should be commended for their efforts.

### **The Future**

We recognise the challenges of delivering FM related services within the current UK prison environment. We therefore remain focused on further delivering sustainable, controlled, efficient and cost-effective services on behalf of both the HMPPS client and wider Department. Our goal remains that of delivering services that are of a higher standard, better meet the needs of the HMPPS, and provide greater value for money on behalf of the taxpayer. We remain focused on getting the basics right as we continue to establish and develop a 'High Performing Business'.

The key requirements are:

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



**We continue to recognise that we have a unique opportunity to build a business that can become a long-term trusted partner and provide a high level of value to the taxpayer**

Our business model continues to remain that of developing a technically proficient directly employed FM workforce capable of delivering a high level of service and quality. This will mean continuous development of our existing workforce supplemented by additional complementary technically proficient staff who want to make a difference in their work-life. This model will continue to be supported by a culture of continuous evaluation and improvement, designed to drive quality and value.

We continue to recognise that we have a unique opportunity to build a business that can become a long-term trusted partner and provide a high level of value to the taxpayer.

A handwritten signature in black ink, appearing to read 'Paul Ryder'.

Paul Ryder  
CEO



**GFSL employs around 1,400 staff across 48 prison establishments**

## Performance Overview

### Who we are and what we do

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

GFSL employs around 1,400 staff across 48 prison establishments located across the South West, Kent & Sussex, Greater London, and the East of England, as well as our two corporate offices in London and Sheffield.

Our principal customer is Her Majesty's Prison and Probation Service (HMPPS). We work closely with the HMPPS estates directorate and individual prison governors to provide FM services. Indirectly through our work we provide services to offenders by helping HMPPS to provide a safe and decent prison environment. During 19/20 we have also completed a small amount of work on Approved Premises which are used by the Probation Service.

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



**The primary aim of the business is to support HMPPS in its drive to establish a "Safe and Decent" prison environment**

### The services we provide fall into two categories:

**Core services** – services designed to uphold the safe working operation of the prisons and predominantly align to the following areas:

- Hard facilities management - building infrastructure and asset maintenance/ assurance.
- Soft facilities management - services such as cleaning, landscape maintenance, and waste management, including laundry.
- End user services - stores management and rehabilitation services.
- All are covered within a fixed annual budget that includes the provision of planned preventative maintenance and reactive repair activities up to the value of £2000 per repair.



## We work to support the core strategic aims of the MOJ and HMPPS

**Variable services** – services that are not covered within the fixed cost envelope, generally undertaken upon instruction from HMPPS. This includes:

- Reactive repairs with a value over £2000 per repair.
- Minor ‘elective’ project works that are additional to the ‘Core’ service.
- Project services - project management for capital investment type works.
- In most cases the scope of variable works is agreed in advance. Most works are low value but some projects can be significant, up to and above £500,000 in some cases.

### What we are aiming to achieve

Our vision is to “Deliver Facility Services alongside our Customer” in a safe and efficient manner and be recognised as a valued provider to our clients.

We work to support the core strategic aims of the MOJ and HMPPS and we do this through delivery against our 6 strategic objectives:





**We are entering year three of our five year plan**

## The future

### Five Year Plan

We are entering year three of our five year plan which is focused on delivering high quality services that are aligned to the future needs of the Prison Service. We continually review our objectives to ensure we achieve our goals.

### Service Optimisation - Path to Green

We have implemented a project - Path to Green, to continue the progression of service optimisation. The project aims to standardise processes and procedures across the operational sites resulting in service efficiencies and improved outputs.

### Supply Chain

We are implementing a procurement strategy, which will put in place a range of improvements to enhance and strengthen the current supply chain offering, including exploring sources of supply to demonstrate further value for money opportunities. This also explores the procurement process and where automation can provide an opportunity for improvement or efficiency.

### People

We have various initiatives to develop our people strategy such as:

#### **A skilled workforce capable of providing an optimised self-delivery model**

We have delivered training on a prioritised basis and will continue to do so to support the development of the business and our people. Each type of training will target a different facet and will support us in improving our overall performance and culture.

#### **Retaining and Developing talent**

We are focused on identifying and developing new leaders to ensure that we are able to increase the number of experienced and capable employees that are able to assume roles as and when they become available.

A Career Pathway structure is being put in place to enable the business to retain and develop talent so that employees will be able to progress within GFSL.



**Each type of training will target a different facet**

### **Budget management**

Site staff have been delegated their own budgets for the 20/21 year and received full budget training. The aim being to take greater accountability in decision making on spend on site whilst also complying with Managing Public Money guidance.

### **Stakeholder relationships**

To improve stakeholder relationships, our strategy focuses on understanding and improving customer satisfaction levels. We are exploring how these can be enhanced and improved during the new financial year and beyond.



# Our Year At A Glance

Delivering facility services alongside our customers



# Performance Analysis

## Operational Performance

There are four Key Performance Indicators within our Framework Document that we measure and track our progress against as detailed below;

KPI	Target	2018/19	2019/20	Improvement
Planned Maintenance (Red)	100%	86%	88%	+2%
Planned Maintenance (Amber)	100%	71%	80%	+9%
Reactive Maintenance	90%	72%	86%	+14%
Snow and Ice	90%	80%	95%	+15%

The three maintenance KPIs measure the completion rate of tasks that fall due in any month and not the overall completion rate, which is higher.

- Planned Maintenance (Red) tasks are statutory compliance works.
- Planned Maintenance (Amber) tasks are mandatory compliance works.
- Reactive Maintenance is all emergency breakdown repair work.
- Snow and ice is a seasonal KPI that is only applicable in the winter months.

We are pleased to report that in our second year of operation we have made incremental improvement towards these targets. Moving forward with 2020/21 being the year of “Path to Green” we are confident that we will be able to build on these achievements meeting the agreed KPIs with the support of our client.



**We have made incremental improvements towards these targets**





**PPM tasks can range from short weekly inspections to significant maintenance interventions**

### **Planned Preventative Maintenance (PPM)**

Our fundamental role is to keep our part of the prison estate in good working order and PPM is a key part of that. As well as physically undertaking the work, we also ensure that all statutory and mandatory requirements have been met. PPM tasks can either be preventative (such as inspection or servicing) or corrective (replacing parts on a scheduled basis).

PPM tasks may identify defects which require remedial work, which is then prioritised based on its impact on statutory or other compliance requirements. PPM tasks can range from short weekly inspections (for example, testing tap temperatures or fire alarms) to significant maintenance interventions and services on an annual or less frequent basis (for example boiler servicing or electrical fixed wire testing).

All task activities are rated based on their importance:

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

The reported KPI shows a year on year improvement of 2% points for Red and 9% points for Amber, we are still aiming to achieve the targeted rate of 100% and continue to progress to that level.

### **Reactive Maintenance**

Reactive maintenance include tasks such as:

- Unplanned repairs and replacement activities which arise in response to breakdowns.
- Accidental failure.
- Vandalism or misuse by users.
- Emergency maintenance and remedial work that is detected by planned maintenance inspections.

GFSL delivers all reactive maintenance tasks up to £2,000 in value, which is around 98% of all reactive tasks. The KPI for this area shows a significant improvement year on year of 14 percentage points. Although not yet at the target level this is a clear indication that our improvement plans are succeeding.



**The reactive KPI shows a significant improvement of 14 percentage points**



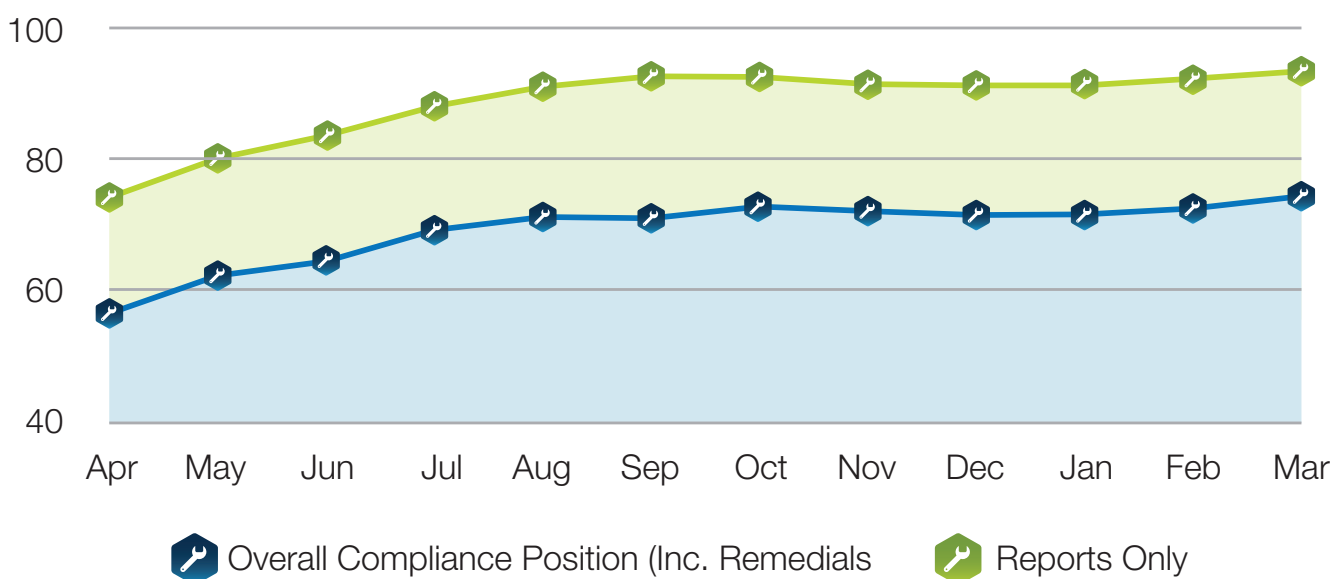
**An overall compliance standing at 72%, an 18% increase in year**

### Statutory Compliance

Statutory Compliance is a complex set of regulations, assessments and inspections that need to be undertaken within the estate to ensure that buildings and systems comply with current government legislation and are suitable and safe for use. These are logged, reviewed and provide assurance of certification. We have a fully documented audit trail at site level to support statutory compliance. We measure statutory compliance from reports. Each report may represent one or multiple assets that require certification, compliance is achieved when the report and all included in that report are certified and compliant with no outstanding repairs. The graph shows our measure against the total reports for the estate which is our overall compliance position – this measure is those assets that are fully certified and compliant. The Reports Only measure is where we have undertaken the compliance review and the asset(s) require some form of remedial work to achieve compliance which is in train, once the remediation is completed the report will be fully compliant.

The graph shows an overall compliance standing at 72%, an 18% increase in year. The reports only compliance stands at 91% an increase of 19% in the reporting period.

### Compliance Position 2019/20





**We increased offender weekly working hours from c18,000 to c24,000**

Although at this point we have made great strides within this part of the service, there is still more to do but the trend is clear. Our year one performance flowed into year two which gives us good momentum going into Year 3 where we expect to see further improvements in this area.

### **CRED Programme – Clean, Rehabilitative, Enabling and Decent**

GFSL continues to deliver the CRED (Clean, Rehabilitative, Enabling and Decent) offender work placement programme. CRED provides offenders with meaningful work experience and confidence while providing a value-for-money and a collaborative approach to improving decency in prisons.

Our CRED programmes are tailored to the needs of each establishment and take into consideration what the teams are able to support around core activities. Roles vary from site to site and include painting, stores, electrical, plumbing, handyman and grounds. In the year 2019-2020 we increased offender weekly working hours from c18,000 to c24,000, an increase of 33%.



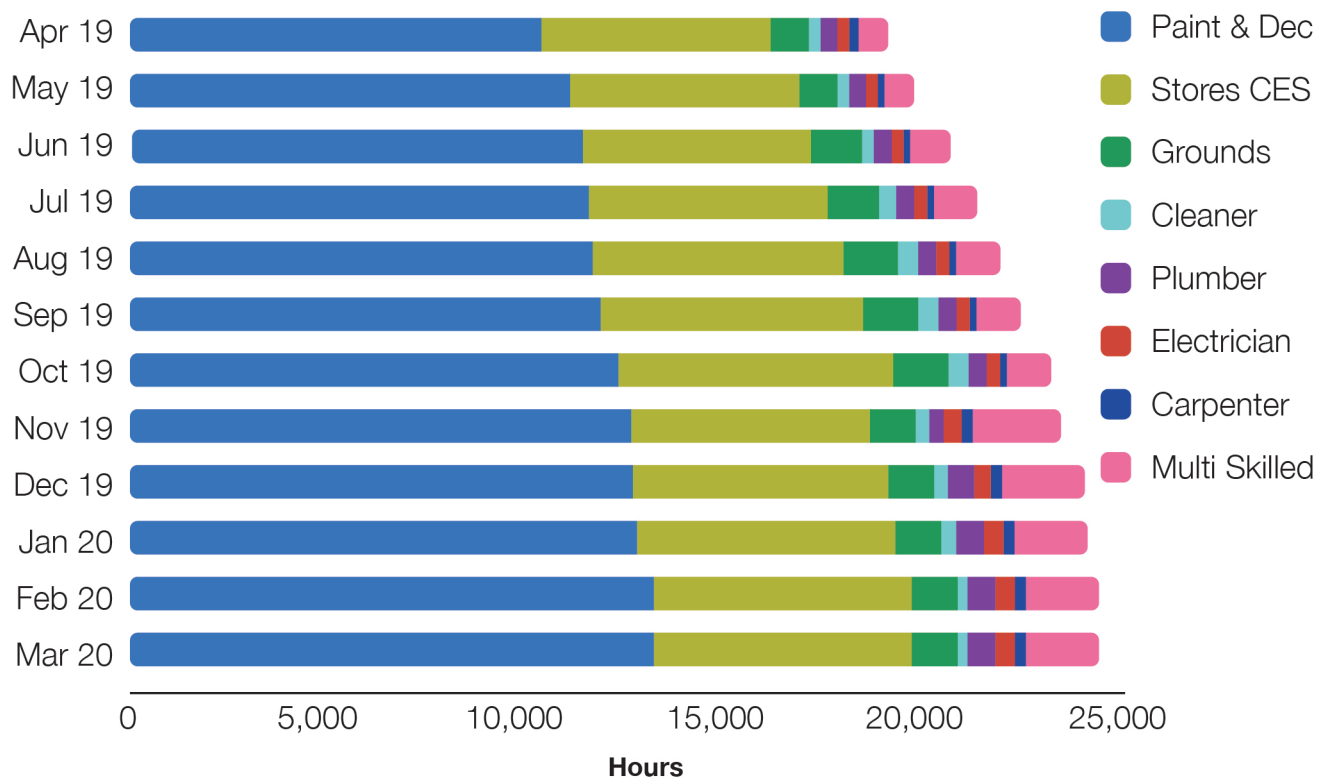
**We will be shortly offering the first permanent position to an ex-offender who will work at one of our establishments**

Recently we have planned to further drive decency by piloting CRED flooring schemes. This will involve upskilling members of our workforce to self-deliver flooring, these individuals will then work with teams of offenders to give them practical experience and training in laying flooring. The first sites will be HMP Pentonville for Epoxy Resin flooring and HMP The Mount and HMP Bedford for Vinyl flooring.

Our company works closely with departments such as New Futures Network (NFN) to support future employment opportunities for those on our programmes. We will shortly be offering the first permanent position to an ex-offender who will work at one of our establishments.

Since the COVID-19 pandemic many establishments have chosen to stop offender work activities. Weekly hours have been scaled back to c7,000 where safe measures can be put in place. At some establishments where offender working has continued, this has supported our teams in continuing to deliver core activities when staff have needed to isolate. Offenders have been recognised for their dedication with certificates from us.

## Total Weekly Hours by Trade 2019/20



## Case Study: Hard at work at HMP Hollesley Bay

HMP Hollesley Bay has a resident working programme where sixteen risk-assessed offenders work on an enhanced programme. This means they are cleared to work as members of the GFSL team across a small portfolio of sites during the normal working day.

This includes all trades dealing with reactive work including plumbing and electrical work as well as painting and decorating.

The offenders stepped in when staff members had to self-isolate because of Covid-19.

GFSL Site Manager Richard Lummis said: “At different points during the pandemic we had either all electricians or all plumbers isolating at Hollesley Bay and the offenders from the



**The photos show the shower refurbishment work completed at Hollesley Bay**

work scheme stepped in to keep things running. The team is lucky enough to include an 18th edition qualified electrician along with plumbers. The offenders have worked alongside the GFSL team and have the site knowledge to step in and cover.”

This team also completed a shower refurbishment in February this year (2020) at the prison which saved HMPPS over £30,000 when compared to the outsourced cost projection.

They also completed refurbishment projects at HMP Bedford visits centre and at Stirling House Training and Conference Centre which is the main unit for training new prison officers. At Stirling House, the team have replaced bathrooms and bedrooms.

Also at Hollesley Bay, one of the resident carpenters supported a project to build a Coffee shop on site with all profits being donated to a charity for veterans. This has been so successful that the charity is looking at offering the carpenter full time employment at the end of his sentence.

In all such cases the resident Released on Temporary Licence (ROTL) is offered an enhanced rate of pay and assistance in the development of their personal portfolio to support future employment engagements. They are supervised by GFSL staff and make a valuable contribution to the ongoing maintenance and minor refurbishment activities within the estate.



## Health and Safety

GFSL continues to pride itself on the high focus it places on health and safety within the business, safety is at the core of our everyday business and serves to ensure that every employee and contractor goes home safely at the end of every working day.

Our vision is to keep everyone safe by establishing an environment with strong moral responsibilities and control for health and safety; and technical buildings compliance.

Efforts to strengthen this position in the period have focused on the following initiatives:

### Leadership

**To develop leaders so that they support and enable teams and individuals to behave safely and comply with our systems.**

GFSL understands the necessity of strong, visible leadership as the foundation stone to building a robust safety culture. To support this principle a series of Safety Roadshows and Safety Leadership tours were held throughout the year. Such events enabled the GFSL Senior Leadership Team to deliver some key safety messages on site, in person, and also served to enable employees to feedback on areas that they felt were working well, and areas for potential improvement.

### Culture

**Everyone has a personal responsibility for health and safety.**

GFSL are proud of the progress they have made to date, to start to embed a positive health and safety culture throughout the complete Southern Estate. Significant traction has been gained with the introduction of both Site Safety Champions and Site Safety Mentors (members of the senior leadership team).

### Capability

**To develop health, safety and technical understanding so that our people are confident and competent to do the task.**

GFSL is passionate about ensuring that our people have received the right training to do the job in hand. A comprehensive health and safety skills matrix has been developed for all roles within the company to ensure that all staff are competent to carry out their roles, this has provided an effective basis on which to build our training requirements.

### Controls

**To develop effective systems in place to manage all requirements and risks, so they are adhered to consistently.**

GFSL has continued to develop and revitalise existing health and safety policies and procedures. One of our key focuses, taken as a result of employee feedback, was to ensure that our health and safety management system is 'user friendly', enabling rather than inhibiting safe operations within the Southern Estate.

### Engagement

**To engage with all stakeholders and create an environment of collaboration and open discussions.**

GFSL continues to work closely with HMPPS on all matters relating to health and safety. They participate openly in tripartite meetings with both HMPPS and the FM provider for the North, where incident statistics and lessons learnt are discussed in an open forum.

### Performance

**To develop improved monitoring and reporting and enable the continual development and improvement of our capabilities, controls and overall performance.**

GFSL takes pride in our agile, timely capability to learn from safety related events and to respond and adjust our safety strategy accordingly. We have a reporting suite in place and a meeting structure that supports this area; including the facility to stand up the company expertise at short notice should there be a requirement. The development of MI during the year continues to support our sites in this area.

## Assurance

**To develop robust assurance tools so that interested parties can be confident that we are compliant and actions drive continual improvement.** The outcomes of the GFSL 2019 internal health and safety audit programme revealed a number of areas for improvement including Asbestos, Confined Space, Health and Safety training, and Contractor Management. All of which have received increased attention and seen improved performance as a result.

GFSL understands and acknowledges the importance of selecting competent contractors. This starts with the selection process, which has been standardised in line with BSI PAS 91 Questionnaire. This consistency in approach assists GFSL to identify suitably qualified contractors with less time and resources and more time to focus on the project/competence specific areas of the pre-qualification process.

GFSL's Accident Incidence Rate (AIR) is 963, which has remained stable from the previous reporting period against a backdrop of improved hazard awareness and reporting.



## The projects team completed 498 projects in 2019/20

### Projects

The Project work we are engaged on is extremely varied and could involve any element of the build environment. Projects undertaken in 2019/20 include things such as shower and server upgrades, window replacements, CCTV system upgrade, boiler replacement, external lighting and security fence installation.

The Projects team completed 498 projects in 2019/20, at a total value of £13.3m. Unfortunately the COVID19 lockdown restrictions at year end delayed the completion of 65 projects (total value £6.1m) which will be completed as early as possible in the new financial year.

Eighty six projects, for completion in 2020/21 financial year, had been launched prior to the end of March. This adds to the high volume of project work expected to be completed the next financial year as we continue to invest in our Project Management capabilities.



## Case Study: We're working to reduce our carbon footprint.

We're delighted to announce that we are leading the drive to reduce carbon emissions in the establishments where we provide services.

Following a trial initiated by Energy Services Manager Stewart Grew, GFSL identified potential energy savings by replacing inefficient old cell lighting with high efficiency LED fittings.

Stewart explains: 'We installed electricity loggers on the lighting circuits of two cell blocks at HMP Coldingley. One wing was left in its existing condition while a second was refitted with modern LED cell light fittings. The test was carried out over a month with the loggers taking readings every 30 minutes. The results were extremely promising and identified that we could potentially achieve an overall annualised verifiable energy saving of over 60%.'

As a result we began a project on behalf of the Ministry of Justice to install nearly 9000 new cell light fittings by March 2021.

CEO Paul Ryder added: "Once this work is complete, it could support substantial savings at HMP Coldingley and reduce the carbon footprint of the site. The new fittings will require less maintenance and should have a much longer lifespan. It is initiatives like these that are helping HMPPS improve conditions for offenders, and the wider Department in its drive to improve the value for money standing of its budgets, and its drive to support the UK in its net zero carbon emissions commitments."



**Once this work is complete, it could support substantial savings at HMP Coldingley and reduce the carbon footprint of the site. The new fittings will require less maintenance and should have a much longer lifespan**



## The labour market we operate within is challenging

### Our Workforce

We began the 2019-2020 year with HM Treasury approving the GFSL Terms and Conditions of employment, allowing us to begin the process of moving to a fully permanent workforce.

GFSL budgeted for a total headcount of 1,421 FTE's in the year. The business started the year with c58% of staff permanently employed, we managed to increase this number to c68% by year end. Despite our best efforts our recruitment drive was hindered by the ongoing perception of working in prisons, the challenges in the existing UK facilities management marketplace, and a level of subjective media coverage about prison life. The business continued to complement its permanent headcount through the utilisation of contingent (agency) workers, or subcontracted labour.

Reaching this position has taken a monumental effort by all parts of the organisation. Recruitment and onboarding is a time consuming activity, when done correctly, to undertake on-top of core delivery. Additionally, the labour market that we operate within is challenging (both the FM sector, and recruiting into the prison environment). As not all positions have been filled in the financial year we continue to prioritise the recruitment for the remaining vacancies.

### Financial Summary

The 2019-20 year is the second year that GFSL has operated as a company. Full financial statements are available from page 69. During the 2018-19 year we were initially reliant on HMPPS, but for the entirety of 2019-20 we have had full control of our own banking and financial systems and own all of our financial information on one finance system.

### Revenue and Expenditure

As a non-profit making organisation revenue aligns to costs incurred in the period. In 19/20 agreement was reached to incur costs higher than the budgeted value for delivery of the Core Contract at £79.2m. We also incurred costs and income for variable works at the instruction of the client to the value of £52.9m bringing total revenue and costs for the period to £132.1m.

As non-profit making, revenue and costs match within the period resulting in a zero net profit.

### Cash

GFSL has a strong cash position. We received a £5.1m cash payment from HMPPS which covered our 2018/19 core



## As non-profit making, revenue and costs match within the period

overspend. This core overspend was originally funded through equity in 2018/19, so was treated as an equity payment in 2019/20. This provided extra liquidity to cover the gap between our suppliers being paid and cash being received from our customer, HMPPS. Cash in the bank was overdrawn by £1.4m at the end of the financial year – this was an unusual situation for GFSL and a result of the Covid situation delaying a payment in the system, this was rectified on the 1st April with the cash balance being back in a positive position of £10.7m.

### COVID-19

At the onset of the Covid-19 pandemic we experienced increased levels of staff absence, mainly due to sickness and the need to protect our vulnerable employees. Given the downturn in available resources, we worked closely with HMPPS to prioritise works, thus allowing both parties to focus on key activities for the short-term. We also moved resources where necessary to accommodate for critical works. To date there has been no significant failure of services seen. We have strengthened our relationships with suppliers and contractors so should we see an increase in staff absence due to COVID in the future we have resources that we can draw on to ensure we maintain our essential services.

We supported our employees during the pandemic in 19/20 through the provision of Personal Protective Equipment on our sites. We moved all of our corporate staff to work from home and we introduced a communications campaign to update all of our people on the pandemic, sharing information on the situation as it emerged.

The Business Continuity Plan (BCP) was enacted with an Emergency Management Team in place. This tested the BCP and its effectiveness which has been successful and this is illustrated by the continuous provision of our services and the support we have provided to our staff during this time.

### UK's withdrawal from the European Union

We are working with the MOJ wider team around contingency planning for withdrawal from the EU. Our supply chain does source some materials from outside of the UK which may have a minor impact on us getting the materials we need. We do not anticipate at this stage that significant resources will be needed to control the supply of materials we need to continue our services.



**To date there have been no significant failure of services seen due to Covid-19**

# Performance Against our Strategic Objectives



## Safety

**Keeping everyone safe by establishing an environment with strong moral responsibilities and control for Health & Safety and Technical Buildings Compliance.**

Over the past year we have had a strong focus on Health and Safety Training to ensure that everyone is safe in their working environment. We will continue our efforts both within the organisation and with contractors, prison staff and offenders.

A robust health and safety management system aims to eliminate unsafe conditions, but it must also target unsafe acts. That means the safety of our staff depends, to a degree, on how they, and the people around them behave. We understand that we need to positively influence the behaviour of our staff at work, during the year our training and communications has been with that in mind. We have invested in a Health and Safety IT reporting system for both Incident Management and Audit, this will go live during the 20/21 year giving the business easier access to data for analysing and trending performance data to enable more effective targeting of safety performance strategies.



## Reliability

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

Our operational performance continues to improve as we strive to become a world class provider. We continued to develop our relationship with HMPPS to become more collaborative and transparent. This included greater operational alignment and improvements in financial and operational reporting. We continue to collaborate within the MOJ and across wider government to access support in areas that can help in the delivery of our services.



## Efficiency

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

We continue on our journey to achieving ISO9001 accreditation. Our business management system, Opus, is becoming embedded in the company providing guidance to our people on our policies and procedures. Work continues on improving the provision of data and information from within our Enterprise Resource Planning (ERP) system and how we utilise data from the Planet Computer Aided Facility Management (CAFM) system to aid in our performance improvement. The use of performance dashboards across the business increased and forms a large part of the Path to Green project, using data to support performance improvement, this will be a major driver for the 20/21 project.



## Our People

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

Following HM Treasury approval for our own Terms and Conditions, we have now recruited 68% of our workforce to permanent staff. The ability to recruit to our own T&Cs has enabled GFSL to commit to a range of personal development opportunities that will support our people's future career pathway and offer stability to both our people and GFSL. We continue to invest in our workforce through the provision of targeted, relevant training to ensure our people have the right skills and capabilities to undertake the roles we require of them. Our recruitment process facilitates attracting people with the skills that we need for our more technical roles.



### Value for Money

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

We drive a culture of value for money in the organisation and continue to look at how we can create more value for the taxpayer. We have expanded our supply chain to give greater flexibility and resilience to our sites for goods and services. We continue to drive forward our CRED programme which delivers works at a lower value whilst also providing rehabilitative support to offenders. Increasing our headcount through our recruitment increases the capacity that we can undertake internally and this can be seen through the increased outputs in the 19/20 year.



### Managing Change

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

We continue to review, update and add to our policies and procedures that support our provision of services. We seek to be adaptable and responsive to change working collaboratively with HMPPS on addressing areas that can be improved, for example undertaking a joint project to review the Service Specification to ensure that it is fit for purpose and provides an accurate picture of the services provided in detail at each site.

Our ability to manage change has been tested by the COVID-19 pandemic which has resulted in a quick response to supporting absences, reporting to appropriate bodies and new ways of working. Our resilience through this period has been a credit to all staff pulling together to keep the continuity of service throughout.



**We have introduced a policy to reduce CO2e emissions from travel, including increased use of video-conferencing and a new car policy that focuses on more efficient vehicles**

## Sustainability Report

Sustainability is at the heart of our values, both in terms of our own HQ estate, and the work we do while on the prison estate. We have carefully considered the Greening Government Commitments (GGC) when delivering our services in a sustainable way.

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

### Greenhouse Gases

Greenhouse gases from travel are the major source of our emissions. Our staff travelled around 161,572 miles by rail in 2019-20, producing 6.64 tonnes of CO2e and staff travelled 410,605 miles by car in 2019-20, producing 101.8 tonnes of CO2e. (Measures based on 2019-20 CO2e equivalents)

We have adopted a longer-term target to reduce carbon emissions from our office estate and domestic business travel by, at least 30% by 2027.

As part of our commitment we are reviewing ways in which we can reduce waste to landfill by greater use of recycling. Our sustainability targets support our strategic goals to 'deliver value to the UK taxpayer' and 'manage the facilities of the prison estate to reduce energy consumption and carbon emissions'. In 2020 we aim to refine our corporate waste reduction plans and other environmental compliance targets and are working with the MOJ Sustainability team to move this forward. GFSL rents space in buildings in Sheffield and London. The buildings are shared with other occupants and there is no separate metering available so it is not possible to disaggregate statistics around energy, water, waste, or recycling for these offices. Furthermore, GFSL's 'share' of the emissions are driven by occupancy levels, rather than any actions our company can take. We have introduced a policy to reduce CO2e emissions from travel, including increased use of video-conferencing and a new car policy that focuses on more efficient vehicles.



**We encourage a paperless office and we have just three printers in our HQ office sites**

Our Sustainability targets support our strategic goals to ‘deliver value to the UK taxpayer’ and ‘manage the facilities of the prison estate to reduce energy consumption and carbon emissions’. In 2020 we aim to further refine our corporate waste reduction plans and other environmental compliance targets.

### **Waste**

All prison waste is accounted for by HMPPS but is managed by us to ensure that all legal requirements are complied with and that as much waste as possible is recycled. Waste from our offices is separated at source to ensure as much as possible is recycled. We encourage the paperless office, and we have just three printers in our HQ office sites.

### **Sustainability**

We comply with the applicable Government Buying Standards and, report on the environmental effects of providing the Goods and Services to the prison estate and maintain ISO 14001 or BS 8555 or an equivalent standard intended to manage our environmental responsibilities; and perform its obligations the provision of Goods and Services to and on behalf of GFSL in a way that: supports our achievement of the Greening Government Commitments, conserves energy, water, wood, paper and other resources, reduces waste and avoids the use of ozone depleting substances which minimises the release of greenhouse gases, volatile organic compounds and other substances damaging to health and the environment.



Greening Government Commitment	Measure	2018–19 (Base Year)	2018–19 CO2 equivalent	2019–20	2019–20 CO2 equivalent	Saving on 2018–19
Reduce greenhouse gases: Flights	Flights Number of domestic flights	1	0.1 tCO2e	1	0.085 tCO2e	15%
Reduce greenhouse gases: Rail	Miles of rail travel	285,000	12.6 tCO2e	161,572	6.64 tCO2e	47%
Reduce greenhouse gases: Road	Miles of road travel (cars)	330,000	96.1 tCO2e	410,605	101.8 tCO2e	-6%
Paper – Reduce usage	Pages printed: Sheffield London	25,000 6,400	0.5 tCO2e	22,500 6,200	0.46 tCO2e	8%

NB; the increase in mileage is a consequence of the increase in our permanent resourcing





**Covid-19 – The business has worked closely with HMPPS to reduce risk and uphold key prison FM services**

## Principal Risks and Uncertainties

### COVID-19

The Covid-19 Pandemic has placed a substantial level of pressure on the business. It has challenged the business in respect to resourcing and the need to support social distancing and self-isolations, the ability to effectively manage H&S and provide effective levels of PPE, and maintain the services from our key technical supply partners. The business has worked closely with HMPPS to reduce risk and uphold key prison FM services. This is a situation that could not have been foreseen, however the business has shown a high level of resilience and commitment from its workforce and continues to uphold services. The Business Continuity Plan enacted has mitigated this primary risk to an acceptable level during this period.

### People Risk

Despite achieving sign-off of business specific Terms & Conditions of employment in April 2019, the business has struggled to recruit a number of key specialist and technical staff. Delays have in the main been attributable to perceptions of working within the prison environment, current market forces, and the lack of recognition that GFSL is a reputable employer. That said, the business has been working to overcome these issues and is making incremental improvements with its recruitment. Currently we are expecting to reach our desired recruitment levels within the 2020/21 budget year.

### Financial Risk

GFSL receives all of its funding from the Ministry of Justice. All funds are administered by HMPPS. Additional funding was made available within the year to achieve a suitable level of decency and assurance. The budget received for 2020/21 reflects a higher core service funding. The business is completely reliant on Government spending reviews and allocation of finances. Due to the nature of the business and that an element of the service is reactive the risk does remain that there is insufficient funding available to maintain the estate to the required level. Mitigation of this risk is through regular dialogue with HMPPS on the provision of services.



**Without future investment, the cost of maintaining the current estate will apply additional risk**

### **Insufficient Investment**

The prisons that we support require ongoing investment to keep the estate up to date and compliant. This has been a major contributory factor to the levels of spend required to underpin and reassure the core service of the last two years of operation. Work has subsequently been ongoing in conjunction with HMPPS and the MOJ to review critical assets and infrastructure and identify the future investment needed for the estate. Without suitable future investment the cost of maintaining the current estate will apply additional risks to the cost of delivering the Core Services. This remains an ongoing risk that is managed jointly.

### **Information Security**

GFSL has a dedicated IT provision within its central support infrastructure. This team oversees all systems related activities and assists against any cyber attacks and/or data breaches - all of GFSL's systems operate within the wider MOJ IT infrastructure. Training has been provided by the MOJ to assist staff in their knowledge of data management. GFSL has appointed a Head of Security to provide a greater focus on data security and physical security of our head office sites. The role will draw on the expertise/tools available in the MOJ to support this area.



**Our goal is 'everyone goes home safe'**

### **Health and Safety**

The management of Health & Safety has been one of the primary areas of focus for the business since conception. Our goal is to ensure that "everyone goes home safe". There has been a definite improvement in Health & Safety culture at site level which has been supported by ongoing training and leadership.

### **Supply Chain Disruption**

Our supply chain has become more resilient over the year and we have not seen any supplier disruption or failures. We continually review the supply chain and we have onboarded new suppliers during the year to provide better resilience and flexibility. We have recently developed a more defined procurement strategy that will drive consistency in procurement activity and achieve Value For Money.

## Statutory Compliance

The improvement and management of statutory compliance has remained a primary area of focus for the business. Working closely with HMPPS, the business has worked to improve assurance within the southern estate over the last 12 months. HMPPS has introduced a programme of audits during the year in this area and we have seen significant improvements in the resulting scores as the year has passed and actions have been progressed. Moving forward we are supporting an initiative with HMPPS to correctly identify and update all assets, especially those that require defined testing. There is a risk that assurance levels may be affected by the Covid-19 situation during next year.

## Section 172 Statement

The directors of GFSL, and those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006, which is summarised as follows:

A Director of the company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholder and in doing so have regard to:

**\*The likely consequences of any decisions in the long term;** the Board is mindful that their strategic decisions can have long term implications for the business - as such a standard agenda item has been added to the Board meeting to reflect on the actions taken throughout the meeting.

**\*The interests of the company's employees;** there have been several initiatives that have been introduced for the benefit of our employees as detailed on pages 58 to 62.

**\*The need to foster the company's business relationships with suppliers, customers and others;** a strong supply chain is integral to our business, we aim to conduct all our relationships with suppliers and our client reasonably, fairly and with integrity.

**\*The impact of the company's operations on the community and environment;** we are working hard towards long term sustainability as detailed in the case study on page 25.

**\*The desirability of the company maintaining a reputation for high standards of business conduct;** the Board recognises the importance of good corporate governance and as such relies upon and follows the UK Corporate Governance Code.

**\*The need to act fairly between members of the company:** communication with our shareholder (MOJ) is key. The CEO regularly meets with stakeholders from the MOJ to discuss the performance of the company.

# Section 2



## Accountability Report

## Board of Directors as of 31st March 2020



**Colin Allars**  
Chair and Lead  
Non-Executive  
Director



**Paul Ryder**  
Chief Executive  
Officer



**Cheryl Avery**  
Non-Executive  
Director



**Maura Sullivan**  
Senior Independent  
Non-Executive Director



**Don Keigher**  
Executive Director  
Change and  
Transformation



**Stephanie Hill**  
Executive Director  
Finance



**Andrew Mills**  
Non-Executive  
Director

Michael Richardson left the Board on 5/4/2019.  
MOJ Secondment arrangement complete

Richard Nicholson left the Board on 30/4/2019.  
MOJ Secondment arrangement complete

Karen Morley left the Board on 30/9/2019. MOJ Secondment arrangement complete - Company Secretary role was not replaced as was not required as per the Articles of Association, all duties are completed by appropriately trained staff.

Andrew Mills left the Board on 31/3/2020 as Non-Executive Director and was replaced by James Hayward on 1/4/2020.

## Senior Leadership Team as of 31st March 2020



**Paul Ryder**  
Chief Executive  
Officer



**Stephanie Hill**  
Executive  
Director Finance



**Don Keigher**  
Executive Director Change  
and Transformation



**Elaine Pendlebury-Green**  
Head of Human  
Resources



**Len Bridges**  
Head of  
Operations

## Dates of appointment of directors

Name	Job Title	Date of Appointment	Date of Resignation
Colin Allars	Chair	08/02/2018	N/A
Cheryl Avery	Non-Executive Director	08/02/2018	N/A
Maura Sullivan	Non-Executive Director	01/04/2019	N/A
Andrew Mills	Non-Executive Director	08/02/2018	31/3/2020
Paul Ryder	Chief Executive Officer	08/02/2018	N/A
Stephanie Hill	Finance Director	08/02/2018	N/A
Don Keigher	Change and Transformation Director	04/04/2019	N/A
Michael Richardson	Company Secretary	30/8/2018	05/04/2019
Richard Nicholson	Operations Director	08/02/2018	30/04/2019
Karen Morley	Company Secretary	04/04/2019	30/09/2019



# Directors' Report

The Directors present their Annual Report on the company, together with the financial statements and auditor's report, for the period 1st April 2019 to 31st March 2020.

A report on corporate governance matters is included separately on page 47.

## Employees

During the year we have progressed our recruitment activities to achieve a greater proportion of permanent employees. We have made significant progress in the roll out of GFSL Terms and Conditions and consider the company to be a fair and considerate employer that recognises the value of diversity and equality within its workforce. GFSL supports staff with career development and progression and offers a range of training opportunities and personal development.

We remain committed to create a fully diverse and inclusive environment, whatever their characteristics. We have developed a Diversity and Inclusion policy and under our "Guaranteed Interview Scheme" we guarantee to interview anyone with a disability whose application meets the minimum criteria for the post.

The Board and Senior Leadership team believe that providing a diverse and inclusive culture is key to business success.

Our people policies continue to evolve and are made available to all staff via our internal intranet management system.

## Environmental & Social

GFSL takes its environmental responsibilities seriously, full details are set out in the sustainability report. We recently trialled an LED cell light replacement project in HMP Coldingley where one cell block was fitted with LED lighting and the adjoining block was not. Both cell blocks were monitored for a period of one month and a 62% energy saving was seen on the block with LED lighting which was a significant saving seen to HMPPS. We have also started an installation of solar panels at HMP Bure where we aim to supply 60% of the daily electricity load, saving HMPPS £52,000 a year and reduce the CO2 emissions by 9.5 tonnes a year.

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

The Directors are satisfied that the company pays its suppliers in accordance with their terms and conditions, subject to compliance by the suppliers with their obligations. We publish our payment practice reporting data on our website which states the average payment days.

### **Financial Reporting**

The company has prepared its 2019-20 financial statements in accordance with the International Financial Reporting Standards (IFRS). The audited financial statements for the period are set out on pages p69-100. GFSL is a not for profit company and therefore the financial results show a neutral profit position.

### **Going Concern Statement**

The company financial statements are prepared on a going concern basis, the directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future.

Furthermore, the directors do not envisage any changes to the current regulatory and legal regime which will adversely affect the operation of the company within the next 12 months.

While COVID 19 has brought challenges, we have adapted quickly and have not been significantly affected by the pandemic or seen major economic disruption.

### **Dividends**

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

### **Capital Contributions**

GFSL's parent, the MOJ, provided a capital contribution of £13,250k in 2018/19. This consisted of the initial cash injection to provide the Company's working capital of £18,397k less a deduction of £5,147k to fund expenditure incurred above 2018/19 budgeted levels. In 2019/20 HMPPS decided it would fund the additional expenditure of £5,147k as it directly received the goods and services related to this. As a result the initial cash injection of £18,397k was restored.

### Corporate Governance Code

As part of the preparation of this report the Company reviews its compliance to the Corporate Governance Code and considers itself compliant with aspects relevant to it.



# Directors' Responsibility Statement

## Statement of Responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable laws and regulations.

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

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

In preparing these financial statements the directors are required to:

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

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

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

The Directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, to give a true and fair view of the assets, liabilities and financial position of the company.
- Such controls as determined necessary have been operated to enable preparation of financial statements that are free from material misstatement.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face.
- The Annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position and performance, business model and strategy.

### Website Publication

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

### Disclosure of Information to Auditor

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

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

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

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

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

By order of the Board



Finance Director  
8 October 2020



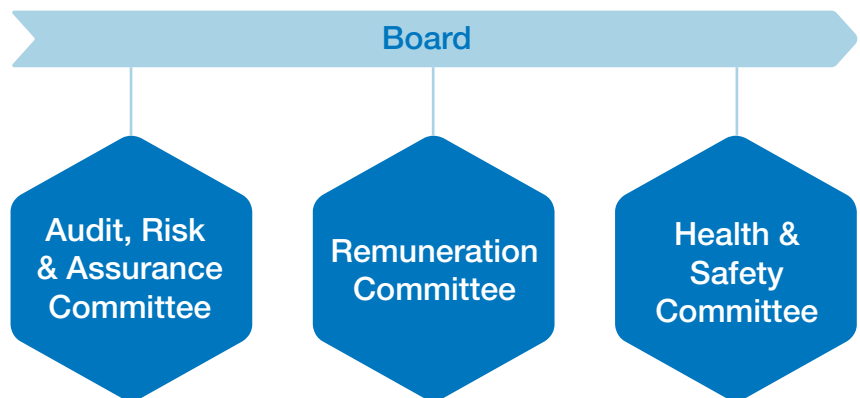
# Governance Statement

The GFSL business is solely owned by the MOJ. It operates under a Framework agreement that sets out the services to be provided to the HMPPS client and how the business Board, the Accounting Officer, CEO, and internal and external audit functions should operate in respect to key governance and accountabilities. Its employees are public servants and as such have a duty to follow the Managing Public Money principles as the funding to conduct our business is through the taxpayer.

GFSL is a Limited Company and therefore needs to comply with the Company's Act 2006.

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

## Board Committee Structure



## Role of the Board

The Board provides strategic leadership to the business. They have been appointed by the Ministry of Justice and are responsible to them for the performance of the Company. The board works within the parameters of the Articles of Association as required by the Companies Act and also the Framework Agreement and the delegated authority set out by the Ministry of Justice. There are 3 sub-committees of the Board - Audit and Risk Assurance Committee, Health and Safety Committee and Remuneration Committee whose roles and activities are detailed within this report.

### **Key Activities**

The Board has several standard agenda items which include:

- CEO update on the Business.
- Updates from all sub-committees.
- Financial position.
- HR Update.
- Risk and Governance update to include strategic risk register updates.

All Directors, upon appointment and renewal of appointment, are required to advise of any Conflicts of Interest. This is also requested at the start of each Board meeting and recorded in the minutes - Directors are aware they may need to excuse themselves from discussions should any conflict be noted.

### **Role of the Audit and Risk Assurance Committee**

The role is to support both the Board and Accounting Officer by providing independent oversight of their risk management and governance processes and also the integrity of their financial statements.

### **Key Activities**

This year the committee's work has included:

- Oversight and challenge of the strategic risk register and progress against milestones, with linkage to our Statement of Internal Controls.
- Oversight and challenge of the risk management and governance framework to help identify any control gaps and actions to mitigate including review of risk appetites.
- Work with Internal and External Audit around the audit plan for 2019/2020 and ensure actions progress for any findings.
- Review and challenge of the company's financial health including development of financial forecasting capabilities to inform year end outturn.



## Role of the Remuneration Committee

The committee's role is to provide advice on remuneration to staff employed by GFSL, noting that they also have to follow the additional guidelines set by HM Treasury.

### Key Activities

The committee has focused this year on:

- Reviewing costs and agreeing to the annual pay award.
- Reviewing and agreement of Directors role specification and salary bands.
- Considering the need and appropriateness of changes to terms and conditions in line with market forces.
- Gender pay gap reporting.

## Role of the Audit and Health and Safety Committee

The Health and Safety committee will consider and advise on the health, safety and welfare aspect of all the policies, procedures and practice relating to staff, contractors and other interested parties.

### Key Activities

The activities of the committee have included:

- Summary of safety performance across the business and actions needed to improve.
- Progress against any internal or external reviews.
- Progress on health and safety improvements.
- Training requirements.
- Promote a positive health and safety culture within the wider business.

## Board Effectiveness Review

The first Board Effectiveness Review took place in December 2019 by all Board members, it was acknowledged that the training was well received and it identified a number of areas where improvements could be made to become a high performing Board.

## **Board Appointments**

All Directors have been briefed on their own roles, including regularity and propriety matters and on the work of GFSL. They have available to them the UK Corporate Governance Code, Managing Public Money, and Code of Conduct for Board Members of Public Bodies to support them in discharging their duties. The Directors received training in August 2019 to support them in their roles as Directors.

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

These interests include and are not limited to, personal direct and indirect pecuniary interests and any such interests of any close family members or other household members. GFSL seeks updates on this information at the start of each board meeting and on appointment to the role of Director.

Should a board member declare any conflict of interest, they will excuse themselves from any discussion at board or any other meetings.

No such conflicts have been registered by any Director.

## **Board Meetings**

The table below advises the names and titles of the Executive and Non-Executive Directors who have had responsibility for the Company in the Financial Year 2019/2020. It also includes the number of meetings attended during the year.

Board Member	Board of Directors	Audit and Risk Assurance Committee	Remuneration Committee	Health & Safety Committee
<b>Meetings attended per member out of those eligible to attend</b>				
Non Executive Directors				
Colin Allars	4 of 5	4 of 5	2 of 2	1 of 1
Cheryl Avery	5 of 5	4 of 5	2 of 2	–
Maura Sullivan	5 of 5	5 of 5	1 of 1	–
Andrew Mills	4 of 5	2 of 5	–	–
Executive Directors and Others				
Paul Ryder - Chief Executive Officer	5 of 5	5 of 5	2 of 2	2 of 3
Stephanie Hill - Finance Director	5 of 5	5 of 5	–	–
Don Keigher - Change and Transformation Director	4 of 5	4 of 5	–	–
Richard Nicholson - Operations Director	1 of 1	–	–	–
Michael Richardson - Company Secretary	–	–	–	–
Karen Morley - Company Secretary	–	1 of 1	–	–

### Quality of data

GFSL Board meetings and their subcommittees cover a wide range of topics for discussion with standard agenda items that have been reviewed, improved and updated during the year. The secretariat ensures that all information is collated and distributed prior to all meetings and the Board are content that the data provided was adequate, timely and comprehensive and there were robust arrangements for reviewing and checking data to ensure the effectiveness of meetings.

## Risk Management

The risk management framework has been developed during the year with all business areas now having their own risk register to report on to their own respective senior management lead, this assists in the early identification and escalation of any emerging risks. The company continues to promote a supportive risk culture and encourages openness so that risks can be identified and managed.

During the year we have introduced risk appetite metrics, we have also refreshed the Strategic Risk Register that is presented to the Board and the Audit and Risk Assurance Committee (ARAC). We have a quarterly Statement of Internal Controls where senior leaders report on any risks or issues they are aware of and also review compliance to policy adherence. We continue to collaborate with our External Assurance partners and continue to be open with the risks we face as a company.

We have developed the Risk Management Framework and Guide so this is accessible to all and provided training in how to document and manage risks.

The Risk and Governance Lead meets regularly with all members of the Senior Leadership Team to discuss and monitor their risks and these are discussed monthly with the Accounting Officer.

## Internal Audit

GFSL's internal auditors are the Government Internal Audit Agency (GIAA) who provide advice to the Board and ARAC. GIAA have provided a "Moderate" annual opinion on the framework of governance, risk management and control within the business.

Their opinion has been given taking into consideration the internal audit activities during the period and also meeting attendance with senior management and observations at the ARAC meetings.

GIAA has completed five audits. Risk Management, Payroll, Staff Training and Development, Oracle ERP system and Single Tender awards. All were given "Moderate" ratings with the exception of Oracle ERP which was rated as "Limited". Any deficiencies raised have been addressed and appropriate actions taken.

It is worth noting that this opinion has been an improvement from last year's rating and positive feedback from GIAA has been noted around the risk management framework improvements that have been implemented.

## Data Loss

The Change and Transformation Director is also the Senior Information Risk Officer (SIRO). We continue to use the resource from MOJ to support this area, although it is acknowledged that there is more to do in this area to strengthen GFSL policy. No personal data incidents were reported to the Information Commissioner's Office.

## Whistleblowing

In the year we have updated our Whistleblowing policy to include additional ways for staff to report on any suspected wrongdoing by the introduction of a nominated officer who is responsible for ensuring rigorous and thorough investigations take place if anyone makes a report. The policy, which is on the internal Intranet, encourages staff to raise concerns and provides assurance of anonymity.

## Fraud and Corruption

Over the year the company has now published its own Fraud, Bribery & Corruption Policy and this is available to all staff. There is a quarterly Gifts and Hospitality reporting process in place from all staff to ensure that we are transparent and proportionate in anything that is accepted, this is reviewed by the Accounting Officer as part of his responsibilities.

## Business Continuity

Business Continuity plans have been developed and implemented within the year and an Emergency Management Team (EMT) has been put in place to coordinate any contingency planning. This has been tested with the COVID-19 pandemic where the EMT put in place a series of measures including a daily reporting mechanism to respond proactively and contingencies to ensure that essential services continued with the ongoing support of HMPPS.

## Independent oversight of assurance arrangements

GFSL is subject to independent oversight by the following:

- National Audit Office (NAO) which reports on the Annual Report and Accounts.
- Government Internal Audit Agency (GIAA) which reports on process areas which also includes Value for Money.
- Her Majesty's Prison & Probation Service (HMPPS) which also conducts audits and feeds in any actions area including Statutory Compliance.
- Holding to Account meetings with the MOJ.

## Parliamentary Accountability (Audited)

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

### Fees and Charges

We make no fees or charges, other than to HMPPS, which are fully disclosed and explained in the financial statements.

### Remote Contingent Liabilities

As required by Managing Public Money, we disclose for parliamentary reporting purposes contingent liabilities for which the likelihood of economic benefit is remote.

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

### Losses and Special Payments

No losses or special payments have been made over £300,000 which is the threshold that Managing Public Money mandates for Financial Statements prepared under the Government Financial Reporting Manual (FRoM).



## The Accounting Officer's Review of Effectiveness

As Accounting Officer I am responsible for ensuring there is an effective process in place for the monitoring and escalation of any governance issues. I am personally responsible for safeguarding the public funds under my control, for ensuring propriety, regularity and value for money in the handling of those public funds. I am supported by the Executive Directors and Senior Leadership Team who have delegated financial and risk management authority appropriate to their roles.

To prepare the Company's governance statement I am provided with feedback from the following areas:

- Completion of a quarterly Statement of Internal Controls by senior budget holders and policy owners to include their assessment of the risks and challenges within their area of responsibility.
- Holding to account meetings with the Senior Leadership Team around any strategic risks they have identified and are managing.
- The development of risk registers throughout the business to provide escalation of risks to the senior management.
- Internal assurance processes to highlight any deficiencies and put in actions to resolve.
- External assurance from Government Internal Audit Agency (GIAA).
- Monthly review of all financial data.

The company has strengthened its financial and risk controls and I am satisfied that governance is effective.

The Corporate Governance Code recommends that a Board Effectiveness evaluation is completed each year. This was completed in December 2019 and covered the following areas:

- Objectives, Strategy and Remit.
- Performance Management.
- Relationships with key stakeholders.
- Propriety and Fraud.
- Delivery Chain and Project Management.
- Risk Management.

- The Audit and Risk Assurance Committee, Internal Audit and Corporate Reporting.
- The Boardroom.

Feedback from the Executive and Non-Executive members showed that there had been significant improvements in the quality of discussions and actions that had been taken by the Board members. Areas for improvement were discussed and are in progress to become a high performing Board.

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

- Observed the Accounts Directions issued by HM Treasury, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis.
- Completed duties as described in the Companies Act.
- Ensured that I have in place appropriate and reliable systems and procedures to carry out a consolidation process.
- Made judgements and estimates on a reasonable basis.
- Stated whether applicable accounting standards, as set out in the FRoM and the Companies Act, have been followed, and disclosed and explained any material departures in the accounts.
- Prepared the accounts on a going concern basis.

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



Paul Ryder  
Accounting Officer  
8 October 2020



# Section 3



## People & Remuneration Report



**We want all to feel valued and invested in by their employer**

## Staff and Remuneration Policies

Operating as a Non-Departmental Public Body, GFSL workforce are public servants, and as such GFSL has developed its own set of terms and conditions of employment. The terms and conditions have been developed by identifying what employees value, based on research and employee engagement. The core strategy for the development of the terms and conditions centres on achieving a package which is competitive with the standard marketplace. It is key to ensure equity, fairness and transparency, to ensure employees are able to understand where their particular role fits into the organisation and its value, thus preventing grievances and equal pay claims. The business is committed to increasing the appeal of working in the prisons environment by developing the total reward package to attract, retain and develop a workforce. We want all to feel valued and invested in by their employer. This strategy will contribute to the business becoming an employer of choice, together with future development of our brand and corporate objectives.



**We aim for a workplace that is welcoming, flexible and fully inclusive**

### Diversity and Inclusion

GFSL is committed to promoting diversity and inclusion in all its activities to promote inclusive recruitment, processes, practices and culture. We aim for a workplace that is welcoming, flexible and fully inclusive, where everyone is treated with dignity and respect and valued for their own unique contributions. We also want to develop a workforce that reflects our diverse society at all levels and across the breadth of our functions and operational sites by implementing the follow:

- Diversity and inclusion training for all managers.
- Eliminating any unlawful or unfair discrimination.
- Remaining proactive in taking steps to ensure engagement for all the people who work for and with us.
- Recognising the benefits and opportunities in having a diverse community of staff.

This includes promoting diversity and inclusion for all protected characteristics under the Equality Act (2010). Our diversity and inclusion policy states that it is unacceptable for any applicant, employee, worker, supplier or member of the public to be

discriminated against, either directly or indirectly, because of any protected characteristic. This applies to all staff, service users, clients and those with whom we work in partnership. We have put in place a guaranteed interview scheme to make sure we give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. As an organisation we offer equal opportunities to all staff to access training and develop their career and skills. As a relatively young company we are still developing our reporting on diversity and inclusion with the view to analyse and respond to disproportionate outcomes for protected groups. We work in partnership with HMPPS and its recruitment agencies, each of which has its own policies related to diversity and inclusion that are in alignment with GFSL diversity and inclusion policy.



**As an organisation  
we offer equal  
opportunities**

### **Remuneration Committee**

The Remuneration Committee approves the remuneration and contractual arrangements for other senior manager posts attracting a salary over £100,000 including additional allowances. This applies to permanent, fixed term and interim appointments. The committee also reviews annually all salaries over £100,000 including those posts which are taken above £100,000 by the application of additional bonus arrangements. The committee also agrees performance bonuses and any additional responsibilities payments for the CEO and executive directors. It is responsible for ensuring adequate arrangements are in place for the Chair of the Board to evaluate the performance of the Chief Executive and for the Chief Executive to evaluate the performance of executive directors. The committee oversees and advises the Board on termination and severance arrangements in relation to the Chief Executive and executive directors.

### **Remuneration Policy**

The GFSL Pay Policy outlines the organisation's approach to pay. GFSL has access to two additional Pay Mechanisms, these are Higher Starting Pay (HSP) and Recruitment and Retention Allowance (RRA).

These two mechanisms are designed to alleviate distinctly separate challenges that GFSL may face (outlined below) and should only be used in these circumstances.



## The need to recruit, retain and motivate

When determining pay a number of general considerations are taken into account:

- 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.

The Pay Policy applies to all directly employed members of GFSL in pay bands 1 to 20 or their Carillion /HMPPS equivalents. This policy does not apply to secondees, agency workers, contractors, consultants or anyone not employed directly by GFSL.

### Performance

GFSL's current performance management process is currently under review with recommendations expected by the end of the second quarter of the 2020/21 financial year.

GFSL has not attached performance bonuses to individual performance in the 2019/20 financial year. As a result no bonus payments have been set aside in the 2019/20 financial accounts for payment in the 2020/21 financial year.

GFSL has in place a mechanism to reward individuals for valued activity with a small token by awarding a reward and recognition voucher.

### Trade Union Relationships

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



**We continue to provide services to support the engagement, health and wellbeing of our workforce**

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

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

### Health and Wellbeing

GFSL is committed to supporting the physical and mental health of its workforce. There is a comprehensive attendance management policy in place. We also have an occupational health provision and employee assistance provider in place. The average number of working days lost due to sickness absence per employee was 4.6 days in the period to 31 March 2020.

We continue to provide services that support the engagement, health and wellbeing of our workforce. For example, we provide counselling and support services through a third party: PAM Assist. Their team provides advice, triage and counselling, acting as a proactive intervention to support our workforce, as well as incident response support. We continue to provide an immunisation programme offering protection against flu, hepatitis A and B. We also offer an employee discounts programme, provided by Edenred, allowing employees to access a wide range of offers and savings.

During the COVID 19 Pandemic, line managers and the Senior Leadership Team have offered support for both physical and mental wellbeing of the workforce, we have actively encouraged taking leave and regular breaks throughout and have promoted the PAM assist offering to anyone that needs it.

### Talent Management and Succession

GFSL is committed to ensuring that it has effective talent management and career progression arrangements in place. We are developing a process and guide to manage, develop, and retain talented employees, and to ensure that opportunities are available in a fair and consistent manner.

The apprenticeship programme will form a key strand of GFSL's future resourcing strategy, providing the skills, knowledge and professional qualifications required within the workforce.

We recognise that succession planning is key in identifying and nurturing future leaders, which subsequently ensures that GFSL is able to fill critical posts in the future.

## Board Remuneration

### Executive Directors - April 2019 to March 2020 (Audited)

Full name	Fee and Salary (£000)		Bonus Payment (£000)		Taxable Benefit (£000)		Pension Benefit (£000)		Total (£000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
<b>Stephanie Hill</b>	85 – 90	75 – 80	–	–	20 – 25	35 – 40	35 – 40	30 – 35	145 – 150	145 – 150
<b>Richard Nicholson</b>	5 – 10	75 – 80	–	–	–	10 – 15	0 – 5	75 – 80	5 – 10	165 – 170
<b>Michael Richardson</b>	0 – 5	90 – 95	–	–	–	–	0 – 5	35 – 40	0 – 5	125 – 130
<b>Don Keigher</b>	125 – 130	–	–	–	5 – 10	–	10 – 15	–	140 – 145	–
<b>Paul Ryder</b>	145 – 150	165 – 170	–	–	0 – 5	–	5 – 10	–	155 – 160	165 – 170

Stephanie Hill, Richard Nicolson and Michael Richardson are employees of MOJ, or other Government Departments, seconded to GFSL.

Richard Nicolson resigned his position with GFSL on 30/04/2019, secondment arrangement complete.

Michael Richardson resigned his position with GFSL on 05/04/2019, secondment arrangement complete.

The amount disclosed is the total remuneration paid by GFSL to the individual in the period between 1st April 2019 and 31st March 2020.

### CETV Disclosures (Audited)

Full name	Accrued Pension at Pension Age 31/03/2020 (£'000)		Real Increase in Pension and Related Lump Sum at Pension Age 31/03/2020 (£'000)		CETV at 31/03/2020 (£'000)	CETV at 31/03/2019 (£'000)	Real Increase in CETV
	2019/20	2018/19	2019/20	2018/19			
<b>Stephanie Hill</b>	20 – 25	15 – 20	0 – 2.5	0 – 2.5	311	273	20
<b>Richard Nicholson</b>	25 – 30 plus a lump sum of 75 – 80	25 – 30 plus a lump sum of 70 – 75	0 – 2.5 plus a lump sum of 0 – 2.5	2.5 – 5 plus a lump sum of 5 – 7.5	579	575	2
<b>Michael Richardson</b>	10 – 15	5 – 10	0 – 2.5	0 – 2.5	143	141	–
<b>Don Keigher</b>	–	–	–	–	–	–	–
<b>Paul Ryder</b>	–	–	–	–	–	–	–

Don Keigher and Paul Ryder are members of the Royal London Pension scheme operated through GFSL, and are therefore not members of the Civil Service Pension scheme.

### Non-Executive Directors fees (Audited)

Non-Executive Member	Expiry date of current contract	Fees £'000 2019/2020	Fees £'000 2018/2019	All taxable benefits £'000 (to nearest £100)	Total
<b>Colin Allars</b>	31/12/2020	–	–	–	–
<b>Cheryl Avery</b>	31/12/2020	–	–	–	–
<b>Maura Sullivan</b>	31/03/2022	12	Not in role	–	–
<b>Andrew Mills</b>	31/03/2020	–	–	–	–

Andrew Mills resigned his position on the 31/03/2020.

The non-executive Directors are not paid any fees by GFSL for carrying out the duties associated with this role if they are part of the MOJ.

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

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

Taxable benefits include all benefits in kind and taxable cash benefits. The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue & 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 & Customs.

### **Pension entitlements**

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

### **The Cash Equivalent Transfer Value**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the



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

### **Real increase in CETV (Audited)**

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

### **Fair Pay Disclosures (Audited)**

The median remuneration of GFSL's staff, based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff) as at 31/03/2020 was £25,961.82 (£22,665 as at 31/3/2019). Remuneration ranged from £16,364 to £156,000 (£15,269-£168,022 as at 31/3/2019). The banded remuneration of the highest paid director in GFSL in the 2019-20 financial period was £155,000 to £160,000 (£165,000-£170,000 as at 31/3/2019). The ratio between the median staff remuneration and the midpoint of the banded remuneration of the highest paid director was 6.1 (7.4 as at 31/3/2019).

# Staff Report

## Staff Costs (Audited)

	Permanent Staff (£'000) 2018/2019	Permanent Staff (£'000) 2019/2020	Others* (£'000) 2018/2019	Others* (£'000) 2019/2020	Total (£'000) 2018/2019	Total (£'000) 2019/2020
<b>Wages and Salaries</b>	22,859	22,813	17,723	27,774	40,582	50,587
<b>Social Security Costs</b>	2,489	2,385	–	–	2,489	2,385
<b>Pension Costs</b>	2,666	3,069	–	–	2,666	3,069
<b>Total</b>	<b>28,014</b>	<b>28,267</b>	<b>17,723</b>	<b>27,774</b>	<b>45,737</b>	<b>56,041</b>

\*data as at 31st March 2020

## Average number of people employed (Audited)

	Number 2018/2019	Number 2019/2020
<b>Permanently Employed Staff</b>	776	770
<b>All other staff</b>	589	850
<b>Total</b>	<b>1,365</b>	<b>1,620</b>

## Staff Composition as at 31st March 2020

	Male 2018/2019	Male 2019/2020	Female 2018/2019	Female 2019/2020	Total 2018/2019	Total 2019/2020
<b>Directors</b>	3	2	1	1	4	3
<b>Other Senior Staff</b>	5	9	5	7	10	16
<b>Employees</b>	587	735	141	213	728	948
<b>Total</b>	<b>595</b>	<b>746</b>	<b>147</b>	<b>221</b>	<b>742</b>	<b>967</b>

## Spend on Consultancy Staff and Contingent Labour

In the financial period in question GFSL spent £21m on contingent labour. The expenditure on contingent labour was largely driven by an inability to recruit permanent staff, meaning that expenditure on contingent labour is anticipated to reduce for the 2020-21 financial year, with the approval of the new terms and conditions and the progression of the on-boarding project for the agency staff.

## Off-payroll engagements

All off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months.

No. of existing engagements as of 31 March 2020	18
<b>Of which...</b>	
No. that have existed for less than one year at time of reporting	9
No. that have existed for between one and two years at time of reporting	9
No. that have existed for between two and three years at time of reporting	–

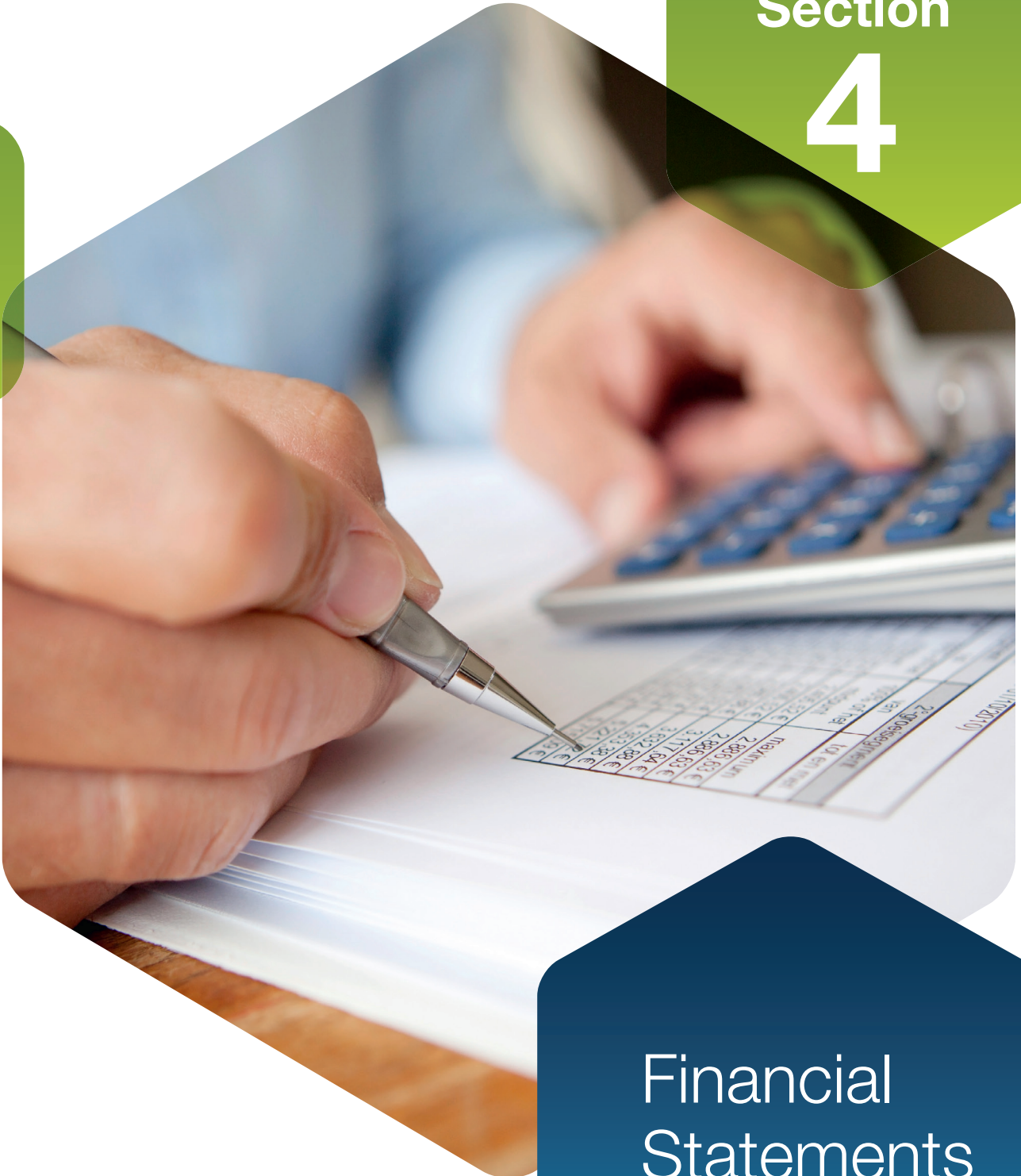
All new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months.

<b>No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020</b>	<b>41</b>
<b>Of which...</b>	
No. assessed as in scope by IR35	41
No. assessed as out of scope by IR35	–
<b>No. engaged directly (via PSC contracted to department) and are on the departmental payroll</b>	
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	–
<b>No. of engagements reassessed for consistency/assurance purposes during the year</b>	
No. of engagements reassessed for consistency/assurance purposes during the year	–
<b>No. of engagements that saw a change to IR35 status following the consistency review</b>	
No. of engagements that saw a change to IR35 status following the consistency review	–

### Exit packages (Audited)

There have been no exit packages within the period.

# Section 4



## Financial Statements

## Statement of Financial Position

as at 31 March 2020

	Note	2019/20 £'000	2018/19 £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	247	219
Intangible assets	8	2,334	1,903
<b>Total non-current assets</b>		<b>2,581</b>	<b>2,122</b>
<b>Current assets</b>			
Inventories		986	628
Trade and other receivables	9	43,498	32,959
Cash and cash equivalents	10	–	2,408
<b>Total current assets</b>		<b>44,484</b>	<b>35,995</b>
<b>Total assets</b>		<b>47,065</b>	<b>38,117</b>
<b>Current liabilities</b>			
Cash and cash equivalents	10	(1,375)	–
Trade and other payables	11	(25,658)	(22,972)
Provisions	12	(93)	(69)
<b>Total current liabilities</b>		<b>(27,126)</b>	<b>(23,041)</b>
Total current assets less total current liabilities		17,358	12,954
<b>Total assets less current liabilities</b>		<b>19,939</b>	<b>15,076</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	(1,542)	(1,826)
<b>Total non-current liabilities</b>		<b>(1,542)</b>	<b>(1,826)</b>
<b>Total assets less total liabilities</b>		<b>18,397</b>	<b>13,250</b>
<b>Taxpayers equity</b>			
Share Capital	13	–	–
General fund		–	–
Capital Contribution		18,397	13,250
<b>Total Taxpayers equity</b>		<b>18,397</b>	<b>13,250</b>

The notes on pages 74 to 100 form part of these financial statements. The financial statements on pages 70 to 100 were approved by the Board on 8 October 2020 and were signed on behalf by:

**Paul Ryder**  
Accounting Officer  
8 October 2020



## Statement of Comprehensive Net Expenditure

for the period ended 31 March 2020

	Note	Total 2019/20 £'000	Total 2018/19 £'000
<b>Income</b>	2	132,134	96,576
<b>Expenditure</b>			
Staff costs	3	-56,041	-45,737
Other operating costs	4	-75,468	-50,616
Non-cash items	5	-625	-223
<b>Total Expenditure</b>		<b>-132,134</b>	<b>-96,576</b>
<b>Net deficit before taxation</b>		<b>-</b>	<b>-</b>
<b>Taxation</b>	6	<b>-</b>	<b>-</b>
<b>Net deficit after taxation</b>		<b>-</b>	<b>-</b>

## Other Comprehensive Net Expenditure

for the period ended 31 March 2020

	Note	2019/20 £'000	2018/19 £'000
Net deficit after taxation		-	-
Net (gain)/loss on revaluation of property, plant and equipment	7	-	-
Net (gain)/loss on revaluation of intangibles	8	-	-
<b>Total comprehensive income and expenditure</b>		<b>-</b>	<b>-</b>

The notes on pages 74 to 100 form part of these accounts

## Statement of Cash Flows

for the period ended 31 March 2020

	Note	2019/20 £'000	2018/19 £'000
<b>Cash flows from operating activities</b>			
(Deficit) for the year		–	–
Non-cash charges	5	625	223
<b>Total</b>		<b>625</b>	<b>223</b>
(Increase)/decrease in trade and other receivables	9	(10,539)	(32,959)
(Increase)/decrease in inventories		(358)	(628)
Increase/(decrease) in trade and other payables	11	2,402	24,798
Utilisation of provisions settled by GFSL	12	–	–
<b>Net cash inflows/(outflows) from operation activities</b>		<b>(7,870)</b>	<b>(8,566)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(251)	(291)
Purchase of intangible assets	8	(809)	(1,985)
<b>Net cash inflows/(outflows) from investing activities</b>		<b>(1,060)</b>	<b>(2,276)</b>
<b>Cash flows from financing activities</b>			
Capital contribution from MOJ*		5,147	13,250
<b>Net cash inflows/(outflows) from financing</b>		<b>5,147</b>	<b>13,250</b>
<b>Net increase/(decrease) in cash</b>		<b>(3,783)</b>	<b>2,408</b>
<b>Cash and cash equivalents at the beginning of the period</b>	10	<b>2,408</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the period</b>	10	<b>(1,375)</b>	<b>2,408</b>

The notes on pages 74 to 100 form part of these financial statements.

\*GFSL's parent, the MOJ, provided a £13,250k capital contribution in 2018/19. This was the initial cash injection to provide the Company's working capital and to fund additional expenditure of £5,147k incurred above 2018/19 budgeted levels. In 2019/20 HMPPS decided it would fund the additional expenditure of £5,147k as it directly received the goods and services related to this. As a result MOJ allowed GFSL to release £5,147k back into equity to fund further working capital.



## Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2020

	Share Capital £'000	Capital Contribution £'000	General Fund £'000	Total 2019/20 £'000	Total 2018/19 £'000
<b>Balance at the beginning of the period</b>	–	<b>13,250</b>	–	<b>13,250</b>	–
Net deficit for the year (SoCNE)	–	–	–	–	–
Capital contribution from MOJ	–	5,147	–	5,147	13,250
<b>Balance at the end of the period</b>	–	<b>18,397</b>	–	<b>18,397</b>	<b>13,250</b>

The notes on pages 74 to 100 form part of these financial statements.

# Notes to the Accounts

## 1. Accounting Policies

### 1.1 Basis of preparation

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

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

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

### 1.2 Accounting convention

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

### 1.3 Going concern

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

On both measures, the directors are fully satisfied. GFSL have delegated funding and equal expected revenue from HMPPS via a formal delegation letter from the MOJ Chief Finance

Officer to support the company activities for the financial year 2020/21. In addition GFSL has received an undertaking that MOJ's current intention is to continue to use GFSL for at least the next two years to provide FM services in line with existing arrangements and that they do not anticipate significant changes in the value of services consumed by MOJ or to GFSL's budget. Further support is provided by the MOJ who requested GFSL to develop a medium-term (five-year) business plan to continue to deliver existing services and to pursue opportunities for growth to 2025.

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

## 1.4 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 or amended standards adopted

In accordance with the Companies Act, GFSL has adopted IFRS 16 from 1 April 2019.

IFRS 16 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.

For building leases signed as at 1 April 2019 that were previously reported under the Operating lease arrangements note and charged as an expense as incurred under IAS 17, the impact of adopting the new standard has increased property, plant and equipment assets and the value of lease liabilities. Depreciation and finance costs are now charged to the Statement of Comprehensive Net Expenditure (SoCNE), which replace rental payments now charged to the lease liability.

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

There are no new standards, amendments or interpretations issued which GFSL has not yet adopted.

### d) Changes in presentation and reclassifications

There have been no changes in presentation or reclassifications.

## 1.5 Foreign currency

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

## 1.6 Property, plant and equipment

### Initial recognition and capitalisation threshold

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

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

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

All thresholds include irrecoverable VAT.

### Measurement

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

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

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

### **Depreciation**

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

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

Estimated useful asset lives are within the following range:

Information technology - Shorter of remaining lease period or 3 years.

### **Impairment**

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

### **Disposal of non-current assets**

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

## 1.7 Intangible assets

### Recognition

Expenditure on intangible assets which are non-monetary assets without physical substance and identifiable are capitalised where the cost is £10,000 or more and this is applied on a grouped basis using the threshold of £10,000 where the elements in substance form a single asset.

Subsequent acquisitions of less than £10,000 value which are of the same nature as existing grouped assets are appended. Otherwise, expenditure on intangible assets which fall below £10,000 is charged as an expense in the SoCNE.

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

### Measurement

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

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

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

The useful economic life of software products is no more than ten years.

### Amortisation

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

Purchased on-premise software licences are recognised when it is probable that future service potential will flow to GFSL and the cost of the licence can be measured reliably. Such licences are initially measured at cost. Purchased on-premise software licences are amortised over the licence period. Cloud-based software licences, outside any implementation period, are recognised as an operating expense over the license period. GFSL's capitalisation threshold for software projects is £100k (including irrecoverable VAT).

## 1.8 Leases

### Scope and exclusions

IFRS 16 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 (less than £10,000 when new). The assets, to be described as "right of use" assets, will be presented under Property, Plant and Equipment.

### Initial Recognition

At the commencement of a lease (or on the date of transition to IFRS16, if later), GFSL recognises a right of use asset and a lease liability.

The lease liability is measured at the value of the remaining lease payments, discounted by the interest rate implicit in the lease. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options GFSL is reasonably certain to exercise and any termination options GFSL is reasonably certain not to exercise.

The right-of-use asset is measured at the value of the lease liability, adjusted for: any lease payments made before the commencement date; any lease incentives received; any incremental costs of obtaining the lease; any costs of removing the asset and restoring the site at the end of the lease.

### **Subsequent measurement**

The lease liability will be adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments are reappraisals of the probability of the options given by the existing lease contract; modifications are changes to the lease contract.

Reassessments and modifications are accounted for by discounting the revised cash flows: using a revised discount rate where GFSL becomes or ceases to be reasonably certain to exercise or not exercise an extension or termination option, or the lease is modified to amend the non-cancellable period, change the term of the lease, change the consideration or the scope; or at the existing discount rate where there is a movement in an index or rate that will alter the cash flows, or the amount payable under a residual value guarantee changes.

After initial recognition, the right-of-use asset will be measured using the fair value model. GFSL considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value, in the case of non-property leases, and for property leases of less than five years or with regular rent reviews. For other leases, the asset will be carried at a revalued amount.


The value of the asset will be adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described above. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised in expenditure.

Expenditure for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right-of-use asset, together with any impairment of the right of use asset and any change in variable lease payments, that was not included in the measurement of the lease payments during the period in which the triggering event occurred. Rental payments in respect of leases of low value items, or with a term under twelve months, are also expensed.

### **Transitional arrangements**

IFRS16 has been adopted retrospectively using the 'cumulative catch-up' approach, without restatement of comparative balances.





There has been no reassessment of existing contracts that GFSL had previously assessed as containing or not containing a lease. However, new contracts will be classified according to the criteria given in IFRS16.

For leases previously treated as operating leases, the liability and the right of use asset have been measured at the present value of the remaining lease payments, adjusted for any prepayment or accrual balances in respect of the lease payments. GFSL has used hindsight in determining the remaining term of leases and no adjustment has been made for leases whose term ends within twelve months of the date of first adoption.

For leases previously recognised as finance lease, the carrying amount of the lease liability and the right of use asset as at the date of first adoption are the retrospective carrying amounts of the lease liability and leased asset as determined immediately before that date, in accordance with IAS17.

### **Estimates and judgements**

As discussed above, GFSL has determined the lease term by assessing the level of certainty as to whether termination or extension options will be exercised. In making these judgements, reliance has been placed on the professional judgement of estates staff, supported by information on corporate asset management plans, other business strategies, investment already made in the underlying asset, ongoing business needs and market conditions.

### **1.9 Inventories**

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

Higher valued consumable items, minor spare parts and servicing equipment are typically carried as inventory and recognised in the SoCNE as consumed. Low valued items that are regularly consumed are immediately expensed and recognised in the SoCNE.

Major spare parts and stand-by equipment are carried as Property, Plant and Equipment when GFSL expects to use them during more than one period or when they can be used only in connection with an item of Property, Plant and Equipment.

## 1.10 Employee benefits

### **Benefits payable during employment**

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

### **Termination benefits**

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

## **Pension schemes**

### **Background**

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

### **Principal Civil Service Pension Scheme**

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

## Royal London Pension Scheme

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

## Early departure and injury benefit costs

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

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

## 1.11 Turnover

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

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

**Variable income** – for all services that are not covered by the scope of the core contract, at the request of the client for project work and repairs over the £2,000 per repair threshold. Variable income also includes any additional work which we carry out on approved premises which is for the benefit of the MOJ.

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

**Exceptional income** – an MOJ grant was provided in 2018/19 to cover exceptional expenditure for the setting up of the company. This has continued to be released during 2019/20 when GFSL incurs the costs for which the funding is intended to cover.

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

### 1.12 Provisions

Provisions are recognised when GFSL has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

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

### General Provisions

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

### 1.13 Contingent liabilities

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

### 1.14 Contingent assets

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

### 1.15 Taxation

#### **Value Added Tax (VAT)**

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

#### **Construction Industry Scheme (CIS)**

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

#### **Corporation tax**

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

## 1.16 Financial instruments

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

### De-recognition

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

### Classification and measurement of financial assets

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

#### Loans and receivables

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

#### Financial Assets at fair value through profit and loss

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

#### Impairment of financial assets

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

The Company also assesses whether the credit risk on a financial asset has increased significantly since initial recognition and subsequently measures an expected credit loss allowance. If the credit risk is deemed low then the 12-month expected credit loss allowance is applied. If a significant increase in credit risk is foreseen, then the lifetime expected credit loss allowance is applied. The credit risk on GFSL's financial assets has been deemed low and as a result no credit loss allowance has been charged in 2019/20 (2018/19: nil).

### **Classification and measurement – financial liabilities**

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

### **1.17 Events after the balance sheet date**

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

- (a)** those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect these changes where material; and
- (b)** those that are indicative of conditions that arose after the reporting period - the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material impact, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. GFSL makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant

risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

In the period, GFSL received £0.9m from its parent, MOJ Group to spend on exceptional costs relating to the company set up. A further £5.147m was reclassified as capital contribution to match the initial cash injection received by the MOJ Group in the 2018-19 year.

### **Provisions for liabilities and charges**

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

### **Provisions for liabilities for goods purchased**

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

### **Funding from parent**

In the period, GFSL received £5,147k from its parent, MOJ Group. This is treated as a capital contribution and as such is presented within reserves.

## **1.18 Comparison to the Previous Year**

The 2018/19 and 2019/20 accounts were prepared over different time frames.

GFSL's 2018/19 accounts were prepared for a 17 month period which ran from November 2017 to March 2018. The 2019/20 accounts were prepared for a 12 month period which ran from April 2019 to March 2020.

GFSL did not have the systems in place to be able to place orders directly with subcontractors until 31st August 2018. Therefore, until this date, HMPPS continued to engage subcontractors directly to the value of £34.6m. These costs are not recorded in the 2018/19 financial statements.



## 2. Operating Income

for the period ended 31 March 2020

	2019/20 £'000	2018/19 £'000
Income		
Core Income	79,243	69,065
Variable Services Income	45,356	25,632
Other Income	6,704	421
<b>Total before exceptional income</b>	<b>131,303</b>	<b>95,118</b>
Exceptional Income	831	1,458
<b>Total Income</b>	<b>132,134</b>	<b>96,576</b>

Core income represents revenue for provision of minor planned preventative maintenance and reactive repair activities up to the value of £2,000 per repair.

Variable services income is for all services not covered by the scope of the core contract.

Other income is the amount recognised in the period from the grant received from MOJ, under IAS 20.

Exceptional Income is the grant income, under IAS20, that offsets the exceptional costs relating to the set-up of GFSL.

The year on year increase in GFSL's operating income is the result of a large increase in the direct cost of service.

The reason for this increase is explained under note 4 below.

## 3. Staff Numbers and Costs

for the period ended 31 March 2020

	Permanently employed £000	Others £000	Total 2019/20 £000	Total 2018/19 £000
Wages and salaries	22,813	27,774	50,587	40,582
Social Security Costs	2,385	–	2,385	2,489
Pension Costs	3,069	–	3,069	2,666
<b>Total costs</b>	<b>28,267</b>	<b>27,774</b>	<b>56,041</b>	<b>45,737</b>

Details of the Director's salary and the average number of persons employed are provided within the Remuneration Report.

## 4. Other Operating Costs

for the period ended 31 March 2020

	2019/20 £'000	2018/19 £'000
<b>Direct costs of service</b>		
Other direct costs <sup>1</sup>	46,898	29,452
Materials costs <sup>2</sup>	25,832	14,482
<b>Total Direct Costs of Service</b>	<b>72,730</b>	<b>43,934</b>
<b>Other Employment Costs</b>		
Vehicle Costs	616	713
Travel and Subsistence	757	463
IT and Telecommunications	393	413
Uniforms and Personal Protective Equipment	192	161
Training costs	180	99
Other Staff-Related Costs	318	13
<b>Total Other Employment Costs</b>	<b>2,456</b>	<b>1,862</b>
<b>HQ and Other Overhead Costs</b>		
Service charge <sup>3</sup>	–	2,524
Accommodation, Maintenance and Utilities <sup>4</sup>	(42)	492
Auditor's Remuneration and Expense in respect of 2018-19*	35	–
Auditor's Remuneration and Expense in respect of 2019-20	90	95
Other overhead costs <sup>5</sup>	(14)	67
Professional Fees <sup>6</sup>	139	908
<b>Total HQ and Other Overhead Costs</b>	<b>208</b>	<b>4,086</b>
<b>Total ordinary costs</b>	<b>75,394</b>	<b>49,882</b>
<b>Exceptional Costs<sup>7</sup></b>		
Total Exceptional Costs	74	734
<b>Total other operating costs</b>	<b>75,468</b>	<b>50,616</b>

From April 2018 to 31 August 2018 GFSL did not have the systems in place to be able to place orders directly with subcontractors and therefore HMPPS continued to engage sub-contractor supplies directly to the value of £34.6m. This was not recognised in the financial statements for 2018/19, which is the main reason why there is a large year on year increase in GFSL's direct costs of service.

## 5. Non-Cash Expenditure

for the period ended 31 March 2020

	2019/20 £'000	2018/19 £'000
Depreciation – property, plant and equipment	223	72
Amortisation – intangible assets	378	82
<b>Provision for liabilities:</b>		
Provided in year	24	69
Provisions written back	–	–
Movement in impairment of trade receivables	–	–
Bad debt written off	–	–
<b>Total non-cash expenditure</b>	<b>625</b>	<b>223</b>

## 6. Taxation

for the period ended 31 March 2020

	2019/20 £'000	2018/19 £'000
<b>Current Taxation:</b>		
UK Corporation Tax	–	–
<b>Total UK Corporation Tax</b>	<b>–</b>	<b>–</b>
<b>Factors Affecting the Tax Charge for the Period:</b>		
Net Expenditure on Ordinary and Extraordinary Activities	–	–
Tax at the Standard Rate of Corporation Tax in the UK 19%	–	–
Income and Expenditure not Subject to Corporation Tax	–	–
<b>Total Taxation Charge</b>	<b>–</b>	<b>–</b>

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

<sup>1</sup> Other Direct costs of service are almost entirely sub-contract labour costs

<sup>2</sup> Materials costs include £358K of inventory charged to the SoCNE

<sup>3</sup> The service charge is the fee paid to the official receiver for business administration services

<sup>4</sup> The reclassification of GFSL's rental lease for our Sheffield Office under IFRS16 resulted in a credit balance for the year of £42K. For more information on IFRS16 refer to note 1.8 and note 15.

<sup>5</sup> The small credit in Other overhead costs are due to favourable adjustments made as a result of clearing balance sheet reconciliation items.

<sup>6</sup> Professional fees include the costs of those individuals classified as consultants under Cabinet Office definitions

<sup>7</sup> Exceptional costs are the non-capital costs of setting up GFSL

\* The 2018-19 audit fee came in higher than that disclosed in 2018-19. This was due to additional work needed to be carried out due to the set up activities of GFSL

## 7. Property, Plant and Equipment

for the period ended 31 March 2020

IT Equipment	2019/20 £'000	2018/19 £'000
<b>Cost b/f at the Beginning of the Period</b>	<b>291</b>	<b>–</b>
Additions	–	291
Reclassifications	–	–
Transfers	–	–
Disposals	–	–
Revaluation	–	–
<b>Total Cost c/f at the End of the Period</b>	<b>291</b>	<b>291</b>
<b>Depreciation b/f at the Beginning of the Period</b>	<b>72</b>	<b>–</b>
Charge in Year	97	72
Reclassifications	–	–
Disposals	–	–
Revaluation	–	–
<b>Total Depreciation c/f at the End of the Period</b>	<b>169</b>	<b>72</b>
<b>Net Book Value at the Beginning of the Period</b>	<b>219</b>	<b>–</b>
<b>Net Book Value at the End of the Period</b>	<b>122</b>	<b>219</b>

Building Lease	2019/20 £'000	2018/19 £'000
<b>Cost b/f at the Beginning of the Period</b>	–	–
Additions	251	–
Reclassifications	–	–
Transfers	–	–
Disposals	–	–
Revaluation	–	–
<b>Total Cost c/f at the End of the Period</b>	<b>251</b>	<b>–</b>
<b>Depreciation b/f at the Beginning of the Period</b>	<b>–</b>	<b>–</b>
Charge in Year	126	–
Reclassifications	–	–
Disposals	–	–
Revaluation	–	–
<b>Total Depreciation c/f at the End of the Period</b>	<b>126</b>	<b>–</b>
<b>Net Book Value at the Beginning of the Period</b>	<b>–</b>	<b>–</b>
<b>Net Book Value at the End of the Period</b>	<b>125</b>	<b>–</b>

## 8. Intangible Assets

for the period ended 31 March 2020

Software and Development	2019/20 £'000	2018/19 £'000
<b>Cost b/f at the Beginning of the Period</b>	<b>1,985</b>	<b>–</b>
Additions	809	1,985
Reclassifications	–	–
Transfers	–	–
Disposals	–	–
Revaluation	–	–
<b>Total Cost c/f at the End of the Period</b>	<b>2,794</b>	<b>1,985</b>
<b>Amortisation b/f at the Beginning of the Period</b>	<b>82</b>	<b>–</b>
Charge in Year	378	82
Reclassifications	–	–
Disposals	–	–
Revaluation	–	–
<b>Total Amortisation c/f at the End of the Period</b>	<b>460</b>	<b>82</b>
<b>Net Book Value at the Beginning of the Period</b>	<b>1,903</b>	<b>–</b>
<b>Net Book Value at the End of the Period</b>	<b>2,334</b>	<b>1,903</b>

## 9. Trade and Other Receivables

for the period ended 31 March 2020

Amounts falling due within one year	2019/20 £'000	2018/19 £'000
Amount due from HMPPS	18,156	4,150
Prepayments	306	16
Staff Receivables	113	100
Other Receivables	37	20
Accrued income <sup>6</sup>	24,886	28,673
<b>Total</b>	<b>43,498</b>	<b>32,959</b>

## 10. Cash and Cash Equivalents

for the period ended 31 March 2020

	2019/20 £'000	2018/19 £'000
Opening Balance	2,408	–
Net Cash Inflow/(Outflow)	(3,783)	2,408
<b>Balance at the End of the Period</b>	<b>(1,375)</b>	<b>2,408</b>

GFSL is part of the Government Banking Service (GBS), which is the banking shared service provider to the government and the wider public sector. GBS is considered to be one bank account and consists of working balances across government. GFSL's working balance was in deficit at year end, but is not considered to be an overdraft and is fully funded by surplus working balances across the other government entities. Although GFSL aims to have its working balances in surplus, cash receipts were slow to hit our account at year end due to Covid issues. But due to the government mandate to support suppliers hit by Covid, GFSL continued to pay its suppliers promptly. The deficit was only for a short period and since early April 2020 it has been in surplus.

<sup>6</sup> Accrued income is income recognised and agreed but not invoiced at the year end with our customer HMPPS.

## 11. Trade Payables and Other Liabilities

for the period ended 31 March 2020

Amounts falling due within one year	2019/20 £'000	2018/19 £'000
Trade Payables	(6,561)	(6,963)
Accruals	(2,533)	(4,227)
Lease Liabilities	(726)	–
Holiday Pay Accrual	(288)	(223)
Goods Received not Invoiced	(8,873)	(7,142)
Taxation and Social Security	(870)	(512)
VAT Payable	(4,848)	(3,229)
Deferred Income*	(395)	(295)
Other Payables	(564)	(381)
<b>Total Current Payables</b>	<b>(25,658)</b>	<b>(22,972)</b>
Amounts falling due after more than one year	2019/20 £'000	2018/19 £'000
Deferred Income	(1,542)	(1,826)
<b>Total non-current payables</b>	<b>(1,542)</b>	<b>(1,826)</b>
<b>Total trade payables and other liabilities</b>	<b>(27,200)</b>	<b>(24,798)</b>

\* Deferred income has two elements. The first at a value of £295k is the value remaining from the £4m Government Grant received from the MOJ. This will be released in future years to cover the cost of depreciation and amortisation of capital costs as was conditional on receipt of the grant. The second at a value of £100k is income received in advance.



## 12. Provisions for Liabilities and Charges

for the period ended 31 March 2020

Claim Provision	2019/20 £'000	2018/19 £'000
<b>Balance at the Start of the Period</b>	(69)	–
Provisions in the period	(24)	(69)
Provisions Written Back	–	–
Provisions Utilised in the Period	–	–
<b>Balance at the End of the Period</b>	<b>(93)</b>	<b>(69)</b>
<b>Analysis of Expected Timings of Cash flow</b>		
Not later than 1 year	(93)	(69)
Later than 1 year and not later than 5 years	–	–
Later than 5 years	–	–
<b>Total</b>	<b>(93)</b>	<b>(69)</b>

The claim provision relates to the company's liability resulting from a small number of personal injury liability claims and employment tribunal claims, all of which are open as at 31st March 2020. GFSL anticipates that all will be concluded by 31st March 2021.

## 13. Share capital

for the period ended 31 March 2020

	Nominal	Value 2019/20 £	Value 2018/19 £
Ordinary Share of £1 each	100	100	100

100 Ordinary shares issued at nominal value of which £99 were fully paid up as at 31st March 2020.

## 14. Financial Instruments

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

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

The Company has no borrowings or investments and as such has very limited exposure to interest rate or market risk. Financial assets and liabilities are generated by ordinary operating activities. Financial instruments play a more limited role for GFSL in creating and managing risk than in a non-public sector body. The Company is considered to have no material credit, liquidity, interest rate or market risk. All cash holdings are lodged in a banking scheme entity.

## 15. IFRS16 Disclosures

GFSL has two leases which have been re-classified under IFRS16. These are the rent for our Sheffield office which expires in October 2020, and the license for our Oracle system which expires in August 2023.

	Class of Underlying Asset		
	Building £'000	IT £'000	Total £'000
<b>Depreciation Charge for Right of Use Assets</b>	126	180	<b>306</b>
Interest Expense on Lease Liabilities	4	12	<b>16</b>
Total Cash Outflow for Leases	162	188	<b>350</b>
Additions to Right of Use Assets	251	808	<b>1,059</b>
Carrying Amount of Right of Use Assets	126	629	<b>755</b>
<b>Maturity Analysis - Contractual Undiscounted Cash flows</b>			
Less than one year	94	188	<b>282</b>
One to five years	–	469	<b>469</b>
More than five years	–	–	<b>–</b>

GFSL also has four photocopiers which are classified as low value leases which are exempt from IFRS16. The expense relating to these four photocopiers during 2019/20 is £9,568.

## 16. Related party transactions

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

During the period, the company received cash from HMPPS of £5,147K. This represents payment for the 2018/19 core overspend and has been recorded in GFSL's financial statements as an increase in equity. £131,839K of GFSL's revenue relates to charges to HMPPS for work undertaken in the period, the remainder of £295K relates to the release of grant income under IAS20.

The company incurred costs for seconded staff of £159k, £225k and £175k from HMPPS, MOJ Core and HMCTS respectively. All are presented within staff costs.

The rental charge for the period includes £17k from the MOJ. Other related staff costs include £58k from the MOJ and IT & Telecommunications costs include £112k from the MOJ.

At the balance sheet date, the company has a balance of £18,156k due from HMPPS, presented within trade and other receivables. At the balance sheet date, GFSL had no invoices outstanding within trade payables which were due to other MOJ related parties.

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

## 17. Financial Commitments

for the period ended 31 March 2020

	2019/20 £'000	2018/19 £'000
Financial Commitments (Excluding Capital Commitments)	259	769
Property, plant and equipment	–	–
Intangible Assets	–	–
Contracted Capital Commitments at the End of the Period	–	–

## 18. Contingent Assets

As of 31 March 2020 GFSL has no contingent assets to declare.

## 19. Contingent Liabilities

GFSL employed a large number of contractors throughout 2018/19, some of whom were engaged off-payroll. GFSL used all available resources to judge whether contractors were in scope for IR35, and informed the agencies through which these contractors had been recruited of their IR35 status. These initial reviews identified a number of individuals as out of the scope of IR35. Following further advice, it has now been determined that these individuals should have been treated as inside the scope of IR35 and action has been taken to rectify this treatment.

As GFSL is a public sector body, responsibility for the historic liability for any underpaid tax sits with GFSL, rather than the individual.

These were declared as a contingent liability in GFSL's 2018/19 annual report, and no further liability has been accrued during the 2019/20 financial year.

To ensure a consistent approach across the MOJ group, it has been agreed that the discussions with HMRC regarding IR35 will be undertaken by the MOJ Tax Centre for Excellence. These discussions are not sufficiently advanced to allow reliable estimation of this liability. Consequently, an unquantifiable contingent liability is disclosed.

## 20. Losses and Special Payments

The statement of comprehensive income includes the following losses and special payments including low value interest, legal fees and court fees incurred for late payments, a low value payment for property damage of a 3rd party and a payment to the Health and Safety Executive for their intervention in an incident.

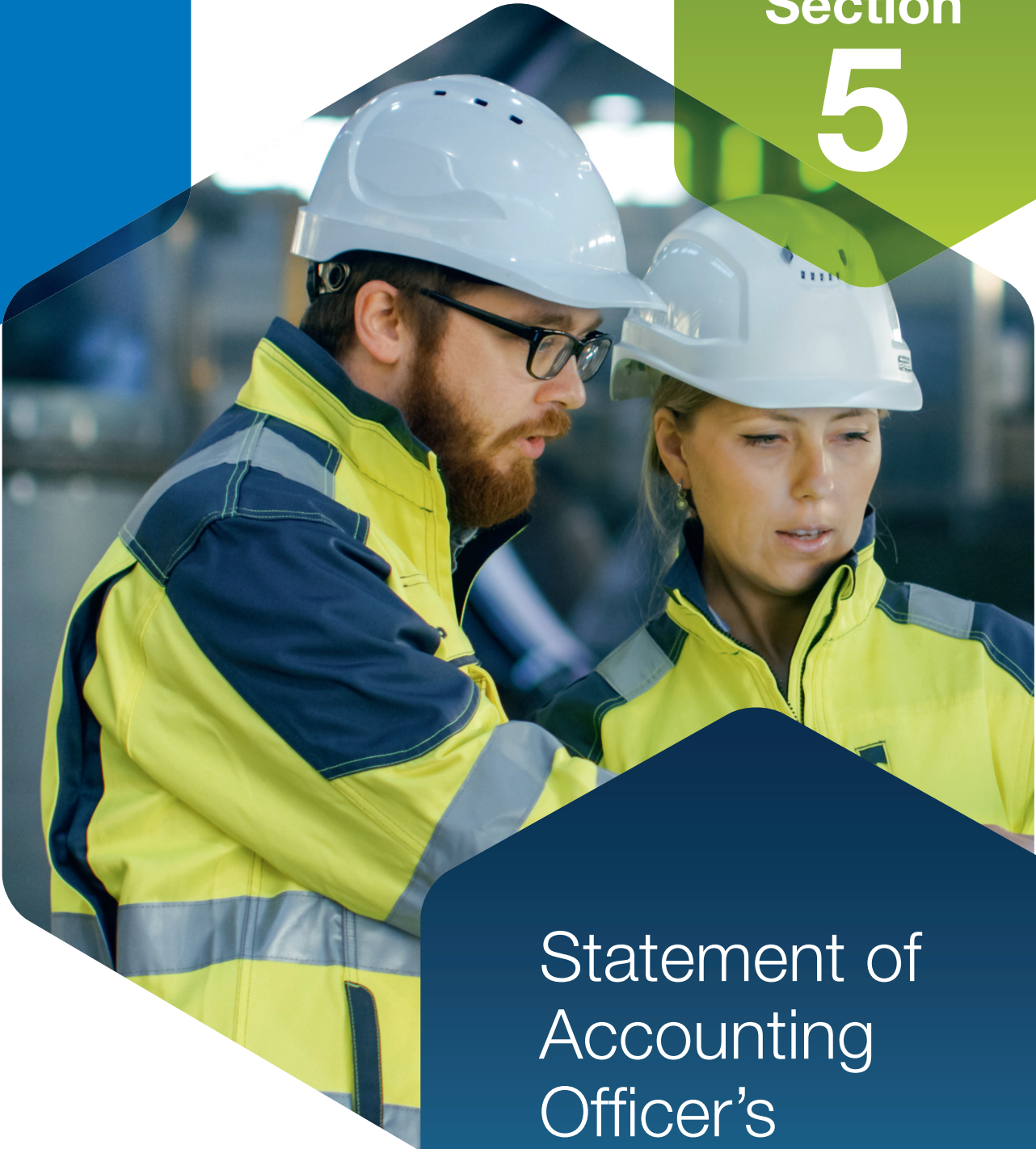
(a) Losses statement	2019/20 Number of case	2019/20 Total £'000	2018/19 Total £'000
Interest, Legal Fees and Court Fees Relating to Late Payments	2	2	–
<b>Total Losses</b>	<b>2</b>	<b>2</b>	<b>–</b>

(b) Special payments	2019/20 Number of case	2019/20 Total £'000	2018/19 Total £'000
Ex Gratia	–	–	40
3rd Party Property Damage	1	–	–
<b>Total Special Payments</b>	<b>1</b>	<b>–</b>	<b>40</b>

## 21. Events after the reporting period

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

Section  
**5**



Statement of  
Accounting  
Officer's  
Responsibilities

## Statement of Accounting Officer's Responsibilities

Under the Companies Act 2006, GFSL is directed to prepare for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year.

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

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

- observe the Accounts Direction issued by H M 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 Accounting Officer of the MOJ has appointed the Chief Executive as Accounting Officer of GFSL. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding GFSL's assets, are set out in Managing Public Money published by the 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 GFSL's auditors are aware. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



Paul Ryder  
8 October 2020

# Independent Auditor's Report To The Members Of Gov Facility Services Limited

## Opinion on financial statements

I have audited the financial statements of Gov Facility Services Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Other Comprehensive Net Expenditure, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and the related notes, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Board Remuneration Report and the Staff Report that are described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the result for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further



described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my team to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Gov Facility Services Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My team 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:

- Gov Facility Services Limited's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Gov Facility Services Limited have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Gov Facility Services Limited'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 Directors for the financial statements**

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

uncertainty exists related to events or conditions that may cast significant doubt on the Gov Facility Services Limited'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 Gov Facility Services Limited'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.

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

### **Other Information**

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

### **Opinion on other matters prescribed by the Companies Act 2006**

In my opinion:

- the parts of the Board Remuneration Report and the Staff Report to be audited have been properly prepared in accordance with the Companies Act.

- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

### **Matters on which I report by exception**

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

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



**Greg Wilson (Senior Statutory Auditor)**

**Date: 15 October 2020**

For and on behalf of the

**Comptroller and Auditor General (Statutory Auditor)**

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



