



HM Prison &
Probation Service

Annual Report and Accounts 2020/21

HC 770



Her Majesty's Prison and Probation Service

Annual Report and Accounts

2020/21

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

Ordered by the House of Commons to be printed 16 December 2021.



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ISBN 978-1-5286-2921-8

E02685704 12/21

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd on behalf of
the Controller of Her Majesty's Stationery Office

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Performance report





Overview

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

Purpose, vision, principles and outcomes

Preventing victims by changing lives

Statement of purpose

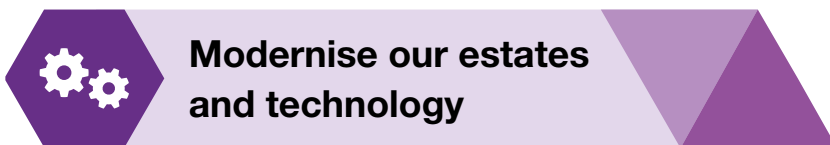
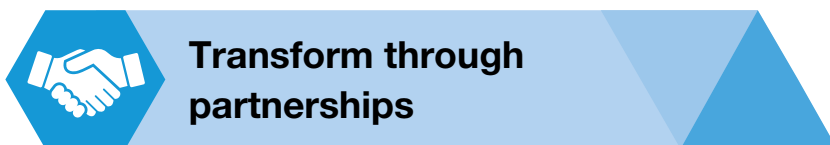
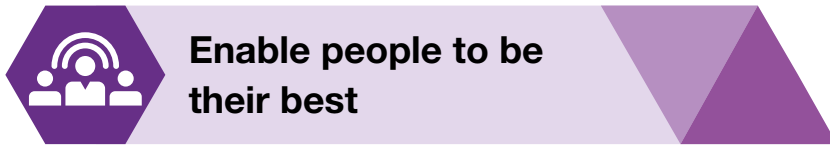
Her Majesty's Prison and Probation Service (HMPPS) is an executive agency of the Ministry of Justice (MoJ). Our role is to commission, provide and regulate the delivery of offender management services in the community and in custody, while ensuring best value for money from public resources. We work to protect the public and reduce reoffending by delivering the punishment and orders of the courts and supporting rehabilitation by helping offenders to reform their lives.

In November 2019, we published our HMPPS Business Strategy: Shaping our Future. The strategy sets out our vision as an organisation, which is the direction towards which all our work is pointed:

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

HMPPS principles

Our strategy has four principles which, if we apply them in our work, will help us to reach our vision:



Outcomes

The principles show how we will deliver our service effectively to achieve the outcomes of the MoJ Departmental Delivery Plan, as well as the two HMPPS-focused outcomes:

Protecting the public – Reducing reoffending – Decent and safe prisons

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

Foreword by the Chief Executive Officer



The challenges we have experienced this last year in the face of COVID-19 have been unprecedented, but thanks to the outstanding commitment of our staff and partners it has also been a year in which HMPPS has achieved a great deal. COVID-19 has forced all of us to collaborate more effectively, not only within our own organisation, but across the criminal justice system, wider government and with the third sector.

Sadly, staff members, prisoners and people on probation and in approved premises have lost their lives due to the virus and our thoughts remain with their families and friends. But it is thanks to everyone pulling together that deaths and hospitalisations have remained well below the worst-case scenario modelling from Public Health England and Wales and I am proud of the way that all those across HMPPS responded to the challenge of COVID-19.

As we move out of the pandemic, we are determined to build back better. We have set out how we will play our part in recovering, rebuilding and restoring the justice system in our HMPPS Business Plan for 2021/22, supporting the aims of the Department's Outcome Delivery Plan.

Alongside managing the impact of COVID-19, we have made significant progress to deliver our major programme, including on probation transformation, prison expansion, reducing reoffending, and work to create an education-focused, child-centred Youth Custody Service.

Probation successfully unified on 26 June, bringing all offender management into a single Probation Service. On day one, over 7,000 staff transferred, and 110 commissioned rehabilitative services contracts, providing specialist interventions to offenders, were awarded. Unification is just the first major step in the delivery of our probation reform programme to improve services, build resilience and reduce reoffending. Reducing reoffending is critical to our aim of protecting the public and we are committed to focusing on accommodation, education and substance misuse treatment for offenders.

At the Spending Review last year, we successfully secured multi-year capital funding for 18,000 additional prison places across England and Wales by the mid-2020s, and £315 million in maintenance funding for 2021 to 2022. These are significant uplifts, both to increase capacity and carry out major refurbishment. We are progressing well with construction of the four new prisons

and additional houseblocks. This is critical activity for us anticipating the downstream impact of court recovery and police recruitment on our medium-term capacity projections across the estate.

We are making good progress in work to open the first secure school at Medway, to be run by Oasis Charitable Trust. Construction is due to commence in the new year. Improvements will be focused on areas where the students spend the most time, such as the residential blocks, classrooms and healthcare facilities.

In recognition of the challenges people have faced over the past year, we are conscious of staff wellbeing and have developed a comprehensive package of support including a network of mental health allies to support colleagues across HMPPS.

We have a chance to reset, learn from the experience of the last year, and reflect on the successes we have had, and the challenges that still lie ahead. I am grateful to everyone for their continued hard work and commitment.



Dr Jo Farrar

Chief Executive Officer, HMPPS
Second Permanent Secretary, MoJ

How our services are structured



Prison population:
78,058
 as at 31 March 2021

Prison officers:
21,926
 FTE as at 31 March 2021

People on probation:
224,174
 as at 31 March 2021



Performance summary

This section provides an overview of the agency's performance, including performance against its principles and the impact of key challenges on operational delivery.

Over the last year, HMPPS has faced the major challenge of responding to the COVID-19 pandemic.

Our priority has been to ensure the safety of staff and the people in our care. We have worked closely with partners to implement extraordinary models of delivery which have helped us to maximise protection against the virus, minimise risk to life, and ensure critical public services are maintained.

Across the custodial estate, we introduced a compartmentalisation strategy which included quarantining new arrivals to prevent importation of the virus into custody and shielding the vulnerable. We significantly reduced transfers between establishments and cross-deployment of staff and introduced an extensive COVID-19 testing programme for staff, prisoners and children in custody. We introduced temporary accommodation and additional technology in prisons to ensure we could continue to serve the courts, maintaining access to justice, and had enough capacity to meet demand.

In the community, we maintained socially distanced face-to-face contact with offenders posing a higher risk, as well as introducing phone, video call or 'doorstep' contact for lower risk offenders to enable required supervision to continue.

The pandemic and the consequent changes in the operational environment mean performance over 2020/21 is not directly comparable to previous years. The pandemic also had a significant impact on performance reporting processes. The performance information presented in this report should be viewed in that context.

In June 2020, we published our National Framework for Prison Regimes and Services and our Probation Roadmap to Recovery. These plans set out in detail how we have been making decisions about easing coronavirus-related restrictions on our services.

In implementing our recovery plans, we are embedding lessons learnt so we can build back better and safer with an ongoing focus on improving performance. This will strengthen us as we deliver our vital work to protect the public from serious offenders, improve the life chances of offenders and address the causes of reoffending.

The impact and management of key risks is covered in more detail in the accountability report on page 47.

HMPPS performance frameworks for prisons and probation were suspended at the end of the 2019/20 financial year when we implemented exceptional delivery models to maintain delivery of services. HMPPS internal assurance activity has continued through the pandemic, with adaptations to our approach given restrictions.

Prison

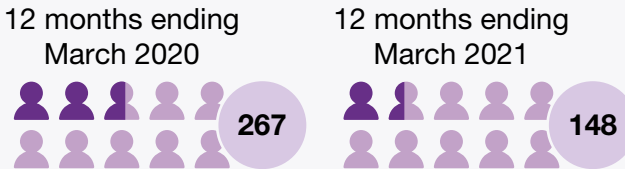
The rate of prisoner-on-prisoner assault and the rate of assaults on staff decreased over the last year. This is expected to be influenced by the reduced contact introduced in prison regimes to decrease the risk of COVID-19 infection.

We have retained focus on addressing high levels of self-harm. The rate of self-harm incidents per 1,000 prisoners has decreased by 15% overall and by

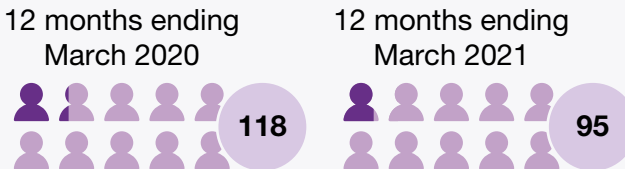
19% in the male estate. However, the rate of incidents per 1,000 prisoners has increased by 12% in the female estate. In April 2020, we established a multidisciplinary Women's Self-Harm Taskforce to gather and evaluate evidence and implement measures to support women at risk. This included introducing a specific COVID-19 workstream to immediately improve our ability to address the drivers of self-harm in the pandemic conditions.

Prison

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



Rate of assaults on staff per 1,000 prisoners



Staffing

Resignation rate for **band 3 to 5 prison officers** for 12 months ending:

March 2020 **8.0%**

March 2021 **5.4%**

Security

Number of escapes from prison establishments and HMPPS escorts

2019/20: 2

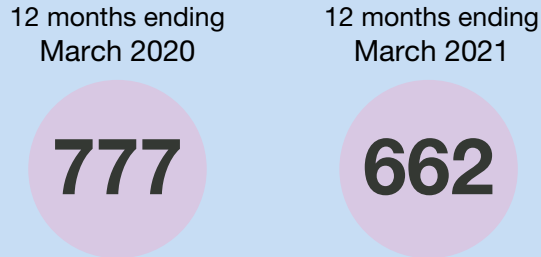
2020/21: 0

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

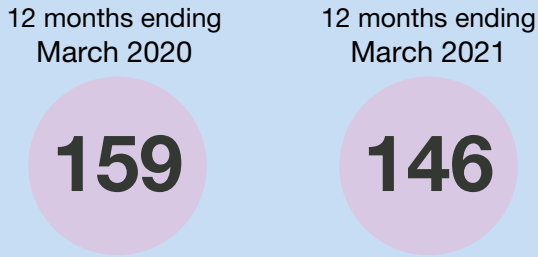
2019/20: 6.9

2020/21: 5.5

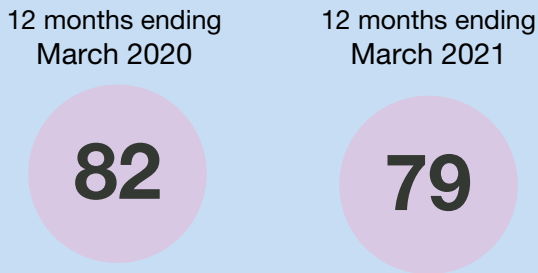
Rate of self-harm incidents per 1,000 prisoners



Rate of self-harming individuals per 1,000 prisoners



Number of self-inflicted deaths



Probation

There were significant impacts on probation delivery due to COVID-19 for the year 2020/21. Some probation activities were suspended or delivered on an alternative basis for part or all of the year.

National delivery by community rehabilitation companies (CRCs) against some measures was substantially below historical levels. Measures focusing on unpaid work, accredited programmes and face-to-face contact were particularly reduced. National delivery by the NPS against service levels was reduced, with some substantial falls.

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

NPS initial contact (CO and SSO)



CRC initial contact (CO and SSO)



NPS initial contact (release from custody on licence)



CRC initial contact (release from custody on licence)



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

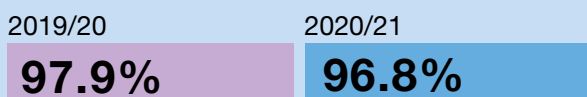
NPS sentence plan timeliness (CO and SSO)



CRC sentence plan timeliness (CO and SSO)



NPS sentence plan timeliness (licence)



CRC sentence plan timeliness (licence)



Probation

NPS breach and recall timeliness – timeliness of actions taken in response to breach of CO, SSO or licence

Breach timeliness: alleged breaches of COs and SSOs presented to the court within required timescale (10 business days)

2019/20: 96.7%
2020/21: 82.6%

Recall timeliness: alleged breaches of licence referred within 24 hours for recall to custody

2019/20: 99.4%
2020/21: 99.3%

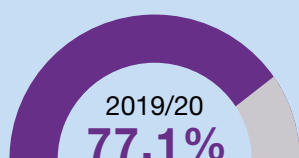
Recall review timeliness: completion within 10 business days of risk management plan following recall to custody

2019/20: 96.9%
2020/21: 92.4%

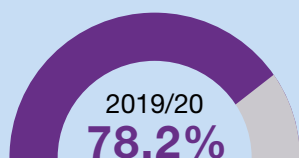
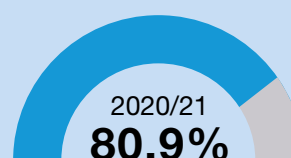
CRC breach referral timeliness – referral of alleged breach of CO, SSO or post-sentence supervision within eight business days

2019/20: 90.8%
2020/21: 92.5%

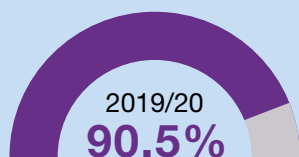
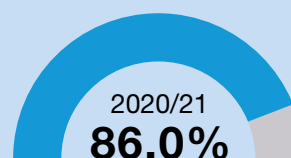
Completion of the sentences of the court



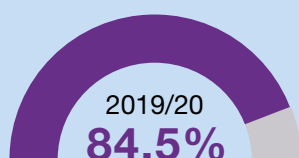
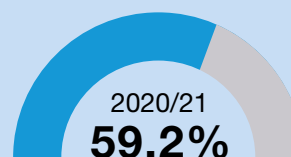
NPS completion of CO and SSO



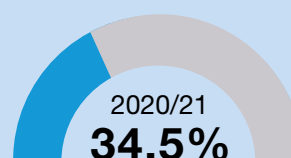
CRC completion of CO and SSO



CRC completion of unpaid work



CRC completion of accredited programmes



Youth Custody Service

Rate of assaults – children and young people (CYP) on CYP per 100 CYP

2019/20: 265.3

2020/21: 147.3

Rate of self-harm per 100 CYP

2019/20: 289.9

2020/21: 223.5

Rate of assaults on staff per 100 CYP

2019/20: 186.7

2020/21: 177.6

Rate of self-harming individuals per 100 CYP

2019/20: 48.1

2020/21: 38.3

Scrutiny bodies

Due to the pandemic, Her Majesty's Inspectorate of Prisons suspended full inspections and independent reviews of progress. Short scrutiny visits and later scrutiny visits were introduced to focus on how individual establishments were recovering from the challenges of COVID-19. Her Majesty's Inspectorate of Probation suspended individual inspections to NPS regions and community rehabilitation companies. Both inspectorates continued to publish thematic reports and HMPPS is implementing action plans to respond to their recommendations. Ofsted also suspended inspections of secure training centres but continued to carry out shorter assurance visits.

In January 2021, the Criminal Justice Joint Inspection published a cross-system view of the impact of the first national lockdown on the criminal justice system. This recognised the dedication of staff and identified positive examples of adaptation Risks were highlighted with regard to the impact of restrictive regimes and the reduction in provision of education and rehabilitation activity. We have learnt lessons from the initial waves of the pandemic and have continually adapted our response to better address these risks.

Financial performance

Where we spent our money in 2020/21

HMPPS committed gross resource expenditure of £4.8 billion. This was £0.3 billion more than 2019/20. In addition to this, £0.5 billion of capital spend was incurred. The increase represents a continuing pattern of investment in our prison and probation services and recognises the impact that COVID-19 has had across HMPPS during the year.

We are spending more of our money on areas that really matter. There has been a continued focus on improving conditions and performance in prisons alongside a drive to implement reform across probation. We have invested in our prisons under our commitment to build 10,000 additional prison places and on our estates. We continue to invest in the wide-ranging probation change programme, following the successful transition of community rehabilitation companies back to the public sector in June 2021.

How we are financed

We are primarily financed by funding from the MoJ as our parent department. We also generated £226 million of operating income in 2020/21 as a result of various initiatives to generate revenue, in addition to recharges of costs incurred.

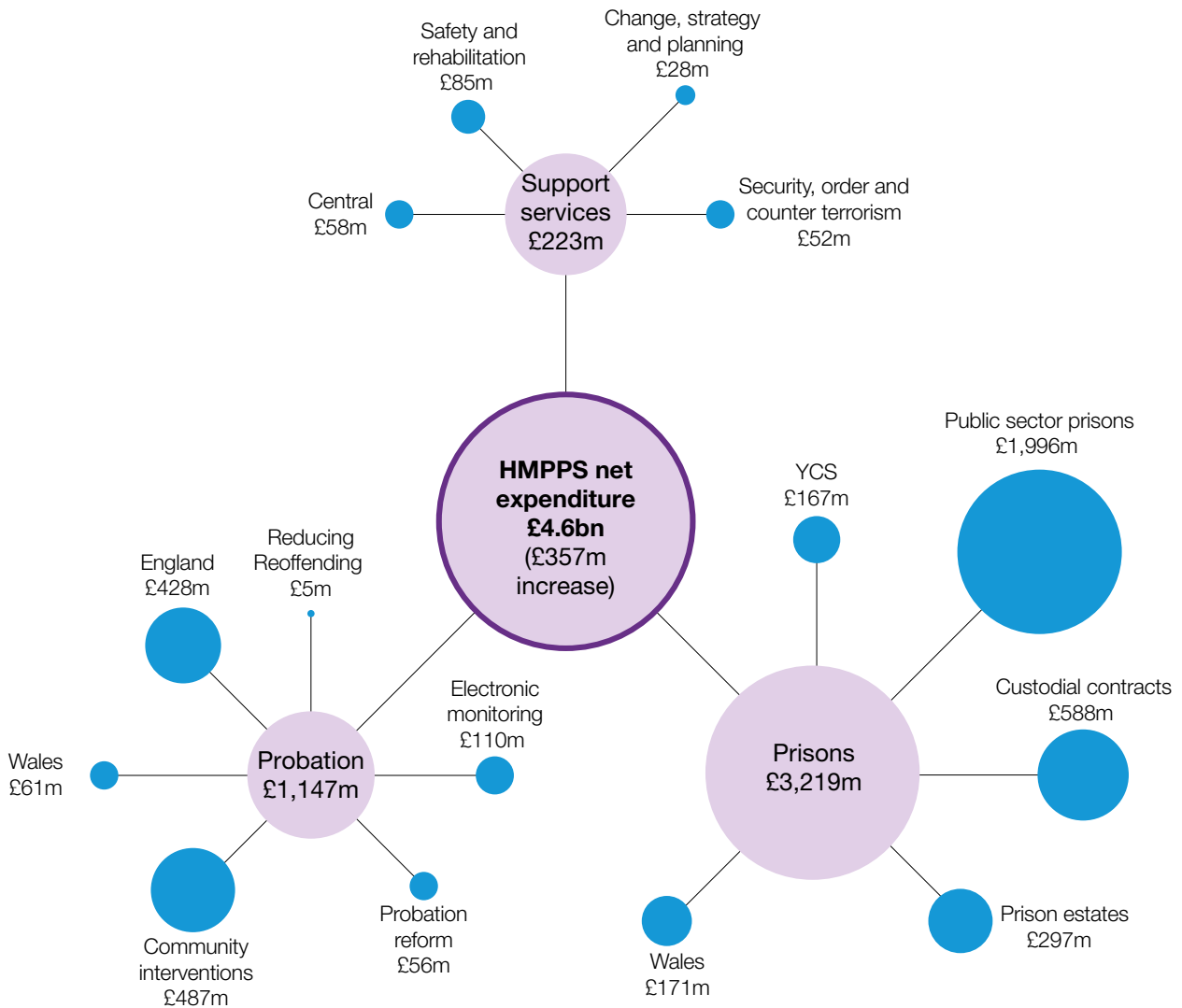
The retail prison shop income comes from a contract providing offenders with a weekly opportunity to make purchases with their own funds for food, hobby materials and other items. It is a self-funding contract, where offender purchases, and the margin made on these, are used to offset the total cost of the contract. Regional packing workshops are run by the service provider but are mainly staffed by offenders. This presents a quality purposeful activity that allows offenders to develop transferable skills.

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

We also recover costs from funding partners as follows:

- provision of custodial services to foreign national prisoners, running immigration removal centres and counter terrorism activities (Home Office)
- provision of healthcare services (NHS England, private sector and Welsh Government)

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



Financial management

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

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

Finance function

2020/21 was the second full year where the agency's financial management was provided through the MoJ functional leadership model. This model brings together specialists into a single, unified team across the department with the vision of putting finance at the heart of decision-making, with finance business partners working alongside operational colleagues and centres of excellence established to support the production of financial and management accounts.



Performance against our principles

Introduction – our operating context

The COVID-19 pandemic fundamentally altered HMPPS' operational environment in 2020 and 2021. It has challenged our resilience and required swift action, effective deployment of contingencies, and an ability to adapt to rapidly changing circumstances.

While essential for the preservation of life, the restrictions and measures that we had to put in place have been challenging for prisoners, children in custody and people on probation. In prisons, for example, restrictions have meant increased time in cells and less access to activities, as well as limiting the amount of face-to-face contact prisoners have been able to have with their loved ones in social visits. Regime delivery has also been impacted in the youth estate, with initial focus being on provision of essential activities and ensuring children maintain positive social relationships with staff, while adhering to physical distancing. In probation, face-to-face contact was limited due to infection risk, and restrictions significantly reduced the amount of unpaid work orders and accredited programmes that we were able to deliver. Wherever possible, however, we have sought to mitigate the challenges that restrictions have posed, providing support and finding alternative ways of working.

We have not been able to operate as we normally would. Nevertheless, we have retained our focus on delivering the outcomes expected of us by the public as outlined in the MoJ Departmental Delivery Plan and the HMPPS Business Strategy. Alongside our emergency response, we have continued to make progress on major programmes, improving our ability to protect the public, reduce reoffending and ensure decent and safe prisons.

Our HMPPS Business Strategy has continued to guide our approach, both in our response to the pandemic and our delivery to improve performance. This has meant we have focused on:

- ensuring the safety and wellbeing of our workforce
- building on our learning to improve decision-making
- working closely with partners to better support those in our care
- transforming our estates and use of technology to enhance safety and access to justice



Enable people to be their best

Having the right staff in the right places and supporting them to do their job effectively is crucial to our ability to deliver outcomes, protect the public and reduce reoffending. 'Good people' is a strategic enabler of the MoJ Departmental Delivery Plan.

We are proud of the work of our staff during the COVID-19 pandemic. They experienced an extremely challenging year and demonstrated immense commitment to support those in their care and enable continued delivery of vital public services.


During the year, we followed advice from health partners to keep staff and those in our care safe. Prison staff and staff in the youth secure estate have had access to PPE (personal protective equipment) and routine testing to help identify positive cases. In probation, we provided: regular risk assessments of staff with vulnerabilities, PPE, COVID-secure offices, and testing for staff and people in approved premises and the wider probation staff group.

We worked hard to ensure we had sufficient staff in the right places to maintain vital services as infection rates rose and an increasing number of staff had to self-isolate. Operationally-trained headquarters staff were redeployed to support frontline delivery and we launched a returners scheme to attract service leavers back into the operational line.

Due to restrictions on non-essential travel and social distancing, we initially paused prison and probation officer recruitment and training in March 2020 while we created COVID-secure environments for training, diverted training staff into the operational line, and sourced, designed and implemented an online assessment centre for recruitment. We continued to onboard new probation officers and onboarded new prison officers at operational support grades while training was suspended. Training recommenced in May 2020 and recruitment in August 2020.

Supporting staff wellbeing is a core objective of the HMPPS People Plan and has been more important than ever in the difficult circumstances of the pandemic. During 2020/21, our work included:

- increasing the support services available to employees to support their health and wellbeing, including a new occupational health support service for line managers to refer employees with post-COVID symptoms with the focus on restoring health
- recruiting and training more than 1,000 mental health allies across HMPPS (allies are a staff-led group of volunteers, who offer confidential support, signpost colleagues to resources and professional support, and raise awareness of mental health)



We also took steps to promote greater diversity within our organisation. This is vital to ensure we attract talented people into HMPPS and create an environment where all staff feel able to thrive. Over the last year, we have:

- actively targeted recruitment campaigns for prison and probation in areas where we find it difficult to recruit, including holding focus groups to target underrepresented groups and identify solutions
- reviewed Senior Civil Service recruitment, introducing a framework to increase diverse representation and launching a sponsorship programme to champion Black, Asian and Minority Ethnic (BAME) staff and staff with disabilities who aspire to Senior Civil Service roles
- provided online webinars to encourage BAME candidates to apply to be trainee probation officers and piloted a buddy scheme to support BAME applicants for prison officer roles into post

In March 2021, we launched the Race Action Programme. This will strengthen our focus on increasing diversity in recruitment, addressing areas of disparity, and improving learning on diversity and inclusion.

HMPPS, along with the other MoJ executive agencies, has also been successful in gaining Disability Confident Leader re-accreditation in April 2021 – the highest level of the Disability Confident Scheme. This is the culmination of 18 months of collaboration across HMPPS and demonstrates our active leadership role in creating an inclusive workplace environment and helping other employers to do the same.

We have also continued to strengthen the capability of our staff. This is crucial if we are to address the needs of those in our care and help them to turn away from crime.

Case study

Youth justice specialist role

In 2018, as part of Youth Custody Service (YCS) workforce reform and our commitment to introduce staff specifically trained to work with children and young people, we announced the introduction of the youth justice specialist role and provided funding for every prison officer in the youth secure estate to have the opportunity to obtain a foundation degree in youth justice. This is a crucial step in demonstrating a commitment to be a child-focused organisation, ensuring our staff are supported and have the specialist skills required to work with complex children in a secure setting.

This work continues to progress. By March 2021, the YCS had 201 qualified officers already in post, with an additional 227 staff signed up or undertaking learning. A further 100 staff commenced learning in June 2021 with a further cohort to start in October 2022. This is in addition to an extra 20 Band 4 youth justice workers from the Unlocked Graduates scheme working in the youth secure estate. This work forms part of an ambitious workforce reform programme, providing child-focused training for frontline staff while incorporating a new 'child-centric' recruitment and assessment process. In addition, we are reviewing training modules to ensure they are sufficiently child-focused and are developing new training packages including a senior leaders safeguarding and child protection module, as well as an online safeguarding learning module yearly refresher.

The Probation Workforce Programme has continued to ensure that staff are in place and well supported to enable successful delivery of the new probation model from June 2021. We published the Probation Workforce Strategy in July 2020 which sets out how we will recruit, retain and develop sufficient probation staff to manage caseloads effectively.

We increased our recruitment in 2020/21 from 600 to 1,000 probation officer trainees and have committed to increasing that further by recruiting 1,500 new probation officer trainees for 2021/22. We have also refreshed our approach to learning and development to better ensure our staff have access to high-quality, practical resources to support their day-to-day work.

2,410 

band 3 to 5 prison officers joined HMPPS between 1 April 2020 and 31 March 2021

We accelerated the opening of new recruitment campaigns and launched a national campaign to attract current operational support grades to apply for prison officer roles



1,007

trainee probation officers started PQiP training in 2020/21, meeting our commitment to recruit 1,000 trainees by the end of January 2021



160

staff joined YCS between 1 April 2020 and 31 March 2021



We launched a returners scheme to attract recent service leavers back to the operational line and have now extended it to service leavers up to 10 years from service as well as those from other services





An open, learning culture

The decisions we make every day are critical for protecting the public, helping offenders to lead positive, law-abiding lives, and reducing reoffending. We will use the best possible evidence in our decision-making, drawing on a diverse range of sources to improve our performance and build confidence in our service. We reflect on and share learning so we can continuously improve and advance our understanding of what works.

‘An open, learning culture’ was especially important over the last year as HMPPS responded to the COVID-19 pandemic. We needed to be flexible and adaptable, sharing information with partners across the justice system, responding rapidly to changing data, and learning from our experiences.

We quickly changed our reporting of information, so we had up-to-date data on the impact of COVID-19 on prisons, probation and the youth estate. We used this to inform our response and that of the wider criminal justice system and to facilitate decision-making on contingency measures.

We continuously refined and updated our extraordinary models of delivery based on changing data and evidence as the pandemic developed.

Throughout the pandemic we captured and shared lessons learned. We listened to diverse perspectives, including feedback from staff, those in our care, scrutiny bodies and the voluntary sector. This helped us to understand challenges and prioritise resources to focus on the actions most useful to deliver better outcomes, for example addressing the impacts of restrictions and risk of self-harm and suicide. We built on our experience of the first wave when responding to new restrictions in January 2021, which again reduced the amount of time prisoners were able to spend outside their cells. We focused on activity that could best support prisoners’ mental health, including maintaining supportive key worker relationships between staff and prisoners and wellbeing checks.

While the pandemic affected face-to-face learning opportunities, we explored virtual ways of sharing learning across HMPPS and our partners in the public, private and third sectors. As the Insights20 Festival could not go ahead as planned, we introduced the HMPPS Insights platform to facilitate online learning opportunities and collaboration, providing a range of virtual events across the year.

Case study

Youth Custody Service COVID-19 research and evaluation programme

The Youth Custody Service (YCS) was keen to learn from the unique situation presented by COVID-19, assess what went well (and less well) and use that assessment to guide recovery. This learning has been vital both in the tailoring of our response to the ongoing pandemic, and in supporting the ongoing progression towards our vision of a child-first culture across the YCS. To capture this learning and enable us to build back better, YCS' COVID-19 research and evaluation (CoRE) programme has been progressing since April 2020, applying a CAN-do approach:

- **Capture** the experiences – How was the threat experienced in the YCS by those involved? What were the impacts of and responses to COVID-19?
- **Assess** the experiences – How well has COVID-19 been addressed in relation to the YCS vision? What has worked well and not so well? What weaknesses and strengths did it reveal?
- **Navigate** the future better – What learning can we take to better guide our ongoing response and recovery, the new normal and preparations for any future crises?

Data collection for the programme occurred in three phases. Phase 1 involved surveys with both children in custody and staff between June and August 2020. Phase 2 used data collated throughout the COVID-19 period, such as YCS' assaults and self-harm management information tool. For phase 3, 100 follow up qualitative interviews were conducted across various stakeholder populations.

Data analysis is ongoing. The final report is due in 2021 and various early learning briefing documents, interim findings and presentations have been produced since September 2020. YCS will continue to implement this comprehensive learning throughout recovery from the pandemic.

Case study

Supporting women who self-harm during the pandemic

HMPPS' Women's Self-harm Taskforce was set up in April 2020 to address concerns following the rise in self-harm in the women's estate. The taskforce is taking an evidence-based approach to reducing self-harm. Its aim is to co-ordinate and drive short, medium and longer-term work designed to help reduce levels of self-harm among the women in HMPPS care.

The taskforce developed a COVID-19 work stream to specifically, and more immediately, address some of the drivers of self-harm among women – such as trauma, lack of both activity and family contact, isolation and anxiety – that had been exacerbated by the restricted regimes put in place to manage the risks of infection.

Several measures, designed to have an immediate impact, were put in place to support women including:

- access to families and friends through video calling supported by the Prison Advice and Care Trust and additional phone PIN credit (from the national £5 limit to £10) for all women to increase contact with loved ones
- introduction of bespoke wellbeing checks for all women and funding so that staff can facilitate these checks on a daily basis
- provision of distraction packs and in-room education materials
- funding for the recruitment of two psychologists to deliver support through enhanced management to support the needs of women with complex needs

Through 2020/21 we also continued to learn from partners to develop our new probation model, which we started to implement in June 2021. We listened to and sought to learn from the expertise of a wider range of stakeholders, including people on probation, third sector organisations, Her Majesty's Inspectorate Probation and the Probation Institute. This has helped us to ensure that the new model will be effective in ensuring high-quality sentence management, tackling the causes of reoffending and helping people on probation to turn away from crime.

In February, we published our target operating model which sets out how the future probation system will work and provides an overview of the services that will be delivered. This was accompanied by a revised draft of National Standards, outlining the minimum expectations for practitioners working with people on probation. Focus groups were held with a number of people on probation, including those from minority ethnic backgrounds, to test that the target operating model addressed the issues they experienced with the probation system.

The dynamic framework will enable voluntary sector and private sector organisations to run commissioned rehabilitative services including education, employment, accommodation and support for those with addictions. This approach was also developed following extensive engagement with the voluntary sector and other potential providers, co-ordinated by Clinks.


We are also developing our understanding and evidence of what works in prisons to improve future delivery and performance. Last year, we established a next generation of prison reform portfolio to build on existing work to create a safe, modern and efficient prison estate, support prisoners' rehabilitation, growth and change, and provide staff with the tools and support they need to deliver positive outcomes. This includes drawing on lessons learned and examples of innovation from our response to the pandemic.

The portfolio is underpinned by four guiding priorities:


- prioritising a safe and ordered environment, including tackling the harm and destabilising impact of drug prevalence in prisons, and protecting staff from threat of violence
- preparing prisoners for a crime-free life
- investing in a professionalised workforce which is resilient, supported and skilled
- creating a modern and efficient infrastructure, including harnessing the potential of digital to create prisons that are safer and more efficient

The portfolio will work collaboratively across HMPPS and with wider partners, piloting and trialling approaches and identifying those areas of reform which will have the best impact on outcomes and improve the reliability and efficiency of our systems.

During the early response to COVID-19, HMPPS consulted over **2,500** prisoners and **1,700** staff about their wellbeing



More than **700** probation staff and people on probation were surveyed about remote pre-sentence reports




The HMPPS insights group has produced a catalogue of 36 learning and evidence products on topics including:

- remote service delivery
- encouraging co-operation and compliance
- effective communication and decision-making
- recovery and building back better

Over the year until 31 March 2021, the Insights Online programme achieved:

- **44,088** website hits
- **12,701** unique visitors
- **49** virtual events with 2,843 attendees





Transform through partnerships

Communicating and collaborating effectively within HMPPS and with our partners across the public, private and third sectors is essential to improving the standard and co-ordination of services and sharing expertise, so we can better address the complex needs of those in our care, prevent crime and reduce reoffending.

During the pandemic, working in partnership has helped HMPPS to respond swiftly to changing conditions, maintain safety, and continue to deliver in difficult circumstances. We are extremely grateful to our partners for their commitment and engagement in response to the many challenges during the period, including limitations on access to prisons and restrictions in relation to community work.

From March 2020, HMPPS led the Criminal Justice System Strategic Command (CJSSC). This brought together

representatives from CJS agencies to co-ordinate operational response to the pandemic, facilitating system-wide information-sharing, assessment of risks, and joint development of preventative actions and mitigations. CJSSC's effective collaboration with partners including Her Majesty's Courts and Tribunals Service, the Crown Prosecution Service and the judiciary assisted with implementing measures such as the expansion of video capacity in prisons.

Our ongoing response to the pandemic at national and local level has been developed in close collaboration with, and on the advice of, colleagues in Public Health England and Wales, NHS England, the Department of Health and Social Care and the Welsh Government. The engagement has been vital in minimising the spread of infection and limiting loss of life.

Partnership working also helped us to ensure that the support provided to those in our care was responsive to the conditions of the pandemic. We worked with the Department for Work and Pensions so that prison leavers could submit Universal Credit claims either online or via a bespoke telephone line, as they were unable to have face-to-face appointments with prison work coaches.

We set up regional Homelessness Prevention Teams in collaboration with local councils and housing partners to support individuals at risk of homelessness on release from prison and help them move into permanent accommodation. We secured £11.5 million to support provision of accommodation. These teams have been very successful in achieving improved

accommodation outcomes, strengthening partnership working, and overcoming cross-system issues.

We want to build on the success of Homelessness Prevention Teams in our wider work with other government departments including the Department for Education, the Department for Work and Pensions, health partners and local councils, to address the drivers of reoffending. In January, the government

announced a £220 million package to cut crime, which includes £50 million to help more prison leavers into stable accommodation and £80 million to provide increased support to offenders with addiction problems. This will allow the creation of a new Community Accommodation Service, which will bring together the work of approved premises and the Bail Advice and Support Service alongside a new tier of provision for prison leavers at risk of homelessness.

Case study

Working with third sector partners to provide enhanced support in the pandemic

Vulnerable people on probation and victims have been facing acute challenges during the coronavirus pandemic. At the start of January 2021, HMPPS partnered with Volunteering Matters to provide temporary additional support to those most vulnerable who were feeling isolated. This befriending service provided support via telephone calls to help those who were isolated in a socially distanced way.

Volunteers:

- provided general conversation for those who were isolated
- provided suggestions about how to occupy time in a pro-social manner and practical advice
- helped with contacting local charities and getting food and basic necessities
- assisted with obtaining essential items or shopping online
- helped people on probation and victims to understand the government COVID-19 restrictions

The service was very successful with a variety of good news stories capturing positive interactions to improve wellbeing. For example, volunteers encouraged participation in exercise and art therapy and connected individuals with local community centres.

Partnership working has also helped us strengthen and improve our services outside of the COVID-19 response.

In August 2020, we began delivering Prisoner Escort and Custody Services under new contracts, ensuring the service provides both qualitative and operational improvements. We adopted a partnership approach throughout the procurement and development of contract management arrangements. The contracts were designed after extensive consultation with stakeholders to:

- best incentivise suppliers to deliver a value-for-money service
- reduce the burden on staff time by moving towards digital rather than paper-based solutions
- enable the service to respond flexibly to changes arising from reforms to the police, courts, prisons and youth justice

We have also been working collaboratively to improve our intelligence capabilities across prisons and probation, helping us to better protect the public and reduce crime. HMPPS, counter terrorism policing and partners have committed to closer working to counter national security risks within prisons and probation settings. We have also led the design and implementation of a new whole-system approach to tackling serious and organised crime known as the multi-agency response to serious and organised crime (MARSOC). This brings together prisons, probation, the police, National Crime Agency, HMRC and the Department for Work and Pensions, to jointly identify and disrupt the highest-harm serious and organised crime offenders in the criminal justice system.

Criminal Justice System Strategic Command

From March 2020, HMPPS brought together representatives from criminal justice system agencies to co-ordinate operational response to the pandemic, facilitating system-wide information-sharing, assessment of risks, and joint development of preventative actions and mitigations.



Prisoner Escort and Custody Services

Working closely with contracted partners has ensured rapid adaptation of working practices and continued delivery of these core services during the pandemic, as well as delivery of new services to support contingency measures deployed by partners and maintain access to justice.



Probation voluntary and community sector fund

Each Regional Probation Director has been allocated £100,000 to support the work of specialist voluntary sector organisations working with ethnic minority people on probation. Alongside this, Clinks are facilitating capacity-building support for ethnic-minority specific organisations to enable them to access future commissioning and co-commissioning arrangements. This will help us to better target the root causes of reoffending and provide tailored services for people on probation.



Modernise our estates and technology

Improving our estate is essential to ensuring a decent, safe and productive environment, where offenders are supported to turn away from crime. Investing in technology will enable staff to work more efficiently and access opportunities for innovation.

We transformed how we use our estates and technology as a result of the COVID-19 pandemic, to ensure the safety of staff and those in our care and continued delivery of services.

We procured, installed and mobilised

1,150
temporary
accommodation units
at the highest priority prisons.



Recognising the challenges of managing infection in the prison environment, we worked hard to create additional capacity in the estate, including procuring, installing and mobilising 1,150 temporary accommodation units at the highest priority prisons. This enabled the full implementation of our compartmentalisation strategy, protecting those in our care against the virus and allowing staff to deliver adapted prison regimes.

In the probation estate, we made changes to buildings to ensure they could be safely used, including improving ventilation.

We also made better use of technology to find new ways of working in response to restrictions and maintain access to justice. More than 500 cloud video platform meeting rooms and over 300 new physical video units were deployed across the custodial estate to allow defence practitioners, probation court report writers and the Parole Board to have remote access to defendants in prison. We secured additional investment to increase prison video conferencing capability. We built new video conferencing centres at HMP Doncaster, Thameside and Hewell, and significantly exceeded our target of extending physical video capacity by 50% in reception prisons by 31 March 2021.

We deployed more than

500 cloud video platform meeting rooms and over

300 new physical video units across the custodial estate to allow defence practitioners, probation court report writers and the Parole Board to have remote access to defendants in prison.



Secure video calling capability was also rolled out at pace across the prison estate and in young offender institutions. This enabled prisoners and young people to maintain contact with their families, a crucial factor in supporting their mental health and wellbeing during regime restrictions. At the end of March, the video visitations service was averaging around 7,000 calls a week.

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7,000 calls a week.



In probation, we introduced mobile phones and made greater use of virtual platforms to ensure contact could be maintained with offenders when face-to-face appointments were not possible.

We also progressed expansion and modernisation of the prison estate to ensure we have capacity to meet demand

and create a decent and safe environment to support rehabilitation.

Construction of HMP Five Wells and the new prison at Glen Parva continued at pace in spite of COVID-19 lockdowns. We awarded the operator contract for Five Wells and have begun work to mobilise the prison. We also awarded the main construction contract for Glen Parva and launched the operator competition. In November 2020, the government announced an extra £4 billion of funding over four years for the delivery of 18,000 additional prison places, including the construction of four additional new prisons. The constructor competition for these was launched in December.

We awarded the operator contract for Five Wells and have begun work to mobilise the prison. We also awarded the main construction contract for Glen Parva and launched the operator competition.



We also built on our learning from deploying temporary accommodation during the pandemic by developing a rapid deployment cells project. This will create 1,000 new prison places, adding capacity to the estate which can be used flexibly – for example accommodating prisoners during planned maintenance work.

We continued work to improve the condition of the existing estate, making use of additional investment to tackle the most pressing maintenance issues, updating critical infrastructure such as fire systems and refurbishing cells.

In the 2020 Spending Review, we secured £315 million in capital funding for 2021/22 to improve prison conditions and £244 million for facilities management. Taken together, these will enable us to keep prisons operating effectively while continuing to deliver critical fire safety improvements and other essential works to prevent loss of places.

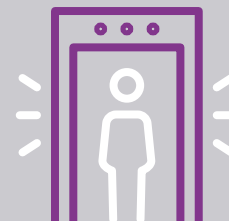
We completed detailed asset surveys of the public prison estate, uploading data into a redesigned computer-aided facilities management system. This will help us to prioritise work and manage contract delivery, and will enable suppliers to drive efficiency and build capability.

We also continued modernisation of the probation estate and invested in the digital landscape in preparation for smooth transition to the new model of probation. We progressed work towards the opening of the first secure school at Medway, to be run by Oasis Charitable Trust.

Enhancing our use of technology is also enabling us to improve safety and security in the secure estate and the community, preventing crime and disruption to offender rehabilitation.

Across our closed male estate,

51 body
scanners were
installed by
31 March 2021.



Case study

Body scanners

To tackle crime in prison, and consistent with HMPPS' aim to modernise our estates and technology, the Security Investment Programme committed to install 51 x-ray body scanners. Following successful delivery and implementation we expanded this to 75 scanners, to obtain full coverage across our closed male estate. The flow of drugs, phones and weapons into prisons poses a significant challenge as older technology is unable to detect them. These items disrupt rehabilitation and pose a major safety risk to staff and prisoners.

The programme was supported by colleagues across HMPPS. Commercial and security, order and counter terrorism teams helped us develop the most advanced specification to date for government scanners which means we can see concealed items in unprecedented detail. Learning and development supported development of training at pace, and by March 2021 our engagement and implementation team delivered the training package to 1,500 staff. Policy officials in MoJ and the business helped us rapidly develop operational policy for the use of the scanners.

In addition to a suite of enhanced gate security measures, between July 2020 and March 2021, 51 scanners were installed across our closed male estate. In this time period these had 5,347 positive scans, preventing harmful items from entering our prisons. A further 24 scanners were purchased to provide coverage for all closed male sites.

We have also extended use of electronic monitoring technology to tackle one of the key causes of offending behaviour – alcohol. In October 2020, we introduced alcohol monitoring tags in Wales to support the Alcohol Abstinence Monitoring Requirement. We completed the rollout to England in March 2021. Since then, over 1,300 offenders have been tagged in England and Wales. The scheme has proven effective with people on an alcohol monitoring tag staying sober on over 95% of the days monitored and reporting that the scheme has helped them to improve their lifestyle, staying away from crime.

Over
1,300 offenders
in England and Wales have
been tagged (by end of
August 2021) to support the
Alcohol Abstinence Monitoring
Requirement.



Our people

A diverse range of staff and external partners working in and with HMPPS were honoured with national awards in 2020/21. They include:

Queen's Birthday Honours 2020

Officers of the Order of the British Empire (OBE)

David Bamford. Governor, HMP Brixton. For services to HMPPS.

Joshua Babarinde. Founder and CEO, Cracked It. For services to youth justice and social enterprise.

Graham Barrett. On the COVID-19 List: Governing Governor, HMP Wandsworth. For services to HMPPS.

Susan Doolan. On the COVID-19 List: Formerly Governing Governor, HMP Littlehey. For services to HMPPS.

Carl Hardwick. On the COVID-19 List: Governor, HMP/YOI Drake Hall. For services to HMPPS and women in custody during the COVID-19 pandemic.

Marcella Goligher. Governing Governor, HMP Humber, HMPPS. For services to criminal justice, young people and the safety of vulnerable women.

Barbara Tudor. Victim Manager, National Probation Service. For services to the victims of crime.

Member of the Order of the British Empire (MBE)

Zahid Bhatti. On the COVID-19 List: Managing Chaplain, HMP Wormwood Scrubs. For services to prison ministry and staff care.

Marina Cantacuzino. Founder, The Forgiveness Project. For services to victims.

Kathleen Shirley Clegg. Chair, official prison visitor scheme. For services to prisoner support in HMPPS.

Elizabeth Dixon. Restorative Practice Manager, London Community Rehabilitation Company. For services to reducing reoffending, building social cohesion and safer communities.

Brendan Doyle. On the COVID-19 List: Prison Officer, HMP Coldingley. For services to HMPPS during the COVID-19 pandemic.

Gary Frith. On the COVID-19 List: Health and Safety Advisor, HMP Hindley. For services to staff, their families and prisoners during COVID-19.

Ahmed Hans. On the COVID-19 List: Sessional Muslim imam, HMP/YOI Brinsford. For services to HMPPS.

Leahman Pratt. On the COVID-19 List: Christian chaplain, HMP Exeter. For services to HMPPS, to staff and prisoners during COVID-19.

Belinda Southwell. Volunteer, HMP Erlestoke. For services to offender rehabilitation and the community.

Andrew Willard. Senior Officer, HMP Channings Wood. For services to HMPPS.

Medallists of the Order of the British Empire (BEM)

Keith Daniel. Prison Officer, HMP Wetherby and volunteer drill instructor, Army Cadet Force. For voluntary services to young people in custody.

Pauline Fletcher. Co-ordinator, HMP Whatton visitor centre. For services to prisoners, their families and significant others.

Member of the Order of the British Empire (MBE)

Michael Freer. Prison Officer, HMP Hull. For services to HMPPS.

Medallists of the Order of the British Empire (BEM)

Debbie Langford. Operations Manager to the Prison Group Director, North Midlands Prisons. For services to HMPPS.

Alison Scott. Victim Liaison Officer, National Probation Service. For services to probation and the community.

New Year Honours 2021

Companion of the Order of the Bath (CB)

Dr Jo Farrar OBE. Chief Executive Officer, HMPPS. For public service.

Commanders of the Order of the British Empire (CBE)

Tim Allen. Prison Group Director, Manchester, Mersey and Cheshire Prison Group. For services to HMPPS.

Sonia Flynn. Chief Probation Officer, National Probation Service. For services to probation.

Officers of the Order of the British Empire (OBE)

Tanjit Dosanjh. Optometrist, Founder and Chief Executive Officer, Pen Optical Trust. For services to optometry in prisons.

Francesca Findlater. Founder and Chief Executive Officer, Bounce Back Foundation and Project. For services to ex-offenders and rehabilitation.

Neil Thomas. Governing Governor, HMP Stocken. For services HMPPS during COVID-19.

Butler Trust award winners 2020/21

The 2021/21 winners of the prestigious Butler Trust awards included 10 individuals working in prisons and probation in England and Wales.

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

A list of winners and commendees is available at <http://www.butlertrust.org.uk/our-winners/>

HMPPS staff awards 2020

Due to the COVID-19 pandemic, the 2020 award ceremonies for Prison Officer of the Year and Probation Champions of the Year were postponed. Currently, both ceremonies are scheduled to take place in September 2021.

Sustainability report

Introduction

The MoJ is committed to putting sustainability at the heart of its operations and decision-making through embedding sustainability principles into everything that it does. As the largest of the department's agencies, HMPPS understandably accounts for the majority of MoJ's total greenhouse gas emissions, water use and waste arisings, and occupies the majority of the estate. It therefore recognises the importance of reducing its impacts on the environment and increasing biodiversity.

This is the sustainability report for HMPPS prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at: <https://www.gov.uk/government/publications/government-financial-reporting-manual-2020-21>

Objectives

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

- lead the way in greening government
- embed environmental sustainability in everything we do
- support the department's strategic outcomes of protecting the public from serious offenders, reducing

reoffending, and delivering swifter access to justice

Scope

The scope of this report is performance against the Greening Government Commitments 2016-2020 from a 2009/10 baseline (where possible). The report covers all public sector prisons in England and Wales, our shared service and administration buildings, four privately operated prisons (Doncaster, Northumberland, Oakwood and Thameside) and National Probation Service locations.

Governance

Overall governance and assurance of sustainability is managed by the MoJ sustainability team and performance is monitored by the MoJ senior sustainability board, chaired by our Chief Property Officer and Sustainability Champion. We follow the MoJ's [Sustainable Operations Strategy](#) which sets out how the department embeds environmental sustainability throughout its estate, operations and procurement activity. MoJ has also developed a number of other [sustainability strategies and policies](#) for its staff and supply chain to follow.

Performance data

Sustainability data is gathered and validated by Arcadis and Avieco, our external consultants contracted to manage our data, and quality assured by DNV-GL on behalf of the Department for Environment, Food and Rural Affairs (Defra). The data below shows our present position for the financial year 2020/21 against a 2009/10 baseline (unless otherwise stated). We are unable to report data from locations where landlords do not provide data. All data is UK only. Environmental data is estimated for a 12-month period from January 2020 to December 2020 and therefore does not align with data reported elsewhere in this report which refers to the 2020/21 financial year (1 April 2020 to 31 March 2021). Environmental data for the previous year (2019/20) has been restated to include actual environmental performance for the 2019/20 financial year. The greenhouse gas conversion factors used can be found in the government environmental impact reporting requirements for business.¹

GGC performance

During the 2020/21 financial year, to reduce pressure on resources in all government departments and to allow prioritisation of responses to the COVID-19 pandemic, Defra delayed the release of the new GGC targets (expected to cover 2020-2025) until April 2021. Due to the delay in setting new targets, the information in this section outlines performance against the previous 2020 GGC targets. All data shown relates to our performance for financial years against the 2009/10 baseline, unless otherwise stated.

Requirement by 2020	MoJ target	HMPPS 2020/21 performance compared to 2009/10 baseline
Reduce greenhouse gas emissions	-38%	-45%
Reduce overall waste	>31%	-15%
Reduce waste sent to landfill	<10%	9%
Increase amount of waste recycled	>59%	76%
Continue to reduce total estate water consumption	-4%	-2%

Table 1: HMPPS contribution to overall MoJ performance 2020/21

¹ <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>

Greenhouse gases

Greenhouse gas emissions		2009/10	2017/18	2018/19	2019/20 ²	2020/21
Non-financial indicators (tonnes CO ₂ e)	Total gross scope 1 (direct) emissions	166,983	156,474	154,341	153,267	143,816
	Total gross scope 2 (indirect) emissions	236,377	114,035	92,644	88,320	78,126
	Total gross scope 3 (official business travel) emissions	6,334	17,952	16,173	7,328	3,483
	Total emissions - Scope 1, 2 and 3³	409,694	288,461	263,159	249,216	225,424
Related energy consumption (kWh)	Electricity	371,635,000	324,369,905	327,284,350	318,501,334	300,448,314
	Gas	891,395,000	725,386,293	715,895,508	687,697,747	664,665,482
	Other energy sources	117,571,000	36,881,824	44,196,140	47,120,471	42,637,241
	Total energy consumption	1,380,601,000	1,086,638,022	1,087,375,998	1,053,319,552	1,007,751,037
Financial indicators (£m)	Expenditure on energy	68	69	67	74	71
	Expenditure on official business travel	25	20	22	21	5
	Total expenditure on energy and business travel	93	89	89	95	76

Table 2: Overall greenhouse gas emissions and financial costs 2020/21

² 2019/20 non-financial indicators have been restated to include actual environmental performance for the financial year.

³ Definitions for Scope 1-3 emissions can be found at

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf

Energy consumption by HMPPS accounts for 80% of MoJ's total energy use (based on 2020/21 figures). HMPPS carbon emissions show an overall 45% decrease since 2009/10. We have continued to reduce our overall carbon emissions through a range of energy and carbon saving measures this financial year including:

- upgrading and replacing old and inefficient lighting with energy efficient LEDs across the prison and probation estate, investing over £3.1 million to save 386 tCO₂ and £885,700 per year
- improvements to efficiency of existing fossil-fuel-fired heating systems by installing optimisers, timers and thermostatic controls
- installing ground-mount solar panel arrays at three sites and roof-mount arrays at five sites, generating annual carbon savings of 440tCO₂
- commissioning renewables surveys on all prison sites to identify opportunities for heat pumps, solar panels, wind turbines and biomass boilers
- installing automatic metering on electricity and gas supplies to monitor and reduce energy consumption
- putting 'net zero' at the heart of new prison design, recognising that what we build now will still be in use by 2050

MoJ continues to work with the modern energy partners programme at three prisons on the Isle of Sheppey to reduce carbon emissions by 80%. All lighting at HMP Elmley has been replaced with LED alternatives, reducing lighting energy demand by 49% and saving 364 tCO₂ per year. Work to improve the control and monitoring capability of the building management system has begun and will reduce consumption by building services by 15%. We have also begun planning for phase 2 having identified 15 MoJ sites for inclusion as 'test-bed' sites.

HMPPS continues to transition its vehicle fleet way from diesel as a fuel source to petrol-electric hybrid or pure electric where viable options are available and where the business or operational use is deemed appropriate. Since 2018, the percentage of ultra-low emission vehicles on the MoJ's car fleet has increased from 0 to 82 through the adoption of compliant plug-in hybrid cars, equivalent to 15% of the current car fleet. We will continue to monitor advances in vehicle technologies and consider how we can broaden our strategy to include other vehicles which are outside of the current scope, including vans and minibuses. We have recently commenced a trial of pure electric vehicles, including a panel van and a car, to assess usability and reliability. We continue to roll out vehicle charging points across the estate including converting 20% of the available car parking spaces at our new-build prisons which will come online during 2022 and 2023.

Case study

Solar panel installation at HMP Bure

The installation of solar photovoltaics at HMP Bure was carried out as a pilot to test the viability of installing roof-mount photovoltaics on prison buildings. The project was a success, installing the panels across three buildings, adhering to all necessary security and safety requirements. The array was sized at 200kWp in accordance with the local distribution network operator agreement and generates around 186,600kWh per year. This meets 10% of the prisons annual demand, and has saved 70 tCO₂ and £29,000.



Case study

HMP Leicester LEDs

A collaborative approach to project delivery has enabled the MoJ sustainability and project delivery teams to incorporate energy and water efficiency improvements in prisons across the custodial estate. By consulting the sustainability team at a very early stage of wide-ranging fire safety improvements, the project team have included a number of additional measures which can be implemented with minimal disruption to the establishment. At HMP Leicester, essential upgrades to the emergency lighting systems provided the opportunity for an upgrade to LED lighting across the prison. The LED upgrade added only £123,000 to the project and will deliver savings of 43 tCO₂ and £25,500 per year, significantly improving lighting levels and quality across the prison.

This collaborative approach presents a value-for-money approach and improves energy and water performance across the custodial estate, supporting MoJ's commitments to its Greening Government Commitments and net zero carbon targets. Continued collaboration with the projects team will see additional improvements included in prison projects such as building fabric insulation and low-carbon heating systems.

Water

Water consumption		2009/10	2017/18 ⁴	2018/19	2019/20 ⁷	2020/21
Non-financial indicators (m ³)	Whole estate	8,527,771	8,273,287	8,393,180	8,427,775	8,675,234
Financial indicators (£m)	Water supply and sewage costs	20	23	24	25	20

Table 4: Water consumption and financial costs 2020/21

Water consumption by HMPPS accounts for 96% of MoJ's total water use (based on 2020/21 figures). We have reduced water usage across the estate by focusing on improving consumption monitoring processes and by fixing leaks in aging infrastructure. A water management programme on the prison estate is focusing on opportunities for consumption reduction and water leak detection.

Case study

Water leak at HMP The Verne

Located on the Isle of Portland and established in 1949 at the site of a 19th century citadel, The Verne is one of the oldest prisons within the estate from an infrastructural standpoint. In early 2019, the site launched a water leak find-and-fix programme that concluded in August 2020.

The site team adopted a strategy that focused on finding and resolving the quick fixes first and then assessing the reductions achieved as a result. Taking action against water leaks can be a slow and disruptive process. Finding leaks along several kilometres of pipework which is often concealed underground or is otherwise inaccessible can be a very difficult job. The work will often continue until the leak is found, which can take a few days or span a few weeks. As a result of these works, The Verne has reduced their average annual monthly consumption by over 25%. By implementing improved monitoring systems and adopting the latest leak detection technologies, the MoJ team is working alongside the prison maintenance group to tackle water leakages and wastage across the estate.

⁴ 2019/20 non-financial indicators have been restated to include actual environmental performance for the financial year.

Waste

Waste		2009/10	2017/18	2018/19	2019/20 ⁵	2020/21	
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill	24,830	2,906	764	860	3,924
		Reused/recycled	24,735	20,765	32,232	32,808	26,562
		Composted/ anaerobic digestion	-	1,649	2,166	3,282	5,675
	Incinerated with energy from waste	175	8,289	4,106	6,299	6,258	
	Incinerated without energy recovery	-	15	0	11	22	
	Total waste	49,787	33,624	39,322	43,260	42,440	

Table 3: Waste and financial costs 2020/21

Waste disposed of by HMPPS accounts for 87% of MoJ's total waste (based on 2020/21 figures). We have reduced the amount of waste produced by 15% since 2009/10 and only sent 9% of total waste to landfill. The increase in waste sent to landfill compared to previous years is due to COVID-19 lockdowns preventing waste management units from separating waste at the majority of prison sites.

During 2020/21, there were approximately 142 staff with 1,127 prisoner employment places in waste management units across the prison custodial estate. However, due to the onset of the COVID-19 pandemic, the ability to access the prisoner workforce for recycling activities was severely reduced in line with government guidelines. This impacted the sector during this period with a reduced service offered in most prisons with a severe reduction in waste management operations with minimal sorting and recovery of recyclables taking place.

Capital expenditure totalling over £280,000 was spent to support establishments to better manage their waste streams during 2020/21. Prison industries invested in machinery consisting of industrial shredders, baling and compacting equipment and food waste bio-digesters. Smaller resource purchases for electrical cable strippers and sanitiser units to enhance the recovery and re-use of materials were also funded.

A comprehensive toolkit was developed and published internally for all key stakeholders within establishments providing information on how to operate a decent efficient and effective waste management unit. This was very well received nationally, with positive feedback given.

⁵ 2019/20 non-financial indicators have been restated to include actual environmental performance for the financial year.

Case study

Food packaging composting trial

Our contract and commercial directorate explored the use of biodegradable food packaging as a sustainable alternative to polystyrene in the custodial environment. Samples of paper cups, PLA lids and bagasse containers were supplied and four sites were identified by our prisons waste management team as being suitable using both variants of Big Hanna IVC and PRM bio-digesters to compare results.

All four sites processed the packaging successfully along with the daily food waste and monitored the results over a one-week period giving positive results. A wider project to assess food waste and waste reduction opportunities within prisons will take these results into account throughout the next financial year and look for further suitable sites to share these best practice results.

Biodiversity

The MoJ estate is one of the largest and most diverse estates across central government, containing species and habitats representative of both rural and urban settings. It contains international, national and regionally important sites, and the MoJ continues to work hard to ensure our landholdings continually improve for wildlife and that we are resilient towards climate change.

By far the highlight to the end of this financial year is the publication of the Celebration of Wildlife and People 2020. This yearbook illustrates in pictures and through resident impact statements a wide variety of biodiversity projects which have brought positivity and learning to MoJ people – see an example from HMP Wealston below.

All of our sites of special scientific interest are now in favourable or recovering condition. We need to ensure that they

stay this way, so we are working with our facilities management providers to ensure ongoing actions are funded and appropriate management techniques are in place for future years.

Our programme of phase 1 habitat surveys is complete, giving us an oversight of our large landholdings or those that contain priority species. We also have completed our biodiversity baseline using the Defra metric calculator for the custodial estate (the non-custodial estate will be calculated in 2021/22).

Our delivery of a pond in every prison and an orchard in every prison continues ahead of schedule. We are very grateful to our partners Amphibian and Reptile Groups UK, the Conservation Foundation, and The London Orchard Partnership (among other local contacts) who support this project with matched funding for staff training, offender and resident learning, and species monitoring. HMP Woodhill is a fantastic example to show

that even Category A establishments can contain great wildlife habitat and reap the associated wellbeing opportunities.

Throughout 2020/21 and looking ahead to 2021/22, we are updating our biodiversity and natural capital policy in line with changing legislation and will raise awareness of these changes among our staff and ways of working. Decisions over land use should consider the services that our land provides us and evaluate the overall environmental cost – not just capital. This is in line with the revised Green Book accounting recommendations

and new government ambition towards biodiversity in the GGCs. This changing legislation also includes the concept of biodiversity net gain, and by embedding this principle across our current estate and all new-build development we will be ahead of anticipated requirements in the upcoming Environment Bill. In 2021/22 we will also produce our estate Nature Recovery Plan, detailing more specific costs and priorities to restore and expand our woodland, create more flowering margins for pollinators, and ensure healthy and functioning wetlands.

Case study

HMP Wealstun beekeeping

In 2017 the governor asked the gardens team to start a beekeeping project. None of the team had ever kept bees in the past so one member of the team volunteered to complete a basic beekeeping course and lead on the project. Leeds Beekeeping Association kindly offered to provide him with the basic training required. One hive was procured and built initially and located in an area adjacent to the gardens complex (between the internal and external fence line). The establishment also procured three starter sets of equipment so that prisoners could be involved in the art of beekeeping. Over the course of the next two years, the number of hives was expanded and by the end of 2019 there were four hives. This year we have harvested 58 jars of honey from our bees with hopefully more to come later in the year as there are now 6 hives in various stages of development. Each year the honey is sold to members of staff and the public via the pop-up farm shop which operates from the visitors' centre, and this year all 58 jars sold within just a few days.

From the start of the project, one member of the gardens work party approached staff to express his interest in the bees. He was a great help and was involved in setting up the first two hives. He also featured in our 2019 prisoner case study booklet. Beekeeping forms part of our rehabilitative culture – stress-reducing environments, increasing green spaces for the staff and men in our care to enjoy within the prison. The Wealstun bees play a significant role in the prison by helping the men in nurturing and taking responsibility for the bees, which are transferable skills on release. The bees form part of the local eco-communities and provide an essential role in the pollination of other important crops thereby helping our local rural neighbours.

Other sustainability commitments

Sustainable procurement	<p>New contracts require that suppliers meet the Government Buying Standards and the MoJ commercial and contract management directorate has committed to agree an approach to reviewing sustainability key performance indicators in all contracts and the pipeline of upcoming tenders.</p> <p>HMPPS, through the MoJ, remains committed to improving our engagement, management and spend through small and medium-sized enterprises and this is reflected through renewed strategies and action plans.</p> <p>During the year MoJ undertook the procurement of supply and installation of ground and roof-mounted solar panels, and the supply and installation of electric vehicle charging infrastructure for HMPPS. In both instances we used Crown Commercial Services frameworks as our routes to market, selected from their suite of net zero carbon solutions.</p>
Climate change adaption	<p>A Climate Change Adaption Strategy, developed with input from Defra, was published in the summer of 2020 and climate change adaptation plans will continue to be put into action.</p> <p>HMPPS is mindful of the risks posed by climate change and has taken steps to review and introduce measures to mitigate against overheating in the existing prison estate.</p> <p>The department has incorporated climate change scenarios in its new prison construction energy modelling. This will help to reduce summertime overheating and minimise summertime cooling energy demand. Application of BREEAM requirements will also ensure that new prisons sites and designs consider and address flood risk, rainfall and solar gain.</p>
Rural proofing	<p>The Defra rural proofing guidance is published online and supported by the MoJ property directorate sustainability team. The aim of the guidance is to ensure its use on all policy options so that particular considerations for rural locations and users are clearly highlighted for consideration and results are recorded. The sustainability team is also developing natural capital approach tools, alongside national models, which will be trialled in 2021. These will enable broader consideration of rural features, values and benefits at a project level.</p>



Sustainable construction

The MoJ is committed to achieving at least minimum BREEAM rating of ‘excellent’ for new builds and ‘very good’ for refurbishments. We are committed to publishing the BREEAM ratings of our new building and other major projects annually, and details will be logged via a BREEAM tracker system. To date in 2020/21, seven projects across HMPPS properties have received final BREEAM certificates, all achieving a ‘very good’ rating and four interim ratings of ‘excellent’ for HMP Five Wells.

New prisons construction

Throughout 2020/21, the department successfully secured the investment required to build the four new prisons to a higher sustainability standard than ever before – to achieve a BREEAM ‘outstanding’ rating and reduce carbon and energy compared to prisons currently under construction (Five Wells and Glen Parva).

HM Treasury approved £97 million of additional spend to support delivering the new prisons programme to achieve the following sustainability standards:

- achieve a 70% reduction in operational energy consumption from the national grid compared to the Glen Parva baseline
- achieve an 89% reduction in operational carbon emissions compared to the Glen Parva baseline
- achieve a BREEAM ‘outstanding’ rating

Site-specific risks remain due to constraints such as planning restrictions or surplus power arrangements, but close scrutiny and approvals by the new prisons programme board and work will continue throughout 2021/22 to ensure these ambitious plans are realised.

Dr Jo Farrar
Chief Executive Officer, HMPPS
Second Permanent Secretary, MoJ

2 December 2021

Accountability report



Corporate governance report

The purpose of the corporate governance report is to explain the composition and organisation of HMPPS and how these arrangements have supported the achievement of its objectives during 2020/21.

Directors' report

Statutory background

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

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

The HMPPS agency board and HMPPS leadership team

The governance arrangements within HMPPS from 1 April 2020 as agreed by the Permanent Secretary and the HMPPS agency board (HAB), included:

- four HAB meetings focusing on strategic priorities including performance, risk and investment
- a weekly HMPPS leadership team (HLT) meeting with a rotating focus on people, change, performance, finance and risk, and infrastructure

During the initial months of the COVID-19 pandemic, the vast majority of items considered by the HLT were related to COVID-19, reflecting the move to pause non-essential areas of work across the business to enable it to focus on responding to the impact of the pandemic.

The HAB and HLT meetings were supported by a comprehensive range of sub-committees and three operational management committees – for probation, prisons and the YCS – reporting to the HLT.

In March 2020, additional governance was put in place to facilitate the business' response to COVID-19. This included additional leadership meetings to consider COVID-related issues. These were daily from 23 March 2020 to the end of May 2020, when the HLT then continued to meet two or three times a week as necessary.

Dr Jo Farrar was appointed as Chief Executive Officer of HMPPS by the Permanent Secretary of the MoJ on 1 April 2019 and subsequently as Second Permanent Secretary, MoJ, and CEO, HMPPS on 16 March 2021.

The Second Permanent Secretary, MoJ, and CEO, HMPPS's pay is determined under the rules set out in chapter 7.1 (Annex A) of the Senior Civil Servant Management Code. Other members of the HAB and HLT are appointed by the Chief Executive Officer with the agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the HAB and the HLT are set out in

the remuneration and staff report on pages 88 to 91.

During 2021/21 the structure of the HAB and HLT was:

HAB

Core members:

Four non-executive directors (including one chairing)

CEO

Director General, Prisons

Director General, Probation and Wales

Executive Director, YCS

Executive Director, Strategy, Planning and Performance

MoJ People Group Director – Strategy and Delivery

MoJ Director, Financial Strategy, Planning and Performance (until 28 August 2020)

MoJ Director, Finance Business

Partnering (as from 1 September 2020)

In attendance:

CEO's office

Secretariat

HLT

Core members:

CEO (chair)

Director General, Prisons

Director General, Probation and Wales

Executive Director, YCS

Executive Director, Strategy, Planning and Performance

MoJ People Group Director – Strategy and Delivery

MoJ Director, Financial Strategy, Planning and Performance

MoJ Director, Finance Business

Partnering (as from 1 September 2020)

In attendance:

MoJ policy group

CEO's office

Secretariat

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

During 2020/21 the members of the HAB and HLT were:

Core members:

Non-executive director – Gerard Lemos*

Non-executive director – Alan Hammill*

Non-executive director – Lesley King-Lewis*

Non-executive director – vacant*

CEO – Dr Jo Farrar (until 15 March 2021, when she was appointed Second Permanent Secretary, MoJ, and CEO, HMPPS on 16 March 2021)

Director General, Prisons – Phil Cople

Director General, Probation and Wales – Amy Rees

Executive Director, YCS – Helga Swidenbank

Executive Director, Strategy, Planning and Performance – Ian Blakeman

MoJ Director, Financial Strategy, Planning and Performance – James McEwen (until 28 August 2020)

MoJ Director, Finance Business Partnering, Lorna Maden (from 1 September 2020)

MoJ People Group Director, Strategy and Delivery – Mark Adam


In attendance:

MoJ policy group

CEO's office

Secretariat

**HAB only*



As of 8 June 2020, the following people attended the HLT on rotation to increase diversity of thought and bring a BAME perspective to discussions, as part of the business' commitment to drive diversity and inclusion:

- Diane Caddle – Executive Director, Safety and Rehabilitation (interim until 10 January 2021)
- Cheryl Avery – Executive Director, Prison Reform
- Gary Badley – Executive Director, Prison Supply (interim)

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

The chart on the following page illustrates the management structure of HMPPS as of July 2021.

Changes to the HAB and HLT since 1 April 2021 include:

MoJ People Group Director, Strategy and Delivery Mark Adam became MoJ Chief People Officer (interim) on 1 April 2021 and was replaced by Dave Mann, MoJ People Group Director, Strategy and Delivery (interim).

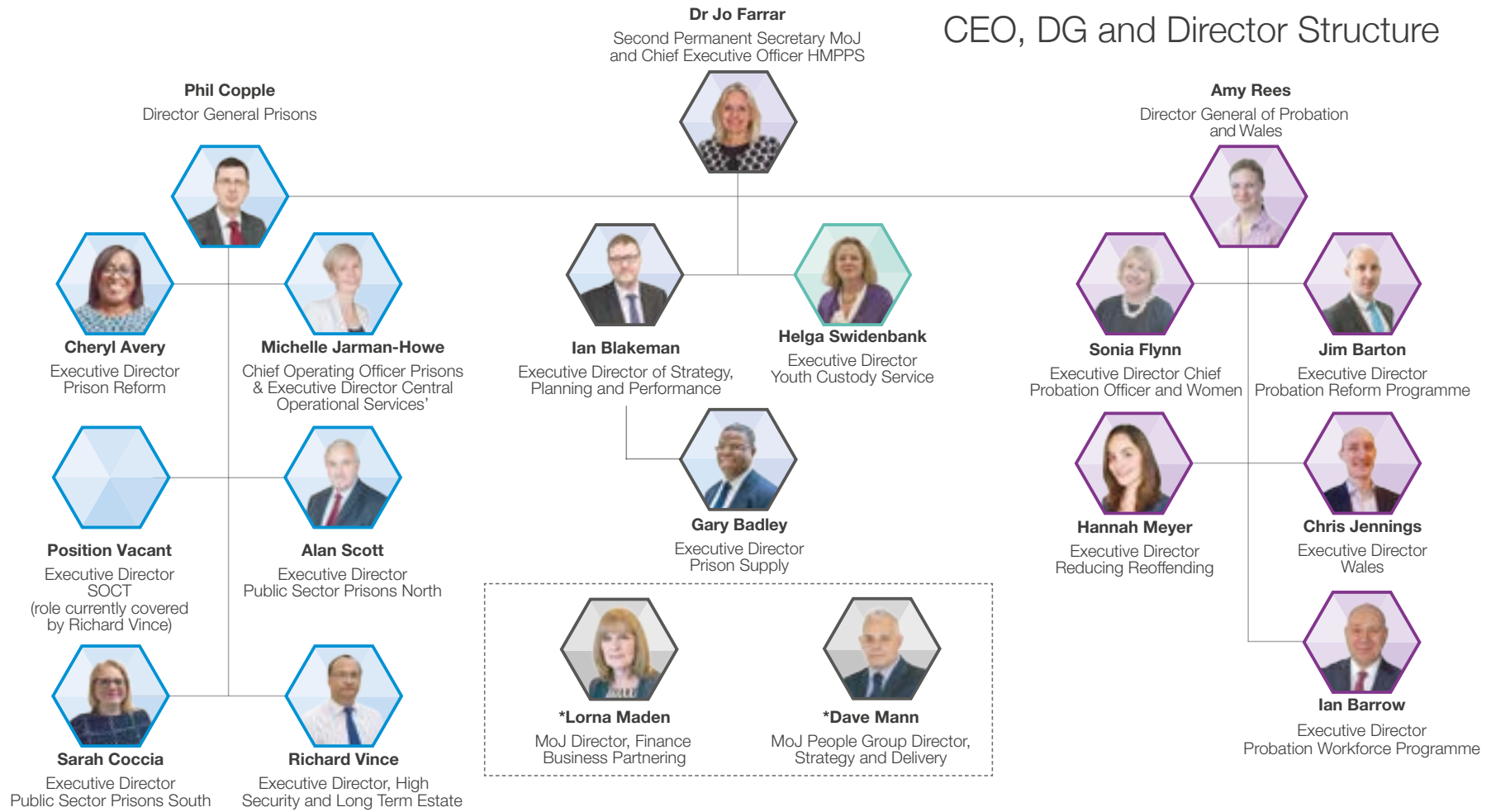
Three new non-executive directors were appointed on 20 May 2021 as follows:

Heather Savory, non-executive director of the agency board and chair of the audit, risk and assurance committee, replacing Alan Hammill whose tenure came to an end on 30 June 2021.

David Bernstein, non-executive director of the agency board, filling the vacancy.

Nick Folland, non-executive director of the audit, risk and assurance committee, replacing Seyi Obakin whose tenure came to an end on 30 April 2021.

CEO, DG and Director Structure



Non-executive directors



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

Governance statement

Introduction

HMPPS is an agency of MoJ. Its key duties are to implement the sentences and orders of the courts, to protect the public, and rehabilitate offenders.

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

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

Throughout the year the HLT and the HAB have maintained close scrutiny of day-to-day business, risk, performance and financial expenditure through formal governance arrangements. Actions have been taken to respond to issues and mitigate risks to the business as necessary. This includes additional governance arrangements being put in place specifically to consider the business' response to the COVID-19 pandemic. Specific actions have been taken in response to significant risks and issues, set out on pages 68 to 77.

The remainder of this statement explains in more detail the arrangements in place to govern HMPPS from 1 April 2020.

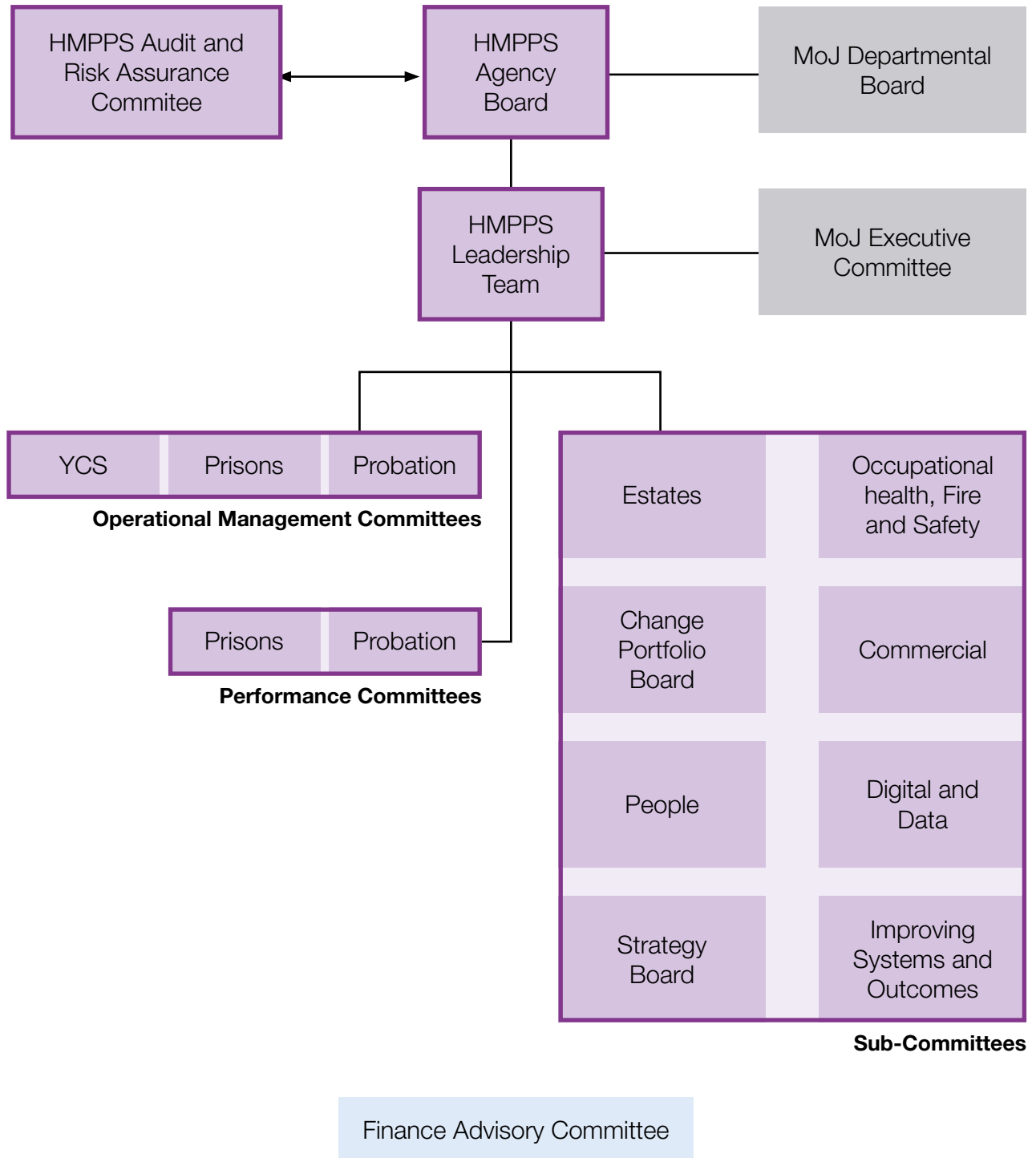
Governance framework

Overall responsibility for HMPPS rests with me as the CEO, supported by the HAB and HLT. I am also a member of the MoJ departmental board, chaired by the Secretary of State for Justice, and a member of the MoJ executive committee, chaired by the Permanent Secretary. As of 16 March 2021, I also became Second Permanent Secretary of the MoJ in addition to my existing duties as HMPPS CEO.

I have regular meetings with the minister with responsibility for prisons and probation and with the Secretary of State for Justice.

In March 2020 I put in place additional governance to respond to the impact of COVID-19 on the business. The rest of the key governance structures in place as of July 2021 are shown on the chart on the following page.

HMPPS governance structure as of July 2021



HMPPS agency board

Chair HMPPS lead non-executive director

Frequency Four during the year

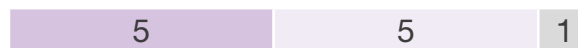
Composition as at 31 March 2021

By position:



- Non-executive directors (+1 vacancy)
- CEO ■ Directors general
- Executive directors

By gender:



- Female ■ Male ■ Vacant

Role of the board


The board gave direction to, and drove achievement of, the objectives of HMPPS' operations. It ensured competent and prudent management was in place as well as sound planning, proper procedures for the maintenance of adequate accounting, other records and systems of internal control and compliance with legislative and corporate governance requirements. The agendas and reports presented to HAB ensured a strategic focus on key priorities and their delivery, and included deep dives on highly significant issues, such as actions to address high levels of self-harm in the female estate.

The HAB's responsibilities also included:

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

Key issues and reports discussed during the year under review included:

- HMPPS' response to COVID-19 – the service-wide effect of the pandemic and actions taken and plans in place to mitigate and recover from its impact
- probation reform and unification – progress and issues to resolve in bringing community rehabilitation companies and NPS staff and assets together into a unified organisation from 26 June 2021
- prison reform – strategy to deliver a modern and more efficient service, with safe, humane and secure prisons providing the best environment for rehabilitation, growth and change
- our Digital and Data Strategy – the vision for all digital, technology and data work in HMPPS for the next four years
- regular oversight of performance, risk, finance and change – including audit, risk and assurance committee chair's reports and corporate risk register, change portfolio and management accounts updates, and prison, probation and YCS performance packs



HMPPS agency board

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

HLT

Chair

HMPPS CEO

Frequency

Usually weekly, but daily from 23 March 2020 to the end of May 2020, and then two or three times a week as necessary from June 2020 onwards in order to more effectively consider our response to the fast-evolving COVID-19 pandemic

Composition as at 31 March 2021

By position:



■ CEO ■ Directors general
■ Executive directors

By gender:



■ Female ■ Male

Role of the HLT

The leadership is responsible for supporting the HAB by managing the day-to-day management of the business. This included all agency-wide corporate and operational issues, as well as prison, probation and YCS performance, finance and risk management. It's supported by the three operational management committees for prisons, probation and youth custody chaired by the Directors General of prisons, probation and the Executive Director of the YCS respectively, and the sub-committees shown on the governance chart on page 53. During the initial months of the pandemic, the vast majority of items considered by the leadership were COVID-related, reflecting the move to pause non-essential areas of work across the business to enable it to focus on responding to the impact of the pandemic.

HLT

Key issues and reports discussed during the year under review included:

- our response to COVID-19 – to consider strategic and operational issues at pace to address and manage the impact of COVID-19 and plan for the business recovery from the pandemic
 - this also included winter planning to manage the concurrent risks of COVID-19 and EU Transition
 - prison safety – particularly self-inflicted deaths across the estate, and the rate of self-harm in the women’s estate, and the actions being taken by the safety programme to address these issues
 - diversity and inclusion – the development of a renewed programme of work to tackle race discrimination across HMPPS, including the Diversity, Inclusion and Belonging Strategy and the creation of a new Tackling Unacceptable Behaviours Unit
 - prison and probation reform – ongoing work to deliver a more modern and efficient service via the prison and probation reform programmes
 - the future of youth justice – creation of a clear strategy for the future of the youth secure estate to allow the YCS to achieve its strategic objectives of improving the experience and outcomes for children in custody, drive positive resettlement and improve public protection
 - reducing reoffending – the development of the delivery programme to focus on HMPPS’ contribution to deliver the reducing reoffending targets set by the Crime and Justice Taskforce
 - the Spending Review – developing the approach and proposal for the HMPPS Spending Review bid for 2021
 - regular oversight of performance, risk, finance and change – including the corporate risk register, change portfolio and management accounts updates, and prison, probation and YCS performance packs
-

HMPPS audit, risk and assurance committee (ARAC)

Chair HMPPS non-executive director

Frequency Four during the year

Composition as at 31 March 2021

By position:



By gender:



- Non-executive directors
- Female ■ Male
- CEO ■ Executive directors
- NAO representatives
- GIAA representatives
- MoJ Group Finance representative

Role of the committee

The ARAC is an advisory body providing independent advice on governance, risk management and control issues; and on the internal audit work programme. It provides scrutiny of the accounts and considers key recommendations from internal audit reports and the National Audit Office.

Key issues and reports discussed during the year under review included:

- HMPPS risk management framework and approach, including ‘deep dives’ into risks of demand and supply, and workforce and wellbeing
- COVID-19 – our strategic approach managing the pandemic and the associated risks
- supplier relief – the approach taken to support commercial and operations, in response to COVID-19, via Cabinet Office procurement policy notices
- the scope and shape of the agency’s change portfolio, including the impact of COVID-19 on delivery confidence assessments
- prison and probation digital plans – progress against the development of agency digital prioritisation strategy and plans
- the agency’s work with the MoJ winter planning programme, set up to assure departmental arrangements in place to manage the holistic impact of associated concurrent risks, notably COVID-19 and EU Transition

Details of HAB, HLT and ARAC membership, including attendance records, can be found on page 83.

Prisons, probation and YCS operational management committees

The committees oversee and take any necessary decisions regarding the day-to-day delivery of prisons, probation and youth custody (public and private sector) including performance, risk, assurance and finances. This will include issues which are to be delivered by other directorates, or the wider MoJ, which impact on operations.

Prisons and probation performance committees

The committees oversee and take any necessary decisions regarding the performance of prisons and probation (public and private sector). This will include issues which are to be delivered by other directorates, or the wider MoJ, which impact on performance.

Finance advisory committee

The committee provides advice and support for financial issues and decisions due to be considered by the HLT, sub-committees and MoJ finance governance. It provides financial scrutiny of HMPPS including financial planning, governance, investment proposals and monthly management accounts.

HLT sub-committees

Estates: Provides strategic oversight and guidance across all prison, probation and YCS estate projects.

People: Supports the HLT in its leadership and management of people strategies to improve the co-ordination of design, decisions and implementation of cross-cutting programmes of work.

Digital and data: Oversees all digital and data services delivered to HMPPS and takes any necessary decisions and actions regarding performance, risk, assurance and finances.

Commercial: Oversees, assures and supports all commercial and contract management activities regarding the services delivered through contracts to HMPPS.

Occupational health, safety and fire: Provides senior leadership and direction to the management of occupational health, safety and fire across HMPPS, ensuring that strategic systems for their management are adequate.

Improving systems and outcomes: Oversees, assures and drives the operational delivery of reducing reoffending activity across HMPPS.

Change portfolio board: The decision-making body for change activity across HMPPS, providing senior leadership and challenge to ensure delivery of change is on track and operational impact and delivery are taken into account.

Strategy board: Supports operational decision-making and provides leaders with assurance that decisions affecting our long-term future will build the resilience and performance of the agency as a whole.

HMPPS COVID-19 response

The COVID-19 pandemic created unprecedented challenges for the delivery of prison and probation services. Across England and Wales, HMPPS has worked closely alongside public health agencies, the Department of Health and Social Care, the NHS, Welsh Government and the wider MoJ to make sure we are able to cope with the initial and ongoing impact of this coronavirus.

Governance, monitoring and response structures

Initial response structures were rapidly established following possible cases of COVID-19 being reported at HMP Bullingdon and HMP Wormwood Scrubs in mid-February 2020. A dedicated central team was created to link with the MoJ departmental operations centre, collect data and provide briefing and policy advice to the Cabinet Office Civil Contingencies Secretariat prior to the creation of the Cabinet Office COVID-19 taskforce.

An initial reasonable worst-case scenario was discussed by the HLT on 27 February 2020, with agreement about urgent action to address identified risks. The HMPPS response to COVID-19 then accelerated. Alongside the HLT and its well-established operational management committees, we added a three-pillar response comprising COVID-19 Gold Command, a joint strategic policy unit and a programme management office.

The HLT met daily at the height of the pandemic, with high numbers of COVID-related papers considered by the HLT and their operational management committees. Nightly situational briefings

were held with the CEO and HLT to consider cross-agency operational matters, strategic risks and mitigations. Ministers were then briefed by myself as the CEO. We were (and remain) subject to two external governance systems for COVID-19: the MoJ response board and Cabinet Office COVID-19 taskforce.

Under arrangements from previous pandemics, HMPPS hosts and supports the operation of the Criminal Justice System Strategic Command (CJSSC). During the COVID-19 pandemic, the CJSSC was opened on police request in March 2020 with HMPPS hosting and supporting its continued operation. HMPPS is represented on the CJSSC by the HMPPS COVID-19 Gold Commander.

The way we work

The COVID-19 pandemic required us to change many operating systems with considerable impacts on our staff, and those in custody and on probation.

For people in custody from April 2020 we implemented a public health-led compartmentalisation and cohorting strategy. This aimed to protect vulnerable people in custody and control infection entry and spread. We published a national framework setting out how we would take decisions about easing restrictions, and the different regime stages prisons would operate during the recovery period. We adapted the strategy as public health advice changed and continue to do so as the pandemic evolves. To offset restricted prison regimes without social visits, we supported family ties by introducing in June 2020 a new and highly controlled secure video calling service and provided extra phone calls home. We have maintained prison safety, stability

and decency in the face of considerable challenge.

We have maintained supervision of people on probation in the face of considerable challenge and continue to supervise people on probation via a blended supervision approach which involves a mixture of face-to-face, home visits and remote contact.

To maintain and support our services throughout the pandemic, we redeployed regional and headquarters staff to prisons, young offender institutions and probation contact centres near their homes. We also re-employed recent leavers who were willing to return and have recruited a considerable number of new staff. Addressing staffing shortages remains a major priority.

Many non-operational staff worked completely remotely including from home. MoJ functional services ensured that HMPPS could continue to operate, and MoJ property provided COVID-secure workspaces for staff and service providers. MoJ digital and commercial teams provided essential equipment, services and guidance. An accommodation task and finish group led by the MoJ departmental operations centre (and with a pan-MoJ membership including HMPPS) has ensured a consistent approach and communications as we transition back to using office workspaces.

Throughout the pandemic, we have pooled knowledge, experience and learning, identifying and sharing positive approaches and solutions with our staff and partners. We also recognise that without the considerable continued support of our healthcare partners

across England and Wales, our ability to protect people would have been severely constrained.

Procuring essential equipment

The HMPPS health and safety function has established a suite of Standard Operating Procedures drawing on the Public Health England advice for infection control and the appropriate use of PPE. These are regularly reviewed and refreshed at each stage of the pandemic. Information and instruction within the Standard Operating Procedures are supported by training and assurance visits by the health and safety function.

Accelerated commercial governance processes were put in place by the MoJ commercial and the HMPPS operational goods teams to secure the timely provision of PPE and cleaning and hygiene materials. Since August 2020, PPE has been supplied directly by the Department of Health and Social Care. Some limited items in scope for supply do not meet the specification for our working environments. We therefore have an agreement with the Department of Health and Social Care to place direct orders for those specific items with reimbursement.

Demand for PPE varied at each stage of the pandemic. PPE hubs and a distribution solution were established, supported by modelling within the MoJ data and analytical services directorate. Regular meetings were established and remain in place to ensure that ongoing demand for PPE is met with supply from the Department of Health and Social Care or through direct sourcing, and to make sure that there continues to be effective distribution to prison and probation settings.

Reporting and monitoring

To support operation of the three-pillar COVID-19 response, new performance processes were created including an online COVID-19 recovery dashboard as well as systems to provide effective assessment of COVID-19 strategic risks and delivery of mitigations.

Central assurance processes continue to update the online COVID-19 recovery dashboard. Regular updates are also provided to ministers about progress against key indicators. This includes the status of the regime at each prison and in aggregate across the estate. Areas being tracked include:

- the regime stage for each prison, any changes and the overall pattern across England and Wales
- rates of death, infection and incursion into custody, and community prevalence
- numbers and severity of outbreaks in prisons, approved premises, secure children's homes, and training centres
- prison capacity, reception rates and where our infection prevention controls are causing inefficiencies in terms of access to prison places
- prison staff absence by pay band, site, and target staffing figure
- monitoring for COVID-19 symptoms and test results, prison and approved premises staff, prisoners and approved premises residents
- PPE stocks and our confidence in meeting future requirements
- supply chain resilience and stock levels
- confidence in the order, control, and stability of each prison

The future

We have been agile and scaled our reporting and response functions up and down during the pandemic to align with the waves experienced within prison outbreaks – moving from none at the start of the second wave to most of the prison system being in outbreak at the peak.

HMPPS response structures and systems continue to operate at levels appropriate to the risk presented by COVID-19. This includes the continuation of frequent Gold Command briefing and co-ordination. We have remained in 'command mode' throughout the pandemic to ensure an effective operational grip of the situation. HMPPS also continues to host and support the CJSSC for as long as it is in operation.

A dedicated HMPPS programme is considering the medium and long-term plans for recovery and how we work while coronavirus is still a threat. This group will work with other parts of the criminal justice system to understand the impact coronavirus has had but also to make sure we capture any learning and best practice from this period. We aim to achieve long-term reform goals within a vision of building back better. To further develop our capability, we will continue to draw on support from the MoJ departmental operations centre and Cabinet Office teams.

Oversight and assurance arrangements

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

The HLT exercises oversight of the performance of HMPPS on behalf of the HAB by:

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

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

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

In addition, one of the key sources of independent assurance within HMPPS came from the internal audit service delivered by the Government Internal Audit Agency. Arrangements are in place to ensure that I am made aware of any significant issues which indicate that key risks are not being effectively managed. I am assured that the internal audit service complies with the Public Sector Internal Audit Standards.

The Head of Internal Audit provided a ‘moderate’ annual opinion, defined as ‘some improvements are required to enhance the adequacy and effectiveness of the agency’s framework of governance, risk management and control’. The internal audit programme in HMPPS focused on the review of controls applied to ensure safe operating environments for staff, residents and other individuals given the impact on the pandemic on service delivery. The considerable majority of assurance reports issued by the internal audit were rated at least moderate. The results showed clear evidence of strengths within HMPPS to respond rapidly and organise in a crisis and that controls were successfully implemented, albeit with significantly reduced regime delivery and where planned enhancements to operational systems were significantly hindered. Cross-departmental audits of department functions (which covered HMPPS) did identify some significant weaknesses in control, which included the key systems of payroll and manual payment processes. These reflect a need:

- for the functions to work more collaboratively together and with business
- to develop fuller second line assurance arrangements including those that

relate to well-understood areas of concern around high levels of technology debt, information security and GDPR

- to develop and implement second line assurance activity of the agency's major change portfolio

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

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

Independent oversight of assurance arrangements

HMPPS is subject to independent external scrutiny and oversight in a number of areas, including by the:

- Parliamentary Public Accounts Committee and Justice Select Committee inquiries
- National Audit Office reports (including value for money) and the audit report for the annual report and accounts
- HM Chief Inspector of Prisons publications and annual report
- HM Chief Inspector of Probation publications and annual report

- Prisons and Probation Ombudsman
- feedback from the Major Projects Review Group
- Independent Monitoring Board regular reports
- Ofsted reports
- lay observers

Improving governance

The Corporate Governance Code for central government departments recommends that a board effectiveness evaluation is carried out annually. In March 2020, KPMG were commissioned to undertake a governance review of the HLT and the sub-committees reporting to it, to further improve their effectiveness and ways of working. However, this was paused due to the outbreak of the COVID-19 pandemic that month. KPMG resumed their review in October 2020.

KPMG found that committees had been designed to function effectively on an individual basis, based on good practice observations including:

- almost all committees having formalised terms of reference
- agenda, minutes and action-tracking schedules being produced
- most committees presenting and considering management information for standing agenda items

Recommendations included three HMPPS-wide improvements around:

- governance composition and whether committees with no clear decision-making powers would be better positioned outside the core governance structure
- the number of committees and size of membership

- a review of committee sequencing to confirm it supports effective operational and strategic decision-making at the right level and in a timely manner

There were also 10 improvement observations that were specific to individual committees and sub-committees, for example:

- ensuring that there are appropriate reporting structures in place
- maximising the quality of management information
- improving vertical line of sight and allocation of responsibilities across committees

The HLT considered KPMG’s findings and approved their recommendations in April 2021. These are now in the process of being implemented.

The HAB was satisfied that it had sound governance in place, and that HMPPS was compliant with the relevant sections of the guidance. During 2020/21, HAB meetings were chaired by the lead non-executive director in accordance with the agency framework document.

HMPPS did not have a specific remuneration committee as the scope for making decisions on senior pay was limited. Decisions on senior pay, remuneration and bonuses were ratified by the MoJ remuneration committee.

Quality of information

HMPPS recognises the need to ensure the HAB, HLT and sub-committees receive sound advice and information to enable informed decisions to be made. The board secretariat works with teams to ensure the

information provided is of a good quality, with a template used for committee papers, structured to ensure risks and resource implications are highlighted and to ensure sufficient engagement and challenge during discussions.

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

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

Financial delegations

At the start of the financial year, the Permanent Secretary provided me with a delegation encompassing all aspects of the agency’s spend and laying out the key conditions that I, and all staff within the agency, must adhere to. To enable efficient operational delivery, the agency operates a scheme of delegation that cascades down through the organisation from myself, as CEO, through my directors general and on to all budget holders, including the probation delivery units and public sector prisons. Where a full delegation is not required, a statement of financial authority and/or a manual payment authority may be issued to staff who commit expenditure on behalf of the budget holder.

The delegation letter follows a standard format that is used across the department and specifies the recipient's responsibilities as budget holder. The delegation letter also provides details of the funding allocated at each level and, although a budget may be sub-delegated, the accountability for the use of the budget remains with the main budget holder. Adherence with the terms and conditions of each delegation is monitored through the line management chain with specialist finance support provided from MoJ finance under a functional leadership model. Each cost centre budget holder is supported by a finance business partner and is provided with monthly management accounts to enable effective decision-making. Other specialist finance support may be accessed via the finance business partners as and when required.

HMPPS is subject to a collection of spending controls, some dictated by HM Treasury, some by the Cabinet Office, with the remainder specified by the MoJ. These controls are notified via the delegation process and are available for all to view on the MoJ intranet. Adherence with these controls is monitored on a monthly basis by the financial governance and grants centre of excellence. Other controls also exist to reduce the risk of fraud or error. Some of these are system-based within the departmental enterprise resource planning software, the single operating platform (SOP). Other controls rely on segregation of duties, such as manual payments, with transaction samples checked to ensure that the payments made are appropriate.

Value for money and financial performance

HMPPS ensures it has transparency and control over value for money and financial performance through a variety of control mechanisms. Budget holders are supported in their duties by a team of professional finance business partners who act as critical friends to the business and provide specialist advice as required. Control frameworks include:

- detailed monthly reporting to the HLT on in-year financial performance against its delegated resource and capital budgets
 - corrective actions are identified and implemented if required
 - this is supported by regular meetings with budget holders across the agency on financial performance, with clear lines of accountability on budget and commercial delegations
 - the agency met its financial targets on both capital and resource in 2020/21
- budgets set through an allocation process which requires HLT discussion and approval based on a series of recommendations from MoJ finance, which recognise agency priorities and pressures including changes in prison and probation population, pay and non-pay inflation and ministerial priorities
- resource and capital budget allocations being aligned to the priorities set out in the department's Outcome Delivery Plan and delegated to budget holders in line with our formal processes
- budgets and in-year financial performance being approved and regularly monitored by the HMPPS board, informed by timely data and insight produced by the finance function

- individual decisions for approval by the HLT requiring exposition of any financial implications including affordability
- an HMPPS finance committee which identifies and initiates actions to correct any financial and management accounting issues as required
- formal review and oversight provided by the HMPPS ARAC

As well as the above, I, as HMPPS Accounting Officer (HMPPS Chief Executive Officer) receive formal Accounting Officer advice on all major business cases such as the prison capacity programme and other contentious decisions. The advice covers the four Accounting Officer tests of regularity, propriety, value for money and feasibility – and I, as HMPPS Accounting Officer, discharge my responsibilities in line with HM Treasury policy.

HMPPS relies on internal audit to test controls and compliance through an agreed audit programme that is reviewed and approved by the HMPPS Accounting Officer, the HLT and the HMPPS ARAC.

Risk management

HMPPS operates in a high-risk operational environment and this is reflected in the types of risks managed as well as the risk management process. 2020/21 has seen unprecedented challenges to the delivery of our services throughout the global pandemic. The agency's ability to be agile in the way it manages risk has been pivotal to the continued delivery of its core aims and objectives.

Gold Command structures were put in place to manage the risks to service

delivery caused by the pandemic with frequent reporting to the COVID-19 programme and HLT throughout the period. Emphasis was placed on risks relating to the safety, health and wellbeing of our staff and those within our care, the supply of necessary goods and services and the resilience of our supply chain, capacity of our estate and the regimes and services we offer.

Risk management framework

During the course of the year, the agency refreshed its overarching risk management and assurance framework, bringing to life the principles and concepts of the Orange Book and linking the agency's vision and principles to the risk management process.

Our principal risks have been considered and discussed by the HLT and reported to the ARAC and agency board on a quarterly basis. We have also supported MoJ's reporting of key risks to the executive committee through our membership of the risk advisory group which provides challenge around ongoing activity to address those risks that impact on the delivery of the agency's objectives.

Collaboration and engagement are central to the success of our risk management framework. Stronger relationships have been built during the year between risk leads and owners and the agency's risk management team. Monthly risk discussions are now taking place to inform reporting and we intend to introduce a risk advisory group for the agency which mirrors that in the MoJ, bringing together risk leads to discuss and challenge those risks and interdependencies across the agency.

Key significant risks and issues

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


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

Impact key		
		
Risk has improved	Risk has worsened	Risk has remained stable

Specific operational issues

Topic: COVID-19 – Principles 2, 3, 4

Risk: The impacts of a pandemic impede the agency's ability to deliver an effective and safe environment for staff and the people in our care.

<p>Detail:</p> <p>COVID-19 had the potential to prevent the agency from providing a functioning service. Areas of concern were:</p> <ul style="list-style-type: none"> • explosive COVID-19 outbreaks leading to hospitalisations and deaths • population exceeding available capacity and headroom required to compartmentalise prisoners effectively • disorder and instability • insufficient PPE and testing • insufficient staff to run effective and safe services in both prisons and the community • loss of staff confidence risking walk-outs • challenges with providing purposeful activity for prisoners and in our ability to meet the sentences of the court <p>Ongoing restrictions mean there are outstanding cases of unpaid work and accredited programmes.</p> <p>Recovery from COVID-19 will place additional pressures on the system, including addressing outstanding cases, ensuring the safety of both staff and prisoners and people we work with in the community.</p>	<p>Key mitigations:</p> <ul style="list-style-type: none"> • Effective partnership with Public Health England and Public Health Wales to manage health risks. • Effective partnership and planning to purchase appropriate stocks of PPE. • Effective partnership and planning to provide testing to prison and probation staff, prisoners and those we work with in the community. • Effective rollout of a vaccination programme that mirrors that in the community. • Increasing capacity through additional temporary accommodation and increasing efficiency of capacity impacting COVID-19 measures. • Boosting staffing resilience at the frontline through pay incentives, redeployment of HQ staff and offers to former staff to return on temporary contracts. • Delivering exceptional regime management plans that prioritise meals, medication, health services, prisoner safety and welfare, and family contact. • Delivering exceptional delivery models to provide community services. • Health and wellbeing support for staff and trade union engagement locally and nationally. 	<p>Impact on risk:</p> <p style="text-align: center;"></p>
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Specific operational issues

Topic: Demand and supply – Principles 3, 4

Risk: Rising demand may outstrip supply in prisons, probation and youth custody.

Detail:

The level of uncertainty regarding upcoming demand continues to be high due to a number of factors, including the fluctuating situation regarding COVID-19 and the pace of courts recovery.

While the prison population remained steady during the final quarter of 2020/21, reflecting restrictions in place across the wider community, and is currently 5,184 below pre-COVID levels, the proportion of remand and convicted unsentenced prisoners has increased significantly since March 2020.

During the pandemic, there has been considerable disruption both to capacity management and workforce owing to COVID-19 restrictions and outbreak control.

The Probation Service is operating at capacity in most areas. We anticipate additional pressures upon prison and probation capacity in future due to the impacts of courts recovery and additional police.

Key mitigations:

- Closer working with the wider department to assess demand projections, understand supply risks across the whole system, develop and implement mitigations and contingencies.
- In the short to medium term, we are exploring ways we can maximise use of the existing estate. We have committed to build 18,000 additional prison places by mid-2020s.
- A dedicated Women's Estate Capacity Taskforce was set up to ensure capacity risks in the short and medium term for the women's estate are identified and to test creative solutions to reduce demand and increase capacity.
- Probation increased recruitment in 2020/21 from 600 to 1,000 probation officer trainees and has committed to increasing that further by recruiting 1,500 new probation officer trainees for 2021/22.
- Liaison with HM Courts and Tribunals Service to facilitate timely case progression for remand and convicted unsentenced prisoners.

Impact on risk:



Specific operational issues

Topic: People – Principles 1, 2

Risk: Failure to attract, mobilise and retain an engaged workforce, and to have well-trained, skilled and motivated people negatively impacts on the ability to achieve HMPPS business objectives.

Detail:

Recruiting and training sufficient numbers of staff to meet current and future demands on probation presents additional pressures on the service. While unification of the National Probation Service and community rehabilitation companies into a new Probation Service will onboard over 7,000 staff, it will put a strain on onboarding new recruits. The qualification of trainee probation officers is taking approximately 15 to 21 months.

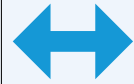
Concerns about staffing pressures across prisons and probation due to recruitment and retention challenges remain foremost and increased demand from courts coming back online, backlogs and increased police recruitment remains a concern.

The impacts on staff wellbeing following changes to regimes across both prisons and probation during the COVID-19 pandemic and as the agency begins to enter recovery presents the possibility for burnout and fatigue among staff.

Key mitigations:

- Virtual recruitment solutions are embedded in processes to enable assessment centres and interviews online leading to higher attendance than at physical centres. Increasing recruitment from 600 to 1,500 trainee probation officers per year.
- Implementation of the Unified Probation Model will enable the reintroduction of mixed caseloads, allowing for a wider range of cases to be held by probation practitioners (not just high-risk caseloads).
- Rollout of nine HMPPS wellbeing priorities including the mental health allies programme and promotion of the Reach Out, Save Lives campaign.
- HMPPS and trade unions continued to have strong, constructive engagement with COVID-19 operational and HR issues able to be progressed at pace through a bespoke COVID-19 engagement structure.
- A retention strategy is being developed to monitor attrition at a local, regional and national level and an approach for 'targeted action' where an HR central team will support prisons with the worst attrition issues
- Strategies are in place to focus on recruitment and retention, diversity and inclusion, development and leadership alongside wellbeing across the whole service.

Impact on risk:



Specific operational issues

Topic: Funding – Principles 3, 4

Risk: Failure to secure sufficient funding and to prioritise and plan effectively within a balanced budget.

Detail:

HMPPS received a good settlement through the Spending Review, receiving uplifts in funding to increase prison capacity, maintenance delivery and support the impact of increased system demand and COVID-19 recovery.

HMPPS remains vulnerable to financial uncertainties in our business planning, in particular related to COVID-19 pressures which have proved difficult to estimate and manage. The agency is also expecting to face above-inflation pressures from existing and reform plans which will need to be addressed through internal prioritisation activity.

The Ministry of Justice settlement provides a £3.2 billion cash increase over the Parliament to £11.5 billion in 2024-25, which is equivalent to a real-terms growth rate of 3.3% per year on average over the SR21 period. This funding will ensure that the justice system is equipped to respond to the impact of COVID-19 and to rising demand over the next three years, and will continue transformational reform programmes to make justice more efficient and effective.

Key mitigations:

- The agency is investing significantly in prison estate, maintenance, decency improvements and community sentencing: £56 million was secured at the start of the year to tackle pressing maintenance issues. The investment updates critical infrastructure such as fire systems and boilers, and refurbishes cells and showers.
- Additional funding has been allocated building on the previous announcements to deliver 10,000 additional places and improve prison security.
- £35 million has been allocated towards community sentencing priorities of integrated offender management, a pre-sentence report pilot, BAME support and electronic monitoring expansion projects.
- Confirmation and endorsement of any proposals is regularly reviewed and discussed in detail at the HLT meeting prior to final agreement at the MoJ executive committee as well as the HMPPS board.


Impact on risk:



Specific operational issues

Topic: Estates – Principles 3, 4

Risk: Poor standards of accommodation impact on the health and safety of prisoners and place additional demands on capacity.

<p>Detail:</p> <p>The remit of the prison capacity portfolio has grown organically of over the last 12 months from the delivery of 13,500 to 18,000 additional prison places, which was announced as part of the Spending Review outcome. As part of the portfolio, we are expanding and refurbishing the prison estate and delivering six new prisons.</p> <p>The condition of the prison estate due to historic funding levels remains a risk. There is the potential for unplanned loss of places due to fire safety and other health and safety reasons linked to dilapidation.</p>	<p>Key mitigations:</p> <ul style="list-style-type: none"> • Additional maintenance funding secured for 2021/22. • Plans put in place for the roughly 1,900 decommissioned places to be taken out of use and demolished during 2021. • Our 2021 Spending Review bid will include funding for additional capacity supply initiatives to replace lost prison places and for increased maintenance funding. 	<p>Impact on risk:</p> 
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Specific operational issues

Topic: Digital and technology – Principles 3, 4

Risk: Ageing infrastructure, applications and security impact on the agency's ability to deliver its business objectives.

<p>Detail:</p> <p>MoJ digital and technology supports HMPPS delivery through the functional leadership model. The risks of ageing infrastructure and applications and data and cyber security are the top risks that are being addressed. The work to address these will take several years and include delivery of the prison technology transformation programme and work within the probation programme.</p> <p>The impact of COVID-19 has been largely twofold:</p> <ul style="list-style-type: none"> • additional emergency work to deliver tech and digital products and services (such as video calls as a temporary replacement of social visits in prisons and work to support virtual supervision and monitoring in probation) • delay or pausing of some work as a consequence of re-focusing of digital workforce 	<p>Key mitigations:</p> <ul style="list-style-type: none"> • An HMPPS Digital and Technology Strategy is in place setting out an agreed roadmap for all this work and how we work together to transparently prioritise the right areas. • £30 million funding for the prisons technology transformation programme was identified for 2020/21. • A service board has been established to oversee development of the new IT service and support model. • Funding was secured and work commenced to deliver new digital services for core legacy apps, with an extra £4 million provided as part of the 2020/21 settlement. • Funding was secured to ensure a prioritised list of systems is as protected and secure as possible. 	<p>Impact on risk:</p> 
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Specific operational issues

Topic: Safety in prisons – Principles 1, 2

Risk: High levels of assaults, self-harm and self-inflicted deaths impact adversely on the safety and wellbeing of staff and prisoners.

Detail:

Prior to COVID-19, feedback from prisons indicated that the controls rolled out by the safety programme are making a difference. Published statistics shows a continuing reduction in all assaults. Self-harm levels continue to fall in the male estate, although concerns remain about the levels of self-harm in the women's estate. Self-inflicted deaths in 2020 were the lowest number recorded since 2012.

Offender management in custody is a large part of the safety programme and, while this was progressing well prior to COVID-19 the programme was paused during the first national lockdown.

The safety programme restarted in October with a revised plan in place until March 2022. Some areas of the interim programme continue to be impacted by COVID-19 including the rollout of PAVA incapacitant spray and SPEAR (personal protection training) due to the pause on training.

The latest recorded safety statistics show the following in the most recent 12 months to March 2021:

- assault incidents have decreased by 40%
- prisoner-on-prisoner assaults decreased by 47%
- prisoner-on-staff assaults decreased by 24%
- serious prisoner-on-prisoner assaults decreased by 54%
- serious assaults on staff decreased by 27%
- self-harm incidents decreased by 19%

Key mitigations:

- A project was undertaken to look at the impact of COVID-19 on prison safety, the findings of which will inform our work going forwards over the next 12 months. A taskforce is in place to reduce self-harm in the women's estate. Regime improvements, wellbeing checks, improving family contact through video calls and pin credit, and expanding support through enhanced management and counselling psychology were introduced.
- Rollout of the revised assessment, care in custody and teamwork (ACCT) case management system to support those at risk of suicide and self-harm continued. The rollout of ACCT was completed for the women's estate and pilot sites in April 2021, and for the rest of the male estate in July 2021.
- A safety review was completed for the YCS.


Impact on risk:



Specific operational issues

Topic: Probation – Principles 1, 3, 4

Risk: There is a risk that the Probation Service is no longer able to effectively deliver, due to the combined effect of fundamentally reforming the system at the same time as demand on the system faster than increases to supply.

Detail:	Key mitigations:	Impact on risk:
<p>Probation reform and system demand</p> <p>The National Probation Service and 21 community rehabilitation companies unified on 25 June 2021 to form the new Probation Service. There were risks throughout the year surrounding the rollout of the final target operating model for probation services that was published on GOV.UK, potential conflicts of interest during the transition period and ensuring that community rehabilitation companies continued to deliver against their contractual obligations.</p> <p>The impact of COVID-19 has made the delivery of probation reform more complex. We continued to improve the available service demand data and analysis, but current assessments imply that the increased demand for probation services due to additional police recruitment and courts recovery will generate an unsustainable level of demand for probation for some years after June 2021.</p> <p>Electronic monitoring</p> <p>The electronic monitoring (EM) legacy programme has delivered 3 of its 4 objectives. The final objective, development of a new case management system and self-service portal, has been delayed.</p> <p>Following a review of strategy and an options analysis, we concluded that stopping system development represents both better value for money and offers improved operational certainty for what is a critical public service. In ending the development project, we are able to finalise the investment that has been made to date in the systems.</p> <p>This results in a disclosure in the HMPPS financial statements for this year of £98.2 million to reflect the payments made which will no longer result in future benefit to the agency.</p>	<ul style="list-style-type: none"> • Robust scrutiny and assurance of community rehabilitation companies' readiness to exit the contracts safely and effectively was introduced to support the standing up of day 1 services in the future model. • Significant investment in the probation service was secured for 2020/21, to fund transition to new structures. • Controls were introduced and managed between the contract management teams and the community rehabilitation companies to ensure the stability of the supply chain and continuity of service delivery up to 25 June. • A control room was instigated within the programme to raise and manage emerging concerns to bring swifter conclusion to transition delivery barriers. • A review of the project by the Infrastructure and Projects Authority was undertaken in January and April 2021. <ul style="list-style-type: none"> • Thorough analysis of the relative costs, benefits and risks of continuing with systems development or stopping was undertaken. • The use of our current system, Integrity, has been extended and has proven itself to be robust and is the basis upon which we operate all EM live services today. A detailed discovery exercise took place to examine risks to the continued running of the existing case management system and all essential work identified will be taken forward before the legacy programme closes. This decision is lower risk to operational delivery than continuing to prosecute the plan for the replacement case management system. • In taking this decision, we have reviewed the history of the programme and previous decision points relating to system development. • We have commissioned a more detailed review by non-executive directors and the Government Internal Audit Agency to identify any improvements that can be made to programme controls. 	<p>Impact on risk:</p> 

Specific operational issues

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

Risk: The Youth Custody Service is unable to provide a suitable and safe environment to meet the increasingly complex needs of children in custody.

Detail:

Levels of violence and self-harm remain a concern and have been impacted by COVID-19. Long-standing concerns remain around the suitability of larger young offender institutions to meet the needs of the cohort.

YCS is funded for the initial capital investment in the first secure school and work is progressing around achieving children's home registration and charitable status for the secure school, with a clause clarifying charitable status of secure schools included in the Police, Crime, Sentencing and Courts Bill which is currently progressing through Parliament.

Ofsted invoked an urgent notification at Rainsbrook on 18 December, following concerns around regime for children, oversight of local managers and assurance. While the centre has experienced further challenges following a COVID-19 outbreak, Ofsted returned to Rainsbrook on 26 January for a follow up assurance visit with feedback noting some improvements, though more work is required to embed changes and improve performance in the longer term.

Key mitigations:

- Ongoing development of a new separation policy framework following publication of the separation taskforce report in June 2020.
- Adapted version of SECURE STAIRS (the integrated framework of care) jointly led by NHS England and NHS Improvement and the YCS. It provides the foundations as to how the YCS works with children implemented during COVID-19 period, focusing on an approach that encourages interaction and protects the physical and mental health of children while ensuring compliance with physical distancing.
- Stage 3 regimes maintained following wider restrictions announced in January 2021 to continue to provide key aspects of regime delivery such as 'face-to-face' education, with the continuation of social visits – virtually where possible.
- A formal response and action plan for Rainsbrook was published on 15 January setting out work to address the issues raised in the Ofsted urgent notification, with progress continuing to be closely monitored.
- YCS has commissioned a programme of research, in collaboration with academics, to evaluate and learn lessons from the impact and response to COVID-19 with results informing recovery planning.

Impact on risk:



Specific operational issues

Topic: Counter terrorism – Principle 3

Risk: Systems in place are insufficient to effectively monitor and manage extremist offenders.

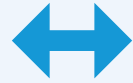
Detail:

Our case management and assurance processes for monitoring terrorism and extremist offenders during and after sentence, including the release process, have continued to be subject to significant scrutiny following the inquiries and inquests into the high-profile incidents of terrorism in 2019/20 as well as external scrutiny by the Independent Reviewer of Terrorism Legislation.

Key mitigations:

- The counter terrorism ‘step up’ programme has completed its first year of delivery. Achievements include:
 - a new joint counter terrorism prisons and probation hub delivering better intelligence co-ordination with partner agencies
 - control and monitoring of terrorist prisoners’ communications
 - the establishment of a new National Security Division within probation to manage high-risk cases
 - enhanced counter terrorism training to 4,000 additional frontline staff
 - physical security enhancements to 10 approved premises
 - recruitment of 220 roles into the counter terrorism sector, largely on the frontline and across a wide range of skills and specialisms, which will bolster the organisation’s capacity
- Ongoing review of the role and potential value that local response teams could add to the counter terrorism efforts, with potential to increase resilience to the impacts of localised incidents of a terrorist nature.

Impact on risk:



Specific operational issues

Topic: Diversity and inclusion – Principles 1, 2, 3

Risk: HMPPS is not seen as an employer of choice and fails to attract suitable and diverse candidates and retain them.

Detail:

There has been an increased focus on diversity and inclusion as a whole throughout the past year. In particular in response to the two HMIP Thematic Reports on race equality in prisons and probation, and the disproportionate impact of COVID-19 on minority groups.

Key mitigations:

- The development of a renewed programme of work to tackle discrimination across HMPPS, including work on a refreshed diversity, inclusion and belonging roadmap, launch of the race action programme and the creation of a new Tackling Unacceptable Behaviours Unit.
- Let's Talk events programme launched to promote open discussions on inclusivity and diversity including LGBT+, allyship, race and disability.
- Introduced the external advice and scrutiny panel.
- Created an equality health check and a supporting toolkit for prison and probation equality leads.
- Refreshed the publication of the 'care and management of individuals who are transgender' document, including operational guidance, online learning and training.
- Appointed an HMPPS Disability Champion to drive activity and address systemic issues, including working with MoJ colleagues to launch a workplace adjustments service for people with disabilities and their managers.
- Improved information on supporting people with disabilities and development of e-learning to raise awareness.
- Recruited BAME development policy leads.
- Engaged with an MoJ-commissioned review by Her Majesty's Inspectorate of Probation on neurodivergence in the criminal justice system, and the planned development of a strategy in response to it to meet the needs of this group.

Impact on risk:



Information security and assurance

HMPPS is committed to ensuring effective information management and security and is alert to the risks surrounding information assets. The HMPPS Senior Information Risk Owner (SIRO) forms part of the functional and executive agency SIROs board who meet every two months as an information risk and security board. This enables active senior monitoring of the department's key and cross-cutting security information and personal data risks which have been captured in a departmental-wide information and security risk register. We also hold our own HMPPS risk register, owned by the HMPPS information security and services (InfoSec) team on behalf of the HMPPS SIRO. This board is chaired by the Director General Chief Financial Officer, and attended by the department's Data Protection Officer, Chief Security Officer, Chief Information Security Officer and agency SIROs. The board is supported by working groups covering physical, personnel, cyber and data and information security – all of which have HMPPS representation covered by the InfoSec team.

All new SIROs and information asset leads receive training to ensure they are following best practice and Cabinet Office policies. All senior civil servants pay band 1 staff in HQ, governing governors and heads of NPS are information asset owners and receive guidance and training to support them in their role. A programme of work continues to review and update our security policies and guidance for both technical and general users to ensure they are fit for purpose and align with the new government

functional standards. HMPPS hold their own policies which dovetail into and are used in conjunction with MoJ policies.

The MoJ Chief Security Officer oversees the security and privacy division of the MoJ – including HMPPS – which brings together the data protection, cyber, physical and personnel security teams within the MoJ. They work alongside the InfoSec team representing HMPPS, ensuring we are able to meet our data protection and government security obligations as well as reducing cyber threats.

During 2020/21, the HMPPS InfoSec team continued to work with stakeholders across HMPPS, MoJ and contracted service providers to promote information assurance policies and compliance, although this was carried out remotely due to COVID-19.

The team also continued to:

- strengthen HMPPS information sharing controls with appropriate agreements in place across the estate
- investigate information security incidents when required, as well as acting as the HMPPS liaison with the Information Commissioner's Office (ICO) on all self-reported serious data breaches
- carry out records management on behalf of the HMPPS estate, working closely with MoJ colleagues, as well as offering specialist information assurance advice to programmes, projects and suppliers of services to HMPPS

- work closely with colleagues in MoJ cyber consultancy to onboard new providers of services, ensuring that any asset used for processing of HMPPS data conforms with all relevant information assurance and cyber controls

Personal data-related incidents

Five significant personal data-related incidents were reported to the ICO during 2020/2021. All five have come back with no further action required.

Month	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
April 2020	An offender manager sent requirement tracker lite to 3 offenders in error. This gave details of other individuals' orders, postcodes, whether they are on a warrant or not, whether they can or cannot complete, how many hours they have and type of sentence.	Personal information for over 6,000 offenders	6,000+ individuals	The community rehabilitation company self-reported this to the ICO. The ICO has confirmed no further action is required.
May 2020	A former NPS member of staff has been found to have accessed 72 other offender records via the NPS case management system known as nDelius without a business justification. The police are involved and are actively investigating the event. At this current time there is no evidence any information has been shared.	Personal information for 72 offenders	72 individuals	The NPS self-reported to the ICO. The ICO has confirmed no further action is required.
June 2020	An offender requested a copy of their restraining order, unfortunately the courts uploaded the victim's restraining order which contained their name and address and this is what was provided to the offender.	Personal information for one person	One individual	The community rehabilitation company self-reported to the ICO. The ICO has confirmed no further action is required.
June 2020	HMP Chelmsford's tactical briefing was emailed by Essex Police Intelligence analyst to a member of the public in error.	Name and prison numbers	TBC	Essex Police have self-reported this incident to the ICO. The ICO has confirmed no further action is required.
November 2020	Hackney Borough Council reported to the MoJ that they had a ransomware attack on their systems and HMPPS has potentially been breached as part of the attack.	Personal identification of offenders	Unknown – Hackney Council are still investigating how many people this may have affected	Hackney Borough Council self-reported to the ICO. The MoJ also self-reported the incident. The ICO has confirmed that no further action is required.

Counter-fraud activity

HMPPS' policy on fraud, bribery and corruption is one of zero tolerance. The MoJ Chief Financial Officer has overall responsibility for counter-fraud across the department and the HMPPS Executive Director for Strategy, Planning and Performance is the nominated HMPPS counter fraud champion. MoJ has a dedicated Head of Counter-Fraud, who leads the departmental counter-fraud centre of expertise (CoE).

The MoJ CoE provides a business partner capability to HMPPS and its response to the threat from fraud, bribery and corruption. This is achieved by ensuring that partners meet the Cabinet Office counter-fraud, bribery and corruption functional standard. A recent assurance review of the management of fraud risk across the MoJ, including HMPPS, evidenced an overall mature and well-embedded approach to counter-fraud. Additionally, the MoJ CoE, working with HMPPS:

- drives a culture of awareness to raise the profile of the threat from fraud
- ensures staff know their responsibilities
- provides practical operational support in the event of an incident or report, with advice and guidance to ensure an appropriate response by the most appropriate authority

The department recognises that some necessary changes to payment processes as a result of the COVID-19 pandemic introduced additional or new fraud risks. A programme of post-event assurance has been established to ensure any additional fraud risks are understood and remedial actions taken where appropriate. The MoJ CoE work is separate but complementary

to the work of the HMPPS crime, corruption and policing unit – established in April 2019 to tackle corruption in prisons, probation and youth custody – providing clear guidance and support for anyone in HMPPS who has concerns about wrongdoing or corruption.

The counter-corruption and reporting wrongdoing policy framework is supported by the counter-corruption handbook and a memorandum of understanding between HMPPS and the National Police Chiefs' Council regarding corruption in prisons and probation. HMPPS defines corruption as a person in a position of authority or trust who abuses their position for benefit or gain for themselves or for another person. In prison and probation services, this would include the misuse of a person's role to plan or commit a criminal act, or a deliberate failure to act to prevent criminal behaviour.

Electronic Monitoring Investigation by the Serious Fraud Office (SFO)

In late 2013, HMPPS commissioned an internal investigation of the management of electronic monitoring contracts with G4S and Serco. An interim report was published in November 2013. Subsequently, the matter was referred to the Serious Fraud Office (SFO). Since that time, both the MoJ and HMPPS have continued to service the investigation which covers a ten-year life span of engagement with contractors and gathered a significant volume of evidence from G4S, Serco and MoJ/HMPPS.

The MoJ reached a financial settlement with both providers in 2013 by which the MoJ was compensated.

In July 2019, as a result of the investigation, the SFO and Serco Geografix Limited entered into a deferred prosecution agreement (DPA) in respect of three offences of fraud and two offences of false accounting. In July 2020, the SFO entered into a DPA with G4S Care and Justice Services (UK) Ltd (G4S C&J) in respect of three offences of fraud relating to a scheme to defraud the MoJ in connection with contracts for electronic monitoring of offenders.

On 16 December 2019, the SFO announced that it had charged two former Serco employees with fraud by false representation and false accounting in relation to representations made to the MoJ between 2011 and 2013. The trial commenced in March 2021. Issues with the Prosecution's disclosure process were identified during the trial. The SFO had sought an adjournment to remedy the position so that it could pursue a retrial, but this was rejected by the Judge. The Prosecution therefore offered no evidence and the Judge directed the jury to return verdicts of not guilty on 26 April 2021.

On 8 September 2020 the SFO charged three former executives of G4S Care and Justice Services (UK) Ltd (G4S C&J) with multiple offences in relation to a multi-year scheme to defraud the MoJ. The trial is due to commence in January 2023 and is scheduled for 12 weeks.

Whistleblowing arrangements

HMPPS has a counter-corruption and reporting wrongdoing policy, and a new pan-MoJ 'raising a concern' (including whistleblowing) policy in place. Each has several avenues where staff can raise their concerns about possible wrongdoing or malpractice at work in an appropriate way. Any member of staff who raises a concern about wrongdoing in good faith, and that they reasonably believe to be true, will be protected from any form of discrimination or victimisation arising from the allegation.

These policies allow staff to contact the independent integrity hotline or one of a number of senior nominated officials outside the usual management line, in exceptional circumstances when staff do not feel able to raise concerns with their line manager (or someone more senior in the management line) or if it is inappropriate to raise with line management.

The policies provide staff with information on sources of advice and support, such as trade unions, workplace support or staff networks, and the Civil Service Commission. HMPPS had two cases referred to nominated officials during the reporting period that met the criteria, both remain ongoing. The People Survey results provide a measure of the effectiveness of these policies. Employees are asked to respond to questions including awareness of how to raise a concern and confidence in the investigation process. A comparison of data indicated that in HMPPS overall there was an increase in awareness and an increase of confidence in these areas, rising from 58% in the 2019 survey to 61% in the 2020 survey. HMPPS will continue to monitor responses on an annual basis.

Environmental sustainability

Environmental sustainability remains one of the government's, MoJ's and HMPPS' key priorities. Environmental sustainability features heavily throughout the MoJ's Outcome Delivery Plan and demonstrates how sustainability considerations have been consolidated into day-to-day operations and into decision-making. During 2020/21 we have:

- put sustainability and, in particular, net zero carbon policy at the heart of the new prison capacity programme
- delivered over 20 site-specific net zero carbon studies, many across prison sites, which will be developed into a project pipeline underpinning our net zero carbon strategy
- conducted a biodiversity and natural capital baseline for the prison estate
- invested over £15 million across the existing estate, including solar panels and electric vehicle charge point installations

Looking forward, we will:

- monitor sustainability investment and priorities across HMPPS as a strategic priority via formal governance arrangements and the MoJ senior sustainability board
 - this board reports to the Permanent Secretary and ministers through the MoJ Sustainability Champion and/or Sustainability Director, and escalates issues as appropriate
 - its membership includes an HMPPS representative
- continue to embed sustainability throughout our processes, improving our capability across the organisation
- develop green transformations to improve prisoner outcomes and environmental standards
- develop detailed plans for delivering new Greening Government Commitments by 2025 and net zero carbon by 2050 or sooner
- develop a Nature Recovery Plan for the estate and incorporate natural capital considerations into decision-making
- explore options around green transformations to link biodiversity work with skills, employment and reduced reoffending

Attendance charts

For HLT, HAB and ARAC from 1 April 2020 to 31 March 2021:

Name	Role	HLT	HAB
Gerard Lemos	Lead non-executive director	N/A	4 of 4
Alan Hammill	Non-executive director	N/A	4 of 4
Lesley King-Lewis	Non-executive director	N/A	4 of 4
Dr Jo Farrar	CEO of HMPPS	129 of 140	4 of 4
Phil Copple	Director General, Prisons	113 of 140	4 of 4
Amy Rees	Director General, Probation and Wales	121 of 140	4 of 4
Helga Swidenbank	Executive Director, YCS	121 of 140	4 of 4
Ian Blakeman	Executive Director, Strategy, Planning and Performance	119 of 140	4 of 4
James McEwen	MoJ Director, Financial Strategy, Planning and Performance (to 28 August 2020)	54 of 67	1 of 4
Lorna Maden	MoJ Director, Finance Business Partnering (from 1 September 2020)	50 of 73	3 of 4
Mark Adam	MoJ People Group Director, Strategy and Delivery	73 of 140	4 of 4

Name	Role	ARAC
Alan Hammill	Chair, non-executive director	4 of 4
Seyi Obakin	ARAC independent member	3 of 4
Lesley King-Lewis	Non-executive director	4 of 4
In attendance		
Dr Jo Farrar	CEO of HMPPS	4 of 4
Ian Blakeman	Executive Director, Strategy, Planning and Performance	4 of 4
Henry Young	MoJ Group Finance	4 of 4
James McEwen	MoJ Director, Financial Strategy, Planning and Performance	4 of 4
Liam Orme	MoJ Group Chief Internal Auditor, GIAA	4 of 4
Gary Wilkin	Senior Audit Manager, GIAA	3 of 4
Steven Corbishley	Director, National Audit Office	3 of 4
Alex Clark	Director, National Audit Office	2 of 4
Oliver Lodge	Director, National Audit Office	2 of 4
Mohit Parmar	Manager, National Audit Office	4 of 4



Conclusion

I am satisfied that I have effective governance arrangements and the necessary policies and procedures in place to:

- provide a sound system of internal control to support HMPPS in delivering its statutory duties
- meet the aims and objectives set by ministers while safeguarding the public funds and assets for which I am personally responsible

in accordance with the responsibilities assigned to me in my letter of delegation and in Managing Public Money.

Statement of Accounting Officer's responsibilities

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

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

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

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

- confirm that the annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable

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

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

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

Remuneration and staff report

Remuneration policy

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

In reaching its recommendations, the review body is to have regard to the following considerations:

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

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

Further information about the work of the Review Body on Senior Salaries can be found at: <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

Service contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at: <https://civilservicecommission.independent.gov.uk/>

Remuneration

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

Salary

'Salary' includes the gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation. This report is

based on accrued payments made by HMPPS and recorded in these accounts.

Taxable benefits

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

Bonuses

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

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonus payments made in 2020/21 are for bonuses awarded in 2019/20. Bonus payments made in 2019/20 are for bonuses awarded in 2018/19.

Pension benefits

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

Total remuneration (audited)

Officials	2020/21					2019/20				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000
Dr Jo Farrar ¹ Chief Executive Officer (until 15 March 2021) Second Permanent Secretary, MoJ and CEO, HMPPS (from 16 March 2021)	160–165	-	10–15	25,000	200– 205	155–160	-	-	24,000	175– 180
Phil Copple Director General, Prisons	150–155	-	0–5	66,000	220– 225	150–155	-	10–15	119,000	275– 280
Amy Rees Director General, Probation and Wales	140–145	-	10–15	81,000	230– 235	130–135	-	10–15	104,000	245– 250
James McEwen ² Director, Finance Strategy, Planning and Performance (until 28 August 2020)	45–50 (annualised 110–115)	-	-	20,000	65–70	110–115	-	10–15	45,000	165– 170
Lorna Maden ³ MoJ Director, Finance Business Partnering (from 1 September 2020)	65–70 (annualised 110–115)	-	0–5	17,000	85–90	N/A	N/A	N/A	N/A	N/A
Mark Adam ⁴ Director, MoJ People Group, Strategy and Delivery	110–115	-	5–10	44,000	165– 170	90–95 (110–115 annualised)	-	10–15 ⁵	36,000	135– 140

	2020/21					2019/20				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000
Officials										
Helga Swidenbank										
Executive Director Youth Custody Service	115–120	-	0–5	46,000	160–165	115–120	-	10–15	46,000	170–175
Adrian Scott										
Executive Director, Change, Strategy and Planning (from 1 March 2019 until 13 March 2020)	-	-	-	-	-	115-120 (120–125 annualised)	-	10–15	99,000	225–230
Ian Blakeman										
Executive Director, Strategy, Planning and Performance	110–115	2,200	5–10	56,000	180–185	110–115	37,400	10–15	44,000	200–205

- ¹ Dr Jo Farrar is a member of the Partnership pension scheme and as such did not accrue PCSPS pension benefits in 2020/21 and 2019/20. The employer contributions to her Partnership pension account are included in the 'Pension related benefits' column of this table and CETV table below.
- ² Director, Finance Strategy, Planning and Performance is part of the MoJ Functional Leadership group and is not included in the staff cost note or staff numbers within the HMPPS accounts but is included in the MoJ accounts. As an HMPPS board member they are included in the Remuneration Report above.
- ³ MoJ Director, Finance Business Partnering is part of the MoJ Functional Leadership group and is not included in the staff cost note or staff numbers within the HMPPS accounts but is included in the MoJ accounts. As an HMPPS board member they are included in the Remuneration Report above.
- ⁴ Director, MoJ People Group, Strategy and Delivery is part of the MoJ Functional Leadership group and is not included in the staff cost note or staff numbers within the HMPPS accounts but is included in the MoJ accounts. As an HMPPS board member they are included in the Remuneration Report above.
- ⁵ Director, MoJ People Group, Strategy and Delivery bonus relates to 2018-19. He was appointed to HMPPS agency board on 6 June 2019.

Compensation for loss of office (audited)

No directors were compensated for loss of office in 2020/21.

Pay multiples (audited)

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

	2020/21	2019/20
Band of highest paid director's total remuneration (£000)	175–180	160–165
Median total remuneration (£)	28,200	26,697
Ratio	6.3:1	6.1:1

In 2020/21, 1 employee received remuneration in excess of the highest paid director (2019/20: 0 employees).

In 2020/21, remuneration ranged from £15,000-£20,000 to £185,000-£190,000.

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

During 2020/21, the highest paid director's remuneration band increased from £160,000-£165,000 to £175,000-£180,000 and the median total for staff has increased by £1,503. These differences explain the increase in the remuneration ratio of 0.2.

Non-executive directors' remuneration (audited)

	2020/21			2019/20		
	Fees (excluding bonuses paid) £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Fees (excluding bonuses paid) £'000	All taxable benefits (to nearest £100)	Bonus payments £'000
Gerard Lemos Lead non-executive director	15–20	-	-	15–20	-	-
Alan Hammill Non-executive director	10–15	-	-	10–15	400	-
Rob Butler Non-executive director (until 8 November 2019)	-	-	-	5–10 (10–15 annualised)	-	-
Lesley King-Lewis Non-executive director	10–15	-	-	10–15	-	-

Gerard Lemos chaired the HMPPS agency board meetings.

Pension benefits (audited)

Cash Equivalent Transfer Value

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

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

Real increase in CETV

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

	Accrued pension at pension age as at 31/3/21 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/21 £'000	CETV at 31/3/20 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Officials						
Dr Jo Farrar¹ Chief Executive Officer (until 15 March 2021) Second Permanent Secretary, MoJ and CEO, HMPPS (from 16 March 2021)	N/A	N/A	N/A	N/A	N/A	25,100
Phil Copple Director General, Prisons	65–70 plus a lump sum of 140–145	2.5–5 plus a lump sum of 0–2.5	1,183	1,101	37	N/A
Amy Rees Director General, Probation and Wales	45–50 plus a lump sum of 5–10	2.5–5 plus a lump sum of 0–2.5	601	536	39	N/A
James McEwen Director, Finance Strategy, Planning and Performance (until 28 August 2020)	35–40	0–2.5	433	411	8	N/A
Lorna Maden MoJ Director, Finance Business Partnering (from 1 September 2020)	35–40 plus a lump sum of 110–115	0–2.5 plus a lump sum of 2.5–5	882	857	18	N/A
Mark Adam Director, MoJ People Group, Strategy and Delivery	10–15	2.5–5	121	89	20	N/A
Helga Swidenbank Executive Director Youth Custody Service	5–10	2.5–5	87	51	25	N/A
Ian Blakeman Executive Director, Performance (until 13 March 2020) Executive Director, Strategy, Planning and Performance (from 14 March 2020)	55–60 plus a lump sum of 120–125	2.5–5 plus a lump sum of 0–2.5	1,081	1,002	37	N/A

¹ Dr Jo Farrar is a member of the Partnership pension scheme. No PCSPS pension benefits were accrued in 2020/21 (2019/20: £0). There were no employer contributions to the Local Government Pension Scheme (LGPS).

Civil Service pensions

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

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

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022.

Following the government’s response to the McCloud Consultation in February 2021, eligible members who were in the legacy pension scheme on 31 March 2012 and were employed in either the legacy or reformed scheme from 1 April 2015 will have a “deferred choice underpin” at the point of retirement to decide whether the legacy or reformed pension scheme is more beneficial for the period of service employed during the remedy period of 1 April 2015 to 31 March 2022 (including those with a qualifying break in service of less than 5 years). Those who have already retired will be offered a choice as soon as practicable after necessary legislative and process changes can be made.

All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

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

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

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

In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation.

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Local Government Pension Scheme

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

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

For the 12 months to 31 March 2021, HMPPS paid employers' pension contributions of £328.8 million to the PCSPS and £98.5 million to Greater Manchester Pension Fund (GMPF) (LGPS). Further details of these schemes and related costs and liabilities are in Note 18 to the accounts.

Staff costs, numbers and composition

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

Staff costs (audited)

	2020/21 £'000	2019/20 £'000
Permanent staff – wages and salaries	1,741,644	1,597,016
Permanent staff – social security costs	184,484	163,706
Permanent staff – pension costs	457,934	501,566
Agency staff costs	48,865	54,722
Departures and severance payments	8,630	10,969
Inward secondments	15,394	9,554
Sub-total	2,456,951	2,337,533
Recoveries in respect of outward secondments	(6,230)	(6,299)
Total net costs	2,450,721	2,331,234

Pension costs (audited)

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

Consultancy costs

Expenditure on consultancy was £6.2 million in 2020/21 (2019/20: £3.2 million).

Senior Civil Service (SCS) salaries

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

Salary band	31 March 2021		31 March 2020	
	Number	Percentage	Number	Percentage
£70,000–£79,999	14	17%	13	18%
£80,000–£89,999	11	13%	15	21%
£90,000–£99,999	17	20%	30	41%
£100,000–£109,999	28	33%	3	4%
£110,000–£119,999	8	10%	7	10%
£120,000–£129,999	3	4%	1	1%
£130,000–£139,999	-	-	1	1%
£140,000–£149,999	1	1%	2	3%
£150,000–£159,999	1	1%	-	-
£160,000–£169,999	1	1%	1	1%
Total	84	100%	73	100%

Staff numbers (audited)

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

	2020/21			2019/20		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	50,480	-	50,480	49,831	-	49,831
Staff engaged on capital projects	-	89	89	-	84	84
Other	-	897	897	-	1,242	1,242
Total	50,480	986	51,466	49,831	1,326	51,157

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

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation

Act 1972. Where HMPPS has agreed early retirements, the additional costs are met by HMPPS and not by the Principal Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table below.

			2020/21			2019/20
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Exit package cost and band						
<£10,000	-	142	142	-	80	80
£10,001-£25,000	-	83	83	-	77	77
£25,001-£50,000	-	122	122	-	311	311
£50,001-£100,000	-	98	98	-	107	107
£100,001-£150,000	-	6	6	-	2	2
£150,001-£200,000	-	-	-	-	-	-
£200,001-£250,000	-	-	-	-	-	-
£250,001-£300,000	-	-	-	-	-	-
Total number of exit packages	-	451	451	-	577	577
Total cost of exit packages (£'000)	-	13,351	13,351	-	19,256	19,256

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

These figures include 5 HMPPS staff members leaving under MoJ voluntary early departure schemes (2019/20: 30). The costs for these schemes are being accounted for by MoJ in their accounts.

Included within 'other departures agreed' above in the year to 31 March 2021 are 446 efficiency departure exit packages at a value of £12.9 million, within payment bands £0 to £150,000. In 2019/20, there were 544 efficiency departure exit packages at a value of £17.1 million, within payment bands £0 to £150,000. Efficiency departures are authorised in the interests of the continued efficiency of the service and the wellbeing of the individual, under section 6.3 of the Civil Service Management Code.

Staff diversity

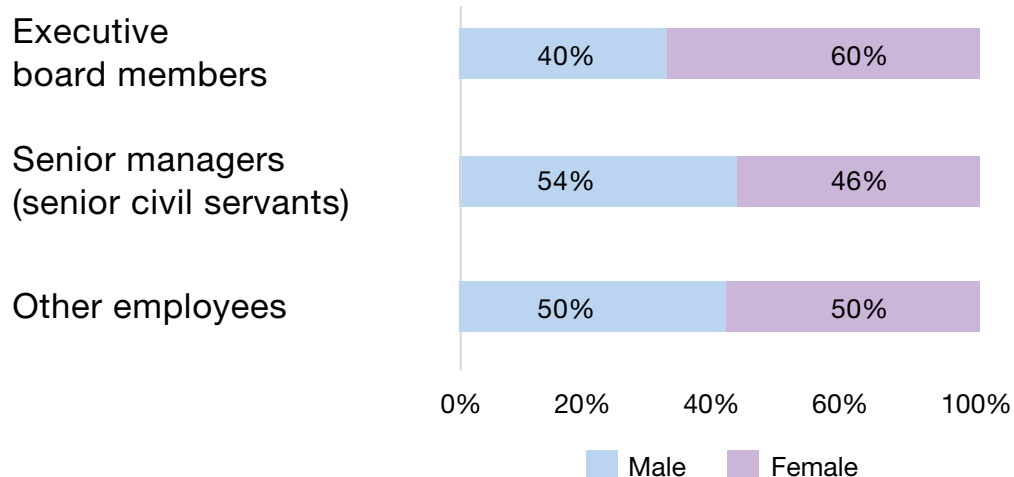
Staff composition data

As at 31 March 2021 the breakdown of employees was as follows:

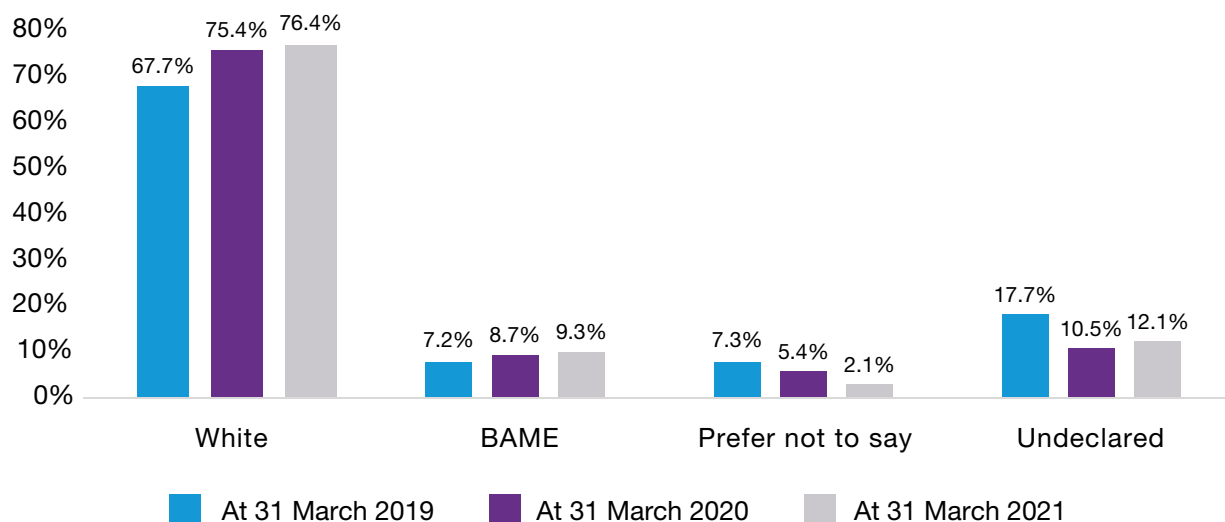
	Male	Female	Total
Executive board members	2 (40%)	3 (60%)	5
Senior managers (senior civil servants)	43 (54%)	36 (46%)	79
Other employees	27,107 (50%)	27,105 (50%)	54,212
Total	27,152 (50%)	27,144 (50%)	54,296

Senior civil servants includes substantive grades only

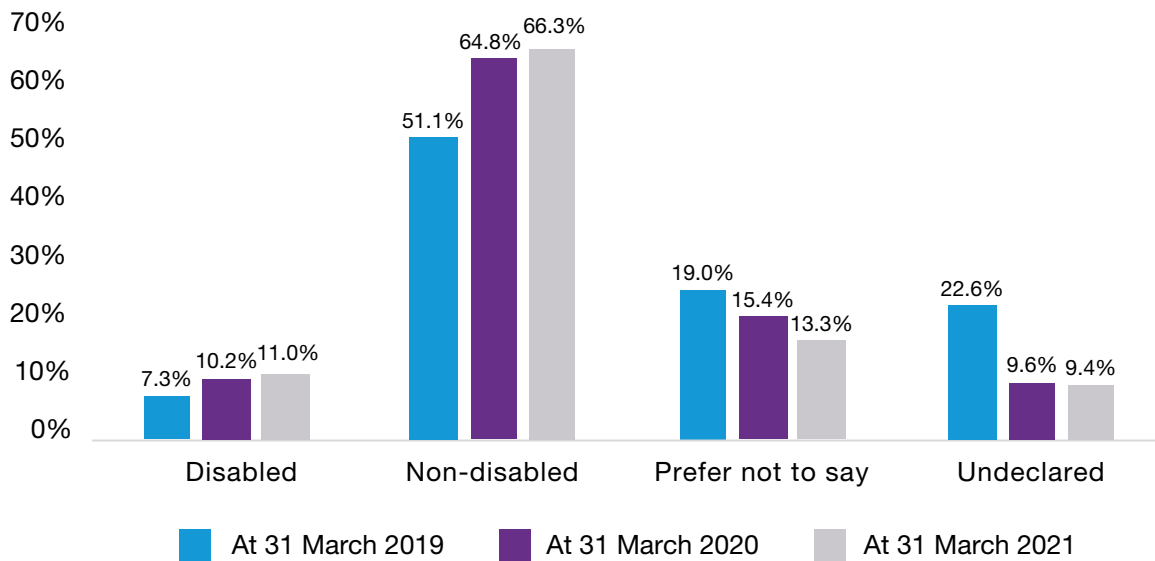
Breakdown of employees by gender



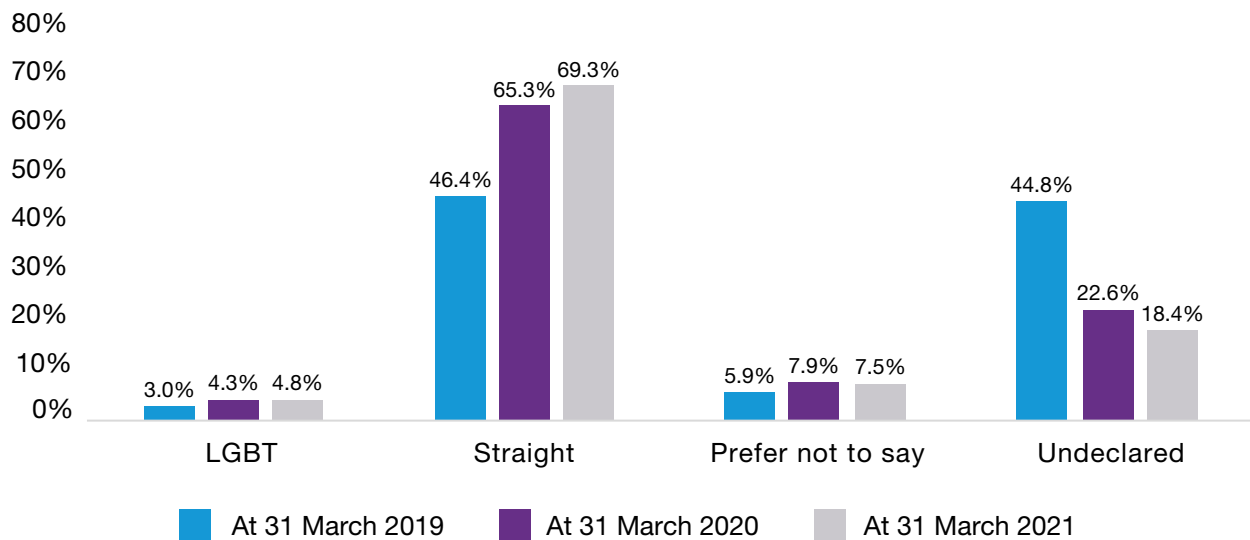
Breakdown of employees in post by declared ethnicity



Breakdown of employees in post by declared disability



Breakdown of employees in post by declared sexual orientation⁶



⁶ Proportions cover the whole workforce and include undeclared and unknown characteristics

HMPPS is committed to fairness, treating staff properly and ensuring equality of opportunity building a diverse and inclusive organisation that fosters a sense of community and belonging among all staff, prisoners, children and people on probation. We will ensure that this is at the forefront of our organisational ethos, creating an inclusive culture that ensures our staff, those in custody and on probation feel a true sense of belonging and inclusion, are empowered to speak out, be heard, contribute and achieve their full potential. This commitment is underpinned by our responsibilities under the Public Sector Equality Duty as contained in the Equality Act 2010.

We have made steady progress under our HMPPS Equality Strategy 2018-20: we have developed a race action programme, which aims to bring about long-term, sustainable change for both staff and people in our care.

We have launched our Let's Talk series which are team-led conversations throughout the year where everyone can talk openly in a safe space around issues of inclusivity and diversity such as race, disability, LGBTI+ and allyship.

We have worked to improve the reliability of our data analysis by improving staff and joiners' self-declaration rates. New joiners' self-declaration rates for disability, religion and sexual orientation exceeded our 60% threshold to allow for meaningful analysis, surpassing our targets, and enabling the reporting by these protected characteristics.

We have created an equality health check and supporting toolkit for prison and probation equality leads to use

to self-assess their equalities offers and outcomes.

We have also refreshed our Welsh Language Scheme 2019-2022 to ensure we meet our legal duty to treat English and Welsh languages equally in the delivery of public services in Wales.


We are proud of all our achievements and we will continue to build on these to advance our diversity and inclusion agenda over the coming year as we recover from the coronavirus pandemic.

We have identified and developed five ambitions in our Diversity, Inclusion and Belonging Roadmap 2021/22, which aims to "Create an inclusive culture, that ensures our staff, those in custody and service users feel a true sense of belonging and inclusion and are empowered to speak out, be heard, contribute and achieve their full potential."

We will continue to provide our staff with the support, training and professional development they need to become the role models of the inclusive environment we want to create. To help us, we have launched the diversity and inclusion learning and development project which will enable us to align HMPPS priorities and the HMPPS diversity and inclusion strategy, as well as the mainstreaming and harmonisation of all training and resources.

Disability

HMPPS remains committed to creating an inclusive work environment and culture, where all staff feel like they belong. We have continued to target outreach at under-represented groups including people with disabilities and/or health



conditions, maintaining a robust talent management and succession planning strategy and building staff capacity.

We have worked to encourage staff self-declaration rates to enable reporting on protected characteristics. The response rate in relation to disability have increased from below the 60% minimum reporting threshold at which meaningful representation rates can be considered, to 75%, enabling us to report on disability (Annual Staff Equalities Report 2018/19 and 2019/20).

As part of our continued commitment to being a workplace that values everyone we have just achieved Disability Confident Leader Accreditation, signalling to our people and others our commitment to disabled staff, people in our care and visitors.

As part of the Disability Confident Leader Accreditation, no applicants applying internally or externally for roles will be discriminated against – applying anonymised recruitment across the business. We ensure that all applicants will follow the same application process. All applicants have the option to declare if they have a health condition and/or disability, and have the option to outline what reasonable adjustments they may require to support them through the recruitment process. A range of adjustments can be considered, such as additional time for tests or interviews, or providing a guaranteed interview to those who meet the basic requirements. To support this approach, we have developed a guide for vacancy managers, which aims to help and guide recruiters through these processes. We will also continue to upskill vacancy managers

to ensure they align to our Disability Confident processes.

As part of the offer to our staff we launched the HMPPS Workplace Adjustments Service on 1 April 2021 – this support provides reasonable adjustments to disabled staff in line with the provisions of the Equality Act 2010. The service provides in-house tailored advice and guidance to HMPPS staff and managers to support with putting in place the required workplace adjustments, or removing barriers or disadvantages for disabled staff, to enable them to do their jobs and fulfil their potential. It also provides staff and line managers access to online disability and workplace adjustment training which will be launched in the summer of 2021.

We have published the HMPPS People Plan, which outlines our aim to “Deliver a Wellbeing strategy that focuses on mental health, physical health, financial wellbeing and a safe and healthy workplace”.

We also remain committed to supporting colleagues who may also be impacted by long COVID, by creating the long COVID Workplace Rehabilitation Service.

Sickness absence data

In the year ended 31 March 2021, HMPPS staff lost an average of 11.4 working days to sickness absence (2019/20: 10.2 days).

Staff turnover and departmental turnover

In 2020/21, staff turnover was 7.7% (2019/20: 10.1%) and department turnover was 8.5% (2019/20: 10.7%). Department turnover includes transfers of staff within the Civil Service. Transfers within the Civil Service are not included in staff turnover.

The department continues to monitor turnover rates and support initiatives to maintain a healthy level of turnover.

The annual Civil Service People Survey, coupled with other research, helps us to understand our people's experience of working in MoJ and take appropriate action to improve effectiveness, including where turnover becomes problematic.

Communications and employee involvement

Communicating and engaging with our internal and external audiences is always vital for our organisation but has been more important than ever during the COVID-19 pandemic.

The HMPPS communications team has provided a wide range of communications across a spectrum of key subjects, providing timely, clear, accessible information to our staff, prisoners, people on probation, children in our care, families, and our partners and stakeholders.

This has required messages to be tailored for each audience and delivered in the most effective way, using new methods and communications channels to enable us to rapidly respond to changing situations.


We have also continued to work closely with partners such as National Prison Radio, Wayout TV and prison newspaper Inside Time, to continue to inform and engage with those people in our care.

Important areas of work over the 2020/21 year included:

- supporting the wider agency in providing COVID-19 messaging for staff, prisoners and children in

custody and their families, people on probation, stakeholders and partners. We managed a significant increase in operational communications, adapted processes to react to changing positions throughout the pandemic and we established a new stakeholder forum to engage key partners on COVID-19 plans

- providing clear COVID-19 recovery communications and describing how the agency will continue to deliver against its strategic purpose and priorities following changes in the restrictions imposed under the pandemic
- supporting the Reform Programme Communications team to deliver a range of communications products to support the Probation Unification Programme, including setting up an extranet to help CRC staff prepare for the changes; supporting staff engagement events explaining the unification processes and onboarding; and working with staff groups on proposals for a new name, logos and branding
- supporting prison colleagues through prison reform and continuing to deliver rehabilitation services and reduce reoffending, while working to improve prison safety and reduce violence, self-harm and self-inflicted deaths in custody, and providing safe and decent conditions
- supporting the Reducing Reoffending Delivery Plan, providing prison leavers with the right information, at the right time to support their resettlement in the community
- highlighting the impact and support that our staff continue to offer even through challenging circumstances to positively help people in our care to



change their lives for the better, via the Hidden Heroes campaign which shines a light on the professionalism and dedication of staff

- continuing to build pride and engagement across the wide staff group:
 - increasing the amount of online engagement events with Agency senior leaders. This offered the opportunity for colleagues at all levels to receive updates around our strategic goals and priorities, our response to the COVID-19 pandemic and allowed colleagues to ask questions of the senior team
 - the People Survey response rate across HMPPS was marginally improved, and the engagement index was up 2 percentage points overall across the agency from 60% in 2020 to 62% in 2021 – there was an improvement in the results across 7 of the 9 main survey areas, and a minimal reduction in the other two areas, which is encouraging given the difficult year staff have faced
- promoting the Diversity and Inclusion Strategy and the race action programme, and highlighting the work of the Tackling Unacceptable Behaviours Unit
- promoting wellbeing support for our staff and prisoners or people on probation, and ensuring that the routes to support are signposted

Staff wellbeing

In December 2019 HMPPS published Our People Plan and established a people sub-committee to oversee delivery and set the strategic direction. The three-year

plan sets out five areas to help us to grow as an organisation and enable people to be their best.

Overall, delivery is progressing well across the breadth of the plan, with COVID-19 impacting on some timescales and delivery methods.

From January 2021, reflective sessions were introduced as a proactive and preventative mental health offering. The sessions, delivered by a qualified practitioner from PAM Assist, provide a confidential space for governors to discuss the challenges of being a prison senior leader. They magnify the rewarding aspects and assist with navigating the more emotionally demanding and difficult parts, with a view to reduce potential burnout and mental health related absence. The feedback has been positive with 82% of governors and 83% of deputy governors participating. Of these, 95% have continued to take part. Each prison is offered the opportunity to fund further sessions, on a group-only basis, beyond the senior team.

A wellbeing toolkit for line managers has been created and made available on My Learning to help facilitate wellbeing conversations.

In addition, a scheme to roll out trauma risk management practitioners to every prison continues. These practitioners are trained to identify staff who may be struggling after a traumatic event and offer on-site support to help relieve symptoms of post-traumatic stress. Practitioners offer one-to-one confidential support with follow-up checks.

Over 1,000 mental health allies have been recruited in the last year. These are staff volunteers who have trained to support staff and managers. They offer confidential support, raise awareness and challenge the stigma surrounding mental health.

During the COVID-19 pandemic, a national network of regional prison staff support leads was established. They act as a single point of contact in the region and connect local services to form a strong support network for individuals. They join up local staff support teams such as the care team, mental health allies, chaplaincy, trauma risk management practitioners, HR wellbeing leads and wellbeing champions to ensure prison staff have access to support. This role will continue during our recovery phase.

In September 2020, working in collaboration with the Samaritans and the Zero Suicide Alliance, HMPPS introduced a staff self-harm and suicide prevention campaign, Reach Out, Save Lives. Backed by the Lord Chancellor, the campaign drives a consistent message about reaching out to support one another and seeking assistance, and aims to impact and challenge cultural norms around a publicly sensitive topic.

HMPPS trade union relationships

HMPPS recognises 10 trade unions. For prisons, Youth Custody Service and HQ, these are the Prison Officers Association (POA), Prison Governors Association (PGA) and NTUS (comprising PCS, UNITE, FDA, PROSPECT and GMB). For the Probation Service, these are the National Association of Probation Officers (NAPO), GMB Society of Chief Officers of Probation (SCOOP) and Unison. The

focus of engagement with all these recognised trade unions during 2020/21 has primarily been on the operational response to the pandemic, COVID-19 safety and in progressing safe COVID-19 recovery. Throughout, with the support of a bespoke COVID-19 trade union engagement framework, the co-operation and support of the trade unions for the leadership decisions that have had to be made has been positive and strong.

Talent management

Developing leadership and talent within HMPPS continues to be integral and part of the HMPPS strategy and People Plan. Our vision is to be an organisation that enables our people to be their best and fosters confident leaders at all levels. COVID-19 restrictions have limited the team's ability to pilot a number of the new programmes and strategies that were scheduled for 2020/21.

Over the next 12 months (2021/22) the team aim to commence several pilots including launching the SPARK, IGNITE and pan-HMPPS fast-track schemes which aim to increase leadership capability by developing our most talented internal staff to progress to leadership roles as well as bringing diverse talent into the organisation through external recruitment.

Over the next year we will wind down and close some of our existing talent programmes to be replaced by these new, enhanced offers. In addition, the team will also commence a vertical pilot project, where we will deliver our full leadership development offer in an intensive way within a small region (five prisons, five probation local delivery units and one YCS establishment).

Current leadership and talent development initiatives:

- unlocked graduate programme (talent acquisition)
- first line manager core programme (internal development)
- experienced manager programme (internal development)
- master's programme (internal development)
- catalyst (internal development for those new to SCS roles – whether internally or externally recruited)
- senior leadership programme, part 2 – strategic leadership (internal development)

Current pilots: (* - have been on hold due to COVID-19 restrictions):

- aspiring leaders programme* (internal development)
- experienced first line leader programme* (internal development)
- SPARK (custodial cohort 1) – June 2021 (internal development)
- SPARK (custodial and community) – September 2021 (internal development)
- vertical pilot – September 2021

Current talent programmes to be closed in 2021/22:

- senior leaders scheme – replaced by IGNITE
- accelerated development programme – to be replaced by SPARK
- empowered senior leaders programme – to be replaced by senior leaders programme

New talent development schemes:

- IGNITE – open to internal and external candidates aimed at developing a talent pool who can quickly be developed in to our top leaders (talent acquisition)
- justice leaders scheme – a pan-HMPPS fast-track offer (talent acquisition)
- continuation of parts 1 (performance leadership) and 3 (reflective leadership) of senior leaders programme (internal development)

Off-payroll engagements

During the financial year 2020/21, HMPPS has reviewed off-payroll engagements where we are required to consider intermediaries legislation (IR35) using HMRC's guidance and online status indicator. We have advised our contracting body of the outcome of the status determinations so that, where appropriate, tax deductions are made at source from payments made in respect of the engagement with HMPPS. Further details of off-payroll engagements in HMPPS can be found in the MoJ departmental resource accounts.

Parliamentary accountability

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

Losses and special payments

The following losses and special payments are included within the Statement of Comprehensive Net Expenditure on page 116:

	2020/21		2019/20	
	Cases	£'000	Cases	£'000
Cash losses	311	281	606	72
Losses of accountable stores	17,343	2,215	18,115	2,850
Fruitless payments and constructive losses	5	127,458	2	1
Claims waived or abandoned	107	2,614	110	456
Administrative write-offs	-	-	-	-
Losses statement	17,766	132,568	18,833	3,379
Special payments to staff	597	9,876	680	10,398
Special payments to offenders	6,844	16,100	5,942	16,293
Special payments to third parties	241	7,194	209	1,401
Special payments	7,682	33,170	6,831	28,092

In 2020/21, HMPPS made six (2019/20: zero) loss payments over £300,000, which are detailed here.

There were two constructive losses amounting to £11.4 million:

- £6.8 million loss due to excess PPE (personal protective equipment) resulting from a significant reduction in the need for PPE due to a change in Public Health England guidelines which was bought as part of the fight against the spread of the COVID-19 infection.

- £4.6m for the lease of additional Electronic Monitoring tags under a scheme introduced as part of measures to limit the spread and impact of COVID-19 in the prison estate. Due to smaller volumes of releases than anticipated under the scheme, these tags were not required.

There were three fruitless payments amounting to £116.1 million:

- £98.2m in respect of expenditure incurred prior to the management decision to discontinue the case management development on the Electronic Monitoring legacy programme which has already delivered its objectives to be scalable and flexible, increase GPS capability and replace the existing curfew tag service. Further details are included in the Governance Statement on page 52
- £14.1 million contract breakage payments made to community rehabilitation companies in respect of terminating the community rehabilitation companies' contracts 8 months early. The payments compensate the community rehabilitation companies' parent organisations for the financial commitments made to sub-contractors based on the original length of the contract
- £3.8 million of IR35 liabilities have arisen where an incorrect assessment of the employment status of a worker has been made. In 2019, HMRC challenged the department to revisit employment status determinations for all off-payroll workers engaged as at and since April 2017, where we had previously concluded workers were operating outside of the off-payroll working rules. As the end client, the departmental group is responsible for deciding whether engagements are inside of the off-payroll working rules or not, and passing on status determinations to the fee-paying agency, so that appropriate tax and National Insurance deductions are

made. As the public sector engager, the departmental group is liable for any tax unpaid as a result of an incorrect determination passed to the fee-paying agency. As any tax and National Insurance contributions that should have been paid via PAYE would have fallen to the worker, the departmental group could have avoided these payments if a different off-payroll determination had originally been made. As such, the payments are classified as a fruitless payment in accordance with Managing Public Money

There was one claim waived or abandoned amounting to £2 million:

- an error in the bed night price calculation charged to local councils for children held on remand in youth custody accommodation led to an under-recovery of remand income of £2,000,000. The number of available places for secure training centres was incorrect and artificially deflated the published rate that was used to recharge for occupancy over the financial year

In 2020/21, HMPPS made 10 (2019/20: nine) special payments over £300,000, which were:

- six compensation payments made to operational members of HMPPS staff injured in the course of their duties: £1,560,000, £950,000, £615,335, £406,427, £325,000 and £303,947
- two compensation payments made to prisoners for personal injuries: £351,523 and £346,273
- two payments made to third parties for work-related injuries: £5,405,000 and £687,966

Remote contingent liabilities

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

HMPPS has the following remote contingent liabilities:


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

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

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

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


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



Dr Jo Farrar

Chief Executive Officer, HMPPS
Second Permanent Secretary, MoJ

2 December 2021



The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of Her Majesty's Prison and Probation Service (HMPPS) for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of HMPPS's affairs as at 31 March 2021 and of HMPPS's net operating expenditure for the year then ended; and

- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of HMPPS in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that HMPPS's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on HMPPS's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for HMPPS is adopted in consideration of

the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of HMPPS and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing HMPPS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by HMPPS will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Government Internal Audit Agency and those charged with governance, including obtaining and reviewing supporting documentation relating to HMPPS's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including HMPPS's controls relating to the Government Resources and Accounts Act 2000 and Managing Public Money.
- discussing among the engagement team and involving relevant internal and external specialists, including valuation of the prison estate and defined benefit liability, regarding

how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, valuation of losses, recognition and valuation of provisions, valuation of the prison estate and valuation of the net defined benefit pension liability;

- obtaining an understanding of HMPPS's framework of authority as well as other legal and regulatory frameworks that HMPPS operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of HMPPS. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020, Prison Act 1952, Criminal Justice and Court Services Act 2000, Criminal Justice Act 2003, Managing Public Money, General Data Protection Regulation, Employment Law, and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- Commissioning support from valuation experts in relation to the valuation of HMPPS's estate, and actuarial experts in relation to valuation of the defined benefit pension liability and the injury benefit provision;
- Reviewing decisions made in managing the impact of Covid-19, including payment of staff bonuses and provision of supplier relief payments;
- Assessing the treatment of major contracts.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

8 December 2021

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

Financial statements



Statement of Comprehensive Net Expenditure

For the period ended 31 March 2021

	Notes	£'000	2020/21 £'000	2019/20 £'000
Income from contracts with customers	3a	(195,145)		(226,381)
Other operating income	3b	(41,402)		(34,247)
Total operating income			(236,547)	(260,628)
Staff costs	4a	2,450,721		2,331,234
Purchase of goods and services	4b	2,467,577		2,325,604
Depreciation, amortisation and impairment charges	4c	356,202		256,556
Notional expenditure	4d	326,635		312,353
Total operating expenditure			5,601,135	5,225,747
Net operating expenditure			5,364,588	4,965,119
Finance expense	4e	46,178		60,633
Net (gain)/loss on transfers by absorption		-		12
Net expenditure for the year			5,410,766	5,025,764

Other Comprehensive Expenditure

For the period ended 31 March 2021

Items which will not be reclassified to net operating expenditure:	Notes	£'000	2020/21 £'000	2019/20 £'000
Net (gain)/loss on revaluation of property, plant and equipment	5	105,728		(310,937)
Net (gain)/loss on revaluation of intangible assets	6	(1,131)		(213)
Net (gain)/loss on revaluation of assets held for sale	7	1,358		15
Remeasurement of net pension liabilities (gain)/loss	18	704,781		(352,068)
Total comprehensive expenditure			6,221,502	4,362,561

The Notes on pages 121 to 166 form part of these accounts

Statement of Financial Position

At 31 March 2021

	Notes	31 March 2021		31 March 2020	
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	5	8,427,212		8,115,566	
Intangible assets	6	41,569		39,789	
Investments		641		451	
Total non-current assets		8,469,422		8,155,806	
Current assets					
Assets held for sale	7	9,107		15,882	
Inventories	8	54,792		58,616	
Trade and other receivables	9	156,488		228,715	
Cash and cash equivalents	10	31,157		15,654	
Total current assets		251,544		318,867	
Total assets		8,720,966		8,474,673	
Current liabilities					
Trade and other payables	11a	(787,855)		(628,667)	
Financial liabilities	13	(24,623)		(18,680)	
Provisions	12	(35,246)		(71,002)	
Total current liabilities		(847,724)		(718,349)	
Non-current assets less net current liabilities		7,873,242		7,756,324	
Non-current liabilities					
Trade and other payables	11b	(910)		(1,561)	
Financial liabilities	13	(211,734)		(180,649)	
Provisions	12	(235,130)		(239,990)	
Pension deficit liability	18	(2,410,011)		(1,637,818)	
Total non-current liabilities		(2,857,785)		(2,060,018)	
Assets less liabilities		5,015,457		5,696,306	
Taxpayers' equity					
General Fund			2,300,357		2,770,006
Revaluation Reserve			2,715,100		2,926,300
Total taxpayers' equity			5,015,457		5,696,306

The Notes on pages 121 to 166 form part of these accounts



Dr Jo Farrar

Chief Executive Officer, HMPPS
Second Permanent Secretary, MoJ

2 December 2021

Statement of Cash Flows

For the period ended 31 March 2021

	Notes	£'000	2020/21 £'000	2019/20 £'000
Cash flows from operating activities				
Net expenditure		(5,410,766)		(5,025,764)
Adjustments for non-cash transactions		648,343		622,954
Adjustment for notional transactions with MoJ group		97,839		75,768
Adjustment for pension contributions paid less service costs	18	29,432		94,479
(Increase)/decrease in trade and other receivables	9	72,227		(12,594)
Less impairments in trade and other receivables	4	(1,248)		(3,362)
(Increase)/decrease in inventories	8	3,824		4,819
Increase in trade and other payables	11a, 11b	158,537		19,986
Increase/(decrease) in capital payables		(63,446)		7,384
Utilisation of provisions	12	(35,060)		(37,376)
Net cash outflow from operating activities			(4,500,318)	(4,253,706)
Cash flows from investing activities				
Purchase of property, plant and equipment	5	(661,507)		(283,566)
New PFI liabilities in year	13b	55,707		-
Purchase of intangibles	6	-		(5,463)
Proceeds on disposal of property, plant and equipment		63		149
Proceeds on disposal of assets held for sale		2,237		10,801
Proceeds on disposal of investments		-		241
Net cash outflow from investing activities			(603,500)	(277,838)
Cash flow from financing activities				
Net funding received from MoJ		5,138,000		4,530,000
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	13b	(18,679)		(17,438)
Net financing			5,119,321	4,512,562

	Notes	£'000	2020/21 £'000	£'000	2019/20 £'000
Net increase/(decrease) in cash and cash equivalents in the period			15,503		(18,982)
Cash and cash equivalents at the beginning of the period	10	15,654		34,636	
Cash and cash equivalents at the end of the period	10	31,157		15,654	
Increase/(decrease) in cash and cash equivalents			15,503		(18,982)

The Notes on pages 121 to 166 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the period ended 31 March 2021

	Notes	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2019		2,470,440	2,710,065	5,180,505
Changes in taxpayers' equity for 2019/20				
Net expenditure for the year to 31 March 2020		(5,025,764)	-	(5,025,764)
Net gain/(loss) on revaluation of:				
Property, plant and equipment	5	-	310,937	310,937
Intangible assets	6	-	213	213
Assets held for sale	7	-	(15)	(15)
Release of reserves to the General Fund		94,900	(94,900)	-
Remeasurement of net pension liabilities	18	352,068	-	352,068
Funding from the MoJ		4,530,000	-	4,530,000
Settlement of transactions with MoJ		75,768	-	75,768
Notional items:				
Auditor's remuneration	4	282	-	282
Notional element of MoJ overhead recharges	4	272,312	-	272,312
Balance at 31 March 2020		2,770,006	2,926,300	5,696,306
Changes in taxpayers' equity for 2020/21				
Net expenditure for the year to 31 March 2021		(5,410,766)	-	(5,410,766)
Net gain/(loss) on revaluation of:				
Property, plant and equipment	5	-	(105,728)	(105,728)
Intangible assets	6	-	1,131	1,131
Assets held for sale	7	-	(1,358)	(1,358)
Release of reserves to the General Fund		105,245	(105,245)	-
Remeasurement of net pension liabilities	18	(704,781)	-	(704,781)
Funding from the MoJ		5,138,000	-	5,138,000
Settlement of transactions with MoJ		141,796	-	141,796
Notional items:				
Auditor's remuneration	4	320	-	320
Notional element of MoJ overhead recharges	4	260,537	-	260,537
Balance at 31 March 2021		2,300,357	2,715,100	5,015,457

The Notes on pages 121 to 166 form part of these accounts

Notes to the accounts

1. Statement of Accounting Policies

1.1 Basis of preparation

The accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2020/21 issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.2 Accounting convention

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

1.3 Changes in accounting policy and disclosures

a) Changes in accounting policies

There have been no changes in accounting policies for the year ended 31 March 2021.

b) New and amended standards adopted

There have been no new or amended standards adopted in the financial year beginning 1 April 2020.

c) New standards, amendments and interpretations issued, but not effective, for the financial year beginning 1 April 2020, and not adopted early

IFRS 16 Leases

HMPPS has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impacts of adopting the standard on 1 April 2021 may change because the new accounting policies are subject to change until the Agency presents its first financial statements that include the date of initial application (year ended 31 March 2022).

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The assets, to be described as "right of use" assets, will be presented under Property, Plant and Equipment.

Under the FReM, the standard is effective from 1 April 2022, with the option to early adopt. HMPPS will adopt IFRS 16 in the financial year commencing 1 April 2021.

IFRS 16 will be implemented using the cumulative catch-up method; as a result, comparatives will not be restated. On the date of transition to IFRS 16, HMPPS will recognise a right-of-use asset and a lease liability.

The lease liability will be measured at the value of the remaining lease payments, discounted either by the interest rate implicit in the lease, or where this is not readily determinable, the incremental rate of borrowing advised by HM Treasury. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options that HMPPS is reasonably certain to exercise and any termination options the Agency is reasonably certain not to exercise.

The right-of-use asset will initially be measured at the value of the lease liability, adjusted for: any lease payments made before the commencement date; any lease incentives received; any incremental costs of obtaining the lease; and any costs of removing the asset and restoring the site at the end of the lease. As a practical expedient for existing operating leases recognised on transition, the latter two elements will not be included in the asset value.

Where the lease requires nil or nominal consideration (usually referred to as a 'peppercorn' lease), the asset will instead be measured at its existing use value, with the difference between the carrying amount of the right-of-use asset and lease

liability treated as notional income (or on transition, a credit to the General Fund).

See Note 1.14 for details of HMPPS's current leases policy. Those leases currently recognised as operating leases will be converted to right of use assets and liabilities on transition to IFRS 16, with those currently recognised as finance leases transferring at their existing values.

For the material arrangements within the scope of IFRS 16, the impact of implementation is currently considered to be an increase in assets and liabilities of approximately £83.5 million and £86.9 million respectively. This value is lower than the value of minimum operating lease commitments under IAS 17, primarily because the IFRS 16 liabilities exclude VAT and any leases with less than 12 months remaining.

The standard is expected to increase total expenditure in 2021/22 by approximately £2.8 million, comprising an increase of £21.5 million in depreciation and interest costs, offset by a reduction of £18.7 million in operating lease rental expenses.

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

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. Subject to UK adoption, it is expected to come into effect for accounting periods commencing on, or after, 1 January 2023 and should be included in the 2023–24 FReM at the earliest. To assess the impact of the standard, HMPPS is reviewing contracts which meet the definition of insurance contracts. The overall impact of IFRS 17 on the Financial Statements is

hard to determine at this stage, but there is a possibility that a number of contingent or unrecognised liabilities might need to be brought onto the balance sheet.

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

d) Changes in presentation and reclassifications

There have been no changes to presentation or reclassifications in 2020/21. Changes required to reflect the revised structure of HMPPS have been made to the Statement of Operating Costs by Operating Segment (Note 2) and the 2019/20 Statement has been restated for comparability.

1.4 Going concern

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

1.5 Operating income

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

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

departments, particularly healthcare funding and immigration removal centres.

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

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

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

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

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

1.6 Purchases of goods and services

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

1.7 Staff costs

Staff costs are recognised as expenses on an accruals basis when HMPPS has

an unconditional contractual obligation to pay them.

1.8 Notional costs

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

1.9 Property, plant and equipment, and Intangible assets

Initial recognition and capitalisation threshold

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

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

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

Assets under construction

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

Subsequent valuation

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

Land and buildings (including dwellings) are recorded at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted for each property at least once every five years. Full professional valuations are undertaken by the Valuation Office Agency, an independent body, using Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards, known as the Red Book. In between full valuations, carrying values are adjusted by the application of indices or through desktop valuations.

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

Assets which were recently held for their service potential but are now surplus are

valued at current value in existing use where there are restrictions on HMPPS or the asset, which would prevent access to the market at the reporting date.

Otherwise, surplus assets are valued at fair value in accordance with IFRS 13 Fair Value Measurement.

In determining whether a non-operational asset is surplus, HMPPS assesses whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not considered as surplus and is maintained at current value in existing use. Otherwise, the asset is assessed as being surplus and valued at fair value under IFRS 13 Fair Value Measurement.

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

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

Subsequent to initial recognition, intangible assets are recognised at fair value. As no active market exists for the intangible assets held by HMPPS, fair value is assessed as the revalued amount less accumulated amortisation and impairment losses. Intangible assets are revalued at each reporting date using the Services Producer Price Index published by the Office for National Statistics.

Fair value hierarchy and inputs

The valuation technique applied to all fair value figures of surplus, non-operating

properties, is the market approach in accordance with IFRS 13 Fair Value Measurement; it uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets.

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

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

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

Revaluation

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

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

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

Depreciation and amortisation

Depreciation and amortisation are charged on a straight-line basis at rates

calculated to write off the value of assets less estimated residual value evenly over their estimated useful lives. Useful lives are reviewed annually. Where a change to the life of an asset or asset category is determined, depreciation is charged on a straight-line basis over the assessed remaining life. Depreciation commences in the month of acquisition for all non-current assets.

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

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

1.10 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction, and a sale is considered highly probable. Property assets held for sale are stated at the lower of carrying amount immediately prior to classification

as held for sale and their fair value less the costs of selling the asset. Any subsequent impairment or reversal of impairment is recognised in the SoCNE. Non-current assets classified as held for sale are not depreciated.

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised in the SoCNE. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Fund.

1.11 Impairment

At each reporting date, HMPPS assesses all assets for indications of impairment. If any such indications exist, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised in the SoCNE, except where the asset had been revalued previously and a revaluation reserve is held for the asset. In this case the value of the reserve is released first, and then excess impairment is charged to the SoCNE.

Impairment losses resulting from a permanent diminution in the value of the asset, due to a clear consumption of economic benefit or service potential, are recognised directly in the SoCNE, and any revaluation reserve held for the asset is transferred to the General Fund.

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

1.12 Deferred income

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

1.13 Payables

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

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

1.14 Leases

Finance leases

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

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

remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

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

1.15 Service Concession Arrangements including Private Finance Initiative arrangements

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

HMPPS recognises the infrastructure asset at fair value (or the present value of future minimum infrastructure payments, if lower) as a non-current asset in the SoFP, with a corresponding liability for future payments under the agreement.

The service element is charged to the SoCNE in the period the services are rendered by the operator. The interest element is charged to the SoCNE over the contract to produce a constant

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

1.16 Inventories

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

1.17 Employee benefits

Defined benefit pension schemes

Principal Civil Service Pension Scheme

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

Local Government Pension Scheme

HMPPS probation staff and past employees of the probation trusts, including those who transferred to community rehabilitation companies, are covered by the provisions of the Local Government Pension Scheme (LGPS), via a pension fund administered by the GMPF. This is a funded defined benefit scheme.

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

The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last formal actuarial valuation was at 31 March 2019 and was carried out during 2019. The results of the valuation as at 31 March 2019 were shown in the actuarial report as at 31 March 2020 and were reflected in the 2019/20 accounts.

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

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

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding interest) are recognised within Other Comprehensive Expenditure in full in the period in which they arise. Service costs are recognised in the SoCNE and are spread systematically over the

working lives of the employees. The net interest charge in the SoCNE reflects the unwinding of the discount applied to the net liabilities of the scheme.

National Employment Savings Trust (NEST) Defined Contribution Pension Scheme

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

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

Civil Service Injury Benefits Scheme

The Civil Service Injury Benefit Scheme is accounted for under IAS 37. Please see Note 1.18.

1.18 Provisions and contingent liabilities

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

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

a contingent liability is disclosed in the accounts.

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

Litigation

In litigation provisions, the likelihood of the outcome and the estimated amount due are calculated by Legal professionals, using their professional judgment and expert knowledge of the case providing a range of values with the most likely estimate of amount payable being claimed. Where legal cases relate to contract disputes, Commercial professionals are also involved in the calculation of the likelihood and amount of payment.

Civil Service Injury Benefits Scheme

HMPPS is required to pay benefits to staff who are members of the PCSPS, who are injured in connection with their employment, under the Civil Service Injury Benefits Scheme. Benefits are paid only in respect of loss of earning capacity, and a provision is made for expected future costs. The Government Actuary's Department (GAD) provides HMPPS with annuity rates each year covering whole of life (for total liability value), 1 year and 1 to 5 years (for cash flow values). These assumptions take the time value of money into account.

1.19 Value Added Tax (VAT)

Most of HMPPS's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable.

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

1.20 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

HMPPS makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revaluation and impairment of non-current assets

Land, buildings and dwellings are shown at fair value based on professional valuations performed at 31 March each year by the Valuation Office Agency, who are independent of the Department, in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. This year, all land, buildings and dwellings were valued on a desktop basis due to COVID-19 restrictions.

Buildings that are specialised, such as the prisons, are valued at depreciated replacement cost (DRC) to a modern equivalent basis. This modern equivalent is assumed to be in the same location with the same internal area as the existing property. Substantially all other buildings are measured at fair value determined from market-based evidence. All assets other than land and buildings and assets under construction are revalued at each reporting date using the Producer Price Index prepared by the ONS.

LGPS assets and liabilities

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

The pension liabilities for 2020/21 reflect the appropriate assumptions, taking account of COVID-19. As a result of the large reduction in the discount rate at 31 March and changes to the inflation assumptions following government's response to Retail Price Index reforms, this has significantly increased the pension liability for all GMPF employers, including HMPPS.

In March 2020, there were significant falls in some global markets as a result of the COVID-19 pandemic. This reduced the value of the LGPS assets recorded by GMPF and the share of assets applicable to HMPPS. However, the assets held by GMPF have performed well over the past

year and the share of assets applicable to HMPPS has partially reduced the increase in pension liability for 2020/21.

All assumptions remain under constant review. As the economic climate changes and more information becomes available, assumptions will be updated to reflect this. More detail is reflected in Note 18.

Provisions for liabilities and charges

The recognition and measurement of provisions rely on the application of professional judgement, historical experience and other factors expected to influence future events. Provision balances which contain regular, homogeneous transactions are often derived from complex financial models. Estimates and assumptions applied in these models are continually reviewed. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised. Further information is set out in Note 1.18.

Critical judgements in applying HMPPS accounting policies

Lease accounting

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

Service Concession Arrangements

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

2. Statement of Operating Costs by Operating Segment

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

The HMPPS directorate structure is as follows:

Public sector prisons

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

Custodial contracts

Custodial contracts includes a range of system-wide contracts and third sector providers delivering offender services,

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

Youth Custody Services

The Youth Custody Service (YCS) is a distinct arm of HMPPS with responsibility for all aspects of work with young people (aged 10 to 17 years) both in young offender institutions and secure training centres across England and Wales. The YCS also has responsibility for Feltham B Side (ages 18 to 24 years), and oversight of children placed in eight secure children's homes with which HMPPS contracts via local councils. The YCS are also heavily involved in the implementation work for the launch of secure schools and wider youth justice reform.

Probation and women

The probation and women's directorate is responsible for line management and leadership of probation services in England. The National Probation Service is a statutory criminal justice service that supervises high-risk offenders released into the community, working closely with local delivery partnerships including prisons, community rehabilitation companies and other providers. The directorate also provides the courts with pre-sentence reports, which advise on appropriate sentencing measures for all persons convicted of an offence.

The women's estate maintains a clear focus on the specific and distinct needs of women offenders both in prisons and in the community.

HMPPS Wales

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

Electronic monitoring

Electronic monitoring is an effective offender management tool, which can give defendants on bail and offenders a chance to maintain their ties with the community, while protecting the public. The electronic monitoring team is responsible for managing the existing curfew, location monitoring and recently introduced alcohol monitoring services by contracted providers. It is also continuing to develop the new national service, which allows HMPPS to monitor offenders and defendants on bail (including immigration bail) even more effectively and innovatively, to support Justice System reform, including initiatives to support tougher community sentences.

Prison supply

Prison supply directorate includes a portfolio of new-build and refurbishment projects, the reconfiguration programme, and a prison estates maintenance and improvements (PEMI) section. In addition to building two new Category C prisons, the new-build portfolio aims to provide 13,000 additional safe prison places as quickly as possible to meet expected demand. The reconfiguration programme is continuing to reconfigure the estate into three functions (reception, training, and resettlement) so that prisoners are

held in establishments appropriate to their needs. PEMI manages the contracts and service level agreements with facilities management providers to ensure that the prison estate is safe, compliant with health and safety legislation, and in good working order. Prison facilities management undertakes essential maintenance across the prison estate, to ensure that conditions are kept to a safe and decent level. Facilities management services include repairs and maintenance to showers, serveries, boilers, and gates; ensuring prison cells and wings are fire safety compliant; and carrying out urgent remedial work due to vandalism. These services are provided by a mixture of private sector providers and a government owned company.


Community interventions

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

During the course of 2020/21, the community interventions directorate also had responsibility for the HMPPS-controlled approved premises.

Support services

This area includes the security, order and counter terrorism, and safety and rehabilitation directorates. Security, order and counter terrorism works closely with both MoJ and the operational



field to provide the most effective and innovative support for security in prisons and probation. Safety and rehabilitation includes psychology, safety, drugs strategy, education, prison industries, families, health and interventions.

Strategy, planning and performance

The strategy, planning and performance directorate provides central support and oversight to HMPPS. The directorate is responsible for setting out HMPPS organisational strategy with our partners and wider government, and ensuring our systems have the right governance and change management to deliver on our ambition. It directly supports operational delivery by enabling people to access and apply evidence and insight, to continuously improve performance, to monitor risk, improve information security and assure the delivery of services. The directorate contains the Chief Executive Officer office, leads on diversity and inclusion, works collaboratively to create more inclusive and open learning cultures, and will support HMPPS to build back better as we respond to the COVID-19 pandemic.

Director General, National Probation Service

Director General of Probation and Wales is responsible for the leadership of the probation service, managing the deployment of rehabilitation services across both custody and community, with accountability for public protection protocols across both public and private providers. The Director General is also responsible for all HMPPS operations in Wales, including public and private prisons, the probation system, and the MoJ's relationship with the Welsh Government. The Director General office supports the delivery of the directorate's objectives and strategic priorities.

Table 2a presents resource expenditure, which is reported to the board by segment. Table 2b reconciles this total to the SoCNE, which also includes Annually Managed Expenditure (AME) and SoCNE expenditure which counts towards capital for budgeting purposes. The reporting format has been revised for 2020/21 to reflect the HMPPS structure. 2019/20 comparatives are presented in the revised format for comparability.

2a Total net resource expenditure as reported to board in 2020/21

	Gross expenditure £'000	Income £'000	2020/21 Net £'000
Public sector prisons	2,129,651	(133,644)	1,996,007
Custodial contracts	591,676	(3,687)	587,989
Youth custody services	198,221	(31,569)	166,652
Probation and women	435,175	(7,479)	427,696
Probation reform programme	56,133	-	56,133
HMPPS Wales	239,857	(8,106)	231,751
Electronic monitoring	111,806	(1,498)	110,308
Prison supply	298,001	(569)	297,432
Community interventions	488,022	(975)	487,047
Support services	233,696	(38,546)	195,150
Strategy, planning and performance	27,767	(25)	27,742
Director General, Probation Service	5,188	-	5,188
Total	4,815,193	(226,098)	4,589,095

2b Reconciliation between operating segments and SoCNE in 2020/21

	Gross expenditure £'000	Income £'000	2020/21 Net £'000
Total net expenditure by operating segment as reported to the board	4,815,193	(226,098)	4,589,095
PFI prisons and service concession arrangements accounting treatment	380	-	380
HMPPS costs where the budget is held within MoJ	442,888	(9,202)	433,686
MoJ overhead recharges	326,367	-	326,367
Capital income and expenditure	-	(1,247)	(1,247)
Net gain on transfers by absorption	-	-	-
Accounting treatment of provisions (AME)	65,629	-	65,629
Other	(3,144)	-	(3,144)
Total net expenditure per SoCNE	5,647,313	(236,547)	5,410,766

2a Total net resource expenditure as reported to board in 2019/20

	Gross expenditure £'000	Income £'000	2019/20 Net £'000
Public sector prisons	1,989,555	(140,040)	1,849,515
Custodial contracts	560,841	(3,499)	557,342
Youth custody services	204,918	(31,119)	173,799
Probation and women	409,448	(6,174)	403,274
HMPPS Wales	228,848	(11,436)	217,412
Prison supply	266,714	(23,947)	242,767
Electronic monitoring	91,013	(14,902)	76,111
Strategy, planning and performance	74,354	(1,024)	73,330
Community interventions	457,379	(1,009)	456,370
Probation reform	25,008	-	25,008
Director General, Probation Service	1,049	-	1,049
Support services	196,128	(40,253)	155,875
Total	4,505,255	(273,403)	4,231,852

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

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

3. Income

	2020/21 £'000	2019/20 £'000
(a) Income from contracts with customers		
External sales of prison industries	3,370	10,601
Retail prison shop income	65,884	56,693
In-cell TV income	33	1,759
Healthcare funding	49,622	59,917
Running of immigration removal centres	25,502	22,122
Youth remand income	31,022	29,774
Education funding	6,606	6,817
Counter terrorism funding	-	6,677
Electronic monitoring services	1,498	14,902
Estates recharges	1,303	263
Other income	10,305	16,856
Total income from contracts with customers	195,145	226,381
(b) Other operating income		
European Social Fund and other European funding	32,850	27,446
Rental income	8,552	6,801
Total other operating income	41,402	34,247
Total operating income	236,547	260,628

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

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

4. Expenditure

4a Staff numbers and related costs

Staff numbers and further details of related costs, including exit packages, are reported in the Remuneration and Staff report on pages 86 to 106.

	2020/21 £'000	2019/20 £'000
Permanent staff – wages and salaries	1,741,644	1,597,016
Permanent staff – social security costs	184,484	163,706
Permanent staff – pension costs	457,934	501,566
Agency staff costs	48,865	54,722
Departures and severance payments	8,630	10,969
Inward secondments	15,394	9,554
Sub-total	2,456,951	2,337,533
Recoveries in respect of outward secondments	(6,230)	(6,299)
Total net costs	2,450,721	2,331,234

4b Purchase of goods and services

	2020/21 £'000	2019/20 £'000
PFI prison service charges and managed prison charges	465,029	439,167
Service Concession Arrangements charges for prisoner escorting and custody services	137,862	143,784
Electronic monitoring	87,582	71,869
Contracted probation services (community rehabilitation companies)	411,040	403,122
Accommodation, maintenance and utilities	572,675	500,350
Offender-related costs	419,384	340,672
Offender learning	131,340	154,302
Secure children's homes	27,456	25,098
Secure training centres	31,666	29,523
IT services and telecommunications	28,310	18,351
Training and other staff-related costs	43,916	32,483
Travel, subsistence and hospitality	16,356	45,153
Professional services	52,922	38,730
Communications, office supplies and services	12,742	12,372
Compensation costs	(1,747)	43,591
Other costs	31,044	27,037
Total purchase of goods and services	2,467,577	2,325,604

Where expenditure has been categorised differently in note 4b in 2020/21, the categorisation of this spend has also been changed for 2019/20 for comparability. The 2019/20 total remains the same.

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

4c Depreciation, amortisation and impairment charges

	Notes	2020/21 £'000	2019/20 £'000
Depreciation – Property, plant and equipment	5	305,761	288,570
Amortisation – Intangible assets	6	9,973	33,112
Impairment charge – Property, plant and equipment	5	39,124	(68,488)
Impairment charge – Assets held for sale	7	96	-
Impairment charge – Trade and other receivables		1,248	3,362
Total depreciation, amortisation and impairment charges		356,202	256,556

4d Notional expenditure

	2020/21 £'000	2019/20 £'000
MoJ overhead recharges	326,367	312,269
Net loss/(profit) on disposal of assets	(952)	(198)
Capital grant-in-kind	900	-
External auditor's remuneration	320	282
Total other non-cash expenditure	326,635	312,353

MoJ overhead recharges

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

External auditor's remuneration

The costs of the audit performed by the National Audit Office on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year, HMPPS did not purchase any non-audit services. The cost for the audit of the HMPPS annual report and accounts for 2020/21 was £320,000 (2019/20: £282,000).

4e Finance expense

	Notes	2020/21 £'000	2019/20 £'000
Interest on LGPS pensions	18	37,980	45,321
Unwinding of discount on provisions	12	(5,900)	1,227
Total non-cash finance expense		32,080	46,548
Finance charge on PFI and leased assets		14,098	14,085
Total cash finance expense		14,098	14,085
Total finance expense		46,178	60,633

5. Property, plant and equipment

	Land £'000	Buildings £'000	Dwellings £'000	Information technology £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Payments on account and assets under construction £'000	Total £'000
2020/21								
Cost or valuation								
At 1 April 2020	943,270	6,668,387	26,161	222,387	303,006	11,981	373,680	8,548,872
Additions	-	62,824	-	17,364	70,756	167	573,842	724,953
Disposals	-	1	-	-	(5,060)	-	-	(5,059)
Transfers	-	(900)	-	3,249	-	-	31,413	33,762
Reclassifications	6,089	85,803	(1,497)	(450)	37,154	144	(123,461)	3,782
Impairments	155	(13,288)	-	-	(23,755)	-	(2,306)	(39,194)
Revaluations	34,479	(416,671)	359	7,112	(8,327)	4	-	(383,044)
At 31 March 2021	983,993	6,386,156	25,023	249,662	373,774	12,296	853,168	8,884,072
Depreciation								
At 1 April 2020	-	(520)	1	(205,161)	(215,715)	(11,911)	-	(433,306)
Charged in year	-	(274,666)	(813)	(6,573)	(23,679)	(30)	-	(305,761)
Disposals	-	-	-	-	4,788	-	-	4,788
Transfers	-	-	-	-	-	-	-	-
Reclassifications	-	14	19	-	-	-	-	33
Impairments	-	57	-	-	13	-	-	70
Revaluations	-	275,115	792	(6,640)	8,052	(3)	-	277,316
At 31 March 2021	-	-	(1)	(218,374)	(226,541)	(11,944)	-	(456,860)
Carrying value								
At 31 March 2021	983,993	6,386,156	25,022	31,288	147,233	352	853,168	8,427,212
At 1 April 2020	943,270	6,667,867	26,162	17,226	87,291	70	373,680	8,115,566
Asset financing:								
Owned	981,971	5,596,190	24,192	31,288	87,498	352	853,168	7,574,659
Finance leased	2,022	23,466	830	-	2,202	-	-	28,520
On-balance sheet (SoFP) PFI contracts	-	766,500	-	-	57,533	-	-	824,033
At 31 March 2021	983,993	6,386,156	25,022	31,288	147,233	352	853,168	8,427,212



Non-operational assets

Included in the carrying values above are eleven non-operational sites with a combined value of £16.5 million (2019/20: eight non-operational sites with a combined value of £10.3 million). These sites are vacant, but do not yet meet the criteria for classification as assets held for sale.

Reclassification as assets held for sale

Properties with a total carrying value of £2 million were reclassified to assets held for sale in 2020/21 (2019/20: £22.4 million).

5. Property, plant and equipment (continued)

	Land £'000	Buildings £'000	Dwellings £'000	Information technology £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Payments on account and assets under construction £'000	Total £'000
2019/20								
Cost or valuation								
At 1 April 2019	904,095	6,469,346	35,669	215,617	310,219	13,081	249,422	8,197,449
Additions	-	19,190	-	6,909	11,698	20	238,365	276,182
Disposals	-	-	-	(57)	(17,764)	(324)	-	(18,145)
Transfers	-	-	-	-	-	-	-	-
Reclassifications	(11,077)	117,082	(10,429)	(1,466)	(2,600)	(626)	(113,503)	(22,619)
Impairments	202	69,655	59	(37)	(662)	(156)	(604)	68,457
Revaluations	50,050	(6,886)	862	1,421	2,115	(14)	-	47,548
At 31 March 2020	943,270	6,668,387	26,161	222,387	303,006	11,981	373,680	8,548,872
Depreciation								
At 1 April 2019	-	4	32	(199,368)	(213,868)	(12,234)	-	(425,434)
Charged in year	-	(265,948)	(998)	(4,524)	(17,081)	(19)	-	(288,570)
Disposals	-	-	-	57	16,673	324	-	17,054
Transfers	-	-	-	-	-	-	-	-
Reclassifications	-	40	181	1	-	2	-	224
Impairments	-	-	-	-	29	2	-	31
Revaluations	-	265,384	786	(1,327)	(1,468)	14	-	263,389
At 31 March 2020	-	(520)	1	(205,161)	(215,715)	(11,911)	-	(433,306)
Carrying value								
At 31 March 2020	943,270	6,667,867	26,162	17,226	87,291	70	373,680	8,115,566
At 1 April 2019	904,095	6,469,350	35,701	16,249	96,351	847	249,422	7,772,015
Asset financing:								
Owned	941,121	5,876,992	25,362	17,226	83,263	70	373,680	7,317,714
Finance leased	2,149	19,280	800	-	4,028	-	-	26,257
On-balance sheet (SoFP) PFI contracts	-	771,595	-	-	-	-	-	771,595
At 31 March 2020	943,270	6,667,867	26,162	17,226	87,291	70	373,680	8,115,566

The financing categories of 2019/20 comparatives have been restated from the prior year's published accounts. Totals remain unchanged.

6. Intangible assets

2020/21 Cost or valuation	Software £'000	Licences £'000	Payments on account and assets under construction £'000	Total £'000
At 1 April 2020	325,539	18,658	4,908	349,105
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	9,258	(25)	(9,207)	26
Revaluations	10,544	585	-	11,129
Transfers	6,613	25	4,299	10,937
At 31 March 2021	351,954	19,243	-	371,197
Amortisation				
At 1 April 2020	(292,357)	(16,959)	-	(309,316)
Charged in year	(8,448)	(1,525)	-	(9,973)
Disposals	-	-	-	-
Reclassifications	403	-	-	403
Revaluations	(9,419)	(579)	-	(9,998)
Transfers	(744)	-	-	(744)
At 31 March 2021	(310,565)	(19,063)	-	(329,628)
Carrying value				
At 31 March 2021	41,389	180	-	41,569
At 1 April 2020	33,182	1,699	4,908	39,789
Asset financing				
Owned	41,389	180	-	41,569
At 31 March 2021	41,389	180	-	41,569

At 31 March 2021 and 31 March 2020 there were no individually material intangible assets.

6. Intangible assets (continued)

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

7. Assets held for sale

	31 March 2021 £'000	31 March 2020 £'000
Cost or valuation		
At 1 April	15,882	3,163
Reclassifications	(4,244)	22,395
Disposals	(1,077)	(9,661)
Impairments	(96)	-
Revaluations	(1,358)	(15)
At 31 March	9,107	15,882

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

8. Inventories

	31 March 2021 £'000	31 March 2020 £'000
Industries and farms		
Raw materials	22,673	12,874
Work-in-progress	2,061	2,402
Finished goods	1,672	14,063
	26,406	29,339
Consumables	28,386	29,277
Total inventories	54,792	58,616

During 2020/21 some public sector prison industries stock has been reclassified following a streamlining of expense codes which has resulted in a reclassification of some stock between raw materials and finished goods to better reflect the inventory held.

9. Trade receivables

	31 March 2021 £'000	31 March 2020 £'000
Trade receivables	33,087	33,567
Other receivables	37,958	38,361
VAT receivables	49,484	75,985
Intra-departmental receivables	5,165	6,817
Prepayments	6,084	29,669
Accrued income	24,710	44,316
Total trade and other receivables	156,488	228,715

10. Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Balance at 1 April	15,654	34,636
Net change in cash and cash equivalents	15,503	(18,982)
Balance at 31 March	31,157	15,654
The following balances at 31 March were held at:		
Government Banking Service	30,028	15,052
Commercial banks and cash in hand	1,129	602
Cash at bank and in hand	31,157	15,654

Third party monies

At 31 March 2021, HMPPS held cash of £16.9 million (£15.6 million at 31 March 2020) on behalf of offenders. As this cash belongs to third parties, the balance is not included in the SoFP in these accounts.

11. Trade and other payables

11a. Amounts falling due within one year

	31 March 2021 £'000	31 March 2020 £'000
Trade payables	63,666	63,964
Taxation and social security	43,931	39,903
Other payables	42,466	39,079
Intra-departmental payables	61,019	55,601
Accruals	532,260	362,674
Deferred income	44,467	67,403
Current part of finance leases	46	43
	787,855	628,667

11b. Amounts falling due after more than one year

	31 March 2021 £'000	31 March 2020 £'000
Local authority loan balances	777	1,382
Finance leases	133	179
	910	1,561

12. Provisions for liabilities and charges

				31 March 2021	31 March 2020
	Leasehold property dilapidations	Injury benefit scheme	Litigation and other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	41,320	152,487	117,185	310,992	299,554
Provided in year	7,485	12,645	42,463	62,593	81,851
Provisions not required written back	(1,190)	(3,854)	(57,205)	(62,249)	(34,264)
Provisions utilised in year	(174)	(5,612)	(29,274)	(35,060)	(37,376)
Unwinding of discount	-	-	(5,900)	(5,900)	1,227
Balance at 31 March	47,441	155,666	67,269	270,376	310,992

Analysis of expected timing of discounted cash flows

				31 March 2021	31 March 2020
	Leasehold property dilapidations	Injury benefit scheme	Litigation and other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000
Not later than one year	13,508	5,519	16,219	35,246	71,002
Later than one year but not later than five years	26,842	21,822	43,213	91,877	99,878
Later than five years	7,091	128,325	7,837	143,253	140,112
Balance at 31 March	47,441	155,666	67,269	270,376	310,992

The aging of 2019/20 comparatives has been restated from the prior year's published accounts. Totals remain unchanged.

Leasehold property dilapidations

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

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

Civil Service Injury Benefits Scheme provisions

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

Litigation and other provisions

Litigation provisions⁷ of £58.6 million (2019/20: £67.1 million) comprise legal claims against HMPPS and reflect all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated.

Other provisions £8.7 million (2019/20: £44.1 million) primarily consist of: £5 million provision arising from a terminated contract and costs associated with the re-banding of residential workers from band 2 to band 3 in approved premises. Legal claims which are likely to succeed with a lesser degree of certainty or cannot be estimated reliably are disclosed as contingent liabilities in Note 17.

Provisions for six cases which have resulted in annuities arising from litigation are discounted using the HM Treasury rates as payments are due over a number of years – more than 20 years in some cases. Other general litigation provisions are not discounted, on the basis that most claims would normally crystallise within 12 months and the potential discounting on those that could continue for longer is uncertain and is not material.

⁷ Opening and closing balances include the life-cycle value for annuities, which is separate from the extracted litigation provisions total.

13. Commitments under PFI contracts and other service concession arrangements

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

Project name	Contract start date	Duration (years)	Description
HMP Altcourse	December 1997	25	Design, build, finance and operate an 800-place Category B prison at HMP Altcourse
HMP Parc	December 1997	25	Design, build, finance and operate a 1,519-place Category B prison near Bridgend, South Wales
HMP Lowdham Grange	February 1998	25	Design, build, finance and operate a 760-place Category B prison at HMP Lowdham Grange, Nottingham
HMP Ashfield	November 1999	25	Design, build, finance and operate a 400-place young offenders and juveniles Category B prison at Pucklechurch, near Bristol; converted in 2013 to hold adult offenders
HMP Forest Bank	January 2000	25	Design, build, finance and operate an 800-place Category B prison HMP Forest Bank, on site of the former Agecroft power station
HMP Rye Hill	January 2001	25	Design, build, finance and operate a 600-place Category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	July 2001	25	Design, build, finance and operate a 1,060-place Category B prison and therapeutic community facility at HMP Dovegate, Marchington
HMP Bronzefield	June 2004	25	Design, build, finance and operate a 500-place Category B prison at Ashford in Middlesex
HMP Peterborough	March 2005	25	Design, build, finance and operate an 840-place Category B prison at Peterborough in Cambridgeshire
HMP Thameside	March 2012	25	Design, build, finance and operate a 900-place Category B prison at Woolwich in London
Oakhill Secure Training Centre	May 2004	25	Design, construct and manage a secure training centre, located in Oakhill, Milton Keynes
Prison Escorting and Custody Service	August 2020	10	The supply and running of the prison vans and escorts

13b. Commitments under PFI and other service concession contracts

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

	31 March 2021 £'000	31 March 2020 £'000
Rentals due not later than one year	38,884	31,437
Rentals due later than one year but not later than five years	128,896	110,041
Rentals due later than five years	160,228	147,842
	328,008	289,320
Less interest element	(91,651)	(89,991)
Present value of obligations	236,357	199,329

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

	31 March 2021 £'000	31 March 2020 £'000
Rentals due not later than one year	24,623	18,680
Rentals due later than one year and not later than five years	86,723	71,935
Rentals due later than five years	125,011	108,714
Present value of obligations	236,357	199,329

The increase in the present value of obligations is due to the new 10 year PECS 4 contract, which began in August 2020.

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

	31 March 2021 £'000	31 March 2020 £'000
Not later than one year	540,342	435,984
Later than one year but not later than five years	1,619,855	1,219,640
Later than five years	1,343,527	861,964
Total service element	3,503,724	2,517,588

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

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

The total amount charged in the SoCNE in respect of on-balance sheet (SoFP) PFI and other service concession arrangements transactions was £562.7 million for the year to 31 March 2021 (2020: £539.1 million). Of this total, the service element was £548.7 million (2019/20: £525.1 million) and the interest charges were £14 million (2019/20: £14 million).

14. Commitments under leases

14a. Operating leases

HMPPS leases various land and buildings under non-cancellable operating lease agreements. The land and buildings comprise probation estate, HQ estates, one Memorandum of Terms of Occupation (MOTO) (Twyver House) and one prison (HMP Dartmoor) and have lease terms ranging from 1 month to 52 years. The operating leases do not have purchase options.

The land and buildings operating lease expenditure charged to the SoCNE during the year is £18.9 million (2019/20: £18.9 million). This is included within accommodation, maintenance and utilities in Note 4b.

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

		31 March 2021	31 March 2020
		£'000	£'000
Obligations under operating leases comprise:			
Land and buildings	Not later than one year	20,776	13,785
	Later than one year but not later than five years	48,562	32,447
	Later than five years	30,429	17,607
Total obligations under operating leases		99,767	63,839

14b. Finance leases

The net present value of total future minimum lease payments under finance leases is £0.2 million (2019/20: £0.2 million).

15. Other financial commitments

	31 March 2021 £'000	31 March 2020 £'000
Not later than one year	633,161	798,045
Later than one year but not later than five years	696,127	932,186
Later than five years	77,210	152,766
Total other financial commitments	1,406,498	1,882,997

Included within the table above is a commitment of £2.4 million (March 2020: £16.1 million) and £8.5 million (March 2020: £16 million) relating to fee for use and payments by results elements of the contracts with community rehabilitation companies which are based on a predicted volume of offenders, changes in which will result in a corresponding increase or reduction in the amount payable to community rehabilitation companies. The table also includes a commitment of £92.1 million for the cost-plus element of the community rehabilitation companies' contracts, replacing fee for service (March 2021: £243.7 million) in December 2020. The contracts are being terminated in June 2021, hence the decrease in liability.

16. Capital commitments

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

	31 March 2021 £'000	31 March 2020 £'000
Property, plant and equipment	361,883	345,514
Total capital commitments	361,883	345,514

17. Contingent liabilities

HMPPS faces claims amounting to £69.9 million (2019/20: £55.1 million) for injury to staff, prisoners and the public and for third party contract disputes where the likelihood of a liability arising is deemed possible but not likely or not reliably measurable. Other claims where it is more likely than not that a liability will arise have been provided for in the accounts. See Note 12. Remote contingent liabilities reported to Parliament are disclosed in the Accountability Report on page 109.

18. Pensions

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

31 individuals retired early on ill health grounds (2019/20: 44). The total additional accrued pension liabilities in the year amounted to £0.1 million (2019/20: £0.2 million).

Principal Civil Service Pension Scheme

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

For the year to 31 March 2021, employer’s contributions of £328.8 million were payable to the PCSPS (2019/20: £318.1 million) at rates in the range of 26.6% to 30.3% (2019/20: 26.6% to 30.3%) of pensionable pay (34.1% for prison officer grades with reserved rights) based on salary bands (2019/20: 34.1%).

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020/21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Partnership pension accounts

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers’ contributions of £1.2 million (2019/20: £1.2 million) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2019/20: 8% to 14.75%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.04 million, 0.5% of pensionable pay, (2019/20: £0.04 million, 0.5%) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. There were contributions due of £0.1 million and no contributions prepaid to the partnership pension providers at 31 March 2021.

National Employment Savings Trust (NEST) Defined Contribution Pension Scheme

Under the government’s policy of ‘workplace Pension’, all workers who meet the minimum requirements for auto enrolment must be enrolled into a pension scheme by their employer.

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

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

Pension contributions are based on a pensionable pay range, of between £6,240 and £50,000 (2019/20: £6,136 and £50,000). A minimum pension contribution is not mandatory for pensionable pay below £6,240 (2019/20: £6,136). Minimum contributions for both 2020/21 and 2019/20 were 8% in total: 3% by employers, 4% by employees, with 1% through tax relief from government. For the year to 31 March 2021, employer contributions of £0.04 million were paid (2019/20: £0.09 million).

Local Government Pension Scheme

HMPPS offers retirement benefits within the Local Government Pension Scheme (LGPS) to probation staff working within the National Probation Service (NPS).

With effect from 1 June 2014, HMPPS is responsible for the overall pension liability for past and present LGPS employees employed in NPS, including the former probation trusts and the community rehabilitation companies (and their sub-contracted bodies) and the total pension liability is recorded within the HMPPS accounts below. The contracts with the CRCs were designed so that the CRCs paid a fixed fee with the pension liability risk remaining with HMPPS. The total LGPS pension liability transferred to HMPPS on 1 June 2014, under absorption accounting and the Transforming Rehabilitation Programme, which saw the creation of CRCs and NPS. Up to 31 May 2014, 35 probation trusts accounted for

their pension liability separately via locally administered pension funds. Under the Transforming Rehabilitation Programme, the probation trusts were dissolved and the NPS (within HMPPS) and the outsourced CRCs were created on 1 June 2014. At this point, the community rehabilitation companies became LGPS admitted bodies under the responsibility of HMPPS who became the LGPS scheme employer.

Past employees of the probation trusts, and LGPS probation staff who transferred to community rehabilitation companies and HMPPS NPS are covered by the provisions of LGPS via one pension fund, GMPF, administered by their local council, Tameside Metropolitan Borough Council. The assets and liabilities from the former probation trust's own pension funds were transferred to GMPF.

With effect from 25 June 2021, the contracts with the CRCs ended and the majority of LGPS employees transferred into the NPS, with a few remaining LGPS employees transferring to new outsourced dynamic framework providers. The new outsourced providers will become LGPS admitted bodies, under the responsibility of HMPPS as the scheme employer. The total pension liability will continue to be the responsibility of HMPPS and will be reported in the HMPPS annual report and accounts.

The LGPS is a statutory scheme primarily governed by the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. These are subject to amendment over time. The LGPS is a funded, multi-employer defined benefit scheme. HMPPS recognises an LGPS pension scheme

liability in these accounts, in accordance with IAS 19.

A liability arises as employees earn their future entitlement to payments when they retire. The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The contribution rates reflect benefits as they are accrued and reflect the past experience of the schemes.

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

From 1 April 2014, the scheme provides benefits on a career average revalued earnings (CARE) basis. Benefits accrue at the rate of 1/49th of pensionable salary for each year of service. The scheme permits employees to take a lump sum payment on retirement in exchange for a reduction in their future annual pension. Members pay contributions of between 5.5% and 12.5% of pensionable earnings. Member contributions changed from 1 April 2014 and benefits accrued from this date are on a CARE basis, with protections in place for those members in the scheme before the changes took effect.

For the year to 31 March 2021, HMPPS paid employers' contributions of £98.5 million to GMPF, relating to current NPS

probation staff, at 29.6% (2019/20: £87.5 million at 29.6%).

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

The pension position as at 31 March 2021, as detailed below, is based on the actuarial report from Hymans Robertson LLP, the independent actuary for GMPF, in compliance with IAS 19. There were no plan curtailments or settlements during the year.

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

Tameside Metropolitan Borough Council is the administering authority of GMPF.

A number of assumptions are made as part of the actuarial valuation process and the major assumptions are set out in the table below. The assumptions underlying the calculation of the net liability as at 31 March 2021 are used for accounting purposes as required under IAS 19.

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

In March 2020, there were significant falls in some global markets as a result of the COVID-19 pandemic. This reduced the value of the LGPS assets recorded by GMPF and the share of assets applicable to HMPPS. Since then, the markets have improved and the assets held by GMPF have performed extremely well

over the past year, as set out in the disclosure below. While the impact of COVID-19 continues to produce some uncertainty on the market valuation of properties, management acknowledges the uncertainty but considers that the valuation provided by GMPF is appropriate at the date of reporting.

The overall reduction in pension liabilities is partially offset by the increase in asset valuation, as shown in the disclosure below. The pension liabilities for 2020/21 reflect the appropriate assumptions, taking account of COVID-19. All assumptions remain under constant review. As the economic climate changes and more information becomes available assumptions will be updated to reflect this.

HMPPS is only liable for the pension obligations due to GMPF relating to NPS employees (and ultimately the CRC employees under the Secretary of State for Justice Pension Guarantee, referred to in Accounting Policies Note 1.17). HMPPS is not liable for pension obligations of other employers that participate in the LGPS with GMPF.

Should HMPPS move to another pension fund or pension scheme, an exit payment to cover the pension liability due would be determined by GMPF and their actuary. However, there are no plans to move to another pension fund or pension scheme.

Discount rate

The discount rate is the most significant financial assumption for assessing pension obligations. A reduction in the discount rate results in an increase in the value of the pension liability for accounting purposes and vice versa. The discount

rate used in these financial statements, as required by IAS 19, is based on market yields of high-quality corporate bonds valued as at the reporting date of 31 March. Hymans' corporate bond yield curve is based on the constituents of the iBoxx AA corporate bond index. The discount rate assumptions set by the actuary are considered appropriate in light of COVID-19. The large reduction in the discount rate compared to last year has resulted in a significant increase in the pension liability.

Inflation

The inflation assumption is the second most significant financial assumption for assessing pension obligations and typically drives the assumption for salary growth and pension increases (to the extent they are inflation linked). A higher inflation assumption will lead to an increase in pension liabilities. The government announced the measure of Retail Price Index will change from 2030 to be in line with the Consumer Prices Index including housing costs. Therefore, this has been allowed for when deriving the inflation assumption. This has resulted in a significant increase in the projection for future pension increases and salary growth.

Mortality

The baseline mortality assumptions are based on analysis carried out by longevity experts Club Vita. Future life expectancy predictions use their continuous mortality investigation model. For 2020/21, the 2020 model has been used which uses more up-to-date longevity data when compared to the 2018 model used for the 2019/20 assumptions. Based on very high-level analysis it is not expected that mortality arising from COVID-19 in the

short term will have a significant impact on the valuation of the pension liability for HMPPS. In the longer term, COVID-19 has the potential to impact on future mortality, but it is too early to quantify at this stage. The mortality rate assumptions used for 2020/21 have not been adjusted specifically in relation to the potential impact of COVID-19.

Risk mitigation strategies

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

- investment strategy
- monitoring investment activity and performance
- overseeing administrative activities
- guidance to officers in exercising delegated powers
- reviewing governance arrangements

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

McCloud Judgment

The December 2018 McCloud Judgment found that transitional arrangements put in place during the reform of firefighters and judges pension schemes was discriminatory on grounds of age. The government has confirmed this ruling also applies to the LGPS. Based on the findings of the Government Actuary's Department, published in June 2019 and taking account of the proposed remedial action published by HM Treasury in July 2020 in their consultation document, Hymans Robertson LLP calculated an estimated past service cost applicable to HMPPS. This has resulted in an additional cost of £25.3 million, reflected in the pension liability for the 2019/20 accounts.

The government response to the consultation for unfunded pension schemes was published in February 2021, however the government response for the LGPS has not yet been published and is not expected until later in the year. On 13 May 2021, a written Ministerial Statement on McCloud and LGPS was made. Further information can be found at <https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26>

Based on the response for the unfunded pension schemes and written Ministerial Statement, no further adjustment to the cost in the pension liability has been made for 2020/21. Further information on the McCloud Judgment can be found at <https://www.civilservicepensionscheme.org.uk/members/mccloud-judgment>

The major assumptions used by the LGPS actuary were:

	31 March 2021	31 March 2020
	%	%
Rate of increase in salaries	3.60	2.70
Rate of increase for pensions in payment and deferred pensions	2.85	1.90
Discount rate	2.00	2.30

Mortality

Life expectancy is based on the fund's VitaCurves with improvements in line with the continuous mortality investigation 2020 model, with a 0% weighting of 2020 data, standard smoothing, initial adjustment of 0.5% and a long-term rate of 1.5% per year (2019/20: life expectancy was based on the VitaCurves with improvements in line with the continuous mortality investigation 2018 model assuming a long-term rate of 1.5% per year). Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	Female
Current pensioners	20.5 years	23.3 years
Future pensioners ⁸	21.9 years	25.3 years

⁸ Figures assume members aged 45 as at the last formal valuation date

Movements in the LGPS defined benefit obligation during the year:

	31 March 2021			31 March 2020		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Plan assets	-	3,774,615	3,774,615	-	4,130,169	4,130,169
Funded liabilities	(5,372,978)	-	(5,372,978)	(5,933,632)	-	(5,933,632)
Unfunded liabilities	(39,455)	-	(39,455)	(46,623)	-	(46,623)
Opening balance at 1 April	(5,412,433)	3,774,615	(1,637,818)	(5,980,255)	4,130,169	(1,850,086)
Current service costs	(151,014)	-	(151,014)	(180,207)	-	(180,207)
Past service costs (including curtailments)	(319)	-	(319)	(25,711)	-	(25,711)
Total current and past service costs	(151,333)	-	(151,333)	(205,918)	-	(205,918)
Net interest (cost)/income	(124,614)	86,634	(37,980)	(144,356)	99,035	(45,321)
Remeasurements						
Returns on plan assets, excluding amounts included in interest expense/(income)	-	750,232	750,232	-	(429,906)	(429,906)
Gain/(loss) from change in financial assumptions	(1,482,981)	-	(1,482,981)	434,167	-	434,167
Experience gains/(losses)	55,895	-	55,895	167,038	-	167,038
Gain/(loss) from change in demographic assumptions	(27,927)	-	(27,927)	180,769	-	180,769
Total remeasurements	(1,455,013)	750,232	(704,781)	781,974	(429,906)	352,068

	31 March 2021			31 March 2020		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Contributions						
Employers ⁹	-	118,534	118,534	-	108,026	108,026
Plan participants	(27,844)	27,844	-	(26,094)	26,094	-
Unfunded benefits	-	3,367	3,367	-	3,413	3,413
Benefit payments	157,043	(157,043)	-	158,803	(158,803)	-
Unfunded benefit payments	3,367	(3,367)	-	3,413	(3,413)	-
Closing balance at 31 March	(7,010,827)	4,600,816	(2,410,011)	(5,412,433)	3,774,615	(1,637,818)
Plan assets	-	4,600,816	4,600,816	-	3,774,615	3,774,615
Funded liabilities	(6,969,867)	-	(6,969,867)	(5,372,978)	-	(5,372,978)
Unfunded liabilities	(40,960)	-	(40,960)	(39,455)	-	(39,455)
Closing balance at 31 March	(7,010,827)	4,600,816	(2,410,011)	(5,412,433)	3,774,615	(1,637,818)

⁹ £118.5 million is the actuarial calculation (based on actual and estimated amounts) of the employer contribution figure for both NPS and the 21 CRCs (2019/2020: £108.0 million)

The plan assets in the LGPS were:

	Quoted price (in active markets) £'000	Quoted price (not in active markets) £'000	Value at 31 March 2021 £'000	Value as a percentage of total scheme assets at 31 March 2021 %	Value at 31 March 2020 £'000	Value as a percentage of total scheme assets at 31 March 2020 %
Equity securities	2,016,983	-	2,016,983	44	1,669,508	44
Debt securities	282,151	-	282,151	6	264,479	7
Private equity	-	273,837	273,837	6	194,876	5
Property	-	171,909	171,909	4	159,046	4
Investment funds and unit trusts	1,092,471	672,027	1,764,498	38	1,426,833	38
Cash and cash equivalents	91,438	-	91,438	2	59,873	2
Total plan assets	3,483,043	1,117,773	4,600,816	100	3,774,615	100

The categories of plan assets have changed in 2020/21, and the categories of the plan assets have also been updated in 2019/20 for comparability. The 2019/20 total remains the same.

Sensitivity analysis

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

	31 March 2021		31 March 2020	
	Approximate monetary amount £000	Approximate increase to employer liability %	Approximate monetary amount £000	Approximate increase to employer liability %
0.5% decrease in real discount rate	725,070	10	525,077	10
0.5% increase in the salary increase rate	79,640	1	60,340	1
0.5% increase in the pension increase rate	629,339	9	459,478	8

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

19. Financial instruments

Categories of financial instrument

Details of receivables, cash balances and payables can be found in [Notes 9, 10 and 11](#).

Receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market.

Receivables are assessed at each SoFP date and impaired where recoverability is in doubt.

HMPPS holds share investments of £0.6 million (2019/20: £0.4 million) in milk companies due to the milk producing prison farms run by HMPPS at HMP Usk. They are held as financial assets at fair value through profit and loss. Fair value is equal to market value at the reporting date, and the movement in the value of assets is recognised immediately in the SoCNE, as income or as an expense.

HMPPS has financial liabilities comprising PFI liabilities, finance lease liabilities, trade payables, other payables and accruals.

Financial liabilities are measured initially at fair value. Where the effect is material, estimated cash flows of financial liabilities are discounted.

Credit risk

HMPPS is exposed to minimal credit risk as loans and receivables are comprised of trade and other receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor and is equal to the total amount of these outstanding. HMPPS manages its credit risk by undertaking background

and credit checks prior to establishing a debtor relationship. HMPPS has no collateral to mitigate against credit risk.

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

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

20. Special shares

As at 31st March 2021, the Secretary of State for Justice held one special share in each of the 20 community rehabilitation companies, which are listed below.

- The Bedfordshire, Northamptonshire, Cambridgeshire and Hertfordshire Community Rehabilitation Company Limited
- The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited
- The Cheshire and Greater Manchester Community Rehabilitation Company Limited
- The Cumbria and Lancashire Community Rehabilitation Company Limited

- The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited
- The Dorset, Devon and Cornwall Community Rehabilitation Company Limited
- The Durham Tees Valley Community Rehabilitation Company Limited
- The Essex Community Rehabilitation Company Limited
- The Hampshire and Isle of Wight Community Rehabilitation Company Limited
- The Humberside, Lincolnshire and North Yorkshire Community Rehabilitation Company Limited
- The Kent, Surrey and Sussex Community Rehabilitation Company Limited
- The London Community Rehabilitation Company Limited
- The Merseyside Community Rehabilitation Company Limited
- The Norfolk and Suffolk Community Rehabilitation Company Limited
- The Northumbria Community Rehabilitation Company Limited
- The South Yorkshire Community Rehabilitation Company Limited
- The Staffordshire and West Midlands Community Rehabilitation Company Limited
- The Thames Valley Community Rehabilitation Company Limited
- The Warwickshire and West Mercia Community Rehabilitation Company Limited
- The West Yorkshire Community Rehabilitation Company Limited

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

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

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

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

The special shareholder has voting rights in regard to any attempt to change the role of the special shareholder, rights attached to the special shareholding

or key definitions within a community rehabilitation company's articles of association.

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

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

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

21. Related party transactions

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

HMPPS has also had material transactions with a number of other government departments and central government bodies. The most significant of these transactions have been with HMRC, Home Office, Department for Work and Pensions and Cabinet Office: Civil Superannuation.

In accordance with requirements of the FReM these transactions have not been reported.

No board member, key manager or other related parties have undertaken any material transactions with the agency during the year.

22. Events after the reporting period

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

In line with the public announcements made in 2019 and 2020, the CRCs ceased with effect from 25 June 2021. On 26 June 2021, nearly 7,300 CRC employees transferred into the NPS within HMPPS. For those transferring into the NPS, existing LGPS CRC employees will remain in the LGPS and non-LGPS CRC employees will join the LGPS (unless they chose to opt out of the pension scheme). This will increase the overall membership in the LGPS during 2021/22. Once the transfer has taken place and membership data becomes available from GMPF later in the year, the Actuary will undertake a review of the membership which will be reflected in the pension liability for 2021/22.

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978-1-5286-2921-8