



HM Prison &  
Probation Service

# Finance Manual

Financial Management & Control

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# 1. Introduction

- 1.1. This Finance Policy Manual is intended as a single central source for financial policies and procedures within Her Majesty's Prison and Probation Service (HMPPS). It applies the guidance contained within HM Treasury's (HMT) [Managing Public Money](#) and reminds staff of the need for propriety and regularity in the control of all government expenditure and income.
- 1.2. This Manual applies to all staff within HMPPS and also those who work in support of HMPPS. By following the procedures and guidance laid out in this manual, staff will ensure our financial systems operate effectively and provide assurance to the accounting officer that all funds have been spent in line with parliament's intention.
- 1.3. It sets out the main principles and procedures for dealing with resources and reflects the high standards expected of all HMPPS staff in the use of public funds and achieving value for money. Certain actions are mandatory and these are highlighted to ensure compliance with legal requirements and/or the various regulations under which we operate.
- 1.4. It is divided into chapters covering the main finance systems that operate within HMPPS. Reference is made to various [Forms](#), Procedures & [Job Aids](#) that provide further guidance and should be read in conjunction with this manual. These are accessible via the web-links indicated within the chapters.
- 1.5. As time goes by changes in the law, business practices, and public expectations can all be relevant. HMPPS can and should innovate in carrying out its responsibilities, using new technology and adopting best practice throughout the business. Where changes to roles and responsibilities change in respect to such things like Governor Empowerment, specific exemptions may apply. Where this is the case these will be expressly communicated.
- 1.6. Parliament expects HMPPS and its public servants to meet the ethical standards laid out in HMT's Managing Public Money document. All staff should refer to this finance manual and undertake all activities transparently.
- 1.7. Above all, nothing in this document should discourage the application of sheer common sense. All content is applicable across HMPPS and where exceptions apply due to Governor Empowerment these will be notified as and when they occur.
- 1.8. Not every section or paragraph of a section within the Manual will be fully applicable to all HMPPS Cost Centres, where this is the case, we have endeavoured to lead the readers accordingly. Additionally, there are some differences between the delegated authorities that apply to budget holders: it is imperative that you refer to your delegation letter or budget holder to ensure you do not breach the limits applicable to your area of the Agency.
- 1.9. To compliment the use of this Manual, additional information is available on the HMPPS intranet such as:
  - a. [MyHub](#)
  - b. [MoJ Intranet](#)

- c. [MoJ Quick Finance Guides](#)
- d. HMPPS [Organisational Structure](#)
- e. HMPPS [Business Plan/Strategy](#)
- f. HMPPS [Annual Report and Accounts](#) (see latest version on HMPPS intranet)
- g. Policies directly associated with finance governance and processes. (see [Annex A](#))

**1.10.** To search for something specific you can use the find function (Ctrl+F) within a specific chapter or use the Index.

**1.11.** If you need further advice on this Manual or any financial governance query please contact the [Financial Governance Team](#) (email: [policy.finance@justice.gov.uk](mailto:policy.finance@justice.gov.uk)) in FM&C, or contact your Finance Business Partner (FBP)

**1.12.** The manual is reviewed on an ongoing basis and any updates or amendments will be notified by [FM&C via communications](#) as they occur.

## **1.13. Introduction – Annex**

- 1.13.1. [Annex A – List of policies associated with financial governance process](#)

## 2. Public Money and Accountability

### 2.1. Scope

- 2.1.1. This chapter summarises the policy on accounting for public money and gives guidance to HMPPS staff on how to handle public funds appropriately in accordance with Parliamentary requirements, and covers:

<a href="#">2.2 Managing Public Money</a>	<a href="#">2.3 Regularity, Propriety and Value for Money</a>
<a href="#">2.4 Gifts and Hospitality</a>	<a href="#">2.5 Donations</a>
<a href="#">2.6 Sponsorship</a>	<a href="#">2.7 Insurance and Crown Indemnity</a>
<a href="#">2.8 Public Money and Accountability - Risk Management and Control</a>	

### 2.2. Managing Public Money

- 2.2.1. Parliament's expectation is that resources are only spent on activities that relate to the nature of our business. Where expenditure can be attributed or related to the achievement of a published business objective, complies with the requirement of Parliament or another power or duty, then it is legitimate.
- 2.2.2. As a Public Service, we are funded by public money. The funding comes with certain obligations to the public to ensure we are spending tax payers money appropriately. [Managing Public Money \(MPM\)](#) is the guidance provided by HM Treasury to all government departments to help ensure this is the case.
- 2.2.3. This Finance Manual interprets the policies and guidance within MPM as they relate to the HMPPS Agency. Under no circumstances can the requirements of MPM be overruled by this Finance Manual.

### 2.3. Regularity, Propriety, Feasibility and Value for Money

- 2.3.1. The concepts of regularity, propriety, feasibility and value for money (VFM) are cornerstones of public spending and **must** be demonstrated with every transaction undertaken. For more detail please refer to HM Treasury's [Managing Public Money](#).

- 2.3.2. Where regularity and/or propriety are in doubt for proposals which are novel, contentious, precedent setting or could commit HMPPS to seeking additional resources, [FM&C Financial Governance](#) **must** be consulted in advance of commitment.

## Regularity

- 2.3.3. **Regularity** is the requirement for all items of expenditure and receipts to be dealt with in accordance with:

- a. the legislation authorising them;
- b. delegated authority;
- c. the rules of Managing Public Money.

- 2.3.4. To meet the requirement of regularity, the following **must** be demonstrated:

- a. expenditure contributes towards HMPPS aims and objectives;
- b. expenditure is incurred only to the extent and for the purposes authorised, in accordance with delegated authority and the procedures specified in this HMPPS Finance Manual and [Procurement Policy](#);
- c. all receipts due to HMPPS are properly collected and promptly brought to account.

## Propriety

- 2.3.5. **Propriety** is about acting in an appropriate manner both socially and morally.

- 2.3.6. When considering using public money for areas that may be scrutinised, you **must** ask:

- a. could my actions be perceived as gaining an improper advantage?
- b. could I satisfactorily defend my decision before the Accounting Officer for the Department?
- c. could I satisfactorily defend the decision in public or before Parliament?

- 2.3.7. The [Civil Service Code](#) sets out the rules for general conduct; some general principles of propriety are:

- a. keeping proper accounts and records to provide transparency and clear audit trails;
- b. prudent and economical administration, avoiding waste or extravagance;
- c. efficient and effective use of resources to achieve VFM;
- d. avoiding conflicts of interest and never using public money for private benefit;
- e. never misusing an official position and information acquired in the course of official duties to further private interests or those of others;
- f. not receiving benefits of any kind from a third party that might reasonably be seen to compromise personal judgement or integrity.

- 2.3.8. The [Staff Handbook](#) should be referred to for guidance on what is considered appropriate and inappropriate behaviour.

## Feasibility

- 2.3.9. Feasibility is where there is a significant doubt about whether the proposal can be implemented accurately, sustainably, or to the intended timetable.
- 2.3.10. *Affordability and sustainability*: respecting agreed budgets and avoiding unaffordable longer term commitments, taking a proportionate view about other demand for resources.

## Value for money

- 2.3.11. **Value for money (VFM)** is achieved when the objectives are met with the least possible cost in terms of resources consumed (this does not necessarily mean accepting the cheapest, but the most advantageous option), and are demonstrated through all three fundamental elements below:
- a. **Economy** - using the right quantity and quality of resources at the lowest cost;
  - b. **Efficiency** - producing the maximum useful output or results from the resources used;
  - c. **Effectiveness** - achieving the required results measured by e.g. Performance Indicators.
- 2.3.12. VFM is pivotal in the decision-making process. It is crucial where substantial resources are at stake. VFM applies to opportunity costs (i.e. selecting one option over another), the use of existing staff, workspace, support services, and technology in both short-term and long-term commitments, as well as environmental and other regulations.

## 2.4. Gifts and Hospitality

### Acceptance of Gifts and Hospitality

- 2.4.1. The general principle is that gifts and hospitality may only be accepted in exceptional circumstances. These occasions would only occur, and be associated with, staff acting in their official capacity. Inappropriate acceptance of gifts and/or hospitality could be a disciplinary offence, and staff should be aware that the receipt of gifts and hospitality is specifically covered in the [Civil Service Code](#).
- 2.4.2. Staff should also be aware of the provisions of the [Bribery Act 2010](#) as it applies to civil servants.

- 2.4.3. Hospitality received includes the provision of meals and invitations to functions, and being accompanied to sporting, entertainment and other events where the host pays some or all of the costs of the HMPPS attendees.
- 2.4.4. When deciding whether to accept gifts/hospitality, the context is important, and you **must** consider whether:
- a. it is a regular occurrence;
  - b. the timing of the offer raises any potential issues of propriety;
  - c. the relationship between the member of staff and the individual/organisation making the offer is appropriate. Contacts which are promotional, influential or information gathering are less likely to create obligation or embarrassment than those which are regulatory or could involve contractual business between HMPPS and the contact;
  - d. refusal of a gift/hospitality could cause offence and damage an important stakeholder relationship (in these circumstances referral should be made to FM&C [Financial Governance](#) for guidance).
- 2.4.5. Within the Civil Service however, acceptance of money, gifts or other financial or non-financial offers, even when not seen as corrupt, can still represent a breach of discipline. Refer to [conduct and discipline policy](#). It is helpful to remember that:
- a. conduct **must not** foster the suspicion of any conflict between official duty and private interest;
  - b. actions whilst acting in an official capacity **must not** give the impression (to any member of the public, organisation or colleague) that a gift or consideration may have had an influence in showing favour or disfavour;
  - c. gifts or hospitality **must** be refused if either the individual or the department is in any doubt about the propriety of accepting them.

## Provision of Gifts and Hospitality

- 2.4.6. Civil Servants often come into contact with outside organisations where it is normal business practice to offer hospitality, and sometimes gifts, to promote useful contacts and working relationships.
- 2.4.7. The general principle is that gifts and hospitality may only be provided in exceptional circumstances and:
- a. are appropriate to the circumstances, e.g. offered in the course of a normal business meeting or to delegations of an overseas government;
  - b. are modest and appropriate, e.g. a token item such as a promotional pen or key-ring, or routine hospitality such as coffee and biscuits, or a light working lunch.
- 2.4.8. The requirement to report and seek authorisation for gifts and hospitality arising from official activity applies equally where the beneficiary may be a relative or associate e.g. where a gift is made or employment offered to a spouse, partner, relative or friend.

2.4.9. For further guidance and instruction on the provision of hospitality in HMPPS refer to the current years Delegation Letter and/or Spending Controls in place for further information.

## Acceptable and Unacceptable Gifts and Hospitality

2.4.10. Discretion is required with each case considered on its own merits. A list of examples (relating to both acceptance and provision) of acceptable and unacceptable gifts and hospitality is shown below:

Acceptable Gifts	Unacceptable Gifts
Isolated, trivial and inexpensive e.g. <ul style="list-style-type: none"> <li>• Pocket diary</li> <li>• Calendar or other stationery</li> <li>• Calculators</li> <li>• Key ring</li> <li>• Paperweight</li> <li>• Decorative item (plate / box)</li> <li>• Box of chocolates</li> <li>• Flowers</li> <li>•</li> </ul>	All other gifts e.g. <ul style="list-style-type: none"> <li>• Gift vouchers (other than through Departmental Reward and Recognition schemes)</li> <li>• Food hamper</li> <li>• Membership / subscription to an organisation such as sports or other clubs</li> <li>• Tickets to sporting or social / leisure events</li> <li>• Clothing</li> <li>• Holidays (UK or abroad) or holiday travel</li> <li>• Goods or services at trade/discount prices</li> <li>• Bottle of wine *</li> </ul>
* See paragraph <a href="#">2.4.18</a> on the provision of alcohol	

2.4.11. Ordinarily, costs are met by the provider of hospitality, in particular for pre-paid functions such as conferences and drinks-receptions. Although limited to hospitality where a bill is presented, costs may, where it is deemed appropriate, be met by:

- a. **the department** – paid via travel and subsistence (T&S) claim, and would require full disclosure on the [Register of Gifts and Hospitality](#) and of [Conflicts of Interest](#);
- b. **the individual** – such instances *must* be recorded on the Register and noted as 'declined'



## Reporting of Gifts and Hospitality

- 2.4.12. Staff **must** report any kind of gift, hospitality or offer made to them to their line manager or directly to their Governor/Head of LDU Cluster/Group who have authority to decide on the propriety of accepting. In exceptional cases, advice can be sought from FM&C [Financial Governance](#).
- 2.4.13. In certain circumstances it may be necessary to make an immediate decision regarding an offer of a gift or hospitality, and prior authorisation may not be possible. On such occasions, the circumstances and reasons for the action taken **must** be reported at the first opportunity to the respective line manager.

## Recording of Gifts and Hospitality

- 2.4.14. All business groups **must** maintain a Gifts and Hospitality Register to ensure instances of offers made and received, (whether accepted or declined), are recorded. Those instances of a wholly routine or trivial nature do not need to be recorded. Arrangements should be made locally to advise staff where the register is held, and who the Senior Responsible Officer for the register is.
- 2.4.15. [Guidance and a template](#) can be found on [MoJ Intranet](#). Reference is also made in [PSO 1310 \(Anti-Fraud Strategy\)](#).
- 2.4.16. In order to establish a robust audit trail that supports accountability and the Statement of Internal Financial Control (SoIFC), records **must** be maintained. Electronic copies of the Register, and any supporting documentation **must** be retained securely for a period of 3 years. Where there is any related retention period e.g. contract records, then that of the greatest period should be applied.
- 2.4.17. When recording offers in the Gifts and Hospitality [Register](#), the guiding principle of materiality **must** be remembered, in that offers of very low value (as indicated in the table on the preceding page) should not necessarily be recorded unless in sufficient quantities to raise potential concerns.

## Provision of Alcohol

- 2.4.18. When providing approved in-house hospitality e.g. a meeting, conferences and away days for HMPPS staff (taking into account guidance set out in [Annex C of the current years Delegation Letter](#)) no alcohol is to be paid for from departmental funds. When providing hospitality to external parties, then discretion can be exercised e.g. a modest amount of alcohol with a meal.

## Social Events / Parties

- 2.4.19. Public money cannot be used to fund social events organised by staff for themselves and their families, such as Christmas parties, summer balls or any event where entertainment is being considered for HMPPS staff. These events **must** be paid for by staff.

## Performance Recognition Events

- 2.4.20. Events recognising business success or improvement **must** comply strictly with [PSI 30/2010 \(Recognising Performance Policy\)](#), and not be merely an excuse for an annual staff party or leaving/retirement function.
- 2.4.21. It is the personal responsibility of Budget Holders to ensure that regularity and propriety implications are rigorously assessed before committing public funds to an event providing hospitality to staff. The commitment of public money **must** always stand scrutiny, be defensible and avoid the risk of negative publicity and causing embarrassment for the organisation.

## 2.5. Donations

- 2.5.1. Budget Holders **must** also consider and record the tax implications of rewards and presentations and potential liabilities to Her Majesty's Revenue and Customs (HMRC) by either the individual or the organisation. Further information can be obtained from [HMPPS HR Awards and Recognition](#), or [MoJ Taxation Team](#).

### Donations to Charities from Voted Funds

- 2.5.2. Donations made from public funds to registered charities are not permitted, as there is no delegated authority within the HMPPS Agency to do so.

### Donations to Charities from Charitable Fund-Raising Events

- 2.5.3. In the case of Prisons or Probation Directorates, fund-raising events to raise money to donate to a nominated registered charity are only permitted where offenders initiate and take part in the events. Staff may also take part in the same events providing they are not solely and/or mainly responsible for the fund-raising. Staff can raise money for their own registered charities in their personal capacity so long as it does not conflict with the interests of the core business, or impacts adversely on their duties.
- 2.5.4. Governors, Head of Service or LDU **must** ensure that the "nominated registered charity/charities" are collectively agreed by those offenders (where prisoner led fundraising events are concerned) taking part, including the reasons for the selection, at the outset, in order to avoid potential allegations of preferential treatment or discrimination.
- 2.5.5. An appropriate 'Donations to Charity' account within the centrally pre-approved special fund account **must** be opened to hold any monies donated by offenders (and by staff where applicable) for each separate event. No account is to be opened solely to hold staff donations.

- 2.5.6. The collected amount **must** be withdrawn from the account and paid to the nominated registered charity immediately or as soon as possible after the collection is complete.

## Donations of Services or Goods to Prisons or Probation Site

- 2.5.7. There are occasions when external groups or individuals approach prisons/probation site offering to donate goods such as books, musical instruments, art materials etc, for the benefit of offenders/probation service users. There are also situations where individuals and groups may give their time to come into prisons/probation site and help teach offenders/probation service users or assist with religious meetings, etc.
- 2.5.8. In these cases it **must** be clearly shown that such donations are for the benefit of all offenders/probation service users, that they contribute towards HMPPS aims and objectives, that the donors are not seeking/expecting to obtain anything in return from the organisation, and that it does not place HMPPS under any obligations, either now or in the future.
- 2.5.9. Donations of services or goods should be recorded on a locally held gifts and hospitality register.

## Donations from Charities

- 2.5.10. Donations may be received from different sources and may be used to fund new projects and initiatives, provided directly to named offenders for specific uses, or provided for the benefit of all offenders.
- 2.5.11. Such donations should be recorded on a locally held gifts and hospitality register.

## 2.6. Sponsorship

- 2.6.1. Sponsorship may only be sought where it would add measurable benefit to a particular official HMPPS initiative, campaign or project such as a conference, publication or publicity campaign. It is expected that sponsorship received will only be in the form of the provision of:
- a. funds;
  - b. goods or services at reduced / nil cost;
  - c. donation of equipment
- 2.6.2. The value of sponsorship **must not** be disclosed to other potential/actual sponsors.
- 2.6.3. All sponsorship received **must** be able to withstand public scrutiny. It should not compromise the interests of either the department or any individual member of staff. There should be no perception that either has shown any preference to the sponsor over that confirmed as part of the agreement. This is particularly important when

considering substantial or repeat sponsorship. The department **must** act with, and be able to demonstrate, impartiality, honesty and integrity when entering into a sponsorship agreement. If there are any doubts as to how this can be achieved, [FM&C Financial Governance](#) **must** be consulted.

- 2.6.4. Some business sponsorship has characteristics of commercial advertising. The name of the sponsor may be displayed, and the business may use sponsorship as a marketing or public relations tool in order to boost sales. To safeguard HMPPS position, there **must** be no perception that the department endorses a particular company or product. Sponsorship does not need to be anonymous but should be discreet; a modest reference to the sponsor of the event being acceptable. If the primary effect of sponsorship is akin to advertising, with the name or products of the sponsor being very visible, the transaction should be seen as the sale of advertising space, and FM&C [Financial Governance](#) **must** be consulted.
- 2.6.5. The maximum amount of sponsorship that can be received towards the cost of any one activity is 49%.
- 2.6.6. An event **must not** go ahead that would not be able to do so without receipt of the sponsorship.
- 2.6.7. Members of staff involved in the event **must not** approach potential sponsors.
- 2.6.8. Organisations or companies that work on, or in conjunction with HMPPS on the event in question should not be approached for sponsorship, nor may sponsorship be accepted from such bodies.
- 2.6.9. Sponsorship should be recorded on a locally held gifts and hospitality register. This includes any offers of sponsorship that are declined

## 2.7. Insurance and Crown Indemnity

- 2.7.1. HMPPS has no delegated authority to purchase commercial insurance for official activities either on Crown property or elsewhere.
- 2.7.2. Crown Indemnity is the understanding that the cost of insuring the Civil Service against all potential liabilities would, in all probabilities, outweigh the actual cost of the claims themselves. As part of the Civil Service, Crown Indemnity applies to HMPPS.
- 2.7.3. If it can be demonstrated that commercial insurance would be cost effective and provide value for money for a particular case and where Crown Indemnity cannot be accepted, a detailed written proposal, including estimated insurance cost, requirements of what the insurance will cover **must** be submitted to FM&C [Financial Governance](#) as quickly as possible in order that notification to and authorisation from HM Treasury can be sought prior to the event.
- 2.7.4. Crown Indemnity applies to all civil servants, acting in an official capacity and during official time. In the case of HMPPS, crown indemnity extends to third parties invited onto our premises as part of our core business – for example with the Prison

Service: prisoners' families using visitor facilities, volunteers visiting the Prison to act as a confidential listener and offenders visiting a probation site.

- 2.7.5. Budget Holders will have to assess the activity in question falls within the scope of core business activity. For all activities that are deemed to be core business, Crown Indemnity will apply. Non-core business activities will require separate insurance to be considered, and in these cases, FM&C [Financial Governance](#) should be consulted for advice and guidance.
- 2.7.6. Health and Safety **must** always be considered when planning any event, as this can have a significant impact on the likelihood of any liabilities occurring. Further advice and guidance can be found in the latest Health and Safety Policy Statement. It is essential, regardless of whether the event falls within core business activity or not, that a risk assessment is undertaken to ensure the likelihood of any liability arising is minimised.
- 2.7.7. Examples of events that would require commercial/public liability insurance (note: this list is not exhaustive):
- a. hiring of HMPPS training or conference facilities to external organisations (in which case the cost of the insurance would be recovered by including it in the charge for use of the premises);
  - b. where certain trading activities occur within an establishment (primarily those that supply goods and/ or produce to members of the public) commercial insurance may be required. [PSI 14/2010 \(Managing Risk in Prison Industries\)](#) should be consulted for further guidance;
  - c. in all cases where separate commercial/public liability insurance is deemed necessary, quotes should be obtained from reputable and registered insurance companies, with normal procurement rules applying. Where insurance is likely to be required, [FM&C Financial Governance](#) **must** be contacted in the first place.
- 2.7.8. Losses arising **must** be reported (see [Chapter 6 – Losses and Special Payments](#)).
- 2.7.9. If HMPPS hires a vehicle, then the commercial insurance offered by the hire company **must** be used. Any claims should be referred to the hire company. Further [guidance](#) can be found on [MyHub](#).
- 2.7.10. HMPPS manages a fleet of owned vehicles to carry out official duties. Under the provision of the Road Traffic Act 1972 all official vehicles are registered as Crown vehicles and as such are exempted from the requirement to have commercial insurance. Further information and guidance can be found on the [MoJ intranet](#).
- 2.7.11. There may be some occasions where it is decided that commercial insurance is appropriate. Such decisions would need to be justified and only after a cost benefit analysis to ensure value for money for the organisation. Examples include insurance for buildings and equipment e.g. lifts or boilers, both of which could form part of the conditions of a lease. Further guidance concerning acceptable exceptions and the cost benefit analysis to undertake can be found in HM Treasury's [Managing Public Money](#).

## **2.8. Public Money and Accountability - Risk Management and Control**

### **2.8.1. Potential Risks**

Failure to comply with principles of regularity, propriety and value for money.

### **2.8.2. Potential Controls**

- a. conflict of interest policy reviewed and register checked;
- b. gifts and hospitality policy reviewed and register checked;
- c. anti-fraud strategy reviewed and issued;
- d. annual fraud risk assessment is completed.

## 3. Delegations and Budgetary Control

### 3.1. Scope

- 3.1.1. This chapter sets out the policy governing HMPPS delegations and budgetary control and covers:

<a href="#">3.2 HMPPS Funding</a>	<a href="#">3.3 Delegated Authority</a>
<a href="#">3.4 Manual Payment Authority (MPA) and Statement of Financial Authority (SFA)</a>	<a href="#">3.5 The Role of the Budget Holders</a>
<a href="#">3.6. Budget Planning and Allocation</a>	<a href="#">3.7 Budget Management</a>
<a href="#">3.8 Delegations and Budgetary Control – Risk Management and Control</a>	<a href="#">3.9 Delegations and Budgetary Control - Annexes</a>

### 3.2. HMPPS Funding

- 3.2.1. All Government Departments are required to present their expenditure plans to Parliament for the next three years, on an annual basis. The MoJ expenditure plans include the plans for HMPPS, and are set out in the Main Estimate.
- 3.2.2. Estimates are the means of obtaining the legal authority from Parliament to consume the resources needed to finance the Department's agreed spending programme.
- 3.2.3. The Ambit is the formal description of the services/goods that can be funded, or activities that may generate income, and has statutory force. All routine items of expenditure or income will be covered within the terms of the Ambit which is contained within the current year's MoJ Main Estimate.
- 3.2.4. With the exception of the examples provided in [section 2.5.3 of Managing Public Money \(MPM\)](#), expenditure on, or income generated from, goods/services outside the Ambit will not have Parliamentary authority.
- 3.2.5. No commitment to incur expenditure above the delegated budget, or outside the financial controls, may be made before the appropriate approval is given.
- 3.2.6. HM Treasury funds the MoJ on behalf of Parliament. A settlement letter is provided by the MoJ to the Chief Executive Officer (CEO) of HMPPS confirming funding allocation and delegated authority.

## 3.3. Delegated Authority

### The Delegation Chain

- 3.3.1. The Chief Executive Officer (CEO) has delegated authority from MoJ to approve all items of expenditure and receive income in line with the HMPPS business priorities, subject to certain limits set by HM Treasury and Cabinet Office.
- 3.3.2. The CEO may sub-delegate authority to members of the Executive Management Committee and others within HMPPS.
- 3.3.3. Executive committee members may in turn sub-delegate to Deputy Directors, Executive Directors, Heads of LDU's, PSP Group Directors, Governors in Charge and Heads of Group and any other individual as necessary.
- 3.3.4. This authority may then be sub-delegated further down the line as appropriate. Budgets may only be sub-delegated to those who have completed the budget holder training and have the necessary budget management knowledge, skills and experience. All budget holders **must** complete the budget holder course with all Senior Managers completing the [Licence to Operate](#) workshop.
- 3.3.5. The purpose of sub-delegating budgets is to ensure that the right people have the correct levels of financial authority, clear accountability and ownership of the budgets allocated to them. Those making the decisions at an operational level will be able to commit or authorise expenditure to achieve the Agency's objectives in the most cost-effective manner.
- 3.3.6. Whilst individuals may sub-delegate authority, the Senior Budget Holder within each Cost Centre retains responsibility for the original authorities delegated to them.
- 3.3.7. To act outside delegated authority, or to exceed any level of authority delegated, without prior approval, is not permitted. Failure to act properly in accordance with delegated financial authorities can have serious effects on the Department's resources and its reputation.

### Delegation letters

- 3.3.8. Delegation Letters **must** be issued for each financial year. Budget Holders **must** be in possession of a delegation letter before committing public funds.
- 3.3.9. All delegations of authority **must** be recorded in writing from one named individual to another, via Delegation Letters. Delegation letters **must not** be addressed to posts (e.g. Head of Department, Head of LDU).
- 3.3.10. Delegations **must** be assigned to meet the needs of the business, allocating resources where they will be best managed.
- 3.3.11. It is possible to delegate approval authorities to officers for a limited period of time e.g. for the duration of a project.



3.3.12. Those individuals that have delegated authority are known as [Budget Holders](#). Their responsibilities are set out in [3.5](#) below.

3.3.13. Copies of delegation letters **must** be retained locally, along with the signed acceptance forms from the individuals issued with letters.

3.3.14. To maintain a clear audit trail Budget Holders **must** acknowledge receipt of their letter and return the signed acceptance form promptly. Budget Holders are not considered to have accepted their responsibilities until they have done so.

A delegation letter will set out all the mandatory requirements associated with the delegation and also contain the appropriate information necessary to effectively manage and operate that budget.

3.3.15. Delegation letter templates **must** be used as the basis for locally issued delegations. The [latest templates](#) for the current financial year should be used.

3.3.16. Interim Delegation Letters **must** be issued if formal confirmation has not been received by the principal Budget Holder

### 3.4. Manual Payment Authority and Statement of Financial Authority

3.4.1. There are cases where the issue of a sub-delegation letter is not appropriate but authority to commit expenditure is still required. In these circumstances a Manual Payment Authority or Statement of Financial Authority should be used.

3.4.2. A [Manual Payment Authority \(MPA\)](#) gives authority to a member of staff to approve payments on behalf of a Cost Centre using the [SOP1, 2, 5 or 6 forms](#).

3.4.3. It is not necessary for the authorising member of staff to be the budget holder in these instances as approval for the expenditure **must** be included with the SOP payment form prior to processing.

3.4.4. For guidance and the MPA form see [link](#) on [My Hub](#)..

3.4.5. A [Statement of Financial Authority \(SFA\)](#) is an authority given from a budget holder to a member of staff who is required to commit expenditure on behalf of a Cost Centre. Examples of this are staff who hold a Government Procurement Card (GPC). They **must** be issued with a SFA giving the authority to use the card on behalf of the Cost Centre.

3.4.6. For guidance on the SFA form see [link](#) on [My Hub](#).

## 3.5. The Role of Budget Holders

- 3.5.1. A Budget Holder is a custodian of public money and has a fundamental responsibility to ensure it is spent wisely and in accordance with HM Treasury [Managing Public Money](#).
- 3.5.2. It is recommended that Budget Holders should be made aware of the policies in this chapter and the wider content of this instruction, particularly their responsibility regarding regularity, propriety and value for money (see [2.3](#)). In addition, there is a [framework of spending controls](#) in place across the MoJ: consisting of government wide controls put in place by HM Treasury and the Cabinet Office, plus some controls specific to the MoJ. It is the responsibility of all budget holders to act within these [spending controls](#), seeking approvals as required.
- 3.5.3. Public servants (all directly employed staff) may be delegated a Budget. Non-directly employed staff (Agency and interims) are not public servants and would not normally be delegated a budget. Where there is a business requirement for a budget to be allocated to a non-directly employed staff member, this **must** be approved by the relevant Executive Management Committee Director before a budget is delegated.
- 3.5.4. Budget Holders at all levels **must** have a financial management personal performance objective, appropriate and relevant to their role as part of their Staff Performance and Development Reviews. Budget Holders **must** have their performance assessed against how financial resources under their control have been managed effectively and how value for money has been achieved.
- 3.5.5. **Budget Holders must** ensure:
- a. the principles of HM Treasury's [Managing Public Money](#) (MPM) including regularity, propriety, feasibility and value for money are adhered to at all times;
  - b. all expenditure from their Budget is authorised prior to being incurred;
  - c. all requisitions are coded correctly;
  - d. they are aware of the impact of VAT when approving requisitions;
  - e. all income falls within the scope of their agreed Budget and Business Plan, and where it does not, it is surrendered to the Consolidated Fund;
  - f. they regularly review budgetary performance, including forecasting and variance analysis;
  - g. they manage and profile any pressures within their delegated budget;
  - h. they are able to justify their figures at all times;
  - i. they consider how potential resource shortfalls can be managed and assess any impact this may create. Priorities **must** be identified before implementing the necessary action in order to concentrate resources;
  - j. they take necessary corrective action if the expenditure or performance of the activities they control diverges from plans;
  - k. all under and over spends are reconciled and visible, to enable the HMPPS Executive Management Committee to make informed decisions
- 3.5.6. Budget Holders **must** liaise with their Finance Business Partners to ensure:

- a. they are aware of their current budget position and monitor actual expenditure against profile on a monthly basis, justifying any significant variances;
- b. they have input to project or forecast how the budget will be spent including the potential outturn;
- c. adequate planning is undertaken for future spending plans and all 4 accounting officer standards i.e. regularity, propriety, value for money and feasibility are considered and passed.

## 3.6. Budget Planning and Allocation

### Budgeting Principles

3.6.1. Budgeting is an essential part of financial management in the organisation at all levels where Budgets are held. It is used:

- a. to set out and agree the resources all Cost Centres will use to meet its published business priorities as well as local Business Plans;
- b. to enable decisions to be made between competing priorities where available resources fall short of demand;
- c. to inform Directors and the HMPPS Finance Sub Committee of the Agency's performance;
- d. to provide the base from which resources are allocated and expenditure monitored against plans;
- e. to provide information for use in compiling the annual resource accounts

3.6.2. **Budgets** are divided into **three high level categories**:

- a. **Administration costs** - covers the costs of back office support services;
- b. **Programme costs** – covers the costs of direct front line service provision;
- c. **Capital expenditure** - relates to the purchase of assets.

### Income

3.6.3. Strategic plans and budgets proposals **must** include all income.

3.6.4. Budget management **must** include the monitoring of income.

3.6.5. If income is generated in excess of that planned, above the departmental 20% ceiling, Treasury **must** be approached. Where additional income is classified as non-budgetary income or income fails the budgeted income test it **must** be treated as a Consolidated Fund Extra Receipt (CFER) - see [8.4](#).

3.6.6. The budget bid **must** be prepared and submitted on the following basis:

#### a. Initial Preparation

- i. identify the financial implications and level of resources necessary to meet the objectives of the Business Plan prior to its approval;

- ii. take account of national and local resource requirements and restrictions for the current year;
- iii. consider any significant prepayments that have been made in the previous year;
- iv. take account of any claims (e.g. compensation) that are expected to be agreed within a particular timeframe which may impact on the budget;
- v. record the assumptions and methodology on which budgets have been based and retain.

**b. Budget Allocations**

- i. Future year financial planning is a rolling process governed through medium term financial planning. Analysis includes alignment with workforce plans, utilising knowledge from in-year forecasting, latest business case assumptions and identifying potential savings opportunities.
- ii. Indicative budgets, for the next financial year become available around February, once they have been approved by HMPPS and MoJ Executive Management Committee;
- iii. Budget allocations are issued as soon as possible prior to the start of the new financial year to enable Finance Business Partners and Budget Holders to:
  - prepare the necessary information and data;
  - advise their staff of the resources available;
  - prepare any sub-delegations within their business area.

**c. Public Sector Prisons**

- i. allocations will include funding for agreed staffing levels and standardised non-pay budgets i.e. victualling, travel & subsistence. These will be calculated by the PSP National Finance Manager and Business Development Group based on staffing numbers, prisoner occupancy and regime.
- ii. The final budget allocation will be reviewed and agreed by the PSP Group Director and the Governor in Charge.

## 3.7. Budget Management

### Profiling

- 3.7.1. All Budgets **must** be set up and profiled realistically onto the SOP Financial Accounting System by the end of April each year. They **must** reflect the expected income or expenditure appropriate to the periods within the financial year.
- 3.7.2. Budgets **must** be profiled against expenditure and income accounting codes in line with business activity. It is not acceptable to withhold funding as unallocated or miscellaneous for use, should the unexpected occur.

- 3.7.3. A revised Budget Version is issued approximately four times a year to reflect any changes to the allocation. This process is managed by FM&C, who issue revised budgets to each Directorate. All transactional work to record budget allocations on to the [Single Operating Platform \(SOP\) system](#) are carried out by the [Management Accounts Team](#).

## Forecasting

- 3.7.4. Forecasts **must** be based upon known, or predicted future expenditure and agreed locally, with information provided up the delegation line.
- 3.7.5. Budget Holders in association with their Finance Business Partner (FBP) **must** ensure forecasts are accurate, robust and realistic. Pressures should be built into the forecast as they occur throughout the year.
- 3.7.6. They **must** investigate variances and provide a justified narrative for all instances where actual budgetary performance differs to the current budget and actions taken to address identified variances and mitigate risk. It is important that forecasts represent the most likely outcome and are not overly pessimistic or optimistic.
- 3.7.7. Budget Holders in association with their FBP **must** challenge information that does not appear to be:
- a. supporting delivery of business priorities;
  - b. value for money;
  - c. appropriate authorised use of public funds
- 3.7.8. When forecasting, Budget Holders **must** consider accruals and prepayments and the impact these have on available funds.
- 3.7.9. Forecasts **must**:
- a. focus on what matters by paying attention to that which has a real and significant impact;
  - b. prioritise efforts on fluid, volatile areas i.e. headcount;
  - c. keep sight of the purpose to enable better decision making;
  - d. organise and present data to provide evidence base and realistic insight;
  - e. provide one concise interpretation of data which is accurately entered and profiled onto SOP;
  - f. accurately reflect staff in post figures and expected starter/leaver timescales;
  - g. use all appropriate account codes for expenditure and income. Costs **must not** be subsumed into one code.
- 3.7.10. Forecasts **must not**:
- a. be unrealistic or over estimated at the start of the financial year;
  - b. be flat profiled where activity dictates otherwise;
  - c. apportion unspent provision over remaining months without justification;
  - d. be year-end weighted for consumable budgets;
  - e. include double accounting for expenditure between Cost Centres

- 3.7.11. Forecasts provided by Cost Centres throughout the organisation are collated by FM&C [Management Accounts Team](#) and form part of the MoJ monthly forecast. This data is used for internal strategic management decision making and is reported to the Monetary Policy Committee and the Office for National Statistics.
- 3.7.12. Treasury has set forecasting challenge to departments for their total annual spend to come within 1% of their Period 6 (September) forecast. This target is now included in the CEO delegation letters, and is a requirement that all Budget Holders are expected to meet. Results are benchmarked and poor performance may make it harder to justify additional funding requests.
- 3.7.13. MoJ is required to provide monthly forecast information to HM Treasury. Finance Directors are required to agree to the accuracy of the forecast and sign off the data. Failure to ensure a realistic and robust forecast can have serious consequences for the credibility of the financial management of the organisation and could lead to NAO and Select committee criticism.

## Variance Analysis

- 3.7.14. Budget Holders in association with their FBP **must** investigate and take action to address all material variances between planned and actual expenditure. Analysis of variances by cost category, expenditure group and where reasonable, by account code.
- 3.7.15. Overspends **must not** occur without specific authority to do so. Action **must** be taken to address any overspend immediately once identified, where this is not possible then authority **must** be confirmed in writing through the line management chain.
- 3.7.16. Underspends **must not** be allocated to new, unplanned activities unless specific authority has been given by the principal Budget Holder; Underspends **must** be surrendered as soon as identified to enable maximum benefit to be achieved by the organisation in achieving its business priorities and satisfying the requirement of value for money of public funds. There are exceptions to this rule for PSP only, the latest Public Sector Prisons Governor Empowerment document allows for greater freedom to enable you to manage your staffing and non-pay expenditure in a more flexible manner. However, in accordance with MoJ [spending controls delegated to the Agency](#), all new proposals for expenditure not covered by this document **must** be submitted by your Finance Business Partner (FBP) to the HMPPS Financial Performance & Investment Sub-Committee. This would also apply to any new initiatives which would create funding commitments beyond the current financial year. Please refer to the [latest delegation letter](#).

## Virement

- 3.7.17. Virement is the transfer of money from one budget sub-head to another, within a financial year to enable additional expenditure in one subhead to be met by savings in another. All virement is subject to strict HM Treasury controls and **must** be agreed in advance with/by the Finance Business Partners, where appropriate, and **must** be in line with the delegated authority for virement.

- 3.7.18. Virement from Programme to Admin or from Capital to Resource is not normally permissible. There is no flexibility to vire between Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) in either direction.

## Management Checks

- 3.7.19. The Senior Budget Holder of each Cost Centre **must** ensure budgetary delegation and control is risk assessed and its impact on financial and operational activity considered. A series of control measures should be put into place to mitigate the risks with adequate checks to ensure the controls are working these could include but are not limited to the following:
- a. assessment of whether an expenditure item is necessary or not and the relative priority of the expenditure when considered against the Department's objectives and priorities;
  - b. only approving expenditure up to the limit within the delegated authority and only on goods and services for which there is budget;
  - c. regularly review spend to ensure expenditure is incurred appropriately with the required level of authorisation and that spend does not exceed the budget delegation limit;
  - d. ensure systems are in place to safeguard public funds and prevent unauthorised expenditure and is regularly monitored and reviewed e.g. appropriate segregation of financial duties of requisitioner and approver, see [Annex A](#) for details;
  - e. ensure transactions are coded correctly within the [Chart of Accounts](#) so that all transactions are correctly accounted for. Where it is discovered during post payment checks that transactions are incorrectly coded to your Cost Centre this should be corrected promptly;
  - f. have due regard to affordability, propriety, regularity and value for money considerations when making decisions about spend;
  - g. [Financial Transaction Limits](#) **must** be set as appropriate, in line with the Job Evaluation Scheme (JES) and responsibility of the Budget Holder;
  - h. ensure any type of expenditure which is potentially novel, contentious or outside MoJ's formal delegated limits is notified to the FM&C [Financial Governance Team](#);
  - i. Finance System (SOP) access rights to key roles of the Requisitioner and Approver are designated to appropriately trained staff and supported by approved written authorities and updated regularly to reflect changes in staff and responsibilities;
  - j. delegated authorities are reviewed regularly to ensure compliance with the spending controls in place. A monthly attestation is required of all budget holders to confirm such compliance or provide justification for operating outside of the controls. Repeated breaches of the delegated limit risk the imposition of sanctions including a reduction of Financial Transaction Limits (FTLs) and/or deductions from the delegated budget;
  - k. areas of concern **must** be reported on the Statement on Internal Financial Control supported by a narrative from the principal Budget Holder of the Cost Centre.

## **3.8. Delegations and Budgetary Control - Risk Management and Controls**

### **3.8.1. Potential Risks**

- a. inappropriate/inefficient allocation of resources – failure to meet business objectives;
- b. inability to adapt to unexpected events;
- c. poor decision-making;
- d. inadequate / inaccurate records;
- e. fraud/ theft – financial loss;
- f. Departmental embarrassment;
- g. business interruption

### **3.8.2. Possible Controls**

- a. delegation letters;
- b. forecasting;
- c. variance analysis;
- d. business planning (including challenge – review plan / planning process);
- e. communication between Budget Holders and Finance Business Partner;
- f. regular finance meetings;
- g. use and dissemination of Hyperion reports;
- h. training and guidance (including non-finance staff); [Hyperion Training](#) (see [Annex B](#))
- i. continuously challenging assumptions used in setting plan;
- j. process to capture and record information;
- k. consistent methodology;
- l. standardisation of output

## **3.9. Delegations and Budgetary Control – Annexes**

3.9.1. [Annex A – SOP Segregation of Duties](#)

3.9.2. [Annex B – Hyperion Training Pack Part A and B](#)



## 4. Financial Risk Management and Control

### 4.1. Scope

- 4.1.1. This chapter sets out policy governing financial risk management and financial control within HMPPS and the requirement to complete a Statement on Internal Financial Control (SoIFC), and covers:

<a href="#">4.2 Corporate Governance</a>	<a href="#">4.3 Financial Risk Management</a>
<a href="#">4.4 Financial Control</a>	<a href="#">4.5 Statement of Internal Financial Control</a>
<a href="#">4.6 Audit Requirement of the SoIFC</a>	<a href="#">4.7 Responsibility</a>

- 4.1.2. This chapter does not contain guidance on Risk Management procedures, which can be found on the Government Internal Audit Agency website (see [MoJ Audit & Corporate Assurance](#))

### 4.2. Corporate Governance

- 4.2.1. [Corporate Governance](#) is the method by which an organisation is directed, administered and controlled. Good financial control is an essential part of effective Corporate Governance.
- 4.2.2. As Accounting Officer for HMPPS, HMPPS Chief Executive Officer (CEO) is required to produce a Statement on Internal Control as part of the financial accounts each year (as outlined in [Managing Public Money](#)). This statement covers all internal controls operated by HMPPS, including financial controls.
- 4.2.3. In order to give assurance to the CEO, Cost Centres **must** complete a local SoIFC which will be collated on a regional and national basis.
- 4.2.4. All staff have a responsibility to ensure effective financial control. Budget holders, even if they sub-delegate some or all of their budget they retain responsible for the budget delegated to them. The CEO retains overarching responsibility for the effective financial controls in operation across HMPPS.

## 4.3. Financial Risk Management

- 4.3.1. Cost Centres **must** manage the financial risks associated with the systems that they operate. They **must**:
- a. carry out a full financial risk assessment by the end of May each financial year, assessing the risks associated with the financial systems in operation. this assessment should be in terms of both likelihood and impact;
  - b. revisit and validate the risk assessment when new systems are introduced or there have been significant changes to the business;
  - c. include any financial risks identified on the business risk register- required as part of their business plan;
  - d. take action to reduce residual risks and escalate to the next level those that cannot be managed locally.

## 4.4. Financial Control

- 4.4.1. Cost Centres **must**:
- a. put in place controls to mitigate the risks associated with each of the financial systems they operate. The number and frequency of the controls should be in line with the level of risk identified;
  - b. put in place a process for independent checking of the controls to confirm their effectiveness or to flag where controls are not effective;
  - c. give an opinion on how well controls are operating and any remedial action required;
  - d. record and evidence the controls operated and all independent checks carried out;
  - e. retain all evidence relating to any checks, evidence **must** be held in accordance with the technical note.

## 4.5. Statement of Internal Financial Control

- 4.5.1. The purpose of the Statement of Internal Financial Control (SoIFC) is to provide management information on the level of financial control within a given location. Copy of the SoIFC template can be obtained from [FBPG Compliance Team](#).
- 4.5.2. Cost Centres **must** complete the SoIFC, giving an overall assessment on how well controlled each system is. Systems that are not well controlled should have action plans identified to make improvements linked to the level of perceived risk and availability of resource. Where control is wholly or partially outside the influence of the Cost Centre this should be highlighted and escalated as appropriate.
- 4.5.3. All actions should be allocated to a named person with a target date for completion.

- 4.5.4. Cluster Directors/Governors/Heads of Group and Heads of LDUs are expected to validate the SoIFC and comment on the content. It is expected that financial risk and control is regularly discussed at Senior Management Team/Senior Leadership Team meetings with agendas and minutes supporting this held as evidence.
- 4.5.5. The SoIFC **must** be completed by all Cost Centres on a 6-monthly basis for review by Region/Directorate and HMPPS [Financial Governance](#).
- 4.5.6. A SoIFC is required from each Cost Centre. Where HQ Groups have consolidated functions within a Corporate Support Group (CSG) that serves the whole Directorate, the CSG may assume responsibility for the Directorate: this **must** be agreed with HMPPS [Financial Governance](#) on a case by case basis.
- 4.5.7. Where Cost Centres are clustered and share a corporate financial function, one risk assessment and statement can be completed. However, where an Establishment Finance Lead has responsibility for more than one site and where separate financial functions are operated; a statement will be required for each.

## 4.6. Audit Requirements of the SoIFC

- 4.6.1. An initial risk assessment is to be completed to ensure an understanding of an inherent risks. The risk assessment should go ahead ignoring any controls already in place, before considering the implementation of new controls. The system control checks and SoIFC look at how well those internal controls have been applied.
- 4.6.2. Both the initial risk assessment and SoIFC sheets have space for commentary and it is essential that Cost Centres make proper use of those to provide clear and concise evidence.
- 4.6.3. All Cost Centres **must** have a clear evidenced trail to support how they have come to the markings including details where a marking has changed. This should be built up over the six month period and be reflected in the SoIFC when submitted.

## 4.7. Responsibility

- 4.7.1. The CEO is required to make annual statements about 'Corporate Governance' and an expanded Annual Assurance Report to support the HMPPS accounts. The CEO gains assurance on financial risks and controls in the organisation from various sources but also relies on the SoIFC.
- 4.7.2. HMPPS [Financial Governance](#) will review the SoIFC and provide feedback to regions and directorates. They will capture comments on good practice and seek to support areas of concern, addressing any changes required to financial policy and set procedures.

## Other responsibilities

- 4.7.3. Executive Directors have a responsibility to ensure effective financial control within their Directorate and are held ultimately responsible for their area. They have a responsibility to ensure SolFC's are completed for their Region/Directorate office and from within their areas/regions.
- 4.7.4. The primary budget holder for each Cost Centre will be sub-delegated responsibility by their Director for ensuring that their SolFC is completed in a timely and accurate fashion.
- 4.7.5. They have a responsibility to engage assistance from Senior Finance Managers, Finance Business Partners and other finance staff to help identify key financial trends and/or potential risks from the SolFC, implementing an action plan where possible or escalating the issue where appropriate.

## All HMPPS Staff

- 4.7.6. Irrespective of grade or business area if an individual identifies a potential risk to the running of the business, they should inform their Manager or their [compliance team specialist](#).

## 5. Accounting and Reporting

### 5.1. Scope

5.1.1. This chapter covers:

<a href="#">5.2 The Single Operating Platform Accounting System</a>	<a href="#">5.3 Chart of Accounts</a>
<a href="#">5.4 Resource Accounting Principles and Policies</a>	<a href="#">5.5. Housekeeping and Period End/Year End Requirements</a>
<a href="#">5.6 Retention of Documents</a>	<a href="#">5.7 Accounting and Reporting - Risk Management and Control</a>
<a href="#">5.8 Accounting and Reporting - Annex</a>	

### 5.2. The Single Operating Platform Accounting System

5.2.1. The Single Operating Platform (SOP) is the accounting system that HMPPS uses to account for all its income and expenditure.

#### **SOP System Access- Finance, Procurement and Inventory**

5.2.2. [User access](#) to the SOP finance, procurement and inventory modules is granted to designated staff only where their line manager is satisfied that the staff concerned have obtained the appropriate skills and knowledge. The training can be formal training, on the job training, or self-learning by reading the relevant official [Job Aids](#).

5.2.3. To request new SOP finance, i-Procurement and/or inventory access, amendments to existing access or de-activation of existing access for staff, please refer to [instruction](#) on [MyHub](#).

5.2.4. Where a member of staff has left the Service or a request to deactivate their SOP account, this should be actioned promptly using form [SOP071](#) please refer to [MyHub](#) for more details.

5.2.5. The [MAT Systems team](#) is responsible for ensuring any finance, i-Procurement and inventory access granted to SOP users is appropriate to the individual user and their assigned tasks.

## 5.3. Chart of Accounts

- 5.3.1. The [Chart of Accounts \(CoA\)](#) is a list of values used to categorise HMPPS' financial transactions within SOP. The CoA can be accessed via [MyHub](#) where [guidance](#) is also provided on its use.
- 5.3.2. The VAT treatment of a transaction is driven by the corresponding Procurement Category. A full list of [Procurement Categories and the corresponding VAT status](#) can be found on the [MoJ intranet](#).
- 5.3.3. Any queries regarding VAT or Tax should be directed to the [MoJ Tax Team](#). Incorrect accounting treatment of VAT and/or Tax could expose the Cost Centre and HMPPS to fines imposed by HM Revenue and Customs.

## 5.4. Resource Accounting Principles & Policies

- 5.4.1. HMPPS report on a Resource (or Accruals) Accounting basis. The annual report and accounts are prepared to show a true and fair view of all the resources deployed in delivering the organisational objectives within a given fiscal period.
- 5.4.2. The relevant accounting principles and policy requirements **must** be adhered to, ensuring accurate recording of financial transactions and the production of HMPPS annual Reports and Accounts in line with IFRS and [FReM](#) requirements.

### Net Accounting

- 5.4.3. Net accounting is where receipts are netted off against expenditure sub-heads and is not permitted, as it does not accord with International Financial Reporting Standards (IFRS) and misleads Parliament. Any queries should be referred to the [FM&C Financial Governance team](#).

## 5.5. Housekeeping and Period End/Year End Requirements

- 5.5.1. Certain tasks need to be performed during the month and specifically at period end/year end to ensure the accounts reflect, as accurately as possible, the financial position of individual Cost Centres, and hence that of HMPPS.
- 5.5.2. FM&C will, from time to time, issue [FM&C Accounts Production Notices](#) for the relevant accounting periods with detailed instructions of the tasks to be undertaken, along with a period end check list and timetable.

## 5.6. Retention of Documents

- 5.6.1. Primary accounting records and other source documents **must** be retained for taxation and for internal and external audit requirements. Reference should be made to [Annex A](#), and [PSI 04/2018 - Records, Archiving, Retention and Disposal](#).

## 5.7. Accounting and Reporting - Risk Management and Control

### 5.7.1. Potential Risks

Cost Centres should identify and manage all potential risks associated with recording income and expenditure on the SOP Accounting systems for their Cost Centres, including users' accesses in addition to the following:

- a. fraud & theft;
- b. inaccurate data/accounts;
- c. lack of audit trail / poor record keeping;
- d. qualified accounts

### 5.7.2. Potential Controls

In addition to the controls listed below, Cost Centres may consider additional controls as required and ensure all appropriate Controls are in place to minimise all identified risks.

- a. use of correct account codes;
- b. IUC bucket account reconciliation on a regular basis;
- c. review HoF Distribution Detail report for separation of duties, incorrect codes & treatment of VAT;
- d. review Detailed Trial Balance to identify and correct mis-coding of account codes;
- e. check SOP user list against approved users and limits on a regular basis and take appropriate actions;
- f. ensure all Cost Centres' staff with IT and SOP accesses comply with HMPPS IT Security policy.

## 5.8. Accounting and Reporting – Annex

- 5.8.1. [Annex A: Retention of accounting documents](#)

## 6. Losses and Special Payments

### 6.1. Scope

6.1.1. This chapter covers:

<a href="#">6.2 Novel and Contentious Payments</a>	<a href="#">6.3 Losses</a>
<a href="#">6.4 Special Payments</a>	<a href="#">6.5 Compensation and Ex-gratia Payments</a>
<a href="#">6.6 Settlements and Orders</a>	<a href="#">6.7 Adverse Costs</a>
<a href="#">6.8 Delegated Authority and Approval of Losses and Special Payments</a>	<a href="#">6.9 HMPPS Liability for Staff, Prisoner and Third Party Effects</a>
<a href="#">6.10 Staff Severance Payments</a>	<a href="#">6.11 Interim Payments</a>
<a href="#">6.12 Write Offs</a>	<a href="#">6.13 Provisions and Contingent Liabilities</a>
<a href="#">6.14 Losses and Compensation returns</a>	<a href="#">6.15 Losses and Special Payments – Risk Management and Control</a>
<a href="#">6.16 – Losses and Special Payments - Annexes</a>	

6.1.2. This chapter does not cover the policy associated with claims handling ([PSI 31/2015](#));

### 6.2. Novel and Contentious Payments

6.2.1. HM Treasury does not delegate authority for expenditure on any transactions which sets a general or potentially expensive precedent, is novel and/or contentious or may result in repercussions.

6.2.2. Treasury approval **must** be sought before committing expenditure. HM Treasury will not approve payments that reward or will be seen to reward failure, dishonesty or improper behaviour.

6.2.3. Examples that would constitute novel and/or contentious payments include:

- a. one-off legal or business obligations which would be uneconomic or inappropriate;
- b. use of unfamiliar financing techniques, which could result in financial risk or exposure;



- c. any proposed wider market activity to maximise use of assets resulting in the department's Departmental Expenditure Limit (DEL) provisions exceeding 5%, or impacting in other negative ways;
- d. advance payments to contractors, suppliers, staff and prisoners;
- e. deliberate late payments or deferred payments;
- f. unusual fraud or attempted fraud - [MoJ Internal Audit & Assurance \(GIAA\)](#) **must** be notified of anything under this heading:
  - i. write-offs that are unusual and could give rise to criticism or set a precedent;
  - ii. compensation payments;
  - iii. special or ex-gratia payments;
  - iv. severance payments where these would exceed normal statutory or contractual schemes); a liability classed as significant when measured against the organisation's expenditure or which is large and unquantifiable;
  - v. commitments to significant spending in future years where plans have not been laid;
  - vi. proposals being considered for non-standard tax treatment.

6.2.4. Types of repercussion to avoid are the public perception of improper use of public funds, HMPPS being discredited or embarrassed, or expenditure that could have significant impact on future costs.

6.2.5. For special payments, including compensation and out of court settlements (see [6.4](#)).

6.2.6. All settlement payment requests **must** be referred to FM&C [Financial Governance](#) before any commitment is made (please use the Treasury template [Annex B](#)). The Financial Governance team will seek the necessary approval from HM Treasury via MoJ on behalf of the Cost Centre.

6.2.7. Any commitment to spend money under these criteria, which has not gained HM Treasury authority prior to finalisation is outside our spending control and as such may result in disciplinary proceedings and/or a Public Accounts Committee hearing.

6.2.8. [Litigation Casework Unit/Team](#) will liaise with Government Legal Department (GLD) or the contracted claims handler and seek HM Treasury approval via the FM&C [Financial Governance](#) team for all special payment cases involving legal proceedings.

6.2.9. The approval process ([Annex A](#)) sets out how a special payment request is submitted to HM Treasury.

## 6.3. Losses

6.3.1. Losses, by their nature, fall outside HMPPS expenditure approved by Parliament. These are the type of transactions which Parliament cannot reasonably be expected to account for when funds are voted. For this reason, overall authority to write-off losses rests with HM Treasury who grant HMPPS certain delegations, as set out in [Annex B of the current years Delegation Letter](#).

6.3.2. All reasonable steps should be taken to recover losses. Where a loss is due to fraud, theft or other dishonest actions, Cost Centres should consider criminal prosecution and recovery through compensation before write-off is considered. The circumstances and cost-effectiveness of recovery attempts should also be considered.

6.3.3. All efforts should be made to identify the reason for the loss and where it can be traced to an individual or organisation, recovery **must** be pursued.

6.3.4. Losses will usually fall under one of the following categories:

<p><b>a. Cash</b> (and cash equivalent e.g. credit cards, electronic transfers) losses including forged currency, financial irregularities, suspected fraud, fraud and theft</p>	<ul style="list-style-type: none"> <li>• These occur when monies are lost and cannot be recovered</li> </ul>
<p><b>b. Book-keeping errors</b></p>	<ul style="list-style-type: none"> <li>• These occur when monies are not properly accounted for and cannot be recovered</li> </ul>
<p><b>c. Overpayments</b></p>	<ul style="list-style-type: none"> <li>• These include overpayments of salary and allowances that cannot be recovered</li> </ul>
<p><b>d. Waived or abandoned claims</b></p>	<ul style="list-style-type: none"> <li>• These arise where monies are not obtained when they would otherwise have been properly due to HMPPS or the Exchequer, e.g. failure to collect the correct amount of income. This is where we might incorrectly calculate the amount a supplier should pay us and then consider it inappropriate to claim the balance</li> </ul>
<p><b>e. Losses of accountable stores</b></p>	<ul style="list-style-type: none"> <li>• These occur when stores, official buildings, equipment etc are damaged, lost or stolen. Specifically, through fraud or theft, fire, weather damage, accident beyond the control of any responsible person or deterioration caused by maladministration. In these cases the decision whether or not to write-off the loss is wholly separate from the decision whether or not to replace or repair.</li> <li>• Some accountable stores will fall into the category of Fixed Assets, e.g. furniture and fittings, IT equipment or cars, and as such they will be listed on the HMPPS Fixed Asset Register. If a loss relates to a listed item, the value of the loss <b>must</b> be taken as its value on the Register. Repairable damage to</li> </ul>

	buildings <b>must not</b> be noted if it is accidental. Any loss recoverable from a third party which is waived because of a “knock for knock” agreement with an insurance company <b>must</b> be noted as a stores loss
<b>f. Fruitless payments</b>	<ul style="list-style-type: none"> <li>• These are payments which cannot be avoided because the recipient is entitled to it even though nothing of use to the department will be received in return. Examples include late payment interest, forfeiture under contracts as a result of some error or negligence, payment for travel tickets or hotel accommodation wrongly booked, payment for goods wrongly ordered or accepted, and extra costs arising from failure to allow for foreseeable changes in circumstances</li> </ul>
<b>g. Constructive losses</b>	<ul style="list-style-type: none"> <li>• These occur when goods or services are correctly ordered, delivered and paid for but which, owing to a change of policy prove not to be needed or to be less useful than when the order was placed</li> </ul>

6.3.5. Establishments should review outstanding advances regularly to ensure that they are recovered wherever possible. Where it is evident that recovery will not be possible, then the amount should be written off in line with the delegated authority.

6.3.6. All losses arising from fraud **must** be referred to [GIAA](#) for recommendations and possible investigation before forwarding a write-off request to FM&C [Financial Governance](#).

## 6.4. Special Payments

6.4.1. Special Payments are payments that go beyond administrative rules or for which there is no legal obligation to pay.

6.4.2. In voting money or passing specific legislation, Parliament cannot approve special payments outside the normal range of departmental activity. Such transactions are subject to greater control than other payments.

6.4.3. Cost Centres **must** seek HM Treasury approval, in advance, for any special payment which exceeds its authority. HMPPS levels of delegation are set out in [Annex B of the Delegation Letter](#).

6.4.4. The special payments on which the Treasury **must** be consulted include the following, although the list is not exhaustive:

<b>a. Extra-contractual payments</b>	<ul style="list-style-type: none"><li>• Payments which, though not legally due under contract, appear to place an obligation on HMPPS which the courts might uphold. Typically these arise from an organisation's action or inaction in relation to a contract</li></ul>
<b>b. Extra-statutory and extra-regulatory payments</b>	<ul style="list-style-type: none"><li>• These are within the broad intention of the statute or regulation, respectively, but go beyond a strict interpretation of its terms</li></ul>
<b>c. Compensation payments</b>	<ul style="list-style-type: none"><li>• These are made to provide redress for personal injuries (except for payments under the Civil Service Injury Benefits Scheme), traffic accidents, and damage to property, etc, suffered by civil servants or others. They include other payments to those in the public service outside statutory schemes or outside contracts</li></ul>
<b>d. Special severance payments</b>	<ul style="list-style-type: none"><li>• These are paid to employees, contractors and others above normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract</li></ul>
<b>e. Ex-gratia payments</b>	<ul style="list-style-type: none"><li>• These go beyond statutory cover, legal liability, or administrative rules, including payments made to meet hardship caused by official failure or delay, out of court settlements to avoid legal action on grounds of official inadequacy, and payments to contractors outside a binding contract, e.g. on grounds of hardship</li></ul>

6.4.5. HM Treasury **must** be consulted about any cases, irrespective of internal delegations, which:

- a. are novel and/or contentious;
- b. involve important questions of principle;
- c. raise doubts about the effectiveness of existing systems;
- d. contains lessons which might be of wider interest;
- e. might create a precedent for other departments;
- f. occur because of unclear instructions issued centrally.

6.4.6. Offers of payment are to be made "without prejudice" where the case is, or may be, subject to legal proceedings. Care should be taken when corresponding with the claimant not to admit or imply that HMPPS accepts liability. In cases of maladministration, this does not prevent offering a simple apology or expression of

regret for the position the complainant faces. Equally, an explanation **must** be given for the basis of the compensation. This is to comply with the [Code of Practice on Access to Government Information](#), which commits HMPPS to giving reasons for administrative decisions to those affected.

- 6.4.7. Where financial compensation is concerned, each case is to be considered on its own merits. HMPPS has no general compensation scheme agreed with HM Treasury.
- 6.4.8. In reaching a decision to pay, account **must** be taken of [Managing Public Money \(MPM\)](#) requirements. It may be appropriate to make a special payment in an out of court settlement where proceedings have been issued. In such cases legal advice should be obtained to ascertain that the claim has a firm basis, is likely to succeed, and the amount requested is appropriate.
- 6.4.9. Equally, a special payment may be made where, considering all the facts and circumstances of the case, it is decided that payment is justified.
- 6.4.10. No special payments may be made where their conditions do not agree with the HMPPS ambit. HM Treasury **must** be consulted where there is any doubt, this **must** be via FM&C [Financial Governance](#). Any payments **must** be rigorously justified and align with HM Treasury guidance.
- 6.4.11. When considering a claim for a special payment, the following issues should be checked with Government Legal Department:
- a. the nature of the claim and circumstances under which the error of the underlying cause for the claim occurred;
  - b. the amount claimed;
  - c. whether defects may have existed in the local control systems to allow the error, and actions that have been taken or will be taken to prevent recurrence.

## 6.5. Compensation and Ex-gratia Payments

### When to Pay Compensation

- 6.5.1. Compensation can be paid where:
- a. HMPPS has a legal responsibility to compensate an individual (or organisation);
  - b. HMPPS has no apparent legal liability but a claim arises on the grounds of poor administration. It is Government policy that where this has led to direct and readily quantifiable financial loss, departments and agencies **must** compensate the complainant to return them to the position they would have been in if the maladministration had not occurred;
  - c. HMPPS feels an obligation to pay as an act of grace (ex-gratia payment) providing it is not novel or contentious.

6.5.2. Cost Centres should ensure that:

- a. on receipt, claims are acknowledged promptly, with the acknowledgement not suggesting that HMPPS accepts liability;
- b. any alleged damage is inspected promptly, photographed if possible, and a record made of what was found;
- c. a full investigation of the alleged incident takes place. The investigation **must** include a review of past cases to ascertain if a common theme is developing i.e. several claims submitted for the same type of item and reason (loss/damage) or type of injuries;
- d. all actions and findings are documented carefully in case there is later legal action. Copies of letters, papers and records of meetings, interviews and telephone calls **must** be kept. Depending on the type of claim these will need to include:
  - i. full reports on incidents leading to damage, statements obtained from claimants on the amount of the claim, the loss or suffering involved and, for any property, the date of purchase, purchase costs, any available receipts and current market value;
  - ii. a Governor/Head of Group/LDU Lead report on whether the claim resulted from staff negligence or other forms of maladministration and whether any disciplinary action has been taken;
  - iii. statements from any staff who saw the incident or have relevant information are documented;
  - iv. insurance details showing what was insured or covered by other provision for free replacement, whether a claim has been made and whether there is any excess or loss of no claims bonus;
  - v. a receipt or at least two estimates for relevant repairs;
  - vi. any police apprehension reports, incident reports, minutes of interviews, statements or other relevant evidence;
  - vii. a statement saying whether the loss or damage was reasonably attributable to a prisoner's actions;
  - viii. procedures are reviewed to identify why the loss arose and if necessary issue written instructions to reduce the risk of re-occurrence of the event;
  - ix. evidence to demonstrate any offer of compensation is within the relevant delegated authority.

## 6.6. Settlements and Orders

- 6.6.1. There is a difference between compensation payments where a settlement is reached, and where an order is made.

### Settlements

- 6.6.2. A settlement is where attempts are made to negotiate an acceptable payment without going to court, or employment tribunal. Settlement claims are to be approved within HMPPS delegated authority.

## Court Orders

- 6.6.3. If a settlement is not reached, and the case is settled at court or an employment tribunal, then an order is made.
- 6.6.4. For any amount, once the court or employment tribunal have made their judgement and a court order issued a payment can be made.

## Consent Orders

- 6.6.5. A Consent Order that is approved and sealed by the court is legally binding like a Court Order. However, if the amount is not specified HM Treasury approval must be sought where applicable. Any payments **must** be in line with HMPPS delegated authorities.

## 6.7. Adverse costs

- 6.7.1. Adverse costs (i.e. the Claimant's legal fees and disbursements) can be paid after referring to the delegated authority set out in the delegation letter for the current financial year.

## Budgets – HMPPS

- 6.7.2. The funding for adverse costs and compensation payments for HMPPS is held and managed centrally, however all expenditure will be coded against the Cost Centre where the claim originates.

## 6.8. Delegated Authority & Approval of Losses and Special Payments

- 6.8.1. Delegated authority associated with approving losses, adverse costs and special payments, including compensation **must** be adhered to. When considering whether a compensation payment falls within the delegated authority or not, only the amount of compensation is relevant. Associated adverse costs and losses are to be treated separately but will still fall within an individual's overall delegated budgetary authority.
- 6.8.2. The delegated authorities in respect of compensation (i.e. special payments) only apply to offers and settlements. Where a request for write off outside of the Governor/Head of Group delegated authority is sought, further information relating to the case will be requested by FM&C [Losses and Compensation Unit](#) (LCU).

## 6.9. HMPPS Liability for Staff, Prisoner and Third Party Personal Effects

### Liability for Staff

- 6.9.1. HMPPS does not have a legal obligation to provide compensation for replacement items unless it is established that:
- a. the items were necessary for that member of staff to conduct their duties, the damage or loss was as a direct consequence of official duties, and the staff concerned has correctly followed HMPPS policies and guidance; or
  - b. the damage to the item was the result of HMPPS negligence.
- 6.9.2. All members of staff have an obligation to minimise the risk of loss/ damage, by placing valuables in lockers, and only wearing items/ having items in their possession that are necessary for them to discharge their responsibilities.
- 6.9.3. HMPPS will only pay compensation for items valued up to £100 each. Above that level, it is reasonable to expect staff who want to protect the value of luxury items to insure them privately (and any claim should be made through an employee's private insurance). All valuations **must** be supported by the original invoice/receipt or by a reasonable current equivalent. Where items are not covered by personal insurance any payment made by HMPPS will not exceed £100 per item.
- 6.9.4. Payment **must not** be made for personal money allegedly lost on duty.
- 6.9.5. No liability will be accepted for staff property stolen on official premises.
- 6.9.6. No recompense will be available for damage to spectacles and contact lenses where the claimant should have reasonably asked for safety spectacles at public expense.
- 6.9.7. Once agreement has been reached to settle a claim, the amount agreed should be recorded using [form PHX092 Loss or Damage to Staff Property Form](#).

### Liability for Prisoners

- 6.9.8. HMPPS is legally obliged to accept all items held by a prisoner upon reception. Should any item be damaged/ lost during their detention, and it is proven that the loss/ damage occurred due to the action/inaction of HMPPS staff; HMPPS may be liable for providing for a replacement. In cases of doubt, FM&C [Financial Governance](#) should be consulted.
- 6.9.9. Further details on the retention, and recording of prisoners property, including valuable property, is contained in [PSI 12/2011 \(Prisoners' Property\)](#).



## Liability for Third Parties

- 6.9.10. HMPPS has no a legal obligation to provide for replacement items unless it is established that the damage or loss was a direct consequence of action/inaction by HMPPS staff acting in official capacity, and that the claim is generally reasonable and without any contributory negligence from the claimant.
- 6.9.11. Once agreement has been reached to settle a claim, the amount agreed should be recorded using form [PHX153 \(Loss or Damage to the Personal Property of Third Party\)](#).

## Compensation payments

- 6.9.12. Where compensation payments are made, the recipient **must** complete the relevant form [PHX092](#), [PHX093](#) or [PHX153](#) to acknowledge receipt of payment, and confirm full and final acceptance of offer.

## 6.10. Staff Severance Payments

- 6.10.1. Any personalised severance payment to a member of staff upon departure from HMPPS, above normal statutory or contractual requirement, is deemed to be novel and contentious. Treasury approval **must** be sought via FM&C [Financial Governance](#) and obtained prior to any formal offer of that severance payment. Severance terms offered that are within normal statutory or contractual requirements fall within delegated authority.
- 6.10.2. Treasury require a completed HMT severance template to be completed which should be sent to FM&C Financial Governance. The template provides details of the evidence required and can be found on the [HM Treasury website](#).

## Supporting Information required

- 6.10.3. To avoid any necessary delays the following information should be provided to support special severance payments to staff:
- a. an explanation of the circumstances of the case, including any scope for reference to a tribunal, with its potential consequences, including the legal assessment of HMPPS chances of winning or losing the case;
  - b. a confirmation that the relevant management procedures have been followed;
  - c. an assessment of the value for money offered by the possible settlement;
  - d. an outline of any non-financial considerations, e.g. where it is desirable to end someone's employment but dismissal is not warranted;
  - e. an indication as to whether the case in question could have wider impact, e.g. for a group of potential tribunal cases.

- 6.10.4. It should be noted that it is not appropriate to recommend special severance terms as a soft option in order to avoid normal management procedures, disciplinary action, unwelcome publicity or damage to reputation.

## 6.11. Interim Payments

- 6.11.1. Interim payments may be appropriate in large, ongoing cases and applies to both compensation and legal costs. Interim payments **must** only be made upon the advice of legal advisors and HM Treasury approval sought where it is likely to exceed delegated authority levels.

## 6.12. Write-Off

- 6.12.1. Every case should be judged on its merits, but a write-off request should set out what steps have been taken to recover any amounts and why write-off is considered appropriate. A write-off should never be regarded as automatic.
- 6.12.2. There are essential points to be considered by staff authorising a write off or forwarding a write off request above their delegated limit.
- a. has every effort been made to identify the cause of loss and to obtain recovery if that is possible and cost effective? and there is documentary evidence to support these efforts?
  - b. the amount is appropriate for write-off i.e. a claim for repayment does not lie against a third party and/or that sufficient effort has been made to pursue that repayment;
  - c. the amount to be written off is correct;
  - d. any defect in the system of local control which allowed the write-off to arise has been corrected, or alternate action taken to reduce the risk of a repetition;
  - e. the decision to write-off agrees with this guidance and that of [Managing Public Money](#), and can be rigorously defended;
  - f. the decision should be supported by full documentary evidence of what steps were taken to investigate and recover the loss, the reasons why they were not successful and the reasons why it was considered appropriate to write off the loss

## 6.13. Provisions and Contingent Liabilities

- 6.13.1. Provisions and Contingent Liabilities **must** be reviewed, and monitored on an ongoing basis, with information provided to FM&C at Q2, Q3 and the year end, using the standard return provided by FM&C. The return **must** outline all movements in opening provisions and contingent liabilities, such as payments made (including part payments, and payments of solicitors' charges), changes in value or a change in likelihood leading to reclassification. All new provisions and contingent liabilities **must**

be recorded as they arise. Detailed [guidance](#) is available in the [Finance and Analysis Group](#) page on the Intranet.

## 6.14. Losses and Compensation - Monthly Returns

- 6.14.1. All Losses and Special Payments **must** be identified, and recorded on [PHX091\(1\)](#) (Losses and Compensation Monthly Return), which also incorporates PHX091(2) (Compensation Claims).
- 6.14.2. All details entered on these forms **must** be accurate, auditable and concise. Provided sufficient detailed information is entered on [PHX091\(2\)](#), generally there should be no need to include attachments to support these claims, however, in cases over £150k, additional information is required. This should include but may not be limited to:
- a. letters or emails to and from Government Legal Department seeking approval to proceed;
  - b. confirmation of approval from the Director, Deputy Director, HM Treasury and/or Ministers;
  - c. confirmation that payment has been made including the Cheque Number and copies of SOP Ledger balances and Payee details.
- 6.14.3. Cost Centres are reminded that all loss cases **must** be shown on PHX091(1) whether seeking write-off authority or the loss has been written off locally.
- 6.14.4. All fraud cases whether actual or suspected and regardless of the amount **must** be notified to both [GIAA](#) and FM&C using [PHX091\(1\)](#). In all instances, the accompanying email **must** include all of the information as set out in [Annex C](#). A clear indication **must** be given as to whether an investigation has been undertaken or is ongoing, and what action has been taken to prevent further occurrences of the incident. Copies of the investigation reports will be required.
- 6.14.5. Cases in which compensation is paid to prisoners due to cash losses **must** always be investigated and the information as set out in [Annex C](#) submitted with [PHX091\(1\)](#).
- 6.14.6. The returns **must** be sent (including nil returns) to FM&C by no later than the 10th working day of each month to FM&C [Losses and Compensation team](#). Detailed descriptions **must** be included in support of each payment that exceeds local delegated authority. Legal costs **must** be shown separately on the Compensation return, as should the claimants costs and those submitted by GLD.
- 6.14.7. All Losses and Special Payments recorded on these returns **must** be reconciled to the appropriate charge accounts on SOP. Local documentation **must** be retained to support each transaction. All Losses and Compensation returns submitted via e-mail **must** be forwarded through the LDU / Establishment Finance Lead (or equivalent) e-mail address. Where the Governor/Head of Group/LDU's signature is required, it is assumed for auditing purposes that the original authorised copy is filed at the Cost Centre and open to inspection by [GIAA](#)

## **6.15. Losses and Compensation - Risk Management and Control**

### **6.15.1. Potential Risks**

- a. losses and Claims not correctly investigated;
- b. losses and Claims not reported;
- c. NAO/PAC criticism, public or political embarrassment

### **6.15.2. Potential Controls**

- a. all losses and compensation claims are investigated, fully documented and paid within authorised limits;
- b. fruitless payments are picked up from centrally paid invoices;
- c. SMT are aware of payments and actions which might mitigate future loss;
- d. accounts are reconciled and completed return sent to FM&C on time

## **6.16. Losses and Special Payments - Annexes**

6.16.1. [Annex A: HM Treasury Approval Process](#)

6.16.2. [Annex B: Template for HM Treasury Approval for Special Payment Cases](#)

6.16.3. [Annex C: Guideline on reporting fraud/theft](#)

## 7. Assets and Capital Expenditure

### 7.1. Scope

7.1.1. This chapter covers:

<a href="#">7.2 Capital Expenditure</a>	<a href="#">7.3 Investment Appraisal</a>
<a href="#">7.4 Finance Approval of Change Initiatives</a>	<a href="#">7.5 Capital Project Evaluation</a>
<a href="#">7.6 Risk Management &amp; Control – Capital Expenditure</a>	<a href="#">7.7 Assets - Definitions</a>
<a href="#">7.8 Current Assets</a>	<a href="#">7.9 Non-Current Assets</a>
<a href="#">7.10 Assets Under Construction (Work in Progress)</a>	<a href="#">7.11 Capitalisation Threshold</a>
<a href="#">7.12 Asset Register</a>	<a href="#">7.13 Reconciling Non-Current Assets to Oracle</a>
<a href="#">7.14 Non-Current Assets – What to Capitalise</a>	<a href="#">7.15 Leased Assets</a>
<a href="#">7.16 Work in Progress</a>	<a href="#">7.17 Transfer of Assets to MoJ Estates</a>
<a href="#">7.18 Transfer of Assets from MoJ Estates</a>	<a href="#">7.19 Healthcare Assets</a>
<a href="#">7.20 Accounting for Non-Current Assets</a>	<a href="#">7.21 Roles and Responsibilities – Managing Assets</a>
<a href="#">7.22 Regularity &amp; Propriety in Managing Assets</a>	<a href="#">7.23 Assets Events</a>
<a href="#">7.24 Asset Transfers</a>	<a href="#">7.25 Disposal of Unrequired Assets</a>
<a href="#">7.26 Local Assets</a>	<a href="#">7.27 Assets Check</a>
<a href="#">7.28 Assets and capitalised Expenditure - Risk Management and Control</a>	<a href="#">7.29 Assets and Capitalised Assets - Annexes</a>

7.1.2 [Guidance and relevant forms](#) can be found on [MyHub](#).

### 7.2. Capital Expenditure

#### Capital Expenditure or Major Maintenance

7.2.1. Capital expenditure is the acquisition of non-current assets that can be capitalised (i.e. costing more than £10,000 inclusive of VAT). This includes the acquisition of

land, buildings (including those under construction), plant and equipment; furniture and fittings, and motor vehicles, equipment, IT, furniture and fittings, and motor vehicles.

- 7.2.2. Any subsequent expenditure on the acquired asset is also classed as capital expenditure if it:
- a. increases the asset's original life or capacity (non-building assets);
  - b. replaces plant and equipment which is separately accounted for (this requires that the replaced asset **must** be disposed of with any loss taken to the Operating Cost Statement (OCS);
  - c. increases the life of an establishment or increases the external area.
- 7.2.3. Any expenditure costing in excess of £10,000 (inclusive of VAT) spent on an asset to maintain the quality or performance at or below that provided at the time of purchase **must** be treated both as maintenance expenditure and revenue expenditure. This includes refurbishment, repair, change of use, redecoration, etc.

## Estates Capital Expenditure Process

- 7.2.4. The MoJ Estates Directorate has responsibility for the development and maintenance of the prison estate which includes the policy, strategy, delivery and financial management of the budget delegated to it.
- 7.2.5. MoJ Estates Finance hold the responsibility for financial policy and management of the estate budget including decisions on the classification between Capital and Resource which impact on the capitalisation of assets and consequently impact on budgets.
- 7.2.6. In some instances, where it would be beneficial for some of the works to be undertaken locally, establishments will be instructed by the Senior Project Sponsor to procure these works directly with a local firm provided they are within the delegated procurement limit. In such cases, establishments will be reimbursed for any expenditure via the IUC process, provided the work and costs are given prior approval by the Senior Project Sponsor and are evidenced by copy invoices.

## 7.3. Investment Appraisal

- 7.3.1. An investment appraisal **must** be completed for all proposed projects with an expected cost of £10,000 or above (including VAT), in line with the HM Treasury's [Green Book on Appraisal and Evaluation in Central Government](#)
- 7.3.2. The investment appraisal **must** be agreed and signed off as follows, before expenditure is committed:

- a. for Plant and Equipment, Vehicles and Other or Furniture & Fittings the Establishment Finance Lead **must** sign off the Investment Appraisal and send to their relevant Finance Business Lead for authorisation;
- b. Capital Expenditure classed as minor works **must** be sent to the Regional Estates Manager for authorisation;
- c. for Land and Buildings the investment appraisal needs to be signed off by the appropriate Deputy Director/Head of Group and sent to MoJ Estates for consideration by the relevant board.

7.3.3. A link to the Investment Appraisal template is shown at [Annex A](#).

## 7.4. Financial Approval of Change Initiatives

7.4.1. For change initiatives new contracts or contract renewals to proceed they **must** follow the correct approval and governance processes. Guidance and templates are contained within the [Project Delivery pages](#).

7.4.2. It is imperative that the [spending controls](#) are adhered to. Annex A of the of the spending controls sets out the keyholder and MoJ approval process map. For further specific processes relating to HMPPS approval and the role of the HMPPS Finance Advisory Committee contact the [Business and Financial Planning Team](#).

## 7.5. Capital Project Evaluation

7.5.1. All capital projects **must** be evaluated using the pro-forma shown at [Annex B](#) within 6 months of completion in order to:

- a. determine the extent to which benefits anticipated from the project have been realised;
- b. examine the strengths and weaknesses of the project;
- c. ensure that HMPPS benefits from past experience.

### Virement from Resource to Capital

7.5.2. Proposals to vire Resource into Capital **must** be made in writing and sent to your appropriate Finance Business Partner.

## 7.6. Capital Expenditure - Risk Management and Control

### 7.6.1. Potential Risks

Cost Centres should manage potential financial risks associated with capital projects, these could include the following:

- a. lack of planning i.e. time pressures, escalating costs;
- b. poor project management – leading to overspends/ inappropriate delivery;
- c. all options are not considered;
- d. no appraisal technique;
- e. failure to identify business need/ not the right project;
- f. priorities not met;

### 7.6.2. Potential Controls

Controls should be put in place to minimise potential risks, these could include the following:

- a. Business Plans including full costing options, certified by Establishment Finance Lead;
- b. macro impact assessment;
- c. methodology for evaluating projects – option appraisal;
- d. Capital Business planning system;
- e. Assessment of impact of not obtaining project funding;
- f. Standardised approvals process;
- g. continuous ranking process;
- h. post implementation review;

## 7.7. Assets – Definitions

7.7.1. An asset is something owned by an organisation, where the value can be expressed in monetary terms.

7.7.2. Assets are divided into two main groups: **Current Assets** and **Non-Current Assets**.

## 7.8. Current Assets

7.8.1. A current asset is an asset that is not expected to have a useful life longer than one year.



## 7.9. Non-current Assets

- 7.9.1. A non-current asset is an asset with a life of more than one year that is held for continual use in HMPPS activities. Non-current assets can be tangible or intangible.
- 7.9.2. Tangible Non-Current Assets are assets of a physical nature:
- a. land;
  - b. buildings;
  - c. plant;
  - d. equipment;
  - e. machinery;
  - f. motor vehicles;
  - g. IT hardware.
- 7.9.3. Intangible Non-Current Assets are assets that have no physical nature, but still have or represent a value to the organisation:
- 7.9.4. FM&C [Financial Governance](#) and Shared Services Connected Limited ([SSCL](#)) [Fixed Assets Team](#) **must** be consulted about the correct accounting treatment where an intangible non-current asset is identified.

## 7.10. Assets under Construction (Work in Progress)

- 7.10.1. A non-current asset is classified as '**under construction**' while physical construction is taking place. It ceases to be classified as an asset under construction when it is available for use.
- 7.10.2. Some non-current assets may be constructed in stages. Individual stages may be ready for use at materially different dates and the cost of each stage may be separately identifiable. In this situation:
- a. The first stage should be transferred from assets under construction to "live" when it is available for use, and Cost Centres should complete the Asset Notification forms for SSCL and transfer the balance in SOP in a timely manner;
  - b. the second stage should be transferred subsequently, when it is available for use, and should be accounted for as an addition to the first stage asset.
- 7.10.3. The same procedure should be followed for third and subsequent stages.

## 7.11. Capitalisation Threshold

7.11.1. Non-current assets are further sub-divided according to the HMPPS capitalisation threshold of £10,000 including VAT.

7.11.2. Assets above the threshold are capitalised and recorded on the relevant Fixed Assets Register, Oracle Fixed Assets (OFA). The value is recorded on the Statement of Financial Position and depreciated over their useful life. Depreciation is charged to the Operating Cost Statement (OCS) on a monthly basis. HMPPS refers to these assets as Non-Current Assets, which are purchased with Capital funds.

7.11.3. Assets below the threshold are not capitalised and are recorded on a Local Asset Register (see [7.12](#)). The full cost is recorded on the OCS at the time of purchase. HMPPS refers to these assets as Local Assets, which are purchased with Resource funds.

7.11.4. The various categories of Capitalised Non-current asset are:

- a. land;
- b. buildings;
- c. dwellings;
- d. tangible IT such as non HP Enterprise Services equipment;
- e. plant and machinery;
- f. furniture and fittings;
- g. assets under construction;
- h. software;
- i. licences

7.11.5. **Costs that can be capitalised** include:

- a. **professional fees** – directly arising from bringing an asset to working condition e.g. lawyers, architects, surveyors, project managers and other relevant professional fees. These costs include design, development of software, implementation, and testing costs;
- b. **costs of site preparation**, though the costs of transferring assets should be expensed;
- c. **Costs of upgrading networks and infrastructure** to support new software;
- d. **estimated costs of dismantling the asset** where applicable;
- e. **VAT – irrecoverable VAT**;
- f. **subsequent expenditure** – but only where it enhances an existing asset e.g. increasing its useful economic life or expanding its capacity;
- g. **purchase price** – the purchase price of assets bought outright where it exceeds the capitalisation threshold for that asset category e.g. IT hardware, land, buildings, software licences;
- h. **directly attributable expenditure** – expenditure that is directly attributable to bringing a non-current asset to the location and condition necessary for it to be operated in the manner intended by management e.g. installation and assembly costs, delivery costs and relevant employee costs together with an appropriate portion of relevant overheads.

#### 7.11.6. **Costs that cannot be capitalised:**

- a. costs that precede the purchase/development/construction of an asset, e.g. research, assessment of options/development of business case, selection of contractors/suppliers, costs of opening a new facility, maintenance and advertising;
- b. administration and general overheads;
- c. costs of activities incidental to bringing an asset into use in the intended manner, e.g. using a site acquired for building as a car park until building starts;
- d. cost of assets held on operating leases or off Statement of Financial Position Private Finance Initiatives;
- e. expenditure beneath capitalisation thresholds;
- f. VAT – recoverable VAT;
- g. Payments in advance of need – Cost Centres **must not** stockpile assets or make payments to suppliers before they have done the work, to use up the capital budget;

## 7.12. **Asset Registers**

7.12.1. All non-current assets, including local assets, **must** be recorded on the Oracle Fixed Asset (OFA) register.

7.12.2. OFA records all Non-Current asset information. It is referred to as the Central Fixed Asset Register and is updated by the [SSCL Fixed Asset Team](#).

7.12.3. From time to time it may be necessary to run standard reports that are available in order to fully examine the assets at a Cost Centre. Accounts Teams have the required access to run these reports, a list of the reports available can be found at [Annex E](#).

## 7.13. **Reconciling Non-Current Assets to Oracle**

7.13.1. Cost Centres **must** ensure that all additions for the previous month have been reflected on OFA and that all the centrally posted journals for other asset events (disposals, transfers, revaluations etc), including depreciation charges are correct.

7.13.2. In order to ensure that the current value of assets are kept up to date, it is always good practice to reconcile non-current asset balances in Oracle to those shown in OFA on a monthly basis. A reconciliation is required to be submitted (within 10 working days) to FM&C on a quarterly basis.

7.13.3. Details of construction work in progress **must** be included in the quarterly returns, analysed by project and with a date when it is expected to be available for use. All differences **must** be investigated and an explanation given for any discrepancies.

## 7.14. Non-Current Assets – What to Capitalise

7.14.1. New, and /or additional items may be capitalised provided the following conditions are met:

- a. the items are purchased as a single transaction, or as part of the same project;
- b. their total purchase price is £10,000 or more, including VAT.

7.14.2. When only dealing with **Building Management Systems (BMS) assets** the purchase of replacement items cannot be capitalised, irrespective of total purchase value, unless it significantly enhances the value of the property. This also applies to refurbishments. Examples where expenditure can be capitalised include: change of purpose of building (i.e. storeroom changing to office).

7.14.3. **Furniture & Fittings** – All future furniture additions are to be capitalised only if individual assets exceed the capitalisation threshold of £10,000, or if grouped under a particular project with a value of over £1m.

### Composite Assets

7.14.4. Where a number of assets are purchased that form a single system (or integrated system), or will be used collectively, they **must** be grouped together and accounted for as capital additions provided the following conditions are met:

- a. the assets are purchased as a single transaction, or as part of the same project;
- b. the total purchase price of the assets is £10,000 or more (inc VAT);
- c. the assets will be used collectively and not individually.

Examples include networked PCs, catering equipment and industry equipment.

### Application Software (non-HP Enterprise Services- formerly EDS)

7.14.5. Application software **must not** be capitalised unless the software purchased is required to enable the hardware to function e.g. operating systems. The value of this software **must** be included with any hardware system that is purchased when accessing it against the capitalisation threshold.

7.14.6. Where IT software development is concerned, only developments of £1m or more are considered capital. These **must** be recorded on the departmental fixed asset register. Only individual IT software licences costing £10,000 or more are considered capital, and **must** be recorded on the Departmental fixed asset register.

### Small Building Works

7.14.7. Expenditure on 'tenant improvements' may be capitalised, where the normal conditions associated with capital are met. Tenant improvements are classified as works that improve the value of the land/building, without extending its useful life, or

ground area. An example would be the building of a car park. The capitalised value will be depreciated over 5 years.

## Asset Enhancement

- 7.14.8. Expenditure incurred on an existing asset may, exceptionally, be capitalised, but only where such expenditure lengthens greatly the useful life of an asset beyond that conferred by repairs and maintenance, or where it increases substantially the operational capacity of the asset. This is referred to as Asset Re-Life and Revaluation, and any such case **must** be notified to the relevant Fixed Assets Team.
- 7.14.9. In the case of **refurbishment of specialised buildings**, e.g. prisons, it is necessary for the refurbishment to increase the life of the individual building by at least 5 years. Any expenditure in excess of £10,000 (incl. VAT) which does not result in an increase in the gross external area of the establishment/quarter, or that extends the remaining life of an individual building by less than 5 years, **must not** be capitalised. It **must** be treated as minor works (revenue) expenditure.

## 7.15. Leased Assets

- 7.15.1. Details of leased assets **must** be included in the HMPPS year-end accounts. When a Cost Centre intends to enter into any finance leasing agreement where the value of the asset is £10,000 or above, and the title/ownership of the asset will transfer to HMPPS, the [Fixed Asset Team at HQ](#) should be consulted before finalising the lease. A copy of this agreement should then be forwarded to the [SSCL Fixed Assets Team](#) together with a completed [MoJ FA SOP30 \(Additions Template\)](#) form. Any assets costing less than £10,000 **must** be recorded on the Local Asset Register.
- 7.15.2. A standard journal **must** also be completed to reflect the value of the asset acquired and the associated long-term liability, as follows:

Dr	Non Current Asset Additions *
Cr	Liability under Finance Leases

\*refer to [Chart of Accounts](#) for correct asset category.

- 7.15.3. Operating Leased assets are third parties assets and **must not** be included in the HMPPS Statement of Financial Position, but should be noted on the Local Asset Register.

## 7.16. Work in Progress

- 7.16.1. Work in Progress refers to any assets that have been purchased but are not available for use. With few exceptions, all items of equipment are available for use on purchase, and should be added directly to the asset register.

7.16.2. Once an asset has been bought for use it **must** be journalled to the correct asset code (refer to [Chart of Accounts](#)) within one month.

7.16.3. Additions forms **must** then be submitted to the relevant Fixed Assets team.

## 7.17. Transfer of assets to MoJ Estates

7.17.1. BMS assets purchased directly by a Cost Centre **must** be transferred to MoJ Estates. Any proposed additions to Buildings **must** first be referred to MoJ Estates to ensure they are willing to accept the items.

7.17.2. The transfer of non-current assets to MoJ Estates is dealt with as normal transfers in and transfers out via the IUC process.

7.17.3. The process set out below affects the following BMS assets:

- a. CCTV equipment;
- b. fire and general alarm systems;
- c. car park barriers;
- d. generators;
- e. 'cold room' storage (walk-in fridges and freezers);
- f. astroturf surfaces;
- g. perimeter Intruder Systems (PIDS);
- h. security fencing;
- i. lighting;
- j. boilers and heating systems;
- k. modular buildings and lifts.

7.17.4. The list is not exhaustive and MoJ Estates should be consulted if an asset needs to be accounted for and is not listed above.

7.17.5. Land and buildings will not be included in the monthly asset reports that can be run. A discrepancy will, therefore, be noted when the Quarterly Non-Current Asset Reconciliation is produced, however, the difference on Building Acquisitions/Building Transfer In should be offset by an equal and opposite difference on Building Transfer Out.

7.17.6. Any proposed schemes costing £50,000 or more need to be endorsed and approved by MoJ Estates. MoJ Estates are responsible for overall strategic planning and usage of the custodial estate and need to ensure that such proposals provide value for money and reflect existing plans for the estate. Consequently, the business case for any such schemes should be put to them before any work commences.

7.17.7. Agreement to accept any proposed projects as capital additions on MoJ Estates' Statement of Financial Position is provisional, based on information received at this time. Such acceptance is made on the basis that proposed schemes meet the criteria of capital expenditure and will produce tangible assets. It is assumed that indicative costs will be utilised solely in producing such assets and any likely resource

expenditure associated with these projects has been considered and accounted for separately.

7.17.8. Finally, with regard to the funding of these projects, MoJ Estates has a full capital programme for each financial year relating to both general and capacity programmes. Any enhancement activity should either be undertaken from within the existing HMPPS capital delegation or alternative requests made to HMPPS HQ as part of the Supplementary Estimates process.

## 7.18. Transfer of assets from MoJ Estates

7.18.1. Assets purchased by MoJ Estates as part of a building project that are classified as equipment (e.g. kitchen, gym, laundry equipment, workshop & healthcare assets etc.) will be transferred to the relevant Cost Centre.

## 7.19. Healthcare Assets

7.19.1. Existing healthcare assets which were noted on the former Prison Service Asset Register (Britannia) are now covered by Oracle Fixed Assets (OFA). Depreciation charges are funded by HMPPS.

7.19.2. HMPPS is responsible for the acquisition of new items fixed to the building e.g. dental chairs.

7.19.3. New healthcare assets (>£10,000) including fixtures that will form part of, or will be attached to the building are HMPPS assets and are funded by HMPPS via the healthcare capital budget.

7.19.4. NHS England is responsible for the acquisition and maintenance of non-fixed; freestanding items e.g. furniture and specialist medical equipment. These assets are purchased by the NHS England. All purchases (including those over £10,000) should be recorded on the Local Asset Register. NHS England should be recorded as the owner. The custodian of these assets should be agreed locally with NHS England.

7.19.5. Where new build capital developments are to be funded by HMPPS, the initial costs of freestanding furniture and equipment should be as agreed in the business case and included in the overall scheme costs.

7.19.6. Examples of HMPPS / NHS England Responsibilities

<b>HMPPS Responsibilities</b>	<b>NHS England Responsibilities</b>
Examples include:	Examples include:
Flooring, Cleaning	Desk, chairs, tables, couches, trolleys
Lighting Heating	Wheelchairs

Gas, electricity, water	Autoclaves, fridges
Pest Control	Specialist medical equipment
Fire & Security Alarms/Equipment	Medical gases
Dental Chairs	Clinical Waste
Fixed cupboards, fixed storage (capital)	Consumables
Existing X ray equipment	New X ray equipment (if clinically required)
Laundry	Healthcare related IT kit and systems, (NB Provision and funding rests with the NHS)

## 7.20. Accounting for Non-Current Assets

### Asset Valuation

7.20.1. Newly acquired assets **must** be valued at cost, comprising the purchase price plus the following:

- a. acquisition costs (e.g. stamp duty, import duties);
- b. cost of site preparation and clearance;
- c. delivery and handling costs;
- d. installation costs;
- e. professional fees (e.g. legal fees, engineer's fees).

### Depreciation

7.20.2. Depreciation spreads the cost of a non-current asset over its useful life by recording the purchase on the Statement of Financial Position and charging the depreciation to the OCS on a monthly basis, therefore reducing the value of the asset (as recorded on the Statement of Financial Position) over time.

7.20.3. HMPPS uses the straight-line method of depreciation, where the value of an asset is written off in equal monthly instalments over its life.

7.20.4. **Non-current assets are depreciated as follows:**

Asset Type	Depreciation
Land	Freehold land, sites vacated pending sale and assets under construction are not depreciated. For assets under construction depreciation commences in the month following when they are available for use.



Buildings	Straight-line Max life 60 years Quarters 4% p.a. over 25 years Depreciation is charged on a straight-line basis. The depreciation charge for the year is based on the current value of the asset at the beginning of the financial year (opening value) less any residual value and the remaining useful economic life.
Furniture and Fittings (Staff & Inmate)	Straight line depreciation based on asset life.
Plant and Equipment, Vehicles, Others	Straight-line depreciation based on asset life

7.20.5. Each category of non-current asset has an accounting policy that defines its useful life. This reflects the estimate of time over which an asset will be used. Under resource accounting, the initial cost of a non-current asset is spread evenly over its assumed useful life to arrive at a monthly depreciation charge. These charges are recorded on the departmental fixed asset register against every asset, by business entity. This information feeds into the general ledger and then into the resource accounts.

7.20.6. Depreciation is charged on a straight-line basis for all other non-current assets. The depreciation charge for the year is based on the current value of the asset at the end of the financial year (closing value), less any residual value, and the remaining useful economic life.

7.20.7. Residual values should be treated as not material and can be ignored when calculating depreciation.

### Timing of depreciation charges

7.20.8. **Non-current asset additions** – depreciation charges for new assets on OFA Central Fixed Asset Register commence in the month following the acquisition for Land & Buildings and the same month for Other assets.

7.20.9. **Non-current asset disposals** – when an asset is disposed of and has not been fully depreciated, a depreciation charge is made in the month of disposal.

7.20.10. **Non-current asset transfers** – where an asset is transferred from one Cost Centre to another, any depreciation charge applicable to the asset in the month of transfer is charged to the receiving Cost Centre.

7.20.11. **Non-current asset discoveries** – depreciation charges for discovered assets on OFA is the same as above for asset additions

## Asset Life

- 7.20.12. The Establishment Finance Lead is responsible for deciding the asset life, which **must** be assessed at the time the initial appraisal is done. The choice of expected useful life **must** reflect that non-current assets lose value due to a number of factors including physical deterioration, usage and technical obsolescence.
- 7.20.13. The life of all assets recorded on OFA **must** be reviewed at least annually and changes reported to the [SSCL Fixed Assets Team](#). Assets falling below the £10,000 threshold will not be re-lived.
- 7.20.14. With the exception of land, buildings and centrally valued furniture, the SSCL Fixed Assets Team is responsible for reminding the FAM to carry out an annual review to re-assess the remaining useful economic life of all assets held on OFA. The purpose for carrying out this review is to ensure that the asset lives are revised if the original expectation on how long the asset will remain in use has significantly changed. The review of an asset's life is necessary to ensure the following:
- a. assets do not become fully depreciated whilst they have a substantial remaining life;
  - b. assets are not disposed of through normal wear and tear whilst still having a substantial current replacement cost.
- 7.20.15. The Establishment Finance Lead/ FAM is required to periodically run a report to show assets approaching the end of their life. These assets **must** have their remaining life and value assessed. [MoJ FA SOP31 \(Adjustments Template\)](#) **must** be completed and sent to the [SSCL Fixed Assets Team](#).

## Asset Revaluation

- 7.20.16. All non-current assets need to be included in the Statement of Financial Position at the year-end with a current value that represents their value as at that point in time. Excluding impairments, revaluations of non-current assets are credited (upward revaluation) or debited (downward revaluation) to a revaluation reserve. Downward revaluations are written-off against the revaluation reserve until the carrying value reaches the level of depreciated historic cost, and then charged to operating costs.
- 7.20.17. Each year, the realised element of the revaluation reserve (i.e. the amount equal to the excess of the actual depreciation over depreciation based on historical cost) should be transferred to the general fund. On disposal of a revalued asset, the balance on the revaluation reserve for that asset becomes fully realised and is transferred to the general fund.
- 7.20.18. Land and buildings are revalued every five years or following a major capital enhancement. When land and buildings assets are revalued on the fixed asset register, the accumulated depreciation for each asset is restated to zero and backlog depreciation is generated by the revaluation. This is in accordance with international financial reporting standards.

7.20.19. The value of other assets is adjusted annually using appropriate price indices. Accumulated depreciation is recorded and backlog depreciation will be generated by indexation.

7.20.20. **HMPPS assets are re-valued as follows:**

<b>Asset Type</b>	<b>Valuation</b>
Land	Estimate of Market value in existing use
Buildings	Estimate of new replacement cost less allowance for age, condition, and functional obsolescence. Re-assessed every five years and adjusted in the intervening years by an appropriate index.
Plant and Equipment, Vehicles, Others	Actual cost up rated annually for inflation by an appropriate index.

## Indexation

7.20.21. The HMPPS financial statements are prepared under the historical cost convention, modified by the revaluation of non-current assets, and, where material, current asset investments and stocks to fair value as determined by the relevant accounting standard in accordance with [Government Financial Reporting Manual \(FReM\)](#).

7.20.22. HMPPS accounts for non-current assets on a current cost basis. This process is achieved by applying specific indices to each asset category.

7.20.23. All assets are indexed once a year at year end, using the latest published indices. The indices applied may be positive (an increase in value), negative (a reduction in value) or nil (no change).

7.20.24. Adjustments are made to the Gross Current Replacement Cost (GCRC) and Accumulated Depreciation (Acc Dep'n). The GCRC is taken to the indexation account and the Acc Dep'n is known as the backlog depreciation, being the adjustment made to the depreciation charged in previous periods. The net adjustment to the revaluation reserve with any balance not covered is charged to the OCS.

7.20.25. [SSCL Fixed Assets team](#) completes a centrally posted journal to reflect the upward or downward indexation of non-current assets.

7.20.26. Once the non-current asset values have been updated, the depreciation will be based on the new values from the beginning of the following month.

## Impairment

- 7.20.27. An impairment of a non-current asset occurs when the recoverable amount (higher of net realisable value and value in use) of the asset becomes lower than its net book value.
- 7.20.28. Where the value in use cannot be measured in terms of income, the value in use will be assumed to be the least equal to the like for like replacement cost of the asset, unless something has happened to the asset itself or the economic environment in which the asset is held.
- 7.20.29. Examples of events and changes in circumstances that would result in the impairment of an asset include:
- a. a significant decline in an assets market value;
  - b. obsolescence or damage to the asset;
  - c. the purpose for which the asset was acquired is no longer carried out and there is no alternative use for it;
  - d. major reorganisations;
  - e. a loss of key employees.
- 7.20.30. Any write-down to recoverable amount in the above circumstances will be charged to the operating cost statement (i.e. the asset life and recoverable amount are adjusted for the revised circumstances and the asset is depreciated using these new parameters). The recoverable amount will be the asset's net realisable value (i.e. the amount at which the asset could be disposed of, less any disposal costs).
- 7.20.31. Impairment losses **must** be recognised as expenses and disclosed in the Operating Cost Statement, either against Departmental Expenditure Limits (DEL) or Annually Managed Expenditure (AME).
- 7.20.32. Assets **must** be reviewed for impairment on an annual basis.

## 7.21. Managing Assets - Roles and Responsibilities

- 7.21.1. **Governors in Charge/Heads of Groups/Account Team Leaders (NPS) must:**
- a. appoint a Fixed Asset Manager (FAM) to ensure that [non-current assets](#) within HMPPS are properly managed;
  - b. make sure that the FAM responsibility is included in the relevant person's SPDR.
  - c. advise [SSCL Fixed Assets Team](#) of the name and contact details of their FAM and arrange for the FAM and other staff involved in asset management to receive the training required;
  - d. notify SSCL Fixed Assets Team immediately of any subsequent changes to the FAM appointment via [PHX084 \(Fixed Asset Manager Confirmation Sheet\)](#);
  - e. arrange for the FAM to have access to all assets held;

- f. make certain that the required internal procedures are in place to make sure that the FAM is notified of all asset purchases, transfers and disposals, by all sections and departments within Cost Centres;
- g. establish that an appropriate system is in place, for all types of assets, so that every asset under their control can be individually recognised. The system **must** also include local written guidance on the security, custody and removal of all assets;
- h. verify that separation of duties is maintained to prevent the FAM from having procurement authority for non-current assets.

7.21.2. The **Fixed Asset Manager (FAM) must:**

- a. in accordance with the investment appraisal, decide the life expectancy of an asset with the Local Asset Register Manager;
- b. ensure the security of assets (i.e. they have been locked away, tagged);
- c. inform [SSCL Fixed Assets Team](#) of all asset events such as new additions, transfers, re-lives, revaluations and disposals;
- d. complete quarterly reconciliations;
- e. complete ad hoc journals as required, such as transferring the value of building management systems to MoJ Estates;
- f. record and check assets on an annual basis;
- g. monitor the Local Asset Register as maintained by the Local Asset Register Manager;
- h. assign all assets to an Asset Custodian;
- i. arrange an annual physical asset check.

7.21.3. The **Asset Custodian must:**

- a. ensure the security and maintenance of the asset;
- b. report all asset movements for updating the register;
- c. carry out regular checks to assess misuse, under-utilisation, obsolescence and deterioration;
- d. carry out quarterly checks of individual assets and inform the Cost Centre Business Hub

## 7.22. Regularity & Propriety in Managing Assets

7.22.1. Separation of duties **must** be maintained in the following areas to minimise the risk of intentional manipulation or error:

- a. purchase of asset;
- b. custody of asset;
- c. maintaining the asset register;
- d. annual physical asset check.

- 7.22.2. Where resources do not allow this the Governor/Head of Group **must** assess the risks and initiate additional recorded management checks as appropriate, and record the risks on the Statement on Internal Financial Control (SIFC).
- 7.22.3. Assets cannot be used for private purposes. They **must** only be used towards achieving HMPPS aims and objectives.
- 7.22.4. It is essential that the Establishment Finance Lead or equivalent, is consulted prior to transferring any assets to their Cost Centre, to ensure that the correct charge accounts are used.

## 7.23. Asset Events

- 7.23.1. HMPPS operates OFA which is maintained and controlled by the [SSCL Fixed Assets team](#). The team **must** be notified about any assets costing £10,000 or over including VAT except:
- a. land and buildings, which are dealt with by MoJ Estates;
  - b. computer equipment supplied/maintained by HP Enterprise Services (formerly EDS);
  - c. furniture & fittings (being inmate furniture and standard office furniture), which are dealt with centrally by FM&C.
- 7.23.2. There are various types of asset event that **must** be recorded on Oracle Fixed Asset:
- a. purchases;
  - b. donations;
  - c. discoveries;
  - d. transfers;
  - e. re-lives;
  - f. revaluations;
  - g. disposals;

### Asset Purchases

- 7.23.3. When purchasing non-current assets, Cost Centres **must** follow procurement rules and ensure that separation of duties is maintained throughout the process. See [7.21](#) for the process of assigning a custodian and completing forms.
- 7.23.4. A copy of the invoice should be forwarded along with the completed form.
- 7.23.5. Asset Categories can be found at [Annex C](#)

## Asset Donations

7.23.6. Where a non-current asset is gifted to a Cost Centre, if it exceeds the capitalisation threshold it will need to be treated as an acquisition. See [7.21](#) for the process of assigning a custodian and completing forms.

## Asset Discoveries

7.23.7. Where a previously unknown asset is discovered, and its net value is over £10,000 at the time of discovery, it will need to be added to the asset register. See [7.21](#) for the process of assigning a custodian and [completing forms](#).

7.23.8. Additionally, the following journal entries **must** be inputted on Oracle to reflect the discovery of an asset:

Dr	Discovered Account*
Cr	Other Movements Reserves (Account Code 3113302001)

\*refer to [Chart of Accounts](#) for numeral required depending on which category the asset falls into

## Process of assigning custodian and completing forms

7.23.9. **Assign Custodian** – An asset custodian **must** be assigned. They are responsible for the security and maintenance of the asset.

7.23.10. **Value asset** - The FAM **must** identify the total value of the asset and its life expectancy.

7.23.11. **Complete 'Assets Additions' form** – In order for the asset to be capitalised [MoJ FA SOP30 \(Additions Template\)](#) **must** be completed and emailed to the SSCL Fixed Assets Team. The SSCL Fixed Assets Team will add the new asset onto OFA

## 7.24. Asset Transfers

7.24.1. A non-current asset is transferred when its physical location changes from one Cost Centre to another. In such an instance, [MoJ FA SOP31 \(Adjustments Template\)](#) **must** be submitted to the [SSCL Fixed Assets Team](#) so that OFA can be updated.

7.24.2. The receiving Cost Centre should be contacted to obtain the relevant codes in Oracle/SOP, this will ensure depreciation is charged to the correct code combination.

7.24.3. Where an asset is transferred from one Cost Centre to another, any depreciation charge applicable to the asset in the month of transfer will be charged to the receiving Cost Centre.

7.24.4. In view of the fact that all asset event forms sent to the SSCL Fixed Assets Team are used to centrally post the relevant journals, Cost Centres do not need to complete IUC journals for any assets transferred between each other.

## 7.25. Disposal of un-required assets

7.25.1. The [Requisition to Pay \(RtoP\) team](#) is responsible for administering the [disposal process](#) on behalf of Cost Centres, which includes obtaining Treasury approval.

7.25.2. The Disposal Services Agency (DSA) will only accept disposal authorisation from the RtoP Team. The Establishment Finance Lead or FAM should arrange for the RtoP Team to be contacted regarding a disposal.

7.25.3. Disposal action may only be initiated when an asset (other than household waste, vehicles or land & buildings), has no further use within HMPPS. This could be due to a number of factors such as:

- a. no longer required;
- b. worn out;
- c. obsolete;
- d. beyond economical repair;
- e. replaced by new model.

7.25.4. With the sale of an asset managed through the DSA contract, any revenue generated will be paid to the centre.

7.25.5. There **must** be clear separation of duties locally between those responsible for identifying obsolete/surplus stock and those responsible for authorising approach to the [RtoP team](#) for disposal/write-off action.

7.25.6. For **disposal of vehicles** contact Transport Unit.

7.25.7. For **disposal of land & buildings**, which includes BMS assets (e.g. modular buildings, CCTVs, built-in fridge-freezers/cold rooms, alarm systems, generators etc) contact MoJ Estates.

7.25.8. Both these departments arrange the disposal process on behalf of Cost Centres and will also liaise with the [SSCL Fixed Assets Team](#).

7.25.9. Cost Centres **must** take account of factors such as value of item(s) and distance between despatching and receiving locations, if considering keeping an item or asset within the organisation, when deciding whether [this disposal option](#) will provide value for money for HMPPS.

7.25.10. Where equipment acquired under the Access to Work scheme (usually desks, chairs, etc) is no longer needed, the Cost Centre has discretion as to how best to dispose of items so as to benefit others. Disposal should firstly be sought within HMPPS, before going externally.



- 7.25.11. For items found to be damaged, deteriorated, or expired in storage, beyond economic repair, worn out or damaged in use, prior to contacting the RtoP team, Transport Unit or MoJ Estates, the item should be examined and reported upon as follows:
- a. electrical items that are presented as beyond economic repair, worn out or damaged in use shall be accompanied by a certificate of unserviceability signed by a certificated electrician or other competent person;
  - b. the circumstances of any deterioration or expiry in storage or damage are to be investigated and a report with recommendations prepared. The report should be attached to the submission to the SMT for disposal instruction;
  - c. movements of a stock item subject to disposal sales are to be recorded in the remarks column of the Main Stock Record for each item. Where the item is recorded in OFA, the [SSCL Fixed Assets Team](#) are to be advised of the disposal action taken. Local Asset registers should also be amended;
  - d. High Security Locking Materials, Security Scanners, C&R equipment and Short Duration Breathing Apparatus can also be disposed of using [PHX145 \(Authority for Disposal\)](#).

## Disposal Options

- 7.25.12. The DSA will dispose of residual assets at the best commercial costs and principally through their contractors. Where appropriate and at their discretion, they will use other methods of sale which could include sale by tender, auction or private treaty. Where assets to be disposed of attract a cost, Cost Centres will have to meet the costs from their budget.
- 7.25.13. In view of the greater emphasis on regularity and propriety in dealing with assets, it is no longer considered a viable option to dispose of them through staff sales, donations to charity or local sales. The contractors used by the DSA have been selected following a competitive tendering exercise, in some cases following EU regulations, and are deemed fit for purpose. In following the process, HMPPS is demonstrating a duty of care in dealing with the disposal of its assets as well as reducing the likelihood of liability in respect of passing on potentially faulty goods to the general public.

## Updating the Fixed Asset Register

- 7.25.14. [MoJ FA SOP32 \(Retirements Template\)](#) **must** be completed, together with [PHX145 \(Authority for Disposal\)](#) and submitted to the [SSCL Fixed Assets Team](#) together with a copy of any sales invoices of disposed assets.
- 7.25.15. Once the asset has been disposed of, the SSCL Fixed Assets Team will process the following journal entries on Oracle:

Dr NBV of Fixed Asset Disposed  
Cr GBV of Fixed Asset Disposed

Dr Fixed Asset Accumulated Depreciation on Disposals.

## 7.26. Local Assets

- 7.26.1. A local asset policy **must** be decided upon, and communicated to all staff within each Cost Centre, that clearly sets out what is defined as a local asset.
- 7.26.2. The register **must** be updated for all asset movements, and include relevant information in support of each local asset.
- 7.26.3. The register **must** include low value items that are considered portable and attractive.
- 7.26.4. The register **must** include assets owned by third parties which are used by HMPPS e.g. HP Enterprise Services (formerly EDS) computer equipment.
- 7.26.5. If an asset is donated for the benefit of prisoners it will be held by HMPPS as custodian on their behalf and **must** be included on the local asset register. Such assets will not, however, be recognised in the HMPPS accounts.
- 7.26.6. The maintenance of a Local Asset Register (LAR) is an important part of asset management within HMPPS as it helps:
- monitor assets that are delivering a service;
  - monitor portable and attractive items which may be vulnerable to theft;
  - monitor the condition of the asset. For example, maintenance information would be shown;
  - provide extra information on Portable Appliance Testing (PAT) assets.
- 7.26.7. LARs **must** be operated in all locations, and **must** hold information on all items with an original purchase price of £500 to £10,000 (including VAT). The LAR Manager **must** check all items held on this at least once a year, although this can be achieved by checking on a rolling basis. All IT assets under the current IT contract **must** also be included on this LAR. These details can be held on a locally produced database.
- 7.26.8. Assets that fall below the £10,000 threshold with a nil Net Book Value will be removed by the [SSCL Fixed Assets Team](#) annually in April, and they will tell Cost Centres to incorporate these assets onto their LAR.
- 7.26.9. Where assets have an original purchase price of less than £500 (including VAT), it is discretionary as to whether to include these items on the LAR or not. Consideration **must** be given to the time it will take to manage and report on such items, compared to the risk of loss. A local policy **must** be agreed on what assets under £500 will be recorded on the LAR, and this policy **must** be recorded, and communicated to all staff. Examples of types of assets costing less than £500, but that should be considered for inclusion on the LAR are those considered to be:
- portable and attractive;
  - essential to the delivery of core business;
  - could impact on security if they went astray.

7.26.10. The following is a guide to what should be included as a minimum on the LAR:

- a. Reference number;
- b. Description, and type of asset;
- c. Manufacturer, model, serial number, and specification (if applicable);
- d. Date of acquisition and cost;
- e. Value;
- f. Location & Custodian;
- g. Last Physical Check date & authorisation
- h. Whether any other checks are required on the asset - (e.g. PAT testing, security audit check) and date of last check;
- i. Date of Disposal\Loss\Transfer;
- j. Reason for Disposal \Loss\Transfer;
- k. Disposal Method, to whom and Proceeds\Write off amount\Transfer Location;
- l. Authority for Disposal\Write off\Transfer;
- m. Ownership (e.g. owned\ leased \ third party).

## Adding a New Asset

7.26.11. Any new assets that meet the definitions of a local non-current asset **must** be added onto the locally produced database.

## Asset Transfers

7.26.12. Whenever there is a change to the local asset details such as Cost Centre, location, equipment type, owner, category, or a change to whether it is audited, or PAT or Security tested, a transfer needs to be actioned to update the asset details in the Local Asset Register to reflect these changes.

## Asset Disposals

7.26.13. When an asset is disposed of, it **must not** be deleted from the local asset register. Instead, the asset is marked as Disposed, and a reason for disposal, as well as other details, is recorded.

## Standard Asset Reports

7.26.14. It can be useful when checking and reconciling assets to be able to create a print out of both details and summary. There is a selection of standard reports that can be run to list items, see [Annex E](#).

## 7.27. Assets Checks

### Exit Checks

- 7.27.1. Whenever a member of staff wishes to remove an asset from HMPPS property, formal authorisation **must** be given. This should be in written form, to facilitate exit checks. Only the FAM can give this authorisation.
- 7.27.2. Exit checks will help ensure proper control is maintained over assets, and that the risks of loss and theft are mitigated.
- 7.27.3. In establishments, it is the responsibility of gate staff to ensure that staff have been authorised to remove assets.
- 7.27.4. Assets **must not** be removed from HMPPS property for personal use.

### Independent Yearly Physical Checks

- 7.27.5. Each year, every Cost Centre **must** physically check that they still own assets listed on their asset register. The Establishment Finance Lead or HQ equivalent **must** ensure that a program of asset checks is established and nominate individuals to carry this out.
- 7.27.6. Assets **must** be checked to:
- a. confirm existence;
  - b. record any assets not on the register;
  - c. identify and dispose of any surplus assets;
  - d. consider impairment.
- 7.27.7. Following the check, an [Annual Physical Check form \(Annex D\)](#) **must** be completed and sent to the [SSCL Fixed Assets Team](#) before the 2nd week in March. The form will be held on file centrally for audit purposes. The address to use is *Shared Services Connected Limited, Phoenix House, Celtic Springs Business Park, Newport, NP10 8FZ*

### Quarterly Physical Check

- 7.27.8. Asset custodians **must** confirm on a quarterly basis that the asset register is correct for the assets assigned to them. They **must** check assets to:
- a. confirm existence;
  - b. confirm they are still required;
  - c. record condition;
  - d. consider any diminution in value (“impairment”)
- 7.27.9. Any discrepancies **must** be reported to the Establishment Finance Lead or HQ equivalent who **must** investigate and take appropriate action.

- 7.27.10. Any asset losses **must** be reported to the Governor and write-off action taken. Refer to [Chapter 6 - Losses and Compensation](#), for guidance.

## Management Checks

- 7.27.11. The Establishment Finance Lead or HQ equivalent **must** carry out additional management checks to ensure the systems and controls are being operated effectively, such as:
- a. sample documentation checks;
  - b. sample checks on asset register details

## 7.28. Assets - Risk Management and Control

### 7.28.1. Potential Risks

Cost Centres should manage the potential risks associated with acquiring, maintaining and disposing of assets, this could include the following:

- a. theft/ loss/ fraud;
- b. deterioration;
- c. misuse (intentional/unintentional);
- d. obsolescence (fruitless payments);
- e. inaccurate/ unqualified accounts;
- f. erroneous records;

### 7.28.2. Potential Controls

Controls should be put in place to minimise potential risks, these could include the following:

- a. proper authorisation of journals;
- b. separation of duties between initiator, approver, entry and posting of journals;
- c. reconciliation of IUC bucket accounts;
- d. IUC received/ sent supported by adequate documentation;
- e. use of OFA to accurately identify and notify all amendments to an asset register including purchases, disposals, discoveries and transfers;
- f. nominated FAM and Local Asset Manager (LAM);
- g. nominated asset custodians;
- h. training and guidance;
- i. assets have unique identifiers;
- j. removal of assets **must** be authorised by the FAM;
- k. Gate staff **must** check with the FAM authorisation -gate passes;
- l. reconciliation of OFA to Oracle;
- m. local and national current and non-current assets policies;
- n. separation of duties between:

- purchase of asset
  - custody of asset
  - maintaining the asset register
  - annual physical asset check
  - regular independent checks of assets to asset registers;
- o. restricted access to asset registers;
- p. regular backups of asset registers, where appropriate;
- q. security marking of assets considered portable or desirable;
- r. disposal of surplus or condemned assets are properly authorised;
- s. access to assets considered portable/desirable/expensive restricted to authorised staff.

## **7.29. Assets and Capitalised Assets – Annexes**

- 7.29.1. [Annex A - New Appraisal Document](#)
- 7.29.2. [Annex B - Capital Project Evaluation pro-forma](#)
- 7.29.3. [Annex C - Asset Categories](#)
- 7.29.4. [Annex D - Annual Physical Check form](#)
- 7.29.5. [Annex E - Standard Reports](#)

## 8. Income and External Funding

### 8.1. Scope

8.1.1. This chapter sets out financial policy on:

<a href="#">8.2 Accounting for Income</a>	<a href="#">8.3 External Income</a>
<a href="#">8.4 Budgeted Income and Consolidated Fund Extra Receipts</a>	<a href="#">8.5 EU Income</a>
<a href="#">8.6 Ring-Fenced Monies</a>	<a href="#">8.7 Wider Market Activities</a>
<a href="#">8.8 Interests</a>	<a href="#">8.9 Special Funds</a>
<a href="#">8.10 Third Parties Monies</a>	<a href="#">8.11 Income and External Funding - Risk Management and Control</a>
<a href="#">8.12 Income &amp; External - Funding Annexes</a>	

### 8.2. Accounting for Income

8.2.1. Operating income is that relating directly to the operating activities of HMPPS, predominately through fees and charges to external customers (see [9.7 – Sales, Receipts and Credit Management](#))

8.2.2. Non-operating income relates to proceeds arising from sale of non-current assets

8.2.3. Strategic business planning procedures and budget proposals **must** include all expected income.

8.2.4. Cost Centres **must** manage their assets efficiently and effectively to meet the core objectives of the business. Any attempt to generate income should not detract or interfere with these core objectives. Regularity and propriety issues should always be assessed regarding any new proposals (see [Chapter 2](#)).

### 8.3. External Income

8.3.1. HMPPS Co-Financing Organisation (HMPPS CFO) reporting operationally to the Public Sector Prisons Directorate holds responsibility on behalf of HMPPS for sourcing UK and International funding to support reducing re-offending, including sharing of good practice and developing networks to inform policy, strategy and practice.

- 8.3.2. Governance is provided by the HMPPS National Research Committee (NRC). The NRC scrutinises all regional and national level applications for external funding for new projects or initiatives, to ensure that there is no over commitment of HMPPS monies and that they fit with national policies and initiatives.
- 8.3.3. All projects that include an element of research **must** also be approved by the [National Research Committee](#) to ensure there is no overlap with current or proposed work elsewhere and that the budget proposed is both suitable and feasible.
- 8.3.4. Any decisions relating to overseas deployment of staff are referred to the People Sub-Committee within the Human Resources Directorate via the International Team located in HMPPS Co-Financing Organisation Group (see [Annex A](#)).
- 8.3.5. All potential risks associated with external funding should be identified by the Cost Centre, analysed and reported through the Statement on Internal Financial Control.
- 8.3.6. Any Cost Centres planning to make bids to external funding organisations for voluntary donations from charities or individuals to be used for new projects or initiatives, or those requiring use of voted funds as match funding for new projects or initiatives **must** notify the HMPPS Co-Financing Organisation (HMPPS CFO) via their [functional mailbox](#) providing details of external funder, proposed activity and where applicable, match funding source. Submissions to the NRC will be examined as there may be implications for alignment to other programmes, HMPPS reputation or double counting of participants.
- 8.3.7. Cost Centres are required to submit applications via their Prison Group Director/Head of Group to their respective Executive Director, and Head's of LDU's via their Probation Divisional Director to their Executive Director who, if in agreement with the application, will seek approval from the Finance Sub-Committee.
- 8.3.8. Application via the Deputy Director/Head of Group or Probation Divisional Director will also ensure authority is obtained, if necessary, to increase budgeted income levels to account for the funding applied for.
- 8.3.9. Cost Centres **must not** engage in providing services to third party organisations without ensuring that full cost recovery for all HMPPS costs is achieved. These requirements do not cover arranging for potential providers of working prison/community work to have a tour around a prison/LDU for community engagement purposes. Requests to facilitate or host international visits to prisons/LDU's should be referred in the first instance to the [MoJ International Visits](#) functional mailbox. Guidance on releasing staff on a short-term basis to complete an international project should be referred to the [MoJ International Visits](#) functional mailbox to ensure co-ordination within HMPPS.
- 8.3.10. From time to time, employees of HMPPS produce various materials, manuals and other documents in the course of their employment. These are used both internally and externally by HMPPS. Any submission that includes the use of such materials **must** take into account the Intellectual Property Rights (IPR) belonging to HMPPS (and the Crown) and clarify the requirement for materials to be licensed, as an additional fee may be incurred. Enquiries for re-use of material covered by Crown



copyright must be referred to [Crown Copyright team](#) in accordance to [PSI 2014-46](#) and [PI 2014-62](#) and to abide by legislation.

8.3.11. Projects, where funding is provided from an external source may specify that the products and materials are subsequently owned by that funding source and can only be used by them, the project partners and applicant agency. It is important to consider licensing and IPR prior to the submission of the application for funding as this would ensure it remains within the organisation that legally owns it.

8.3.12. Any decisions relating to external licensing of IPR **must** be referred to the Intellectual Property Rights Reference Group which reports to the Business Planning and Executive Committee and is serviced by the [Crown Copyright and Licensing Hub](#) located in the Public Prisons Directorate.

## 8.4. Budgeted Income and Consolidated Fund Extra Receipts

8.4.1. The Spending Review process identifies the expected level of departmental income for the individual years across the review period.

8.4.2. Where more income is received than was anticipated, departments are allowed to retain up to 20% above the envisaged departmental level for the year, without adjustment to the estimate. For HMPPS the departmental control is maintained by the Ministry of Justice.

8.4.3. Where income is generated beyond the departmental 20% ceiling, Treasury **must** be approached to ascertain whether the department may retain all or part of the income without adjustment to the estimate and whether it can be used to increase expenditure, or **must** be used to further reduce the net requirement from the consolidated fund. It is likely that additional income will be classified as non-budgetary income and surrendered to the Consolidated Fund. This is referred to as Consolidated Fund Extra Receipts (CFERs).

8.4.4. Where income fails the budgeted income test it **must** be treated as CFERs. Windfall receipts **must** be treated as CFERs and can never be classified as budgeted income, examples of which can be found at [Annex B](#).

8.4.5. A Cost Centre may use income to fund its core activities where authority has been given through the agreed business planning process and subsequent budget allocation.

8.4.6. Before accepting any voluntary donations or non-voted funds for new projects or initiatives, or instigating a bid process for additional funding to assist with a new project or initiative, applications **must** be made as per [8.3.6](#) above to seek the appropriate authorisation and approval. The resulting income is treated as budgeted income, and associated costs recorded through expenditure codes.

- 8.4.7. Donations which will not be used to fund new projects or initiatives and can be absorbed into current budgeted income levels and do not require submission via HMPPS Co-Financing Organisation. Such donations should be dealt with in line with the policy on accepting gifts. For further guidance on gifts and Hospitality please refer to section [2.4](#)

## 8.5. EU Income

[This section will be updated pending the outcome of the BREXIT negotiations].

- 8.5.1. Income from the European Union (EU) may be treated as budgeted income if it supports current expenditure. Income from the EU which finances capital expenditure may not be set against resource budgets.
- 8.5.2. EU income from whatever source, other than receipts to be transferred to other member states or mandated bodies in other member states in respect of EU twinning projects, should be treated as income.
- 8.5.3. The Government's Financial Reporting Manual allows that EU income which is received by an entity in the capacity as an agent passing on the income to a third party may be netted off the relevant expenditure, rather than appropriated in aid. However, HMPPS' policy is to account for such income and expenditure on a gross basis.
- 8.5.4. Where there is a delay in receipt of EU funds, the amount due should be treated as accrued income.
- 8.5.5. Income from the European Union is not free as the budget is funded by Member States, and this includes the UK. Departments need to consider this and only make claims for EU income to support programmes that represent good value for money. The approval process **must** ensure the correct sign off and that projects that do not represent value for money are not accepted.
- 8.5.6. Refer to [Managing Public Money](#) for further detail on EU funding.

## 8.6. Ring-Fenced Monies

- 8.6.1. External funds received from Other Government Departments (e.g. Home Office), local authorities, the national lottery, EU or other ring-fenced providers, are identified through use of the analysis code within the [Chart of Accounts](#) to allow monitoring and reporting of the related expenditure.
- 8.6.2. These funding codes should be used to record all income from these sources, and should not be used to record income from any other sources.
- 8.6.3. Ring fenced money is given for a specific purpose and cannot be used for anything other than that specified.

- 8.6.4. Underspends would usually be returned to the fund owner and are the responsibility of the Cost Centre, unless authority has been given otherwise.
- 8.6.5. Overspends **must** be funded from local budget provision.

## 8.7. Wider Market Activities

- 8.7.1. Treasury encourages engagement in wider market activity (WMA) to find new income streams, where appropriate, to support public spending, reducing drawdown and also generate innovative provision of public services.
- 8.7.2. It is essential that when undertaking any WMA that VAT is correctly accounted for: both in respect of sales and, importantly, in respect of the recovery of Input VAT. Further guidance on WMA may be found in [Chapter 9](#).
- 8.7.3. Before entering into any wider market activities, please ensure you speak with your Finance Business Partner who will ensure FM&C [Financial Governance](#) are consulted to independently assess the risks and implications.
- 8.7.4. WMA are concerned with using public service assets to their full potential by identifying spare capacity and using this to generate additional prisoner regime opportunities and/or income through commercial activities to ensure maximum efficiency and effectiveness.
- 8.7.5. Commercial activities relate to the sale of existing goods and services, or development of new goods and services from existing assets. These activities **must not** detract from the core aims and objectives to be delivered by the business. Any asset purchased **must** be in line with the business objectives however the potential for future wider market opportunities can be considered as part of the business case.
- 8.7.6. Wider markets activities are defined as those where the sale of goods and or services meets the following criteria:
  - a. it is not a statutory service except where the enabling power for a (non-regulatory) service specifically states that charges can be made on a commercial basis;
  - b. it is charged on a commercial basis, meaning that the financial objective is to achieve additional revenues, prices should be set with this purpose in mind ensuring adherence to Competition Law, Procurement Rules (Domestic and EU), Pricing Policy and Income from EU Contracts;
  - c. the activity is discretionary in nature, using capacity not needed for statutory services;
  - d. customers are not tied to the public body supplying the goods or service concerned and are free to either not buy or to buy them from whatever source provides the best value for money;

- e. the goods or service is sold in a competitive market. In some cases the public sector may have a large share of the market, or be the sole supplier. This should not prevent the public sector engaging in a wider markets activity.

8.7.7. A service is not a wider market activity if it is sold only to other government departments and other public bodies, as it is not generating funding from an external source. The activity can only be considered wider market if budgets are benefiting and there is not just movement of budget between government departments.

8.7.8. The policy applies to the commercial exploitation of physical assets including equipment, land and premises and non-physical assets applying to software, databases, expertise, skills, brands and intellectual property.

8.7.9. Types of wider market activity include:

- a. facilities;
- b. hire of sports facilities;
- c. hire of spare offices, conference facilities;
- d. TV/film opportunities;
- e. cafes and gift shops;
- f. services;
- g. advertising/sponsorship;
- h. e-Services;
- i. merchandising;
- j. consultancy

8.7.10. The incentive is for Departments to be allowed to keep wider markets income.

8.7.11. All wider market projects where the full annual cost is £1m or more, or where the income is projected above 5% of the body's total, require Treasury approval. As do any projects with the potential to be contentious or repercussive.

## 8.8. Interests

8.8.1. Interest received **must not** be offset against interest payable.

## 8.9. Special Funds

8.9.1. Special funds are used to hold gifts of money from non-government sources, or donations from charity for a specific prisoner or service user. The special fund is used to ensure compliance with the stipulations for use as dictated by the provider. The fund should be credited to the correct account code and funding source and analysis code applied please contact your local accounts team.

- 8.9.2. When a prisoner or service user, for whom a special fund is held, is transferred to another Cost Centre an IUC should be generated to move the balance to the receiving Cost Centre notifying them of the account the funds have been held in and send on any relevant paperwork, a copy of which should be retained locally.
- 8.9.3. Upon prisoner discharge the balance of a special fund should be returned to the fund provider.
- 8.9.4. Special funds are operated on a net accounting basis.

## 8.10. Third Party Monies

- 8.10.1. Account codes holding third party monies are operated on a net accounting basis in the statement of financial position.
- 8.10.2. All funds held on behalf of third parties **must** be properly accounted for using the pre-assigned account codes, funding source and analysis codes, please see Chart of Accounts.
- 8.10.3. Monies held as **third party monies** include:
- a. **Prisoners' Monies**  
Monies held on behalf of prisoners who are not allowed cash on possession while being held in custody (see [Chapter 13](#)).
  - b. **Staff Deposit**  
Returnable deposits from staff e.g. for car park passes. Where a replacement pass is required due to negligence by an individual, the original deposit should be treated as income to cover the cost of the replacement pass paid for from the expenditure account. A further deposit will be required from the individual on issue of the replacement pass.
  - c. **General Purpose Fund (GP) Fund**  
Credits to the account come from
    - i. commission or discounts received from prisoners catalogue purchases not directly attributable to specific prisoners;
    - ii. contributions from Visitors Refreshment Fund (see [9.4.11 – 9.4.14](#)); or
    - iii. gifts of money from non-government sources such as donations from charity for collective use all prisoners and/or other service users. [Note: This excludes funding for projects where a contractual or service level agreement is required as the funding received should be receipted as budgeted income. See [8.3](#)]
  - d. **Donations to Charity**  
Monies generated in relation to fundraising events led by prisoners/service users for a specific event. The account **must** be cleared immediately once all donations have been collected.

**e. Newspapers**

Monies deducted from prisoners for the purchase of newspapers where an invoice is awaited from the supplier.

**f. Catalogue Control Account**

Monies deducted from prisoners for the purchase of catalogue items where an invoice is awaited from the supplier (see [13.16](#)).

## **8.11. Income and External Funding - Risk Management and Control**

### **8.11.1. Potential Risks:**

Cost Centres should manage the potential risks associated with income and external funding, this could include the following:

- a. acceptance of external funding for purposes already provided for in the budget allocation;
- b. unauthorised receipt of external funds;
- c. conflicts of interest;
- d. acceptance of external funding from a source which brings disrepute to HMPPS;
- e. income incorrectly planned and forecast;
- f. match funding not being realised, impacting on voted funds;
- g. income hidden from Treasury;
- h. incorrect distinction between budgeted income and CFERs;
- i. commercial activities overriding core aims;
- j. Incorrect accounting of funds, or double accounting.

### **8.11.2. Potential Controls:**

Cost Centres should have controls in place to minimise the potential risk and these could include the following:

- a. identification and inclusion of all anticipated income in the business plan;
- b. accurate forecasting;
- c. associated risks noted on the statement on internal financial controls and mitigated accordingly;
- d. clear understanding of what constitutes budgeted income or CFERs;
- e. full business case and impact assessment prior to commencement of commercial ventures;
- f. refer to pricing policy when setting commercial charges or fees;
- g. adherence to the principles of regularity, propriety and VFM;
- h. submission through PGD/PDD to Commercial Development Group of all bids for or offers of external funding to provide new projects or initiatives, applications for EU funding, or match funding prior to acceptance.

## 8.12. Income and External Funding - Annexes

- 8.12.1. [Annex A: HMPPS Commissioning & Commercial Sub-Committee – Project Reporting Frame Work](#)
- 8.12.2. [Annex B: Windfall receipts \(CFER\)](#)

## 9. Sales, Receipts and Credit Management

### 9.1. Scope

- 9.1.1. Prison Industries undertakes various retail trading activities by selling its in-house produced goods/services for which payments (sales income/receipts) are received.
- 9.1.2. HM Prison and Probation Service (HMPPS) also operate and provide other retail services to prisoners, prisoner visitors, and staff, and receive ad hoc income from other sources.
- 9.1.3. This chapter sets out the policies governing

<a href="#">9.2 Sales Income and other Miscellaneous Receipts</a>	<a href="#">9.3 Standard Policies: procurement policies.</a>
<a href="#">9.4 Retail Activities</a>	<a href="#">9.5 Prison Industry Sales</a>
<a href="#">9.6 Other Miscellaneous Receipts</a>	<a href="#">9.7 Credit Management – External Trade Customers</a>
<a href="#">9.8 Customer’s Payments for Provision of Goods and Services</a>	<a href="#">9.9. Raising Invoices/Credit Notes for Trade Customers</a>
<a href="#">9.10 Debt Recovery from Trade Customers on Credit Terms</a>	<a href="#">9.11 Bad Debts and Bad Debt Relief</a>
<a href="#">9.12 Shared Services Connected Ltd Responsibilities</a>	<a href="#">9.13 Sales, Receipts and Credit Management - Risk Management and Control</a>
<a href="#">9.14 Sales, Receipts and Credit Management - Annexes</a>	

- 9.1.4. This chapter does not apply to NPS Cost Centres, with the exception of paragraphs [9.6.4](#), and [9.6.7 - 9.6.9](#).

### 9.2. Sales Income and other Miscellaneous Receipts

- 9.2.1. There are 3 main areas where HMPPS generate sales income/receipts:
- Retail Activities:** Operated in Public Sector Prisons only which include Staff Mess, Visitor Refreshment Fund (VRF), Vending Machines, External Farm Shops, and Prisoner Retail etc (see [9.4](#) below);
  - Prison Industry Sales:** Operated in the prison workshops where goods produced are either for internal sales (Newgate Office Furniture etc) or sold to paying customers, including Other Government Departments (external sales) - see [9.5](#) below;



c. **Other miscellaneous receipts:** any receipts not classified above such as:

- PIN Phone Commission;
- payphone receipts;
- In Cell TV receipts;
- prisoner catalogue administration charges;
- rent income from staff quarters;
- reimbursement of personal phone calls made by staff from official phones;
- charging for information;
- any other ad hoc income/receipts not listed;
- compensation receipts – any receipts received against a previous compensation expenditure of the Cost Centre;
- Healthcare providers Invoicing (e.g. NHS England, Spectrum, Healthcare UK etc) – the costs of prisoner healthcare provision, including Bed Watch and Constant Watches costs, are recharged to the relevant Healthcare providers, e.g. NHS England where applicable.

See section [9.6](#) below for further detail on dealing with these other miscellaneous receipts

## 9.3. Standard Policies

9.3.1. The standard policies in this section apply to all types of retail, trading sales and ad hoc income receipts, except where specifically stated, in addition to the specific policies for each type of trading activities in sections [9.4](#), [9.5](#) and [9.6](#) below:

### Pricing

9.3.2. For external sales all prices **must** be in accordance with HMPPS policy – this is available on [New Futures Network website](#). Further guidance can be obtained from the [Financial and Commercial Management in Prison Industries – User Guide](#).

9.3.3. VAT should be included in the price where applicable. See paragraphs [9.3.10 – 9.3.13](#) for further guidance.

### Stock – recording, accounting and reconciliation

9.3.4. A stock inventory **must** be accurately maintained, with stock checks undertaken and reconciled regularly to ensure:

- a. all stock purchased has been correctly added to the stock records;
- b. all goods sold (sales) have been correctly recorded and deducted from the stock records;
- c. all discrepancies in stock movement are investigated, reported and appropriate actions taken as required;

- d. all goods damaged and disposed of are appropriately written off in line with delegated authority and reflected in the stock records; authorised write-off is reported in the monthly compensation return to [FM&C Losses and Compensation](#) (see [6.12](#), [6.13](#), [6.15](#), [6.16](#));
- e. VAT is reclaimed on stock purchased which is used to make onwards taxable supplies where applicable (see [9.3.10 – 9.3.13](#));
- f. If purchased stock is used to make both taxable and non-taxable supplies (including internal use - for instance in the Prison Industries programme), VAT can be partially reclaimed by carrying out an apportionment calculation. Further guidance can be obtained from [MoJ Tax team](#) .

## Cash Takings and Cash Floats – Security of

- 9.3.5. All cash takings **must** be secured at all times, and taken to the cashier as soon as reasonably possible (see [Chapter 12](#)).
- 9.3.6. Where cash takings form part of an in house retail activity, [PHX029 form](#) should be completed for trading cash floats and submitted to [FM&C Financial Governance](#) for approval (see [12.12](#)).

## Invoices and Till Receipts

- 9.3.7. A till receipt **must** be given for each retail sale such as in-house staff mess, in-house Visitor Refreshment Funds, including that staffed by voluntary staff), external farm shops etc as an invoice is not applicable in these instances.
- 9.3.8. With the exception of retail sales where a till receipt is given, and miscellaneous receipts, an invoice (ARSOP14 form) **must** be raised promptly for each Prison Enterprise/Industry sales, for a regular trade customer and sent to [SSCL Accounts Receivable](#) for processing. Refer to [MyHub](#) for more [information](#). (see [9.3.9](#) , [9.9.1](#) and [9.9.2](#))

## Manual Invoices raised locally

- 9.3.9. One-off and infrequent ad hoc sales for which the use of [ARSOP14 form](#) to invoice is not appropriate, a manual invoice should be raised locally and VAT included (if applicable). If payment is by BACS, Cost Centre should:
  - a. ensure they use and issue sequentially numbered invoices for audit purpose;
  - b. advise customers (payees) to quote a specific reference such as the invoice number with their BACS payment;
  - c. recording the payments received on Cashier ADI;
  - d. send a notification email with the details below to [SSCL Cash Management team](#) as soon as possible at the end of each working day or next working day at the latest:
    - the remitter details;
    - the sales/receipts amount (£);
    - the full SOP account code.

## Value Added Tax on Goods/Services sold

9.3.10. Goods and services from trading and retail activities may be a taxable supply. Cost Centres should therefore check with [MoJ Taxation team](#) and ensure:

- a. Value Added Tax (VAT) is correctly charged and included in the price of all taxable supplies of goods and services sold, except for those which are exempt or outside the scope (statutory obligations) of the UK VAT;
- b. VAT is charged on the full sale price, in instances where goods/services in part exchange or through barter instead of money;
- c. Correct VAT rates are applied to the type of goods/services as per examples below:
  - **Zero rate (0%)** – e.g. on sales of farm shop produce and some printing;
  - **Reduced rate (5%)** – e.g. domestic fuel recharged to staff living accommodation sales of sanitary protection;
  - **Standard rate (20%)** – all other taxable supplies.

9.3.11. VAT should be charged on all supplies (work / repairs / services / goods) carried out for business supplies. This includes:

- a. sales to Other Government Departments (OGDs);
- b. sales to these MoJ entities: CAF/CASS, Youth Justice Board, Legal Ombudsmen, Public Trustee, Parole Board, Legal Service Board, Judicial Appointments Commission, and Criminal Cases Review Commission External sales;
- c. sales to private prisons;
- d. sales to individuals of the public (e.g. Prison Farm Shops), Visitors Refreshment Funds (VRF);
- e. sales to staff e.g. staff mess, vending machines, prison farm shops;
- f. provision of ad hoc services to prisoners e.g. photocopying.

9.3.12. **VAT may be reclaimed** on:

- a. stock purchased (see [9.3.4](#));
- b. bad debts suffered (see [9.3.18](#)).

9.3.13. MoJ [Taxation team](#) should be consulted for guidance goods/service purchases and/or sales to ensure VAT is correctly reclaimed.

## Budgeting and Accounting for Sales Income and expenditure

9.3.14. All sales income/receipts generated **must** be budgeted for and accounted as budgeted income, and all purchases made recorded as expenditure using the appropriate SOP account codes. The same applies to stock account codes for the relevant activities [see [Chart of Accounts](#)]. Advice can be obtained from the Regional Accounts team and/or the Cost Centre's Finance Business Partner if required.

## Off Book, Offset or Net Accounting

- 9.3.15. With the exception of compensation receipts (see [9.6.16](#)), off-book accounting, off-set accounting, net accounting is not allowed under any circumstances (see [5.4.3](#)).

## Quarterly / Annual Cost Statements

- 9.3.16. A Cost Analysis (Operating Cost Statement) for each trading/retail activity should be completed at least quarterly and reviewed to identify trends, pricing levels, profits and continuing operation viability (see [Annex A for Notes on Completion of Cost Analysis](#)).

## Profits

- 9.3.17. Profitability **must** be maintained and all profits correctly accounted for using appropriate SOP account code (see [Chart of Accounts](#)).

## Losses – Stock, Receipts, Trading Profits and Customer Debts

- 9.3.18. Management action **must** be taken where losses are identified. These should include:
- a. investigation;
  - b. identifying associated risks and putting appropriate controls in place;
  - c. write off in line with delegated authority;
  - d. completion of and reporting on monthly compensation and losses return to FM&C [Loss & Compensation team](#) (see [6.3](#), [6.12](#), [6.13](#), [6.14](#)).
  - e. reporting in the monthly compliance report (as part of the Statement of Internal Financial Control (see [Chapter 4](#)))

## Separation of Duties

- 9.3.19. Management should ensure separation of duties are maintained and, where applicable, the tasks listed below are performed by different members of staff to mitigate risk of potential errors and/or intentional manipulation of the accounting system. Where separation of duty is not possible, management **must** ensure additional, random and independent checks of sample documents are taken in order to identify and reduce potential risks and that all the listed tasks have been correctly performed:
- a. dispatching the goods;
  - b. production and dispatch of sales invoice;
  - c. receipt of monies;
  - d. stock checks;
  - e. credit control;
  - f. setting prices;
  - g. production of the quarterly and annual accounts.

## Credit Sales and Retail Sales, including Sales to Staff

- 9.3.20. With the exception of prison industry sales where credit terms and credit limits have been granted to external trade customers, no credit sales can be given to any retail customers, including staff, under any circumstances; all items purchased shall be paid for immediately at the point of sale, and goods/services can only be released/provided where a payment made has been cleared.
- 9.3.21. Due to propriety issues, with the exception of staff mess, only goods/services from retail activities that are available for sale to the wider public (e.g. external farm shops, VRF etc) may be purchased by members of staff and/or contractors under the same terms and conditions, including price.
- 9.3.22. For credit applications and credit management of external trade customers, see [9.7.](#)

## Procurement Policies – Overarching

- 9.3.23. Where services are contracted out and/or goods are acquired from third parties (suppliers), a contract is required and Cost Centres should ensure that the relevant [Category Manager or Category team](#) in MoJ Commercial Contract and Management Directorate (CCMD) is consulted to ensure that any contracts required are appropriately drawn up and have CCMD's approval before entering into a contractual agreement with the supplier.
- 9.3.24. The majority of Cost Centres within HMPPS do not have delegated procurement authority [see Delegation Letters) and therefore cannot enter into an agreement with any suppliers or contractors. There are exceptions to this which is referenced in the [Delegation Letter](#).
- 9.3.25. The [Financial and Commercial Management in Prison Industries – User Guide](#) provides a single point of reference for all financial and commercial management aspects of prison industries with external customers providing work in prisons.

## 9.4. Retail Activities

- 9.4.1. The [standard policies](#) in section [9.3](#) above will apply to all retail activities, except where specified, and in addition to those specifically listed below:

### Staff Mess

- 9.4.2. Where there are no facilities for staff to purchase food outside and nearby the prison, subject to sufficient demand from staff, the Governor may establish a subsidised staff mess, either in-house or contracted out.

#### 9.4.3. **In-house Staff Mess**

- a. the standard policies in section [9.3](#) (*except* paragraph [9.3.8](#)) above will apply;
- b. prices should be set to reflect the costs of food and all associated overheads, but not including staff costs. VAT is included as applicable;
- c. a contract for foodstuff provision **must** be set up and approved by the relevant Category Manager in MoJ Commercial Contract Management Directorate (CCMD) taking into account staff requirements, external catering supplies/facilities outside the prison, cost economy and value for money;
- d. the CCMD Category Manager is responsible for managing the commercial delivery of the contract;
- e. the Cost Centre is responsible for ensuring effective on site day-to-day delivery of the contract. Any contractual delivery or contractual related issues regarding the supplier and the contract should be reported to CCMD (see the [intranet](#) for [contact details](#)).

#### 9.4.4. **Contracted Out Staff Mess**

- a. The standard policies set out in section [9.3](#) do **not** apply. However, Cost Centres should ensure that any income and expenditure associated VAT in relation to the contract are correctly accounted for;
- b. A contract for staff mess **must** be set up and approved by the relevant Category Manager in MoJ Commercial Contract Management Directorate (CCMD) taking into account staff requirements, external catering supplies/facilities outside the prison, cost economy and value for money;
- c. The CCMD Category Manager is responsible for managing the contract;
- d. The Cost Centre is responsible for ensuring effective on site day-to-day delivery of the contract. Any contractual delivery or contractual related issues regarding the supplier and the contract should be reported to the relevant Category Manager in CCMD for action. See the [intranet](#) for [contact details](#).

## Vending Machines

9.4.5. Vending machines may be considered when there are no other viable options (e.g. external catering supplies facility outside the prison, staff mess or Visitor Refreshment Funds ([see 9.4.11 – 9.4.14](#)) for staff to purchase food/refreshments for consumption whilst on duty breaks.

9.4.6. Cost Centres do not have delegated procurement authority to purchase new vending machines or enter into a lease contract direct with any suppliers. If a vending machine purchase or an operating lease is required, an investment appraisal (including ongoing maintenance costs of vending machines - for purchase/owned option only) **must** be taken, with the option that demonstrates cost economy and optimal value for money be selected, authorised and procured appropriately.

9.4.7. VAT **must** be applied and accounted for on all taxable sales made through vending machines.

9.4.8. If HMPPS generate income from a vending machine owned by a third party/supplier and there is a percentage of sales payment or charge to position the

vending machine on HMPPS property, then VAT **must** be accounted for based on this percentage..

#### 9.4.9. **Owned Vending Machines**

- a. Except paragraphs [9.3.7](#), [9.3.8](#), [9.3.9](#), and [9.3.20- 22](#), the standard policies in section [9.3](#) will apply; and
- b. as with staff messes, prices should be set to reflect the costs of food, associated overheads (e.g. maintenance), at competitive local market rates, and VAT is included.

#### 9.4.10. **Leased Vending Machines**

Except for paragraphs [9.3.7](#), [9.3.8](#), [9.3.9](#), and [9.3.20- 22](#), the standard policies in section [9.3](#) will apply, and

- a. If a leased vending machine is required, Cost Centres are responsible for obtaining an operating lease contract that provides cost economy, value for money and ensuring effective delivery of the contract. Advice and approval from the MoJ [Commercial and Contract Management Directorate](#) (CCMD) **must** be sought and obtained in advance before entering into any contractual agreement;
- b. where the Cost Centre is responsible for filling stock and selling, prices should be set to reflect the costs of food, associated overhead (e.g. rental costs) and at competitive local market rates with VAT included;
- c. If HMPPS generate income from a vending machine owned by a third party/supplier and there is a of sales payment or charge to position the vending machine on HMPPS property, then VAT **must** be accounted for based on this percentage.

### **Visitors Refreshment Fund (VRF)**

9.4.11. Visitors Refreshment Funds can be operated in house or contracted out and governed as below.

#### 9.4.12. **VRF Staffed and Administered by a Voluntary Organisation**

Only paragraphs [9.3.10 - 9.3.13](#), [9.3.14](#), [9.3.15](#), [9.3.16](#), [9.3.23 -9.3.25](#) of the standard policies (section [9.3](#)) will apply, and:

- a. direct costs such as utilities and a notional (but realistic) rent of space **must** be charged to the organisation;
- b. the voluntary organisation charge a management fee of 5% of the VRF annual turnover;
- c. a donation to the General Purpose (GP) Fund for prisoners' collective uses (see [8.10.3\(c\)](#)) should be negotiated. It is expected that the levels of this donation will be approximately 25% of annual net surplus. The remainder of the annual net profit is kept by the voluntary organisation;
- d. HMPPS Cost Centre retains the right to audit the visitors' refreshment operation;
- e. it is expected that the voluntary organisation will reimburse its own volunteers of any travel and subsistence they may incur in running the VRF operation;

- f. a formal and written agreement **must** be in place for any service which is being run by any suppliers other than the establishment whether this is a voluntary or paid for service;
- g. any service currently in place or a new service requirement which will be on a voluntary basis but not run by the establishment **must** have a formal and written agreement. Establishments should contact CCMD [Commercial Resettlement Services team](#) who will work with the establishment to put in place an agreement;
- h. establishments **must not** create, agree and/or sign any type of agreement or contract with a provider as this **must** be done by CCMD. There are exceptions to this which can be found in the [Delegation Letter](#).
- i. VAT may be exempt and VAT applicable for non-exempt good supplies **must** be correctly applied, dependent upon the terms of the contractual agreement. Guidance can be sought from [MoJ Taxation team](#).

#### 9.4.13. **VRF Administered by the Establishment and where staffed by individual volunteers**

Except paragraphs [9.3.8](#), [9.3.9](#) and [9.3.22](#), the standard policies in section [9.3](#) will apply, and

- a. at year end, up to 50% of the total profit should be journalled to the General Purpose (GP) Fund (see [8.10.3\(c\)](#)).
- b. where the VRF is administered by the Cost Centre but staffed by volunteers supplied by a voluntary organisation, it is expected that the volunteers' travel expenses are re-imbursed by the organisation. 5% of the VRF annual turnover is payable to the voluntary organisation and an agreement **must** be in place for this service;
- c. establishments should contact CCMD [Commercial Resettlement Services team](#) who will work with the establishment to put in place an agreement. Establishments **must not** create/sign or agree any type of agreement or contract with a provider this **must** be done by CCMD who hold the Authority to sign contracts;
- d. where volunteers run the VRF as private individuals (i.e. not supplied by a voluntary organisation), 5% of the VRF operation annual turnover payment cannot be made, but HMPPS will meet the volunteers' travel costs in this instance providing that such costs are reasonable, agreed in advance, and proof of travel costs is provided with the re-imbusement application.

#### 9.4.14. **Contracted VRF operated by Contractors**

Only paragraphs [9.3.10](#), [9.3.23](#) and [9.3.24](#) of the standard policies in section [9.3](#) will apply. However, Cost Centres should ensure that any income and expenditure associated VAT in relation to the contract are correctly accounted for in line with HMPPS Budgeting and Accounting policy (see [Chapter 3](#) and [Chapter 5](#)), and

- a. for any outsourced VRF requirements a contract **must** be in place. All contracts **must** be in line with [MoJ Procurement policy](#) and EU Procurement Regulations;
- b. establishments should contact CCMD [Commercial Resettlement Services team](#) who will work with the establishment to run a competition for any



requirements. Establishments **must not** create/sign or agree any type of agreement or contract with a provider this **must** be done by CCMD who hold the Authority to sign contract;

- c. the Cost Centre is responsible for managing the on site day-to-day delivery of service provided by the contractor and report any contractual issues to the Contract Manager/team in MoJ CCMD to ensure they are taken up with the Contractor appropriately.

## External Shops

- 9.4.15. Except paragraphs [9.3.8](#), and [9.3.23 - 9.3.25](#), the standard policies in section [9.3](#) will apply, and
- 9.4.16. Industry goods/services or farm produce to be sold to the general public may be subject to various regulations such as retail trading, health and safety, environment, licensing etc. In addition to an investment appraisal, Cost Centres should ensure that all appropriate checks are undertaken before embarking on a sales activity by referring to this guidance or seeking advice from [New Futures Network](#). These should continually be checked for existing activities to ensure compliance to legislations.
- 9.4.17. VAT applies to all retail sales. Guidance can be obtained from MoJ [Taxation team](#).
- 9.4.18. New Futures Network can provide guidance on the offer of Prisoner work commercially, costing, pricing, risk management and regulation as required.
- 9.4.19. Income receipts received at shows/exhibitions on behalf of other Cost Centres **must** be forwarded to them via an IUC.

## Prisoner Retail

- 9.4.20. Only paragraphs [9.3.2 - 9.3.4](#), [9.3.10 – –9.3.19](#), and [9.3.23 - 9.3.25](#) of the stand policies in section [9.3](#) will apply.
- 9.4.21. Prisoner Retail covers the sale of retail items to prisoners' through the prison shop by a contractor, or a local prison shop through the progressive regime scheme. This does not include catalogue purchases from external suppliers which are covered in [Chapter 13- Prisoners Finance](#).
- 9.4.22. Prisoner retail sales is a taxable supply. To ensure correct VAT treatment, MoJ [Taxation team](#) should be consulted for advice if required (see [9.3.10 and 9.3.13](#)).
- 9.4.23. Cost Centres will receive their retail service for prisoners from a contracted workshop.
- 9.4.24. Full details of the role and function of HMPPS Workshops, supply of products and distribution to prisoners, returns and errors can be found in [PSI 23/2013 Prisoner Retail](#).

- 9.4.25. The Cost Centre is responsible for effective delivery of the contract, deducting monies from prisoners, timely reconciling the contractor's centrally posted weekly sales and returns values to the prisoners' canteen and PIN Phone suspense accounts.
- 9.4.26. The Shared Services Connected Limited (SSCL) is responsible for the payment of the contractor's weekly and monthly invoices after matching to centrally raised purchase orders.
- 9.4.27. The contract is anticipated to be self-financing with any profits used to reduce the overall service charge levied by the contractor and ongoing investment in retail workshop or prisoner regimes whenever possible.
- 9.4.28. Under the prisoner retail contract the stock for the prison shops belongs to HMPPS.
- 9.4.29. An annual stock take **must** be undertaken at each site which houses a retail workshop so the figures can be included in year-end accounts by the Central Retail Finance Team. Stock takes should be undertaken by the Cost Centre staff independent to workshop staff. A half-year stock count may also be required (see [9.3.4](#)).
- 9.4.30. Any stock adjustment related to goods for sale needs to have VAT accounted for on it in accordance with HMRC guidance on [VAT – Lost, stolen, damaged or destroyed goods](#). Further advice can be obtained from [MoJ Taxation team](#).
- 9.4.31. The manager of the Retail Workshop **must**, at periodic intervals (monthly/quarterly) as required, extract stock take statements from the Warehouse Management System (WMS) and provide these to the Central Retail Finance Team.
- 9.4.32. All stock losses **must** be reported on the Cost Centre's monthly losses and compensation return and monthly compliance report as part of the Statement of Internal Financial Control (see [Chapter 6 - Losses and Special Payments](#)).

## 9.5. Prison Industry Sales

- 9.5.1. Except paragraphs [9.3.5 - 9.3.7](#), the standard policies in section [9.3](#) will apply to all prison Industries in addition to the following:
- 9.5.2. Prison Industries provides different types of goods and services in prison workshops for sale either to other Cost Centres within HMPPS for internal use, or to external customers including Other Government Departments.
- 9.5.3. Guidance for Cost Centres to purchase these goods is available on [MoJ intranet](#).
- 9.5.4. The [Financial & Commercial Management in Prison Industries – User Guide \(March 2018\)](#) provides comprehensive guidance on Financial & Commercial Management, including contacts.

- 9.5.5. In addition to an investment appraisal, a risk assessment in line with this guidance and VAT liability advice from [MoJ Taxation team](#) **must** be undertaken before embarking on any newly proposed ventures.
- 9.5.6. Cost Centres should also approach [New Futures Network](#) for guidance on Prison Industry sales enquiries and new proposals. Further information about New Futures Network can be found on the [intranet](#).

## Internal Market

- 9.5.7. Except paragraphs [9.3.5 - 9.3.7](#), [9.3.20 - 9.3.22](#), and [9.3.23 - 9.3.25](#), the standard policies in section [9.3](#) will apply.
- 9.5.8. NDC Branston holds [various stock items](#) (subject to change) such as chairs, desks, tables, screens, filing storage, cafeteria & visit table systems, prisoner clothing and shoes, printing services (including certain controlled stationary e.g. forms, registered books etc) and signs.
- 9.5.9. All Branston stock items **must** be purchased through the Inventory system via min/max replenishment. When the establishment receives the stock into Inventory, a hard charging payment is made by the Inventory system.
- 9.5.10. Items that are not held in Inventory can be ordered through i-Procurement, e.g. Uniforms, or in emergencies a [445 form](#) can be submitted.
- 9.5.11. When Cost Centres manufacture items they are charged to Branston based on a collection hard charging price, set by Prison Industries.

## External Market

- 9.5.12. The standard policies in section [9.3](#) will apply, and paragraphs [9.3.5 to 9.3.8](#) will only apply to specific trading activities where applicable.
- 9.5.13. [PSI 14/2010 Managing Risk in Prison Industries](#) covers HMPPS commercial strategy, the contracts associated with the delivery of goods/ services to external trade customers, and the terms and conditions under which items are sold.

## Newgate Office Furniture

- 9.5.14. Except paragraphs [9.3.5 - 9.3.7](#), the standard policies in section [9.3](#) will apply.
- 9.5.15. Newgate furniture is a high quality, fully accredited range of office furniture manufactured and assembled in the prison industries workshop. This is a mandatory route for HMPPS furniture requirements. Further [guidance on procurement of Newgate furniture](#) is available on [MoJ Website](#).

- 9.5.16. Cost Centres purchase Newgate furniture via i-Procurement and are hard-charged on a monthly basis via journal which is processed centrally by the Accounts Team.

## 9.6. Other Miscellaneous Receipts

- 9.6.1. Only paragraphs [9.3.10](#), [9.3.11\(f\)](#), [9.3.14](#), [9.3.15](#), and [9.3.18 – 9.3.20](#) of the standard policies in section [9.3](#) will apply to the sections below where applicable.

### PIN Phone Commission

- 9.6.2. A journal **must** be completed transferring monies from prisoners' monies to PINS suspense account.
- 9.6.3. Commission from the PINS suspense account **must** be cleared to the appropriate accounts following payment of the BT invoice, and VAT on the Commission accounted for correctly as Output Tax. Journals are processed by the Retail Accounts team.

### Re-imbursment of Phone Calls

- 9.6.4. Unless there are justified reasons (e.g. official travel delays, domestic crisis), all private, non-official telephone calls made by staff from their official mobile telephone or official landline phones **must** be paid for by the staff concerned and the amount repaid reflect the actual costs of calls used and associated VAT as charged. Such use may be allowed at the budget holder's discretion; it is expected this discretion will be exercised wisely.

### Rent payments for Staff Quarters

- 9.6.5. Rent is deducted straight from the staff tenant's pay.
- 9.6.6. The Cost Centres **must** inform [SSCL Payroll Services](#) of the rent amount that is due from a staff tenant.

### Charging for Information

- 9.6.7. Reasonable ad hoc service for photocopies of information may be provided if requested by prisoners) or other third parties (excluding staff) as part of their application for official information, or in the case of prisoners, personal requirements (e.g. educational purpose). A fee, including VAT (see [9.3.10](#)) at competitive market rate will apply, including any applicable cost of postage and packing.

- 9.6.8. Information provided under data protection laws (the General Data Protection Regulation (GDPR) or the Data Protection Act (DPA) should be referred to your Cost Centre's Information Access Representative (IAR) and/or [Data Protection and Compliance Unit](#).
- 9.6.9. Monies received from charging for information is accounted for as income receipts.
- 9.6.10. No charge should be applied to solicitors for provision of parole dossiers as there is no benefit to the public purse. Under the terms of their contract with Legal Aid Agency (LAA) solicitors are able to reclaim the full cost. Any charge imposed would, therefore, be transferred to another MoJ budget.

## **In Cell TV**

- 9.6.11. [The Incentives Policy Framework \(IPF\)](#) sets out access eligibility and charges. Further advice on rental charges can be sought from [Operational Policy team](#).
- 9.6.12. In Cell TV receipts are accounted for as follows:
- a. prisoners are deducted a rental fee each week for in-cell TV use from their Prison-NOMIS account. The amount deducted is dependent upon whether the prisoner is in a single or shared cell.
  - b. an expected level of income in relation to in-cell TV receipts should be recorded as part of the initial budget requirement.
  - c. VAT is extracted from the overall total of deductions and the balance credited to the in-cell TV account code. There is a legal requirement for VAT to be extracted.

## **Prisoner Catalogue Purchases – Administration Charges**

- 9.6.13. [PSI 23/2013 - Prisoner Retail](#) sets out the administration charges for prisoner catalogue purchases. Further advice can be sought from the Prisoner Retail group. The charges are receipted as budgeted income and coded to account code 4482502006.

## **Other ad hoc income /receipts**

- 9.6.14. Some Cost Centres may receive other ad hoc income/receipts that are not listed above.
- 9.6.15. In these instances, Cost Centres should budget and account for such income/receipts appropriately, the same for any associated expenditure where applicable (see [Chapter 8](#)).

## Compensation – Receipts against

9.6.16. Where a receipt is received which would reduce the compensation expenditure of the Cost Centre, i.e. in respect of an insurance claim being paid, this can be retained and credited to the account code from which the original payment was made. This is an exceptional net accounting that is allowed.

## Invoicing Healthcare Providers

9.6.17. Paragraphs [9.3.8](#), [9.3.11](#) and [9.3.12](#) of the standard policies section [9.3](#) will apply.

9.6.18. Where NHS England, Welsh Government for Welsh prisons, Spectrum, Care UK, Virgin Healthcare etc, commission the provision of prisoner healthcare from prisons, the Cost Centres are required to raise accurate and timely invoices for actual healthcare costs incurred on their behalf. If invoices are not raised then an income accrual should be posted on SOP to bring income in line with expenditure incurred. However, this should not be an alternative to raising regular invoices.

9.6.19. When raising an invoice to recover Healthcare costs from the relevant Healthcare providers, a [ARSOP14](#) form should be completed with correct details of:

- a. the customer's account name, and SOP customer number; and
- b. the location number for the Cost Centre.

9.6.20. Healthcare providers' debtor invoices will be pursued by [the SSCL Accounts Receivable team](#) using the HMPPS debt recovery procedures.

9.6.21. Disputes over the non-payment of any Healthcare invoices should be resolved locally by the prison and the provider.

9.6.22. If prisons are not able to recover the invoiced debt, then this cost will have to be borne by the prison. [FM&C](#) will not write-off the Healthcare provider debts centrally.

## 9.7. Credit Management – External Trade Customers

### New Trade Customer application process

9.7.1. New external customers wishing to trade in excess of £500 throughout a 30 day period may be eligible to apply for credit terms, subject to their credit ratings.

9.7.2. [ARSOP13 - Customer Set Up/Amendment](#) form **must** be completed and sent to the Shared Services Connected Limited (SSCL) [Accounts Receivables team](#) for credit checking and added to SOP Accounts Receivable (AR) by [SSCL](#) if the acceptable credit limit is approved.

9.7.3. Guidance on policy and process is detailed on [MyHub](#)

- 9.7.4. Trade customers who fail the credit check, or have expected trading activity of less than £500 throughout a 30day period, can trade on cash terms:
- a. payment on collection;
  - b. payment with order.

### **Credit Checking for New Trade Customers, including OGDs and Charities**

- 9.7.5. Any trade customers, including charities and voluntary organisations, wishing to trade on credit terms shall undergo credit checking.
- 9.7.6. Trade customers who are Other Government Departments (OGDs) may be automatically granted credit, and payments are processed via
- a. IUC if within the same MoJ VAT Group, or
  - b. SOP AR if outside MoJ VAT group.

### **Credit Review for existing Trade Customers**

- 9.7.7. [SSCL Accounts Receivables team](#) will carry out a credit review when a Cost Centre presents to the SSCL justification to review the credit limit of an existing trade customer who has no available credit to fulfil the order.

### **Update existing Trade Customers details**

- 9.7.8. Cost Centre should complete and submit completed [ARSOP13 Customer Set Up/Amendment](#) to [SSCL Accounts Receivable team](#) when changes to their registered customer details are received.

## **9.8. Customers' Payments for the Provision of Goods and Services**

- 9.8.1. Credit terms, cash, cheques, bankers' draft and debit/credit cards are acceptable forms of payments.

### **Customer's Payments by Credit Terms**

- 9.8.2. Trade customers who have been granted credit sales and added to SOP can make payments by BACS, debit/credit cards, or cheques.

- 9.8.3. Customer's Payment by Cash, Cheques, Bankers Draft or Debit/Credit cards and are not on Credit terms.
- 9.8.4. Trade customers who have not been granted approval to trade on credit terms may pay by cash, cheques, Bankers Draft, or debit /credit card. Goods shall only be released, or services provided immediately upon receipt of payment (cash) or payment clearance (cheques, debit/credit cards).

## Customer's Payments by Cash

- 9.8.5. Any Cost Centre that accepts, or is prepared to accept cash of £5,000 or more, from customers, has to comply with the following action on receipt of the cash transaction:
- a. full details of the customer **must** be recorded (name, address, and contact number) in order to meet the terms of the Money Laundering Regulations 2007 and 2017. Goods may be released, or services provided immediately upon receipt of payment;
  - b. request a form of personal identification such as a current passport, current photo driving licence and another document with current address (utility bill, bank statement etc). A photocopy of these should be retained;
  - c. if the individual does not provide a form of personal identification with photo, two proofs of name and address in the form of a current utility bill, Council Tax, credit card or bank statement may be accepted;
  - d. if the individual cannot or will not provide any form of identification as requested, the matter should be referred immediately to the Money Laundering Officer (MLO) or MoJ [Government Internal Audit Agency \(GIAA\)](#) for instructions on how to proceed, however, the payment should not be refused;
  - e. all cash transactions for £5,000.00 or above **must** be reported to the MLO or MoJ Government Internal Audit Agency.

## Customer's Payments by Cheques, Building Society Cheques, Banker's Draft

- 9.8.6. Trade customers who have not been granted credit sales may pay by cheques, Building Society cheques, or Banker's Drafts. Goods **must not** be released, nor services provided, until the cheques or Banker's draft have been cleared (this will take up to **15 working days**: 5 days for the cheques to be banked, 10 days for the cheques to be cleared and the Bank to notify HMPPS of the cheques bouncing, if applicable (Note: Banker's Draft is not cash, so it is treated as cheque – see [Chapter 12](#)).

## Customer's Payments by Credit / Debit Cards

- 9.8.7. Trade Customers wishing to pay by credit or debit card can do so by contacting the [SSCL Order-to-Cash Collections team](#) who will be able to process the payment. This payment method will not normally be acceptable to cash only accounts.



## Customer's Payments by Deposits, Bonds and Guarantees

- 9.8.8. Deposits, bonds and guarantees cannot be accepted to provide credit for a customer who has failed credit checks.

## 9.9. Raising Invoices/Credit notes for Trade Customers

### Raising Invoices (ARSOP14 form) for regular Trade Customers

- 9.9.1. For registered trade customers on credit terms, an invoice ([ARSOP14 form](#)) **must** be raised for each Prison Enterprise/Industry sales and sent to [SSCL Accounts Receivables team](#) for processing.

### Raising Invoices (ARSOP14 form) Off System for cash and/or ad hoc Trade customers

- 9.9.2. Where cash or ad hoc customers trade in significant value or volume, Cost Centre can raise invoice [ARSOP14 form](#) off system and send to [SSCL Accounts Receivables team](#) for processing (see [9.3.9 for manual invoices raised locally](#)).

### Raising Credit Notes

- 9.9.3. All credit notes for registered trade customer or those ad hoc customers with invoice ARSOP14 raised off system **must** be created using [ARSOP12 \(Raise A Credit Note\)](#) form with the reason for the credit note stated clearly.

### Refund Request

- 9.9.4. [SOP17 \(Refund Request\)](#) form is to be completed. Guidance is available on [MyHub](#).

### Creation, Amendment and Deactivation of a New Invoice Memo Line – ARSOP 15 form

- 9.9.5. Cost Centre can create, amend, or deactivate a new memo line on the SOP System by completing [ARSOP15 form](#).

## 9.10. Debt Recovery from Trade Customers on Credit Terms

- 9.10.1. The Cost Centre **must** ensure that all efforts are made to recover any payments owed.
- 9.10.2. Where it is clear that payment for goods will not be received, then shipment of goods or service provision **must** be withheld. Resultant goods can be disposed of, via sale to other customers, recycled, or destroyed subject to the outcome of a cost-benefit appraisal and appropriate approval obtained in advance. The value of the goods (i.e. cost price) may be written off.
- 9.10.3. Where a trade customer on credit terms is unable to pay any outstanding debt, or likely to be unable to pay for future work, the sales contract and/or credit terms **must** be reviewed and discussed with the customers and [SSCL Accounts Receivables](#) as soon as possible; [New Futures Network Contract and Sales team](#) should be approached for advice at the earliest opportunity before any decision is made.
- 9.10.4. Cost Centres should seek advice, and where appropriate, approval from; [New Futures Network Contract and Sales team](#) regarding alternative and/or new trade customers.
- 9.10.5. Standard credit terms are 30 days after receipt of goods or invoice, whichever is the latter. Overdue accounts will result in chasing (Dunning) letters being sent to customers and where applicable, to the Debt Collection Companies, [by SSCL Accounts Receivables team](#).
- 9.10.6. When the deadlines for payments requested by the 3<sup>rd</sup> Dunning letters has expired and the payments have not been made by the customer(s), SSCL will write to the Cost Centre regarding the outstanding payment and the Cost Centre **must** consider and decide the action to take. If the option chosen is to recover the debt through litigation process, then this **must** be done via [SSCL Accounts Receivables team](#).

## 9.11. Bad Debts and Bad Debt Reliefs

### Bad Debts

- 9.11.1. Where the collection procedures and, where appropriate, legal proceedings fail, HMPPS/Cost Centre may be forced towards a decision to write off all or part of a trade customer's debt liability for any one of the following reasons:
- a. the amount, which it is claiming, may be disputed and the costs involved pursuing that claim through the Courts may be prohibitive or even exceed the amount of the claim;

- b. HMPPS/Cost Centre may be aware through its enquiries that the customer has no available funds or realisable assets to satisfy the amount of the debt;
- c. the customer may have ceased trading, changed location or disappeared altogether;
- d. the identity of the customer and its legal status may be in some doubt, for example if the customer's true identity or creditworthiness has not been checked or if it is found, for example, that HMPPS/Cost Centre is dealing with a company with no assets as opposed to an individual of some substance;
- e. it may be found that the action HMPPS/Cost Centre has taken is too late, for example, if a receiver has been appointed by another creditor or if a liquidator has been appointed as a result of winding-up proceedings;
- f. The debt may be written off in line with the Statute of Limitation if all criteria are met.

9.11.2. In these cases, in order to avoid further expenses, in particular incurring further costs and expenses arising in the course of legal proceedings, HMPPS/Cost Centre may decide, in consultation with [SSCL Accounts Receivables](#) and the local Finance Business Partner, and in compliance to the financial delegated authority, to stop pursuing the debt and to write off the debt instead.

9.11.3. [SOP18 form](#) is to be completed and guidance is available on [MyHub](#).

### **Bad Debt relief – VAT**

9.11.4. If supplies of goods or services was already provided to a customer but the Cost Centre has not been paid, the Cost Centre may be able to claim relief from VAT on bad debts incurred. [HMRC VAT notice 70018](#) provides further guidance.

Further guidance can be obtained from [MoJ Taxation team](#).

## **9.12. Shared Services Connected Limited Responsibilities**

9.12.1. [Annex B](#) provides guidance on the responsibilities of the Shared Services Connected Limited [\(SSCL\) Accounts Receivables team](#).

## 9.13. Sales, Receipts and Credit Management - Risk Management and Control

### 9.13.1. Potential Risks

- a. bad debts, late payments;
- b. failure to recover tax where appropriate;
- c. fraud or theft, including off system sales;
- d. inaccurate data/accounts;
- e. inappropriate pricing;
- f. poor stock control and inappropriate levels held;
- g. unauthorised sales to staff.

### 9.13.2. Potential Controls

- a. contractor's invoices are reconciled;
- b. sales contracts are agreed within delegated authorities;
- c. check of credit limits;
- d. check order logs for invoices raised;
- e. review and action the aged debtor report;
- f. all risks identified in [9.13.1](#) above are likely to have tax implications. Guidance can be obtained from [MoJ Taxation team](#)

## 9.14. Sales, Receipts and Credit Management - Annexes

9.14.1. [Annex A – Notes on Completion of Cost Analysis.](#)

9.14.2. [Annex B - SSCL responsibilities for credit management, debt collection and banking receipts](#)

## 10. Payroll, Allowances and Advances

### Payroll

#### 10.1. Scope

10.1.1. This section sets out procedures and controls to ensure the right members of staff are paid the correct salary amounts on time. It also covers the procedures for the payment of advances and certain allowances, and the required actions regarding the recovery of overpayments.

<a href="#">10.2 Shared Services Connected Limited</a>	<a href="#">10.3 Amendments to Payroll</a>
<a href="#">10.4 Tornado Payments and Mutual Aid</a>	<a href="#">10.5 - 10.10 Advances and Expenses</a>
<a href="#">10.11 Payroll - Risk Management and Control</a>	<a href="#">10.13 Payroll - Annexes</a>

10.1.2. For all guidance on pay please refer to the [HR Pay Policy](#)

#### 10.2. Shared Services Connected Limited

10.2.1. [Shared Services Connected Limited \(SSCL\)](#) operate the payroll service for HM Prison and Probation Services (HMPPS). Guidance [about advances, pay rates, sessional workers](#) and [relevant forms](#) can be found on [MyHub](#).

10.2.2. It is the employee's responsibility to contact the [SSCL Contact Centre](#) where there is an error in salary and/or allowances e.g. an overpayment (see [10.3.9 – 10.3.14](#)) or an underpayment (see [10.3.7](#)).

10.2.3. Where an overpayment is confirmed, immediate action will be taken to ensure that future payments are at the correct level.

#### 10.3. Amendments to the Payroll

10.3.1. All payroll amendments can be carried out either on-line via Employee Self-Service or by completion of the appropriate form which should be forwarded to the [SSCL](#). [Annex A](#) gives a breakdown of the type of amendments that can affect the payroll.

10.3.2. Responsible parties **must** ensure that they advise SSCL promptly of all payroll amendments. This is particularly important when staff are leaving the organisation to prevent overpayments from occurring.

10.3.3. It is the member of staff's responsibility to confirm changes to personal information such as bank or building society details or change in address via Employee Self-Service on SOP. [Guidance](#) can be found on [MyHub](#).

## Timing

10.3.4. Pay deadline dates can be found on [MyHub](#). To ensure pay claims and change requests are processed in time for the next pay run requests need to be made via Employee Self-Service on SOP and submitted **by 18:00 hours** on the dates shown to ensure they are included in that month's salary.

## Cost Centre Responsibilities

### 10.3.5. Pre-Payment Checks

Individuals responsible for authorising payroll amendments **must** check for accuracy before approval is given.

### 10.3.6. Corrective Action

- a. all payroll overpayments that are identified by either Cost Centres or individuals **must** be reported to the [SSCL HR Contact Centre](#) immediately;
- b. all payroll errors, where an employee should not be on the payroll **must** be charged to the correct Cost Centre via IUC;
- c. payroll costs for mid-month transfers to another establishment **must not** be charged to the receiving establishment unless both Governors agree;
- d. the original establishment **must** pay the payroll costs up until the end of the transfer month. The receiving establishment will take on the payroll cost from the first full working month at that establishment;
- e. all payroll errors, where an employee is missing from the payroll **must** be accrued for until an IUC arrives.
- f. any employee that has been paid incorrectly (either underpaid or overpaid) **must** inform their line manager, who **must** resolve the problem with the SSCL HR Contact Centre.
- g. Cost Centres **must** ensure that any incorrect account code combinations are rectified by completing a spreadsheet ([Annex B](#)) and forwarding to the appropriate SSCL Employee Records and Attendance team.
- h. where employees transfer to Other Government Departments (OGDs) this can result in an overcharge of pay costs to the exporting Cost Centre. The SSCL Payroll Accounting team will automatically seek recovery of these costs from the OGD.

## Underpayments

10.3.7. Underpayments in salary can occur where there is an incorrect calculation of pay on promotion or progression; where an allowance is due in a specific role or

specialism but has not yet been paid; or where an overtime claim or cover payment is outstanding.

- 10.3.8. Once SSCL has been notified they will endeavour to correct the error in time for the next month's pay, subject to technical limitations.

## Overpayments

### 10.3.9. Responsibilities of Staff and Managers

- a. It is the employee's responsibility to check that their pay and other remuneration are correct. If there appear to be unusual increases in the amounts received, the employee should immediately contact the SSCL Contact Centre either by phone or raising a service request through SOP. Further [guidance](#) about overpayments can be found on [MyHub](#).
- b. It is vital that payroll is correct and therefore Line Managers will need to provide timely and accurate information to the SSCL to enable them to make correct payments, particularly where this involves staff departures and new starters. Any overpayment identified to be as a result of a late or non-notification or incorrect information will be re-charged to the appropriate Cost Centre code for that member of staff and not refunded. Line managers/Governors/Head of LDU have no authority to waive, amend or negotiate on terms for any overpayment.
- c. Managers who fail to follow the proper process for notifying the [SSCL](#) of changes affecting salary, or who fail to avoid salary overpayments, for example by making decisions or entering into commitments with employees that are outside of their authority, may be subject to disciplinary action. If the overpayment is not recovered and is due to a manager not following the process, they will incur the cost of the overpayment from their own budget.
- d. Without prejudice to the outcome of any decision on the recovery of overpayments, HMPPS will require future pay and entitlements to be set at the correct level and for any necessary variation to contractual terms to be agreed.
- e. Line Managers have a responsibility to ensure the required corrections are made and forms are submitted promptly.

### 10.3.10. Dispute an Overpayment

Where there is a dispute regarding overpayments or the proposed recovery of an overpayment, initial discussion will be between staff and SSCL see [MyHub](#) for further [guidance](#).

### 10.3.11. Lump Sum Repayment by Cheque

If an individual member of staff wishes to repay the overpayment in one lump sum by cheque, the Overpayments team will need to provide a revised overpayment figure net of tax and National Insurance deductions. Confirmation of the net amount to be repaid and who to make the cheque payable to will be sent out by Shared Services. Once payment has been received and cleared, the individual member of staff's tax and National Insurance records will be amended.

#### 10.3.12. Calculation of Monthly Recoveries

- a. In general, HMPPS will seek to recover an overpayment over the same period that it accrued. However, the proposed monthly repayments should be realistic taking into account the impact on the individual member of staff.
- b. In order for an alternative repayment schedule to be considered those concerned should contact the Overpayments team or [SSCL Contact Centre](#). See [MyHub](#) for further details.
- c. Individual circumstances can change over time. Where an individual member of staff's circumstances have changed prior to the overpayment being repaid in full, either they or HMPPS can request a reassessment of the monthly repayment rate to ensure that it remains at the maximum affordable, reasonable and realistic amount.

#### 10.3.13. Setting Up Recovery

- a. SSCL will notify the [Overpayments team](#) of the total amount to be recovered, the repayment period and the monthly deductions, asking them to start recovery from a specific date (usually the next possible month's pay). The individual member of staff will be informed of the recovery details in writing.
- b. Where it is discovered that a debt is owed to the individual member of staff by the Service, e.g. arrears of pay or allowances following a back dated change or promotion, the Service will exercise its common law right to offset this against any outstanding sums owed to HMPPS. Due notice in writing will be given to the member of staff before this action is taken, confirming the amount which will be offset, and balance owed to HMPPS.
- c. If repayment has not completed, and the individual member of staff is due to leave HMPPS, the outstanding amount will be recovered from the last month's salary. However, if the member of staff is due to retire owing a balance on an overpayment, HMPPS may offset the balance from any terminal lump sum gratuity owed to the member of staff. In those circumstances, the member of staff should contact the [SSCL](#) immediately.

#### 10.3.14. Appeals

- a. to make an appeal please follow the instructions on [MyHub](#)
- b. an Independent Appeals Panel has been set up to consider individual overpayment cases.

### Write Off of Overpayment Debts

- 10.3.15. FM&C and HR Directorate will decide when an overpayment is to be written-off. Only FM&C have delegated authority to approve salary overpayment write offs. The liability for the write off will lie with the Cost Centre at fault for causing the overpayment. Where a case is contentious FM&C will confirm liability as part of the write off process.



## 10.4. Tornado Payments and Mutual Aid

10.4.1. Please see guidance on [HR and Pay](#) on [MyHub](#).

## Advances and Expenses

### 10.5. Scope

10.5.1. This section covers the processes on

<a href="#">10.6 Advances for Staff</a>	<a href="#">10.7 Season Ticket, Bicycle and Car Parking Season Ticket Loans</a>
<a href="#">10.8 Repayment of Advances</a>	<a href="#">10.9 Authorising Travel and Subsistence</a>
<a href="#">10.10 Expense Claims</a>	<a href="#">10.12. Risk Management and Control – Advances and Expenses</a>

10.5.2. This section does not cover the policy on entitlement to claim, or the rates that can be claimed. The responsibility is on the individual to ensure they are eligible to make a claim before submitting and abide by the rules in the policy.

10.5.3. For guidance associated with Travel and Subsistence rules, including rates staff are entitled to claim, please refer to [PSI 15/2012 Travel and Subsistence](#).

10.5.4. For guidance associated with advances, including eligibility to authorise, and amounts that can be advanced, please refer to PSI 15/2012 Travel and Subsistence or [PSI 25/2010 Permanent Transfers](#).

### 10.6. Advances for Staff

10.6.1. Advances are amounts of money provided to meet an expected future expense.

10.6.2. Advances **must** only be made for official purposes and can only be made to staff on the Cost Centre payroll to ensure that they can be properly recovered.

10.6.3. The Shared Services Connected Limited ([SSCL](#)) [Staff Debt Team \(SD\)](#) are responsible for the issue and recovery of all advances other than pay.

10.6.4. The financial liability for the advance remains at the Cost Centre.

10.6.5. Advances **must not** be issued locally and cash advances are not allowed.

## Temporary Pay Advances

- 10.6.6. If a Temporary Pay advance is required for new starters, or when payroll mistakes have occurred contact HR Enquiries. See [MyHub](#) for further [guidance](#).
- 10.6.7. If a member of staff has no SOP record, the [SSCL Staff Debt Team](#) should issue and arrange recovery of the advance.
- 10.6.8. Advances of pay will be recovered through the next available payroll, once the payroll has been corrected.

## Temporary T&S Advances

- 10.6.9. Temporary T&S Advances are granted up to 2 weeks prior to a forthcoming duty to cover expected future expenses for staff occasionally travelling on official duty.
- 10.6.10. Submit the relevant advance of expenses template in SOP via i-Expenses responsibility. Refer to [guidance](#) on [MyHub](#).
- 10.6.11. [SSCL Staff Debt team](#) are responsible for the recovery of advances. However, the financial liability remains at Cost Centre level.
- 10.6.12. When completing an i-Expense claim the value of any temporary advance should be noted in the additional information section.
- 10.6.13. After 21 days from the payment of a temporary advance, all expense claims will be used to offset the advance. Further steps will be taken to recover any outstanding amount.
- 10.6.14. HMPPS may demand repayment of the advance at any time. If staff do not repay, it will be recovered from their next available salary.

## Permanent T&S Advances

- 10.6.15. Permanent T&S Advances are granted to cover future expenses for staff travelling regularly on official business.
- 10.6.16. The advance may cover a period of up to 7 weeks, but should be limited to 4 weeks where possible.
- 10.6.17. Submit the relevant advance expenses template in SOP via i-Expenses responsibility to request or amend a permanent advance. Refer to [guidance](#) on [MyHub](#).
- 10.6.18. The request will be processed and the advance payment made through the next daily BACS run.
- 10.6.19. Claims should be submitted at least monthly for the expenditure incurred for this purpose.

10.6.20. Permanent advances should be reviewed six monthly by the line manager who authorised the advance.

10.6.21. An annual review is carried out by [SSCL Staff Debt Team](#) to determine whether the permanent advance is still required.

## 10.7. Season Ticket, Bicycle and Car Parking Season Ticket Loans

10.7.1. Season ticket, bicycle and car parking season ticket loans are not available to those employed on a casual basis, have less than two months service, or work less than 18 hours per week.

10.7.2. Details of making an application for a season ticket loan, bicycle loan or car parking season ticket can be found on [MyHub](#).

10.7.3. If the cost of the season ticket is lower than the advance the difference **must** be repaid immediately.

### Season Ticket Loans for employees on detached duty

10.7.4. Employees on a detached duty posting can request a season ticket advance. The detached duty posting notice **must** be attached to the application. See [MyHub](#) link above.

10.7.5. Season ticket loans in relation to detached duty **must** be repaid by the employee submitting an expense claim for the full amount of the ticket, which is offset against the advance.

10.7.6. Should the employee leave the service prior to the end date of the season ticket, the Line Manager or employee **must** liaise with [SSCL](#) regarding a refund of the season ticket.

## 10.8. Repayment of Advances

10.8.1. Any advance made, which is later deemed to be no longer required, **must** be repaid immediately in full. Failure to do so could lead to disciplinary action.

### Leavers

10.8.2. If an employee resigns from their post there are certain actions that both the employee and line manager **must** perform to enable SSCL to amend HR and Payroll

records, action outstanding balances of monies owed and liaise with relevant parties. See [MyHub](#) for further [guidance](#).

- 10.8.3. Employees must ensure that they have repaid any outstanding loans, advances and overpayments of salary. Failure to do so may result in these being off-set against any final salary payments, or other payments due. For a full list of leaver actions see [PSI 29/2011](#) or [PI 2014/44](#).

## 10.9. Authorising Travel and Subsistence

- 10.9.1. T&S Budget Holders *must* ensure that all expenditure from their budget is authorised prior to it being incurred. Refer to [PSI 15/2012 Travel and Subsistence](#)

## 10.10. Expense Claims

- 10.10.1. All claims *must* be made electronically through i-Expenses on SOP or by manually completing the [relevant SOP form](#) available on [MyHub](#).

- 10.10.2. Expenses cannot be reimbursed locally.

## 10.11. Payroll - Risk Management and Control

### 10.11.1. Potential Risks

- a. fraudulent/ghost payments;
- b. inaccurate payroll;
- c. overpayments not recovered;
- d. staff not paid correctly on time.

### 10.11.2. Potential Controls

- a. reconciliation of payroll to Staff in Post (SIP) report;
- b. reconciliation of payroll to starters/leavers report;
- c. additional payments and overtime checked;
- d. check to ensure staff are paid on their correct pay scale;
- e. IUCs completed;
- f. check recruitment is within delegated authority/national guidelines.

## 10.12. Advances and Expenses - Risk Management and Control

### 10.12.1. Potential Risks

- a. fraud/inappropriate payments – non-compliance to policy;
- b. fraudulent/duplicate/erroneous claims;
- c. lack of budgetary control;
- d. incorrect tax treatment for PIT claims;
- e. PIT expenses not correctly approved.

### 10.12.2. Potential Controls

- a. reconciliation of account to ensure all entries are valid;
- b. review of standing advance amount when notified by SSCL;
- c. staff leaving system – recovery of advances;
- d. review guidance and issue NTS for T&S policy;
- e. review Redfern MI (Redfern bookings report is circulated to all Cost Centres);
- f. check expenses report for correct codings and tax implications.

## 10.13. Payroll - Annexes

10.13.1. [Annex A: Payroll Amendments](#)

10.13.2. [Annex B: Incorrect account code combinations spreadsheet](#)

# 11. Payment for Goods and Services

## 11.1. Scope

11.1.1. This chapter covers the processes from procuring goods and services through to payment for those goods and services.

<a href="#">11.2 Obtaining Goods/Services</a>	<a href="#">11.3 Non-Compliant Procurement</a>
<a href="#">11.4 Budget Holder Authorisation</a>	<a href="#">11.5 Receipting of Goods/Services</a>
<a href="#">11.6 Separation of Duties</a>	<a href="#">11.7 Invoices</a>
<a href="#">11.8 Payments</a>	<a href="#">11.9 Government Procurement Card (GPC) Payments</a>
<a href="#">11.10 Payment for Goods and Services – Risk Management and Control</a>	

## 11.2. Obtaining goods/services

### The Acquisition Model

11.2.1. Full policy and guidance associated with obtaining goods/services can be found on the [intranet](#).

11.2.2. Cost Centres **must** obtain all goods/services following the MoJ acquisition model:

- a. If the item required is an inventory item it **must** be obtained via SOP Inventory or the local inventory system (not applicable to NPS or HQ);
- b. Where a portal has been set up for a supplier where goods are paid for via a Lodge Card, this **must** be used in the first instance, ahead of the [Government Procurement Card \(GPC\)](#) or [i-Procurement](#);
- c. if the item required is not an inventory item but is a catalogue item within i-Procurement a catalogue request should be raised;
- d. if the item required is not a catalogue item but is within the cardholders agreed transaction limit (inclusive of VAT), the GPC should be used;
- e. for all other items a non-catalogue request should be raised on [i-Procurement](#).

## Exceptions to the Acquisition Model

- 11.2.3. Exceptions to the Acquisition model include: accommodation and travel, conference venue, Allstar fuel card, professional subscriptions and sundry purchases.

### Accommodation/Travel

- 11.2.4. Redfern is the booking agent for MoJ, all accommodation and travel should be booked through them via their website [www.trips.uk.com](http://www.trips.uk.com)

- 11.2.5. Further [guidance](#) can be found on [MyHub](#).

### Conference Venue

- 11.2.6. External venues for conferences **must** only be used as a last resort and approval **must** be sought from the Chief Executive Officer (or Deputy Directors where this has been sub-delegated) beforehand .

- 11.2.7. The attached [link](#) contains further [guidance](#) on the process

### Allstar Fuel Card

- 11.2.8. The card can be used for vehicles that have been purchased or leased by Cost Centres and any fuel operated machinery on site (for example, petrol lawn mowers) used for official business purposes only. Fuel cards are also suitable for use with pool vehicles.

- 11.2.9. For further [guidance](#) please refer to [MyHub](#).

### Professional Subscriptions and Sundry Purchases

- 11.2.10. Staff may claim for reimbursement of professional subscriptions by generating a claim through i-Expenses selecting “other expenses”. The eligibility criteria for claims may be found on [MyHub](#)

- 11.2.11. There may be tax implications which will be handled by the annual P11D process and may affect the member of staff’s tax code in future years.

- 11.2.12. Where the GPC cannot be used, and only as a final last resort, staff may purchase sundry items using their own funds and claim for reimbursement using i-Expenses as above. In all cases prior authorisation **must** be given by the Budget Holder and **must** be fully justifiable.

## 11.3. Non-Compliant Procurement

- 11.3.1. Cost Centres should not place orders directly with suppliers, unless the purchase is within the GPC guidelines or exceptionally in out of hours. An out of hours order would be justified where not to do so would create risk to decency, safety or where it

would prevent additional costs from being incurred. Full justification will be required for the CEO's monthly attestation return.

## 11.4. Budget Holder Authorisation

11.4.1. All goods/services **must** be properly authorised by the Budget Holder prior to committing expenditure, either through the SOP i-Procurement system or manually.

## 11.5. Receipting of Goods/Services

11.5.1. All goods/services **must** have been received before payment is made. See [11.8.8](#) for exceptions to this rule where payment may be made in advance.

11.5.2. Cost Centres **must** ensure that all goods/services are accurately and promptly receipted on the Inventory and i-Procurement systems. Only goods/services that have actually been received **must** be receipted, where this is different from what was originally requisitioned the requisition must be amended. See [Job Aids](#) on [MyHub](#) for guidance.

11.5.3. Any discrepancies identified on delivery **must** be reported to the supplier **within 48 hours (non-food items) or 24 hours (food items)**. Under and over deliveries and returns **must** be recorded on the i-Procurement system.

11.5.4. Records **must** be retained locally of any reported discrepancies to support resolution of the issue.

11.5.5. Delivery notes from suppliers **must** be retained locally to support the receipting process.

## 11.6. Separation of Duties

11.6.1. The overarching policy regarding i-Procurement is that the role of approver and receiver **must** always be separated. See Budget Holder Delegation Letter.

11.6.2. When resources do not allow this, Cost Centres **must** assess and manage this risk through additional management checks as appropriate.

## 11.7. Invoices

### Receipt of Supplier Invoices

11.7.1. All suppliers' invoices **must** be sent to [SSCL](#) for processing, with the exception of purchases that have already been paid via GPC.



## Invoice Matching

- 11.7.2. All three-way match invoices **must** be matched to a valid Purchase Order (PO) and goods/services receipt note before payment is made.
- 11.7.3. Invoices received in respect of a Standard Scheduled Purchase Orders (SSPOs) set up as two-way match **must** be matched to a valid PO before payment is made. Although receipting is not essential to enable payment, Cost Centres should still receipt the goods/services on SOP
- 11.7.4. Where there is a match on i-Procurement the invoice will be automatically passed for payment
- 11.7.5. Where there is no match, the invoices will be rejected back to the supplier.

## Authorisation of Invoices

- 11.7.6. The budgetary authority to incur expenditure is given at the time of approval for each requisition on the i-Procurement system. Providing an invoice can be matched to the correct purchase order and receipting on SOP, invoice payment is approved automatically by the system.
- 11.7.7. Where invoices do not match to a PO they will be rejected back to the supplier in the first instance. The supplier must liaise with the cost centre to correct the PO number or submit the invoice for payment via the [Non-PO process](#).

## Invoice Holds

- 11.7.8. All invoices placed on hold **must** be investigated and dealt with promptly
- 11.7.9. [Guidance](#) for clearing invoices on hold can be found on [MyHub](#).

## Disputed Invoices

- 11.7.10. Suppliers must be informed promptly where an invoice is disputed.
- 11.7.11. Disputes **must** be followed up and fully investigated as soon as the supplier has been informed.
- 11.7.12. Where disputed invoices are resolved satisfactorily, they **must** be settled promptly.

## Credit Notes

- 11.7.13. Where a Cost Centre identifies the need of a credit note at the point of receipt or return of goods they must liaise with the supplier. Returns must be recorded on the i-Procurement system.
- 11.7.14. Where the need for a credit note is identified the Cost Centre or Buyer **must** request the credit note via the Universal Work Queue (UWQ), which will automatically

make the request to the supplier. Where the invoice is not sitting in a Universal Work Queue the supplier **must** be contacted directly.

11.7.15. Credit notes should be sent directly to [SSCL](#)

11.7.16. A [Job Aid for requesting credit notes](#) can be found on [MyHub](#).

## 11.8. Payments

11.8.1. All payments made by the SSCL will be made via BACS (Bankers Automated Clearing Services) or cheque where BACS is unavailable. Payment by cash is not allowed. For [one off payments](#) refer to [MyHub](#).

11.8.2. A Faster Payment ([SOP6](#)) form ensures that the beneficiary's bank account will be credited by close of business on the same day. This is subject to the SOP6 being approved and submitted to SSCL **by 12:00 noon**. This should only be used for pre-agreed use or urgent payments as a cost is incurred for this service. The SOP6 Inter Account Transfer form **must** be used for payments to Other Government Departments and for approved payments to Government Legal Department.

11.8.3. Any payments made for goods or services not received **must** be reported as a loss/fruitless payment via the losses and compensation returns (see [Chapter 6](#)).

### Prompt Payment

11.8.4. HMPPS aim to pay contractors and suppliers all valid and undisputed invoiced amounts within **5 working days** after receipt of a valid invoice which includes a valid PO number (if applicable), in line with the prompt payment code or within the terms of the contract if these are different (see [MoJ Intranet](#)). For this to be achieved an invoice **must** be scanned into SOP, receipted and authorised within two days of receipt to allow for the three days BACS cycle.

11.8.5. All late payment interest incurred **must** be noted in the accounts. Contact your Accounts team for further information.

### Early Payment Discounts

11.8.6. Invoices offering an early payment discount must be dealt with promptly at all stages to ensure the discount is obtained. Failure to secure a discount represents a cash loss and **must** be reported as a fruitless payment.

11.8.7. Discounted invoices **must** be registered at the discounted amount and even if payment is made at the undiscounted amount the VAT paid should be based upon the discounted amount.

## Payments in Advance

- 11.8.8. Payments in advance may only be made only in exceptional circumstances and may require HM Treasury approval via [FM&C Financial Governance](#). Exceptions to this are:
- a. service/maintenance contracts which require payment when the contract commences;
  - b. payments to voluntary sector organisations e.g. grant in aid (see [Chapter 14](#)) which require working capital to operate;
  - c. minor services such as training courses, subscriptions, conferences;
  - d. where advance payment is made, retrospective checks **must** be undertaken to ensure the goods/services have been delivered in accordance with the order/contract.

## Overpayments

- 11.8.9. If a Cost Centre identifies that an invoice has been overpaid or a payment has been duplicated, they are responsible for contacting [SSCL](#) as soon as possible.

## Direct Debits

- 11.8.10. Payment by direct debit is heavily restricted.
- 11.8.11. All requests to set up a direct debit facility **must** be submitted to FM&C for approval via the [policy.finance](#) mailbox.

## 11.9. Government Procurement Card Payments

- 11.9.1. All Government Procurement Card (GPC) transactions **must**:
- a. be authorised by the Budget Holder;
  - b. be recorded on the GPC transaction log;
  - c. have supporting documentation, including budget holder approval and receipts, etc
- 11.9.2. The **GPC transaction log** **must** be reconciled within i-Expenses promptly each month.
- 11.9.3. GPC transactions on i-Expenses must be cleared as a priority to ensure expenditure is recorded accurately.
- 11.9.4. The full [GPC policy](#) can be found on [MyHub](#).
- 11.9.5. [Guidance](#) on clearing transactions on i-Expenses can be found in [Job Aids](#) on [MyHub](#).

## 11.10. Payments for Goods and Services - Risk Management and Control

### 11.10.1. Potential Risks

- a. duplicate or incorrect payments;
- b. loss of service due to late payments;
- c. failure to obtain value for money;
- d. fraud or loss;
- e. late payment and interest due;
- f. unauthorised purchases/misuse;
- g. fraud/financial loss;
- h. inappropriate use of the GPC

### 11.10.2. Potential Controls

- a. receipting actions completed promptly;
- b. suppliers notified of disputes/discrepancies;
- c. invoices on hold actioned promptly;
- d. compliance checks on use of [SOP6 process](#)

## 12. Banking and Cash Management

### 12.1. Scope

12.1.1. This chapter sets out policy governing Banking and Cash Management, and covers

<a href="#">12.2 Banking Contract</a>	<a href="#">12.3 Managing Cash Flow</a>
<a href="#">12.4 Local Cash Management</a>	<a href="#">12.5 Cash Holding</a>
<a href="#">12.6 Cash Received</a>	<a href="#">12.7 Secure Post Opening Procedures</a>
<a href="#">12.8 Contaminated, Mutilated or Counterfeit Bank of England Notes</a>	<a href="#">12.9 Cash Deliveries and Collections – For Public Sector Prisons</a>
<a href="#">12.10 Withdrawing Cash in Person (for PSP and NPS)</a>	<a href="#">12.11 Banking of Foreign Currency</a>
<a href="#">12.12 Cash Floats</a>	<a href="#">12.13 Money Found on Official Premises</a>
<a href="#">12.14 Cheques</a>	<a href="#">12.15 Postal Orders</a>
<a href="#">12.16 Chip &amp; PIN (streamline Machine)</a>	<a href="#">12.17 Banking and Cash Management - Risk Management and Control</a>
<a href="#">12.18 Banking and Cash Management – Annex</a>	

### 12.2. Banking Contract

12.2.1. [Shared Services Connected Limited \(SSCL\)](#) manages the day to day running of the contracts for banking, cash carrying and cheque stationery.

#### Bank Reconciliations

12.2.2. SSCL complete the bank reconciliations for HMPPS on a daily basis.

12.2.3. Any transactions that cannot be reconciled will be escalated to the relevant HMPPS contact, bank or supplier as appropriate for further information.

#### Banks Automated Clearing System (BACS)

12.2.4. BACS is the preferred payment method of HMPPS. It is one of the more secure methods of making payments and enables two-day clearing to take place between bank accounts in the UK.

## 12.3. Managing Cash Flow

- 12.3.1. SSCL manage the HMPPS account balances on a daily basis and liaise with FM&C regarding cash forecasting implications.
- 12.3.2. The current bank balance is monitored to ensure HMPPS remains within the HM Treasury cash flow forecasting tolerances.

## 12.4. Local Cash Management

### Cashier's Office and Security of Cash

- 12.4.1. All Prisons **must** have a secure Cashier's office.
- 12.4.2. All Cost Centres that hold cash, cheques or other valuables **must** have a safe.
- 12.4.3. Items of value that **must** be held in the safe include:
  - a. cash, Postal Orders, incoming cheques, postage stamps;
  - b. pre-signed cheques;
  - c. travel warrants/tickets;
  - d. Paying In Books;
  - e. prisoners' foreign currency (where sterling equivalent is £20 or more);
  - f. High Street Vouchers.
- 12.4.4. The Cashier in PSP, or person responsible for the float in NPS, is personally responsible for the contents of the safe and security cupboards. Whenever control of the safe is handed over to another person the contents **must** be checked and verified as part of the handover.
- 12.4.5. The **safe keys must** be either taken home by the person responsible for the safe at the end of the day or held securely in a key safe at the Cost Centre. Any spare keys or safe combination numbers **must** be held securely at the Cost Centre.
- 12.4.6. The **Cashier's office must** be locked when the room is vacated.
- 12.4.7. Where a safe is held in a shared office, the safe **must** be locked when the staff member responsible for the safe contents leaves the office.
- 12.4.8. The Cashier's office should have a counter and only authorised members of staff should be allowed behind the counter.
- 12.4.9. If it is necessary for more than one member of staff to work in the office where the safe is held, a risk assessment **must** be completed with measures taken to mitigate the risks listed.

12.4.10. Official cash which is not the Cashier's responsibility (such as staff collections for charity) should be placed in a sealed envelope and signed for by the authorised member of staff.

12.4.11. When the duplicate key (or safe combination) is used to access the safe and/or security cupboard in the absence of the safe key holder, two members of staff **must** always be present.

## Recording Cashier Transactions

12.4.12. The Cashier **must** record all payment and receipt transactions on SOP.

12.4.13. An independent 10% voucher check **must** be completed by an appropriate manager grade to ensure transactions have been completed correctly and accurately.

## Separation of Duties

12.4.14. To ensure that no one individual is responsible for transactions on both Prison-NOMIS and SOP the following transactions **must not** be completed on Prison-NOMIS by the Cashier:

- a. money at reception;
- b. money through post;
- c. cheque receipt;
- d. manual transfer from or to private prisons;
- e. money to relatives / cash disbursement / charity;
- f. postage costs;
- g. catalogue or flower transactions where payment is requested by cheque.

12.4.15. Where resources do not allow this, the Governor/Head of LDU **must** assess the risks, initiate additional management checks as appropriate, and record the risks in the SoIFC. They **must** also seek approval from FM&C [Financial Governance](#).

## 12.5. Cash Holding

12.5.1. The holding of cash is expensive and carries an inherent risk. The quantity of cash held **must** be kept to the minimum necessary to meet the Cost Centre's normal business requirements.

12.5.2. Independent cash checks **must** be performed at a frequency determined by the Cost Centre's local financial risk assessment.

12.5.3. A required level of petty cash should be set, dependant on the Cost Centre's business need.

12.5.4. The money held in the safe and float **must** be reconciled daily to the balance recorded on SOP General Ledger. All discrepancies **must** be investigated thoroughly.

Cash losses or surpluses **must** be transferred to the Cash Losses and Surpluses Suspense Account and write on/off action approved.

## 12.6. Cash Received

- 12.6.1. An official receipt **must** be issued for all cash received, except where other forms of receipt are provided e.g. prisoners monies.
- 12.6.2. Section [13.6](#) explains procedures relating to cash held in Reception.
- 12.6.3. Any cash receipts for Accounts Receivable **must** be banked on a separate paying in slip. An e-mail **must** be sent to [SSCL Cash Management team](#) advising them of the slip number and invoice(s) information for allocation. When the credit is received into the bank account, the SSCL Cash Management team will allocate it to the invoice(s) to reconcile the entry.
- 12.6.4. Cash **must** only be accepted for prisoners if a “Money to Prisoners Exemption Application” has been approved by the Governor **and** the cash is not considered to be suspicious (as per para. [12.6.6](#)).
- 12.6.5. The Money to Prisoners Exemption Application can be made at the same time as the first payment. For further information on this policy please refer to [Annex A of Chapter 13](#) and [PSI 01/2012 – Manage Prisoner Finance](#)
- 12.6.6. Any cash received for prisoners that is believed to be suspicious i.e. on the balance of probability is likely to be from an illegitimate source (proceeds of crime) or is intended to be used for an illegitimate purpose (a criminal offence) **must not** be banked.
- 12.6.7. Prisons **must** complete local intelligence checks to determine whether cash is suspicious and therefore should not be banked. Prisons may contact the Police Intelligence Officer (PIO) or the [Money to Prisoner Compliance Team](#) (MTPC) in the [Financial Investigations Unit](#) (FIU) for advice if required. Any suspicions relating to cash received must be reported to Security via an Intelligence Report. If the PIO makes a referral to law enforcement for investigation, the FIU must be informed.

## 12.7. Secure Post-Opening Procedures

- 12.7.1. In order to ensure cash sent by post is brought to account, post opening **must** take place in a secure environment, with two authorised members of staff present. Documentation listing the money received **must** be signed by the two witnessing members of staff.



- 12.7.2. Before accepting cash, cheques or postal orders P-NOMIS **must** be checked for an “Exemption Alert”. If there is an alert it **must** be checked for the payment method approved.
- 12.7.3. Any cash received where approval has not been given must be returned to the sender via Special Delivery or paid to the National Association for the Care and Resettlement of Offenders. Refer to [PSI 01/2012 Manage Prisoner Finance](#) for details of the approval process for Money to Prisoners Exemption Applications.
- 12.7.4. Any cheques or Postal Orders received where approval has not been given must be placed in the prisoner’s valuable property.
- 12.7.5. If money is received with a Money to Prisoners Exemption Application enclosed, this can be held in the safe until a decision is made. It **must not** be credited to the prisoner unless approval is given. Please refer to [PSI 01/2012](#) for further guidance.

## 12.8. Contaminated, Mutilated or Counterfeit Bank of England Notes

- 12.8.1. If any [contaminated, mutilated or counterfeit notes](#) are received:
- A [Mutilated Bank of England notes claim form](#) should be completed, and a photocopy taken for audit purposes. The counterfeit notes should be returned to the Bank of England. A copy of the form can be found at the [Bank of England Website](#).
  - the transaction should be authorised, and reported as a loss;
  - in the event of a refund from the Bank of England, the transaction should be reversed;
  - an e-mail should be to be sent to [SSCL Cash Management team](#) providing amount and SOP Code for allocation.

## 12.9. Cash Deliveries and Collections

[This section applies to Public Sector Prison (PSP) only; for the National Probation Service (NPS) see section [12.10.](#) ]

- 12.9.1. The cash-carrying contract **must** be used for ordering cash deliveries and collections (presently only applies to PSP).
- 12.9.2. The Head of Business Assurance (HoBA) **must** ensure that:
- either a scheduled or ad-hoc cash carrying service is set up, which meets the Cost Centre’s requirements in terms of amount and frequency;

- b. delivery/collection arrangements are reviewed regularly to ensure they are appropriate and give best value for money;
- c. if a new service or amendments to existing services are required, [a Contract Amendment Request Form, CMSOP23](#), is submitted to the [SSCL Cash Management team](#);
- d. when setting up or amending a service, a minimum of 10 working days' notice is given before the date they wish the new or amended service to take effect from;
- e. The SSCL Cash Management team are advised of any problems with the service experienced in order to monitor the level of service provided.

## Cash Deliveries

- 12.9.3. HoBAs **must** ensure that either a [CMSOP41\(Ad Hoc\)](#) or [CMSOP22 \(Scheduled\)](#) form is e-mailed from their Finance functional mailbox to the [SSCL Cash Management Team](#) by **11.00 a.m. on Day 1** for service **on Day 3**. The form should include the denomination of cash required. G4S Identification Numbers are shown at [Annex A](#). Ensure the 3 digit site number is quoted on the form.
- 12.9.4. Authorised staff **must** be available to receive the delivery upon arrival of G4S. Contracted service time windows are **9:00 a.m-11:30 a. m** and **2:00 p.m-4:30 p.m.**
- 12.9.5. The authorised member of staff **must** check that the seal is intact and the number corresponds with the delivery note before accepting the delivery. If the seal is broken, the cash **must** be counted in the presence of G4S staff.
- 12.9.6. The Cashier/person responsible for the safe **must** count the cash delivered in the presence of a second authorised member of staff. This member of staff **must** agree the amount to the delivery note and sign and date the delivery note.
- 12.9.7. Bags should be opened at the opposite end to the seal, so that this remains intact if any shortfall needs to be claimed.
- 12.9.8. If a shortfall is discovered, all packaging, seals and paperwork **must** be retained, pending a claim.
- 12.9.9. When cash is delivered from the bank the description code uploaded to SOP should be the first 3 digits number followed by the word "CASH" e.g. XXXCASH.
- 12.9.10. The [SSCL Cash Management team](#) **must** be notified of any shortfall immediately by e-mail. Due to costs in administration, G4S will reimburse only claims in excess of £5. Differences of less than £5 **must** continue to be reported to the SSCL Cash Management Team, but should be written off locally and appropriately reported in the monthly losses & compensation return to [FM&C Losses and Compensation team](#).

## Collection of Monies (Cash, Postal Orders, Cheques)

- 12.9.11. Cheques **must** be scanned and a copy securely held electronically or photocopied before collection by G4S to provide a full audit trail of the cheque details. Provided

that this is done, the cheques can be treated as a “*nil value*” for the purposes of the container limits and charging. The cheques **must** also be put into a separate clear bag within the main bag to keep them separate from the cash/Postal Orders. **A maximum of 149** cheques or postal orders should be banked per Bank Giro Credit slip.

12.9.12. Separate paying-in slips **must** be used for prisoner related cheques, non-prisoner related cheques, cash and Postal Orders. The limit per container for delivery/collection is £20,000 of a CIT (Cash in Transit) service and £7,500 for a BL (Business Link) service.

12.9.13. When the details are recorded for cash to bank deposits, only the six digit paying in slip number **must** be entered in the Cheque No, Paying-in Slip No/ Securicor Delivery No column. No other narrative should be added.

12.9.14. The Cost Centre’s cashier **must** have the monies already bagged for collection before G4S arrive. Contracted service time windows are **9:00 a.m - 11:30 a.m.** and **2:00 p.m. - 4:30 p.m.**

12.9.15. Staff **must** confirm the identity of G4S staff by their photo identity card which is carried by them at all times. G4S staff are not permitted to remove their safety helmets at any time.

## Banking Discrepancies

12.9.16. The bags collected are opened under CCTV and details of the contents logged. If a discrepancy query is raised by the Bank, [SSCL Cash Management team](#) will ensure that it is fully investigated liaising between G4S, the relevant Cost Centre and the Bank. Any findings made by the Bank are final and the Cost Centre **must** accept the loss even if the Cashier balanced on the day of banking.

## 12.10. Withdrawing Cash in Person

12.10.1. Nominated staff may withdraw cash, up to an agreed limit, in person from the bank. However, a risk assessment should be carried out to ensure that staff are not exposed to an unacceptable level of risk.

12.10.2. **For Public Sector Prison (PSP)**, a [CMSOP24](#) **must** be emailed to [SSCL Cash Management team](#) to arrange this. They will provide a unique encashment reference which **must** be provided to the bank in order to cash the cheque. The cheque **must** be made payable to the individual followed by ‘(CASH)’

12.10.3. **For the National Probation Service (NPS)**, the cheque **must** be presented at the Bank with the NPS Identification Badge of the person collecting the cash. The cheque **must** be made payable to the individual followed by (CASH). Any cash withdrawals **must** be recorded on SOP.

## 12.11. Banking of Foreign Currency

- 12.11.1. Foreign cheques and Postal Orders **must** be sent by post to “*National Westminster Bank Plc, Payment Centre Southend, First Floor, Thanet Grange, Westcliffe on Sea, Southend, SS0 0ET*”. Each item should be banked on a separate paying-in slip. An email should also be sent to the [SSCL Cash Management Team](#) detailing paying in slip number, foreign cheque value and SOP code for allocation.
- 12.11.2. Where possible, foreign cash **must** be exchanged over the counter at your local National Westminster branch and the sterling equivalent should be banked in the usual way.
- 12.11.3. Any foreign currency received for prisoners **must** be included with their property, (refer to [PSI 12/2011 - Prisoners Property](#)). Where the sterling equivalent of this currency is greater than £20, it is recommended that this cash is placed in the Cashier’s safe. Prisoners may request to exchange part or all of their foreign currency at their own expense.
- 12.11.4. Foreign cheques, postal orders and receipts of cash **must not** be exchanged and banked if they are believed to be suspicious (i.e. on the balance of probability they are likely to be from an illegitimate source (proceeds of crime) or are intended to be used for an illegitimate purpose (a criminal offence).
- 12.11.5. Prisons must complete local intelligence checks to determine whether foreign cash, cheques or postal orders can exchanged be banked. Prisons may contact the Police Intelligence Officer (PIO) or the [Money to Prisoner Compliance Team](#) (MTPC) in the [Financial Investigations Unit](#) (FIU) for advice if required. Any suspicions relating to foreign cash, cheques or postal orders received must be reported to Security via an Intelligence Report. If the PIO makes a referral to law enforcement for investigation, the FIU must be informed.

## 12.12. Cash Floats

### Out of Hours Cash Float

- 12.12.1. The Out of Hours Cash Float **must** only be used for discharging prisoners out of normal Cashier hours. The amount held within the float **must** be set at a level appropriate to the establishment. This float can be set up locally without seeking FM&C approval.

### Petty Cash Floats for Trading Activities

- 12.12.2. Cost Centres may require additional petty cash floats to facilitate certain trading/retailing activities by providing customers with change e.g. staff mess, Visitors Refreshment Fund (VRF), or external farm shops (see [Chapter 9](#)).

12.12.3. Additional petty/trading cash floats require approval from FM&C before they can be issued and set up on SOP. Any establishment requesting a trading float **must** complete a [PHX029 form \(Application for Permission to Issue Trading Float\)](#) and e-mail it to [policy.finance](#) for consideration and approval.

## 12.13. Money Found on Official Premises

12.13.1. Cash found by staff **must** be placed in a suspense account whilst attempts are made to find the owner. If the owner is not found within a reasonable timeframe or after a notice date has expired, the money should be treated as CFERs. See [Managing Public Money](#) for further details.

12.13.2. Cash found by offenders **must** be placed in a suspense account whilst attempts are made to find the owner. If the owner is not found then the money should either be treated as CFERs (see [8.12.2](#)) or given to National Association for the Care and Resettlement of Offenders (NACRO – see [13.20.9](#)) at the Head of the Cost Centre's discretion.

## 12.14. Cheques

12.14.1. Cheques are an expensive alternative to payment by BACS or GPC (Government Procurement Card). But their use is unavoidable in some instances.

### Cheques Issued by SSCL

12.14.2. The SSCL may issue cheques to Accounts Payable suppliers where BACS payment is not accepted.

### Pre-signed Manual Cheques

12.14.3. Cost Centres are issued with pre-signed cheque books to facilitate specific payments locally.

12.14.4. A Cost Centre may hold between one and three chequebooks at any one time and they are automatically re-ordered when the Cost Centre has reached their re-order level. When cheque books issued from **Checkprint Ltd** have been received, the Cost Centre **must** confirm receipt by e-mailing [Checkprint](#) **within 2 working days** including the appropriate reference number.

12.14.5. Before a cheque is issued, approval **must** be given via two of the authorised cheque signatories. The approvers **must** ensure any cheques issued for payments are for the transactions listed in [12.14.6](#) below. [PHX151 \(Cheque Signatories Request Form\)](#) **must** be used to maintain the current list of signatories.

12.14.6. These manual cheques are intended to be used for the following types of transaction only:

- a. transfers of prisoners' monies to Private Sector prisons and outside hospitals;
- b. payment of the balance of prisoners' discharge monies over £200;
- c. payment of prisoners' fines;
- d. discharge grant payments;
- e. payments to NACRO of prisoners' monies left unclaimed by discharged prisoners and for cash payments where the sender cannot be identified;
- f. payment for franking machine credits;
- g. payment of approved compensation to solicitors;
- h. payment of approved compensation to individuals;
- i. payments of donations collected from prisoners or offenders to nominated charities;
- j. prisoner related purchases where funds have been donated by charities.

12.14.7. If pre-signed manual cheques need to be used for any other reason, prior approval **must** be sought from FM&C [Financial Governance](#).

12.14.8. When a pre-signed cheque is written, the Manual Cheque Issued Log **must** be completed before the cheque is posted/handed out.

12.14.9. Each pre-signed manual cheque has a **6 digit** cheque number. The first three digits of this number will relate to the Cost Centre.

12.14.10. Cheques that are too damaged to send **must** be treated as lost and the Cheques Issued Log **must** be updated accordingly.

12.14.11. Where the Cost Centre has been informed that a cheque has been lost or stolen and a significant payment is to be re-issued, form [CMSOP40 \(Cheque Cancellation\)](#) form **must** be completed and e-mailed to the [SSCL Cash Management team](#), who **must** contact the bank to request cancellation of the cheque. Due to bank charges, cheques will only be cancelled with the bank if their value is **over £30**.

12.14.12. The SSCL Cash Management team is responsible for cancelling cheques with the bank and the SSCL Payments Team is responsible for voiding the payments on SOP (if AP related).

12.14.13. [FM&C Assurance and Compliance](#) team monitors manual cheque usage reported by the SSCL and Cost Centres **must** justify, if requested, any expenditure deemed to fall outside of the approved range.

12.14.14. If the SSCL Cash Management team receives a cheque referral they will email the relevant Cost Centre requesting authority to pay the relevant cheque. In order to provide a response within GBS timeframes it is imperative a response is received from the Cost Centre **by 1.30 p.m.** If no response is received the cheque will be returned unpaid.

## Compensation Cheques

- 12.14.15. Where compensation payments have been approved and the request received from a solicitor for payment of compensation (plus associated solicitors' fees), the payment can be made by BACS or CHAPS using either a SOP1 or SOP6 form. If payment is requested via cheque a pre-signed manual cheque can be used. Refer to [Chapter 6](#) for further guidance on private law claim payments.
- 12.14.16. Occasionally, the payment of compensation is made to an individual, rather than to the solicitor. These payments can be made by pre-signed manual cheque or via [SOP4](#) or [SOP6](#) (see [Guidance](#)). If the individual does not have access to a bank account, then the process for Prisoner Discharges should be followed (see [Chapter 13](#)).
- 12.14.17. Where compensation is paid to serving prisoners, the approved amount of compensation **must** be actioned by way of journal with a corresponding credit actioned in that prisoners' Private Cash account on Prison-NOMIS. If the compensation relates to a transaction from the spending account, the funds can be transferred using the sub account transfer process.

## Un-presented Cheques

- 12.14.18. The SSCL Reconciliation team **must**:
- a. identify those cheques that have not been presented for payment within 6 months of being issued and inform the issuing establishment that these should be investigated;
  - b. cancel those manual cheques that have not been presented for payment within 6 months of being issued by reversing the original accounting entry and inform the issuing establishment that the cheque has been cancelled and local action is also needed. Please note: only cheques with a value of **over £30** will actually be cancelled.
- 12.14.19. The issuing Cost Centre **must** ensure that Prison-NOMIS is updated for un-presented cheques returned by the bank in respect of prisoners' monies.

## Cheque Reconciliations

- 12.14.20. Cashiers **must** ensure that all cheque transactions have cheque numbers uploaded to SOP. The use of standard descriptions improves the bank auto-reconciliation process and the auto-replenishment system for manual cheques.
- 12.14.21. The description codes uploaded to SOP for all manual cheques issued **must** contain the six-digit cheque number only.
- 12.14.22. If a transaction that affects the bank requires correction, then the description **must** be 'XXX ERROR with the XXX' denoting the original narrative quoted.
- 12.14.23. On no account **must** this description field be left blank as SOP defaults to a description which has no reference to the related transaction.

- 12.14.24. In all cases, the second description field should be used if a further narrative is required.

## Cheques Received

- 12.14.25. Cheques received should be made payable to 'HM Prison and Probation Service' or *HMPPS*, although other variations will be accepted by the bank where the 'payable to' name contains 'HMPPS' (see [13.10.16](#)).
- 12.14.26. Post-dated cheques **must not** be accepted.
- 12.14.27. Cheques **must**, as a minimum, be banked on a weekly basis. A maximum of 149 cheques or postal orders should be banked per Bank Giro Credit slip.
- 12.14.28. In addition to the controls below, cheques **must not** be banked if it is believed to be suspicious (i.e. on the balance of probability it is likely to be from an illegitimate source (proceeds of crime) or is intended to be used for an illegitimate purpose (a criminal offence).
- 12.14.29. Prisons must complete local intelligence checks to determine whether cheques can be banked. Prisons may contact the Police Intelligence Officer (PIO) or the [Money to Prisoner Compliance Team](#) (MTPC) in the [Financial Investigations Unit](#) (FIU) for advice if required. Any suspicions relating to cheques received must be reported to Security via an Intelligence Report. If the PIO makes a referral to law enforcement for investigation, the FIU must be informed.

## Cheques for Prisoners

- 12.14.30. Cheques **must** only be accepted for prisoners if a "Money to Prisoners Exemption Application" which allows payment by cheque has been approved by the Governor **and** the cheque is not considered to be suspicious as outlined at [12.14.28](#) and [12.14.29](#).
- 12.14.31. If a cheque is received with a Money to Prisoners Exemption Application enclosed, this can be held in the safe until a decision is made. It **must not** be credited to the prisoner unless approval is given. For further information on this policy please refer to [PSI 01/2012 – Manage Prisoner Finance](#)
- 12.14.32. Cheques sent in for prisoners **must not** be made available to spend until **10 working days** has passed from the day of banking (or **28 days** in the case of foreign cheques), to allow time for the cheque to clear and for the SSCL to notify the relevant establishment of any issues. The credit **must** be made on Prison-NOMIS immediately and a hold placed on the value of the cheque. Once the appropriate period of time has passed the hold **must** be removed on Prison-NOMIS. It is not possible for [SSCL Cash Management](#) to expedite this process.
- 12.14.33. Any cheques received where approval has not been given must be placed in the prisoner's valuable property



- 12.14.34. Bankers' Drafts **must** be treated the same as a cheque as they are guaranteed funds rather than cleared funds and so have to go through the clearing process.
- 12.14.35. All cheques from Private Sector Prisons **must** be credited to the prisoners account immediately with no holds placed.

## Accounts Receivable Cheques

- 12.14.36. The [SSCL Cash Management team](#) will process the majority of Accounts Receivable (AR) cheques.
- 12.14.37. Any AR cheques received at establishments **must** be dealt with by either:
- a. forwarding them onto the SSCL Cash Management team by Recorded Delivery for processing. The postal receipt and a copy of the cheque **must** be retained by the establishment with details of the invoice being paid; or
  - b. banked locally using a separate credit slip for each cheque.

## Cheques for Charity Collections

- 12.14.38. If staff would like to arrange collections for charity etc. this money should not be paid into the HMPPS accounts. A personal cheque **must** be arranged by the staff organiser.

## Returned Cheques

- 12.14.39. Cheques issued by HMPPS and subsequently either lost in the post or returned to SSCL will be investigated by the [SSCL Cash Management team](#).
- 12.14.40. Cheques that originated at HMPPS sites will be returned to the relevant Cost Centre for investigation. This **must** be recorded on cheque log and the original transaction details e-mailed to SSCL Cash Management team via form [CMSOP40](#). SSCL will then reverse the entry on SOP.
- 12.14.41. If the original address is incorrect it **must** be amended and the cheque resent.

## Bounced Cheques

- 12.14.42. Any cheques returned by the bank as unpaid (bounced) **must** be investigated by the [SSCL Cash Management team](#).

## 12.15. Postal Orders

- 12.15.1. All Postal Orders received **must** be recorded in the Cost Centre's Supplementary Cash books, detailing the **8-digit** Postal Order number, which can be found along the foot of the Postal Order.
- 12.15.2. Any postal orders received where a "Money to Prisoners Exemption Application" which allows payment by postal order has not been approved by the Governor, must be placed in the prisoner's valuable property.
- 12.15.3. Any Postal Orders **must not** be banked if they are believed to be suspicious (i.e. on the balance of probability they are likely to be from an illegitimate source (proceeds of crime) or is intended to be used for an illegitimate purpose (a criminal offence) must not be banked.
- 12.15.4. Prisons must complete local intelligence checks to determine whether postal orders can be banked. Prisons may contact the Police Intelligence Officer (PIO) or the [Money to Prisoner Compliance Team](#) (MTPC) in the [Financial Investigations Unit](#) (FIU) for advice if required. Any suspicions relating to postal orders received must be reported to Security via an Intelligence Report. If the PIO makes a referral to law enforcement for investigation, the FIU must be informed.
- 12.15.5. Postal Orders are only valid for 6 months from date of issue.
- 12.15.6. All Postal Orders should be made payable to HMPPS, where any other 'pay to' name is used, the Cashier **must** stamp the reverse of the Postal Order, in the top left hand corner, with "*HM Prison and Probation Service*", annotating this with "*Payable to*".
- 12.15.7. Postal Orders should be photocopied to ensure that if any are lost before they are successfully banked the loss can be recovered from the bank/cash-carrying contractor. Where establishments decide not to photocopy the Postal Orders, the decision **must** be recorded on the SolFC and establishments **must** meet the cost of any loss.
- 12.15.8. It is possible for senders to cancel Postal Orders 18 days after issue. See [13.10.9 to 13.10.14](#) for further guidance and instructions.
- 12.15.9. When banking Postal Orders the paying in slip should detail the total number of specific denominations, e.g. 2 x £5, 15 x £10, etc. The maximum number of Postal Orders allowed per paying in slip is **50**.
- 12.15.10. Postal Orders **must** have a printed payee name so it is not possible to purchase Postal Orders in bulk. For prisoners' monies Postal Order requests, refer to paragraphs [13.10.9 - 13.10.14](#).

## 12.16. Chip & PIN (Streamline Machine)

12.16.1. It is possible for sites to use a Chip and PIN/contactless machine for purchases by staff or visitors. Contact FM&C [Financial Governance](#) for further information or guidance on submitting a request.

## 12.17. Banking and Cash Management - Risk Management and Control

### 12.17.1. Potential Risks

- a. theft/loss;
- b. misappropriation;
- c. inadequate records;
- d. incorrect records;
- e. Insufficient cash to make payments

### 12.17.2. Potential Controls

- a. check of manual cheque log’;
- b. check procedures for sending/receiving monies from/to the Bank;
- c. check procedures for receiving cash locally;
- d. cash is counted and reconciled to SOP;
- e. check documents to Cashier’s journal;
- f. security of Cashier’s office;
- g. cash floats and cash equivalents are checked.

## 12.18. Banking and Cash Management – Annex

12.18.1. [Annex A - G4S Identification number](#)

## 13. Prisoners' Monies

### 13.1. Scope

13.1.1. This chapter describes the processes involved in the effective recording and management of prisoners' monies and valuable property and covers:

<a href="#">13.2 Prison-NOMIS Accounts</a>	<a href="#">13.3 Incentives Scheme</a>
<a href="#">13.4 Recording Transactions</a>	<a href="#">13.5 Money Laundering/Security</a>
<a href="#">13.6 Initial Reception</a>	<a href="#">13.7 Valuable Property</a>
<a href="#">13.8 Foreign Currency</a>	<a href="#">13.9 Earnings and Bonuses</a>
<a href="#">13.10 Money Sent in</a>	<a href="#">13.11 Money Sent out</a>
<a href="#">13.12 Scheduled Payments</a>	<a href="#">13.13 Adjudications</a>
<a href="#">13.14 Offender Obligations – Damage to Property</a>	<a href="#">13.15 Canteen/Prison Shop</a>
<a href="#">13.16 Catalogue Spends</a>	<a href="#">13.17 Confiscation Orders</a>
<a href="#">13.18 Transfers between Prisons</a>	<a href="#">13.19 Discharges to Court</a>
<a href="#">13.20 Discharges</a>	<a href="#">13.21 Reconciliations</a>
<a href="#">13.22 Prisoner Account Statements</a>	<a href="#">13.23 Roles and Responsibilities of the Cashier</a>
<a href="#">13.24 Prisoners' Monies - Risk Management and Control</a>	<a href="#">13.25 Prisoners' Monies – Annex A</a>

13.1.2. This chapter does not cover the policies associated with [prisoners' pay \(PSO 4460\)](#), how prisoners are permitted to conduct their [financial affairs \(PSI 01/2012\)](#), the [Incentives Policy Framework](#), [Annex C of Prisoner Discipline Procedures \(adjudications PSI 05/2018\)](#), [Prison-NOMIS \(PSI 23/2014\)](#) nor items of [prisoners' property \(PSI 12/2011\)](#).

### 13.2. Prison NOMIS accounts

13.2.1. Whilst they are held in custody prisoners are not allowed to have money on their person. Prisoners are allowed to receive and spend money within laid down rules and are also paid earnings for the work they do.

13.2.2. The Prison-NOMIS system records all receipts and payments and shows the balance of money being held for each prisoner on their own set of personal accounts.

13.2.3. Prisoners are encouraged to open an external bank or building society account as the money held within Prison-NOMIS does not attract interest. See [PSI 44/2011](#).

### **Private, Spending and Savings accounts**

13.2.4. On reception at prison, each prisoner will have a non-interest bearing account set up consisting of 3 sub-accounts.

13.2.5. The total balance of the 3 sub accounts must not exceed £900 unless the governor has agreed an exception. Please refer to [Annex A](#) and [PSI 01/2012](#) for further guidance.

### **Private Cash Account**

13.2.6. This account includes money from initial reception, money sent in from friends/relatives, cash bonuses and any compensation amounts paid.

### **Spending Account**

13.2.7. This account holds the prisoner's private cash allowance (see section [13.3](#) below) and any locally paid earnings. All personal expenditure transactions made on behalf of prisoners should be made from this account.

### **Savings Account**

13.2.8. This account permits prisoners to save money from their spending account for their release and **must** be operated if a prisoner requests it. Once a credit has been made to this account it should remain there until the prisoners' release. Requests for deductions from this account should be considered on a case by case basis. Approval should only be given if the funds will contribute to rehabilitation.

## **13.3. Incentives Policy Framework**

13.3.1. The Incentives scheme allows a pre-determined amount to transfer from a prisoner's private cash to their spending account, subject to sufficient funds being available within the private account. This amount is based on their incentives status (Basic, Standard or Enhanced) and whether they are convicted or unconvicted. The automatic transfer from private cash to spends will occur on Sunday and is updated throughout the week by running the 'Manual Money Transfer' option on Prison-NOMIS.

13.3.2. The incentive limits can be changed where a double allowance is required.

13.3.3. Refer to [PSI 01/2012 – Manage Prisoner Finance](#) for further information regarding policy on Private Cash.

13.3.4. The Incentives Policy Framework provides further information on this scheme.

## 13.4. Recording Transactions

13.4.1. Transactions **must** be recorded on both Prison-NOMIS and SOP accurately and promptly to ensure effective reconciliation between the two systems, and to ensure prisoners' accounts are as up to date as possible.

13.4.2. Recording of transactions on Prison-NOMIS **must** be separated from the entry of transactions on SOP. Where this is not possible, additional management checks **must** be implemented to mitigate the risks.

13.4.3. All deductions relating to prisoners' expenditure/disbursements **must** be authorised in advance by the prisoner. Disbursements requests from prisoners **must** include the signature of a witnessing officer confirming the identity of the prisoner and a reason for the disbursement.

13.4.4. The Governor must approve any disbursement requests that exceed a total of £250 per prisoner per week, or is greater than £50 per recipient.

## 13.5. Money Laundering/Security

13.5.1. Investigations into finances potentially linked to the illicit economy and money laundering must not be conducted by staff outside of the [Financial Investigations Unit](#) (FIU). Staff outside the FIU should report any concerns as an Intelligence Report (IR).

13.5.2. While completing daily tasks Business Hub staff should be conscious of requests received from prisoners (i.e. cash disbursements) and should submit an intelligence report if a request is believed to be suspicious (i.e. on the balance of probability it is likely to be relating to funds from an illegitimate source (proceeds of crime) or a request for an illegitimate purpose (a criminal offence).

13.5.3. If a prison believes that funds in a prisoner's P-NOMIS account are suspicious, they **must** be withheld from the prisoner using the "Withhold Funds" transaction type and **must not** be made available for the prisoner to spend. All concerns should be raised via an Intelligence Report. All funds under the "Withhold Funds" transaction type **must** remain on hold until the prisoner is released unless further instruction is received from the [Money to Prisoner Compliance team](#) (MTPCT) in the [Financial Investigations Unit](#) (FIU).

13.5.4. If the MTPCT gives an instruction 'not to pay out' funds to a prisoner when they are released from custody, those funds **must** be moved to the designated bank account as per the guidance in Annex A. A record of the amount withheld must be kept on NOMIS.

13.5.5. Any Cost Centre that accepts, or is prepared to accept cash of £5,000 or more has to comply with the following action on receipt of the cash transaction: -

- a. request a form of identification, preferably with a picture such as a passport, EU or services identity card, driving licence should be requested;
- b. if the individual does not have these, proof of address in the form of a utility bill, credit card or bank statement may be accepted;
- c. if the individual cannot or will not provide a form of identification as requested, the matter should be referred to the Money Laundering Officer (MLO) or MoJ Internal Audit for instructions on how to proceed, the payment should not be refused;
- d. all cash transactions for £5,000.00 or above **must** be reported to the MLO or [Government Internal Audit Agency](#).

## 13.6. Initial Reception

13.6.1. All monies in possession of a prisoner upon reception **must** be taken from them, and details of the amount entered onto the Reception Day Sheet (F377A). This includes nil amounts.

13.6.2. Each prisoner **must** sign against their entry. If they refuse, the reception officer **must** sign on their behalf, recording also that the prisoner refused to sign.

13.6.3. Money **must** be placed in a sealed bag and where the amount recorded against an individual prisoner is £50 or more this **must** be separated into its own sealed bag, with the seal number recorded on the Reception Day Sheet and held securely in a lockable tin and/or Reception safe.

13.6.4. Any cash in possession of a prisoner on their arrival that is believed to be suspicious (i.e. on the balance of probability is likely to be from an illegitimate source (proceeds of crime) or is intended to be used for an illegitimate purpose (a criminal offence) must not be banked.

13.6.5. Prisons must complete local intelligence checks to determine whether cash is suspicious and can be banked. Prisons may contact the Police Intelligence Officer (PIO) or the [Money to Prisoner Compliance Team](#) (MTPC) in the [Financial Investigations Unit](#) (FIU) for advice if required. Any suspicions relating to cash received must be reported to Security via an Intelligence Report. If the PIO makes a referral to law enforcement for investigation, the FIU must be informed.

13.6.6. The money should be accounted for promptly by the Cashier. The Reception Day Sheet **must** be signed by the Cashier and the Reception Officer to confirm the total is correct.

13.6.7. It is the responsibility of the Business Hub to credit prisoners' accounts.

## Advances

- 13.6.8. Prisoners **must** only be credited with an advance to cover their first night canteen purchases at initial reception. If a prisoner has sufficient funds to cover the cost, then an advance **must not** be issued. If a prisoner has funds to cover part of the cost, then only the difference may be advanced.
- 13.6.9. Prisoners may be advanced funds throughout their time in custody where it can be demonstrated that there is a justified need for such funds. The advance should only be given where the repayment is guaranteed and collected in full as soon as possible.
- 13.6.10. Advances will be automatically deducted from the prisoner's spends account each week until fully repaid or until transfer to a private prison/release. Prison-NOMIS collects advances in sequential order of issue, so if there is more than one advance it will collect from the earliest first.
- 13.6.11. For prison transfers within the public sector, any outstanding balance in the advance account will automatically transfer with the prisoner for collection by the receiving establishment.
- 13.6.12. All advances **must** be fully repaid prior to discharge. Where this is not possible, any outstanding advance **must** be written off and recorded on the Losses and Compensation return under the heading of '*Claims waived/abandoned*'. An advance can only be written off by the issuing establishment. If a prisoner has transferred during their time in custody it will be necessary to request the write off from the issuing prison.
- 13.6.13. Any advance outstanding **must not** be deducted from a prisoner's discharge grant. See [PSI 72/2011](#).

## 13.7. Valuable Property

- 13.7.1. **Output 6 (2.54 – 2.61)** of [PSI 12/2011 - Prisoners Property](#) explains the policy relating to prisoners valuable property.
- 13.7.2. Bags for storing valuables should be transparent, with a tamper proof seal and have an individual serial number.
- 13.7.3. If a prisoner has valuable property that is believed, on the balance of probability, to be the proceeds of crime, the PIO and FIU should be alerted and an intelligence report submitted.
- 13.7.4. If prisoner valuables are left behind after the prisoner has been discharged, absconded or died they **must** be disposed of in line with **Output 14** of [PSI 12/2011 – Prisoner Property](#).



- 13.7.5. Any official documents such as Driving Licenses and Passports should be returned to the issuing authority.
- 13.7.6. Reasonable attempts **must** be made to sell unclaimed prisoner valuables but where this is not possible, they may be donated to a registered charity chosen by the establishment.
- 13.7.7. All sale proceeds **must** be sent to NACRO (see [13.20.9](#)).
- 13.7.8. Disposal action **must** be recorded.

## 13.8. Foreign Currency

- 13.8.1. Foreign currency brought in at reception **must** be treated as valuable property and held securely. Where possible a prisoner can exchange their foreign currency to sterling if they wish. Any associated commission charge is borne by the prisoner. See [Section 12.11](#) for checks required on foreign currency.

## 13.9. Earnings and Bonuses

- 13.9.1. Prisoners Earnings should be credited via the Activities package on Prison-NOMIS. Only earnings that are not part of the activities package should be manually credited by the Business Hub.
- 13.9.2. Earnings **must** be paid in line with [PSO 4460 Prisoners Pay](#). The Earnings Budget Holder is responsible for monitoring and management of the earnings system.
- 13.9.3. The implementation of the Prisoners Earnings Act means that prisoners working outside will not be paid directly by their employer. The preferred method of payment is a BACS transfer directly into the HMPPS bank account for the levy to be deducted and the balance forwarded to the prisoner's external bank account. In order to facilitate this payment, prisoners **must** be given the opportunity to open a bank account in their own name.
- 13.9.4. Delays of up to 5 working days are possible before prisoners receive payment into their personal bank account. Cheque payments will incur further delay because they will require clearing before being processed.
- 13.9.5. Prisoners who work for outside employers are expected to meet the cost of their travel and subsistence while outside the establishment.
- 13.9.6. It is the employer's responsibility to pay the prisoner after deduction of Income Tax and National Insurance. Prisoners are not exempt from the normal thresholds for Income Tax and National Insurance contributions

- 13.9.7. In exceptional circumstances, where prisoners are paid by cash or cheque employers can pay the wages into any Nat West branch. Full details can be found in [PSI 76/2011 Prisoners Earnings Act](#).
- 13.9.8. Bonuses may be credited to recognise and reward productivity and achievement. Section 3.1 [of PSO 4460 Prisoners Pay](#) explains the criteria for this. It is the responsibility of the Business Hub to manually credit prisoners' accounts with the bonus amounts.

## 13.10. Money Sent In

- 13.10.1. Provided that approval via the Money to Prisoners Exemption Application Process has been given, money can be sent in to prisoners from friends and relatives in the form of cash, cheque or postal order to the extent provided in the exemption approval. Cheques from other Government Departments and Local Authorities are not subject to the exemption process. For further guidance on the Money to Prisoners Exemption process please refer to [Annex A](#) and [PSI 01/2012 Manage Prisoner Finance](#).
- 13.10.2. Any cash, cheque or postal order must also be deemed not to be suspicious as per [12.6.6](#), [12.11.4](#), [12.14.28](#), [12.15.3](#) above.
- 13.10.3. Once approval has been given an Exemption Alert **must** be created on P-NOMIS, including the method approved. The alert **must** be populated with the full name and address of the sender.
- 13.10.4. All prisoners' mail **must** be opened in a secure environment in the presence of two members of staff.
- 13.10.5. Section 11.6 of [PSI 49/2011 \(Prisoner Communication Services\)](#) explains the procedures relating to any incoming correspondence or parcel, which is recorded/signed for or special delivery.
- 13.10.6. All monies received for prisoners through the post **must** be recorded in a cashbook (for example, a B794 Supplementary Cash Book), with the relevant prisoners notified of the amounts received. Books listing the money received **must** be signed by the two witnessing members of staff.
- 13.10.7. All monies received through the post **must** include the full name and address of the sender in order to comply with Money Laundering Regulations:
- 13.10.8. Where sender details are missing the money is to be deemed an anonymous gift and **must** be treated as per [13.10.26](#) below.
- 13.10.9. All cash and postal orders, where full sender details are available, **must** be credited to the prisoners' P-NOMIS account on the day of receipt if an exemption has been approved and the prisoner has not reached the £900 limit in their accounts.

## Postal Orders

- 13.10.10. Irrespective of whom a postal order is made payable to, and whether it is crossed or uncrossed, it may be endorsed as '*Payable to HM Prison and Probation Service or HMPPS*' in the top third of the reverse side only.
- 13.10.11. Postal orders can be stopped or cancelled on the request of a police investigation or where the sender has sent a request to *Post Office Ltd at Chesterfield* to have them cancelled. On receipt of such a request the Post Office will refund the money to the sender after 28 days if the postal order has not been banked.
- 13.10.12. If the date of issue is less than 18 days from the date of receipt the postal order **must** be treated as cash and credited to the prisoners account immediately.
- 13.10.13. If the date of issue is 18 days or more from the date of receipt, the postal order **must** be put on hold until 10 working days after the day of banking has passed to allow time for the postal order to clear and for the establishment to be notified.
- 13.10.14. All postal orders **must** be banked weekly unless identified as potentially suspicious (see [12.15](#) for detail).
- 13.10.15. Postal orders are only valid for 6 months from the date of issue. If the postal order is out of date or will be by the time it is banked, it **must** be returned to the sender stating the reason for refusal.

## Cheques

- 13.10.16. Cheques should be made payable to "*HM Prison and Probation Service*"
- 13.10.17. Cheques from foreign countries tend not to be crossed and so may be endorsed as payable to "*HM Prison and Probation Service*" or "*HMPPS*" in the top third of the reverse side. G4S cannot encash foreign currency cheques or postal orders. Foreign currency cheques or postal orders **must** be sent by post to '*National Westminster Bank plc, Cheque Centre, PO Box 11170, 6 Brindley Place, Birmingham, B1 2ZB.*'
- 13.10.18. Cheques **must** be cleared by the bank before the money is made available to the prisoner. The amounts **must** be credited to the prisoners' accounts immediately but **must** be put on hold until *10 working days* after the day of banking has passed to allow time for the cheque to clear and for the establishment to be notified. Cheques **must** be banked weekly. Any commission charge incurred **must** be borne by the prisoner.
- 13.10.19. In addition to the controls below, cheques **must not** be banked if it is believed to be suspicious (i.e. on the balance of probability it is likely to be from an illegitimate source (proceeds of crime) or is intended to be used for an illegitimate purpose (a criminal offence).

13.10.20. If a prisoner has transferred to another establishment before the clearance period has passed it is the responsibility of the establishment that originally placed the hold to release it. This **must** be followed with a Transfer out Trust Funds procedure on Prison-NOMIS and a corresponding Inter Unit Charge (IUC).

## Electronic Credits

13.10.21. Funds can be sent to prisoners electronically via debit card if the prisoner has not exceeded the £900 limit. [Guidance](#) can be found at <https://www.gov.uk/send-prisoner-money>.

13.10.22. Once the credit has been successfully received into the HMPPS bank account, the information will be transferred to the relevant establishment for automatic upload to P-NOMIS.

13.10.23. The [Money to Prisoner Compliance Team](#) will review transactions that are flagged as potentially suspicious. This may result in payments being rejected.

13.10.24. Any electronic credit that the prison believes to be suspicious (i.e. on the balance of probability is likely to be from an illegitimate source (proceeds of crime) or is intended to be used for an illegitimate purpose (a criminal offence) must be placed on hold with the “Withhold Funds” transaction type as per [13.5.3](#) above.

## Anonymous Gifts

13.10.25. Anonymous gifts are any cash, cheques, or postal orders received for prisoners that do not include the sender’s full name and address. HMPPS has a responsibility to ensure all monies sent to prisoners are from legitimate sources and for legitimate purposes.

### 13.10.26. **Money received where both the prisoner and sender are unknown**

The money **must** be recorded and held in the anonymous cash suspense account while attempts are made to identify the prisoner and sender. If the sender and prisoner cannot be identified after 3 months the money **must** be sent to NACRO.

### 13.10.27. **Money received where the prisoner is unknown, but the sender is known**

The money **must** be returned to the sender.

### 13.10.28. **Money received where the prisoner is known but the sender is unknown**

- a. **Cash** – Inform the prisoner that funds have been received without the required information; if confirmation of sender’s details can be obtained, return to sender via Special Delivery. If not, and the prisoner disclaims the funds, it must be paid to the National Association for the Care and Resettlement of Offenders

- b. **Cheque** – placed in the prisoner’s valuable property
- c. **Postal Order** – placed in the prisoner’s valuable property

13.10.29. If there are suspicions about the cash, cheque or postal order an intelligence report must also be submitted.

## 13.11. Money Sent Out

13.11.1. Prisoners **must** apply for funds to be sent out on [Form PHX160 \(Cash Disbursement\)](#). **Each prisoner can send a maximum of £50 per recipient and £250 in total for all recipients per week.** Any amounts requested above this limit **must** only be processed subject to approval by the Governor.

13.11.2. Cash Disbursements **must** be processed as a cheque or BACS transfer unless cash is specifically requested. Prisoners **must** be advised that sending cash out is at their own risk and will only be processed with the approval of the Governor/delegated approver

13.11.3. The prisoner **must** meet all postage costs incurred when sending money out.

13.11.4. Foreign currency may be transferred electronically provided the Swift and IBAN codes are provided. Charges are dependent on the amount requested and the country receiving the transfer and **must** be borne by the prisoner. [A SOP5](#) form **must** be used to process the payment. This form should also be submitted if the preferred method of sending the money is a banker’s draft.

13.11.5. If a request is received via cash disbursement for money to be sent to another prisoner within the estate, it is possible to action this following the IUC procedure. The receiving establishment should ensure that the Mercury process is followed.

13.11.6. For further guidance on sending money out please refer to [Annex A](#) and [PSI 01/2012 Manage Prisoner Finance](#)

## 13.12. Scheduled Payments

13.12.1. Scheduled Payments may be set up locally for any debit transaction type on Prison-NOMIS. Once activated a schedule will collect the same amount of money from a prisoner each week, until it is end dated. See [9.6.11](#).

13.12.2. The TV schedule is automatically available. Prisoners with in-cell televisions **must** pay a weekly amount for rental. Annex E of the [Incentives Policy Framework](#) explains the policy for charging prisoners.

## 13.13. Adjudications

13.13.1. The following adjudication awards will impact on prisoners' monies:

- a. **Loss of earnings** - all or part of a prisoner's daily pay earned while in prison custody may be stopped. The punishment can only be issued up to a maximum amount equivalent to 84 days full pay for adult offenders and 42 days full pay for young offenders.
- b. **Loss of canteen** – means that prisoners are not able to purchase items from the canteen/prison shop. The purchase of postage stamps and PIN Phone credits and the use of the telephone should not normally be forfeited unless the circumstances of the offence are directly related to their abuse.
- c. **No private cash transfer** – this will hold the weekly transfer from private cash to spending account based on the incentives level. If the spending account has a balance, the prisoner can purchase canteen items. Any earnings from the week will be credited to the spending account as usual.

13.13.2. Adjudication awards will be processed by the Business Hub.

Refer to [PSI 05/2018 Prisoner Discipline Procedures \(Adjudications\)](#)

## 13.14. Offender Obligations - Damage to Property

13.14.1. Prisoners are required to pay compensation for the destruction or damage caused to prisons and prison property. This will only be imposed following a finding of guilty in the corresponding adjudication. [See Annex C of PSI 05/2018 Prisoner Discipline Procedures \(Adjudications\)](#)

## 13.15. Canteen / Prison Shop

13.15.1. All eligible prisoners **must** be given the opportunity to spend on an approved range of products at least once a week.

13.15.2. Canteen sheets **must** be printed and issued weekly. It is important to action the manual money transfer before canteen sheets are printed to ensure any

outstanding amounts of private cash allowance are transferred to the spending account.

## 13.16. Catalogue Spends

13.16.1. [PSI 01/2012 Manage Prisoner Finance](#) states that large purchases are permitted at the discretion of the Governor. The consideration of these applications should take into account:

- a. the wider issues of security and control within the establishment;
- b. the impact of the purchase if the prisoner is transferred to another prison;
- c. the need to demonstrate consistency with other like decisions.

13.16.2. Catalogue orders can either be run in-house or via the retail contractor. The contractor is likely to charge an administration fee for the service.

13.16.3. Prisoners' **must** complete a request to purchase form for any catalogue items. These items should come within the range of items subject to the establishment's facilities list and their incentive scheme limit.

13.16.4. The weekly incentive level of transfer of private cash **must not** be increased to speed up the accrual of funds. Prisoners **must not** exceed the amount they have in their spending account. The amount of the catalogue items should be deducted immediately from the prisoners account to ensure sufficient funds are available.

13.16.5. A journal **must** be posted on a weekly basis, moving the amounts from the Prisoners Monies account to the catalogue suspense account. A monthly reconciliation of the account **must** be carried out.

13.16.6. The [Government Procurement Card \(GPC\)](#) **must** be used for all catalogue purchases and transaction logs completed for all purchases.

13.16.7. If the canteen contractor places the orders, the warehouse responsible for the establishment will hold a GPC in that establishment's name to pay for the purchases. Only the catalogues agreed with the canteen contractor can be used.

## 13.17. Confiscation Orders

13.17.1. To assist prisoners with repayment of outstanding confiscation orders while in custody, they should be notified of the process to arrange payments from their Prison-NOMIS account via a cash disbursement.

13.17.2. The National Best Practice Guide to Confiscation Enforcement explains that:

- a. the prison should notify the Enforcement Authority if a defendant with an outstanding order has more than **£250** in their prison account ([PSI 16/2010 - Confiscation Orders](#)). The enforcement authority should also maintain contact with the prison in order to keep up to date with the prisoner's circumstances.
- b. If the defendant agrees to a sum being taken from his prisoner account either as a one of payment or in regular instalments the prison will forward the payments to the enforcement authority

## 13.18. Transfers between Prisons

- 13.18.1. Account balances will transfer on P-NOMIS as soon as a prisoner is received into their new prison. If there is a "Withhold Funds" transaction against an amount, this **must not** be transferred to the new prison, it **must** remain at the originating prison.
- 13.18.2. All transfers of prisoners' monies within Public Sector Prisons **must** be performed by IUC on the day after transfer.
- 13.18.3. Where it is known that a transfer is taking place to a Contracted-Out Prison any outstanding advances should be repaid or written off before the Prison-NOMIS account is transferred.
- 13.18.4. Once received into the new caseload, Contracted-Out Prisons will zero the Prison-NOMIS account and credit their finance system with the balance. Private prisons have been instructed to allow prisoners access to their funds upon arrival before receiving the physical funds. The manual transfer of monies **must** be actioned immediately by pre-signed manual cheque.
- 13.18.5. In cases where Prison-NOMIS has not been used to transfer accounts, the establishment should liaise with the private prison and confirm by e-mail the account balance at the point of transfer. This **must** then be credited to the prisoner immediately, in advance of the funds arriving. It is not acceptable to wait until cheques have cleared to allow the prisoners access to their funds.
- 13.18.6. In all cases, a schedule of the monies transferred should also be sent to the receiving location to confirm the amounts transferred and for whom via PHX053 (copy can be found from the P-NOMIS to SOP reconciliation workbook).
- 13.18.7. Any approved Money to Prisoner Exemption Applications will transfer with the prisoner to the new establishment. P-NOMIS **must** be checked for an exemption alert before any cash, cheques or postal orders are accepted.
- 13.18.8. Contracted-Out prisons must ensure that P-NOMIS is updated with an exemption alert before transferring prisoners to a Public Sector establishment.



## Credits after Transfer

- 13.18.9. If a prisoner transfers to another establishment and a credit is received at the previous establishment (i.e. money through the post or canteen refund), it is the responsibility of the originating establishment to credit the account. The amount **must** then be transferred via Prison-NOMIS and the IUC process. A PHX053 should be e-mailed to the new establishment.
- 13.18.10. For Contracted-Out Prisons, [13.18.6](#) should be followed with a manual cheque raised immediately in place of the IUC.
- 13.18.11. All establishments **must** regularly check Prison-NOMIS for credits sent from other establishments and receive the funds into the accounts immediately without waiting for the IUC or the cheque.

## 13.19. Discharges to Court

- 13.19.1. No cash or valuable property should be taken to court unless it is known, or is likely, that a prisoner will be released (i.e. on appeal), or they have specifically requested it. Refer to [PSI 72/2011 Discharge](#).

## 13.20. Discharges

- 13.20.1. Prisoner's cash **must** be prepared for discharge, after deduction of any outstanding advances and spends. A discharge balance report **must** be printed and signed by the prisoner.
- 13.20.2. If a prisoner has funds on hold under the transaction type "Withhold Funds" this must be paid to the prisoner, unless further instructions have been sent by the [Financial Investigation Unit](#) (FIU) (see para [13.5.3](#)). If the hold was placed at a previous prison, that prison **must** be contacted to release the hold.
- 13.20.3. If a prisoner with money held under "Withhold Funds" is to be released suddenly, FIU must be contacted immediately.
- 13.20.4. Discharge monies **must** be prepared in the presence of two members of staff, the Cashier and Reception Officer.
- 13.20.5. It is recommended that prisoners be discharged with a maximum of £200 in cash, with any remaining balance made up by way of cheque.

- 13.20.6. If a prisoner requests that the full balance due is paid in cash then a [PHX154 \(Prisoner Cash Disclaimer\)](#) should be signed by the prisoner and filed on their record.
- 13.20.7. Prisoners released who do not hold a bank account can be given an encashment form which will allow them to cash a cheque at a nominated bank. [Encashment CM-SOP-24](#) form **must** be emailed to [SSC Cash Management team](#) (to arrange this. They will provide a unique encashment reference which the prisoner **must** provide to the bank in order to cash the cheque. The cheque **must** be made payable to the individual followed by '(CASH)'.

## Money left after Discharges

- 13.20.8. Occasionally prisoners will be released or abscond and leave behind an amount of money in their account. Where the discharge address is known, the money should be forwarded on. Where an address is not known, establishments **must** retain this money for reclaim for 12 months and dispose in line with Output 14 of [PSI 12/2011 – Prisoners Property](#).
- 13.20.9. After the above periods of time this money **must** be sent to “the *National Association for Care and Resettlement of Offenders (NACRO), 1st Floor, 46 Loman Street, London SE1 0EH.*”
- 13.20.10. Cheques **must** be accompanied by a note detailing:
- a. the period to which it relates;
  - b. the name of the sending establishment.
- 13.20.11. Money cannot be reclaimed by prisoners / ex-prisoners where the money has been sent to NACRO after the above time periods. Any such claims made **must** be refused unless policy has not been adhered to. Where an error has occurred and a claim is honoured, an adjustment **must** be made to the next payment due to NACRO and a written record retained. NACRO is not responsible for returning any money sent to them in error.
- 13.20.12. When a credit is made to establishment NACRO via Clear Inactive Accounts on Prison-NOMIS, the information relating to the prisoner should be kept on a spreadsheet including the date of release to ensure that funds are not forwarded to NACRO prematurely.

## 13.21. Reconciliations

- 13.21.1. Prisoners' monies transactions on Prison-NOMIS and SOP **must** be reconciled daily.
- 13.21.2. There **must** also be regular, independent inspections of these reconciliations. The reconciliations that are checked **must** be signed by the inspecting member of staff.

13.21.3. All discrepancies **must** be investigated and corrective action taken as necessary.

13.21.4. Imbalances remaining static for a period of 3 months may only be written off locally if the value falls within delegated authority for write off and there is no fraud or theft suspected. [FM&C](#) **must** be consulted for anything contrary to the above.

## 13.22. Prisoner Account Statements

13.22.1. Prisoners' may request to have details of transactions that have been processed through their accounts.

13.22.2. Prisoner Account statements are available within the MIS reporting function of Prison-NOMIS and report on opening balances for each sub account, individual transactions processed through each sub account and closing balances for each sub account over a selected timeframe.

## 13.23. Roles and responsibilities of the Cashier

13.23.1. To have sole responsibility for the safe key;

13.23.2. To receive money into the Cashiers office and hold securely;

13.23.3. To accurately input all transactions on to the ADI;

13.23.4. Prepare prisoners money for discharge from Reception;

13.23.5. To process the appropriate paperwork for prisoners who have been discharged without their final balance and forward as requested;

13.23.6. Prepare cash, cheques and postal orders for banking on a weekly basis;

13.23.7. To reconcile the cash balance to SOP on a daily basis checking any discrepancies immediately;

13.23.8. To receive and log valuable property brought up by Reception on a daily basis;

13.23.9. To sign out valuable property to Reception for those prisoners being released;

13.23.10. To send on valuable property still held to those prisoners who have transferred to another establishment.

13.23.11. To input accurately on to Prison-NOMIS all incoming monies and refunds with earnings as required;

- 13.23.12. To deduct expenditure accurately e.g. canteen spends, newspapers and catalogue spends ensuring appropriate paperwork is used;
- 13.23.13. To prepare relevant journals accordingly based on the transactions completed;
- 13.23.14. To prepare discharge paperwork;
- 13.23.15. To prepare IUC's;
- 13.23.16. To reconcile Prison-NOMIS to Prison-NOMIS;
- 13.23.17. To assist/complete Prison-NOMIS to SOP reconciliations.

## 13.24. Prisoners' Monies - Risk Management and Control

### 13.24.1. Potential Risks

- a. non-compliance with policy and completion of the reconciliation;
- b. misuse of cash disbursement forms;
- c. money laundering/counterfeit notes;
- d. risk of criminality through the money to prisoner processes
- e. non-recovery of advances;
- f. inappropriate earnings paid;
- g. inadequate prisoner valuables records;
- h. loss, theft or damage to property of prisoner valuables;
- i. non-compliance with policies.

### 13.24.2. Potential Controls

- a. all transactions for cash deductions are signed by prisoners;
- b. PIN phone account reconciled;
- c. retail shop deductions are acted upon immediately;
- d. anonymous cash check against SOP balance;
- e. earnings policy is regularly reviewed and published to staff;
- f. compliance check of payments against prisoner earnings policy;
- g. ensure separation of duties between Cashier and prisoner monies clerk;
- h. prisoner monies reconciled to SOP;
- i. valuable property kept in sealed bags and held securely;
- j. valuable property check from records to property;
- k. guidance for accepting prisoner valuables reviewed and published;
- l. all Prison-NOMIS users **must** have completed relevant training course.
- m. Money Laundering Defence processes are adhered to

## 13.25. Prisoners' Monies – Annex

### 13.25.1 [Annex A – Prisoners' Monies Exemption Guidance](#)

## 14. Grants and Grants-in-Aid

### 14.1. Scope

14.1.1. This chapter provides guidance on grants and Grants-in-Aid (GIA), detailing their purpose and how to devise and manage a grant/GIA process, and covers:

<a href="#">14.2 Definitions – Grants, Grant-in-Aid and Procurement</a>	<a href="#">14.3 What needs to be in place?</a>
<a href="#">14.4 Setting Up a Grant Stream</a>	<a href="#">14.5 Bidding/Selection Process</a>
<a href="#">14.6 Grants Agreement</a>	<a href="#">14.7 Funding Duration and Review Points</a>
<a href="#">14.8 Controls</a>	<a href="#">14.9 Making Grant Payments</a>
<a href="#">14.10 Making a Grant Stream during the Year</a>	<a href="#">14.11 Accounting for Grants/Grants-in-Aid</a>
<a href="#">14.12 Return of Grant Payments from the Recipients</a>	<a href="#">14.13 Value Added Tax (VAT)</a>
<a href="#">14.14 Transacting with Other Government Department (OGDs)</a>	<a href="#">14.15 Grants and Grants-in-Aid - Risk Management and Control</a>
<a href="#">14.16 Grants – Annexes</a>	

14.1.2. In accordance with the [Compact](#) signed between HM Government and Civil Society Organisations (CSOs), grants are often considered as a means of ensuring CSOs have a greater role and more opportunities in delivering public services by opening up new markets in accordance with wider public service reform measures and reforming the commissioning environment in existing markets.

### 14.2. Definitions – Grants, GIA and Procurement

14.2.1. Grants and GIA are methods of funding to deliver against HMPPS business priorities but where the outcomes are broad. The methods of achieving them is down to the grant recipient and where a third party benefits from the outcomes, not HMPPS.

14.2.2. Grants are made for specific purposes which deliver against HMPPS business priorities, under statute, and satisfying specific conditions, e.g. about project terms, or with other detailed control.

14.2.3. GIA provides more general support, with fewer specific, but more general controls on the recipient, and less oversight by HMPPS. GIA is generally used when HMPPS wishes to fund the costs of a recipient whose work supports HMPPS business priorities, as opposed to the costs of specific work/projects. The aim is to enable the recipient to work at arms length and give discretion over the spending of the GIA.

- 14.2.4. Grants/GIA should not be confused with procurement, which is the acquisition of goods and services from third party suppliers under legally binding contractual terms, for the direct benefit of HMPPS, for example, Counselling Assessment Referral Advice and Throughcare Services contracts. The main difference between procurement and grants/GIA is that procurement is describable, measurable and quantifiable – you know what you are buying. Grants involve less detailed criteria – there is a plan of action that aims to deliver outcomes which benefit the business priorities of HMPPS, but there is no certainty of the final outcome.
- 14.2.5. Grants are a specific amount of money, which will be transferred to a non-Crown organisation to achieve a specific purpose and for which we do not directly receive goods or services. The programme of activity should not be open ended, it should be in line with HMPPS priorities, be well defined and limited in scope e.g. research to test a proof of concept, the refurbishment of a youth centre, or the promotion of an arts programme and:
- a. which does not result in the direct provision of goods or services to HMPPS. This is not to say that HMPPS do not expect that the grant will further our policy objectives, however, it **must not** be for something that the commissioner needs for their own use. Consider who is the main beneficiary? – if it is the public, it is fine, if it is HMPPS, it is not.
  - b. which usually achieves a result for which there would not normally be a commercial supplier. HMPPS could make a grant to enable a library to buy books, because without such a donation the library would not be able to commercially raise the funds to purchase books to lend out to people for free. Similarly, HMPPS could provide a grant to a charity that helps young offenders acquire skills because otherwise no one would profitably do this.
  - c. which, once transferred, is at the disposal of the recipient. This does not mean that HMPPS may not put conditions on the way the money is spent, or require assurances that the funds are being utilised for the purpose specified. HMPPS **must not** retain involvement in the management of grant funds or have the power of decision over their day-to-day use. The grant agreement should detail the information the recipient should provide to HMPPS for monitoring purposes. As long as these are incidental to the primary purpose of the grant funding they do not amount to payment for a supply of services.
  - d. which fit one of HMPPS's statutory powers to award grants.
- 14.2.6. The VAT treatment of grants and procurement also differs significantly and grant payments made by HMPPS will be subject to scrutiny by HMRC to ensure compliance (see section [14.13](#)).

## 14.3. What Needs to be in place?

### Cover in the Estimate

- 14.3.1. Provision for grant expenditure **must** be included in the MoJ Main Estimate, so it is important that [FM&C](#) is aware in advance of all plans to enter into grant agreements so that the necessary resource can be arranged.

## Legislative Cover

- 14.3.2. Grant/GIA payments can only be made under the appropriate authorising legislation or powers
- 14.3.3. Some legislation specifically requires HM Treasury approval. If the necessary approval is not obtained in advance of signing grant agreements, they may be deemed unlawful risking an automatic qualification of the HMPPS Accounts. The correct legislation **must** be used. Incorrect legislation could result in irregular expenditure.
- 14.3.4. Additionally some acts have reporting obligations, for example the Charities Act 2006 requires the relevant Minister to submit an annual report to Parliament of the financial assistance given to charitable bodies
- 14.3.5. **Appropriate legislation** that may be relied upon include:
- a. Charities Act 2006 (requires annual report to Parliament);
  - b. Offender Management Act 2007;
  - c. Prison Act 1952;
  - d. Appropriation Act 2010 (Prisoners Abroad only; all others require Treasury Approval).

## 14.4. Setting Up a Grant Stream

### Identify Need for Funding

- 14.4.1. The aims of any potential grant stream/programme **must** be considered and documented at the very outset. As part of this consideration, whether or not a grant is the most appropriate means to provide funding **must** be decided, as **must** the potential recipients who could be targeted. In accordance with the [Compact](#) signed between HM Government and CSOs scoping of potential providers **must** include charities, social enterprises, voluntary and community groups and CSOs.
- 14.4.2. It is essential that all grant programmes can be clearly linked to the delivery of HMPPS business priorities, and that they fall within the MoJ Main Estimate.
- 14.4.3. Care should be taken when identifying potential grant streams as it can often be difficult to distinguish between grants and procurement.
- 14.4.4. A clear rationale for all funding decisions **must** be provided to ensure transparency.
- 14.4.5. The HMPPS [Grants and VCSE Engagement team](#) can offer advice in this area.

## Timing

14.4.6. The HMPPS Grants and VCSE Engagement Team will provide an annual forecast of all grant projects to the MoJ Commercial and Contract Management Directorate team at the beginning of the grant budget financial year. This will allow projects to be scheduled into the work plan and completed within the financial year to be in place on the 1st April (the start of the following financial year) and will avoid delays to the commencement of projects due to lack of commercial resource. A competition for a grant will take approximately 3 months to complete from receipt of all completed documentation to grant award.

## Submission and Prior Approval

14.4.7. Once a need for grant funding has been identified, an [application](#) to the HMPPS [Grants and VCSE Engagement team](#) is required using the template at [Annex A](#).

14.4.8. Once received this application will be checked against the selection criteria and any amendments required will be returned to the project lead for further submission.

14.4.9. Once accepted by the HMPPS Grants and VCSE Engagement team, the application will be put to the HMPPS Grants Governance Board, any decision will be cascaded to the project lead.

14.4.10. Once board approval has been given the application will be sent to FM&C [Financial Governance](#). This is to ensure that:

- a. grant funding is appropriate;
- b. estimate cover can be arranged;
- c. there is appropriate legislation that can be relied upon, or where necessary HMT authorisation **must** be sought.

## 14.5. Bidding / Selection Process

14.5.1. Receipt of [Annex B](#) from FM&C [Financial Governance](#) confirms approval has been given to go ahead with the grant stream; the MoJ Commercial and Contract Management Directorate (CCMD) team, who support the HMPPS Grants team in competing grants projects, **must** then be approached to begin the selection process.

14.5.2. Whilst it is accepted that GIA is often provided for the purpose of funding a specific body, for grants there may be a number of recipients who could deliver the desired outcomes, so grants **must** be subject to open competition with bids invited from all sectors, including CSOs.

14.5.3. Awards of Grants without competition are by exception only and needs to be fully justified in advance. These should only be used in situations where competition is deemed impracticable.



14.5.4. The final decision to award a Grant without competition will rest with MoJ CCMD. Auditable evidence **must** be retained to support any such approach and/or the process undertaken to ensure open and fair selection of recipients.

14.5.5. VFM **must** be demonstrated for each grant stream. This includes demonstrating things such as administration cost elements of grant bids being appropriate to the delivery outputs and that chosen recipients are the best in the market place to use grant funds efficiently.

## 14.6. Grant Agreements

14.6.1. All grants/GIA **must** have a formal agreement in place. The type of agreement will vary according to the type of recipient:

### Grants

14.6.2. **Grant Agreement** – This is a legally binding agreement and should be used when providing grants to non-crown bodies. It is very detailed, containing a number of clauses that ensure HMPPS protects itself in the event of anything going wrong, HMPPS has adopted the Cabinet Office model Grant Funding Agreement. This was drafted to help Departments in ensuring that they are compliant with the Government’s minimum standards for government grant agreements.

14.6.3. **Memorandum of understanding** – This is a non-legally binding agreement to be used when providing grants to Other Government Departments (OGDs). It does not contain the legal provisions of a grant agreement (as the government can’t sue itself); rather it is an agreement on how the relationship will be managed

### Grants in Aid

14.6.4. **GIA Agreement** – This is a legally binding contract and should be used when providing funds to non-crown bodies. It is very detailed, containing a number of clauses that ensure the Department protects itself in the event of anything going wrong

14.6.5. **Treasury Framework Document** – The Treasury’s [Managing Public Money](#), provides a framework document for working with NDPBs, including information on financial arrangements

14.6.6. A formal agreement **must** be in place and signed before any payments are made.

### Delegated Authority

14.6.7. Within HMPPS, only the Director of Rehabilitation and Assurance has delegated authority to award grants.

## 14.7. Funding Duration and Review Points

- 14.7.1. Funding should normally be provided on a project specific basis or as part of a longer term strategic commitment. The funding term should reflect the time it will take to deliver the outcome.
- 14.7.2. All grants will be reviewed at the end of the financial year, and the review should take into account the grant recipient's delivery of the funded activities against KPIs and/or agreed outputs. It is expected that long-term funding arrangements are reviewed on an annual basis, with a focus on financial reconciliation, taking into account delivery across the period, resulting in a decision to continue, discontinue or amend funding

## 14.8. Controls

- 14.8.1. All funding arrangements **must** have in place controls that enable outcomes to be assessed and measured against the intended purpose and achievement of HMPPS business priorities.
- 14.8.2. The grant agreement will specify the aims and objectives of the grant and what the funding is intended to be used for. The aims and objectives should be linked to a performance profile/ key performance indicators (KPIs) and/ or defined outputs and/ or longer term outcomes, which form part of the grant agreement along with any required milestones. This will involve suitable in year and end of year monitoring processes, which are relevant and proportionate to the nature and size of opportunity. The agreement **must** be clear about what information is being asked for and how it will be used.
- 14.8.3. Applying these controls should then ensure that the recipient is using funds in accordance with the purpose of the funding (propriety) and in accordance within the financial rules applicable to HMPPS expenditure (regularity).
- 14.8.4. All grant streams **must** be supported by auditable evidence that enables value for money, regularity and propriety to be clearly demonstrated.

## 14.9. Making Grant Payments

### Payment to Meet Need

- 14.9.1. The overarching principle when providing grants to third parties is that payments **must not** be made in advance of need. This is to avoid funds being held

unnecessarily by recipients – an inefficient use of public money, and to reduce the likelihood of surplus funds being held by recipients at year end.

14.9.2. The standard approach to funding is for payments to be made in arrears upon a claim by a recipient against eligible expenditure as set out in the funding agreement. This enables HMPPS to ensure regularity and propriety before any payment is made.

14.9.3. There is scope for payments to be made in advance of expenditure (but not in advance of need) where a good business case exists (i.e. small recipient with limited cash flow), but payments **must not** be made more than 3 months in advance without approval from FM&C [Financial Governance](#).

## Making the Grant Payment

14.9.4. Grants **must** be raised and processed through the Single Operating Platform (SOP).

### 14.9.5. Account Codes and Analysis Codes

- a. Account Codes 5224102060 (Resource Grants) and 4412100000 (Capital Grants from Central Government) **must** be used.
- b. These Account Codes require an appropriate Analysis Code to be applied from the following list:

Analysis code	Description
10020010	Grants/Grant-in-Aid to Not-for-Profit Organisations (Individuals, Charities, Voluntary Organisations, etc)
10020011	Grants to Other Government Departments (including Agencies, NDPBs, etc)
10020012	Grants to Local Authorities
10020013	Grants to Private Sector Organisations
10020014	Overseas Grants
10020015	Grants to Other Organisations

## 14.10. Managing a Grant Stream during the Year

### Grants Register

14.10.1. HMPPS Change and Business Services Group will maintain a central register of all grants approved by the Director which will record:

- a. Grant recipient;
- b. Recipient type (e.g. Charity, OGD, Other);
- c. Grant amount;
- d. HMPPS business owner and named grant manager;
- e. Brief description of purpose of grant;
- f. Account Code.

14.10.2. The grants register **must** be reconciled to the General Ledger quarterly. This reconciliation process **must** be segregated from the grant proposal development and awarding process.

14.10.3. High level information about HMPPS grant awards **must** also be provided to the Government Grants Information System (GGIS). This service facilitates the recording and reporting of grant information across government.

14.10.4. There may also be a number of ad hoc requirements for HMPPS to provide grant expenditure information (FOI, PQs etc).

### **In Year Monitoring (Financial and Non-Financial)**

14.10.5. Use of funding **must** be monitored throughout the year, to ensure that grant payment requests are validated and to provide assurance to the National Audit Office (NAO) that payments were appropriate, necessary and used correctly.

14.10.6. Key information will be the receipt and validation of the required financial and non-financial monitoring information set out in the funding agreement, in addition to information that clearly shows to the NAO the steps taken to ensure the regularity of payments.

### **Complete Audit File**

14.10.7. It is essential that HMPPS is able to prove regularity to the NAO by maintaining auditable information. This should cover as a minimum:

- a. signed copies of the awarding letter and funding agreement;
- b. grant claim or equivalent request by the recipient for funds to be released;
- c. information from the recipient giving details of the expenditure incurred as required by the funding agreement (financial and non-financial);
- d. documentation relating to investigation/ validation by HMPPS into the actual expenditure by the recipient.

### **End Year Monitoring**

14.10.8. At the end of the financial year, the recipient **must** provide end of year financial information (as detailed in the funding agreement). Although in year monitoring should minimise the risk of recipients holding surplus funds, this enables appropriate action to be taken should such instances occur, namely to record a debtor in the books if surplus funds are to be returned.

14.10.9. Funding agreements may also include the requirement to receive audited accounts or signed assurance statements (as appropriate to the size of the recipient and materiality of the grant stream).

## 14.11. Accounting for Grants/Grants In Aid (GIA)

### In Year

14.11.1. Grants should be accounted for an accruals basis, to ensure that expenditure is accounted for in the appropriate period.

14.11.2. Where grant payments are made less frequently than monthly, advice should be sought from FM&C [Financial Governance](#) on whether there are justified grounds to account for grant costs only when payments are made. The following information will need to be provided to enable clarification to be given:

- a. details of the grant's terms sufficient to determine whether the grant was given for a specific purpose or for general funding (for example, a copy of Schedule 1);
- b. the frequency, amount and nature of payments (i.e. quarterly in arrears; quarterly in advance);
- c. the recipient's planned expenditure profile by period (e.g. monthly, quarterly etc);
- d. a description of any identifiable deliverables and on what frequency they are expected.

### Year End

14.11.3. At year end, for payments in arrears, it is possible that a payment is due in respect of the current financial year, but due to an unforeseen delay, will not be processed prior to the year end. In these circumstances it is important to ensure that an appropriate accrual is recorded on SOP to ensure that expenditure is scored against the correct financial year's budget.

14.11.4. Similarly, where a grant is paid in advance in the current financial year, yet some or all of that payment is for use in the subsequent financial year, an appropriate pre-payment **must** be recorded to ensure that expenditure is scored against the correct financial year's budget.

14.11.5. At year end it is also important to establish whether there are any surpluses held by recipients that should be returned to the Department. Where it is known at the end of the financial year that a surplus is to be repaid a debtor **must** be recorded in the HMPPS accounts.

14.11.6. It is strongly recommended that each advance funded recipient is contacted in the last month of the financial year, to ascertain the current financial position. This will help ensure potential underspends are identified early, and debtors recorded accordingly.

14.11.7. Where it is identified that a recipient holds surplus funds at year end, but they will continue to be funded for the same purpose in the subsequent financial year, it may be appropriate to allow retention of that surplus (depending on the circumstances of the surplus arising) and abate the next payment. Approval to abate future payments **must** be sought from FM&C.

## 14.12. Return of Grant Payments from Recipients

14.12.1. Ordinarily grant streams should not be in a position whereby the recipient holds unspent funds. Grants should routinely be paid on an arrears basis, meaning funding will match incurred expenditure, however, it is acknowledged that there may be instances when funding in advance is an operational need.

14.12.2. Should a situation arise where funds need to be returned by a recipient, strict rules apply as to whether the receipt can be retained or whether the receipt **must** be surrendered to the consolidated fund (CFER'd).

14.12.3. The receipt **must** be CFER'd if return of unspent funds is formally requested after the financial year in which the funds were originally paid

14.12.4. The receipt can be retained if return of unspent funds is formally requested in the same financial year as the funds were originally paid.

14.12.5. It is therefore beneficial to the budget that debtors are identified and recorded in the accounts (supported by auditable evidence of their existence). Should funds be returned in a subsequent financial year and a debtor not have been created, the cash receipt **must** be CFER'd.

## 14.13. Value Added Tax (VAT)

### VAT and Grants

14.13.1. The payment of grants/GIA by the Department is outside the scope of VAT. There **must** be certainty that what is being classed as a grant is a grant and not a contract in which HMPPS is receiving a supply of service and therefore for VAT purposes 'consideration for supply'.

14.13.2. If a grant agreement is deemed to be a contract for services, payments will be subject to VAT where appropriate, which may inflate costs considerably.

14.13.3. The more arms length nature of GIA means they are unlikely to face the risk of becoming a contract.

## VAT as Part of Eligible Funding

- 14.13.4. It is standard practice for grant funding bids to include VAT costs incurred by the recipient, however, HMPPS **must** take care when assessing proposals to ensure that they have correctly considered VAT. For example, a bid may have overlooked VAT charges it will incur, or a bid may include funding for recoverable VAT that would then become a surplus. Although a failing of the recipient, it would also be a failing on the checks of HMPPS and is likely to have a detrimental impact on grant stream delivery.
- 14.13.5. Likewise, HMPPS should ensure that it does not make a grant payment when the true nature of the payment is a supply of service. This is particularly important when HMPPS is providing funding for administration costs.

## VAT and Grant Administration Costs

- 14.13.6. If the grant stream includes an element of funding to cover the administrative costs of delivering the grant stream objectives, consideration should be given to whether that element is being provided for the delivery of a service to HMPPS and therefore subject to VAT.

## Further VAT Guidance

- 14.13.7. Given the complex nature of VAT it is impossible to provide full guidance here. If unsure, please contact the [Taxation Team](#) before committing HMPPS to expenditure.

## 14.14. Transacting with Other Government Departments (OGDs)

### Transacting with OGDs

- 14.14.1. There are 3 scenarios for transactions with OGDs:

- a. Grant;
- b. Procurement/ Hard charging (purchase of goods and services);
- c. Budget cover transfer.

### Grant

- 14.14.2. This is where the Department provides funds to an OGD, retains the responsibility for the expenditure, but allows the OGD freedom in using those funds.

### Procurement (Hard Charging)

- 14.14.3. This is where an OGD is providing goods or services to HMPPS. If HMPPS sets out exactly how and what the funds provided are to be spent on then this would be

procurement not grant. For example, if HMPPS and the OGD both have joint policy responsibility to deliver a programme and the OGD takes the lead in delivering that programme using contributions from HMPPS, the OGD would be providing a service to HMPPS.

14.14.4. This type of expenditure would be accounted for according to the category of goods or service being received.

14.14.5. It is important to consider the VAT implications of any hard charging arrangements with OGDs. Please contact the [Taxation Team](#) for advice.

## **Budget Cover Transfers**

14.14.6. This mechanism is used to transfer budget provision held by HMPPS to an OGD. This form of funding will result in reduction to the HMPPS budget, and a corresponding reduction in achieving deliverables, i.e. the OGD takes on the responsibility for the policies that the funding was voted for.

14.14.7. For example, this approach would be used where HMPPS and OGD have joint policy responsibility, but the OGD subsequently takes full policy responsibility.

14.14.8. This is not grant or procurement. It does not become an accounting transaction, it is an Estimates adjustment.

## **Correctly Classifying the Transaction**

14.14.9. In arriving at the correct classification for the transaction, the key questions to ask are 'who ends up with the Responsibility the Funds are Used for'

If it is HMPPS then the transaction will be grant or procurement. If it is the OGD, then it is a budget cover transfer (an Estimates adjustment not an accounting transaction).

## **Who Decides How the Funding is to be Used?**

14.14.10. If HMPPS dictates exactly what the funds are to be used for, and how they are to be used then the transaction is procurement. If the OGD is free to use the funds as they see fit to achieve the wider aims and objectives of the funding, the transaction is a grant.

14.14.11. Another test is to determine whether HMPPS will receive a tangible supply as a result of the payments. If HMPPS takes direct receipt of goods, or services, then it will be procurement. If the funding will deliver outcome based results, for which HMPPS will benefit, but does not actually receive (e.g. contributions towards overall aims and objectives) it will be a grant.

## **Is a Paying Agent Role Played?**

14.14.12. In some instances, both procurement and grant, HMPPS may use an OGD as a paying agent (i.e. facilitating the disbursement of HMPPS funds to third parties).



Whilst this has no impact on the accounting treatment for HMPPS, where an OGD is acting as a paying agent in respect of grant funds, HMPPS **must** have legislative cover in place.

## **14.15. Grants and Grants-in-Aid - Risk Management and Control**

### **14.15.1. Potential Risks**

- a. irregular/illegal expenditure;
- b. breaking procurement laws;
- c. incorrect VAT treatment, resulting in fines.

### **14.15.2. Potential Controls**

- a. register of all grants issued;
- b. grant agreements in place;
- c. in-year monitoring.

## **14.16. Grants - Annexes**

14.16.1. [Annex A: Grant Approval and Monitoring Template](#)

14.16.2. [Annex B: FM&C Approval Template](#)

# 15. Inventory

## 15.1. Scope

15.1.1. This chapter covers the policy relating to

<a href="#">15.2 Oracle Module Inventory and Non-Oracle Module Inventory</a>	<a href="#">15.3 Inventory Valuation</a>
<a href="#">15.4 Inventory Process</a>	<a href="#">15.5 Oracle Module Inventory and Non-Oracle Module Inventory House Keeping</a>
<a href="#">15.6 Inventory Roles &amp; Responsibilities</a>	<a href="#">15.7 Inventory - Risk Management and Control</a>

15.1.2. Detailed guidance and instructions on accounting controls and the housekeeping required before and during a stock take are issued to Cost Centres periodically during the year by FM&C through Accounts Production Notices.

15.1.3. Guidance is also available on MyHub on the [Purchasing and Paying section](#) along with [Inventory Job Aids](#).

## 15.2. Oracle Module Inventory and Non-Oracle Module Inventory

15.2.1. Inventories (formerly known as stock) are, goods bought (or produced) which are not in use (or not yet sold). They are known as Current Assets (see Chapter 7) and shown in the Annual Reports and Accounts.

15.2.2. Oracle Module Inventory items are ordered via the Inventory system and are generally items that are held in Stores and requested internally via [SOP041](#) form. Non-Oracle Module Inventory items are ordered via i-Procurement/GPC and include stock items held for example in kitchens, staff mess etc.

15.2.3. The scope of items to be managed are those in the following ranges that are regularly requisitioned and where it is beneficial to hold, in a store, pre-determined quantities for operational effectiveness and ease of acquisition:

- a. cleaning & hygiene items;
- b. office supplies;
- c. IT consumables;
- d. clothing & equipment (new and unused) supplied through NDC Branston;
- e. industries raw materials, components and some sub-assemblies;
- f. industries finished goods;
- g. plastic bags and sacks;
- h. dog food;
- i. locking items;

- j. personal protection equipment;
- k. catering consumables (not food);
- l. certain security products;
- m. Forms and publications supplied through HMP Leyhill.

## 15.3. Inventory Valuation

15.3.1. The valuation policy on inventories depends on the categories of inventory as listed below:

Category	Definition	Valuation
New and Serviceable	Inventory that is fit for its purpose.	Current replacement cost.
New and Unserviceable	Inventory that is currently unfit for purpose but could be repaired.	75% of current replacement cost.
Part Worn and Serviceable	Items held as inventory that are not new but are assessed as suitable for further use.	50% of current replacement cost.
Work in Progress	Partly manufactured goods and growing crops on prison farms.	Material cost plus 50% of the difference between selling price and the cost of materials.
Scrap	Inventory that has no further use and has been segregated for disposal.	Disposal value if known less any cost of disposal, or 5% of current replacement cost.

## 15.4. Inventory Process

15.4.1. Inventory issued from Main Store may only be made against one of the following:

- a. a SOP generated Pick List;
- b. an authorised manual requisition form [SOP041 \(Establishment Internal Stock Request from Stores\)](#);
- c. a Transfer Order for Prison Service Industries Part Finished/Finished Goods

15.4.2. There is a dispense and non-dispense process for issuing stock.

15.4.3. Guidance and instruction on these processes can be found in the [Inventory Guidance](#) and [Job Aids](#) on [MyHub](#).

## Dispense Process

- 15.4.4. The internal Dispense process is designed for a Main Store to push items out to meet a continuous need rather than staff having to always request items. A Forward In Use Point (FIUP) **must** be created for each wing / department where items are delivered from the Main Store and held ready for local dispensing.
- 15.4.5. For each FIUP a list of items, a quantity for those items and times for replenishing those items back up to the required stock level will be agreed by the Budget Holder, Store Manager and the Manager for the wing / department concerned.
- 15.4.6. Once an item has been issued to a FIUP, it is expensed, and is no longer classed as Inventory stock.

## Non-Dispense Process

- 15.4.7. The Non-Dispense process covers items on Inventory that are required within the establishment but are not stored at an FIUP because there is no FIUP set up or it has insufficient capacity to hold the stock. Requestors who require these items **must** complete a [SOP041](#) approved by the Budget Holder and submit it to the Main Store.

## Restocking of Inventory

- 15.4.8. The restocking of inventory items in stores and Industries will depend on the types of items and stores set up within the establishment. The process for restocking can be either through Min / Max Planning, Replenishment Counts, or Miscellaneous Transactions.

## Min / Max Planning

- 15.4.9. Min / Max Planning is a method of calculating the volume of inventories required in order to replenish stores up to the pre-determined inventory level. When the quantity of items on hand falls below the minimum level as a result of items being dispensed, the Min/Max planning process will calculate the quantity to order and will (with the Store Manager's involvement) create the necessary Purchase Orders.
- 15.4.10. Once goods are delivered and receipted through Inventory by the Store Supervisor the inventory levels will return to the correct levels.

## Replenishment Counts

- 15.4.11. Replenishment Counts are used by Industries to order raw materials required to be purchased for the workshops (Industries do not normally use Min/Max planning levels to replenish inventories). A Main Store can also use Replenishment Counts as an emergency order if for whatever reason the Min/Max system needs to be bypassed. Budget Holder permission **must** be obtained before placing an order.
- 15.4.12. Miscellaneous Transactions cover the occasional manual movement of items into or out of the Main Store without an Internal Requisition. This process should only be used by exception, for example for items taken from the Main Store overnight or at

weekends, or if items are reclaimed from the wings or departments. It may also be used where items are ordered through [GPC](#) or via supplier Portals.

15.4.13. Miscellaneous Transactions are also used by Industries for recording items into and out of workshops, and also to record goods sent to Branston from the Finished Goods Store.

15.4.14. Movement of items **must** be recorded to make sure the inventory levels are accurate, and a completed [SOP041](#) with Budget Holder authorisation **must** be supplied by the receiving section.

15.4.15. Account Aliases that are used to allocate the charge account for the items should be regularly checked for suitability by the Stores Manager.

## 15.5. Oracle Module Inventory and Non-Oracle Module Inventory Housekeeping

15.5.1. Depending on the size of the establishment, the Governing Governor **must** ensure that staff are appointed at the appropriate level to carry out stores inventory management, and ensure stores processes are being effectively maintained by contracted facilities management partners. The Inventory Stores roles and responsibilities are covered in section [15.6](#).

### Receiving Inventory Items

15.5.2. All deliveries of inventory items **must** be properly received and accounted for promptly. Failure to do so will result in invoices not being paid and may lead to suppliers putting a stop on purchases from HMPPS. Resolution of invoices placed on hold on SOP **must** be actioned promptly by business areas.

15.5.3. Receiving is also necessary to ensure that:

- a. items as ordered are supplied at the right time, in the correct quantity and to an acceptable quality;
- b. items are made available for issue;
- c. suppliers' invoices are paid promptly;
- d. purchase orders are closed at the right time;
- e. suppliers are meeting required performance standards.

15.5.4. Inventory will be used to receipt items that were ordered using Inventory. Items ordered using i-Procurement including raw materials, can be receipted in either i-Procurement or Inventory.

15.5.5. Any outstanding items from an order should go on Back Order. They should be released as items are received, receipted in and delivered to the FIUP.

15.5.6. Returns of inventory items should be made to external suppliers (where identified as surplus to an Order, or received damaged / unserviceable), or internally to the Main Store (where declared as surplus to requirements by a user). Supplier items receipted using the Inventory process should also be returned using Inventory to ensure the correct stock figures are maintained.

## Inventory Checks

15.5.7. Inventory levels should be checked regularly as part of the Cycle Count process and exceptional movements investigated by the Stores Manager. Guidance and instruction on the Cycle Count process can be found in the [Inventory Job Aids](#) on [MyHub](#)

15.5.8. A Physical Inventory check or stocktake (a count of the entire inventories) **must** be performed at least twice a year or any other occasion when required by FM&C and in accordance with issued instructions.

15.5.9. The inventory count **must** be made by an independent person, e.g. a person working in Industries should not check Industries inventories. If an independent checker is unavailable, for example due to lack of resources, the Store Manager **must** risk assess the situation and take appropriate action to satisfy audit requirements, and note this in the Statement of Internal Financial Control (SoIFC) (see [Chapter 4](#)).

## Disposal of Unused Inventories

15.5.10. Main Store should dispose of an inventory item if it has no further use within the establishment. Guidance on the relevant disposal procedures can be found in section [7.25](#). Unused inventory could be due to a number of factors such as:

- obsolescence;
- no longer required;
- replaced by a new item;

## Access to Main Store

15.5.11. The control and monitoring of Main Store is important at all times, especially where out of hours access is concerned.

15.5.12. Local guidance should be published (based on policy in this Chapter) outlining procedures to follow as regards Store access, opening times, requesting items, delivery schedules etc.

15.5.13. Failure to comply with local guidance should be recorded and investigated, so as to reduce the risk of loss or theft, and to properly account for inventories.

## Oracle Module Inventory Reports

15.5.14. The main Inventory Reports available on SOP and [guidance and instruction](#) on running these can be found on [MyHub](#).

## 15.6. Inventory Roles & Responsibilities

### Stores Manager

15.6.1. The Stores Manager role will be held by HMPPS staff – Business Hub Manager or Facility Manager. The key responsibilities of the role are:

- a. carries the responsibilities of [overall inventory](#) level, approval of discrepancies and planning of future inventory levels;
- b. ensures regular Cycle Counts take place, Physical Inventories (stocktakes) are carried out when required, and inventory losses are correctly accounted for;
- c. provides advice and assurance to the Governor and Establishment Finance Business Partner on all Store and Inventory processes, including the conduct of activities in FIUP;
- d. sets up, maintains and runs the Min/Max Planning facility in the Oracle Module Inventory and through i-Procurement for those items managed on Non-Oracle Module Inventory;
- e. approves replenishment counts and ad-hoc stock adjustments after authorisation from the Budget Holder.
- f. ensure correct new item locations in Inventory.

### Stores Supervisor

15.6.2. The Stores Supervisor role will generally be held by Facilities Management staff – Amey or Government Facility Services Limited. The key responsibilities of the role are:

- a. maintains inventory record accuracy by recording all receipts and issues of inventory;
- b. implements and maintains Inventory location systems in the Stores;
- c. gathers and assesses Min/Max Planning reports, prior to their authorisation by Store Manager and Budget Holder;
- d. supervises allocated Store teams;
- e. creates and processes internal requisitions.

### Store Keeper

15.6.3. The Store Keeper role will generally be held by Facilities Management staff – Amey or Government Facility Services Limited. The key responsibilities of the role are:

- a. receives and checks all deliveries into the Main Store;

- b. maintains the security of all stores and inventory within defined area of responsibility;
- c. stores goods in accordance with current procedures;
- d. maintains location systems in the Store;
- e. only issues inventory against proper authorisation.

## **15.7. Inventory - Risk Management and Control**

### **15.7.1. Potential Risks**

Cost Centres should identify and manage all potential risks associated with inventory management and Inventory system in addition to the following:

- a. loss/theft;
- b. obsolete/perished inventory;
- c. insufficient inventory held;
- d. erroneous records;
- e. unauthorised access to stores and systems.

### **15.7.2. Potential Controls**

- a. regular Cycle Count inventory checks;
- b. Physical Inventory item checks;
- c. security of storerooms;
- d. Store staff training and knowledge is current.



## 16. Staff Clubs

### 16.1. Scope

16.1.1. This chapter sets out the controls associated with the management of staff clubs in order to minimise potential risk of write-offs, and/or fruitless payments by HMPPS in respect of any debts/liabilities incurred, and covers

<a href="#">16.2 Staff Clubs – Permission to Operate</a>	<a href="#">16.3 Use of the Staff Club</a>
<a href="#">16.4 Staff Club Contracts</a>	<a href="#">16.5 Staff Club Closure</a>
<a href="#">16.6 Responsibilities</a>	<a href="#">16.7 Staff Clubs - Risk Management and Control</a>
<a href="#">16.8 Staff Club – Annex</a>	

### 16.2. Staff Clubs - Permission to Operate

16.2.1. No new club is permitted to operate, nor closed club re-open, unless approved by the Director General of Prisons. Proposals **must** be endorsed by the Governor in Charge, and advised to the [Financial Governance](#) team, Financial Management & Control (FM&C).

16.2.2. Staff clubs are permitted to operate on Crown property at the discretion of the Governor in Charge. The Governor retains the right to withdraw permission for the Club to operate on the premises should either:

- a. the reputation of HMPPS be threatened by any of the Club's actions/omissions or if the Club's financial viability is in doubt;
- b. the Service requires the return of the premises for official use

### 16.3. Use of the Staff Club

16.3.1. The premises of the Club may only be used to provide recreation and refreshments for the members of the Club.

16.3.2. The premises cannot be hired out for any private functions. A private function is defined as any event at which:

- a. the number of non-members in attendance outweighs the number of members;
- b. the purpose of the function is outside the scope of service normally provided by the club (e.g. wedding functions, meetings, conferences etc.)

- c. additional facilities/supplies/services (not supplied by the Club) are allowed to be brought in by the organiser/host;
- d. the organiser/host may be charged an additional fee in addition to the goods/services supplied by the Club.
- e. Staff clubs are not exclusively classed as facilities providing refreshments, these could include gym's etc that are not permitted.

## 16.4. Staff Club Contracts

- 16.4.1. Staff Club Committees **must** sign a [Staff Club Contract \(Annex A\)](#) indemnifying HMPPS for any claims brought against it as a result of a Club's act or omission. The Committee members **must** be made aware prior to signing the contract of the responsibilities they will be accepting by signing the contract. Please consult with FM&C [Financial Governance team](#) for guidance.
- 16.4.2. The Committee **must** comply with the terms and conditions of the contract at all times.
- 16.4.3. Whenever any members of the Committee are changed, a new [Staff Club Contract \(Annex A\)](#) **must** be signed.
- 16.4.4. Copies of all signed Staff Club Contracts should be retained locally and produced upon request by FM&C [Financial Governance](#) team.
- 16.4.5. Where departure from the standard contractual terms is required, the Governor **must** give their recommendation and seek advice from FM&C [Financial Governance Team](#). Written approval **must** be obtained prior to amending the [Club contract \(Annex A\)](#).
- 16.4.6. Any risks associated with the Club's operation and contractual obligation **must** be acted upon and reported through the Statement on Internal Financial Control (SoIFC) (see [Chapter 4](#)).

## 16.5. Staff Club Closure

- 16.5.1. In the event of closure of a Staff Club, all relevant documentation relating to the Club closure **must** be retained locally.
- 16.5.2. FM&C [Financial Governance](#) Team **must** be notified of the Club closure, including assurance that all liabilities owed by the Club have been met.

## 16.6. Responsibilities

### 16.6.1. The Governor in Charge *must*:

- a. seek assurance that the Club is operating correctly and complying with the terms and conditions of the contract;
- b. identify and manage any potential financial risk and take appropriate action.

### 16.6.2. The Establishment Finance Business Partner/ Head of Business Assurance/Head of Corporate Services *must*:

- a. assist the Governor in Charge to identify and manage risks associated with the Club Contract and operation as a part of the SolFC reporting;
- b. consult with FM&C [Financial Governance](#) where departure from the standard contract is required;
- c. retain locally the original signed contract and any other relevant supporting documents;
- d. ensure FM&C [Financial Governance](#) is notified where appropriate.

### 16.6.3. The Club Committees *must*:

- a. have a written constitution setting out the rules governing the Club, selecting Committee members, processing membership application, and financial arrangements, including distribution and disposal of its assets and liabilities;
- b. sign a Staff Club Contract indemnifying HMPPS for any claims brought against the Agency as a result of a Club's act or omission;
- c. observe and comply with all the terms and conditions set out in the Staff Club Contract;
- d. retain the duplicate signed copy of the Club Contract.

## 16.7. Staff Club - Risk Management and Control

### 16.7.1. Potential Risks

- a. Club liabilities transferred to establishment;
- b. NAO/PAC criticism.

### 16.7.2. Potential Controls

Valid contract in place and monitored periodically as part of the SolFC reporting requirements.

## 16.8. Staff Club Contract – Annex

### 16.8.1. [Annex A - Staff Club Contract - Template](#)

End of the Manual