Gov Facility
Services Limited

Company Registration Number 11061429

Annual Report and Accounts **2020–2021**

From April 2020 to March 2021

CP 627

Gov Facility Services Limited Annual Report and Accounts 2020–2021
Company Registration Number 11061429

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

March 2022

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Chair's Statement

This last year has seen continued positive development of Gov Facility Services Limited at all levels in the most testing of circumstances for our staff, as well as our customer. Coronavirus impacted on everything and it is to the credit of the entire GFSL workforce that we have delivered so much and kept prison infrastructure functioning throughout the pandemic. As Chair, I extend my thanks to them all.

At a senior level we have strengthened the team with several strong senior managers and confirmation of employment of two key Directors who were previously on temporary contracts. Meanwhile across our workforce, huge progress has been made in converting staff from temporary to permanent appointments. Our non-executive team has a breadth of skills including Finance, Commercial, Facilities Management and Customer representation. The Lord Chancellor's support for this has been greatly appreciated.

As we near the publication date for this Annual Report, our Chief Executive, Paul Ryder has tendered his resignation to pursue other career options. His contribution towards what has been achieved by the organisation has been considerable and we wish him well for the future. Arrangements are being put in place to replace Paul and to ensure that his Accounting Officer responsibilities are covered during any transition period.

We have further enhanced our governance of the business, for example, through the appointment of a new non-executive director to chair the Health and Safety Committee and we continue with our journey towards being the supplier of choice for our customer.

I have been heartened with the progress over the last year, given the challenges faced. We increased the number of projects delivered, improved performance across each of the key areas we set and our compliance standards improved, all within budget.

Whilst everybody deserves credit for maintaining operational delivery in the face of the challenges presented by COVID-19, the pandemic has impacted on what we might otherwise have achieved. COVID-19 limited our ability to release staff for training, it made day to day management oversight more difficult and it impacted on the richness that comes from face to face working. The NAO's work on our audit has helpfully highlighted areas that we need to focus upon and we are committed to do so.

As we look forward, I am confident that GFSL is well placed to provide exemplary value for money to the taxpayer.

Colin Allars

Chair, GFSL

CEO's Overview

I am pleased to introduce the 2020/21 Annual Report and Accounts for Gov Facility Services Limited (GFSL). In the year, the company continued to focus on providing key Facilities Management (FM) services within the southern region for the HM Prison and Probation Service (HMPPS), on behalf of the Ministry of Justice (MoJ).

Operating through Challenging Times

The 2020/21 operating period tested the resilience and robustness of the company and its systems, alongside the agility of our people. The onset of the pandemic emphasised the need to embrace change, since it had the potential to cause major disruption to our services and the safe operation of the prison service.

We quickly enacted our Business Continuity Plan (BCP) which was in real terms untested, with the primary focus being to keep our people, specialist supply partners, and ultimately, customer(s) safe. We worked closely with HMPPS and the wider Department to maintain stability of key services. Our health and safety and wider support service teams worked in unison to uphold support to our operation especially in respect to maintaining a safe operational environment and the availability of critical supplies and services from key supply partners. The initial challenges faced in obtaining sufficient levels of personal protective equipment (PPE) were quickly overcome as the business became more accustomed to operating within the constraints of the pandemic. At the peak of the pandemic, we saw approximately 14% of our employees impacted by the virus, most of whom were either shielding in line with NHS advice or isolating without symptoms. At the peak, a third of those off work were symptomatic and we also sadly lost a valued member of the GFSL family in the south west region. This was an extremely difficult period for all.

Despite the issues caused by COVID-19 the business remained on point, especially in respect to the delivery of statutory compliance and the associated assurance requirements of the estate. We increased the number of projects delivered, improved performance across each of the key areas we set and our compliance standards improved, all within budget. This included the delivery of critical works such as forward maintenance, general decency, energy sustainability, and a level of additional temporary accommodation works required to counter the threat of the pandemic.

We continued to place a high level of focus on the management and development of a health and safety culture, the well-being of our employees, prisoners and prison staff.

This included improving our workforce engagements through the establishment of an Employee Forum. Our recruitment drive continued and culminated in the business reaching a permanent headcount standing of 88%. Given the issues that persisted in respect to recruitment within the wider construction and FM industry nationally this was a major achievement.

We were also pleased to receive the outputs and recommendation of a departmental review of the business that was commissioned on behalf of the shareholder. This report which was conducted by a third party specialist (Mott MacDonald) clearly recognised the key achievements made in the first two years of operation by the business, the reductions in inherited risks within the southern FM service and identified a number of development opportunities to enable the business to achieve its full potential. Whilst we continued to drive a number of recommendations forward throughout the year it is clear we still have work to do. Gaining our ISO9001 certification in March 2021 was a great achievement and a major step forward in the development of the business. It is a testament to the hard work and efforts of all involved.

Despite all of theses challenges, GFSL exercised financial discipline throughout the year and operated within the budget set whilst absorbing additional costs of the pandemic. I cannot speak highly enough about our people and their ongoing focus, all have worked tirelessly to ensure the prison service continued to operate in a safe and decent manner. The professionalism and unwavering sense of duty shown by all in the face of the pandemic has been exceptional.

Developing a High Performing Business for the Future

Whilst it is recognised that the delivery of FM services within the UK prison service continues to be extremely challenging, as we move forward and out of the pandemic, we must continue with our plans to build a solid, reliable, high performing business. This will be more important as the MoJ moves forward with its vision of delivering a world-class justice system that works for everyone in society.

We must continue in our work to improve our infrastructure and close out the recommendations set out in the Mott MacDonald report. This will ensure that the MoJ has a strong FM delivery vehicle capable of minimising risk and upholding safe, efficient, value driven services on behalf of the taxpayer for years to come. We will need to continue to underpin and strengthen our people, our systems, and procedures to ensure we are ‘fit for purpose’ in an evolving government environment. Strong effective management will be key to success, especially as we enter the next stage of our operation and continue in our efforts to build a greater level of alignment with both our HMPPS colleagues and MoJ Property.

Despite the fact that at this point I have decided to step down from my role as CEO and Accounting Officer of the company, I do so in the knowledge that we have established a robust delivery vehicle that is capable of delivering a quality value driven service into the prison estate for the foreseeable future. The Executive Board, our staff, supply partners, and all within the MoJ who have supported our efforts over the last 4-years should be proud of what has been achieved.

Paul Ryder
CEO

Performance Overview

What we do.

GFSL provides Facilities Management (FM) services across 48 prison establishments in the South of England, which includes Greater London, Kent and Sussex, South West and East of England. We have also completed a small amount of work on Approved Premises which are used by the Probation Service.

Our primary aim is to support HMPPS and MoJ in its drive for a safe and decent environment. We do this by delivering in two main areas – our Core service and Variable services.

The Core services are delivered within a fixed annual budget that includes planned preventative maintenance and reactive repair activities up to the value of £2,000 per repair, this includes;

- Hard facilities management – building infrastructure, asset maintenance and assurance.
- Soft services – such as cleaning, laundry, landscape maintenance and waste management.
- Stores management and rehabilitation services.

The Variable services are not covered by the annual budget we receive, and these are generally undertaken upon instruction from HMPPS, this includes;

- Reactive repairs over £2,000 per repair.
- Minor project works that are instructed by HMPPS.
- Project services – this will include capital investment type works; these are approved in advance by the customer and in some cases are significant in size and value.

What we are aiming to achieve

GFSL Strategy – Looking ahead

The business has updated its strategic Corporate and Functional Strategy. Work is now underway to deliver this strategy via a number of departmental plans designed to support the longer-term goal of creating a high performing business.

Winning Industry Accolades

We are committed to achieving the highest possible standards in facilities management to grow and attract the right calibre of staff.

In March 2021, the business achieved certification to ISO 9001:2015. Achieving this accolade was a major milestone for the company and a culmination of two years of planning and implementation of its management system. It demonstrates compliance to an internationally recognised standard and is a clear signal to stakeholders of its long-term growth and improvement. From a standing start, this is an immense achievement for GFSL.

Recruiting the Right Talent

During the 2020/21 budget period the business placed a high focus on the recruitment of permanent staff. In the period we managed to increase our permanent headcount from c68% to c88% at the end of March 2021.

Taking the business forward

The MoJ commissioned Mott MacDonald, as specialist facilities management consultant, to undertake a detailed review of the GFSL business. Their review focused on validating the operational standing of the business and identifying any key areas for improvement or support from the wider department. The final report identified 72 primary actions, a number of which require investment or support from MoJ and HMPPS. All fell within the following five areas;

- Governance documentation and corporate strategy.
- Recruitment and personnel.
- GovCo status opportunities.
- Asset data.
- Communication and understanding between stakeholders.

By March 2021 the business had closed 40 items. The remaining actions are longer term initiatives that are planned to be completed over the coming 12–16 months.

Our vision.

We took the opportunity to review our Corporate Strategy and have revisited and refined its vision, mission and strategic objectives that will span across the forthcoming year.
They are the following: –

Our Vision

To support a world class justice system by being the provider of choice for facilities services.

Our Mission

To deliver safe, high quality and value-driven facilities services in the justice sector.

GFSL also updated its objectives to reflect the Vision and Mission; these objectives are set out below.

Objective	What we aim to achieve	How we will achieve it
Safety	Everyone goes home safe.	15% year-on-year improvement in Accident Incident Rate (AIR) to achieve and improve upon HSE benchmark by 2026.
People	Our most important asset.	Year-on-year improvement in Employee Engagement Score.
Customer	We are a trusted provider.	To achieve a positive Net Promoter Score (>0) by end of 2023.
Reliability	Consistent delivery of high performance facilities services.	To achieve our customer and internal KPIs every year.
Value-for-money	Providing value to the tax payer.	To deliver quality services within budget envelope year-on-year.
Corporate social responsibility	Being a good corporate citizen.	Develop the CSR Policy and Programme by end of 2021 and deliver year-on-year.

GFSL – Our Values

Our Values are what we believe in as a company and how we should behave as individuals. They form the basis of our working culture. We believe that they perfectly reflect our aspirations of how we want to work and support our people and clients. They will help us to overcome our challenges and help promote a unified 'one team' culture.

As part of our goal to establish a High Performing Business we have recently engaged with the wider business workforce to review and realign our core values. Engagements led to the establishment of the following three headline values;

The three values are: –

All are now being rolled out within the business via a communication plan designed to support proactive employee engagements. All are intrinsically linked to our performance management systems and are designed to promote and reinforce a high performing culture.

The future

Our people are our most important asset, without them we would not have a business. Therefore, our goal throughout 2021/22 and well beyond will be to invest further in their development and wellbeing. We will continue to develop our directly employed operating model and improve our technical capabilities. This will include improving our succession planning activities through a leadership development programme, activating higher levels of health and safety and technical training, and increasing our focus on apprenticeships.

Our customer – we will continue to work closely with MoJ to develop a more efficient and effective service model designed to improve both the outputs to HMPPS and the value of the service to the Taxpayer.

Stakeholder relationships – We will continue our focus on improving engagements with our stakeholders through the use of our customer engagement survey. During 2020/21, the business managed to improve its Net Promoter Score (NPS) by 60 points to -40. Our stakeholder management strategy is focused on driving continuous improvement through proactive engagement. Our goal is to achieve an NPS score of at least 0 (zero) or higher by the end of 2023, thus aligning the business to the higher quartile of companies within the FM industry.

Budget management – our budget management approach promotes decision making and accountability at all levels. Our goal is to drive a greater level of value for money through more timely and effective local engagements. We are aiming to capitalise on our 'Not for Profit' status and continue improving our value standing for the MoJ.

Procurement strategy – our Commercial Procurement team is working to improve the span and value for money of our supply chain infrastructure. We have developed and are enacting a procurement strategy that is designed to align to a Dynamic Procurement System that will be shared with the wider MoJ commercial and estates teams.

Data – we will continue in our drive to improve data management within the business. Work is ongoing to develop our systems, especially in relation to improving the automation of data between systems. We will continue to improve the utilisation of our Oracle system and develop our self-service capabilities.

Our Year At A Glance

£23.6m
of projects delivered in-year.

Over
500
new permanent staff on-boarded.

Overall statutory compliance of maintained assets increased by **6%** in the year.

Prisoner work placement programme **continued during the pandemic.**

Establishment of Employee Forum.

GFSL workforce is made up of 88% permanent employees.

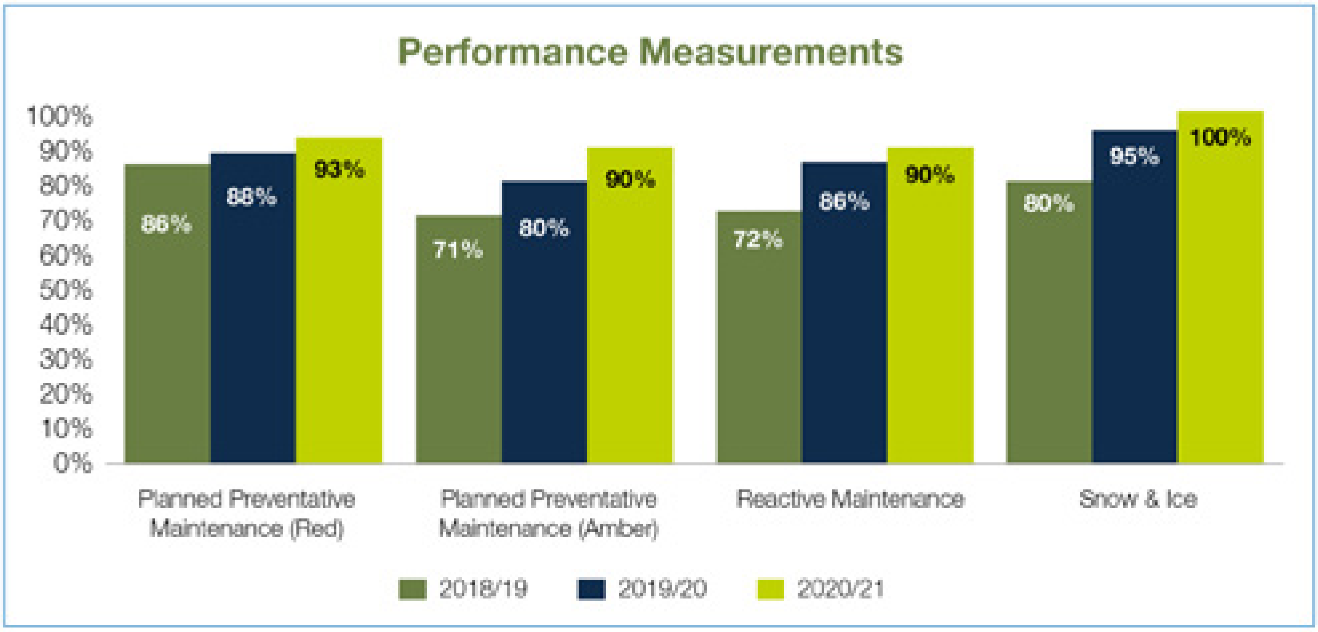
All four key performance indicators have **seen improvement for another consecutive year.**

ISO9001
certification obtained.

Performance Analysis

Operational Performance

There are four key measurements within our Framework Document that we track our progress against as detailed below, all of which we have seen year on year improvements in;



The three 'maintenance' measures cover completion rate of tasks that fall due in any month:

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

Planned Preventative Maintenance (PPM)

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

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

Reactive Maintenance

Reactive maintenance include tasks such as:

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

Statutory Compliance

Statutory Compliance is a complex set of regulations, assessments and inspections that need to be undertaken within the estate to ensure that buildings and systems comply with current government legislation and are suitable and safe for use. These are logged, reviewed and provide assurance of certification.

We measure statutory compliance from reports. Each report may represent one or multiple assets that require certification, compliance is achieved when the report and all assets included in that report are certified and compliant with no outstanding repairs.

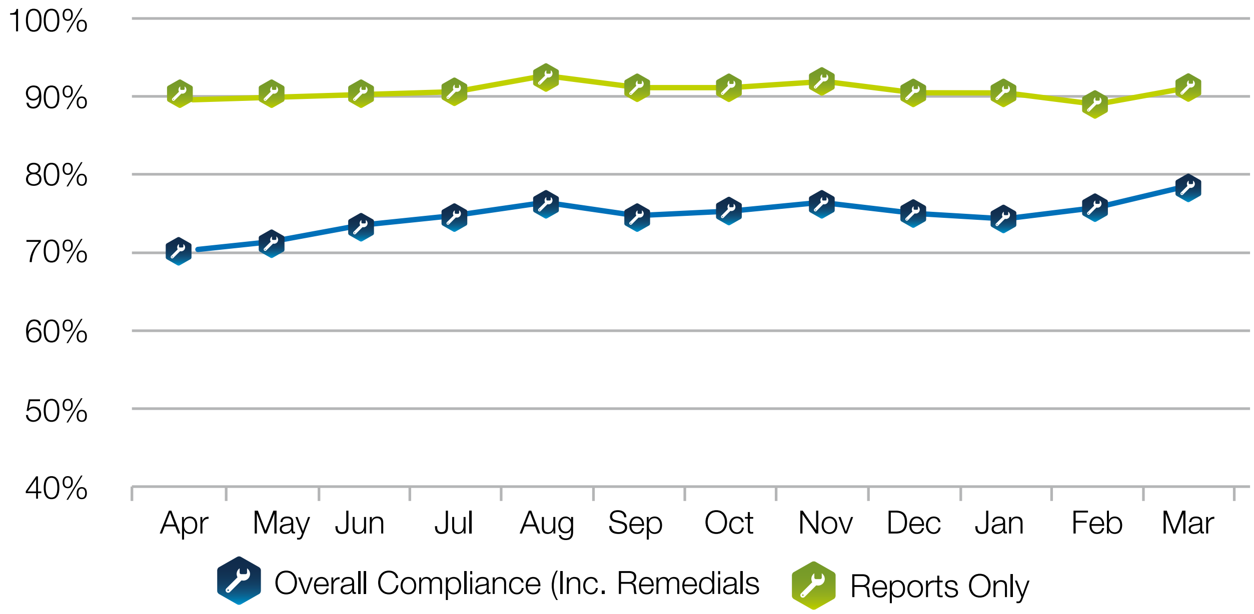
The next graph shows our measure against the total measured reports for the estate which represents our reported compliance position – this measure is those assets that are fully certified and compliant.

We measure two elements of Statutory Compliance: planned activities “Reports Only” measure and combined planned and remedial repair requirements “Overall Compliance”.

Each report may represent one or multiple assets that require certification, compliance is achieved when the planned report, and all assets included in that report, are certified and compliant with no outstanding repairs.

The next graph shows an Overall Compliance position at 78%, a 6% increase from the previous reporting period. The Reports Only compliance stands at 91% maintaining the score from last year.

Compliance Position 2020/21



Performance Commentary

Like most companies across the UK, the emergence of the COVID-19 pandemic presented GFSL with significant operational challenges.

The maintenance services performed by GFSL continued to be of vital importance to the establishments served in the pursuit of ensuring safe, decent and secure accommodation. At this time, provision of "soft FM" such as cleaning services became critically important to ensure the safety and well-being of all at the establishments. The restrictions imposed on prisoner movements also presented a challenge to our staff regarding accessing buildings and assets for maintenance purposes.

The most notable COVID-19 impact on GFSL was staff absence arising from infection or requirement to self-isolate. This touched all areas of our delivery teams, and approximately 9,000 working person-days were lost due to the pandemic. Despite this challenge, the business adapted admirably to the evolving situations presented by the pandemic, ensuring the continuation of service delivery to all establishments served. Moreover, the hard work and determination from our teams resulted in a significant improvement in both planned and reactive performance compared to the previous year.

We are pleased with our progress over this challenging period, and this provides us with even greater confidence for the future.

CRED Programme Clean, Rehabilitative, Enabling and Decent

The CRED programme set up in partnership with HM Prison and Probation Service delivered considerable achievements in the face of COVID-19 challenges during the 2020–2021 period.

CRED enables prisoners to join purposeful work placements which lead to full time work and financial independence. This significantly reduces the re-offending rate. The trades are varied; prisoners work alongside GFSL staff in all disciplines, from electricians to painters to store assistants.

CRED supports rehabilitation and reduces re-offending by providing purposeful activity and improved future opportunities for employment and financial independence.

The skilled placements and mentorship are geared to prisoners being offered permanent work on completion of their sentence.

Despite the year-long pandemic and a resulting reduction in CRED activity due to COVID-19 twenty GFSL sites continued to drive the CRED programme, involving over 240 prisoners.

The list of success stories at our sites include an ex-prisoner who became part of the GFSL CRED training scheme. With full technical and welfare support from CRED, he was offered full time work on his release last year.

GFSL have successfully collaborated with prison teams to deliver notable refurbishments with CRED, these have included a coffee shop, a barber shop and conference space.

As restrictions ease and we move forward with CRED there is a lot to look forward to in the year ahead.

- GFSL will continue to encourage CRED across a range of trades by setting up new programmes and restarting programmes.
- Making savings on flooring repair and remediation. This provides prisoners with qualifications and experience that makes them more employable.
- Engaging with suppliers and creating placements for prisoners to work alongside fire systems maintenance providers.

Case Study – GFSL delivers new conference facilities and reduces vandalism at HMP Swaleside

HMP Swaleside is a Category B men's prison on the Isle of Sheppey in Kent.

GFSL's Swaleside CRED team has recently gained enormous **support** and **recognition** from HMPPS regarding the complete refurbishment of an abandoned building located in a prominent area outside the HMPPS office wing.

They have transformed a derelict structure into an attractive new conference centre, which is equipped with facilities to host groups up to twelve or allow individual connectivity.

'This is the first delivery of a year's worth of CRED projects which will employ prisoners in meaningful work' says Ian Morgan, GFSL Soft Services Site Manager. 'We put prisoners' valuable skills to good use, such as electrical works, painting and carpentry, which benefits all parties. This is important as prisoners can increase their employability when their sentence is served.'

‘We’ve also been allowed to pair up GFSL tradespeople with prisoners as apprentices, so their experience can be passed on’, he added.

Helena Butler, Justice Solutions Manager added;

‘We’re delighted and proud of the results, which has led to HMPPS endorsing further CRED projects. We’ve expanded the CRED teams – one which will be dedicated to reducing vandalism in accommodations and another who will be working across the gardens at HMP Swaleside.’

HMP Swaleside Governor Mark Icke says, “Having men in custody with the necessary skills presents a perfect opportunity for both the establishment and the men themselves to work together collaboratively to achieve the **best results**.’

‘The men can use and improve their skills with guidance from GFSL colleagues and the establishment can keep driving forward the decency agenda to develop and improve the environment for both staff and prisoners.’

He concluded by saying, ‘The first project that we have completed together has been finished to a high standard. The men feel that they have been invested in and as a result they care about their overall **standard of work** and the way that the project has been finished and this is reflected in the attention to detail.’

Health and Safety

Health and Safety remains our number one priority, ensuring the wellbeing and safety of our staff, contractors and prisoners. The pandemic brought new challenges and GFSL's ability to provide safe working procedures enabled our people to continue to deliver essential services on site.

Working closely with HMPPS we proactively and quickly brought in additional processes to help protect our teams. These included enhanced operating procedures for PPE, travel, corporate staff working from home and social distancing. As the risk profile changes, we continue to liaise closely with HMPPS to regularly test our approach on specific safety issues.

As well as ensuring COVID-19 safe work environments, this year we continued to focus on ensuring the safety of our people, prisoners and contractors across FM and project operations. Getting everyone home safe is our number one priority.

In the year, our Accident Incident Rate (AIR) improved by 28.5%, from 1,037 at the end of March 2020 to 741 at the end of March 2021. The continued improvement of our health and safety culture is a key part of our developments and we continue to set challenging targets for further improvement. Following the Health and Safety Executive (HSE) investigation at one of our sites a number of improvements were implemented. We continue to focus heavily on the development of a safe working environment for all people on the establishment sites.

We investigated incidents including near misses and the safety team worked alongside site operations to provide oversight and technical guidance. Part of this support included site visits to provide assurance and check how key safety risks were managed.

All employees and contractors have the responsibility and the authority to stop any unsafe work. We monitor and report on key workforce personal safety metrics in line with industry standards. During 2020, we reinvigorated our approach to hazard identification. Working with our teams we implemented See, Sort, Report (SSRs) and encouraged everyone to spot workplace issues before they escalated. This resulted in our teams identifying over 5,000 SSRs, we used this information to make informed decisions around how and where to make improvements.

During 2020, we refreshed our safety improvement programme. Our Everyone Goes Home Safe plan focuses on six key enablers that help us to improve our performance across all areas of health and safety.

We had the assistance of an external consultancy company to review our health and safety processes. They provided a number of actions to us that will drive forward and build on the positive culture we are aiming for.

Culture, Leadership and People	To have a culture where every staff member, at every level in the business, understands and takes a personal responsibility for health and safety.
Care and Well-being	To provide support and resources to maintain a healthy and protected workforce.
Communication and Reporting	To have effective safety reporting and communication to inform and engage with all staff and stakeholders.
Competence and Training	To have our staff have the right level of health, safety and technical understanding to give confidence and competence to do the task.
Control and Systems	To have systems that help us to manage, monitor, assure and drive continual improvement.
Collaboration and Partnering	To have collaborative relationships with our stakeholders that are built on a mutual appreciation of high safety standards.

Projects

Our project teams are involved in a wide variety of work that is generally instructed by the customer. This can include activities such as shower upgrades, security systems upgrade, boiler replacements or installation of additional accommodation units.

The projects team completed c840 projects in the year at a total value of £23.6m, of which 295 projects (£7m) had been carried over from 2019/20 when their completion was impacted by the first COVID-19 lockdown. As with all areas of the business COVID-19 did delay some of the project work that was due to commence, but despite these challenges we successfully increased the number and value of projects we completed.

Due to COVID-19, the MoJ's focus was to provide more single accommodation units within the prison estate to avoid double occupancy, consequently a number of prisons had the new units installed as detailed below.

Case Study – GFSL installs new accommodation pods for 120 prisoners at HMP Ford.

Seamless collaboration with HMPPS and our external suppliers meant this £2.6 million project was delivered on time.

Work began in December to upgrade prisoner living conditions by installing 80 new self-contained units, or pods. Now complete they offer comfort and privacy; each having a living area, desk, bed, W.C. and shower unit.

A team of ten workers expertly winched the 2.5 tonne pods into place on a newly levelled field at HMP Ford. There were 20 smaller billets which were demolished – with the new accommodation ready for occupancy in April 2021.

Senior Project Manager, Terry Coston explains;

"This is a vast improvement on the previous accommodation. The prisoners will have much better living conditions, with comfort, privacy and decency. Each prisoner will have use of a nearby kitchenette and laundry."

Financial Summary

Full Financial statements are available later in the report from page 59 onwards.

The accounts this year are showing a small loss of £38k, this represents the impact of a fine received from the HSE in relation to an incident at one of our sites as detailed in the Governance Statement.

Our budget for the year for the Core contract was £81.0m. This was higher than the previous financial year due to having additional funds for labour to cover vandalism works being carried out.

Cash

GFSL has a strong cash position, which has enabled us to support our Supply Chain partners with prompt payment terms. Cash in the bank at the end of the financial year was £29.8m which included £6.4m which had been committed as a supplier payment run. This payment left GFSL's bank account on the 1st April 2021.

GFSL incurred COVID-19 costs which were absorbed within budget through robust financial management.

COVID-19

Following the global pandemic, measures were introduced to mitigate the outbreaks at the GFSL managed sites, working collaboratively with the prison Governors and government guidance.

We swiftly facilitated home working for staff in the support centres. We introduced more robust safety measures for site staff who continued to work throughout as essential workers. GFSL's priority during this time was keeping the estate safe and decent and maintaining service levels.

Our business continuity planning (BCP) was robust and worked effectively throughout the period to coordinate our response to an ever-changing landscape. As staffing was reduced due to COVID-19 isolation, there was closer collaboration with HMPPS to ensure that essential services were delivered.

Where necessary non-essential services were temporarily halted, with recovery plans in place as government restrictions eased.

UK's withdrawal from the European Union

We regularly reviewed our contingency plans throughout the year to monitor any impacts from the UK withdrawal from the European Union. We were in regular contact with our supply chain partners around material supplies and we saw no impact to the supply of materials across our Estate.

Performance Against our Strategic Objectives

Safety – Everyone goes home safe	People – Our most important asset
During the year we invested in the development of a health and safety IT reporting system. This system has allowed the business to gain a great level of insight, analyse data and identify any underlying trend in our performance. Post an independent review of our health and safety culture we continue to work to improve the knowledge, skills and accountability of our staff. We have subsequently seen improvements in our Accident Incident Rate, the details of which are set out within the health and safety section of this report.	GFSL has made significant strides in recruitment to a more permanent workforce. Although COVID-19 has impacted the training we were able to deliver in the year, our focus around offering personal development to all continues. We have introduced an Employee forum which represents all areas of the business to discuss any concerns that they want to highlight.
Reliability – Consistent delivery of high-performance facilities services	**Customer – We are a trusted provider**
We continue to see improvements against our performance targets. We continue to focus on improving our front-end operation processes and procedures and work with our supply chain partners to build a great level of resilience across the estate. We continue to strive to be the provider of choice for FM services within the MoJ.	We continue to work with HMPPS to improve engagements and build a more unified delivery model. We have actively focused on developing open and honest two-way communication and expect this will continue to improve. Engagements of the last 12-months have supported improvements in our Net Promoter Score (NPS).
Value-for-money – Providing value to the taxpayer	**Corporate Social Responsibility – Being a good corporate citizen**
The business holds regular monthly reviews with all delegated budget holders and managers to review their spending. Focus is placed upon upholding core values around 'managing public monies' along with seeking areas of potential improvement or savings. Our supply chain team maintains close engagements with their operational colleagues to uphold resilience and develop more flexibility for goods and services.	As a business we support the government in meeting its corporate social responsibility commitments. We are working to drive various CRED programs and initiatives and have over recent times offered a full-time role to an ex-prisoner. Moving forward we will develop our learning offerings to support the provision of skills-based opportunities to prisoners.

Sustainability Report

Sustainability is at the heart of our values, both in terms of our own HQ estate, and the work we do supporting sustainability on the prison estate. We have carefully considered the Greening Government Commitments (GGC) when delivering our services in a sustainable way and are fully supporting the MoJ in its carbon reduction target for prisons of 41% by 2025 (against 2017/18 figures).

As a Limited Company GFSL is not a central government department so is exempt from GGC reporting and our own energy use, waste and carbon emissions fall into the de-minimis category.

MOJ includes in their GGC reporting the sustainability of all work done on its estate, therefore, we cannot distinguish GFSL's on-site contribution from that of HMPPS.

GFSL rents space in buildings in Sheffield and London, the buildings are shared with other occupants and there is no separate metering available, so it is also not possible to separate statistics around energy, water, waste, or recycling for these offices. To avoid double-counting, these operations are not within our sustainability reporting.

Greenhouse Gases

The reporting boundary includes our headquarters and staff travel and greenhouse gases from travel are the major source of our emissions – this is detailed below.

One of the measures we have taken is to adopt a longer-term target to reduce carbon emissions from our office estate and domestic business travel by at least 30% by 2027. Alongside this, we have introduced a policy to reduce CO2 emissions from travel, including increased use of video conferencing and an increased focus on more efficient hybrid vehicles.

Waste

All prison waste is accounted for by HMPPS but is managed by GFSL to ensure that all legal requirements are complied with so that as much waste as possible is recycled. Waste from our offices is separated at source to ensure as much as possible is recycled. We encourage the paperless office, with just three printers in our HQ office sites. As part of our commitment, and in conjunction with the MoJ sustainability team, we are reviewing ways in which we can reduce waste to landfill by greater use of recycling.

In 2021 we aim to refine our corporate waste reduction plans and other environmental compliance targets. Furthermore, GFSL's 'share' of the emissions are driven by occupancy levels, rather than any actions our company can take. Our sustainability targets support our strategic goals to 'deliver value to the UK taxpayer' and 'manage the facilities of the prison estate to reduce energy consumption and carbon emissions'.

Sustainability

GFSL complies with the applicable Government Buying Standards and reports on the environmental effects of providing the goods and services to the prison estate. In addition, we maintain ISO 14001 or BS 8555 (or an equivalent standard) intended to manage our environmental responsibilities and obligations for the provision of goods and services, in a way that supports our achievement of the Greening Government Commitments.

This conserves energy, water, wood, paper and other resources, reduces waste and avoids the use of ozone depleting substances which minimises the release of greenhouse gases, volatile organic compounds and other substances damaging to health and the environment.

Below shows the progress from the previous year, this has been impacted by reduction in travel due to COVID-19. We would expect that the reduced travel will increase as COVID-19 restrictions ease.

Greening Government Commitment	Measure	2019–20	2019–20 CO2 equivalent	2020–21	2020–21 CO2 equivalent	Saving on 2019–20
Reduce greenhouse gases: Flights	Domestic flights	1	0.085 tCO2e	0	0 tCO2e	100%
Reduce greenhouse gases: Rail	Miles of rail travel	161,572	6.64 tCo2e	16,087	0.957 tCo2e	81%
Reduce greenhouse gases: Road	Miles of road travel (cars)	410,605	101.8 tCo2e	142,885	18.57 tCo2e	82%
Paper – Reduce usage	Pages printed: Sheffield London	22,500 6,200	0.46 tCo2e	25,000 4,500	0.473 tCo2e	-3%

Co2e conversion factors are from:– Greenhouse gas reporting: conversion factors 2020 – GOV.UK

As we predominantly work on the MoJ Estate, we are limited to how we can directly impact on sustainability targets, however we are committed to supporting the MoJ and HMPPS with the target to meet net zero carbon by 2025, the next case study shows an example of an initiative that highlights the improvements we are making in conjunction with the MoJ.

Case Study – GFSL introduced solar energy to help meet net zero carbon targets by 2025

GFSL is pioneering solar energy projects in two of the Southern England prisons.

After six months of planning, GFSL is about to introduce a series of environmentally friendly upgrades which will reduce carbon emissions by more than 2,300 tonnes.

At HMP Bure near Norwich in Norfolk, they will reduce reliance on the existing electric load by 17% and save 79 tonnes of CO2 per year by installing rooftop solar panels. This work was completed by the end of March 2021. A second project under way in Whitemoor Prison in Cambridgeshire uses ground based solar panels and is scheduled for completion in July 2021.

Energy Services Manager Stewart Grew, explains: "This is a prime example of using clean energy to create 'eco-prisons' and not just meet, but exceed the Ministry of Justice's carbon reduction targets by 2025. We also have other interesting projects in the pipeline like an LED lighting replacement programme and the installation of heat pumps and biomass boilers."

CEO Paul Ryder adds: "We're proud of all the innovation and hard work which goes into our transition to clean energy sources rolled out across all of the southern England sites. Not only are we exceeding our carbon emission reduction targets, but we're also saving considerable sums of public money on maintenance budgets."

Section 172 Statement

The directors take their responsibilities seriously, as such they must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the shareholder and stakeholders in the long term.

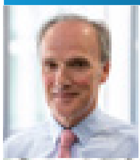
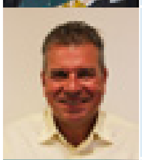
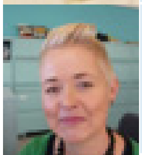
The likely consequences of any decisions in the long term.	**The interests of the company's employees.**
The directors have spent a considerable amount of time reviewing and refreshing the company's strategic objectives. The directors reflect at the end of each Board meeting that the actions they are taking are in the best long-term interests of the company. We have done this by involving our staff to assist in the refresh of our vision, mission and objectives.	We have introduced an Employee Forum to take feedback from our employees on all matters, all areas of the business are represented, and staff are encouraged to raise any issues through their representatives. We use this forum as our formal workforce advisory panel. We have listened to our staff and they have shaped the changes seen to our values Staff are also able to voice any concerns through our whistleblowing process.
The need to foster the company's business relationships with suppliers, customers and others.	**The impact of the company's operations on the community and environment.**
A resilient supply chain is integral to our business, we hold regular supplier meetings to encourage feedback and look at ways in which we improve and ultimately drive Value for Money for the taxpayer. We have improved our stakeholder relationships with our customer HMPPS and have undertaken stakeholder feedback to look at the areas where we need to improve. – this can be seen in the positive movement to our net promoter score.	We are proud of the progress we have made on sustainability as detailed in the Sustainability Report. We have included Corporate Social Responsibility as one of our refreshed strategic objectives and there are plenty of opportunities for us to improve in this area. An example of this can be seen in the case study in the sustainability report.
The desirability of the company maintaining a reputation for high standards of business conduct.	**The need to act fairly between members of the company.**
The company has a duty to act responsibly and ethically. There has been a focus on our culture and how we can improve on this. To support this, we have our own Code of Conduct which applies across the whole business and have increased our training around fraud, bribery and corruption. We have enhanced our meeting structure by introducing a safety moment at the start of every meeting in the business, to highlight any findings or share best practice, with this contributing to embedding our health and safety culture.	The directors meet regularly with various stakeholders within MoJ. Our CEO updates the shareholder on all performance areas in the business which is done through open and honest dialogue by both areas.

Section 2

Accountability Report

Board of Directors as of 31st March 2021.

The Board members that served during the year were;

Name		Job Title	Date started	Date ended
	**Colin Allars**	Chair	08/02/2018	N/A
	**Cheryl Avery**	Non-Executive Director	08/02/2018	N/A
	**Maura Sullivan**	Senior Independent Non-Executive Director	01/04/2019	N/A
	**James Hayward**	Independent Non-Executive Director	01/04/2020	N/A
	**Alison Wedge**	Non-Executive Director	28/08/2020	N/A
	**Paul Ryder**	Chief Executive Officer	08/02/2018	N/A
	**Stephanie Hill**	Finance Director	08/02/2018	N/A
	**Don Keigher**	Change and Transition Director	04/04/2019	N/A
	**Len Bridges**	Operations Director	01/12/2020	N/A

All the above directors were in place at the time of the Annual Report and Accounts being approved. There were no director resignations during the period 2020/2021, however Paul Ryder has subsequently resigned.

GFSL does not have a Company Secretary, which is not required as per our Articles of Association, but these duties are performed within the business.

Directors' Report

The Directors present their annual report on the company, together with the financial statements and auditor's report, for the period 1st April 2020 to 31st March 2021.

A report on corporate governance matters is included separately on page 37.

Financial Reporting

The company has prepared its 2020–2021 financial statements in accordance with the International Financial Reporting Standards (IFRS). The audited financial statements for the period are set out on pages 60 to 87. GFSL is a not-for-profit company.

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

Going Concern Statement

The company financial statements are prepared on a going concern basis, the directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. We have received formal confirmation from the MoJ that the company will continue to provide services for at least the next two years.

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

While COVID-19 has brought challenges, we have adapted quickly and have not experienced significant negative impacts as a result of the pandemic or experienced major economic disruption.

Dividends

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

Capital Contributions

We have received no capital contributions in the period. However with the permission of MoJ we have offset the HSE fine against our capital contribution reserve.

Corporate Governance Code

As part of the preparation of this report, the Company was mindful of the requirements of the Corporate Governance Code, and it has developed its internal governance so that it reflects the code to the extent that it is relevant to the company.

Directors' Responsibility Statement

Statement of Responsibilities

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

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

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

In preparing these financial statements the directors are required to:

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

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

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

The directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.
- Such controls as determined necessary have been operated to enable preparation of financial statements that are free from material misstatement.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the company and within the Accountability report we also include a description of the principal risks and uncertainties that we face.

- The Annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position and performance, business model and strategy.

The company received a fine of £38,000 from the HSE in June 2021 in relation to an incident at one of our sites in 2019. The directors have taken all learnings from this incident and put in place additional controls and preventative measures, these actions contributed heavily to the outcome of the case with the HSE.

Website Publication

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

Disclosure of Information to Auditor

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

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

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

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

Directors review the effectiveness of the external auditor.

No non-audit services were provided by the external auditor.

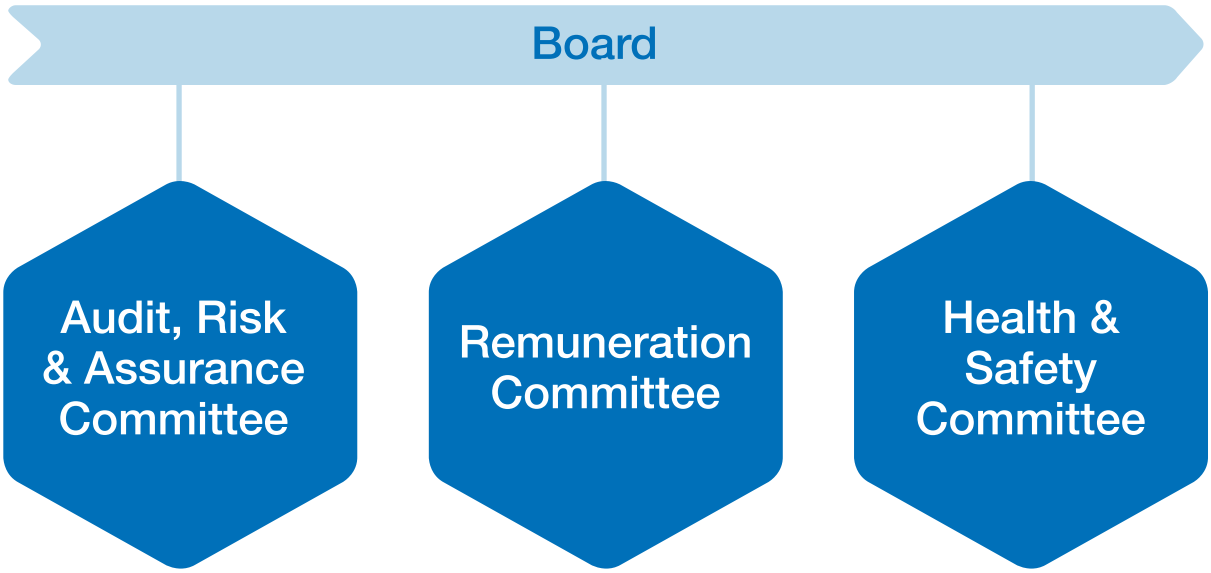
By order of the Board

Finance Director
15 February 2022

Governance Statement

Board Committee Structure

The Board is supported by three sub committees as detailed below;



Role of the Board

The Board is responsible for providing strategic leadership and is accountable to the MoJ for the company's performance. GFSL are bound by the Framework Agreement that has been set out by the MoJ and work within the parameters of the Articles of Association as set out in the Companies Act.

Key activities during the year have included.

- Reviewing the company's performance against its objectives.
- Considering the well-being of staff during the pandemic, whilst maintaining critical services within the prison.
- Providing strategic insight and support to GFSL.
- Monitoring progress of the actions in the Mott MacDonald report.
- Oversight of the internal projects being implemented within the business.

Role of the Audit and Risk Assurance Committee

The role is to support the Board and Accounting Officer, by reviewing and scrutinising the effectiveness of risk management and governance processes and the integrity of its financial statements.

Key activities during the year have included.

- Challenging and gaining assurance around the company's preparedness around the departure from the EU.
- Oversight and challenge of the risk management and governance frameworks, including review of the strategic risks and progress made.
- Working with internal and external audit partners.
- Review the Annual Report and Accounts to provide independent oversight of its contents.
- Review and challenge of policy compliance within the business.
- Oversight of financial processes within GFSL to ensure adequate cash flow and forecasting in place.

Role of the Remuneration Committee

The role of the committee is to maintain oversight of the remuneration of the staff and pay strategy of the company.

Key activities during the year have included.

- Reviewing and agreeing to the annual pay award.
- Reviewing and approving director remuneration.
- Gender pay gap reporting.
- Oversight of diversity and inclusion within the business.

Role of the Health and Safety Committee

The Health and Safety Committee considers and advises on all aspects of health, safety and well-being.

Key activities during the year have included.

- Ensuring that staff coming into work are doing so in a COVID-19 secure workplace.
- Review and challenge of safety performance across the business.
- Progress against the health and safety plan alongside actions and training requirements.
- Provide scrutiny, challenge and support to strengthen the health and safety performance and embed a strong positive culture throughout.

Board Effectiveness Review

As the Board Effectiveness review was concluded in December 2019 and numerous actions were taken, the Board decided that they would fully complete these actions before having another review which is planned for the financial year 2021/2022.

Board Appointments

All executive and non-executive directors are required to declare any personal direct or indirect interests they may have, all interests have been disclosed and managed accordingly to ensure there is no impact on their responsibilities.

Board Meetings

The table below advises the names of the executive and non-executive directors who have had responsibility for the Company in the Financial Year 2020/2021. It also includes the number of meetings attended during the year.

Board Member	Board of Directors	Audit and Risk Assurance Committee	Remuneration Committee	Health & Safety Committee
Meetings attended per member out of those eligible to attend				
Non Executive Directors				
Colin Allars	4 of 4	4 of 4	3 of 3	–
Cheryl Avery	4 of 4	3 of 4	3 of 3	–
Maura Sullivan	4 of 4	4 of 4	3 of 3	–
James Hayward	4 of 4	4 of 4	–	3 of 3
Alison Wedge	3 of 4	4 of 4	–	–
Executive Directors				
Paul Ryder – Chief Executive Officer	4 of 4	4 of 4	3 of 3	3 of 3
Stephanie Hill – Finance Director	4 of 4	4 of 4	–	–
Don Keigher – Change and Transformation Director	4 of 4	2 of 4	–	2 of 3
Len Bridges – Operations Director	4 of 4	–	–	3 of 3

Quality of data

We recognise that the Board and sub-committees need to have a variety of information provided to make the meetings effective. The secretariat ensures that all information collated is of good quality and distributed prior to the meetings. The structure and agenda items for these meetings have been reviewed and updated during the year.

Risk Management

Risk management is an essential part of our governance and leadership and is fundamental to the progression of our business. Therefore, the risk management framework and capabilities assist in achieving GFSL's strategic objectives. Throughout the year, GFSL has continued to improve on the maturity of its risk management by supporting open and honest communication at all levels to be more informed and insightful.

The risk management framework sets out our risk management system within the company and ensures alignment to HM Treasury's Orange Book, Management of Risks – Principles and Concepts, which has been refreshed in 2020.

Our strategic risks are reviewed regularly and updated and presented quarterly to the Board and ARAC for discussion and challenge. Risk tolerance measures are updated quarterly and reviewed yearly.

Principal Risks and Uncertainties

We have the appropriate governance in place to review all our risks on a regular basis – our principal risks and uncertainties are provided to our ARAC for review and challenge around the mitigations in place and actions we are taking.

The principal risks and mitigating actions identified during 2020/2021 were as follows;

Risk category	Risk details	Mitigating actions and controls
Operational	Failure to complete services due to COVID-19 and impact on staff wellbeing through the pandemic	• Risk assessments at site to ensure a COVID-19 secure working environment with adequate PPE available • Close working with HMPPS to uphold key services • Promotion of PAM Assist which is GFSL's employee assist program to support through challenging times. PAM Assists offers proactive and reactive mental health solutions.
	Failure of plant and assets that require ongoing maintenance due to insufficient investment	• End of economic life review to ensure money is not spent unnecessarily in repairing failing assets • Multiple improvement projects underway to improve the estate and decency for the prisoners. Forward maintenance register documented to highlight the critical assets that require updating to ensure our compliance-based systems do not fail.
	Immaturity of our systems and reporting	• Head of Security appointed who now undertakes User Access reviews on system access to multiple systems and assurance around security of information • IT plans to improve reporting and functionality in the systems going forward • Training for functional superusers to drive improvements in reports.

Risk category	Risk details	Mitigating actions and controls
Operational	Lack of due diligence prior to implementing new service design to provide new services	• New service design to be put in place with suitable processes, procedures and governance to ensure that if any new services are required from GFSL that we are able to scope, plan and resource appropriately.
People	Failure to attract and retain staff and to nurture talent	• Multiple campaigns in areas of hard to recruit staff • Deep dive into reasons staff have chosen to leave the company • Additional resources to assist with onboarding and selection of applicants.
Financial	Failure to correctly forecast out-turn of our budget	• Monthly budget packs produced to site level to make managers accountable for their own budgets • Monthly business unit reviews in place to discuss budgets and forecasting with early warning for additional spend requirements.
	Commercial clarity which affects our supply chain proposition	• Additional commercial and contract management training rolled out to all relevant staff • Asset verification process completed collaboratively with the customer to verify the number of assets and the specifications to which they are maintained • New system to facilitate qualifying all our existing and new supply chain partners to ensure greater resilience of suppliers.
Compliance	Failure of Health and Safety processes and poor culture	• Cultural review of health and safety practices to inform us of our gaps and action plan formulated to improve • Regional Safety Managers supporting sites with all aspects of health and safety • New Accident and Incident reporting system introduced.

Internal Audit

The Government Internal Audit Agency (GIAA) continues to provide us with our internal audit service. They completed the annual audit plan based on analysis of our risk areas and in consultation with the business, which was subsequently endorsed by the ARAC and approved by the Chief Executive Officer.

GFSL does not hold their own internal audit function and as a MoJ company, we use GIAA for their services, this is supported by a memorandum of understanding and fees.

The table below details the audits that were conducted throughout the year:

GIAA has provided us with opportunities for improvements within their reports and we have formulated measurable actions to address the improvements that are required.

Area audited	
Purchase to Pay	Vandalism
Operational Performance Management	Personal Injury Claims

The GIAA provides an annual report to the Accounting Officer, which gives the annual opinion for the year of the framework of governance, risk management and control. The rating is based on GIAA activities throughout the year and on information supplied to the ARAC.

The report for 2020/2021 concluded an annual rating of “Moderate” of the adequacy and effectiveness of governance, risk management and control.

Data Loss

There were no GFSL security data incidents reported to the Information Commissioner’s Office (ICO) in the year.

Whistleblowing

Our whistleblowing policy sets out what to do for staff who are concerned about any wrongdoing and where to go to report it.

Fraud, Bribery and Corruption

Further work has continued during the year and the company has now published a Fraud Strategy to support the existing policies in place. We have worked closely with the MoJ Fraud Centre of Expertise to ensure that GFSL aligns with the Functional Standard for fraud. All staff are required to declare quarterly any Gifts or Hospitality that they have been offered, accepted or declined, this is reviewed by the Accounting Officer as part of his responsibilities.

Independent oversight of assurance arrangements

GFSL is subject to independent oversight by the following:

- Our external auditors are the National Audit Office (NAO) which reports on the Annual Report and Accounts. Due to the company being an MOJ company, the NAO were selected within the first year of business and we have an annual agreement with them detailing scope and fees.
- Government Internal Audit Agency (GIAA) which reports on process areas which also includes Value for Money.
- Her Majesty’s Prison and Probation Service (HMPPS) which also conducts audits and feeds in any actions area including Statutory Compliance.
- Holding to Account meetings with the MOJ.

Parliamentary Accountability (Audited)

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

Fees and Charges

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

Remote Contingent Liabilities

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

There are no remote contingent liabilities beyond those disclosed in the accounts. This is subject to audit.

Losses and Special Payments

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

In 2019, a member of GFSL staff was seriously injured whilst undertaking their duties at one of our prisons. Due to the severity of the incident, the HSE investigated and the business was subsequently prosecuted resulting in a fine of £38,000. The business has learnt valuable lessons from the incident and put controls and preventative measures in place.

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

The Accounting Officer's Review of Effectiveness

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

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

- Completion of a quarterly Statement of Internal Controls by senior budget holders and policy owners to include their assessment of the risks and challenges within their area of responsibility.
- Holding to account meetings with the executive directors around any strategic risks they have identified and are managing.
- Challenge from our non-executive directors on our risk management, governance and financial controls.
- The development of risk registers throughout the business to provide escalation of risks to the senior management.
- Internal assurance processes to highlight any deficiencies and put in place actions to resolve.
- External assurance from Government Internal Audit Agency (GIAA) and National Audit Office (NAO).

The company continues to review and improve its financial and risk controls and I am satisfied that governance is effective, any areas of non-compliance are identified and appropriate actions put in place.

The Corporate Governance Code recommends that a Board Effectiveness evaluation is completed each year, with agreement from the Board, we will conduct our next evaluation during 2021/2022 by which time we expect to have fully embedded the recommendations from our prior review.

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

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

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

Paul Ryder
Accounting Officer
15 February 2022

Section 3

People & Remuneration Report

Staff and Remuneration Policies

GFSL continues to operate under its own set of terms and conditions, as an authority delegated to us from the MoJ. In addition to our own terms and conditions, there remains a cohort of staff who remain employed under different terms of employment.

GFSL remains committed to reducing the differences over various terms of employment in operation. The core strategy is to ensure equity, fairness and transparency for all. By increasing the appeal of working in a prison environment and offering an attractive reward package we hope to attract and develop the workforce.

Diversity and Inclusion

GFSL is committed to promoting diversity and inclusion through all activities, to promote an inclusive workplace where everyone can thrive. We aim for a workplace that is welcoming, flexible and fully inclusive, through promoting diversity and inclusion for anyone with a protected characteristic under the Equality Act (2010).

Relevant policies are in place and are monitored to ensure that any person who has dealings with us is protected against discrimination (either directly or indirectly) due to a protected characteristic. We offer guaranteed interview schemes for disabled applicants and offer equal opportunities to all staff enabling them to access training to develop their careers and skills. Management and Leadership development initiatives will include this as a key topic, to ensure that we continue to create an environment that aligns to our beliefs and values.

Remuneration Policy and Committee

The Remuneration Committee continues to meet on a regular basis to review and approve remuneration arrangements within GFSL in line with its Pay Policy. This outlines the company's approach to pay and benefits, whilst ensuring that we remain competitive to top talent in the wider FM marketplace, and thus able to recruit, maintain and motivate a suitably qualified staff base.

The committee also reviews and supports the business with improvements around diversity and inclusion, succession planning and gender pay gap reporting. They also review our staff turnover which for the period was 17.16% which included both voluntary and involuntary turnover.

When determining pay a number of considerations are taken into account;

- The need to recruit, retain and motivate suitably qualified people.
- Regional variations in the labour market and our ability to recruit in these areas.
- 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.

Trade Union Relationships

GFSL currently does not formally recognise any Trade Unions under a formal recognition agreement. We continue to meet informally with unions who have members within GFSL on a 6-monthly basis, however, the formal communication route for our employees is through our established Employee Forum which meets on a monthly basis.

Health and Well-being

The business is committed to providing a workplace that supports both the physical and mental health of the workforce. We continue to provide and promote services that support the overall health and well-being of all, including PAM assist, which provides a team of counsellors to act as proactive intervention. In addition to this we continue to provide an employee discount programme through EdenRed offering access to a wide range of offers and discounts, including health and well-being services.

The average number of working days lost due to sickness absence per employee, excluding COVID-19 sickness absence, was 7.8 days.

Talent Management and Succession

GFSL is committed to ensuring robust and effective talent management and career progression arrangements to promote an environment where everyone can fulfil their career ambitions.

We have strengthened our leadership capabilities during 2020/2021 and regularly review succession plans for our executive team.

We are aiming to run an apprenticeship programme which will form a key part of GFSL's future talent identification. This will provide useful skills and knowledge within the workplace and provide a future pipeline of talent for our business.

Board Remuneration (Audited)

Executive Directors – April 2020 to March 2021

	Fee and Salary (£000)		Bonus Payment (£000)		Taxable Benefit (£000)		Pension Benefit (£000)		Total (£000)	
Full name	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Paul Ryder	150 – 155	145 – 150	–	–	0	0 – 5	5 – 10	5 – 10	155 – 160	155 – 160
Stephanie Hill	95 – 100	85 – 90	–	–	0 – 5	20 – 25	25 – 30	35 – 40	125 – 130	145 – 150
Don Keigher	125 – 130	125 – 130	–	–	0 – 5	5 – 10	10 – 15	10 – 15	140 – 145	140 – 145
Len Bridges	40 – 45	–	–	–	0	–	0 – 5	–	45 – 50	–

Stephanie Hill was an employee of MOJ and seconded to GFSL until 30/11/2020.
From 01/12/2020 Stephanie Hill became an employee of GFSL.

Len Bridges was appointed as a director of GFSL from 01/12/2020.

The amount disclosed is the total remuneration paid by GFSL to the individual when employed as a director in the period between 1st April 2020 and 31st March 2021.

CETV Disclosures (Audited)

	Accrued Pension at Pension Age 31/03/2021 (£'000)		Real Increase in Pension and Related Lump Sum at Pension Age 31/03/2021 (£'000)		CETV at 31/03/2021 (£'000)	CETV at 31/03/2020 (£'000)	Real Increase in CETV
Full name	**2020/21**	**2019/20**	**2020/21**	**2019/20**			
Paul Ryder	–	–	–	–	–	–	–
Stephanie Hill	20 – 25	20 – 25	0 – 2.5	0 – 2.5	340	311	16
Don Keigher	–	–	–	–	–	–	–
Len Bridges	–	–	–	–	–	–	–

Paul Ryder, Don Keigher and Len Bridges are members of the Royal London Pension scheme operated through GFSL, and are therefore not members of the Civil Service Pension scheme. Stephanie Hill also joined the Royal London Pension scheme on 1/12/2020.

Non-Executive Directors fees (Audited)

Non-Executive Member	Expiry date of current contract	Fees £'000 2020/2021	Fees £'000 2019/2020	All taxable benefits £'000 (to nearest £100)	Total
Colin Allars	31/12/2021	–	–	–	–
Cheryl Avery	31/12/2023	–	–	–	–
Maura Sullivan	31/03/2022	12	12	–	12
James Hayward	31/3/2023	12	–	–	12
Alison Wedge	28/8/2023	–	–	–	–

James Hayward was appointed as a non-executive director on the 01/04/2020.

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

The above relates only to board members, non-executive directors and those covered by the Government's disclosure of senior salaries agenda.

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

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

Pension entitlements

Staff transferred to GFSL were participants in a number of pension schemes, including Civil Service Pension Schemes (CSPS) where the individuals had previously been employees of HMPPS. GFSL has set up a new defined contribution scheme operated by Royal London under a group personal pension (GPP) agreement, which replaced the Carillion legacy schemes. This scheme is available to all staff who are not members of a CSPS.

The Cash Equivalent Transfer Value (Audited)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETV's are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV (Audited)

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

Fair Pay Disclosures (Audited)

The median remuneration of GFSL's staff, based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff) as at 31/03/2021 was £24,078 (£25,962 as at 31/03/2020). Remuneration ranged from £17,009 to £152,150 (£16,364 – £156,000 as at 31/03/2020). The banded remuneration of the highest paid director in GFSL in the 2020–21 financial period was £150,000 to £155,000 (£155,000 – £160,000 as at 31/03/2020). The ratio between the median staff remuneration and the midpoint of the banded remuneration of the highest paid director was 6.3 (6.1 as at 31/03/2020).

Staff Report

Staff Costs (Audited)

	Permanent Staff (£'000) 2020/2021	Permanent Staff (£'000) 2019/2020	Others (£'000) 2020/2021	Others (£'000) 2019/2020	Total (£'000) 2020/2021	Total (£'000) 2019/2020
Wages and Salaries	36,736	22,813	12,887	27,774	49,623	50,587
Social Security Costs	3,739	2,385	–	–	3,739	2,385
Pension Costs	3,232	3,069	–	–	3,232	3,069
Total	**43,707**	**28,267**	**12,887**	**27,774**	**56,594**	**56,041**

Average number of people employed (Audited)

	Number 2019/2020	Number 2020/2021
Permanently Employed Staff	770	1,228
All other staff	850	135
	1,620	**1,363**

Staff Composition

	Male 2019/2020	Male 2020/2021	Female 2019/2020	Female 2020/2021	Total 2019/2020	Total 2020/2021
Directors	2	3	1	1	3	4
Other Senior Staff	9	7	7	6	16	13
Employees	735	1,014	213	329	948	1,343
Total	**746**	**1,024**	**221**	**336**	**967**	**1,360**

Spend on Consultancy Staff and Contingent Labour

In the financial period in question GFSL spent £6m on contingent labour (£21m in 2019/20). The large reduction in contingent labour was driven by progression of the on-boarding project for the agency staff. This project is ongoing, meaning that expenditure on contingent labour is anticipated to reduce further for the 2021–22 financial year.

Off-payroll engagements

Table 1: Highly paid off-payroll worker engagements as at 31 March 2021, earning £245 per day or greater.

No. of existing engagements as of 31 March 2021	16
Of which...	
No. that have existed for less than one year at time of reporting	8
No. that have existed for between one and two years at time of reporting	6
No. that have existed for between two and three years at time of reporting	2

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2021, earning £245 per day or greater.

No. of temporary off payroll workers engaged during the year ended 31 March 2021	60
Of which...	
Subject to off-payroll legislation and determined as in-scope of IR35	60
Subject to off-payroll legislation and determined as out-of-scope of IR35	–
No. of engagements reassessed for compliance or assurance purposes during the year	–
Of which: No. of engagements that saw a change to IR35 status following review	–

Exit packages (Audited)

There have been no exit packages within the period.

Section 4

Financial Statements

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2021

	Note	Total 2020/21 £'000	Total 2019/20 £'000
Income*	2	143,296	132,134
Expenditure			
Staff costs**	3	(56,594)	(56,041)
Other operating costs***	4	(85,337)	(75,468)
Non-cash items	5	(1,403)	(625)
Total Expenditure		**(143,334)**	**(132,134)**
Net deficit before taxation		**(38)**	**–**
Taxation	6	**–**	**–**
Net deficit after taxation		**(38)**	**–**

* Net of (£2,505K) exceptional item, see note 2 for more details

** Net of £287K exceptional item, see note 3 for more details

*** Net of £2,218K exceptional item, see note 4 for more details

Other Comprehensive Net Expenditure

for the period ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
Net deficit after taxation		(38)	–
Net (gain)/loss on revaluation of property, plant and equipment	7	–	–
Net (gain)/loss on revaluation of intangibles	8	–	–
Total comprehensive income and expenditure		**(38)**	**–**

The notes on pages 64 to 87 form part of these financial statements.

Statement of Financial Position

for the period ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
Non-current assets			
Property, plant and equipment	7	354	247
Intangible assets	8	1,956	2,334
Total non-current assets		**2,310**	**2,581**
Current assets			
Inventories		1,213	986
Trade and other receivables	9	22,411	43,498
Cash and cash equivalents	10	23,404	–
Total current assets		**47,028**	**44,484**
Total Assets		**49,338**	**47,065**
Current liabilities			
Cash and cash equivalents	10	–	(1,375)
Trade and other payables	11	(28,383)	(25,658)
Provisions	12	(823)	(93)
Total current liabilities		**(29,206)**	**(27,126)**
Total current assets less total current liabilities		17,822	17,358
Total assets less current liabilities		**20,132**	**19,939**
Non-current liabilities			
Trade and other payables	11	(1,773)	(1,542)
Total non-current liabilities		**(1,773)**	**(1,542)**
Total assets less total liabilities		**18,359**	**18,397**
Taxpayers equity			
Share Capital	13	–	–
General fund		–	–
Capital Contribution		18,359	18,397
Total Taxpayers equity		**18,359**	**18,397**

The notes on pages 64 to 87 form part of these financial statements. The financial statements on pages 60 to 87 were approved by the Board on 15 February 2022 and were signed on behalf by:

Paul Ryder
Accounting Officer
15 February 2022

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2021

	Share Capital £'000	Capital Contribution £'000	General Fund £'000	Total 2020/21 £'000	Total 2019/20 £'000
Balance at the beginning of the period	**–**	**18,397**	**–**	**18,397**	**13,250**
Net deficit for the year (SoCNE)	–	–	(38)	(38)	–
Capital contribution from MoJ	–	–	–	–	5,147
Reserve transfer	–	(38)	38	–	–
Balance at the end of the period	**–**	**18,359**	**–**	**18,359**	**18,397**

The notes on pages 64 to 87 form part of these financial statements.

Statement of Cash Flows

for the period ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
Cash flows from operating activities			
(Deficit) for the year		(38)	–
Non-cash charges	5	1,403	625
Total		**1,365**	**625**
(Increase)/decrease in trade and other receivables	9	21,086	(10,539)
(Increase)/decrease in inventories		(227)	(358)
Increase/(decrease) in trade and other payables	11	2,555	2,402
Utilisation of provisions settled by GFSL	12	–	–
Net cash inflows/(outflows) from operating activities		**24,779**	**(7,870)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	–	(251)
Purchase of intangible assets	8	–	(809)
Net cash inflows/(outflows) from investing activities		**–**	**(1,060)**
Cash flows from financing activities			
Capital contribution from MoJ		–	5,147
Net cash inflows/(outflows) from financing		**–**	**5,147**
Net increase/(decrease) in cash		**24,779**	**(3,783)**
Cash and cash equivalents at the beginning of the period	**10**	**(1,375)**	**2,408**
Cash and cash equivalents at the end of the period	**10**	**23,404**	**(1,375)**

The notes on pages 64 to 87 form part of these financial statements.

Notes to the Accounts

1. Accounting Policies

1.1 Basis of preparation

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

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

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

1.2 Accounting convention

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

1.3 Going concern

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

On both measures, the directors are fully satisfied. GFSL have delegated funding and equal expected revenue from HMPPS via a formal delegation letter from the MoJ Chief Finance Officer to support the company activities for the financial year 2021/22. In addition GFSL has received an undertaking that MoJ's current intention is to continue to use GFSL for at least the next two years from March 2021 to provide FM services in line with existing arrangements and that they do not anticipate significant changes in the value of services consumed by MoJ or to GFSL's budget. Further support is provided by the MoJ who requested GFSL to develop a medium-term (five-year) business plan to continue to deliver existing services and to pursue opportunities for growth to 2025.

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

1.4 Changes in accounting policy and disclosures

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

b) **New or amended standards adopted**
GFSL has adopted the domestic VAT reverse charge for building and construction services from 1 March 2021. We are required to adopt this change as we operate under HMRC Construction Industry Scheme for some of our suppliers.

c) **New standard, amendments and interpretations issued but not effective for the financial year beginning 1 April 2020 and not early adopted.**
IFRS 17 (Insurance Contracts) sets out requirements for the recognition and measurement of contracts and associated revenue where an entity accepts insurance risk from another party. GFSL has not entered into insurance contracts and does not currently expect to be affected by the new standard. IFRS 17 is currently applicable for reporting periods beginning from 1 January 2023. The standard, including the date from which it is expected to be applicable in the public sector, is subject to further review by HM Treasury.

d) **Changes in presentation and reclassifications**
There have been no changes in presentation or reclassifications.

1.5 Foreign currency

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

1.6 Property, plant and equipment

Initial recognition and capitalisation threshold

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

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

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

All thresholds include irrecoverable VAT.

Measurement

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

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

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

Depreciation

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

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

Estimated useful asset lives are within the following range:

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

Impairment

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

When an asset's carrying value decreases as a result of a permanent diminution in the value of the asset due to a clear consumption of economic benefit or service potential, the decrease is charged directly to net operating costs in the SoCNE.

Disposal of non-current assets

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

1.7 Intangible assets

Recognition

Expenditure on intangible assets which are non-monetary assets without physical substance and identifiable are capitalised where the cost is £10,000 or more and this is applied on a grouped basis using the threshold of £10,000 where the elements in substance form a single asset. Subsequent acquisitions of less than £10,000 value which are of the same nature as existing grouped assets are appended. Otherwise, expenditure on intangible assets which fall below £10,000 is charged as an expense in the SoCNE.

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

Measurement

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

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

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

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

Amortisation

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

Purchased on-premise software licences are recognised when it is probable that future service potential will flow to GFSL and the cost of the licence can be measured reliably. Such licences are initially measured at cost. Purchased on-premise software licences are amortised over the licence period. Cloud-based software licences, outside any implementation period, are recognised as an operating expense over the license period.

GFSL's capitalisation threshold for software projects is £100k (including irrecoverable VAT).

1.8 Leases

Scope and exclusions

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value (less than £10,000 when new). The assets, to be described as “right of use” assets, will be presented under Property, Plant and Equipment.

Initial Recognition

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

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

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

Subsequent measurement

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

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

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

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

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

Transitional arrangements

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

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

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

Estimates and judgements

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

1.9 Inventories

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

Higher valued consumable items, minor spare parts and servicing equipment are typically carried as inventory and recognised in the SoCNE as consumed. Low valued items that are regularly consumed are immediately expensed and recognised in the SoCNE. Major spare parts and stand-by equipment are carried as PPE when GFSL expects to use them during more than one period or when they can be used only in connection with an item of PPE.

1.10 Employee benefits

Benefits payable during employment

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

Termination benefits

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

Pension schemes

Background

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

Principal Civil Service Pension Scheme

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

Royal London Pension Scheme

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

Early departure and injury benefit costs

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

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

1.11 Turnover

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

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

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

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

Exceptional income (other) – an MoJ grant was provided in 2018/19 to cover exceptional expenditure (other) for the setting up of the company. This has continued to be released during 2019/20 and 2020/21 when GFSL incurs the costs for which the funding is intended to cover.

Exceptional income (Purchase Order Cleanse) – A one off historical review of accruals resulting from purchase orders where the goods and services had been recorded as having been received, but had not yet been invoiced for. This review enabled partial release of this accrual and some additional historical remedial works to be undertaken. The net amount of these two exercises is recorded as exceptional income.

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

1.12 Provisions

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

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

We have not provided for a Bad Debt Provision or Credit Loss at 31st March 2021 as all interdepartmental debt is expected to be fully recovered & always has been fully recovered.

General Provisions

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

1.13 Contingent liabilities

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

1.14 Contingent assets

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

1.15 Taxation

Value Added Tax (VAT)

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. GFSL has adopted the domestic VAT reverse charge for building and construction services from 1 March 2021.

Construction Industry Scheme (CIS)

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

Corporation tax

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

1.16 Financial instruments

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

Derecognition

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

Classification and measurement of financial assets

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

Loans and receivables

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

Financial Assets at fair value through profit and loss

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

Impairment of financial assets

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

The Company also assesses whether the credit risk on a financial asset has increased significantly since initial recognition and subsequently measures an expected credit loss allowance. If the credit risk is deemed low then the 12-month expected credit loss allowance is applied. If a significant increase in credit risk is foreseen, then the lifetime expected credit loss allowance is applied. The credit risk on GFSL's financial assets has been deemed low and as a result no credit loss allowance has been charged in 2020/21 (2019/20: nil).

Classification and measurement – financial liabilities

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

1.17 Events after the balance sheet date

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

(a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect these changes where material; and

(b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material impact, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. GFSL makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions for liabilities and charges

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

Provisions for liabilities for goods purchased

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

Funding from parent

In the period, GFSL received no further funding from its parent, MoJ Group.

2. Operating Income

for the period ended 31 March 2021

	2020/21 £'000	2019/20 £'000
Income		
Core Income	80,162	79,243
Variable Services Income	65,104	45,356
Other Income	–	6,704
Total before Exceptional income	**145,266**	**131,303**
Exceptional Income – Purchase Order Cleanse	(2,505)	–
Exceptional Income – Other	535	831
Total Income	**143,296**	**132,134**

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

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

Other income in 2019/20 related to the amount of overspend GFSL has incurred against the running of the core contract, and an amount recognised in the period from the grant received from MOJ, under IAS20.

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

Exceptional Income – Purchase Order Cleanse. At the end of the previous financial year GFSL had accrued for estimates of our liability arising from purchase orders for goods and services which had been received but had not yet been invoiced for and an equal and opposite amount was included within accrued income. During 2020/21 GFSL carried out a full review of this estimate which resulted in the release of £4,045K of this accrual which to an extent matches against invoices booked in the current year. In agreement with HMPPS, accrued income of £2,505K was reversed, and GFSL delivered an additional utilised £1,540K of historical remedial works which would not otherwise have been undertaken. The net effect of this exercise caused both our core income and our expenditure to reduce by £2,505K, with the expenditure being split between staff costs of £287K and other operating costs of £2,218K.

3. Staff Numbers and Costs

for the period ended 31 March 2021

	Permanently employed £000	Others £000	Total 2020/21 £000	Total 2019/20 £000
Wages and salaries	36,850	13,020	49,870	50,587
Social security costs	3,753	–	3,753	2,385
Pension costs	3,258	–	3,258	3,069
Total ordinary staff costs	**43,861**	**13,020**	**56,881**	**56,041**
Exceptional Staff Costs – Purchase Order Cleanse	-154	-133	-287	–
Total Staff Costs	43,707	12,887	56,594	56,041

Details of the director's salary and the average number of persons employed are provided within the People and Remuneration Report on pages 49 to 57.

See Note 2 for further details regarding the exceptional staff costs.

4. Other Operating Costs

for the period ended 31 March 2021

	2020/21 £'000	2019/20 £'000
Direct costs of service		
Other direct costs[1]	52,630	46,898
Materials costs[2]	30,662	25,832
Total Direct Costs of Service	**83,292**	**72,730**
Other Employment Costs		
Vehicle Costs	446	616
Travel and Subsistence	322	757
IT and Telecommunications	589	393
Uniforms and Personal Protective Equipment	825	192
Training Costs	238	180
Other Staff-Related Costs	165	318
Total Other Employment Costs	**2,585**	**2,456**

	2020/21 £'000	2019/20 £'000
HQ and Other Overhead Costs		
Accommodation, Maintenance and Utilities	70	(42)
Auditor's Remuneration and Expenses	85	125
Other Overhead Costs*	1,066	(14)
Professional Fees[3]	167	139
Total HQ and Other Overhead Costs	**1,388**	**208**
Total Ordinary Costs	**87,265**	**75,394**
Exceptional Costs		
Exceptional Costs – Other[4]	290	74
Exceptional Costs – Purchase Order Cleanse[5]	(2,218)	–
Total Exceptional Costs	(1,928)	–
Total other operating costs	**85,337**	**75,468**

* The increase in other overhead costs has mainly been driven by a £443k provision created by a cleansing exercise relating to historic purchase orders, and a £978k write off of historical items agreed with HMPPS.

[1] Other Direct costs of service are almost entirely sub-contract labour costs.

[2] Materials costs include £228K of inventory charged to the SoCNE.

[3] Professional fees include the costs of those individuals classified as consultants under Cabinet Office definitions.

[4] Exceptional costs – Other include non-capital costs of setting up GFSL.

[5] See Note 2 for further details regarding the exceptional costs relating to the purchase order cleanse.

5. Non-Cash Expenditure

for the period ended 31 March 2021

	2020/21 £'000	2019/20 £'000
Depreciation – property, plant and equipment	294	223
Amortisation – intangible assets	379	378
Provision for liabilities:		
Provided in year	730	24
Provisions written back	–	–
Movement in impairment of trade receivables	–	–
Bad debt written off	–	–
Total non-cash expenditure	**1,403**	**625**

6. Taxation

for the period ended 31 March 2021

Current Taxation:	2020/21 £'000	2019/20 £'000
UK Corporation Tax	–	–
Total UK Corporation Tax	**–**	**–**
Factors Affecting the Tax Charge for the Period:		
Net Expenditure on Ordinary and Extraordinary Activities	–	–
Tax at the Standard Rate of Corporation Tax in the UK 19%	–	–
Income and Expenditure not Subject to Corporation Tax	–	–
Total Taxation Charge	**–**	**–**

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

7. Property, Plant and Equipment

for the period ended 31 March 2021

IT Equipment	2020/21 £'000	2019/20 £'000
Cost b/f at the Beginning of the Period	**291**	**291**
Additions	–	–
Reclassifications	–	–
Transfers	–	–
Disposals	–	–
Revaluation	–	–
Total Cost c/f at the End of the Period	**291**	**291**
Depreciation b/f at the Beginning of the Period	**169**	**72**
Charge in Year	97	97
Reclassifications	–	–
Disposals	–	–
Revaluation	–	–
Total Depreciation c/f at the End of the Period	**266**	**169**
Net Book Value at the Beginning of the Period	**122**	**219**
Net Book Value at the End of the Period	**25**	**122**

Building Lease	2020/21 £'000	2019/20 £'000
Cost b/f at the Beginning of the Period	**251**	**–**
Additions	401	251
Reclassifications	–	–
Transfers	–	–
Disposals	(251)	–
Revaluation	–	–
Total Cost c/f at the End of the Period	**401**	**251**
Depreciation b/f at the Beginning of the Period	**126**	**–**
Charge in Year	197	126
Reclassifications	–	–
Disposals	(251)	–
Revaluation	–	–
Total Depreciation c/f at the End of the Period	**72**	**126**
Net Book Value at the Beginning of the Period	**125**	**–**
Net Book Value at the End of the Period	**329**	**125**

8. Intangible Assets

for the period ended 31 March 2021

Software and Development	2020/21 £'000	2019/20 £'000
Cost b/f at the Beginning of the Period	**2,794**	**1,985**
Additions	–	809
Reclassifications	–	–
Transfers	–	–
Disposals	–	–
Revaluation	–	–
Total Cost c/f at the End of the Period	**2,794**	**2,794**
Amortisation b/f at the Beginning of the Period	**460**	**82**
Charge in Year	378	378
Reclassifications	–	–
Disposals	–	–
Revaluation	–	–
Total Amortisation c/f at the End of the Period	**838**	**460**
Net Book Value at the Beginning of the Period	**2,334**	**1,903**
Net Book Value at the End of the Period	**1,956**	**2,334**

9. Trade and Other Receivables

for the period ended 31 March 2021

Amounts falling due within one year	2020/21 £'000	2019/20 £'000
Amount due from HMPPS*	810	18,156
Prepayments	458	306
Staff Receivables	95	113
Other Receivables	37	37
Accrued income[6]	21,011	24,886
Total	**22,411**	**43,498**

[6] Accrued income is income recognised and agreed but not invoiced at the year end with our customer HMPPS.

* 2019/2020 amount due from HMPPS included invoices totalling £12.3m which due to COVID-19 staffing issues HMPPS were unable to pay until 2020/2021. In addition, during 2020/2021 GFSL and HMPPS streamlined the invoicing and payment process so that the monthly invoice for variable works is paid in the same month as it is raised which has reduced the balance further.

10. Cash and Cash Equivalents

for the period ended 31 March 2021

	2020/21 £'000	2019/20 £'000
Opening Balance	(1,375)	2,408
Net Cash Inflow/(Outflow)	24,779	(3,783)
Balance at the End of the Period*	**23,404**	**(1,375)**

GFSL is part of the Government Banking Service (GBS), which is the banking shared service provider to the government and the wider public sector. GBS is considered to be one bank account and consists of working balances across the government. GFSL's working balance was in deficit in 2019/2020 year end due to COVID-19 staffing impacts delaying a payment that should have been received prior to end of the financial year. Enhanced processes and controls are now in place to mitigate this and throughout 2020/2021 a cash surplus has been in place.

* The balance at the end of the period comprises £29.8m cash in bank and cash in transit payments of (£6.4m).

11. Trade Payables and Other Liabilities

for the period ended 31 March 2021

Amounts falling due within one year	2020/21 £'000	2019/20 £'000
Trade Payables	(7,946)	(6,561)
Accruals	(9,165)	(2,533)
Lease Liabilities	(350)	(726)
Holiday Pay Accrual	(757)	(288)
Goods Received not Invoiced	(4,528)	(8,873)
Taxation and Social Security	(1,040)	(870)
VAT Payable	(3,918)	(4,848)
Deferred Income*	(224)	(395)
Other Payables	(455)	(564)
Total Current Payables	**(28,383)**	**(25,658)**

Amounts falling due after more than one year	2020/21 £'000	2019/20 £'000
Deferred Income*	(1,308)	(1,542)
IFRS16 Liabilities	(465)	–
Total non-current payables	**(1,773)**	**(1,542)**
Total trade payables and other liabilities	**(30,156)**	**(27,200)**

* Deferred income has two elements. The first at a value of £224k is the value remaining from the £4m government grant received from the MoJ which will be released over the next 12 months. The remaining amount of £1,308k will be released in future years to cover the cost of depreciation and amortisation of capital costs as was conditional on receipt of the grant.

12. Provisions for Liabilities and Charges

for the period ended March 2021

Claim Provision	Health and Safety Prosecution 2020/21 £'000	Personal Injury /Employment Tribunal Claims 2020/21 £'000	Historical Cleanse of Purchase Order System 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Balance at the Start of the Period	–	(93)	–	(93)	**(69)**
Provisions in the period	(38)	(249)	(443)	(730)	(24)
Provisions Written Back	–	–	–	–	–
Provisions Utilised in the Period	–	–	–	–	–
Balance at the End of the Period	**(38)**	**(342)**	**(443)**	**(823)**	**(93)**
Analysis of Expected Timings of Cash flow					
Not later than 1 year	(38)	(342)	(443)	(823)	(93)
Later than 1 year and not later than 5 years	–	–	–	–	–
Later than 5 years	–	–	–	–	–
Total	(38)	(342)	(443)	(823)	(93)

The provision comprises three different elements.

£38K relates to a health and safety prosecution. £342K relates to the company's liability resulting from a small number of personal injury claims and employment tribunal claims, all of which are open as at 31st March 2021. In carrying out the purchase order cleanse detailed in note 2, it is probable that GFSL will still receive invoices to pay which were covered by the accruals released during 2020/21. GFSL have therefore included a provision of £443K. GFSL anticipates that all will be concluded by 31st March 2022.

13. Share capital

for the period ended 31 March 2021

	Nominal	Value 2020/21 £	Value 2019/20 £
Ordinary Share of £1 each	100	100	100

100 Ordinary shares issued at nominal value of which £99 were fully paid up as at 31st March 2021.

14. Financial Instruments

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

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

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

15. IFRS16 Disclosures

As of 31 March 2021, GFSL has two leases which have been classified under IFRS16. These are the rent for our Sheffield office which expires in February 2023, and the license for our Oracle system which expires in August 2023. The Sheffield office lease commenced in November 2020. In addition to the above, GFSL also had a lease for our Sheffield office which expired in October 2020.

Class of Underlying Asset						
	Building 2020/21 £'000	IT 2020/21 £'000	Total 2020/21 £'000	Building 2019/20 £'000	IT 2019/20 £'000	Total 2019/20 £'000
Depreciation Charge for Right of Use Assets	197	180	**377**	126	180	**306**
Interest Expense on Lease Liabilities	3	11	**14**	4	12	**16**
Total Cash Outflow for Leases	138	188	**326**	162	188	**350**
Additions to Right of Use Assets	401	–	**401**	251	808	**1,059**
Carrying Amount of Right of Use Assets	329	449	**778**	126	629	**755**
Maturity Analysis – Contractual Undiscounted Cash flows						
Less than one year	162	188	**350**	94	188	**282**
One to five years	54	281	**335**	–	469	**469**
More than five years	–	–	**–**	–	–	**–**

GFSL also has four photocopiers which are classified as low value leases which are exempt from IFRS16. The expense relating to these four photocopiers during 2020/21 is £9,568.

16. Related party transactions

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

£142,829k of GFSL's revenue relates to charges to HMPPS for work undertaken in the period, and £467k of GFSL's revenue relates to charges to MoJ Core for work at approved premises.

The company incurred costs for seconded staff of £96K and £97K from MoJ Core and HMCTS respectively. All are presented within staff costs.

Staff costs also include a further £135K from HMPPS which relates to the National Offender Management Service program and £21K from MoJ core which relates to the 20/21 casework costs. IT and Telecommunications costs include £10K from the MoJ.

At the balance sheet date, the company had balances of £21,546K and £136K due from HMPPS and MoJ Core respectively, presented within trade and other receivables. At the balance sheet date, GFSL had balances of £37K and £116K owing to HMPPS and HMCTS respectively, presented within trade and other payables.

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

17. Financial Commitments

for the period ended 31 March 2021

	2020/21 £'000	2019/20 £'000
Financial Commitments (Excluding Capital Commitments)	437	259
Property, plant and equipment	–	–
Intangible Assets	–	–
Contracted Capital Commitments at the End of the Period	–	–

18. Contingent Assets

As of 31 March 2021 GFSL has no contingent assets to declare.

19. Contingent Liabilities

GFSL has carried out an assessment of our contingent liabilities and have concluded that as of 31 March 2021, GFSL has no contingent liabilities to declare.

20. Losses and Special Payments

The statement of comprehensive income includes the following losses and special payments including low value interest, legal fees and court fees incurred for 2 late payments, 9 low value historical write-offs of salary overpayments, 2 low value payments for property damaged/lost of a 3rd party, settlement of a personal injury claim and settlement of a health and safety executive prosecution.

(a) Losses statement	2020/21 Number of case	2020/21 Total £'000	2019/20 Total £'000
Interest, Legal Fees and Court Fees Relating to Late Payments	2	1	2
Ex Gratia	9	2	–
Health and Safety Executive Prosecution	1	38	–
Total Losses	12	41	2

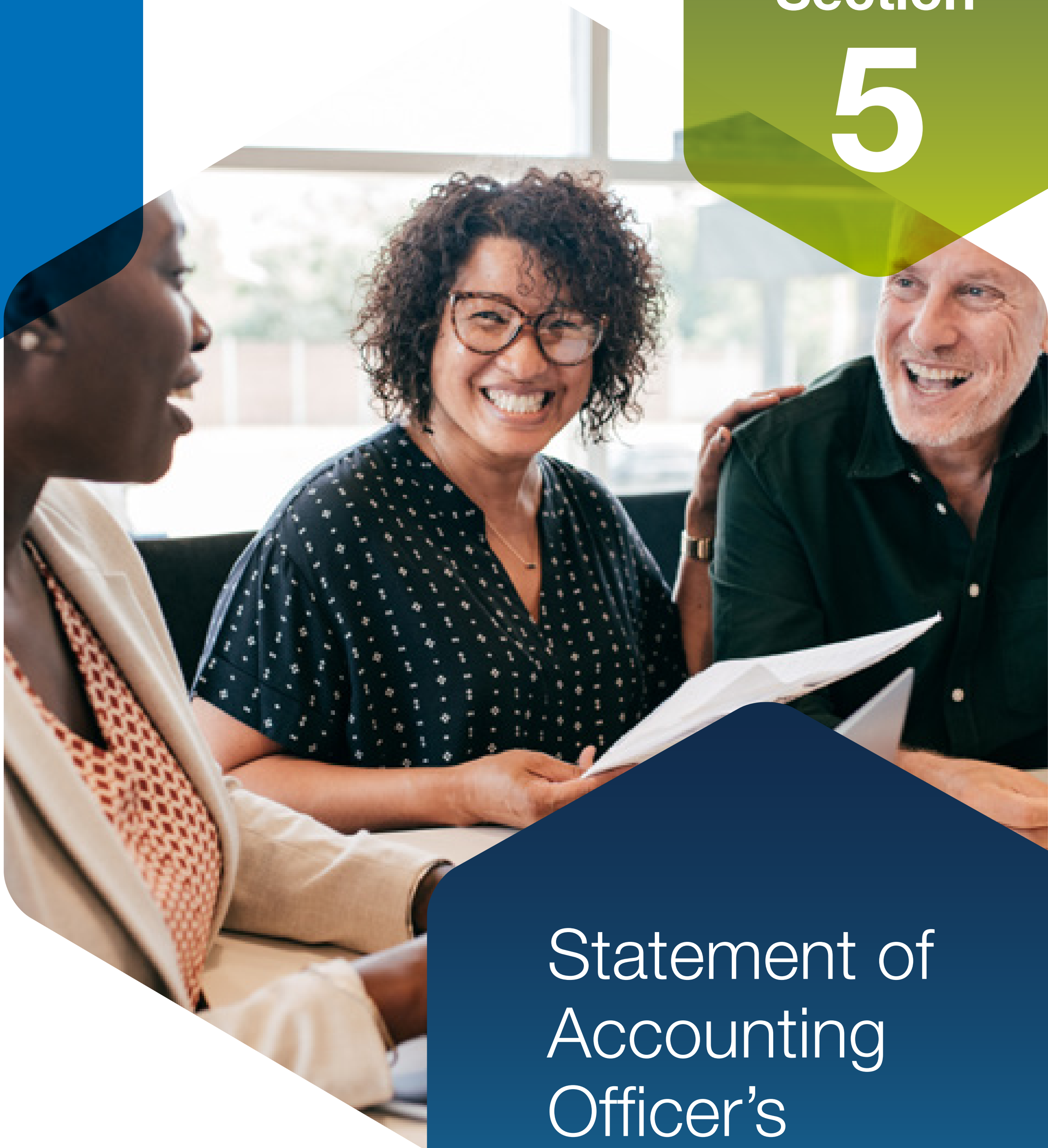
(b) Special payments	2020/21 Number of case	2020/21 Total £'000	2019/20 Total £'000
Personal Injury Claim	1	5	–
3rd Party Property Damage	2	4	–
Total Special Payments	3	9	–

21. Events after the reporting period

Events after the reporting period are considered up to and including the date on which the accounts are authorised for issue. This is interpreted as the date of the audit report. The Health and Safety Prosecution mentioned in note 20 was settled on the 30th June 2021. This is the only event after the reporting period to declare.

Section

5



Statement of Accounting Officer’s Responsibilities

Statement of Accounting Officer's Responsibilities

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

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

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

- observe the Accounts Direction issued by 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 Accounting Officer of the MoJ has appointed the Chief Executive as Accounting Officer of GFSL. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding GFSL's assets, are set out in Managing Public Money published by the HM Treasury.

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

Paul Ryder
15 February 2022

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

Opinion on financial statements

I have audited the financial statements of Gov Facility Services Limited ('GFSL') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

I have also audited the information in the People and Remuneration 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 the company's affairs as at 31 March 2021 and of the net deficit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), and 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 report.

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 GFSL 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 GFSL'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 GFSL'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 directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the annual report, but does not include the parts of the of the People and Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. The directors are 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 report, 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 prescribed by the Companies Act 2006

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

- the parts of the People and Remuneration Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of GFSL and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of the directors for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the company'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 directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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 report 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 audited entity's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the audited entity'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 the audited entity's controls relating to the Companies Act, Health and Safety, Taxation and Payroll legislation;
- discussing among the engagement team and involving relevant internal specialists, 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: expenditure and revenue recognition, and the posting of unusual journals;
- obtaining an understanding of GFSL's framework of authority as well as other legal and regulatory frameworks that the audited entity 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 the audited entity. The key laws and regulations I considered in this context included the Companies Act, Managing Public Money, Employment Law, Tax Legislation, Health and Safety 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 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; and
- in addressing the risk of fraud in the recognition of expenditure recognition, testing the completeness, accuracy and cut off of non-payroll expenditure.

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 report.

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.

Greg Wilson

Greg Wilson (Senior Statutory Auditor)

Date: 28 February 2022

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)
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