



National Offender
Management Service

National Offender Management Service

Annual Report
and Accounts
2012–2013

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National Offender Management Service

Annual Report and Accounts 2012–2013

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Purpose, Vision and Values

1

Preventing victims by changing lives

Our Statement of Purpose

The National Offender Management Service is an Executive Agency of the Ministry of Justice. Our role is to commission and provide offender management services in the community and in custody ensuring best value for money from public resources. We work to protect the public and reduce reoffending by delivering the punishment and orders of the courts and supporting rehabilitation by helping offenders to reform their lives.

Our Vision

We will work collaboratively with providers and partners to achieve a transformed Justice system to make communities safer, prevent victims and cut crime.

Our Values

In delivering offender management services, we will:

- be objective and take full account of public protection when assessing risk
- be open, honest and transparent
- incorporate equality and diversity in all we do
- value, empower and support staff, and work collaboratively with others
- treat offenders with decency and respect
- embrace change, innovation and local empowerment
- use our resources in the most effective way, focusing on outcomes and delivering value for money for the taxpayer

Foreword

by the Chief Executive



This is our fifth Annual Report following the creation of the National Offender Management Service (NOMS) as an Executive Agency of the Ministry of Justice in April 2008.

NOMS commissions and delivers services in a challenging, demanding and complex operating environment. Across the organisation our staff are working, on a daily basis, with difficult, vulnerable and sometimes dangerous people, and 2012–13 again saw some exceptional demands.

Nevertheless we have recorded significant achievements in 2012–13: Achieving budgetary savings targets of almost £250 million across the Agency whilst maintaining a strong operational performance in Probation and Prisons; completing major workforce restructuring; rationalising our estate by closing high cost uneconomic prisons; and using competition to set new benchmarks for service delivery in the community and in custody.

Now, under the Ministry of Justice's Transforming Justice agenda, we are taking forward an ambitious reform programme – opening up public services to a wider base of providers and changing the way we fund and commission services so that we are focused on outcomes rather than processes, increasingly aiming to pay providers for the results they achieve.

In November 2012 the Public Accounts Committee concluded that the NOMS Agency was delivering value for money for the taxpayer by maintaining performance whilst delivering its savings targets. This Annual Report sets out the detail of the Agency's achievements in 2012–13 and demonstrates how the Agency has continued to deliver successfully on behalf of the public.

This could not have been achieved without committed and dedicated staff in prisons, probation and in HQ who have demonstrated remarkable resilience in the face of substantial change and uncertainty, care deeply about the work they do and go the 'extra mile' to make a difference. On a daily basis our staff work to 'Prevent Victims by Changing Lives' and this will remain our driving force as we continue to work with our partners to transform the Justice System to reduce cost and improve performance for the public.

Michael Spurr
Chief Executive
National Offender Management Service



About the National Offender Management Service

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NOMS is an Executive Agency of the Ministry of Justice (MoJ), responsible on behalf of the Secretary of State for Justice for commissioning and delivering prison and probation services in England and Wales. We are committed to protecting the public and reducing reoffending.

We deliver our offender services through:

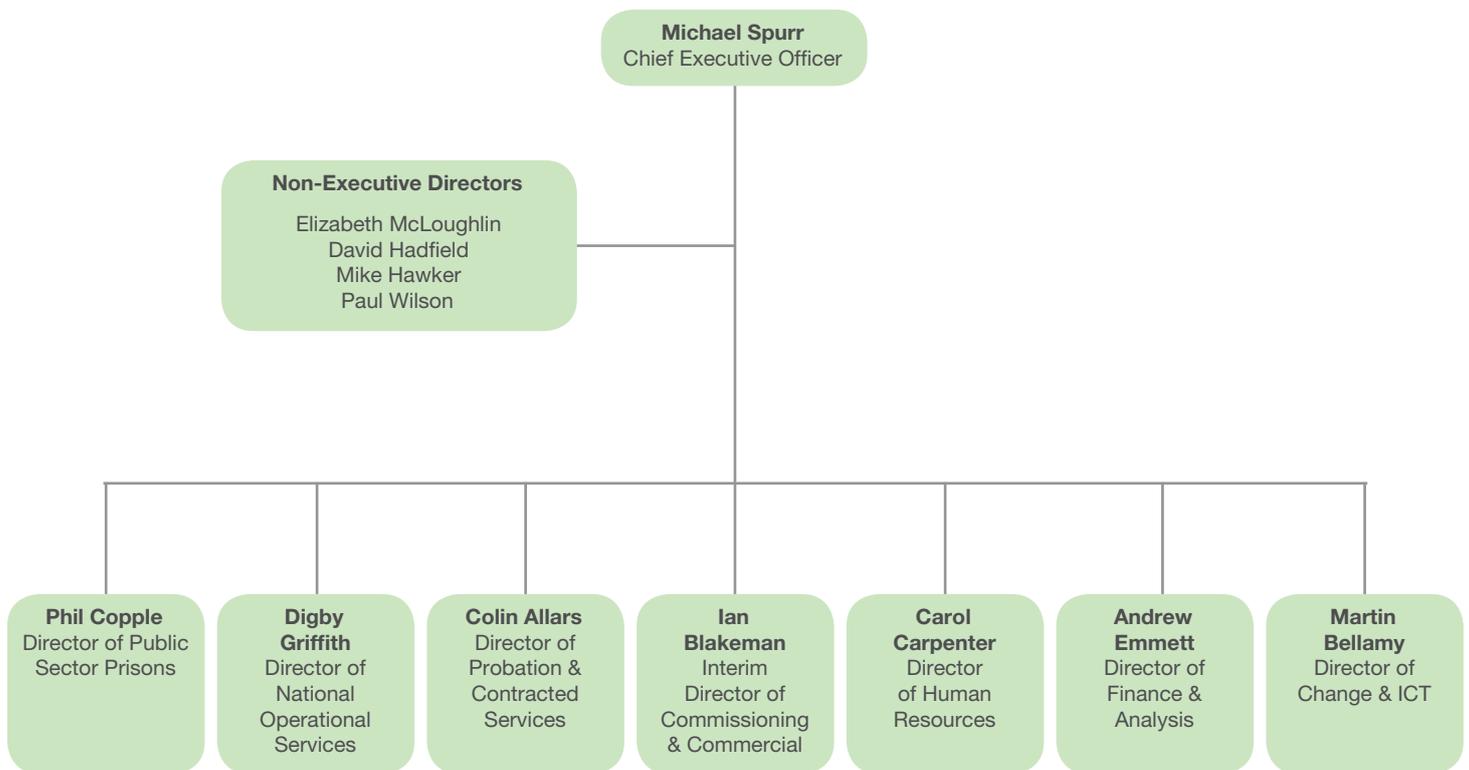
- Probation Trusts – 35 Trusts responsible for the delivery of probation services at local level;
- Attendance centres – 131 centres for offenders aged between 10 and 24;
- Public sector prisons – 110 prisons which provide around 85 per cent of prison places;
- Private sector providers – operating 14 prisons under contract and providing other significant services including prisoner escorts and electronic monitoring of offenders; and
- Partnerships – with a range of public and third sector partners, including police, local authorities, health and education providers, and with a wide range of organisations in the voluntary and social enterprise sector.

The Agency is also contracted by the Youth Justice Board to provide custodial places for young people (under 18) and by the Home Office to provide over 860 places at three Immigration Removal Centres.

Following a fundamental reorganisation in 2010–11, our structure provides clarity and accountability for the different functions of the Agency. Specifically:

- Commissioning and co-commissioning of Offender Services;
- Management of Public Sector Prisons;
- Contract Management of Probation Trusts, Private Sector Prisons and Major Contracts;
- Provision of operational services to the whole sector; and
- Providing support for service delivery through Finance, ICT and HR.

The high-level organisational structure at 1 April 2013 is shown below.



The vision for NOMS and the Ministry of Justice is “To deliver a transformed justice system and a transformed Department which is more effective, less costly and more responsive to the public”. Our part in delivering this is set out in the 2013–14 NOMS Business Plan¹.

¹ <http://www.justice.gov.uk/downloads/publications/corporate-reports/noms/2012/noms-business-plan-2013-2014.pdf>





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Performance against Business Priorities

The following section provides a summary of performance against the NOMS operational delivery and transformation priorities agreed by the Agency Board and set out in the 2012–13 Business Plan, together with the 2012–13 operational performance statistics:

Operational Delivery and Performance Priorities

- Delivering the Punishment and Orders of the Courts
- Security, Safety and Public Protection
- Reducing Reoffending
- Improving Efficiency and Reducing Costs
- Operational Performance Statistics

Transformation Priorities

- Rehabilitation – Breaking the Cycle
- Re-balancing Capacity
- Commissioning and Competition
- Organisational Restructure

Operational Delivery and Performance

Our primary responsibility is delivering our key operational services and managing system-wide delivery of offender services in England & Wales. We directly manage public sector prisons and contract manage Probation Trusts, private sector prisons, third sector providers and a range of system-wide contracts (such as the Prisoner Escort Service, Electronic Monitoring and Bail Accommodation contracts). The following sections outline our operational performance and main delivery achievements in 2012–13.

Delivering the Punishment and Orders of the Courts:

The foundation of our work is our responsibility to enforce the orders of the court. The public must have confidence that punishment is effective and robust.

Prisons

We continue to hold securely those offenders whom the courts sentence to custody. We remain committed to ensuring that prisons are safe places to work, live and visit:

- In 2012–13 Public Sector Prisons maintained performance and service delivery whilst exceeding the three per cent savings target and delivering around £80m budgetary savings. This was achieved through more effective workforce management, reduction in discretionary spend and improved procurement;

- Through effective management of the Service Level Agreements and of operational pressures the majority of establishments maintained a good level of performance based on the four point Prison Ratings System; and
- The percentage of prisoners held in overcrowded accommodation across the prison service has reduced and the reduction in the rate of self inflicted deaths has been maintained.

Probation

In the community we have maintained a good level of performance, continuing to build on the impressive advances that have been achieved in recent years. This is against the backdrop of achieving £30m budget savings in 2012–13, through a continued focus on delivering sustainable efficiencies and improved financial management. The Probation Service maintained good performance levels in enforcing the sentence of the court where the offender fails to comply: 95 per cent of breached orders and licences were correctly enforced within 10 working days of breach. Effective targeting of offenders to interventions in the community has meant that 95 per cent of offenders who required an accredited programme were placed on the specific programme that best addressed their offending behaviour in 2012-13, maintaining 2011-12 levels. This compared to 94 per cent in 2010-11 and 84 per cent in 2008-09.

Further details on our operational performance in 2012–13 can be found in the Operational Performance section.

Security, Safety and Public Protection:

When driving down costs and becoming more efficient in 2012–13, we have not compromised any of our key responsibilities on security, safety and public protection. Our key activities in these areas are outlined below.

Security

We have undertaken a wide range of security related activities in 2012–13 including:

- **Preventing Escapes** – We continue our work on preventing the escape of prisoners. Whilst escapes remain at a low level, a programme of work began in 2012 to address the main weaknesses giving rise to escapes. A protocol with Court Services to prevent escape from court was developed for the use of additional security measures with prisoners at court. This is linked to new proposals for assessing the escape risk of prisoners going to court. During 2012–13:
 - » There were two escapes from prison and prison escorts; and
 - » There were nine escapes from contractor escorts.
- **Technology** – The Department has invested in a new IT-based intelligence management system

(Mercury) which has been tested in establishments during 2012, with rollout to all prisons taking place over 2013–14. Mercury will allow NOMS to replace existing labour intensive practices in a number of important areas, including:

- » maintaining control / order within prisons;
- » reducing drugs / mobile phones in prison;
- » preventing escapes; and
- » managing risks posed by extremism and radicalisation.
- In the last year we have worked to secure the Prisons (Interference with Wireless Telegraphy) Act 2012 which places the use of illicit mobile phone signal denial technology on a firm legal footing. During 2013–14 we will undertake further work with partner law enforcement agencies to tackle illicit mobile phone use in prison;
- The successful transfer of data from 35 Probation Trusts into three data centres in June 2012, leading to improved data security across the Trust estate;
- **Drugs** – The drug free wing pilot is operational in five sites. The pilots will be evaluated in 2013-14 and include the trial of pioneering drug detection technology;
- **Tackling Radicalisation** – Work continued in 2012–13 to enhance our understanding of the nature and extent of radicalisation in the offender population both in custody and the community. NOMS continues to

develop its range of interventions in this area;

- **Tackling Corruption** – We have continued our efforts to identify and take action against corrupt staff in both public and private prisons. During the year, 29 individuals were convicted by the courts and 60 staff were dismissed or resigned as a result of disciplinary proceedings/ investigations. A further 40 non-directly employed staff were excluded from prisons. We have been supporting the Metropolitan Police as part of Operation Elveden, resulting in four prison based staff being arrested (included in the above figures); with one receiving a 15 month custodial sentence for unauthorised disclosure of information; and
- **Serious Organised Crime** – we have continued our close work with the Serious Organised Crime Agency to tackle ongoing criminality and worked with Greater Manchester Police on their innovative efforts to tackle serious organised and gang crime in Manchester.

Safety

Reducing violence and self-harm creates safer environments in which prisoners can engage more effectively in reducing their likelihood of reoffending. We have robust and well respected processes for caring for prisoners who self harm and keep many prisoners safe every day. Where there have been incidents of



disorder, we have responded vigorously and effectively, and will continue working with the police to secure prosecutions for serious acts of violence or disorder. Staff are trained to use de-escalation techniques and positive social skills to reduce tension and the propensity for further violence. The rate of assaults in 2012 fell to 168 assaults per 1,000 prisoners - the lowest rate since 2003. The rate of assaults on staff fell six per cent, as at December 2012 to 34 assaults per 1,000 prisoners.

Public Protection in the Community

We are actively engaged, under the Multi-Agency Public Protection Arrangements (MAPPA) to work with the Police to reduce the re-offending behaviour of sexual and violent offenders in order to protect the public, including previous victims, from serious harm, ensuring that known serious offenders are managed appropriately. MAPPA has shown to be effective in providing a framework with the police, along with a number of other public bodies, who share information about offenders and so co-ordinate and agree plans to manage that risk.

Collaborative work with Probation Trusts is ongoing to assist them in their responsibility for ensuring that learning from serious further offence reviews is embedded in local practice.

We hold a Critical Public Protection (CPP) Case Fund (budgeted for £400k in 2013–14 in line with the expenditure

on CPP cases in 2012–13), so that Probation Trusts can bid for additional resources to strengthen local risk management plans for the management of extremist and high risk offenders.

Reducing Reoffending:

Reducing reoffending is at the heart of the work of all our staff. Our aim has continued to be reducing the level of reoffending and the harm to victims, changing offenders' lives and making communities safer.

The relationship between offender and supervisor is important in reducing reoffending. Purposeful, structured and more effective face-to-face contact can be a powerful way of changing behaviour. In 2012–13 key achievements include:

- Conclusion of the Offender Engagement Programme and building of an evidenced based integrated framework 'Skills for Effective Engagement, Development and Supervision'. Training on the framework has been delivered to local trainers in 33 Probation Trusts that are now implementing the model;
- Implementation of the revised Offender Learning and Skills Service in all public sector and relevant private sector prisons;
- Mandating of eligible prisoners onto the DWP Work Programme began in March 2012;

- Virtual Campus is live in 115 prisons. This enables prisoners to access some online resources, including searching and applying for jobs through a very secure internet system;
- National Prison Radio runs a number of programmes aimed at providing information on reducing reoffending and helping prisoners maintain contact with families. National Prison Radio has won further prestigious awards in-year, and is now live in 100 prisons;
- Designing a new Domestic Violence programme called Building Better Relationships which has been commissioned widely in the Community and work has begun to develop it for use in prisons;
- Delivered the Healthy Identities Intervention to extremist offenders in sites and begun developing it for use with gang affiliated offenders;
- Development of the Choices, Actions, Relationships, Emotions programme which has been commissioned at two prison sites for women with a history of violence and complex needs; and
- A programme for high-risk sexual offenders has been developed and is being piloted as part of the NOMS suite of accredited interventions for sexual offenders. A new suite of programmes has also been accredited for sexual offenders with learning disabilities, which is to be run in custody and in the community.

We are using the learning and evidence on offender engagement to support the Transforming Rehabilitation Programme in developing our future commissioning of offender services.

Improving Efficiency and Reducing Costs:

The financial year 2012–13 was the second year of the current Spending Review period and we have continued to successfully deliver against stretching savings targets across the period. In 2012–13 we have delivered savings totalling £246m on top of the £228m savings delivered in 2011–12. This represents a further reduction of seven per cent of the Agency's resource budget, against the Spending Review baseline. This has been a significant challenge, and we have achieved these savings whilst maintaining our focus on protecting the public, reducing reoffending and our responsibility to enforce the orders of the courts.

We have achieved these savings through a number of programmes including:

- Completing the wholesale restructure of our HQ (with new structures in place from 1 April 2012). This delivered a further £23m savings in 2012–13 (£64m since the start of the Spending Review) and will achieve a reduction of 37 per cent (£91m) in NOMS HQ costs over the Spending Review period;
- Delivering efficiency savings in



frontline services, with public sector prisons and probation making savings totalling four per cent (£110m) in 2012–13. This is in addition to the five per cent (£99m) public prisons and seven per cent (£60m) Probation Trust savings that were successfully delivered in 2011–12;

- Improved knowledge of service delivery costs leading to better targeting of scarce resources and more cost-effective practice. This work has enabled NOMS to embark on a programme of benchmarking all prison establishment types over the next two years to achieve significant cost reductions²;
- Improvements in contract spend, including procurement efficiencies from major contracts and more effective contract management. This has delivered over £60m of budget cost reduction;
- A capacity management programme to ensure the most effective use of the prison estate. Since the start of the Spending Review, we have opened new accommodation at prisons such as Oakwood at a much lower unit cost. This has enabled us to reconfigure the estate and to close less efficient, uneconomic places across a number of sites/prisons. In 2012–13 £8m savings were delivered through the closure of uneconomic prison places and we have saved £37m in total since the start of the Spending Review. The closure of

seven prisons on the 31st March 2013 will contribute significantly to the Agency's savings target in 2013–14 and significantly reduce the Department's maintenance liability; and

- Further deployment of integrated case management systems in both prisons and probation that is enabling improvements in operational efficiency. We have extended the deployment of the national prisoner case management system, P- NOMIS, across the private prison estate. We now have a single offender data system for the prisoner population as a whole, resulting in more efficient management of offender data. The roll-out of nDelius, a new national case management system for use across the Probation Service, commenced in 2012–13. nDelius is replacing over 40 legacy case management systems, and will enable more efficient working across Probation Trusts.

Other savings were achieved through reductions in discretionary spend and more effective workforce management.

Decisions on where to target financial savings have been and will continue to be based on protecting operational delivery and frontline services and meeting our legal and regulatory requirements.

² See section on Commissioning and Competition for further details

Operational Performance

NOMS Operational Performance 2012–2013

MEASURE	JULY 2010–JUNE 2011 COHORT	2000
One-year proven reoffending rate for adult offenders discharged from prison or commencing a court order ³	36.0%	40.9%

MEASURE	OUTCOME 2012–2013	OUTCOME 2011–2012
Delivering the Punishment and Orders of Courts		
The percentage of orders and licences that are successfully completed	77.0%	76.3%
The percentage of prisoners held in overcrowded accommodation across the prison system (2011-12 re-stated. See p.18)	23.3%	24.1%
The rate of self-inflicted deaths per 100,000 prisoners (3-year rolling average)	66	70
The rate of drug misuse in prisons as reflected by those testing positive in mandatory drug tests	7.0%	7.0%
Public Protection		
The number of Category A escapes	1	1
The number of escapes from prison and prison escorts ⁴	1	4
The rate of escapes from prison and prison escorts as a proportion of the average prison population	0.002%	0.005%
The number of escapes from contractor escorts ⁵	9	13
The rate of escapes from contractor escorts as a proportion of the throughput of prisoners	1 in 96,867 prisoner movements	1 in 72,510 prisoner movements
Reducing Reoffending (supplementing the overarching impact indicators)		
The percentage of offenders in employment at termination of their sentence, order or licence	37.7%	37.9%
The percentage of offenders in settled and suitable accommodation at termination of their sentence, order or licence	86.9%	87.2%
Staffing indicators		
Staff sickness: average days per annum (NOMS and Probation Trusts)	10.41 days	9.75 days
Proportion of black and minority ethnic staff in the Agency (NOMS and Probation Trusts)	9.1%	9.1%

³ Proven Reoffending Statistics Quarterly Bulletin July 2010 – June 2011 <https://www.gov.uk/government/publications/proven-re-offending--2>

⁴ Excludes Category A escape in 2012-13

⁵ Excludes Category A escape in 2011-12



The MoJ Proven Reoffending Statistics Quarterly Bulletin provides key statistics on reoffending in England and Wales, including proven reoffending rates for adult offenders released from prison or commencing a court order. For the most recent reporting period, between July 2010 and June 2011, around 190,000 adult offenders were discharged from prison or commenced a court order. Around 69,000 of these offenders were proven to have committed a re-offence within a year. This gives a one year proven re-offending rate of 36.0 per cent, which is stable compared to a year earlier. A comparison against the year 2000 baseline shows a 4.9 percentage point decrease in the rate of proven reoffending (from 40.9 to 36.0 per cent).

Against a background of cost savings and organisational change the Agency maintained or improved its performance in 2012-13 compared to the previous year against a range of indicators.

We are quite clear that in seeking to reduce the cost of custody there can be no compromise in standards of safety and decency in our prisons, and our key measures in this area show a degree of improvement. There was a slight fall in the percentage of prisoners in overcrowded accommodation, from 24.1 per cent in 2011-12 to 23.3 per cent in 2012-13. The figure published in the 2011-12 annual report for the percentage of prisoners in overcrowded accommodation was 23.9 per cent, but

has been revised following a validation exercise. The three-year rate of self-inflicted deaths at March 2013 (66 per 100,000 population) is lower compared to a year earlier, continuing the long-term downward trend.

With significant changes on the horizon for probation it is a credit to the professionalism of the service that business as usual has been maintained. The completion rate for offenders on orders and licences once again increased slightly, from 76.3 per cent to 77 per cent and the service has continued to meet its high standards in enforcing the sentence of the court where the offender fails to comply: 95 per cent of breached orders and licences were correctly enforced within 10 working days of breach. Effective targeting of offenders to interventions in the community has meant that 95 per cent of offenders who required an accredited programme were placed on the specific programme that best addressed their offending behaviour in 2012-13, maintaining 2011-12 levels. This compares to 94 per cent in 2010-11, 89 per cent in 2009-10 and 84 per cent in 2008-09.

Measured across custodial and community settings there has been a marginal fall in the percentage of offenders in employment at end of sentence (from 37.9 per cent in 2011–12 to 37.7 per cent in 2012–13) and in the percentage of offenders in settled and suitable accommodation at end of sentence (from 87.2 per cent to 86.9 per cent). However, both of these outturns are better than those achieved in 2010–11.

Rates of staff sickness rose across NOMS and Probation Trusts during 2012–13, from an average of 9.75 days in 2011–12 to 10.41 days per member of staff in 2012–13. The longer-term trend has been downward and we will renew our focus on attendance management in 2013–14.

Transformation

Rehabilitation - Breaking the Cycle:

During the year we have continued to focus on rehabilitation, working to turnaround offenders' lives. This has included offenders undertaking work within prison, the use of payment by results to generate innovative new approaches to tackle reoffending and the Department's publication of "Transforming Rehabilitation: A Strategy for Reform."⁶

Transforming Rehabilitation and Payment by Results

During 2012–13 we continued to develop a range of pilots within the Payment by Results (PbR) pilot programme. This included:

- running the live pilots at HMPs Peterborough and Doncaster; and
- six Justice Reinvestment Pilots, four of which successfully reduced demand on the criminal justice system.

In addition to this, during 2012 we consulted on future provision in the community in the consultation Punishment and reform: Effective probation services. Subsequently, the Department's approach to rehabilitation changed. This new approach was set out in the publication of the Transforming

⁶ <https://consult.justice.gov.uk/digital-communications/transforming-rehabilitation/results/transforming-rehabilitation-response.pdf>



Rehabilitation consultation in January 2013. In May 2013, the Department published “Transforming Rehabilitation: A Strategy for Reform” – the Government’s response to the consultation. This strategy sets out the Government’s plans for transforming the way in which offenders are managed in the community in order to bring down reoffending rates.

The key aspects of the reforms are as follows:

- A new public sector National Probation Service will be created, working to protect the public and building upon the expertise and professionalism which are already in place;
- For the first time in recent history, every offender released from custody will receive statutory supervision and rehabilitation in the community. The Department is legislating to extend this statutory supervision and rehabilitation to all 50,000 of the most prolific group of offenders – those sentenced to less than 12 months in custody;
- A nationwide ‘through the prison gate’ resettlement service will be put in place, meaning most offenders are given continuous support by one provider from custody into the community. We will support this by ensuring that most offenders are held in a prison designated to their area for at least three months before release;
- The market will be opened up to a

diverse range of new rehabilitation providers, so that the Department gets the best out of the public, voluntary and private sectors, at the local as well as national level; and

- New payment incentives for market providers to focus relentlessly on reforming offenders will be introduced, giving providers flexibility to do what works and freedom from bureaucracy, but only paying them in full for real reductions in reoffending.

Work in Prisons

In 2012–13, real progress has been made in increasing the delivery of work for offenders across the prison estate. In May 2012 we launched ONE3ONE Solutions. This ‘business to business’ proposal has clear commercial and social benefits of developing business within prisons and was well received within the business community. We also launched a Code of Practice which identifies how we will work fairly to safeguard jobs in the community and ensure that prisoners continue to be treated with respect.

Since its launch, ONE3ONE has engaged with over 130 companies and has secured promising new business within the laundry, furniture, recycling and engineering markets, as well as working to secure access to suitable work across Government. ONE3ONE is also supporting Governors and Directors in local business development activity offering guidance and regional business engagement events.

These combined efforts have ensured that NOMS has secured significant increases in the number of hours worked by offenders and the number of offenders undertaking work whilst in custody. Statistics published in June 2012⁷ show that in 2010–11 public sector prisons delivered around 10.6 million prisoner working hours which increased to over 11.4 million hours in 2011–12. Over the last two years the number of prisoners working in public sector prisons increased from around 8,600 per month to around 9,000 per month in 2011–12⁸.

Restorative Justice

We are committed to increasing the use of Restorative Justice for appropriate crimes, particularly as a way of improving victim satisfaction. The NOMS Commissioning Intentions Negotiation Document requires prisons and Probation Trusts to work with partners to continue to develop sustainable capacity and capability to deliver effective face to face victim-offender conferencing (Restorative Justice).

In 2012 – 2013 we:

- Published Better Outcomes through Victim-Offender Conferencing which summarises the evidence base for Restorative Justice and gives advice on how better outcomes can be achieved for victims and offenders;
- Awarded grant funding (totalling £1.17m, including joint funding from The Monument Trust) to Restorative Solutions and Thames Valley Partnership to train staff and volunteers in prisons and Trusts as Restorative Justice Facilitators and to develop guidance and templates for the implementation of sustainable Restorative Justice. The programme runs to September 2014; and
- Worked with Sheffield Hallam University to develop a practical approach to pre-sentence Restorative Justice. This included the evaluation of the processes in three pilot ‘pathfinder’ areas. This will inform wider implementation after commencement of the Restorative Justice clauses in the Crime and Courts Act 2013.

⁷ Source: **Statistical Notice** Prisoners working in custody: Public Sector Prisons 2010/11-2011/12 (published 29 June 2012)

⁸ Updated figures will be published in July 2013

Re-Balancing Capacity:

During 2012–13 we continued to work closely with MoJ Analytical Services and Estates to ensure that we had the correct number of places of each offender category to efficiently manage the prison population. It has also helped enable strategic consideration of future prison estate needs and modernisation opportunities.

In this financial year, the Agency has taken forward a programme to close older, uneconomic accommodation, whilst opening modern, more efficient accommodation and changing the use of other accommodation to better meet prison population needs;

- In 2012–13, HMPs Wellingborough, Bullwood Hall, Canterbury, Gloucester, Kingston, Shepton Mallet and Shrewsbury were closed and capacity was significantly reduced at HMPs Chelmsford, Hull and within the Isle of Wight cluster (Camphill site closed). In addition, a significant number of crowded private sector places were closed. The projected gross annualised savings from these closures total £78m per annum from 2013–14;
- NOMS opened new prisons at HMP Thameside (capacity 900) and HMP Oakwood (capacity 1,605) in Spring 2012. Both sites reached full capacity during the year;

- During 2012–13, HMP Brixton changed its use from a category B local to a category C resettlement prison, HMP Kennet changed its function to provide more category D places in the North West and HMP Maidstone will hold foreign national prisoners to accommodate those displaced by the closures of HMPs Bullwood Hall and Canterbury;
- Preparatory work is underway to build new houseblocks at HMPs Thameside, The Mount, Parc and Peterborough;
- Following the Secretary of State's announcement in January, feasibility work on a new prison has started and the Ministry of Justice will be engaging with local authorities in the priority areas of London, North West England and North Wales about potentially suitable sites. Reviews of the women's estate and the estate reconfiguration project (in which we will consider the appropriateness of the current estate configuration) have begun.

Commissioning and Competition:

Commissioning of Offender Services

New 2013–14 Service Level Agreements for prisons and refreshed contract schedules for Probation Trusts commenced on 1st April 2013. These specified service delivery for the year ahead for offender services in custodial and community settings across England and Wales.

We also undertook significant co-commissioning work with other Government Departments including:

- Working closely with the Department of Health to oversee work to implement the health reforms for offenders in prison and other places of detention in England; and
- Working with the Department for Business Innovation and Skills to achieve positive learning and employment outcomes for offenders.

NOMS has contributed to a range of support materials to support the introduction of elected Police and Crime Commissioners (PCC) including briefings on the work of prisons and probation for prospective candidates. We have also worked closely with the Association of Police Authority Chief Executives to develop a series of guides and tools for PCC's and their offices to support commissioning.

Prison Competitions

2012–13 saw the successful completion of stage 1 of phase 2 of the prison competition programme with final outcomes for completed sites to be announced in 2013–14:

- The competitions for HMP Northumberland and the South Yorkshire group of prisons Lindholme, Hatfield and Moorland proceeded to the second stage. For these establishments, the competition process produced a compelling package of reform delivering operational innovation, cost reduction and regime improvement including their development as working prisons; and
- A new efficiency benchmark identified during the competition process to be applied across public sector prisons, enabling accelerated additional savings of approximately £450m, including savings from future service competitions over the next five years.

Consequently, as a result of the accelerated efficiencies across public sector prisons:

- The competitions for HMPs Coldingley, Durham and Onley ended and no awards will be made. These prisons will continue to be managed by HM Prison Service; and
- The competition for HMP Wolds also stopped. The current contract for the Wolds expires in 2013, after which

it will be managed by HM Prison Service and is likely to be clustered with HMP Everthorpe.

Prison Unit Cost Programme

As noted above, and in response to the competition, a model was proposed that would retain direct delivery of core custodial functions in the public sector at considerably lower cost through the new efficiency benchmark, with works and facilities management and other ancillary services provided through market competition.

It was decided to apply this model across the public sector estate and we have put in place a Prison Unit Cost Programme to drive the necessary changes. This consists of four inter-related work streams:

- Setting the specification to ensure we are commissioning the right services and targeting the right offenders;
- Delivering the public sector benchmark identified during the competition process (PCP2) to ensure that public sector prisons operate in a new way to deliver offender regimes at less cost;
- Restructuring the prison estate to close inefficient accommodation and open new efficient places at lower cost; and
- Competing services to maintain the momentum of our reform work to open up the delivery of public services. This will include competing

works and facilities management services at scale across 110 prisons, with the invitation to tender expected by autumn 2013.

More details on this Programme and the work going forward can be found in the NOMS Business Plan 2013–14⁹.

Other outcomes from competition

In 2012–13 other key outcomes from competition included:

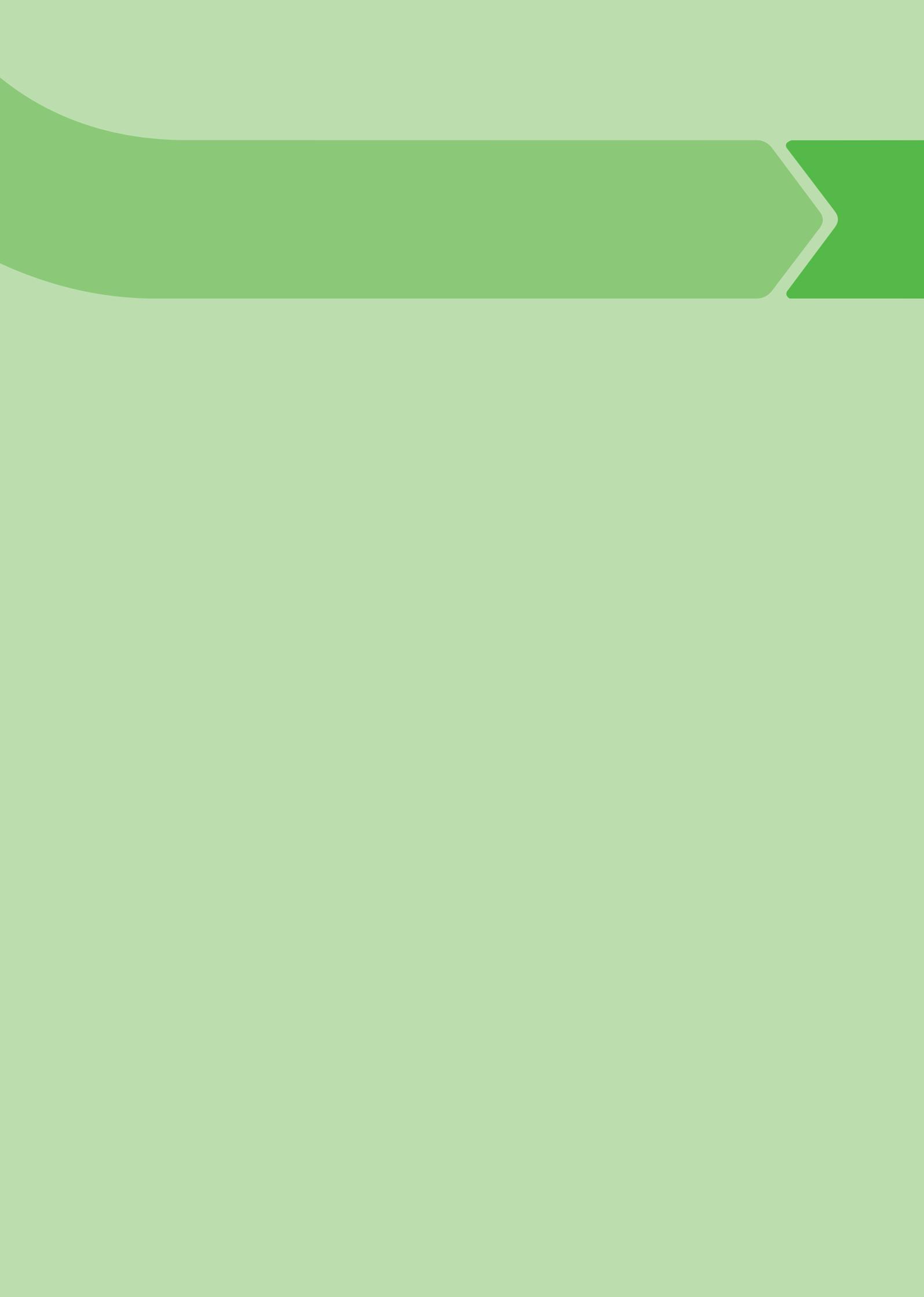
- Award of the Community Payback Contract for the London 'lot' to Serco, with the contract going live in October 2012 and expected to save £25 million over four years; and
- Preparation for a new Electronic Monitoring contract. The new contracts will deliver improved value for money as well as focussing on public safety whilst effectively managing offenders to lead law-abiding and useful lives in the community.

⁹ <http://www.justice.gov.uk/downloads/publications/corporate-reports/noms/2012/noms-business-plan-2013-2014.pdf>

Organisational Restructure:

The Organisational Restructure Programme has successfully delivered all planned milestones activities in 2012–13 and has achieved the planned budget reduction of £23m in 2012–13 (£64m since 2010–11). Key activities in 2012–13 include:

- Since 1 April 2012, NOMS headquarters has been working to the new structures which will deliver a 37 per cent reduction in cost by the end of 2014–15. Headquarters posts have reduced by 650 from approximately 2400;
- Introduction of Fair and Sustainable pay reforms across the agency;
- Re-baselined pay with the introduction of new terms and conditions for all new starters and promoted staff;
- Introduction of a Job Evaluation Scheme for all staff within the agency;
- Reduction in management layers in prisons to enable leaner structures; and
- Reduction of pay bands from 45 to 11.



Equality

5

Working towards our equalities objectives

We published our equality objectives in the NOMS Business Plan 2012–13 (available at <http://www.justice.gov.uk/downloads/publications/corporate-reports/noms/2012/noms-business-plan-2012-2013.pdf>).

This chapter provides a high level description of some of the work carried out to further our objectives during 2012–13. Equalities monitoring data for this period will be published separately in our Equalities Annual Report in October 2013.

Equality Objectives

Equalities Monitoring Data – Offenders

During 2012–13 we put in place a number of measures that will enable us to collect and publish a wider range of data in future years:

- In prisons we continued to work towards the replacement of the separate collection of monitoring data on race through the SMART system with an automated download from national prisoner case management system (P-NOMIS). This will improve the quality of the data, and allow us to look at outcomes across all the protected characteristics¹⁰; and
- In probation we continued the programme of work to improve data collection and analysis, and made an initial tranche of data available to Trusts and contract managers on the NOMS performance hub.

Equalities Monitoring Data – Staff

During 2012–13 we continued to encourage staff to provide their monitoring data through the self-service option on our HR database. We used our equalities monitoring data to ensure the fairness of our processes, for example, to inform impact assessments of key changes.



A good example of this is the Fair and Sustainable initiative under which staffing structures in prison establishments were reformed. As part of Fair and Sustainable, a range of systems were developed in consultation with staff associations and trade unions and put in place to monitor implementation and manage any equality-related issues. These systems were amended and developed further based on feedback received through consultation and as the new working structures were rolled out.

Detailed work and strong engagement at an establishment level has taken place, co-ordinated by the Organisational Restructure programme, to drive the implementation of new working structures in public sector prisons. This has provided helpful opportunities to closely monitor the impact of the changes on protected groups.

Over 17,000 applications were received and handled with over 10,000 interviews being conducted as a result. All of this information was monitored in terms of protected characteristics with analysis confirming that no worrying or significant trends have been identified.

Disability – Offenders

We are committed to ensuring that comprehensive screening is in place so that all offenders with learning disabilities and difficulties (LDD) are identified, and that reasonable adjustments are made for all offenders with LDD.

During 2012–13 our LDD Working Group continued to drive this work, including commissioning a rapid evidence assessment of the various screening tools that are available.

Disability – Staff

During 2012–13 we have been working alongside the MoJ and the wider Civil Service to understand the reasons for poor declaration rates. NOMS has also been taking part in a Department of Work and Pensions sponsored pilot project to improve reasonable adjustments for staff by centralising resources across all Departments and creating a centre of excellence to provide information and guidance.

Commissioning and Contracted Services

During 2012–13 we gave detailed consideration to the effects on equalities of the NOMS commissioning system, including the commissioning of offender services via the annual commissioning round. The commissioning process requires providers to demonstrate how they are meeting the NOMS commissioning intentions, which include some intentions relating to services for

people with protected characteristics, and provides a framework within which constructive dialogue can take place between commissioner and provider.

Women Offenders

During 2012–13 we continued to develop our gender-specific provision for women, including training staff and stakeholders in the Women's Awareness Staff Programme, and the Sex Workers in Custody and the Community course, designed to equip them to meet the needs of women offenders. We continued to fund (via Probation Trusts) a range of community-based women's services that aim to provide new options for the courts to support community sentences. These include an extended range of woman only reporting centres, specified activity requirements for female offenders and the development of mentoring schemes. Our funding of these third sector organisations has seen a further increase this year and now exceeds four and a quarter million pounds (this is additional to Trusts' own funding and delivery of services). This has allowed services to be supported in all Trust areas for the first time in 2012–13.



Our people

6

A diverse range of staff working in Probation, HM Prison Service and NOMS HQ were honoured with numerous awards in 2012–2013. The selection below represents some of the major national awards received.

Queen's Gallantry Medal

Neil Walker, Prison Officer from HMP Frankland, was invested with the Queen's Gallantry Medal in December.

The Queen's Gallantry Medal was instituted in 1974 and is awarded for "exemplary acts of bravery". Fewer than 600 have been awarded since its inception.

The investiture recognised Neil's bravery in singlehandedly confronting a prisoner attacking two other officers with a broken bottle, causing severe and life-threatening injuries. Neil disarmed and restrained the prisoner despite himself receiving three serious stabbing injuries.

Queen's Birthday Honours

Fourteen members of staff from across NOMS received awards in Her Majesty the Queen's Birthday Honours List 2012.

A CBE was awarded to:

Paul Carroll, Deputy Director of Custody, Kent and Sussex;
For services to HM Prison Service

The OBE was awarded to:

Gill Attrill, Head of Commissioning Strategies Group;
For services to the National Offender Management Service

Sally Lewis, Chief Executive Officer, Avon and Somerset Probation Trust;
For services to Public Protection and Reducing Re-offending

MBEs were awarded to:

Moosa Gora, Muslim Chaplain, HMP Full Sutton;
For services to Faith and Diversity in the Prison Service

Dr Sheena Maberly, Manager E, HMP Kirklevington Grange;
For services to HM Prison Service

Ulite Malcolm, Chaplaincy Volunteer, HMP Birmingham;
For services to Prisoners and their Families

David McSweeney, Senior Officer,
HMYOI Brinsford;
For services to HM Prison Service

Dina Officer, Senior Officer, HMP
Wormwood Scrubs;
For services to HM Prison Service

Robert Payne, Sessional Chaplain,
HMYOI Swinfen Hall;
For services to HM Prison Service

Stanley Partner BEM, Voluntary Worker,
HMP Standford Hill;
For Public Service

Katrina Thompson, Assistant Chaplain,
HMP The Verne;
For Services to Offenders

**The British Empire Medal was
awarded to:**

Roy Duxbury, Senior Officer, HMP
Everthorpe;
For services to support Vulnerable
Prisoners

John Lloyd-Jones, Prison Officer, HMP
Stocken;
For services to HM Prison Service

Rita Winstanley, Manager G, HMYOI
Styal;
For services to Female Offenders

New Year's Honours

Eight members of staff from across
NOMS received awards.

The OBE was awarded to:

Michael Brookes, Director of Therapy,
HMP Grendon
For services to HM Prison Service and
the Care of Prisoners.

MBEs were awarded to:

Anthony Boden, Prison Officer, HMYOI
Feltham
For voluntary services to HM Prison
Service and to Young People in Ealing.

Elizabeth Littlewood, Head of
Healthcare, HMP Full Sutton
For services to Healthcare in the Prison
Service.

Adrian Ruddle, Prison Officer, HMYOI
Deerbolt
For services to HM Prison Service and
the Care of Prisoners.

**The British Empire Medal was
awarded to:**

Donald Baker, Switchboard Operator,
HMP Cardiff
For services to HM Prison Service
and voluntary services to People with
Impaired Vision

Morag Hopkins, Industrial Caterer, HMP
Haverigg
For services to HM Prison Service and
the Rehabilitation of Offenders



Dave Nicholson, Operational Manager,
HMP Norwich
For services to the Rehabilitation of
Prisoners

Evelyn Slater, Prison Officer, HMP
Bullingdon
For services to HM Prison Service

Civil Service Awards

Emily Thomas, Governor of HMYOI
Cookham Wood, received the
Leadership Award at the Civil Service
Awards 2012. She was commended for
transforming “a failing prison into one
now recognised as performing well with
significant progress made.”

Guardian Public Services Awards

Hertfordshire Probation Trust won this
year’s Guardian Public Services Award
for Digital Innovation for Hertfordshire
Horizons, a groundbreaking project
to protect communities by reducing
reoffending.

Nathalie Allard, NOMS’ Probation
Champion of the Year, was runner up
in the Guardian Public Servant of the
Year category.

Butler Trust Awards

The 2012–13 winners of the prestigious
Butler Trust Awards included 16 individuals
or teams from public and private sector
prisons in England and Wales, and nine
from probation trusts in England and
Wales. The winners and commendees
attended a ceremony at Buckingham
Palace presented by The Butler Trust’s
patron, HRH The Princess Royal.

A full list of winners and commendees
can be seen at: [http://www.
thebutlertrust.org.uk/winners](http://www.thebutlertrust.org.uk/winners)

UK Borders Agency Recognising the Best Awards

The Recognising the Best Awards
acknowledge exceptional work
carried out by individuals and teams
contributing to the UKBA’s Criminal
Casework Directorate.

Nick Driver, seconded into NOMS
Population Management Unit from UKBA,
won the Innovation Award, while HMP
Wandsworth’s Repatriations Team took
the Corporate Partner of the Year title.



Sony Radio Academy Awards

National Prison Radio's Face to Face show won a gold award at the Sony Radio Academy Awards – the radio industry's most important awards ceremony.

Prison Officer of the Year awards (internal)

Charlie Johnson, a Prison Officer from HMYOI Cookham Wood, was named Prison Officer of the Year 2012 in June.

Michael Spurr, NOMS Chief Executive Officer, chose Charlie from eight category winners for the overall title for his work with young offenders at HMYOI Cookham Wood; preparing difficult young people to take up education or employment, with almost 100 per cent success and more than a thousand young people helped to change their lives over a 12 month period.

Probation Champion of the Year (internal)

Nathalie Allard, a Probation Officer for Leicestershire and Rutland Probation Trust, was named Probation Champion of the Year 2012.

Michael Spurr, NOMS Chief Executive Office, selected Nathalie from seven categories as the overall winner at the Probation Awards 2012 for her work tackling serious sexual offenders, including four generations of sexual offending in one family.



British Quality Foundation UK Excellence Award

The Merseyside Probation Trust became the first public sector agency to win the BQF's prestigious UK Excellence Award, recognising excellence in management and performance and across the board commitment to continuous improvement.

The following Probation Trusts were also awarded Rated for Excellence 5 Star awards: Devon and Cornwall; Humberside; Leicestershire and Rutland; Merseyside; Nottinghamshire; South Yorkshire; Surrey and Sussex; Thames Valley.



Accounts

7

Management Commentary

Statutory background

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

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FRoM) issued by HM Treasury (HMT) and in accordance with a direction given by HMT pursuant to Section 7(2) of the Government Resources and Accounts Act 2000.

Preventing victims by changing lives

Our Statement of Purpose

The National Offender Management Service is an Executive Agency of the Ministry of Justice. Our role is to commission and provide offender management services in the community and in custody ensuring best value for money from public resources. We work to protect the public and reduce reoffending by delivering the punishment and orders of the courts and supporting rehabilitation by helping offenders to reform their lives.

Our Vision

We will work collaboratively with providers and partners to achieve a transformed Justice system to make communities safer, prevent victims and cut crime.

Our Values

In delivering offender management services, we will:

- be objective and take full account of public protection when assessing risk
- be open, honest and transparent
- incorporate equality and diversity in all we do
- value, empower and support staff, and work collaboratively with others
- treat offenders with decency and respect
- embrace change, innovation and local empowerment
- use our resources in the most effective way, focusing on outcomes and delivering value for money for the taxpayer.

Operational Performance during 2012-13

An analysis of performance outcomes is summarised in the Annual Report in Section 4.

Results for the year

The Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) for the year is shown on page 62. The Consolidated Statement of Changes in Taxpayers' Equity is shown on page 65.

Operating costs

The net operating cost before tax for 2012–13 is £4,044m compared to £3,935m for 2011–12, a year on year increase in net operating costs of £109m (2.8%). The year end net operating cost reflects a number of specific items and adjustments incurred in 2012–13 compared to 2011–12. Specifically: inclusion of full-year operating costs for HMP Thameside and

HMP Oakwood; additional early departure costs; agreed adjustments to the corporate overhead costs recharged from the MoJ; recognition of impairments on HMP Thameside and prisons that have closed during 2012–13; and additional in year inflation costs. These additional costs were offset by planned efficiency savings across the Agency which were reflected in a budget reduction of £246m agreed with the MoJ at the start of the year (see Improving Efficiency and Reducing Costs on page 15). Staff early departure schemes and the closure of prisons happened late in the operational year and these accounts recognise the costs of employing the staff and running the prisons throughout the year. The resultant cost reductions from these actions will help to deliver planned future years' budget reductions.

As a result of the increase in expenditure in 2012–13 and volume related issues: the average prisoner population levels are slightly lower; and, with a slightly increased prison capacity, we anticipate that the costs per prisoner and costs per prison place will be higher than in 2011–12 when these figures are published, later in the year.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows are on pages 63 and 64. The net asset position decreased from £4,487m at March 2012 to £4,127m at March 2013. There are two key movements in the Statement of Financial Position to note: firstly is an increase in the Probation Trusts' net pension liabilities of £141m; and, secondly a year on year reduction in current assets of £197m, driven by the clearance of an intra-MoJ balance.

Treatment of Pension Liabilities

Present and past employees of NOMS, excluding Probation Trusts, receive pension benefits covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. NOMS meets the cost of pension cover provided for the staff employed by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

Past and present employees of the Probation Trusts are covered by the provisions of the Local Government Pension Scheme. This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme, and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

The annual actuarial recalculation of the individual Trusts' pension liabilities has resulted at 31 March 2013 in the net pension liability increasing to £1,338m from £1,197m. This change is due to the value of the pension assets increasing by £329m and the value of the liabilities increasing by £470m.

Further information can be found in the Remuneration Report, Accounting Policies and in Note 21 to the Accounts.

Significant changes to NOMS reporting

There were no significant changes to the reporting requirement in 2012–13.

Payment of creditors

In the year to 31 March 2013, NOMS paid 485,046 trade invoices with a value of £3.3bn. 87% of all undisputed invoices were paid within five business days. This is a year on year improvement from 2011–12, when NOMS achieved 84%, and 2010–11 (76%). The Government directive on prompt payment requires 80% of undisputed invoices to be paid within 5 days.

The percentage of undisputed invoices paid within 30 days by the Probation Trusts is shown below in 5% ranges:

Range (%)	Number of Trusts within range	
	2012-2013	2011-2012
95.0 - 100.0	18	13
90.0 - 94.9	6	11
85.0 - 89.9	6	4
80.0 - 84.9	3	4
75.0 - 79.9	2	2
70.0 - 74.9	0	1
Total reported	35	35

Sickness absence data

The average levels of absence due to staff sickness were 10.41 days across public prisons, NOMS HQ and Probation Trusts (9.75 days in 2011–12). The rate of sickness absence has increased by 6.8% in 2012–13 compared to 2011–12. As a result of this increase there will be further management focus on absence management.

Personal data related incidents

The following gives a summary report of significant personal data related incidents in 2012–13 which were formally reported to the Information Commissioner’s Office (ICO).

Date of incident	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
August 2012	Loss of offender data on public transport, the data was handed in to a local newspaper	Personal information relating to offenders and third parties, documents included prison and probation reports	64 offenders	The loss was reported to the Police and the documents were recovered. The policy and procedures for taking sensitive papers to meetings have been reviewed and revised guidelines issued.
March 2013	DVDs containing visual images of offenders	Personal information relating to offenders	8 offenders	An internal investigation was conducted and appropriate action taken.

In both the above cases, a risk assessment was carried out to assess who, if anyone should be notified and to ensure measures were in place to mitigate risk to individuals and prevent recurrence of the incident. All MoJ staff undertake a compulsory Information Assurance training course when joining the department and an annual refresher course.

Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

The results of the “Transforming Rehabilitation” consultation paper were published on 9 May 2013, by the Secretary of State for Justice, announcing the future requirements for the provision of probation services. The recommendations will change the way in which probation services are commissioned and delivered.

A new National Probation Service will be created to protect the public from the most dangerous offenders and manage the provision of probation services. England and Wales will be divided into 21 contract areas which align closely with local authorities and Police and Crime Commissioner areas. MoJ/NOMS will be responsible for commissioning rehabilitation services. Probation service local delivery units will support the gathering of intelligence on needs and priorities at a local level, including from key partners (e.g. local authority needs assessments) to feed into the MoJ/NOMS commissioning process. It is expected that the detail will be finalised over the coming months. None of the Trusts’ assets, liabilities or functions had been transferred at the date the accounts were authorised for issue.

Future developments

The vision for NOMS and the Ministry of Justice is “To deliver a transformed justice system and a transformed department which is more effective, less costly and more responsive to the public”. The MoJ has five priorities in support of that vision, to:

- transform rehabilitation to drive down re-offending rates and improve value for money
- make prison more cost effective
- transform youth custody by putting education at the heart of detention
- continue reforming courts and the wider criminal justice system to deliver a more efficient and effective service, and
- ensure Legal Aid is credible and targeted on those cases that require it.

The NOMS Business Plan sets out the important part we will play in delivering these priorities in 2013–14.

The NOMS Agency Board has agreed a clear vision for the delivery of offender management both in the community and in custody in 2013–14. The Agency’s work in 2013–14 is focussed on maintaining business performance whilst delivering two key Government priorities:

- transforming rehabilitation - supporting wide-ranging reform to Probation and offender management services in the community, and
- reducing the cost of prison – by closing uneconomic places/capacity, applying the benchmarked efficiency savings achieved through competition to the whole prison estate; testing services in the market and developing new efficient ways of working whilst maintaining safety, decency, security and order.

Sustainable development

NOMS falls within the scope of reporting under the Greening Government Commitment. As such we have produced a separate sustainability report showing performance against sustainability targets for greenhouse gas emissions, waste minimisation and the management and use of finite resources and their related expenditure. The Sustainability Report is shown on pages 117 to 124.

Research and development

During 2012–13, the NOMS National Research Board met on a quarterly basis. Focus was given to developing strategic research priorities for the organisation, overseeing the research programme and establishing coherent links with other MoJ analytical work.

A revised research applications process was implemented on 1 April 2012 (see <http://www.justice.gov.uk/publications/research-and-analysis/noms>). During 2012–13, 120 research applications (both internal and external) were considered by the National Research Committee. In all cases, attention was given to the links to NOMS business priorities, the appropriateness and robustness of the proposals and the anticipated demands on resources. When approving applications, all researchers were requested to prepare a research summary for NOMS, helping to ensure that research drives operational policy and delivery and feeds into the policy cycle.

Communications and employee involvement

NOMS continues to attach great importance to engaging and communicating effectively with its staff and partners, particularly in a time of significant change.

Our approach is to embed staff engagement into our normal ways of working and we continue to strive for greater levels of staff involvement in our transformation agendas. We ensure visible leadership to all parts of the agency and its partners through a variety of channels. These include regular senior leadership briefings, surveys, cascade messaging, phone-ins, forums for the different functional areas of the agency, directorate and team level ‘listen to improve’ sessions, and enhanced intranet communications to staff including video messaging, web chats and discussion forums.

A notable development in 2012-13 was the 'How I Help Change Lives' campaign. The aim was to connect staff to the overall purpose of preventing victims by changing lives. NOMS asked everyone working for the agency to understand and share what they do to change lives in their role. Photos, videos and stories were collected from all over the organisation and shared on the intranet, which helped maintain the vision and purpose for NOMS in a time of transformation.

Staff diversity

NOMS is committed to fairness for all. We treat our staff properly and ensure equality of opportunity. We deliver our services fairly and respond to individual needs. We insist on respectful and decent behaviour from staff, offenders and others with whom we work. We recognise that discrimination, harassment and bullying can nevertheless occur and we take prompt and appropriate action whenever we discover them.

Detailed information about the representation of, and outcomes for, staff with protected characteristics is published in the NOMS Equalities Annual Report, available at: www.justice.gov.uk/publications/corporate-reports/noms/equality.

During 2012–13 we began work on the NOMS Equalities Objectives 2012–16, published in our Business Plan, and these include two that focus on staff diversity issues:

Objective 2 – Equalities Monitoring Data: Staff

- improve declaration rates for monitoring data on all protected characteristics for directly-employed staff
- collect and publish monitoring data on key outcomes for staff, and
- identify and where appropriate address disparities in outcomes for different groups

Objective 4 – Disability: Reasonable Adjustments for Staff

- improve declaration rates for disability among staff, and
- ensure that reasonable adjustments are made for all staff disclosing a disability.

NOMS has been working alongside the Ministry of Justice and the wider Civil Service to understand the reasons for poor declaration rates. Some initial actions have been taken to improve messages around why the information is valuable and how it is used, and this work will continue.

NOMS has also been taking part in a Department of Work and Pensions sponsored pilot project to improve reasonable adjustments for staff by centralising resources across all departments and creating a centre of excellence to provide information and guidance. This initiative is being evaluated and the options for wider rollout are being considered.

Audit

In accordance with the direction given by the Treasury, these accounts have been prepared in accordance with the FReM. The Certificate and Report of the Comptroller and Auditor General to the House of Commons is attached to the Accounts.

With effect from 1 April 2012, the responsibility for audit of the 34 Probation Trusts in England passed from the Audit Commission to the Comptroller and Auditor General.

Total audit fees reported in the Accounts are £1,429,000. This is made up of:

- the notional cost of the National Audit Office's audit of the NOMS 2012–13 Agency Accounts of £300,000, and
- invoiced fees of £1,071,000 paid to the National Audit Office and £58,000 to the Wales Audit Office as auditors of the individual Probation Trusts.

As Accounting Officer, I have taken all steps to ensure that:

- I am aware of any relevant audit information
- the Auditor is aware of that information, and there is no relevant audit information of which the Auditor is unaware.

The National Offender Management Service Agency Board and Executive Management Committee

The governance arrangements within NOMS for the period April 2012 to March 2013, as agreed by the Permanent Secretary of the MoJ and the NOMS Agency Board, included the following:

- a monthly NOMS Agency Board meeting focusing on strategic Agency priorities including change, performance, risk and investment.
- a weekly NOMS Executive Management Committee meeting to support the Chief Executive Officer in the day to day running of the Agency, and
- a comprehensive range of sub-committees reporting to the Board and Executive Management Committee.

The Chief Executive Officer was appointed by the Permanent Secretary of the MoJ in June 2010, under the terms of the Senior Civil Service Management Code.

The Chief Executive Officer's pay is determined under the rules set out in chapter 7.1 Annex A of the Senior Civil Service Management Code. Other members of the NOMS Agency Board are appointed by the Chief Executive Officer with agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the Agency Board are set out in the Remuneration Report on pages 44 to 50.

Membership of the Agency Board and Executive Management Committee is set out in the tables on page 43.

My thanks and appreciation are extended to all past and present members of the Executive Management Committee and the Agency Board for their hard work and effort during this reporting year. `

Michael Spurr
Agency Accounting Officer
20 June 2013

During 2012-2013, the following were members of the NOMS Agency Board and the NOMS Executive Management Committee.

			NOMS Agency Board	NOMS Executive Management Committee
Chief Executive	Michael Spurr		✓	✓
Director of HR	Carol Carpenter	from 5 November 2012	✓	✓
Director of HR (interim)	Martin Beecroft	from 10 September 2012 to 4 November 2012	✓	✓
Director of HR and MoJ Group HR Director	Robin Wilkinson	until 18 September 2012	✓	✓
Director of Offender Health	Richard Bradshaw		✓	✓
Director of Finance and Analysis	Andrew Emmett	interim to 30 November 2012; permanently in role from 1 December 2012	✓	✓
Director of Change and ICT	Martin Bellamy		✓	✓
Director of Commissioning and Commercial (interim)	Ian Blakeman	from 5 November 2012	✓	✓
Director of Commissioning and Commercial	Ian Porée	to 4 November 2012, then seconded to the MoJ as Director of the Transforming Rehabilitation Programme	✓	✓
Director of Public Sector Prisons	Phil Cople	from 1 January 2013 (includes overall management of the High Security estate)	✓	✓
Director of Public Sector Prisons	Steve Wagstaffe	until 31 January 2013	✓	✓
Director of High Security	Phil Cople	to 31 December 2012	✓	✓
Director of Probation and Contracted Services	Colin Allars		✓	✓
Director of National Operational Services	Digby Griffith		✓	✓
Non-executive Director	Elizabeth McLoughlin		✓	
Non-executive Director	David Hadfield		✓	
Non-executive Director	Mike Hawker		✓	
Non-executive Director	Paul Wilson	from 1 September 2012	✓	

Ex-officio members.

			NOMS Agency Board	NOMS Executive Management Committee
Head of Communications	Lisa Appleyard		✓	✓
Head of Internal Audit	Tim Watkinson	from 19 November 2012	✓	
Head of Internal Audit	Joyce Drummond-Hill	until 31 October 2012	✓	
Head of Planning and Analysis Group	Paul Ibrahim		✓	
Media Advisor	Debbie Kirby			✓
Legal Advisor	Julia Crouch	from 19 June 2012		✓
Legal Advisor	Jane Hill	until 18 June 2012		✓
Chief Executive's Office	Ken Everett		✓	✓
Secretary to the Board and Committee	Katherine Myatt		✓	✓

All MoJ Executive Management Board members have a standing invitation to attend the NOMS Agency Board when there are agenda items relevant to their area.

Remuneration Report

Remuneration policy

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

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

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

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

Further information about the work of the Review Body can be found at www.ome.uk.com

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

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

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

The salary and pension entitlements of the most senior managers of the National Offender Management Service (NOMS) were as follows:

A) Remuneration – Audited

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Salary

‘Salary’ includes the gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Bonus

Directors’ bonuses are determined by the MoJ SCS Pay Committees – Chaired by Robin Wilkinson for SCS payband 1 and chaired by Suma Chakrabarti for SCS payband 2, working within the set parameters for the management of senior level pay. Bonus payments made in 2012–13 are for bonuses awarded in 2011–12. Bonus payments made in 2011–12 are for bonuses awarded in 2010–11.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits received are in respect of costs for accommodation, travel and the pecuniary liability in respect of tax paid under the employer PAYE settlement agreement with HM Revenue and Customs.

Richard Bradshaw is the Director of Offender Health and a member of the NOMS Executive Management Committee. He is paid by the Department of Health and is not included in the tables below.

	2012–2013			2011–2012		
	Salary (as defined above)	Bonus	Benefits in kind (rounded to nearest £100)	Salary (as defined above)	Bonus	Benefits in kind (rounded to nearest £100)
	£'000	£'000	£	£'000	£'000	£
Michael Spurr Chief Executive Officer	140–145	-	-	140–145	-	-
Colin Allars Director of Probation and Contracted Services	95–100	10–15	-	95–100	-	-
Martin Bellamy Director of Change and ICT	145–150	-	-	145–150	10–15	-
Ian Blakeman Interim Director of Commissioning and Commercial (Temporary promotion from 5 November 2012)	35–40 (full year equivalent 95 - 100)	5–10	18,900	-	-	-
Carol Carpenter Director of Human Resources (from 5 November 2012)	35–40 (full year equivalent 80–85)	-	-	-	-	-
Phil Copple ¹ Director of Public Sector Prisons	95–100	10–15	25,000	95–100	-	15,100 (annualised 36,100)
Andrew Emmett ² Director of Finance and Analysis (from 1 December 2012)	40-45 (full year equivalent 130 - 135)	-	-	-	-	-
Andrew Emmett ³ Interim Director of Finance and Analysis (until 30 November 2012)	115-120 (full year equivalent 185 - 190)	-	-	75-80 (full year equivalent 185 - 190)	-	-

A) Remuneration – Audited (continued)

	2012–2013			2011–2012		
	Salary (as defined above)	Bonus	Benefits in kind (rounded to nearest £100)	Salary (as defined above)	Bonus	Benefits in kind (rounded to nearest £100)
	£'000	£'000	£	£'000	£'000	£
Digby Griffith Director of National Operational Services	100 - 105	-	-	65 - 70 (full year equivalent 100 - 105)	-	-
Martin Beecroft Interim Director of Human Resources (from 10 September 2012 until 4 November 2012)	15 - 20 (full year equivalent 105 - 110)	5 - 10	-	-	-	-
Ian Porée ⁴ Director of Commissioning and Commercial (until 4 November 2012)	80 - 85 (full year equivalent 135 - 140)	10 - 15	-	135 - 140	10 - 15	-
Steve Wagstaffe Director of Public Sector Prisons (until 31 January 2013)	80 - 85 (full year equivalent 95 - 100)	-	16,800	95 - 100	-	27,800
Robin Wilkinson Director of Human Resources (until 18 September 2012)	50 - 55 (full year equivalent 100 - 105)	10 - 15	-	100 - 105	10 - 15	-

Note 1: Prior to 1st January 2013, Phil Copple was Director of High Security. This post was absorbed with Director of Public Sector Prisons following Steve Wagstaffe's retirement.

Note 2: Prior to 1st December 2012, Andrew Emmett held the role of Director of Finance and Analysis on an Interim basis. He was then appointed as a permanent member of staff after an open competition.

Note 3: As an interim Director, Andrew Emmett was remunerated through a third party agency. The fees shown are net of irrecoverable VAT and exclusive of agency fees.

Note 4: Ian Porée was seconded to the Ministry of Justice as Director of the Transforming Rehabilitation Programme for the period 5 November 2012 to 31 March 2013. From 1 April 2013 he was appointed to the same position as a permanent member of the Ministry's staff.

Compensation for loss of office

Steve Wagstaffe left under a Voluntary Early Departure Scheme and received a voluntary exit payment in the band £175,000 - £180,000. No other Directors received compensatory payments in 2012–13.

Director-Workforce Comparison

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation's workforce. The highest paid director in the financial year 2012–13 was The Director of Finance and Analysis, who was remunerated for part of the year on an interim basis before becoming a permanent member of staff. The annualised banded remuneration of the highest paid director was £185,000 – £190,000 (2011–12: £185,000 – £190,000).

Across the organisation, the annualised employee remuneration at 31 March ranged from £13,100 to £145,000 - £150,000 (2011–12: £12,894 to £145,000 - £150,000) with no (2011–12: none) members of staff on a higher annualised salary than the highest paid director. These figures exclude any payments in respect of compulsory redundancies and voluntary early departures disclosed in note 3c.

The median remuneration of the workforce was £28,930 (2011–12: £27,647) and the ratio was 6.5 (2011–12: 6.8).

	2012–2013	2011–2012
Band of Highest Paid Director's Total Remuneration (£000's)	185 –190	185 –190
Median Remuneration	£28,930	£27,647
Ratio	6.5	6.8

Non-Executive Directors' Remuneration

	2012–2013			2011–2012		
	Salary (as defined above)	Bonus	Benefits in kind (rounded to nearest £100)	Salary (as defined above)	Bonus	Benefits in kind (rounded to nearest £100)
	£'000	£'000	£	£'000	£'000	£
David Hadfield Non-Executive Director	15 – 20	–	1,000	15 - 20	–	800
Mike Hawker Non-Executive Director and Chair of the Audit Committee	20 – 25	–	3,000	15 - 20	–	2,400
Elizabeth McLoughlin Non-Executive Director	15 – 20	–	1,800	15 - 20	–	900
Paul Wilson Non-executive Director (from 1 September 2012)	5 – 10 (full year equivalent 10 – 15)	–	900	–	–	–

During the year it was agreed that all MoJ Non-executive Directors' remuneration would be standardised. These new levels were brought in at various points in the year for NOMS Non-executive Directors depending on individual contract renewals. Salary remuneration levels for all NOMS Non-executive Directors are now in the £10,000 to £15,000 per annum bracket. Payments in 2012–13 and 2011–12 reflect the value of payments received, irrespective of financial year to which they relate.

B) Pension Benefits – Audited

	Total accrued pension at pension age as at 31 March 2013 & related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2013	CETV at 31 March 2012 ¹	Real increase/ (decrease) in CETV after adjustment for inflation and changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Michael Spurr Chief Executive Officer	55 - 60 plus lump sum of 170 - 175	0 - 2.5 plus lump sum of 5 - 7.5	1,012	929	28
Colin Allars Director of Probation and Contracted Services	35 - 40 plus lump sum of 105 - 110	0 - 2.5 plus lump sum of 0 - 2.5	643	604	5
Martin Bellamy Director of Change and ICT	20 - 25	2.5 - 5.0	367	304	40
Ian Blakeman ² Interim Director of Commissioning and Commercial (Temporary promotion from 5 November 2012)	25 - 30 plus lump sum of 85 - 90	0 - 2.5 plus lump sum of 5.0 - 7.5	462	412	22
Carol Carpenter ² Director of Human Resources (from 5 November 2012)	10 - 15	0 - 2.5	158	148	3
Phil Copple Director of Public Sector Prisons	25 - 30 plus lump sum of 80 - 85	0 - 2.5 plus lump sum of 0 - 2.5	382	354	5
Andrew Emmett ² Director of Finance and Analysis (from 1 December 2012)	0 - 5	0 - 2.5	14	0	12
Digby Griffith Director of National Operational Services	45 - 50	0 - 2.5	754	697	7
Martin Beecroft ^{2 & 3} Interim Director of Human Resources (from 10 September 2012 until 4 November 2012)	15 - 20	0 - 2.5	223	222	(13)
Ian Porée ³ Director of Commissioning and Commercial (until 4 November 2012)	10 - 15	0 - 2.5	162	134	13
Steve Wagstaffe ³ Director of Public Sector Prisons (until 31 January 2013)	40 - 45 plus lump sum of 130 - 135	0 - 2.5 plus lump sum of 2.5 - 5.0	929	907	22
Robin Wilkinson ³ Director of Human Resources (until 18 September 2012)	30 - 35 plus lump sum of 95 - 100	0 - 2.5 plus lump sum of 0 - 2.5	457	448	2

None of the Non-executive Directors have pension entitlements in NOMS.

Note 1: As new factors were used at the start and end of the period, the CETV value shown at the start of the period may not match the CETV value for the end of the period in last year's disclosure.

Note 2: The opening CETV balance is the balance at the date of appointment to the current post.

Note 3: The closing CETV balance is the balance at the date of cessation of the current post.

Civil Service Pensions

Present and past employees of the NOMS Agency, excluding Probation Trusts, receive pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). Until 30 July 2007, civil servants had the choice of one of three statutory 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Consumer Price Index. New entrants after 30 July 2007 may no longer join a 'final salary' scheme and instead may choose between Nuvos, a defined benefit scheme based on members average earnings or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (Partnership Pension Account).

Past and present employees of the Probation Trusts are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme, and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

(i) Nuvos Scheme

Pension accrues at the rate of 2.3% of pensionable pay earned in the scheme year (April-March). There is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum limit set by HM Revenue and Customs (HMRC) which is currently 25% of the total notional value of members pension benefits (the commutation rate is £12 of lump sum for each £1 of pension given up). Members pay contributions ranging from 3.5% – 5.9% of pensionable earnings and pension benefits will be limited to 75% of final pay. The minimum pension age is 65. Pensionable earnings elements will be as 'premium' except that they will not be limited by reference to the earnings cap. On 31 March each year the balance on the pension account at that date is increased in line with the Consumer Price Index for the year to the previous September. On death, pensions are payable to the surviving spouse usually at 3/8ths of the member's pension. On death in service, the scheme pays either twice the final

pay (less any lump sums already paid) or five times the accumulated pension. In the event of Medical Retirement on the grounds of ill health the pension will be paid early without reduction. If the higher award is due because the member cannot ever work again, an enhancement may be made up to age 65. Martin Beecroft and Andrew Emmett are members of the NUVOS scheme.

(ii) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions ranging from 1.5%–3.9% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions. Michael Spurr, Colin Allars, Ian Blakeman, Phil Copple, Steve Wagstaffe and Robin Wilkinson are members of the Classic Scheme.

(iii) Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum limit set by HMRC which is currently 25% of the total notional value of the member's pension benefits, subject to the Lifetime Allowance (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions ranging from 3.5%–5.9% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible

in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60. Martin Bellamy, Carol Carpenter, Digby Griffith and Ian Poree are members of the Premium Scheme.

(iv) Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic. No director is a member of this scheme.

(v) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. No director is a member of this scheme.

(vi) The Local Government Pension Scheme

This scheme provides benefits on a 'final salary' basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay of every year of total membership is payable on retirement. Members pay contributions of between 5.5% and 7.5% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

Cash Equivalent Transfer Value (CETV)

This 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 CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, 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 drawn.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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 current market valuation factors for the start and end of the period.

Michael Spurr

Agency Accounting Officer

20 June 2013

Statement of Accounting Officer's Responsibilities

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

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

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

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

The Principal Accounting Officer of the Ministry of Justice has appointed the Chief Executive Officer of NOMS as Accounting Officer.

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

Governance Statement

1. Introduction

1.1 As Agency Accounting Officer, I have put in place sound governance arrangements which comply fully with the relevant sections of the Corporate Governance Code. I have policies and procedures in place which enable me to maintain a sound system of internal control that supports the achievement of National Offender Management Service (NOMS) policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my letter of delegation and in Managing Public Money.

1.2 My Executive Management Committee colleagues support me and the Agency Board in the day to day management of NOMS business and quickly identify and resolve issues that could impact on the delivery of the NOMS core objectives. For example, during the year both the Committee and Board have kept a very close eye on expenditure to ensure that meeting the NOMS' contribution to the Department's Spending Review savings target allowed for the delivery of safe, decent and secure custodial services and that public protection in the community was prioritised. Where savings plans have had to change, the associated risks were regularly reviewed and mitigating actions taken where necessary. The delivery of a substantial Workforce Reform programme for directly employed staff has focused the Committee and Board's attention and the Board also has regard to Public Accounts Committee (PAC) recommendations.

1.3 I have reported later in this statement on action we have taken following Category A escapes last year, which I highlighted in my 2011–12 Statement and also on a potential issue relating to billing under the current electronic monitoring contracts.

1.4 The forthcoming year is a challenging one. The Ministry has recently responded to the results of a consultation on Transforming Rehabilitation. The response proposes a significant re-shaping of probation services, led by the Ministry. NOMS will support the implementation of proposals

and maintain business performance to reduce reoffending and protect the public.

1.5 This statement sets out in more detail the arrangements I have put in place to govern NOMS and how we have reviewed our risks to ensure that we maintain our focus on the areas that are most likely to prevent us from achieving our objectives. I am confident that we have the governance, risk management and assurance arrangements in place to ensure that we can rise to the challenges we face.

2. Governance Framework

NOMS Agency Board

2.1 Overall responsibility for NOMS rests with me as Chief Executive. I chair the NOMS Agency Board (NAB). Membership includes the Directors and Agency Non-Executive Board members.

2.2 I am also a member of the Ministry of Justice (MoJ) Departmental Board which is chaired by the Secretary of State and a member of the (MoJ) Executive Management Committee which is chaired by the Permanent Secretary. I also have regular meetings with the Minister with responsibility for Prisons and Rehabilitation and with the Secretary of State for Justice.

2.3 The NOMS Board is the main decision making body at Agency level. It is responsible for NOMS' strategic direction, performance management (including finance), and risk assessment and management, within the context of overall MoJ strategy. The Board gives direction to, and ensures achievement of the objectives of NOMS operations and major change programmes, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and compliance with legislative and corporate governance requirements. The Board supports the Executive Management Team and ensures that in the delivery of prison and probation services the NOMS Vision and Values are upheld.

2.4 As well as regular oversight of the change portfolio, performance, risk and finance, among the matters considered by the Agency Board in 2012–13 were:

- Prison Capacity Management Strategy
- Review of Probation Services
- Probation IT system issues
- NOMS Commissioning Intentions for 2013-14
- Competition Strategy, and
- Transition of Offender Health from the Department of Health to the NHS Commissioning Board

NOMS Executive Management Committee (NEMC)

2.5 To support the Board and manage the day-to-day business of NOMS, I chair weekly meetings of the NEMC, which all Directors attend. As well as regular oversight of performance, finance and staff/stakeholder communications, among the matters considered by the Executive Management Committee in 2012–13 were:

- Prison Unit Cost Programme
- Transforming Rehabilitation Programme
- deaths in custody including unclassified deaths
- cost and delivery context for Spending Review Planning
- work in prisons
- staff engagement
- NOMS Fire Safety Strategy
- NOMS Job Evaluation and Pay and Grading Reform
- review of healthcare in approved premises
- planning for the London Olympics and Paralympics, and
- Offender Engagement Programme

Sub-committees of the Board

2.6 A sub-committee structure to support the Board was established in September 2009 and revised in April 2011 when the Agency re-structured. The Board agree an annual work programme for each committee and evaluate their performance at the end of the year. The committee structure is presented on pages 57 to 59 of the annual report.

2.7 The sub-committees report on their work to the Board quarterly and during 2012-13 the highlights have included:

Change Delivery Committee – maintains an overview of all change delivery, regularly reviews the status of the portfolio, provides a decision making forum to address key Portfolio risks and issues and agrees the direction on key programme activities such as tolerance setting, benefits management & realisation and integrated assurance. The programmes include:

The Organisational Restructure Programme; which has reshaped structures and significantly reduced Agency costs above establishment and Trust level; has implemented a revised common Job Evaluation System across the Agency; and has implemented major pay and structural reforms in Prisons (Fair and Sustainable) to drive down long term pay costs for NOMS.

The Prison Unit Cost Programme consists of four related projects: Setting the Specification, Delivering the Public Sector Benchmark, Restructuring the Prison Estate and Competing the Delivery of Services. The overall aim is to reduce the unit cost of prison while maintaining safety and decency and optimising outcomes to protect the public and reduce reoffending.

The Offender Services Competitions Programme includes programmes and projects such as Prison Competitions, Phase 2, Payment by Results, Community Payback Competition, Electronic Monitoring Recompensation, Prison Escort and Custody Services Recompensation.

The NOMIS programme aims to provide prison and probation staff with the key case information they need to manage offenders efficiently and effectively throughout the system. Prison NOMIS is fully delivered and Probation Case Management/OASys-R are on schedule to complete deployment in 2013.

The OMNI-T programme aims to provide a single IT network across Probation Trusts delivering significant improvements to approximately 26,000 users within Probation. The programme was completed in 2012.

The 'Enable' programme aims to develop IT support options for front line staff in Probation and prisons to achieve cost reductions, speedier, more flexible and better focused working, and enhanced effectiveness.

The NOMS ICT Services (NICTS) contract provides business continuity and services for up to the next 3 years but with option to exit. The Future IT Sourcing Programme (FITS) provides a MOJ wide approach to Information and Communication Technology (ICT) contracting and will be based upon Service Towers. The new FITS suppliers are expected to be selected and delivering the new services within the new NICTS contract period.

Financial Management Committee – provides detailed and in-depth review of financial aspects of NOMS and investment proposals.

- In Year Reporting – NOMS went into 2012-13 with a projected £100m funding shortfall. The Agency took decisive action to drive down spend and to implement benchmarked efficiency savings. The Financial Management Committee (FMC) has monitored the in year position through the monthly management accounts to ensure that appropriate decisions and measures were actioned to close the funding gap in year. The management accounts have been refined throughout the year to focus on the key risk – or opportunity – areas. These have been managed successfully with the Agency delivering an under spend against the resource budget in the order of £20m (under 1%) in 2012–13.
- Major Programmes – The FMC has also been responsible for the financial oversight of the current and prospective major programmes that aim to deliver the required SR2010 savings. Due to the limited resources available the eight full and outline business cases of prospective programmes have faced significant challenge prior to approval. When deemed to not be delivering significant benefits or are not essential to NOMS business priorities, programmes have been discontinued. The FMC reviews the financial performance of the NOMS Major Programmes quarterly. The risks to current and future year financial plans have been considered with action taken to mitigate these risks.
- Future Year Allocations – NOMS faces an even tougher challenge to live within the future year budget allocations of the SR2010 settlement. This challenge has been a focus of the FMC with significant risks identified that would cause NOMS to exceed the allocated budget and the

identification of measures required to prevent this happening.

Workforce Committee – has oversight of all issues relating to the NOMS workforce, including strategic workforce planning; developing people capability; pay and reward strategy; and employee relations strategy – though, in 2012–13, developments in a number of those areas were again managed by the Organisational Restructure (OR) Programme Board.

Among the matters considered by the Committee in 2012–13 were:

- workforce forecasts and plans – including the use of early departure to deliver workforce reductions
- Prison Officer recruitment requirements
- HQ workforce levels and costs
- provision of Civil Service Learning opportunities to NOMS staff
- Senior Civil Service succession planning
- talent management data
- leadership development strategy
- introduction of the Civil Service Core Competence Framework
- introduction of Civil Service performance management arrangements, and
- the HQ talent development forum

Audit Committee – an advisory body, which has an entirely independent non-executive membership. It provides independent advice on risk, control and governance issues, the Internal Audit work programme, and considers key recommendations from Internal Audit Reports and those of the National Audit Office (NAO). During the year the Committee has actively monitored progress against the accounts production timetable and has challenged management on the achievability of the deadlines set. The Committee has also considered the quality assurance of interventions, handling of Her Majesty's Inspector of Prisons (HMIP) and Independent Monitoring Board (IMB) reports and process, governance and control of programmes/projects. The Committee also continues to focus on the implementation of internal audit, Public Accounts Committee (PAC) and NAO recommendations.

2.8 Full details of NOMS board and committee membership including attendance records can be found in the tables in section 5 of this statement.

Board Effectiveness

2.9 Internal Audit and Assurance concluded a formal review of the governance of NOMS, which included a review of the overall effectiveness of the Board. The review concluded that the Board was operating effectively, although it was still developing in some areas – notably around strategy. The Governance structure was re-aligned to take into account the creation of Justice Solutions International and to provide business assurance to the Rehabilitation programme. An additional Non Executive Director was added to the Board in September 2012 to strengthen its effectiveness and the Executive Directors have reviewed their collective working arrangements.

2.10 The Board is satisfied that it has sound Governance in place, and that NOMS is compliant with the relevant sections of the Code. As NOMS is an agency rather than a main Department, it is not chaired by a minister but by the Chief Executive Officer. Nor does it have a specific remuneration committee as the scope for making decisions on pay is limited and decisions on remuneration and bonuses are ratified by the MoJ Remuneration Committee.

3. Oversight and Assurance Arrangements

3.1 The Board exercises oversight of the performance of NOMS by:

- Using the integrated performance and planning framework to check the progress against delivery of NOMS' key priorities. This includes monitoring performance using a balanced scorecard which has been developed with the Board to meet their needs. The Board has been asked to make decisions when performance is off track, in particular if there were potential implications for front line delivery or living within the SR2010 Settlement.
- Receiving up to date reports on the in year financial position and regular updates on the progress of major change projects and programmes. They have made decisions, based on agreed thresholds, on any issues that arise. They have also discussed issues that exceed the agreed thresholds (e.g. overspend, significant

risks to delivery etc).

- Detailed scrutiny of the financial accounts production process.
- Agreeing delegations to Directorates and throughout the governance structure to ensure the right decisions are being taken by the right people in the right place, whilst ensuring NAB is provided with the appropriate level of assurance.

3.2 NAB is satisfied that the data with which they are provided is adequate, timely and comprehensive. There are robust arrangements for reviewing and checking data which was subject to an internal audit this year, which confirmed that arrangements were well managed.

3.3 The Board also considers information from a range of external sources which include:

- HM Chief Inspector of Probations
- HM Chief Inspector of Prisons
- the Independent Monitoring Boards
- the Prisons and Probation Ombudsman, and
- National Audit Office

3.4 One of the key sources of independent assurance within NOMS comes from the integrated audit and assurance activities of Internal Audit and Assurance, which meet the Government Internal Audit Standards. The audit and assurance programme is closely linked to the key risks to NOMS and arrangements are in place to ensure that I am made aware of any significant issues which indicate that key risks are not being effectively managed. I have bi-lateral meetings with the Head of Internal Audit and Assurance, who reports direct to me on all audit matters, to discuss emerging issues. The Head of Internal Audit has concluded in his annual report that, although he reported a number of weaknesses in the areas reviewed, he was satisfied that actions were in place to remedy them, and therefore he was able to give a reasonable assurance on the adequacy, effectiveness and reliability of risk management, control and governance.

3.5 Sources of internal assurance from which I draw include:

- annual assurance statements from each of the Directors covering the key systems for which they are responsible

- bi-lateral meetings with Non-Executive Directors to discuss any concerns they may have
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects
- for Prisons, a process which requires all Governors to provide assurance on their compliance with the mandatory elements of those specifications which they consider key to the delivery of their objectives in the form of assurance statements on selected key systems to Deputy Directors, Custody. The assurance statements are subject to review by Internal Audit and Assurance
- for Probation Areas/Trusts a self assessment process which requires staff to assess the quality of a sample of their casework
- implementation of a robust prioritisation methodology for actions based on risk ranking and cost-benefit analysis
- a report from the Chair of the Audit Committee concerning risk management and internal control, and
- attendance at Audit Committee meetings.

4. Risk Management

4.1 NAB drives the risk management process. They review the key risks to NOMS on a quarterly basis (more often if necessary) and consider whether any new risks are emerging. The risks to our strategic priorities were identified at a workshop in May as part of the planning process and included risks to our strategic priorities, such as risks related to a shortfall of skills/resources to deliver, capacity not meeting demand and Industrial Relations, as well as overarching risks to delivering both change and business as usual, such as risks around the IT infrastructure and failing to meet our duty of care. Two risks were revised during the year. High profile escapes remains high on the register, which reflects the escape of two category A prisoners in January and May 2012 and which were highlighted in the 2011–12 Governance Statement. Whilst the risk remains high, significant action has been taken in response to the escapes.

The January 2012 escape involved external assistance to attack a contractor's escort vehicle

following a failure by the holding prison to apply the correct procedures for managing a potential Category A prisoner. Following this, a new system of communicating these categorisation decisions and ensuring adherence to them was implemented.

The escape from Cambridge Crown Court in May of last year revealed weaknesses in the management of some aspects of Category A security at Court, which were addressed in June 2012 by the introduction of improved procedures. In the longer term, a Protocol for the management of prisoners at court between NOMS and Her Majesty's Court and Tribunals Service is in the final stages of development.

As a result of information which came to light as part of the re-tendering process for electronic monitoring contracts, potential issues have been identified in relation to billing under the current contracts. Action is being taken to address this. Our suppliers are co-operating fully and have given clear assurances that if any adjustment is required to charges to date, this will be put right promptly and repayments made.

Information Assurance

4.2 The NOMS Executive Management Committee (NEMC) maintained a close interest in information assurance over the reporting period. This included reviewing and approving a number of new initiatives to promote existing policies and contributed to NOMS reaching level 2 of the Information Assurance Maturity Model (IAMM) model in 2012–13. Two incidents were reported to the Information Commissioner's Office during the year.

4.3 During 2012–13, NOMS took the following steps to improve arrangements:

- publication of the information risk management policy for establishments and development of information risk registers across prison establishments
- the appointment of Senior Information Risk Owners (generally at CEO or Director level) across all 35 Probation Trusts and putting in place a network of Local Information Managers which complements that in prisons
- further implementation of the corporate standard approach to electronic records management across NOMS HQ. This helps to ensure that records are kept securely and are accessible by

all appropriate staff, and

- commencement of a project to address the risks associated with information sharing.

4.4 During the coming year NOMS will continue to improve by:

- continuing to embed information assurance policies across NOMS in order to maintain and improve upon the IAMM level 2, with progress to be monitored by NEMC
- continuing to operate a pro-active incident management service
- introducing the new Government Security Classification which will require staff to take a more considered approach to handling information. The launch of the classification across NOMS will be supported by a training and communications campaign
- providing more granularity to the current retention policy for the prisoner record to ensure compliance with the Data Protection Act and introducing appropriate archiving and deletion arrangements, and
- ensuring that information sharing risks are minimised by introducing a new policy on information sharing.

NEMC will continue to receive and review periodic reports on information assurance.

5. Board Attendance

5.1 The tables below show the membership of the NOMS Board, NEMC and sub-committees and the attendance records of members at meetings during the period 1 April 2012 to 31 March 2013.

Name	Role	NEMC	NAB
Michael Spurr	CEO	33/34	9/9
Steve Wagstaffe	To 31 January 2013: Director of Public Sector Prisons	19/26	6/6
Phil Copple	Director of High Security to 31 December 2012, then Director of Public Sector Prisons	27/34	9/9
Robin Wilkinson	To 18 September 2012: HR Director	9/15	4/4
Martin Beecroft	From 10 September to 4 November 2012: HR Director	4/6	1/1
Carol Carpenter	From November 5 2012: HR Director	11/13	3/4
Digby Griffith	Director of National Operational Services	29/34	6/9
Andrew Emmett	Director of Finance & Analysis (interim to 30 November 2012)	30/34	8/9
Ian Poree	To 4 November 2012: Director of Commissioning & Commercial, and retained a standing invite to attend as MoJ Director, Rehabilitation Programme.	15/21	3/5
Ian Blakeman	From 5 November 2012: Director of Commissioning & Commercial (interim)	12/13	4/4
Colin Allars	Director of Probation & Contracted Services	29/34	9/9
Richard Bradshaw	Director of Offender Health	21/34	3/9
Martin Bellamy	Director of Change and ICT	28/34	9/9
David Hadfield	NOMS Non-Executive Director	N/A	9/9
Mike Hawker	NOMS Non-Executive Director	N/A	8/9
Elizabeth McLoughlin	NOMS Non-Executive Director	N/A	8/9
Paul Wilson	From 1 September 2012: NOMS Non-Executive Director	N/A	5/5
In attendance			
Lisa Appleyard	Head of NOMS Communications	22/34	2/9
Debbie Kirby	Media Advisor	7/34	N/A
Jane Hill	To 18 June 2012: Legal Advisor	1/7	N/A
Julia Crouch	From 19 June 2012: Legal Advisor	16/27	N/A
Ken Everett	CEO's office	31/34	8/9
Katherine Myatt	Board Secretary	29/34	7/9
Paul Ibrahim	Head of Planning & Analysis Group	N/A	8/9
Joyce Drummond-Hill	To 31 October 2012: MoJ Head of Internal Audit & Assurance	N/A	1/5
Tim Watkinson	From 19 November 2012: MoJ Head of Internal Audit & Assurance	N/A	2/3
Ann Beasley	MoJ Finance DG (as with all MoJ DGs, has a standing invite to attend the NAB when subjects relevant to her area are discussed)	N/A	4/9

Workforce Committee

The NOMS Workforce Committee has two different types of meeting with different memberships:

- Talent management – all executive Directors; the nominated non-executive Director; the Deputy Directors of HR and Women & Equalities; and the Heads of Organisational Development (OD) & Change, HR Operations, HR Expert Services, Senior Career & Talent Management, and Workforce Planning; the National Leadership Development Manager, the Talent Management Adviser, and the OD Lead Commissioner.
- Core meetings dealing with other workforce issues – the CEO, the Directors of Public Sector Prisons, HR, Finance and Analysis, and National Operational Services; the non-executive Director; the Deputy Directors of Planning & Analysis, HR and Women & Equalities; and the Heads of Organisational Development & Change, HR Operations, HR Expert Services, Planning Analysis, Workforce Planning, and Reward.

In 2012–13, four core and four talent management meetings were held.

Name	Role	Meetings attended
Michael Spurr	CEO	6/8
Phil Copple	Director of High Security to 31 December 2012; then Director of Public Sector Prisons	3/6
Colin Allars	Director of Probation & Contracted Services	3/4
Digby Griffith	Director of National Operational Services	7/8
Andrew Emmett	Director of Finance & Analysis	5/8
Ian Poree	Director of Commissioning & Commercial	2/3
Ian Blakeman	Interim Director of Commissioning & Commercial	1/1
Steve Wagstaffe	Director of Public Sector Prisons (to 31 January 2013)	3/5
Robin Wilkinson	Director of HR (to 18 September 2012)	4/4
Carol Carpenter	Director of HR (from 5 November 2012)	2/3
Liz McLoughlin	Non-executive Director	5/8
Martin Bellamy	Director of Change & ICT	0/4
Debra Baldwin	Deputy Director, Women & Equalities Group (to December 2012)	4/6
Chris Barnett-Page	Head of Women & Equalities Group (from January 2013)	2/2
Martin Beecroft	Deputy Director, HR	4/6
Paul Ibrahim	Head of Planning & Analysis Group	3/4
Jim Heavens	Head of HR Operations	7/8
Linda Kelly	Head of HR Expert Centre	5/8
John Robinson	Head of Senior Career & Talent Management	4/4
Rachel White	National Manager, Leadership Development	2/4
Val Woodcock	Head of Organisational Development & Change (to October 2012)	1/2
Jac Broughton	Head of Organisational Development & Change (from November 2012)	2/3
Munazzah Choudhary	Talent Management Advisor	4/4
Jenni Garton	Head of Planning Analysis	5/5
Maggie Bolger	Lead Commissioner, Organisational Development	5/6
Stephen Seddon	Head of Workforce Planning	8/8
Farha Bhatt	Head of Reward	1/4

Change Delivery Committee

	Name	Role	Meetings attended
	Michael Spurr	Chair	6/7
	Colin Allars	SRO	6/7
	Martin Bellamy	SRO Director Change and ICT	6/7
	Ian Poree	SRO	3/7
Representative	Phil Cople	Director Public Sector Prisons	1/7
	William Payne	Public Sector Prisons / Business Development	
Representative	Ian Mulholland	Deputy Director Business Development	2/7
	William Payne	As above	
Representative	Digby Griffith	SRO Director National Operations Services	5/7
	Mark Read / Stacey Tasker	Deputy Director National Operations Group	
Representative	Andrew Emmett	Director of Finance & Analysis	2/7
	Alison Hamer	Finance Directorate	
Representative	Ian Blakeman	SRO Director Commissioning & Commercial	3/7
	Malcolm Wills	Commissioning & Commercial	
	Adrian Scott	Deputy Director Reward & Restructure	1/7
	Martin Copsey	SRO	3/7
	Ian Maris	Head of Business & Strategic Planning	1/7
	Lisa Appleyard	Deputy Director National Communications	6/7
	Andrew Sinclair	Head of Change & Information Capability Group	5/7
	John Powls	'enable' Portfolio	

Financial Management Committee

	Name	Role	Meetings attended
	Andrew Emmett	Chair - Director of Finance & Analysis (interim until 30 November 2012 when he was appointed permanently to the role)	7/7
	Robin Wilkinson	HR Director	0/5
Representative	Dave Mann	HR Directorate Business Manager	0/2
	Carol Carpenter	HR Director (from 5 November 2012)	
	Ian Poree	Director of Commissioning & Commercial (until 4 November 2012)	2/5
	Ian Blakeman	Interim Director of Commissioning & Commercial (from 5 November 2012)	2/2
	Martin Bellamy	Director of Change & ICT	3/7
Representative	Andrew Sinclair	Deputy Director, ICT & Change	6/7
	Colin Allars	Director of Probation & Contracted Services	
	Steve Wagstaffe	Director of Public Sector Prisons (until 31 January 2013)	0/6
	Phil Cople	Director of High Security to 31 December 2012, then Director of Public Sector Prisons	2/7
	Digby Griffith	Director of National Operational Services	4/7
In attendance	Ted Kirby	Financial Controller	7/7
	Liam Orme	Head of Audit Operations NOMS	

Audit Committee

Name	Position	Meetings attended
Mike Hawker	Non-Executive Director (Chair)	5/5
Elizabeth McLoughlin	Non-Executive Director	4/5
David Hadfield	Non-Executive Director	3/4
Paul Wilson	Non-Executive Director	0/1
In attendance:		
Michael Spurr	CEO	4/5
Robin Wilkinson	HR Director (until 18 September 2012)	0/3
Carol Carpenter	HR Director (from 5 November 2012)	1/1
Andrew Emmett	Director of Finance & Analysis Director (interim to 30 November 2012 when he was appointed permanently to the role)	4/5
Joyce Drummond-Hill	Head of Internal Audit & Assurance (until October 2012)	3/3
Tim Watkinson	Head of Internal Audit & Assurance (from November 2012)	1/1
Liam Orme	Head of Audit Operations	5/5
Sajid Rafiq	Director, National Audit Office	1/5
Aileen Murphie	Director, National Audit Office	3/5
David Locke	Audit Manager, National Audit Office	3/5
Clive Everest	External Auditor - PwC	1/3
Catherine Little	External Auditor - PwC	2/3
Sebert Cox	Chair, Probation Association	3/5

Michael Spurr
Agency Accounting Officer
20 June 2013

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the National Offender Management Service and of its group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Agency and Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Offender Management Service's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Offender Management Service and the group; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Offender Management Service's and the group's affairs as at 31 March 2013 and of the Consolidated and Agency net operating cost after taxation for the year then ended, and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000, and
- the information given in the 'Management Commentary' and the 'About the National Offender Management Service' sections for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse **Comptroller and Auditor General**

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

24 June 2013

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Notes	2012-2013				2011-2012			
		Core Agency		Consolidated		Core Agency		Consolidated Restated ¹	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration costs									
Staff costs	3	76,734		76,734		66,090		66,090	
Other administrative costs	4	88,962		90,782		55,413		56,893	
Income	6	(4,722)	160,974	(4,722)	162,794	(4,239)	117,264	(4,239)	118,744
Programme costs									
Staff costs	3	1,574,865		2,239,667		1,617,114		2,291,971	
Other programme costs	5	2,635,432		2,030,769		2,592,924		1,954,518	
Income	6	(350,710)	3,859,587	(389,690)	3,880,746	(398,976)	3,811,062	(430,750)	3,815,739
Net operating costs before taxation			4,020,561		4,043,540		3,928,326		3,934,483
Taxation			0		733		0		240
Net operating costs after taxation			4,020,561		4,044,273		3,928,326		3,934,723

Note 1: Other administrative costs and other programme costs have been restated. See Notes 4 and 5 for details.

Other Comprehensive Expenditure

	Notes	2012-2013				2011-2012			
		Core Agency		Consolidated		Core Agency		Consolidated Restated	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net gain on revaluation of property, plant and equipment	7		(203,785)		(204,133)		(50,158)		(50,225)
Net gain on revaluation of intangibles	8		(351)		(357)		(294)		(301)
Net (gain)/loss on revaluation of available for sale financial assets	9		(88)		(88)		2,385		2,385
Pension actuarial loss	21c		0		114,976		0		389,541
Total comprehensive expenditure			3,816,337		3,954,671		3,880,259		4,276,123

The notes on pages 66 to 114 form part of these accounts

Consolidated Statement of Financial Position as at 31 March 2013

	Notes	31 March 2013				31 March 2012			
		Core Agency		Consolidated		Core Agency		Consolidated	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets									
Property, plant and equipment	7	6,041,043		6,046,887		5,991,628		5,997,834	
Intangible assets	8	60,732		61,846		77,475		78,934	
Financial assets	10	402		402		342		342	
Trade and other receivables	14a	1,952		1,971		2,586		2,653	
Total non-current assets			6,104,129		6,111,106		6,072,031		6,079,763
Current assets									
Assets held for sale	9	33,149		33,149		10,086		10,086	
Inventories	13	40,889		40,889		41,091		41,091	
Trade and other receivables	14a	148,521		153,302		368,637		367,318	
Cash and cash equivalents	15	1,726		44,330		3,796		50,314	
Total current assets			224,285		271,670		423,610		468,809
Total assets			6,328,414		6,382,776		6,495,641		6,548,572
Current liabilities									
Trade and other payables	16a	(402,915)		(429,496)		(383,936)		(406,459)	
Provisions	20	(55,913)		(58,566)		(32,228)		(38,368)	
Bank overdraft	15	(21,453)		(21,453)		(18,551)		(18,551)	
Total current liabilities			(480,281)		(509,515)		(434,715)		(463,378)
Non-current assets plus/less net current assets/liabilities			5,848,133		5,873,261		6,060,926		6,085,194
Non-current liabilities									
Provisions	20	(72,917)		(73,021)		(66,429)		(66,904)	
Trade and other payables	16b	(334,992)		(334,992)		(334,463)		(334,463)	
Pension deficit liability	21a	0		(1,337,885)		0		(1,196,678)	
Total non-current liabilities			(407,909)		(1,745,898)		(400,892)		(1,598,045)
Assets less liabilities			5,440,224		4,127,363		5,660,034		4,487,149
Taxpayers' equity									
General fund			4,317,034		3,002,723		4,668,894		3,494,747
Revaluation reserve			1,123,190		1,124,640		991,140		992,402
Total Taxpayers' equity			5,440,224		4,127,363		5,660,034		4,487,149

The notes on pages 66 to 114 form part of these accounts

Michael Spurr Agency Accounting Officer 20 June 2013

Consolidated Statement of Cash Flows for the year ended 31 March 2013

	Notes	2012–2013				2011–2012			
		Core Agency		Consolidated		Core Agency		Consolidated	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities									
Net operating cost			(4,020,561)	(4,044,273)		(3,928,326)		(3,934,723)	
Adjustments for non-cash transactions	3,4,5	510,257		505,211		331,523		336,905	
Adjustment for notional charges to and from MoJ group		(91,074)		(91,074)		0		0	
Adjustment for movement in Probation Trust post audit accounts	31	0		(1,892)		0		0	
Adjustment for defined benefit pensions to add back non-cash costs and deduct cash paid		0		34,253		0		7,318	
(Increase)/decrease in trade and other receivables									
Movement in trade receivables	14	220,750		214,698		(157,205)		(146,467)	
Less: MoJ notional funding transfer through reserves	14	(217,495)		(217,495)		0		0	
Less: Impairments in trade and other receivables	4,5	994		994		(25)		(25)	
Movement in inventories	13	202		202		(748)		(748)	
Increase/(decrease) in trade payables									
Movement in trade and other payables	16a,16b	19,508		23,566		54,539		25	
Less: Movements on capital elements of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	16a,16b	(605)		(605)		51,241		51,221	
Less: Movement in property, plant & equipment payable		10,595		10,588		(18,682)		(18,885)	
Less: Movement in Thameside PFI liability valuation		(26,373)		(26,373)		0		0	
Less: Payments of amounts due to the Consolidated Fund to MoJ		267		267		172		172	
Utilisation of provisions	20	(24,571)		(28,725)		(24,267)		(27,007)	
Net cash outflow from operating activities			402,455	423,615		236,548		202,509	
Cash flows from investing activities									
Purchase of property, plant & equipment		(156,583)		(157,817)		(291,970)		(292,473)	
Net transfer of assets from other government departments		(718)		(718)		69,952		69,952	
Purchase of intangibles	8	(23)		(184)		(18,258)		(18,381)	
Proceeds on disposal of property, plant & equipment		12,120		12,153		7,076		7,156	
Proceeds on disposal of financial assets		0		0		85		85	
Net cash outflow from investing activities			(145,204)	(146,566)		(233,115)		(233,661)	
Cash flow from financing activities									
Net funding received from MoJ		3,758,000		3,758,000		4,035,000		4,035,000	
Payments of amounts due to the Consolidated Fund to MoJ		(267)		(267)		(172)		(172)	
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts	16a,16b	605		605		(51,241)		(51,221)	
Net financing			3,758,338	3,758,338		3,983,587		3,983,607	
Net increase/(decrease) in cash and cash equivalents in the year			(4,972)	(8,886)		58,694		17,732	
Cash and cash equivalents at the beginning of the year	15	(14,755)		31,763		(73,449)		14,031	
Cash and cash equivalents at the end of the year	15	(19,727)		22,877		(14,755)		31,763	
(Decrease)/increase in cash and cash equivalents			(4,972)	(8,886)		58,694		17,732	

The notes on pages 66 to 114 form part of these accounts

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	Notes	General Fund		Revaluation Reserve		Total Reserves	
		Core Agency	Consolidated	Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2011		4,494,505	3,716,188	967,664	968,960	5,462,169	4,685,148
Changes in taxpayers' equity for 2011-12							
Net operating cost for the year to 31 March 2012		(3,928,326)	(3,934,723)	0	0	(3,928,326)	(3,934,723)
Net gain on revaluation of property, plant & equipment		0	0	50,158	50,225	50,158	50,225
Net gain on revaluation of intangible assets		0	0	294	301	294	301
Net loss on revaluation of assets held for sale		0	0	(2,385)	(2,385)	(2,385)	(2,385)
Release of reserves to the general fund		24,486	24,594	(24,486)	(24,594)	0	0
Release of reserves to the general fund in respect of disposal of investments		105	105	(105)	(105)	0	0
Pension actuarial loss		0	(389,541)	0	0	0	(389,541)
Funding from the Consolidated Fund (Supply)		4,035,000	4,035,000	0	0	4,035,000	4,035,000
Notional items							
Auditor's remuneration	4	300	300	0	0	300	300
Corporate overhead charges	4,5	42,824	42,824	0	0	42,824	42,824
Balance as at 31 March 2012		4,668,894	3,494,747	991,140	992,402	5,660,034	4,487,149
Changes in taxpayers' equity for 2012-13							
Net operating cost after tax for the year to 31 March 2013		(4,020,561)	(4,044,273)	0	0	(4,020,561)	(4,044,273)
Net gain on revaluation of property, plant & equipment		0	0	203,785	204,133	203,785	204,133
Less: Reversal of previous impairment		0	0	(13,923)	(13,923)	(13,923)	(13,923)
Net gain on revaluation of intangible assets		0	0	351	357	351	357
Net gain on revaluation of assets held for sale		0	0	88	88	88	88
Release of reserves to the general fund		58,251	58,417	(58,251)	(58,417)	0	0
Pension actuarial loss	21d, 21e	0	(114,976)	0	0	0	(114,976)
Movement in Probation Trusts' post audit accounts	31	0	(1,642)	0	0	0	(1,642)
Funding from the Consolidated Fund (Supply) - current year		3,758,000	3,758,000	0	0	3,758,000	3,758,000
Funding adjustment - budgets held by MoJ		(259,034)	(259,034)	0	0	(259,034)	(259,034)
Notional items							
Auditor's remuneration	4	300	300	0	0	300	300
Corporate overhead charges	4,5	111,184	111,184	0	0	111,184	111,184
Balance as at 31 March 2013		4,317,034	3,002,723	1,123,190	1,124,640	5,440,224	4,127,363

The notes on pages 66 to 114 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2012–13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

The functional and presentation currency of NOMS is the British pound sterling.

New and amended Standards and Interpretations

Amendment to IFRS 7 Financial Instruments: Disclosures (effective for government departments from accounting period 2012–13), requires additional disclosure for the transfer of financial assets outside of the legal body. There were no transfers of financial assets outside the Agency in 2012–13, so this amendment did not affect NOMS accounts.

There are no other IFRS or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for central government departments, for the first time for the financial year beginning on or after 1 April 2012.

The following new standards, interpretations and amendments, which are not yet effective for public sector, may have an effect on the Agency's future accounts:

IAS 1 'Presentation of Financial Statements – Other Comprehensive Income' (effective for accounting periods beginning on or after 1 July 2012), retains the option to present other comprehensive expenditure on a separate statement from net operating cost items, and to reclassify some other comprehensive

expenditure items to net operating cost. The FReM's adaptation of IAS 1 amendment for public sector application is effective from 1 April 2013.

IFRS 9 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2015) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition and depends on the contractual cash flow characteristics of the instrument and the method in which an entity manages its financial instruments. This amendment is subject to further review by HM Treasury and other relevant authorities.

IFRS 13 'Fair Value Measurement' (effective for accounting periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and UK GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or UK GAAP. This amendment is subject to further review by HM Treasury and other relevant authorities.

IAS 19 (revised 2011) 'Employee Benefits' (effective for accounting periods beginning on or after 1 January 2013) was issued in June 2011. The principal changes to IAS 19 are as follows:

- the expected return on assets is calculated at the discount rate, instead of, as currently, at an expected return based on actual assets held in the Fund
- the interest on the service cost is included in the service cost itself, and
- administration expenses continue to be charged through the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE), but are set out as a separate item.

1. Statement of Accounting Policies (continued)

These Standards and Interpretations are not expected to have a material impact on the financial statements, except for IAS 19, in relation to the Probation Trusts:

Had the Probation Trusts adopted the amended IAS19 for the 2012–13 reporting period, the impact on the consolidated financial statements would have been an increase to AME costs within the CSoCNE of £28m, which would have been shown within Note 21 on pension liabilities.

1.1 Accounting convention

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

1.2 Going concern

NOMS is an Executive Agency to the Ministry of Justice (MoJ). NOMS takes the view that the going concern concept applies to NOMS group accounts.

The future financing of NOMS activities is met by the MoJ from funds, which are voted annually under the relevant Appropriation Act.

A consultation paper “Transforming Rehabilitation - A revolution in the way we manage offenders” was issued in January 2013 which built on the previous consultation last year and set out plans to contract out probation services more widely and increase the use of Payment by Results. The consultation period ended on 22 February 2013 and the results of both consultations were published in “Transforming Rehabilitation: A strategy for Reform”, on 9 May 2013 by the Secretary of State for Justice.

The recommendations of the report will change the way in which probation services are commissioned and delivered. A new National Probation Service will be created to protect the public from the most dangerous offenders and manage the provision of probation services. England and Wales will be divided into 21 contract areas which align closely with local authorities and Police and Crime

Commissioner areas. MoJ/NOMS will be responsible for commissioning rehabilitation services. Probation service local delivery units will support the gathering of intelligence on needs and priorities at a local level, including from key partners (e.g. local authority needs assessments) to feed into the MoJ/NOMS commissioning process. The implications of the new arrangements for individual Trusts are not provided in the consultation announcement at this stage. Specifically, the announcement does not provide sufficient detail to form a judgement on whether the material functions, assets and liabilities will be transferred for continuing use in the public sector in the context of the FReM paragraph 2.2.15. This is likely to become clearer during 2013–14 as the proposals are further developed and implemented.

Implementation of the new arrangements will require a Statutory Instrument to be issued by the Secretary of State under the Offender Management Act 2007, subject to negative affirmation. This had not been drafted at the date the Annual Report and Accounts were approved. Senior management has concluded therefore that, having reviewed the results of the consultation within the context of the FReM, it is appropriate for the Trusts to prepare their 2012–13 Annual Reports and Accounts on a going concern basis, with disclosure of a ‘material uncertainty’ around going concern, arising from the recommendations of the report ‘Transforming Rehabilitation: A strategy for Reform’.

NOMS has further concluded that these proposed changes in the Probation Trusts’ structures do not raise any uncertainty around the going concern status of the NOMS consolidated accounts.

1.3 Basis of consolidation

Under Treasury direction, these accounts comprise a consolidation of NOMS Core Agency and the Probation Trusts, which are Non-Departmental Public Bodies (NDPBs). A small number of the Trusts have control over other separate business entities. These entities have not been consolidated by the Trusts into their own statutory accounts and they have not been consolidated by NOMS, on the grounds that the transactions between the entities and Trusts are not material to the accounts.

The income, expenditure, assets, liabilities, equity and reserves are consolidated in full into the

1.3 Basis of consolidation (continued)

appropriate lines in the accounts.

Under IAS27, all significant intra-group balances and transactions have been eliminated in NOMS consolidated accounts.

The consolidated entities' accounting reference dates align with the Agency, and their accounting policies are aligned with the Agency in all material areas.

A full listing of the entities included within the NOMS Agency boundary is given in Note 31.

1.4 Changes in accounting policies & restatement of comparatives

NOMS' accounting policies are unchanged in 2012–13.

Comparatives in the primary statements have not been restated, with the exception of the restatement of Probation Trusts' external auditors' remuneration, which is now disclosed separately within Note 4 'Other administrative costs'. £0.3m was included within Note 5 'Programme costs' in 2011–12, but all such costs are administrative.

Certain items have been reclassified within the notes to the accounts to increase transparency and consistency with the MoJ group. For example, balances with other government departments shown previously within accrued income and other receivables in Note 14 have been reclassified to the MoJ group and Other HM government headings.

1.5 Machinery of Government (MoG) changes and restatement of comparatives

There were no MoG changes to NOMS Accounts during 2012–13.

Transfer of functions to MoJ

As part of wider MoJ rationalisation some functions previously within NOMS – including the shared service centre, estates capacity, procurement, ICT and internal audit - were transferred to MoJ on 1 April 2011. From 2011–12, these functions were integrated centrally to provide services across the MoJ group.

The costs of these centralised overheads continue to be recorded by business units within the NOMS general ledger. In the 2011–12 accounts, to aid comparison to the previous year, the cost transfer was shown in a separate line in Notes 3, 4, 5 and 6.

In the 2012–13 accounts, the figures in Notes 3, 4, 5 and 6 are stated after the cost transfer to MoJ, and the 2011–12 comparatives have been shown on the same basis.

The costs of the services provided by these central MoJ functions to NOMS are shown as a recharge from MoJ in Notes 4 and 5 within these accounts.

1.6 Property, plant and equipment Recognition

Items of property, plant and equipment, including subsequent expenditure on existing assets, are initially recognised at cost when it is probable that future economic benefits or service potential associated with the asset will flow to NOMS and the cost of the asset can be measured reliably.

All other repairs and maintenance are charged to the CSocNE during the financial period in which they are incurred.

Capitalisation threshold

The threshold for capitalising individual assets is £10,000 (including irrecoverable VAT).

A materially significant purchase of individual items may arise in connection with a single project. In accordance with IAS 16, NOMS accounts for such a materially significant purchase and treats this type of purchase as a grouped asset. The threshold for capitalising grouped assets is £1 million (including irrecoverable VAT). These grouped assets fall into two categories:

- an integrated system of diverse equipment designed to deliver a specific solution, for example, an IT equipment refresh project, and
- a materially significant acquisition of furniture or IT at a single site.

1.6 Property, plant and equipment (continued)

Assets under construction

Building projects in progress at the year end are carried forward as assets under construction at cost to date and are not subject to depreciation until they are available for use. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then transferred to the respective asset category. Depreciation is then charged on the asset in accordance with the stated accounting policy.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as relevant employee costs and an appropriate portion of relevant overheads.

Valuation basis

Property, plant and equipment are stated at fair value as determined by the application of modified historic cost accounting.

Valuation method

Land and buildings (including dwellings) are included at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted on a rolling basis, covering each property at least once every five years.

Professional valuations are undertaken by the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards, known as the 'Red Book'.

In between professional valuations, carrying values are adjusted by the application of indices or through desktop valuations, which are carried out by the professional valuers.

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

Freehold prison buildings, which are specialised buildings, are included at depreciated replacement cost to a modern equivalent basis in accordance with the Red Book, adjusted for functional obsolescence.

Probation HQ properties valued at £41m (2011–12: £53m) are included at fair value using the Tender Price Index of Public Sector Buildings (Non-Housing).

Non-property assets, mainly equipment in excess of £10,000, are included at cost upon purchase and are restated at each Consolidated Statement of Financial Position (CSoFP) date using the Price Index Numbers for Current Cost Accounting (Office for National Statistics).

Revaluation of property, plant and equipment

The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments of property, plant and equipment.

Upward revaluations are credited to the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised as operating income in the CSoCNE. Downward revaluations are charged to the revaluation reserve if there is a prior credit balance; otherwise they are charged to the CSoCNE.

Gains and losses recognised in the revaluation reserve are reported in the CSoCNE as an item of other comprehensive income.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the CSoCNE and depreciation based on the asset's original cost is transferred from the revaluation reserve to the general fund.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to write off the value of assets less estimated residual value evenly over their estimated useful lives or for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or asset categories are reviewed annually and any changes are discussed with the asset holders to ensure that budgeting implications have been properly considered. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life.

1.6 Property, plant and equipment (continued)

Depreciation commences in the month following acquisition of the non-current asset.

If an item of property, plant and equipment comprises two or more significant components, with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life.

Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings including Dwellings	Shorter of remaining life or up to 60 years (up to 55 years for dwellings) depending on building
Grouped assets	Depending on individual asset types comprising this asset
Leasehold buildings including Dwellings	Shorter of remaining life, remaining lease period or up to 50 years (up to 55 years for dwellings); whichever is appropriate
Information technology	3 to 15 years depending on individual asset type
Plant & equipment	3 to 15 years depending on individual asset type
Vehicles	5 to 15 years depending on individual asset type
Furniture, fixtures & fittings	3 to 15 years depending on individual asset type
Assets under construction	Not depreciated

Impairment

An impairment reflects a permanent diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential. At each reporting date, NOMS assesses all assets, including assets under construction, for indications of impairment. If any such indication exists, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts. Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount. Property, plant and equipment

and intangible assets are subject to an annual impairment review.

The recoverable amount of an asset is the higher of its 'fair value less costs to sell' and 'value in use'. For the purposes of the public sector, the FRoM defines the 'value in use' of a non-cash-generating asset as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Any impairment loss is recognised as expenditure in the CSocNE. If the impaired asset has previously been revalued, an amount equal to the impairment charge - or to the extent that a revaluation reserve is held for the asset - is transferred from the revaluation reserve to the general fund.

At each reporting date NOMS also assesses whether there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. If any such indication exists, the recoverable amounts of the assets in question are reassessed. The reversal of an impairment loss is then recognised, in the CSocNE, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment test was carried out. The amount of any reversal is restricted to increasing the carrying value of the relevant assets to the carrying value that would have been recognised had the original impairment not occurred (that is, after taking account of normal depreciation that would have been charged had no impairment occurred).

1.7 Non-current assets held for sale

NOMS identifies non-current assets held for sale as assets whose carrying amount will be recovered through sale rather than through continuing use. Non-current assets held for sale are not subject to depreciation. Depreciation is reinstated and retrospectively applied to any assets which are subsequently not sold and re-classified as in use. Assets held for sale are stated at fair value on the basis of market value as defined in Practice Statement 3.2 within the Red Book.

1.8 Intangible assets

NOMS recognises intangible assets only if it is probable that future service potential will flow to NOMS and the cost of the asset can be measured

1.8 Intangible assets (continued)

reliably. The future service potential can be defined as a direct contribution of the intangible asset to the delivery of services to the public. These intangibles mainly comprise internally developed software for internal use and licenses for purchased software.

Development costs are capitalised where they are directly attributable to bringing an asset into working condition, such as software development employee costs and an appropriate portion of relevant overheads.

The threshold for capitalising individual assets is £10,000 (including irrecoverable VAT). The threshold for capitalising grouped assets is £1 million (including irrecoverable VAT).

The useful lives of intangible assets are assessed to be finite. As there is no active market for these intangible assets, their fair value is assessed at the revalued amount less any accumulated amortisation and accumulated impairment losses.

The intangible assets are amortised using the straight-line method over its anticipated useful life. The useful lives of the software range from 3 to 10 years.

The revalued amount and indications of impairment are determined from an annual appraisal of the assets' underlying business case using discounted future economic benefits (cost savings). The net present value of the project is compared with the total current cost, and impaired accordingly.

Intangible assets are revalued at each year end date using Office for National Statistics IT price indices.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases are leases where substantially all of the risks and rewards incidental to ownership of leased non-current assets are transferred from the lessor to the lessee when assessed against the qualitative and quantitative criteria in IAS 17. An operating lease is a lease that is not a finance lease.

Finance leases

NOMS' finance lease rights and obligations are

initially recognised at the commencement of the lease term as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments determined at the inception of the lease. The assets are disclosed as leased and are depreciated over the period during which NOMS is expected to benefit from the use of the leased assets. This is the shorter of the useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the outstanding lease liability, according to the interest rate implicit in the lease or the HM Treasury rate where a rate could not be extrapolated from the lease.

Finance lease liabilities are allocated between current and non-current components. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

Operating leases

NOMS has entered into a number of operating lease arrangements. Rentals under operating leases are charged to the CSoCNE on a straight-line basis. Assets provided under operating leases are not recognised on NOMS CSoFP.

NOMS treats operating lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) as an integral part of the consideration for the use of the leased asset. The incentives are accounted for as an integral part of the net consideration agreed for the use of the leased asset over the lease term, with each party (the lessor and lessee) using a single amortisation method applied to the net consideration.

Arrangements containing a lease

In determining whether NOMS is party to a lease, contracts that do not take the legal form of a lease but which may contain an embedded lease, for example outsourcing contracts, are assessed to determine whether the substance of the arrangements contains an implied lease.

The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The

1.9 Leases (continued)

arrangement is then assessed under IAS 17 to determine whether it should be accounted for as a finance or operating lease.

1.10 Service Concession Arrangements and Private Finance Initiative arrangements

Service Concession Arrangements (SCA), including Private Finance Initiative (PFI) arrangements, are arrangements whereby private sector operators are contractually obliged to provide services to the public in relation to certain infrastructure assets. NOMS defines such arrangements as SCAs if they meet the following conditions (as stipulated in IFRIC 12 'Service Concession Arrangements', as adapted for the public sector context by the FRoM):

- NOMS controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and
- NOMS controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

Where these conditions are satisfied, the future payment stream is assessed to separately identify the infrastructure interest and service components.

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

These assets are subsequently valued, indexed and depreciated consistently with other assets in the same class. The useful economic life is determined as the shorter of the life of the asset or the duration of the contract.

The interest element of the agreement is charged to the CSoCNE over the contract period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The service element of the agreement is charged to the CSoCNE in the period in which the services are rendered by the operator. Older prison PFI and other SCA arrangements use Treasury discount rates. HMP Thameside PFI and, where possible, any future

PFI contracts will be accounted for using the interest rate implicit in the contract.

For budgeting purposes, SCAs are evaluated according to the balance of risks and rewards of ownership as defined by the European System of Accounts 95. This means that some SCAs recognised in the Accounts are treated differently for budgetary purposes against Treasury budgeting controls.

As well as the PFI prison contracts, the contracts for Prisoner Escort and Custody Services (PECS), and the contracts which ended in 2012–13 for Electronic Monitoring Services (EM) and the IT and Telephony System met these conditions. The EM and IT and Telephony contracts are recognised in these accounts as service concession arrangements during the year, but there is no year end asset or liability.

Transitional contracts for EM are in place with the existing suppliers until the procurement of new contracts is completed in 2013–14. A new contract for the NOMS IT and Telephony System (NICTS) began in January 2013 and will be recognised in the CSoFP as a SCA once the assets are brought into use over the course of 2013-14 and 2014-15. At 31 March 2013, there was no on-balance sheet liability as no new assets had come into use. The future on-balance sheet liability under the NICTS contract is disclosed in Note 17b. The service contract commitments under both contracts are disclosed in Note 17c.

1.11 Antiques and works of art

Only antiques and works of art, single or grouped, with a value (hammer price) of £10,000 (including VAT where appropriate) or more are accounted for as non-current assets. The policy is only to capitalise works of art purchased after 1 April 2005. Items acquired before that date regardless of current value are not held on the CSoFP but are subject to inventory controls.

NOMS currently has seven items classified as works of art, all of which were acquired prior to 1 April 2005, and are therefore not recognised in the financial statements. These items are not subject to depreciation and have a combined fair value assessed to be £170,300.

1.12 Inventories

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

1.13 Cash and cash equivalents

Cash and cash equivalents recorded in the CSoFP and Consolidated Statement of Cash Flows (CSoCF) includes cash in hand, deposits held on call with banks, and bank overdrafts.

1.14 Employee benefits

Pensions – PCSPS

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees. While this is a defined benefit scheme, in accordance with FReM 12.2.5, NOMS accounts for this scheme as a defined contribution scheme, because NOMS' share of the underlying assets and liabilities cannot be identified separately. The scheme is unfunded. NOMS recognises the expected cost on a systematic and rational basis over the period during which it benefits from the employees' services by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

Pensions – Defined Contribution Schemes

Under defined contribution plans NOMS' legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits is borne by the employee.

In respect of the defined contribution schemes, NOMS recognises the contributions payable as an expense in the year in which it is incurred.

Probation LGPS Defined Benefit Plan

Past and present employees of the Probation Trusts are covered by the provisions of the Local Government Pension Scheme (LGPS) via locally administered pension funds. This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make

additional contributions where assets are insufficient to meet retirement benefits.

Under the LGPS Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last formal actuarial valuation was at 31 March 2010 and the results affected the following three years' accounts.

The liability recognised in the CSoFP in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates as advised by the scheme actuary. In between formal actuarial valuations, in accordance with FReM 12.2.5, the obligation is approximated by adjusting the most recent full valuation using latest available membership data.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Consolidated Statement of Changes in Taxpayers' Equity (CSoCTE) in full in the period in which they arise. They are recognised within Other Comprehensive Expenditure.

The CSoCNE charge is allocated between an operating and finance charge. The operating charge reflects the service cost which is spread systematically over the working lives of the employees. The finance charge reflects the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the plan, based on conditions prevailing at the start of the period.

The Probation Trusts recalculate the pension position annually at the reporting date. This work is currently carried out by four independent actuaries. There are differences in the assumptions underpinning each set of actuarial calculations for each Probation fund. These calculations and assumptions are subject to review as part of each Trust's annual reporting and audit process. Pre-audit calculations are included in the consolidated NOMS accounts, to avoid the risk of delay in preparing these accounts.

1.14 Employee benefits (continued)

To address the risk of a material movement in the pension liability as a result of using draft data, NOMS commissioned PricewaterhouseCoopers LLP (PwC) to evaluate the LGPS disclosures supplied by the Probation Trusts. This review evaluates the reasonableness of the assumptions and methods used by the actuaries against those used by peer organisations, and assesses the impact and associated risk of material misstatement to NOMS.

Early Departure Costs

NOMS is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme has been announced and is binding on NOMS. The estimated cash flow is discounted using HM Treasury's discount rate of 2.35% in real terms (2011–12: 2.80%).

Employee leave accrual

An accrual is made for untaken employee annual leave and flexi-leave.

1.15 Operating income

Operating income is income that relates directly to the operating activities of NOMS. It includes income up to 20% in excess of the estimate voted by Parliament. Any income more than 20% in excess of the estimate or outside the ambit is surrendered to the Consolidated Fund.

Operating income is stated net of recoverable VAT.

Operating income includes receipts from the Youth Justice Board for the provision of places for juvenile offenders, from the UK Border Agency for the provision of custodial services, from the European Social Fund for resettlement services, from the Department for Education and the Department for Business, Innovation and Skills for the provision of education services, and from the NHS, Primary Care Trusts and Welsh Government for the provision of healthcare services.

Income in respect of services rendered is recovered in line with the related service level agreement (SLA) on a full cost basis. Invoices are sent after the costs

have been incurred by NOMS, and/or invoiced to NOMS by the supplier. Where these costs are related to construction works in progress, the supplier invoices are independently certified stating a stage of completion.

Operating income also includes income from sales of goods produced by prison industries, sales to prisoners (through the prison shop and incentives and earned privileges scheme), and investments.

The Probation Trusts' income comprises rent receivables, income from EU sources, income from other government departments and miscellaneous income. The Probation Trusts can earn interest from various sources, including any interest from the investment of funds.

1.16 Administration and programme expenditure

The CSoCNE is analysed between administration and programme income and expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in the Spending Review by HM Treasury.

Administration budgets cover the costs of all NOMS administration including the provision of a corporate management and governance framework, policy setting, legislative reporting and associated back office support services.

Programme budgets are defined as the costs of direct frontline service provision (e.g. public and private prison establishments, probation trusts, prisoner escort & electronic monitoring) or support activities that are directly associated with frontline service delivery.

Examples of support activities that are directly associated with frontline services are:

- centralised shared services
- case working units (e.g. Mental Health Unit, Interventions)
- operational training, and
- management and delivery of custodial capacity and property maintenance.

1.17 Settlement of MoJ intra-departmental balances

Intra-departmental balances with MoJ are settled either in cash, or via taxpayers' equity where it does not involve the transfer of cash. The latter method is accounted for through the General Fund, and is usually applied when settling balances arising from intra-departmental transfer of assets and service functions.

1.18 Notional costs

Notional costs in Notes 4 and 5 comprise external auditor's remuneration, which represents the NAO's cost for the audit of the accounts and reflect the notional recharges by MoJ for central services – for example, NOMS' notional share of Private Office costs, Finance, HR, Expenses, Procurement, Procure-to-Pay, Estates and IT.

Such notional costs are credited directly to the General Fund (see also Note 1.17).

1.19 Statement of net expenditure by operating segments

Statement of net expenditure by operating segments – see Note 2 – presents the financial information based on the structure reported to the NOMS Management Board. The segments reflect the main directorate structure within NOMS allowing the Board to have a clear view on the costs of front-line operations.

1.20 Foreign exchange

Transactions that are denominated in a foreign currency are translated into British pounds sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in a foreign currency at the CSoFP date are translated at the rates at that date. These translation differences are dealt with in the CSoCNE.

1.21 Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when NOMS 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.

Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rates set by HM Treasury, where the effect is material. See Note 20.

1.22 Contingent liabilities

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

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be reported under IAS 37 are stated at the amount reported to Parliament.

1.23 Value Added Tax

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

1.24 Corporation tax

Under the Offender Management Act 2007, Probation Trusts are defined as corporate bodies and as such fall in scope for Corporation Tax. The CSoCNE and CSoFP include estimates of Corporation Tax costs and liabilities. See Note 30.

1.25 Third party assets

NOMS holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised on the CSoFP and are disclosed in Note 28.

1.26 Financial instruments

Classification and measurement – financial assets

In addition to cash, NOMS 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. They are included in current assets, except for maturities greater than 12 months after the CSoFP date, which are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Financial assets at fair value through profit and loss

Financial assets – share investments including milk production quotas acquired by NOMS as a result of trading activities at no cost. They are disclosed in Note 10 of the accounts and are held at fair value. 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 CSoCNE, as income or as an expense.

Classification and measurement - financial liabilities

NOMS has financial liabilities, comprising PFI liabilities, finance lease liabilities, trade payables, other payables and accruals.

All financial liabilities are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.27 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

The Agency 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.

Valuation of non-current assets

Land and buildings (including dwellings) comprise mainly prisons and court facilities. Land and buildings are shown at fair value, based on professional valuations. The VOA or, for non-specialised properties, firms of chartered surveyors, carry out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the Red Book. Specialised buildings are valued at depreciated replacement cost to a modern equivalent basis. All other buildings are measured at fair value determined from market-based evidence. The value of land and buildings fluctuates with changes in construction costs and the current market value of buildings.

Pension costs

The present value of the net pension liability detailed in Note 21 depends on a number of actuarially derived assumptions about inflation, salary and pension trends, discount factors, mortality rates and the long term rate of return on the assets (equities, bonds and property) underlying the pension fund.

1.27 Critical accounting estimates and judgements (continued)

The estimated liability is subject to fluctuation and uncertainty due to changes in these assumptions over time and differences between assumptions and actual events.

Provisions for liabilities and charges

The recognition and measurement of provisions for liabilities and charges reported in Note 20 rely on the application of professional judgment and experience. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised.

Provision balances which contain regular, homogeneous transactions are often derived from complex financial models. The estimates and assumptions applied in these models are evaluated continually based on historical experience, professional judgement and considers other factors expected to influence future events of the provision balance.

Critical judgements in applying NOMS' accounting policies

Lease accounting

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

Service Concession Arrangements

The Agency is party to a number of SCAs, including PFI. The classification of such arrangements as SCAs requires the Agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure. Where the Agency is judged to control the infrastructure, the contract assets are reflected in the CSoFP.

Valuation of prisons earmarked for closure

As part of an ongoing estate rationalisation review, Ministers have earmarked a number of prisons for closure. Following this decision, management considers these buildings to be excluded from the operational estate in the future, and so their valuation method has been altered from depreciated replacement cost to fair value less costs to sell determined from market-based evidence. As this change in valuation method indicates a permanent diminution in value, any impairment has been taken directly to the CSoCNE, with the balance of any revaluation reserve taken to the general fund.

2. Statement of Operating Costs by Operating Segment

2a. Total net resource expenditure as reported to the Board

	Public Sector Prisons		Probation and Contracted Services		HQ		Budgets Held by MoJ		Total	
	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross expenditure	2,053,020	2,247,778	1,520,232	1,468,379	311,056	246,976	0	0	3,884,308	3,963,133
Income	(264,057)	(331,836)	(45,928)	(51,537)	(37,410)	(12,169)	0	0	(347,395)	(395,542)
Net expenditure	1,788,963	1,915,942	1,474,304	1,416,842	273,646	234,807	0	0	3,536,913	3,567,591

2b. Reconciliation between operating segments and CSoCNE

	Public Sector Prisons		Probation and Contracted Services		HQ		Budgets Held by MoJ		Total	
	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total net operating costs after taxation by operating segment as reported to the Board	1,788,963	1,915,942	1,474,304	1,416,842	273,646	234,807	0	0	3,536,913	3,567,591
Items not reported to the Board:										
PFI prisons and service concession arrangements accounting treatment	0	0	5,359	(9,202)	3,847	(18,000)	0	0	9,206	(27,202)
NOMS depreciation and impairment costs where the budget is held within MoJ	0	0	0	0	0	0	229,799	199,635	229,799	199,635
NOMS other costs where the budget is held within MoJ	0	0	0	0	0	0	103,245	113,264	103,245	113,264
Notional recharge from MoJ	0	0	0	0	111,184	42,824	0	0	111,184	42,824
Probation Trusts' net expenditure difference from NOMS funding	0	0	23,712	6,398	0	0	0	0	23,712	6,398
Other, including accounting treatment of provisions	611	0	737	0	28,866	32,213	0	0	30,214	32,213
Total net operating costs after taxation per CSoCNE	1,789,574	1,915,942	1,504,112	1,414,038	417,543	291,844	333,044	312,899	4,044,273	3,934,723

2. Statement of Operating Costs by Operating Segment (continued)

Total net expenditure in table 2a represents resource expenditure, which is reported to the Board by segment. Table 2b reconciles this total to the CSoCNE, which also includes Annually Managed Expenditure (AME) and expenditure which counts towards Capital for budgeting purposes.

Resource outturn

Resource expenditure against a budget of £3,554m delegated to NOMS by MoJ was £3,537m as reported to the Board, £17m under budget.

The equivalent outturn after financial accounts adjustments is £3m lower at £3,534m, representing an underspend of £20m against the budget.

Annually Managed Expenditure outturn

The provisional AME outturn reported to the Board was £64m. The equivalent outturn after financial accounts adjustments is £6m lower at £58m.

Capital outturn

The Capital outturn reported to the Board was £25m. The equivalent outturn after financial accounts adjustments is £1m higher at £26m.

3. Staff numbers and related costs

3a. Staff costs

	2012–2013			2011–2012
	Permanently employed staff	Others	Total	Reclassified Total
	£'000	£'000	£'000	£'000
Core Agency				
Wages and salaries	1,220,615	41,717	1,262,332	1,320,514
Social security costs	92,166	0	92,166	96,796
Other pension costs, departures and severance payments	284,070	0	284,070	271,251
	1,596,851	41,717	1,638,568	1,688,561
Less: recoveries in respect of outward secondments	(2,748)	0	(2,748)	(3,053)
Less: recoveries in respect of ICT project labour costs charged to MoJ	(898)	(5,721)	(6,619)	0
Early departure provisions created net of releases	22,398	0	22,398	(2,304)
Total net costs	1,615,603	35,996	1,651,599	1,683,204
Core Agency				
Administration related staff costs	72,036	4,698	76,734	66,090
Programme related staff costs	1,543,567	31,298	1,574,865	1,617,114
Total net costs	1,615,603	35,996	1,651,599	1,683,204

3. Staff numbers and related costs (continued)

3a. Staff costs (continued)

	2012–2013			2011–2012
	Permanently employed staff	Others	Total	Reclassified Total
	£'000	£'000	£'000	£'000
Consolidated				
Wages and salaries	1,743,924	54,739	1,798,663	1,876,782
Social security costs	132,354	35	132,389	138,342
Other pension costs, departures and severance payments	381,036	92	381,128	361,136
	2,257,314	54,866	2,312,180	2,376,260
Less: recoveries in respect of outward secondments	(11,558)	0	(11,558)	(15,895)
Less: recoveries in respect of ICT project labour costs charged to MoJ	(898)	(5,721)	(6,619)	0
Early departure provisions created net of releases	22,398	0	22,398	(2,304)
Total net costs	2,267,256	49,145	2,316,401	2,358,061
Consolidated				
Administration related staff costs	72,036	4,698	76,734	66,090
Programme related staff costs	2,195,220	44,447	2,239,667	2,291,971
Total net costs	2,267,256	49,145	2,316,401	2,358,061

Reclassification of comparatives

Early departure provisions created net of releases were included within other pension contributions in 2011–12, but are now disclosed separately. The comparative has been reclassified accordingly. This has no impact on total staff costs. See also Note 1.5.

Administrative staff costs

Administrative staff numbers reduced year on year, although the costs increased. This was due to factors such as higher voluntary early departure costs in 2012–13, and a re-balancing of staff numbers to reflect their function.

Senior managers

Details of the salary and pension entitlements of the most senior managers of NOMS are detailed in the remuneration report. These costs are included within the totals above.

Public interest transfers

In cases of public interest transfers, staff may be entitled to benefits in-kind including housing loans. The balance of housing loans outstanding as at 31 March 2013 is shown within the staff receivables lines in Note 14a.

Pension costs

221 persons retired early on ill health grounds (2011–12: 173). The total additional accrued pension liabilities in the year amounted to £0.8m (2011–12: £0.8m).

Core Agency

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but NOMS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

3. Staff numbers and related costs (continued)

3a. Staff costs (continued)

For 2012–13, employer's contributions of £222.6m were payable to the PCSPS (2011–12: £230.3m) at one of four rates in the range of 16.7% to 24.3% (2011–12: 16.7% to 24.3%) of pensionable pay (25.8% for prison officer grades with reserved rights) based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2011–12: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Probation Trusts

The Local Government Pension Scheme (LGPS) for the Probation Trusts is a funded multi-employer defined benefit scheme. The Probation Trusts' share of the underlying assets and liabilities is shown in Note 21.

For 2012–13 employers' contributions of £92.0m were paid to the LGPS (2011–12: £97.6m) in a range from 10.1% to 26.5% (2011–12: 10.1% to 26.2%). The scheme's actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

3b. Average number of persons employed

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

	2012–2013			2011–2012		
	Administration	Programme	Total	Administration	Programme restated	Total
Core Agency						
Administration	1,296	4,847	6,143	1,596	5,251	6,847
Industrial	205	2,898	3,103	578	2,744	3,322
Unified and operational grades ¹	403	29,644	30,047	463	31,504	31,967
Specialist ²	338	3,097	3,435	184	3,431	3,615
Agency and contract staff	40	392	432	44	293	337
Total	2,282	40,878	43,160	2,865	43,223	46,088
Consolidated						
Administration	1,296	21,742	23,038	1,596	22,724	24,320
Industrial	205	2,898	3,103	578	2,744	3,322
Unified and operational grades ¹	403	29,644	30,047	463	31,504	31,967
Specialist	338	3,097	3,435	184	3,431	3,615
Agency and contract staff	40	889	929	44	795	839
Total	2,282	58,270	60,552	2,865	61,198	64,063

Note 1: This includes all prison officers, operational managers and operational support staff.

Note 2: NOMS Core Specialist staff include staff on secondment from Probation Trusts to prisons. In 2011–12 736 such FTE staff were added into staff numbers on consolidation, but they worked in NOMS Core and are now recorded as such in both financial years.

3. Staff numbers and related costs (continued)

3c. Reporting of Civil Service and other compensation schemes – exit packages

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

For Probation Trusts, redundancy and other departure costs have been paid in accordance with the Trust's redundancy policy. The Trusts pay the statutory minimum redundancy allocation based on age and length of service as set out in the Employment Rights Act 1996 and, where applicable, and subject to the Pension Plan and Redundancy rules, meet the additional costs of early retirement. Ill-health retirement costs are met by the pension scheme and are not included in the table below.

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

	2012–2013			2011–2012		
	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band
Core Agency						
Exit package cost and band						
<£10,000	1	61	62	0	63	63
£10,001 – £25,000	1	446	447	0	243	243
£25,001 – £50,000	1	468	469	0	198	198
£50,001 – £100,000	1	395	396	0	194	194
£100,001 – £150,000	0	44	44	0	56	56
£150,001 – £200,000	0	10	10	0	23	23
£200,001 – £250,000	0	4	4	0	10	10
£250,001 – £300,000	0	2	2	0	1	1
Total number of exit packages	4	1,430	1,434	0	788	788
Total cost of exit packages (£'000s)	139	57,577	57,716	0	38,317	38,317
Consolidated						
Exit package cost and band						
<£10,000	8	267	275	15	198	213
£10,001 – £25,000	7	605	612	6	385	391
£25,001 – £50,000	4	535	539	1	300	301
£50,001 – £100,000	1	417	418	5	225	230
£100,001 – £150,000	0	45	45	0	62	62
£150,001 – £200,000	0	10	10	0	24	24
£200,001 – £250,000	0	4	4	0	10	10
£250,001 – £300,000	0	2	2	0	1	1
Total number of exit packages	20	1,885	1,905	27	1,205	1,232
Total cost of exit packages (£'000s)	358	65,407	65,765	604	47,821	48,425

The Core Agency figures above exclude exit packages offered, but not accepted before the year end, under voluntary early departure schemes which closed to applications during the year. Of these, exit packages accepted in 2013–14 will be disclosed in Note 3c in the 2013–14 accounts. The total estimated cost of these packages of £21.6m has been accounted for as a provision. See Note 20 for further details.

4. Other administrative costs

	2012–2013		2011–2012 Reclassified		
	Core Agency	Consolidated	Core Agency	Consolidated restated	
	Notes	£'000	£'000	£'000	£'000
Accommodation and maintenance costs		4,645	4,645	3,551	3,551
Rentals under operating leases ¹		85	85	55	55
Interest charges		5	5	57	57
IT services including service concession arrangements		11,360	11,360	8,580	8,580
Auditor's remuneration – internal		2,672	3,382	3,037	3,544
Auditor's remuneration – external		19	1,129	22	1,115
Communications		1,220	1,220	1,001	1,001
Travel, subsistence and hospitality		3,780	3,780	3,951	3,951
Professional services		1,191	1,191	1,517	1,517
Other staff related costs		8,548	8,548	4,928	4,928
Other costs		2,497	2,497	9,439	9,319
		36,022	37,842	36,138	37,618
Non-cash items					
Depreciation	7	1,831	1,831	102	102
Amortisation	8	221	221	923	923
Profit on disposal of non-current assets		(151)	(151)	(18)	(18)
Impairments on trade receivables		0	0	(346)	(346)
Impairments on other receivables		(993)	(993)	190	190
Auditor's remuneration – external		300	300	300	300
MoJ overhead recharges		51,732	51,732	18,124	18,124
		52,940	52,940	19,275	19,275
Total other administration costs		88,962	90,782	55,413	56,893

Note 1: Rentals under operating leases are in respect of office equipment.

External auditor's remuneration

There was no external auditor's remuneration for non-audit work.

Restatement of comparatives

Probation Trusts' external auditors' remuneration is now disclosed separately within Note 4. In 2011–12 £0.3m relating to external auditors' remuneration was included within various lines in Note 5 in 2011–12, but all such costs are administrative, and this amount has been restated by moving it to Note 4.

Reclassification of comparatives

The costs of the IT and Telephony service concession arrangement and a small amount of other contracted out service costs were shown previously within a heading 'PFI, managed prisons and other contracted out services' in the table above. These costs have been reclassified under the revised heading 'IT services including service concession arrangements' and 'Other costs' respectively, to reflect their nature and distinguish them from offender-related PFI and contracted out services. See also Note 1.5.

5. Other programme costs

	2012–2013		2011–2012 Reclassified		
		Core Agency	Consolidated	Core Agency	Consolidated restated
	Notes	£'000	£'000	£'000	£'000
Accommodation and maintenance costs		264,509	339,415	280,703	354,602
Rentals under operating leases		2,067	3,018	2,419	3,561
PFI, managed prisons and service concession arrangements		617,131	617,131	559,325	559,326
Interest charges		25,497	25,497	19,716	19,716
IT services including service concession arrangements		79,659	114,163	100,308	133,045
Communications		5,673	23,628	7,312	23,929
Offender related costs		300,848	325,919	359,730	375,917
Intra-NOMS transactions ¹		832,353	0	853,025	0
Travel, subsistence and hospitality		10,098	23,265	12,083	26,507
Professional services		14,223	25,529	18,860	29,847
Other staff related costs		24,260	36,470	35,953	48,314
Other costs		24,195	66,861	28,938	59,820
		2,200,513	1,600,896	2,278,372	1,634,584
Non-cash items					
Depreciation	7	254,362	256,253	229,870	232,162
Amortisation	8	20,150	20,663	21,992	22,552
Loss on disposal of non-current assets		1,312	1,338	1,049	1,229
Provisions created net of releases	20	30,728	31,274	(2,676)	(326)
Unwinding of discount on provisions	20	1,618	1,618	145	145
Effect of extinguishing pension assets / liabilities	21b	0	(8,022)	0	0
Impairments on trade receivables		(1)	(1)	181	181
Net impairment of non-current tangible and intangible assets and assets held for sale		67,358	67,358	39,314	39,314
Increase in value of investments	10	(60)	(60)	(23)	(23)
MoJ overhead recharges		59,452	59,452	24,700	24,700
		434,919	429,873	314,552	319,934
Total other programme costs		2,635,432	2,030,769	2,592,924	1,954,518

Note 1: Intra-NOMS transactions relate to funding and other arrangements, such as EU funding and staff secondments, between NOMS and the Probation Trusts.

Effect of extinguishing pension assets/liabilities

On 31 October 2012, community payback services were contracted out from the London Probation Trust to a private sector provider, with the transfer of some staff under TUPE arrangements. This resulted in the transfer of the LGPS assets and liabilities for those staff which led to a net non-cash gain of £8.0m on the extinguishing of the pension assets and liabilities. Further pension details are disclosed in Note 21, and a related provision and contingent liability are disclosed in Notes 20 and 24.

Restatement of comparative

In 2011–12 £0.3m relating to Probation Trusts' external auditors' remuneration was included within various lines in Note 5 in 2011–12, but all such costs are administrative, and this amount has been restated by moving it to Note 4.

5. Other programme costs (continued)

Reclassification of comparatives

Provisions created net of releases included disclosure of early departure provisions created net of releases, which were deducted from other costs in 2011–12. Early departure provisions created net of releases are now disclosed separately within staff costs (Note 3). The comparatives have been reclassified accordingly.

The costs of other contracted out services and the IT and Telephony SCA were shown previously within the 'PFI, managed prisons and other contracted out services' line. These costs have been reclassified under 'Offender related costs' and the revised heading 'IT services including SCA' respectively, to reflect their nature and distinguish them from offender related PFI and contracted out services. These changes have no impact on total other programme costs. See also Note 1.5.

6. Income

6a. Operating income

	2012–2013		2011–2012 Reclassified	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Administration income				
Youth Justice Board	2,916	2,916	3,039	3,039
Home Office	490	490	130	130
Probation Trusts	0	0	26	0
Other income	1,316	1,316	1,044	1,070
Total administration income	4,722	4,722	4,239	4,239
Programme income				
Youth Justice Board	124,687	124,687	136,785	136,785
Ministry of Justice	63	153	589	911
Department for Business, Innovation and Skills	0	0	426	426
Department of Health	296	1,696	0	0
Home Office	4,960	4,973	4,295	4,295
Department for Work and Pensions	6	211	70	70
NHS, Primary Care Trusts and other healthcare providers	76,372	76,372	109,146	109,146
Welsh Government	6,027	6,027	6,450	6,450
UK Border Agency	46,421	46,421	31,298	31,298
Non-Central Government	2,079	17,352	2,669	17,388
Probation Trusts	254	0	316	0
European Social Fund	23,814	30,384	42,899	45,464
External sales of industries	8,255	8,255	7,209	7,209
Retail prison shop income	47,208	47,208	43,745	43,745
In-cell TV income	2,139	2,139	2,161	2,161
Other income	8,129	23,812	10,918	25,402
Total programme income	350,710	389,690	398,976	430,750
Total operating income	355,432	394,412	403,215	434,989

Reclassification of comparatives

Probation Trusts provided more detailed analysis of other income, which showed that £14m had been charged to local authorities, but recorded within the other income line in 2011–12. This amount has been reclassified as Non-Central Government income. This has no effect on total operating income. See also Note 1.5.

6. Income (continued)

6b. Consolidated Fund receipts

The amounts collected by NOMS acting as agent for the Consolidated Fund were £6k (2011–12: £3k). Such receipts are not part of NOMS income and are held within trade and other payables in Note 16a.

7. Property, plant and equipment

Core Agency 2012-2013	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2012	658,323	5,324,938	41,919	158,042	288,974	41,084	77,617	6,590,897
Additions	0	4,021	0	54	13,893	114	127,906	145,988
Disposals	0	0	0	(139)	(24,716)	(1,045)	0	(25,900)
Transfers	0	0	0	49,741	0	717	(3,121)	47,337
Reclassification	(31,990)	90,466	(1,366)	15	4,690	31	(97,584)	(35,738)
Impairments	(1,013)	(52,890)	38	0	(1,271)	(308)	(639)	(56,083)
Indexation/ Revaluation	46,999	(45,342)	2,466	26,618	12,359	710	0	43,810
As at 31 March 2013	672,319	5,321,193	43,057	234,331	293,929	41,303	104,179	6,710,311
Depreciation								
As at 1 April 2012	0	(277,060)	(922)	(119,167)	(172,827)	(29,293)	0	(599,269)
Charge in year	0	(185,842)	(973)	(42,406)	(20,528)	(6,444)	0	(256,193)
Disposals	0	0	0	140	24,046	985	0	25,171
Transfers	0	0	0	(337)	9	(9)	0	(337)
Reclassification	0	153	57	0	0	0	0	210
Impairments	0	0	0	0	962	213	0	1,175
Indexation/ Revaluation	0	189,162	125	(20,722)	(7,988)	(602)	0	159,975
As at 31 March 2013	0	(273,587)	(1,713)	(182,492)	(176,326)	(35,150)	0	(669,268)
Carrying value								
As at 31 March 2013	672,319	5,047,606	41,344	51,839	117,603	6,153	104,179	6,041,043
As at 1 April 2012	658,323	5,047,878	40,997	38,875	116,147	11,791	77,617	5,991,628
Asset financing:								
Owned	671,983	4,474,422	40,769	43,634	88,591	6,153	104,179	5,429,731
Finance leased	336	6,454	575	8,205	29,012	0	0	44,582
On-balance sheet (SoFP) PFI contracts	0	566,730	0	0	0	0	0	566,730
Carrying value as at 31 March 2013	672,319	5,047,606	41,344	51,839	117,603	6,153	104,179	6,041,043

7. Property, plant and equipment (continued)

Consolidated 2012 - 2013	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2012	658,323	5,324,938	41,919	158,947	306,962	42,585	77,617	6,611,291
Additions	0	4,021	0	268	14,634	170	128,136	147,229
Disposals	0	0	0	(288)	(26,532)	(1,224)	0	(28,044)
Transfers	0	0	0	49,741	0	717	(3,121)	47,337
Reclassification	(31,990)	90,466	(1,366)	15	4,690	31	(97,584)	(35,738)
Impairments	(1,013)	(52,890)	38	0	(1,271)	(308)	(639)	(56,083)
Indexation/ Revaluation	46,999	(45,342)	2,466	26,741	13,236	735	0	44,835
As at 31 March 2013	672,319	5,321,193	43,057	235,424	311,719	42,706	104,409	6,730,827
Depreciation								
As at 1 April 2012	0	(277,060)	(922)	(119,756)	(185,091)	(30,628)	0	(613,457)
Charge in year	0	(185,842)	(973)	(42,540)	(22,246)	(6,483)	0	(258,084)
Disposals	0	0	0	289	25,802	1,164	0	27,255
Transfers	0	0	0	(337)	9	(9)	0	(337)
Reclassification	0	153	57	0	0	0	0	210
Impairments	0	0	0	0	962	213	0	1,175
Indexation/ Revaluation	0	189,162	125	(20,796)	(8,570)	(623)	0	159,298
As at 31 March 2013	0	(273,587)	(1,713)	(183,140)	(189,134)	(36,366)	0	(683,940)
Carrying value								
As at 31 March 2013	672,319	5,047,606	41,344	52,284	122,585	6,340	104,409	6,046,887
As at 1 April 2012	658,323	5,047,878	40,997	39,191	121,871	11,957	77,617	5,997,834
Asset financing:								
Owned	671,983	4,474,422	40,769	44,079	93,573	6,340	104,409	5,435,575
Finance leased	336	6,454	575	8,205	29,012	0	0	44,582
On-balance sheet (SoFP) PFI contracts	0	566,730	0	0	0	0	0	566,730
Carrying value as at 31 March 2013	672,319	5,047,606	41,344	52,284	122,585	6,340	104,409	6,046,887

Non-operational assets

Included in the carrying values above are eighteen non-operational sites with a combined value of £25.1m (2011–12: two with a combined value of £18.5m). These sites are now vacant, but do not yet meet the criteria for classification as assets held for sale.

Transfers and reclassification

Property, plant and equipment comprising IT hardware with a carrying value of £49.4m were transferred from MoJ, and furniture, fixtures and fittings with a carrying value of £0.7m were transferred from the Home Office. Assets under construction with a carrying value of £3.1m were transferred to MoJ. Property, plant and equipment with a carrying value of £35.5m were reclassified to intangible software assets (£17k) and assets held for sale (£35.5m).

7. Property, plant and equipment (continued)

Property, plant and equipment with a carrying value of £31.5m were transferred to MoJ in 2011–12. These assets related to IT hardware included within assets under construction. Property, plant and equipment with a carrying value of £15.8m were reclassified from property, plant and equipment to intangible assets under construction (£2.4m) and assets held for sale (£13.3m).

Valuation

Land and buildings (including dwellings) are shown at fair value, based on professional valuations. The VOA, which is independent of NOMS, conducts valuations as at 31 March each year in accordance with the RICS Appraisal and Valuation Manual. Probation HQ properties with a carrying value of £41m (2011–12: £53m) were indexed in-house as at 31 March 2013 using the Tender Price Index of Public Sector Building (Non-Housing). All other assets are valued as at 31 March each year using indices.

Core Agency 2011 - 2012	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2011	665,820	4,923,755	42,795	149,729	249,231	40,966	436,414	6,508,710
Additions	0	77,499	0	9,545	48,147	24	175,437	310,652
Donated	0	0	0	0	0	0	0	0
Disposals	0	0	0	(137)	(13,247)	(136)	0	(13,520)
Transfers	0	0	0	0	0	0	(31,450)	(31,450)
Reclassification	(1,892)	459,524	(2,826)	0	5,710	30	(476,731)	(16,185)
Impairments	(1,622)	(2,695)	(271)	(77)	(1,310)	(405)	(26,053)	(32,433)
Indexation/ Revaluation	(3,983)	(133,145)	2,221	(1,018)	443	605	0	(134,877)
As at 31 March 2012	658,323	5,324,938	41,919	158,042	288,974	41,084	77,617	6,590,897
Depreciation								
As at 1 April 2011	0	(287,738)	(26)	(95,015)	(162,118)	(22,881)	0	(567,778)
Charge in year	0	(174,544)	(992)	(25,064)	(23,013)	(6,359)	0	(229,972)
Disposals	0	0	0	135	11,789	108	0	12,032
Transfers	0	0	0	0	0	0	0	0
Reclassification	0	347	57	0	15	(15)	0	404
Impairments	0	0	0	8	718	284	0	1,010
Indexation/ Revaluation	0	184,875	39	769	(218)	(430)	0	185,035
As at 31 March 2012	0	(277,060)	(922)	(119,167)	(172,827)	(29,293)	0	(599,269)
Carrying value								
As at 31 March 2012	658,323	5,047,878	40,997	38,875	116,147	11,791	77,617	5,991,628
As at 1 April 2011	665,820	4,636,017	42,769	54,714	87,113	18,085	436,414	5,940,932
Asset financing:								
Owned	658,086	4,479,482	40,672	24,947	86,244	11,791	77,617	5,378,839
Finance leased	237	7,544	325	13,928	29,903	0	0	51,937
On-balance sheet (SoFP) PFI contracts	0	560,852	0	0	0	0	0	560,852
Carrying value as at 31 March 2012	658,323	5,047,878	40,997	38,875	116,147	11,791	77,617	5,991,628

7. Property, plant and equipment (continued)

Consolidated 2011 - 2012	Land	Buildings	Dwellings	Information Technology	Plant & Equipment	Furniture, Fixtures & Fittings	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2011	665,820	4,923,758	42,795	150,628	268,160	42,284	436,407	6,529,852
Additions	0	77,499	0	9,595	48,630	190	175,444	311,358
Donated	0	0	0	0	0	0	0	0
Disposals	0	0	0	(181)	(14,777)	(142)	0	(15,100)
Transfers	0	0	0	0	0	0	(31,450)	(31,450)
Reclassification	(1,892)	459,521	(2,826)	0	5,710	30	(476,731)	(16,188)
Impairments	(1,622)	(2,695)	(271)	(77)	(1,310)	(405)	(26,053)	(32,433)
Indexation/ Revaluation	(3,983)	(133,145)	2,221	(1,018)	549	628	0	(134,748)
As at 31 March 2012	658,323	5,324,938	41,919	158,947	306,962	42,585	77,617	6,611,291
Depreciation								
As at 1 April 2011	0	(287,738)	(26)	(95,513)	(173,605)	(24,173)	0	(581,055)
Charge in year	0	(174,544)	(992)	(25,199)	(25,143)	(6,386)	0	(232,264)
Disposals	0	0	0	179	13,188	108	0	13,475
Transfers	0	0	0	0	0	0	0	0
Reclassification	0	347	57	0	15	(15)	0	404
Impairments	0	0	0	8	718	284	0	1,010
Indexation/ Revaluation	0	184,875	39	769	(264)	(446)	0	184,973
As at 31 March 2012	0	(277,060)	(922)	(119,756)	(185,091)	(30,628)	0	(613,457)
Carrying value								
As at 31 March 2012	658,323	5,047,878	40,997	39,191	121,871	11,957	77,617	5,997,834
As at 1 April 2011	665,820	4,636,020	42,769	55,115	94,555	18,111	436,407	5,948,797
Asset financing:								
Owned	658,086	4,479,482	40,672	25,263	91,968	11,957	77,617	5,385,045
Finance leased	237	7,544	325	13,928	29,903	0	0	51,937
On-balance sheet (SoFP) PFI contracts	0	560,852	0	0	0	0	0	560,852
Carrying value as at 31 March 2012	658,323	5,047,878	40,997	39,191	121,871	11,957	77,617	5,997,834

8. Intangible assets

Core Agency 2012 - 2013	Internally generated software	Software	Licences	Payments on account & assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2012	0	134,885	15,901	0	150,786
Additions	0	0	23	0	23
Disposals	0	(5)	(23)	0	(28)
Impairments	0	0	0	0	0
Reclassifications	0	17	0	0	17
Indexation/Revaluation	0	787	96	0	883
Transfers	0	3,253	0	0	3,253
As at 31 March 2013	0	138,937	15,997	0	154,934
Amortisation					
As at 1 April 2012	0	(60,829)	(12,482)	0	(73,311)
Charge in year	0	(18,929)	(1,442)	0	(20,371)
Disposals	0	5	7	0	12
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Indexation/Revaluation	0	(453)	(79)	0	(532)
Transfers	0	0	0	0	0
As at 31 March 2013	0	(80,206)	(13,996)	0	(94,202)
Carrying value					
As at 31 March 2013	0	58,731	2,001	0	60,732
As at 1 April 2012	0	74,056	3,419	0	77,475
Asset financing					
Owned	0	58,731	2,001	0	60,732
Finance leased	0	0	0	0	0
On-balance sheet (SoFP) PFI contracts	0	0	0	0	0
Carrying value as at 31 March 2013	0	58,731	2,001	0	60,732

8. Intangible assets (continued)

Consolidated 2012 - 2013	Internally generated software	Software	Licences	Payments on account & assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2012	23	137,009	16,530	0	153,562
Additions	0	112	23	49	184
Disposals	0	(40)	(23)	0	(63)
Impairments	0	0	0	0	0
Reclassifications	0	17	0	0	17
Indexation/Revaluation	0	799	99	0	898
Transfers	0	3,253	0	0	3,253
As at 31 March 2013	23	141,150	16,629	49	157,851
Amortisation					
As at 1 April 2012	(12)	(61,872)	(12,744)	0	(74,628)
Charge in year	(6)	(19,310)	(1,568)	0	(20,884)
Disposals	0	40	8	0	48
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Indexation/Revaluation	0	(460)	(81)	0	(541)
Transfers	0	0	0	0	0
As at 31 March 2013	(18)	(81,602)	(14,385)	0	(96,005)
Carrying value					
As at 31 March 2013	5	59,548	2,244	49	61,846
As at 1 April 2012	11	75,137	3,786	0	78,934
Asset financing					
Owned	5	59,548	2,244	49	61,846
Finance leased	0	0	0	0	0
On-balance sheet (SoFP) PFI contracts	0	0	0	0	0
Carrying value as at 31 March 2013	5	59,548	2,244	49	61,846

Transfers

Assets with a carrying value of £3.3m were transferred from MoJ in 2012–13.

8. Intangible assets (continued)

Core Agency 2011 - 2012	Internally generated software	Software	Licences	Payments on account & assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2011	0	139,405	10,812	17,922	168,139
Additions	0	19	912	17,327	18,258
Disposals	0	(21)	0	0	(21)
Impairments	0	0	0	0	0
Reclassifications	0	(5,029)	5,029	2,447	2,447
Indexation/Revaluation	0	511	60	0	571
Transfers	0	0	(912)	(37,696)	(38,608)
As at 31 March 2012	0	134,885	15,901	0	150,786
Amortisation					
As at 1 April 2011	0	(44,338)	(5,908)	0	(50,246)
Charge in year	0	(19,095)	(3,820)	0	(22,915)
Disposals	0	21	0	0	21
Impairments	0	0	0	0	0
Reclassifications	0	2,813	(2,813)	0	0
Indexation/Revaluation	0	(230)	(47)	0	(277)
Transfers	0	0	106	0	106
As at 31 March 2012	0	(60,829)	(12,482)	0	(73,311)
Carrying value					
As at 31 March 2012	0	74,056	3,419	0	77,475
As at 1 April 2011	0	95,067	4,904	17,922	117,893
Asset financing:					
Owned	0	73,883	3,419	0	77,302
Finance leased	0	173	0	0	173
On-balance sheet (SoFP) PFI contracts	0	0	0	0	0
Carrying value as at 31 March 2012	0	74,056	3,419	0	77,475

8. Intangible assets (continued)

Consolidated 2011 - 2012	Internally generated software	Software	Licences	Payments on account & assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2011	139	141,343	11,488	17,922	170,892
Additions	0	166	888	17,327	18,381
Disposals	(116)	8	(23)	0	(131)
Impairments	0	0	0	0	0
Reclassifications	0	(5,029)	5,029	2,447	2,447
Indexation/Revaluation	0	521	60	0	581
Transfers	0	0	(912)	(37,696)	(38,608)
As at 31 March 2012	23	137,009	16,530	0	153,562
Amortisation					
As at 1 April 2011	(72)	(44,852)	(6,064)	0	(50,988)
Charge in year	(6)	(19,520)	(3,949)	0	(23,475)
Disposals	66	(80)	23	0	9
Impairments	0	0	0	0	0
Reclassifications	0	2,813	(2,813)	0	0
Indexation/Revaluation	0	(233)	(47)	0	(280)
Transfers	0	0	106	0	106
As at 31 March 2012	(12)	(61,872)	(12,744)	0	(74,628)
Carrying value					
As at 31 March 2012	11	75,137	3,786	0	78,934
As at 1 April 2011	67	96,491	5,424	17,922	119,904
Asset financing:					
Owned	11	74,963	3,786	0	78,760
Finance leased	0	174	0	0	174
On-balance sheet (SoFP) PFI contracts	0	0	0	0	0
Carrying value as at 31 March 2012	11	75,137	3,786	0	78,934

Transfers

Software assets with a carrying value of £38.5m were transferred to MoJ in 2011–12. These assets related to IT licences and assets under construction.

9. Assets held for sale

	2012–2013		2011–2012	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April	10,086	10,086	13,647	13,647
Disposals	(12,536)	(12,536)	(6,619)	(6,619)
Reclassifications	35,511	35,511	13,334	13,334
Impairments	0	0	(7,891)	(7,891)
Indexation/Revaluation	88	88	(2,385)	(2,385)
As at 31 March	33,149	33,149	10,086	10,086

NOMS has committed to a plan to sell various surplus properties, which are to be sold for commercial use and domestic dwellings. The properties are available for sale in their present condition and the sales are highly probable to occur within one year from the date of classification as an asset held for sale.

10. Financial assets

	2012–2013			2011–2012		
	Financial assets at fair value	Derivatives	Total	Financial assets at fair value	Derivatives	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Agency						
As at 1 April	342	0	342	299	105	404
Disposals	0	0	0	0	(85)	(85)
Fair value adjustment recognised in income/ expenditure	60	0	60	43	(20)	23
As at 31 March	402	0	402	342	0	342
Consolidated						
As at 1 April	342	0	342	299	105	404
Disposals	0	0	0	0	(85)	(85)
Fair value adjustment recognised in income/ expenditure	60	0	60	43	(20)	23
As at 31 March	402	0	402	342	0	342

Financial assets at fair value consist of quoted and unquoted shares relating to the sale of milk and milk quotas. Whilst NOMS produces and provides milk for sale, these assets are not held for sale. These assets were acquired by NOMS as a result of trading activities at no cost.

11. Financial instruments

Categories of financial instrument

Quoted and unquoted shares relate to milk trading. Whilst NOMS produce and provide milk for sale, these assets are not held for sale. These investments were acquired by NOMS as a result of trading activities at no cost.

Trade receivables and other receivables include short and long-term debt. Other receivables include staff debt.

Trade payables, other payables, finance lease and PFI liabilities include short and long-term liabilities.

	Notes	31 March 2013		31 March 2012	
		Core Agency £'000	Consolidated £'000	Core Agency £'000	Consolidated £'000
Financial assets					
Cash and cash equivalents	15	(19,727)	22,877	(14,755)	31,763
Loans and receivables:					
Trade receivables	14	2,572	5,473	4,688	6,739
Other receivables	14	6,031	6,707	6,565	8,160
Accrued income	14	9,447	11,395	1,819	3,367
		(1,677)	46,452	(1,683)	50,029
Financial assets at fair value through profit and loss:					
Quoted and unquoted shares in milk trading companies & milk quotas	10	402	402	342	342
		402	402	342	342
Total financial assets		(1,275)	46,854	(1,341)	50,371
Financial liabilities					
Financial liabilities at amortised cost:					
Finance lease liabilities	16a, 16b	2,825	2,825	784	784
PFI liabilities	16a, 16b	360,053	360,053	362,699	362,699
Trade payables	16a	20,987	33,990	28,373	46,776
Other payables	16a	1,162	10,518	1,725	13,063
Accruals	16a	221,491	238,441	260,760	265,177
Total financial liabilities		606,518	645,827	654,341	688,499

Credit risk

NOMS is exposed to minimal credit risk as loans and receivables are comprised of trade and other debtors. The maximum exposure to credit risk is the risk that arises from potential default of a debtor and is equal to the total amount of these outstanding. NOMS manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship. NOMS has no collateral to mitigate against credit risk.

Interest rate risk

Most of NOMS' cash balances carry nil or fixed rates of interest. It is not therefore exposed to significant interest rate risk.

Liquidity risk

NOMS' financial liabilities are trade payables, other payables, accruals and finance leases. It is unlikely that NOMS will encounter difficulty in meeting its obligations associated with these liabilities, as it is financed by the MoJ, whose resources and capital are voted annually by Parliament.

Foreign currency risk

NOMS undertakes only a small number of foreign currency transactions and is not therefore exposed to significant exchange rate risk.

12. Impairments

The impairment of land, buildings and dwellings resulted in a net charge of £66.3m, and the impairment of other assets resulted in a net charge of £1m. The total charge was £67.3m (2011–12: net impairment of £39.3m). All impairment was charged to the CSoCNE in both financial years.

13. Inventories

	31 March 2013		31 March 2012	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Industries and farms				
Raw materials	2,460	2,460	1,858	1,858
Work-in-progress	1,654	1,654	1,842	1,842
Finished goods	4,481	4,481	4,119	4,119
	8,595	8,595	7,819	7,819
Consumables	32,294	32,294	33,272	33,272
	40,889	40,889	41,091	41,091

14. Trade receivables and other current assets

14a. Analysis by type

	31 March 2013		31 March 2012 Reclassified	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade receivables	2,572	5,473	4,688	6,739
VAT	69,464	72,520	72,175	72,603
MoJ intra-group receivables, prepayments and accrued income	25,684	14,491	223,146	209,044
Other HM government receivables, prepayments and accrued income	31,216	36,875	59,568	64,128
Staff receivables	3,255	3,610	1,745	2,174
Other receivables	824	1,126	2,234	3,333
Prepayments	6,059	7,812	3,262	5,930
Accrued income	9,447	11,395	1,819	3,367
	148,521	153,302	368,637	367,318
Amounts falling due after more than one year				
Other receivables	0	1	0	3
Staff receivables	1,952	1,970	2,586	2,650
	1,952	1,971	2,586	2,653

MoJ intra-group receivables at 31 March 2012 included a notional £217m charged to MoJ to reflect the business units that were centralised in 2011–12. MoJ funding to NOMS already included an element for the pay costs of MoJ staff held on NOMS payroll and other related costs. The balance was therefore removed from trade receivables and recognised against the funding stream for these costs within taxpayers' equity. In year net costs are recognised directly in taxpayers' equity and not treated as receivables.

Other HM Government receivables include a total of £14.7m (2011–12: £17.6m) due from the European Social Fund, to be received via the Department for Work and Pensions and the Welsh European Funding Office.

Reclassification of comparatives

Other HM Government receivables have been revised in Notes 14a and 14b to include balances with other government entities that were reported previously within other receivables, prepayments and accrued income. This is in line with MoJ disclosures. This has no effect on total receivables.

14. Trade receivables and other current assets (continued)

14b. Intra-government receivables

Amounts falling due:	31 March 2013				31 March 2012 Reclassified			
	Core Agency		Consolidated		Core Agency		Consolidated	
	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances with other central government bodies	114,212	0	107,789	0	333,682	0	320,706	0
Balances with local authorities	1,429	0	4,844	0	2,232	0	5,365	0
Balances with NHS bodies	10,723	0	11,199	0	18,975	0	19,670	0
Balances with public corporations and trading funds	0	0	54	0	0	0	34	0
	126,364	0	123,886	0	354,889	0	345,775	0
Balances with bodies external to government	22,157	1,952	29,416	1,971	13,748	2,586	21,543	2,653
	148,521	1,952	153,302	1,971	368,637	2,586	367,318	2,653

15. Cash and cash equivalents

	2012 - 2013	2011 - 2012
Core Agency	£'000	£'000
Balance as at 1 April	(14,755)	(73,449)
Net change in cash and cash equivalents	(4,972)	58,694
Balance as at 31 March	(19,727)	(14,755)
The following balances at 31 March were held at:		
Government Banking Service	514	2,458
Commercial banks and cash in hand	1,212	1,338
Cash at bank and in hand	1,726	3,796
Overdraft	(21,453)	(18,551)
Cash at bank and in hand	(19,727)	(14,755)
Consolidated		
Balance as at 1 April	31,763	14,031
Net change in cash and cash equivalents	(8,886)	17,732
Balance as at 31 March	22,877	31,763
The following balances at 31 March were held at:		
Government Banking Service	4,167	2,458
Commercial banks and cash in hand	40,163	47,856
Cash at bank and in hand	44,330	50,314
Overdraft	(21,453)	(18,551)
Cash at bank and in hand	22,877	31,763

NOMS overdraft relates to uncleared items as at 31 March 2013.

16. Trade payables and other current liabilities

16a. Amounts falling due within one year

	31 March 2013		31 March 2012 Reclassified	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Trade payables	20,987	33,990	28,373	46,776
VAT	0	26,829	0	28,093
Imputed finance lease element of on-balance sheet (SoFP) PFI and other service concession arrangements	27,329	27,329	28,941	28,941
Current part of finance lease	557	557	79	79
MoJ intra-group payables, accruals and deferred income	85,179	22,697	60,399	318
Other HM government payables, accruals and deferred income	28,905	35,095	1,989	4,231
Other payables	1,162	10,518	1,725	13,063
Other taxes and social security	3	8,836	3	8,341
Accruals	221,491	238,441	260,760	265,177
Deferred income	17,301	25,203	1,405	11,178
	402,914	429,495	383,674	406,197
Amounts due to the Consolidated Fund:				
Consolidated Fund Extra Receipts (CFERs)	1	1	262	262
	402,915	429,496	383,936	406,459

Included above is £1k (2011–12: £262k) that is due to the MoJ for payment to the Consolidated Fund. £267k has been paid over to the MoJ for payment to the Consolidated Fund in the year to 31 March 2013.

16b. Amounts falling due after more than one year

	31 March 2013		31 March 2012	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Imputed finance lease element of on-balance sheet (SoFP) PFI and other service concession arrangements	332,724	332,724	333,758	333,758
Finance leases	2,268	2,268	705	705
	334,992	334,992	334,463	334,463

16. Trade payables and other current liabilities (continued)

16c. Intra-government payables

Amounts falling due:	31 March 2013				31 March 2012			
	Core Agency		Consolidated		Core Agency		Consolidated	
	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances with other central government bodies	106,689	0	80,623	0	90,502	0	38,019	0
Balances with local authorities	5,440	0	10,205	0	3,312	0	4,704	0
Balances with NHS bodies	1,958	0	2,444	0	2,526	0	2,653	0
Balances with public corporations and trading funds	0	0	185	0	0	0	68	0
	114,087	0	93,457	0	96,340	0	45,444	0
Balances with bodies external to government	288,828	334,992	336,039	334,992	287,596	334,463	361,015	334,463
	402,915	334,992	429,496	334,992	383,936	334,463	406,459	334,463

17. Commitments under PFI contracts and other service concession arrangements

17a. On-balance sheet (CSoFP) PFI contracts and other service concession arrangements

Project Name	Contract Start Date	Duration (years)	Description
HMP Altcourse	December 1995	25	Design, build, finance and operate an 800 place category B prison at HMP Altcourse
HMP Parc	December 1995	25	Design, build, finance and operate an 840 place category B prison near Bridgend, South Wales
HMP Lowdham Grange	November 1996	25	Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham
HM/YOI Ashfield	June 1998	25	Design, build, finance and operate a 400 place young offenders and juveniles category B prison at Pucklechurch, near Bristol
HMP Forest Bank	July 1998	25	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agecroft power station
HMP Rye Hill	July 1999	25	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	September 1999	25	Design, build, finance and operate an 1060 place category B prison and therapeutic community facility at HMP Dovegate, Marchington
HMP Bronzefield	December 2002	25	Design, build, finance and operate an 500 place category B prison at Ashford in Middlesex
HMP Peterborough	February 2003	25	Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire
HMP Thameside	March 2012	25	Design, build, finance and operate an 900 place category B prison at Woolwich in London
Electronic Monitoring System	April 2005	9	The supply of Electronic tagging system; extended to September 2013
Prison Escort Service	August 2011	7	The supply and running of Prison Vans and Escorts
IT and Telephony System	January 2013	3	The supply of IT and telephony systems

17. Commitments under PFI contracts and other service concession arrangements (continued)

17b. Commitments under PFI and other service concession contracts

On-balance sheet (CSoFP) liabilities under PFI and other service concession arrangements are shown in the table below.

	31 March 2013		31 March 2012	
	Core Agency	Consolidated	Core Agency	Consolidated
Total obligations under on-balance sheet (SoFP) PFI and service concession arrangements for the following periods comprises:	£'000	£'000	£'000	£'000
Not later than one year	50,675	50,675	47,208	47,208
Later than one year but not later than five years	183,360	183,360	166,898	166,898
Later than five years	339,659	339,659	273,061	273,061
	573,694	573,694	487,167	487,167
Less interest element	(213,641)	(213,641)	(124,468)	(124,468)
Present value of obligations	360,053	360,053	362,699	362,699

	31 March 2013		31 March 2012	
	Core Agency	Consolidated	Core Agency	Consolidated
Present value of obligations under on-balance sheet (SoFP) PFI and service concession arrangements for the following periods comprises:	£'000	£'000	£'000	£'000
Not later than one year	27,329	27,329	28,941	28,941
Later than one year but not later than five years	108,034	108,034	111,376	111,376
Later than five years	224,690	224,690	222,382	222,382
Total present value of obligations	360,053	360,053	362,699	362,699

IT and Telephony

In January 2013 NOMS entered into a new contract for the provision of IT and Telephony Systems. As assets become available for use under this contract, an on-balance sheet PFI and service concession arrangement obligation will be recognised of £12.1m in the 2013–14 accounts and a further £23.9m in the 2014–15 accounts. The present value of obligations under this contract is £6.6m in the next financial year and £29.4m after 1 year but not later than 5 years.

17c. Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the CSOCNE in respect of on-balance sheet (CSoFP) PFI and other service concession arrangements transactions was £628,561k for the year to 31 March 2013 (2011–12: £600,837k). Of this total the service element was £603,231k (2011–12: £581,064k) and the interest charges were £25,330k (2011–12: £19,773k).

	31 March 2013		31 March 2012	
	Core Agency	Consolidated	Core Agency	Consolidated
Payments to which the Agency is committed in respect of the service charge element within PFI and other service concession arrangements are as follows:	£'000	£'000	£'000	£'000
Not later than one year	556,738	556,738	383,967	383,967
Later than one year but not later than five years	1,862,007	1,862,007	1,554,871	1,554,871
Later than five years	2,768,052	2,768,052	2,694,467	2,694,467
	5,186,797	5,186,797	4,633,305	4,633,305

18. Commitments under leases

18a. Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

		31 March 2013		31 March 2012	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Obligations under operating leases comprise:					
Land and Buildings	Not later than one year	15,407	15,407	15,579	15,579
	Later than one year but not later than 5 years	46,632	46,632	49,116	49,116
	Later than 5 years	36,524	36,524	42,605	42,605
		98,563	98,563	107,300	107,300
Other	Not later than one year	988	1,444	1,342	1,919
	Later than one year but not later than 5 years	742	1,273	1,541	2,310
	Later than 5 years	2	2	5	5
		1,732	2,719	2,888	4,234

18b. Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

		31 March 2013		31 March 2012	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Obligations under finance leases comprise:					
Land and Buildings	Not later than one year	130	130	130	130
	Later than one year but not later than 5 years	427	427	498	498
	Later than 5 years	530	530	590	590
		1,087	1,087	1,218	1,218
Less interest element		(382)	(382)	(434)	(434)
Present value of obligations		705	705	784	784
Other	Not later than one year	766	766	0	0
	Later than one year but not later than five years	2,019	2,019	0	0
	Later than five years	0	0	0	0
		2,785	2,785	0	0
Less interest element		(665)	(665)	0	0
Present value of obligations		2,120	2,120	0	0

Other obligations reflect a lease for a prison radio system, which is being rolled out to establishments during 2012–13 and 2013–14.

18. Commitments under leases (continued)

18b. Finance leases (continued)

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

		31 March 2013		31 March 2012	
		Core Agency	Consolidated	Core Agency	Consolidated
		£'000	£'000	£'000	£'000
Present value of obligations under finance leases for the following periods comprises:					
Land and Buildings	Not later than one year	85	85	79	79
	Later than one year but not later than 5 years	306	306	354	354
	Later than 5 years	314	314	351	351
Present value of obligations		705	705	784	784
Other	Not later than one year	472	472	0	0
	Later than one year but not later than five years	1,648	1,648	0	0
	Later than five years	0	0	0	0
Total present value of obligations		2,120	2,120	0	0

19. Other financial commitments

NOMS has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of services including: the management of prisons which are owned by NOMS and other contracted out services. Avon & Somerset Probation Trust has entered into non-cancellable contracts (which are not leases) mainly for payroll services. The payments to which NOMS and Trusts are committed are as follows:

	31 March 2013		31 March 2012 Restated	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Not later than one year	151,405	151,493	154,334	154,433
Later than one year but not later than 5 years	335,914	335,977	347,037	347,049
Later than 5 years	626,050	626,050	910,905	910,905
	1,113,369	1,113,520	1,412,276	1,412,387

The 2011–12 Core Agency comparative has been restated from £1,631m disclosed in the 2011–12 accounts to £1,412m. This restatement is to commitments under the managed prison contracts, to remove costs which are paid directly by NOMS, such as utilities and rates, rather than being part of the prison contract commitments, and to reflect more detailed contract information.

20. Provisions for liabilities and charges

	2012–2013					2011–2012				
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Total	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	21,757	31,627	45,273	0	98,657	32,815	42,843	52,101	0	127,759
Provided in year	840	570	59,537	21,558	82,505	764	0	26,582	0	27,346
Provisions not required written back	0	(5,695)	(23,684)	0	(29,379)	(3,068)	(9,558)	(19,700)	0	(32,326)
Provisions utilised in year	(5,774)	(1,233)	(17,564)	0	(24,571)	(9,348)	(1,209)	(13,710)	0	(24,267)
Borrowing costs (unwinding of discount)	511	1,107	0	0	1,618	594	(449)	0	0	145
Balance as at 31 March	17,334	26,376	63,562	21,558	128,830	21,757	31,627	45,273	0	98,657

	2012–2013					2011–2012				
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Total	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	21,757	31,627	51,888	0	105,272	32,815	42,843	59,108	0	134,766
Provided in year	840	570	61,379	21,558	84,347	764	0	29,973	0	30,737
Provisions not required written back	0	(5,695)	(25,230)	0	(30,925)	(3,068)	(9,558)	(20,743)	0	(33,369)
Provisions utilised in year	(5,774)	(1,233)	(21,718)	0	(28,725)	(9,348)	(1,209)	(16,450)	0	(27,007)
Borrowing costs (unwinding of discount)	511	1,107	0	0	1,618	594	(449)	0	0	145
Balance as at 31 March	17,334	26,376	66,319	21,558	131,587	21,757	31,627	51,888	0	105,272

Analysis of expected timing of discounted flows

	31 March 2013					31 March 2012				
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Total	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Total
Core Agency	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	4,877	7,479	21,999	21,558	55,913	5,474	11,322	15,432	0	32,228
Later than one year but not later than five years	11,544	9,079	28,271	0	48,894	14,058	8,964	24,737	0	47,759
Later than five years	913	9,818	13,292	0	24,023	2,225	11,341	5,104	0	18,670
Balance as at 31 March	17,334	26,376	63,562	21,558	128,830	21,757	31,627	45,273	0	98,657

20. Provisions for liabilities and charges (continued)

	31 March 2013					31 March 2012				
	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Total	Early retirement costs	Leasehold property dilapidations	Other provisions	Voluntary early departure	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	4,877	7,479	24,652	21,558	58,566	5,474	11,322	21,572	0	38,368
Later than one year but not later than five years	11,544	9,079	28,375	0	48,998	14,058	8,964	25,212	0	48,234
Later than five years	913	9,818	13,292	0	24,023	2,225	11,341	5,104	0	18,670
Balance as at 31 March	17,334	26,376	66,319	21,558	131,587	21,757	31,627	51,888	0	105,272

Early retirement provision

NOMS meets the additional costs of benefits beyond the normal PCSPS benefits and for employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. NOMS provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by HM Treasury (HMT) real discount rate of 2.35% (2011–12: 2.8%).

Leasehold dilapidations

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

- updated information relating to property vacations
- new properties leased during the year
- a reduction in the cost per square metre of the properties leased due to the general market conditions which have pushed down prices, and
- a change in the discount rate applied.

Costs are discounted by HMT real discount rates. In 2011–12, the discount rate was the same for all estimated costs, regardless of their timing. HMT has issued revised discount rates, which have been used in estimating the provision for 2012–13. The discount rates for payments due are:

- up to five years: -1.8%
- between five and ten years: -1.0%
- more than ten years: 2.2%

The movements within the year mentioned above are a revision of an accounting estimate, not a change in accounting policy. Therefore no prior period adjustment is required.

20. Provisions for liabilities and charges (continued)

Other provisions

Other provisions primarily comprise legal claims against the Core Agency and Probation Trusts. This provision reflects all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated. The figures represent the best estimate of the amount payable in respect of the claims indicated.

As the claims are subject to litigation which could affect the time period of utilisation, legal claims which are likely to succeed with a lesser degree of certainty or cannot be estimated reliably are disclosed as contingent liabilities in Note 24. With the exception of annuities arising from litigation, other litigation provisions are not discounted, on the basis that claims are expected to crystallise within twelve months.

Included within other provisions is £3.7m, relating to the historic pension liability shortfall which NOMS is contracted to pay following the outsourcing of Community Payback Services from London Probation Trust to a private sector provider, effective from 31 October 2012. This liability is due to be paid over a period of 20 years. The current actuarial valuation of £3.7m will be revised at subsequent triennial actuarial valuations, the first of which will be carried out as at 31 March 2013 and is due to be completed by 31 March 2014 and reflected in the 2013–14 accounts. It was also agreed that NOMS would fund the first £2m of any future pension deficit that may arise, which had been disclosed as a contingent liability in Note 24.

Voluntary Early Departure Schemes (VEDS) provision

A number of VED schemes were in operation during 2012–13. All offers made under these schemes and accepted by staff in 2012–13 have been accounted for as expenditure, and accrued where the payments were not made in year. All such expenditure is disclosed in the table in Note 3c.

Offers made, but not yet accepted before the year end, under three schemes which closed to applications before the year end have been provided for on the basis of forecast payments and an expected acceptance rate of 83%, which is based on the rate in recent similar schemes. The amount provided as at 31 March 2013 is £21.6m. This provision is not discounted, as all payments are due to be made within one year. This estimate has been disclosed in narrative in Note 3c. The amounts of exit packages accepted in 2013–14 will be disclosed by band in Note 3c in the 2013–14 accounts.

One scheme was open to applications at the year end and has been disclosed as a contingent liability – see Note 24.

21. Consolidated pension liability

As part of the terms and conditions of employment of its officers and other employees, the 35 Probation Trusts offer retirement benefits. Although these will not actually be payable until employees retire, the Trusts have a commitment to make the payments. The commitment is recognised when the employees earn their future entitlement.

The provisions of the LGPS, which are statutory and fully funded, cover present and past employees. The 35 Probation Trusts participate in the LGPS administered by various bodies.

The LGPS provide benefits on a final salary basis at a normal retirement age of 65. Benefits accrue at the rate of one-sixtieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three-eighths of final pay of every year of total membership is payable on retirement. The schemes permit employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

21. Consolidated pension liability (continued)

Members pay contributions ranging from 5.5% to 7.5% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns. This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

A full actuarial valuation was carried out at 31 March 2010 by various actuaries. For 2012–13, employers' contributions of £92.0m were paid to the LGPS (2011–12: £97.6m) in a range from 10.1% to 26.5%. The funds' actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect the past experience of the funds.

Partnership accounts are excluded under IAS 19.

The current year's employers' contributions and an approximate value for the next two years are within the ranges as follows:

- Employers' contributions for 2012–13 were 10.1% to 26.5% of salaries, plus a fixed amount of £9.3m;
- Employers' contributions for 2013–14 will be 10.1% to 29.5% of salaries, plus a fixed amount of £9.5m; and
- Employers' contributions for 2014–15 will be 11.0% to 29.5% of salaries, plus a fixed amount of £2.9m.

The major assumptions used by the actuaries were in the ranges of:

	2012–2013	2011–2012
	%	%
Inflation assumption	2.4 – 3.4	2.5 – 3.3
Rate of increase in salaries	3.9 – 5.1	4.0 – 5.1
Rate of increase for pensions in payment and deferred pensions	2.4 – 4.5	2.4 – 5.9
Discount rate	4.2 – 4.9	4.6 – 5.5

21a. The assets in the scheme and the expected rate of return were:

	Expected long-term rate of return at 31 March 2013	Value as a percentage of total scheme assets at 31 March 2013	Value at 31 March 2013	Expected long-term rate of return at 31 March 2012	Value as a percentage of total scheme assets 31 March 2012	Value at 31 March 2012
	%	%	£'000	%	%	£'000
Equities	4.5 – 7.8	67	1,759,719	6.1 – 8.1	68	1,576,176
Government Bonds	2.8 – 5.7	10	275,399	3.1 – 7.6	11	249,168
Other Bonds	3.8 – 5.7	9	229,288	3.1 – 5.3	9	197,856
Property	0.5 – 7.3	7	175,575	3.0 – 7.6	7	164,909
Other	0.5 – 8.7	7	195,221	3.0 – 7.0	5	118,539
		100	2,635,202		100	2,306,648
Present value of scheme liabilities			(3,973,087)			(3,503,326)
Deficit of the scheme			(1,337,885)			(1,196,678)
Net pension liability as at 31 March			(1,337,885)			(1,196,678)

21. Consolidated pension liability (continued)

21b. Analysis of amounts recognised in CSoCNE

Pension Cost

	2012–2013	2011–2012
	£'000	£'000
Current service cost	93,223	82,642
Past service cost (other)	1,642	2,635
Effect of curtailment	2,498	3,750
Effect of settlement	(8,022)	1,356
Total operating charge	89,341	90,383

Interest cost

	2012–2013	2011–2012
	£'000	£'000
Expected return on pension scheme assets	(136,923)	(153,446)
Interest on pension scheme liabilities	165,864	167,063
Net interest	28,941	13,617

21c. Analysis of amounts recognised in other comprehensive expenditure

	2012–2013	2011–2012
	£'000	£'000
Pension actuarial loss	(114,976)	(389,541)
Total shown in other comprehensive expenditure	(114,976)	(389,541)

21d. Changes to the present value of liabilities during the year

	2012–2013	2011–2012
	£'000	£'000
Present value of liabilities as at 1 April	3,503,326	3,036,908
Current service cost	93,223	82,642
Interest cost	165,864	167,063
Contributions by members	29,874	31,064
Actuarial losses on liabilities	300,599	280,738
Liabilities extinguished on settlements ¹	(14,804)	0
Benefits paid	(107,243)	(101,426)
Past service cost (other)	1,642	2,635
Unfunded benefits paid	(1,892)	(1,517)
Curtailments	2,498	3,863
Settlements	0	1,356
Present value of liabilities as at 31 March	3,973,087	3,503,326

21. Consolidated pension liability (continued)

21e. Changes to the fair value of assets during the year

	2012–2013	2011–2012
	£'000	£'000
Fair value of assets as at 1 April	2,306,648	2,237,089
Expected return on assets	136,923	153,446
Actuarial gains/(losses) on assets	185,623	(109,615)
Receipt/ (payment) of bulk transfer ¹	(6,782)	0
Contributions by the employer	92,051	97,564
Contributions by members	29,874	31,064
Benefits paid	(107,243)	(101,862)
Unfunded benefits paid	(1,892)	(1,038)
Fair value of assets as at 31 March	2,635,202	2,306,648

Note 1: Effect of extinguishing pension assets/liabilities

On 31 October 2012, community payback services were contracted out from London Probation Trust to a private sector provider, with the transfer of some staff under TUPE arrangements. This resulted in the transfer of the local government pension scheme assets and liabilities for those staff which resulted in a net non-cash gain of £8m on the extinguishing of the pension assets and liabilities.

21f. History of asset values, present values of liabilities, surplus/deficit and experience gains and losses

	2012–2013	2011–2012	2010–2011	2009–2010	2008–2009
	£'000	£'000	£'000	£'000	£'000
Fair value of assets as at 31 March	2,635,202	2,306,648	2,237,089	2,100,845	1,499,483
Present value of liabilities as at 31 March	3,973,087	3,503,326	3,036,908	3,522,397	2,208,045
Surplus /(Deficit)	(1,337,885)	(1,196,678)	(799,819)	(1,421,552)	(708,562)
Experience gains /(losses) on scheme assets	179,713	(99,121)	3,072	418,220	(439,482)
Experience gains /(losses) on scheme liabilities	1,065	(17,572)	178,282	88,547	(34,460)
Percentage experience gains /(losses) on scheme assets	7%	(4%)	0%	20%	(29%)
Percentage experience gains /(losses) on scheme liabilities	0%	(1%)	6%	3%	(2%)

22. Capital commitments

	31 March 2013		31 March 2012	
	Core Agency	Consolidated	Core Agency	Consolidated
	£'000	£'000	£'000	£'000
Property, plant and equipment	64,043	64,125	79,244	79,244
	64,043	64,125	79,244	79,244

23. Related party transactions

The Ministry of Justice (MoJ), the parent entity, provided funding of £3,758m during the year (2011–12: £4,035m). In addition MoJ provides a number of shared services to NOMS. These services at a total cost of £111.2m (2011–12: £42.8m) are recharged notionally by MoJ and are included in Notes 4 and 5. In addition, a number of invoiced transactions take place between NOMS and MoJ for services provided. During the year, NOMS provided custodial services to the Youth Justice Board (part of MoJ) and UK Border Agency (part of the Home Office). In addition, NOMS received funding from other Government Departments and local authorities for education, healthcare and resettlement services. Such income is shown in Note 6.

Mike Hawker, Non-Executive Director and Chair of the Audit Committee, is also a trustee of the board of The Shaw Trust, which has transactions with NOMS from time to time. NOMS received income from The Shaw Trust of £914 in 2012–13 (2011–12: no transactions).

During the year, the following members of the London Probation Trust (LPT) Management Board, members of key management staff or other related parties, or their related parties have undertaken material transactions with the Trust as detailed. Heather Munro is Vice Chair of LPT and Director of the Probation Association, which incurred transactions totalling £79k with LPT. Mark Johnson is a Board Member of LPT and CEO of User Voice, which incurred transactions totalling £115k with LPT. In addition, Paul Davies, LPT Board Secretary is seconded from Essex County Council, which incurred transactions totalling £205k with LPT.

The Trustees for a charity called Pathways (East Midlands) are employees of Nottinghamshire Probation Trust including the Chief Executive. The income of this charity was £33k for the nine months to 31 March 2013 (£45k for the 12 months to 30 June 2012).

Two members of the Essex Probation Trust management board and one Executive Director reported a related party interest in relation to Essex Offender Services, a community interest company in which they are directors. This company provides training facilities to the Trust valued at £43k. Essex Probation Trust seconded a member of staff to the company and provides other limited administrative support, the value of which is recharged and amounted to £52k in 2012–13.

Essex Probation Trust also contributes to the Youth Offending Service (YOS) in Essex which is the inter-agency arrangement to provide services for young offenders. The other key partners in this arrangement are Local Authorities, Essex Police and the healthcare sector bodies. During 2012–13 the Trust seconded a number of staff to the YOS, to the value of £215k and contributed £78k towards the pooled costs of the YOS. The Trust engages in partnership contracts with voluntary and other organisations to provide services to offenders. In total £455k was spent on these schemes.

Leicestershire Probation Trust has a number of partnership arrangements for the provision of services to other organisations. This income totalled £4,906k (2011–12: £4,813k). The income includes the following: Leicester City Council £3,114k (significantly Criminal Justice Pathway £2,414k, Quality of Life £506k, Integrated Offender Management £70k), Leicestershire County Council £277k (significantly Integrated Offender Management £191k).

Full details of individual Probation Trust related parties are disclosed in the individual trust report and accounts.

During the year, no other Board member, key manager or other related parties have undertaken any material transactions with the Agency.

24. Contingent liabilities

NOMS has the following contingent liabilities:

Claims for injury to staff, prisoners and the public amounting to £51.0m (2011–2012: £33.5m) have been indicated to NOMS, where it is deemed possible, but not likely, that a liability will arise. Other claims for compensation where it is more likely than not that a liability will arise have been provided for in the accounts – see Note 20.

Following the outsourcing of Community Payback Services from LPT to a private sector provider in October 2012, NOMS has a contingent liability, in addition to the provision disclosed in Note 20, to fund the first £2m of any future pension deficit that may arise.

Payment by Results (PbR):

Contracts are in place for PbR schemes at HMP Doncaster and HMP Peterborough.

HMP Doncaster

The contract runs for five cohort years. The first cohort of offenders ran from 1 October 2011 to 30 September 2012. Re-offending will be monitored for 18 months from the end of the cohort year, until 31 March 2014. The second cohort began on 1 October 2012. The contract stipulates a mechanism by which an additional payment or claw back would be payable to or from the contractor for each cohort, on a sliding scale, depending on the results of the monitoring period. The maximum possible additional payments by NOMS under the contract total £10m over the five cohorts. NOMS considers that at 31 March 2013 the likelihood of a liability arising from the success of the scheme is uncertain.

HMP Peterborough

The contract runs for four 2 year cohort periods. The first cohort of offenders ran from 9 September 2010 to 9 September 2012. Re-offending will be monitored over the period until July 2014. The maximum possible payment by NOMS under the contract is £2.75m. The contract stipulates a mechanism by which a payment would be payable to the contractor, on a sliding scale, depending on the results of all four cohorts. NOMS considers that at 31 March 2013 the likelihood of a liability arising from the success of the scheme is uncertain.

Voluntary Early Departure Schemes (VEDS)

One VED scheme closed to applications on 5 April 2013, shortly after the year end. A formal plan was in place including locations, potential numbers and costs, before the scheme was announced to staff on 8 March, with likely departure dates in September and October 2013. At the year end, management considers that some of the conditions of being 'demonstrably committed' to the scheme under IAS 19 were met, although no formal offers had been made. Applications are being assessed, and the number and cost of offers have yet to be decided. At this stage the cost cannot be measured with sufficient reliability to be recognised as a provision.

Other contingent liabilities reported to Parliament:

An indemnity of up to £50m, in respect of any one accident, has been given to the British Airports Authority. This is in respect of damage or injury caused to third parties arising out of the negligence of NOMS in their use of vehicles travelling airside for the repatriation of prisoners. The likelihood of a liability arising from these contingencies is considered to be uncertain.

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

25. Events occurring after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Certificate of the Comptroller and Auditor General.

As at the date of the Audit Certificate, the following reportable events had occurred. The results of the “Transforming Rehabilitation” consultation paper were published on 9 May 2013, by the Secretary of State for Justice, which announced the future requirements for the provision of probation services. The recommendations will change the way in which probation services are commissioned and delivered.

A new National Probation Service will be created to protect the public from the most dangerous offenders and manage the provision of probation services. England and Wales will be divided into 21 contract areas which align closely with local authorities and Police and Crime Commissioner areas. MoJ/NOMS will be responsible for commissioning rehabilitation services. Probation service local delivery units will support the gathering of intelligence on needs and priorities at a local level, including from key partners (e.g. local authority needs assessments) to feed into the MoJ/NOMS commissioning process. It is expected that the detail will be finalised over the coming months. None of the Trusts’ assets, liabilities or functions had been transferred at the date the accounts were authorised for issue.

26. Financial targets

There were no key financial targets for the Core Agency or Probation Trusts.

27. Losses and special payments

The following losses and special payments are included within the CSocNE:

	2012–2013		2011–2012	
Core Agency	Cases	£'000	Cases	£'000
Cash losses	1,172	570	1,678	908
Losses of accountable stores	5,760	1,306	4,005	844
Fruitless payments and constructive losses	144	33	500	81
Claims waived or abandoned	202	42	65	327
Administrative write-offs	0	0	0	0
Losses statement	7,278	1,951	6,248	2,160
Special payments	4,978	19,348	5,063	23,448
	2012–2013		2011–2012 Restated	
Consolidated	Cases	£'000	Cases	£'000
Cash losses	1,190	575	1,702	914
Losses of accountable stores	5,760	1,306	4,007	844
Fruitless payments and constructive losses	146	33	509	82
Claims waived or abandoned	240	50	102	352
Administrative write-offs	68	75	27	18
Losses statement	7,404	2,039	6,347	2,210
Special payments	5,128	21,532	5,215	26,808

In 2012–13 there was one (2011–12: two) special payment over £250,000, which was a compensation payment of £740,000 to a frontline member of NOMS staff.

No losses over £250,000 were written off during 2012–13 (2011–12: one).

The value of the consolidated special payments for 2011–12 has been restated to reflect the inclusion of the full amount of £3m relating to Probation Trusts.

27. Losses and special payments (continued)

As a result of information which came to light as part of the re-tendering process for electronic monitoring contracts, potential issues have been identified in relation to billing under the current contracts. Action is being taken to address this. NOMS' suppliers are co-operating fully and have given clear assurances that if any adjustment is required to charges to date, this will be put right promptly and repayments made. Where NOMS are unable to recover any overpayments, a loss may arise. It is likely that any such loss will be recognised in the 2013–14 Accounts. This matter is noted in the Governance Statement on page 56.

28. Third party assets

At 31 March 2013 NOMS held third parties' monies of £10.0m (£11.4m at 31 March 2012). This relates to monies held on behalf of prisoners and is therefore not included in the financial statements.

A number of assets are held by Probation Trusts on behalf of third parties. These assets are not therefore included in the accounts. Avon and Somerset, Cheshire, Cumbria, Essex, Greater Manchester, Humberside, Kent, Lincolnshire, Norfolk and Suffolk, Northumbria, Wales, Warwickshire, and West Mercia Probation Trusts have monetary assets such as bank balances and monies on deposits, listed securities, amenity funds, trust funds and charitable donation funds.

The combined value of these third party assets is set out in the table below:

	2012–2013	2011–2012
Consolidated	£'000	£'000
Balance as at 1 April	156	145
Funds paid in during the year	142	56
Funds paid out during the year	(82)	(45)
Balance as at 31 March	216	156

29. Fees and charges

NOMS is required, in accordance with HM Treasury's Managing Public Money, to disclose results for the areas of its activities where fees and charges are made. NOMS makes fees and charges in relation to the provision of healthcare, education within prisons, together with operating juvenile places on behalf of the Youth Justice Board. NOMS fee recovery targets are 100% in all cases. See Note 6 for details of these funding streams.

30. Taxation

Probation Trusts are corporate bodies under the Offender Management Act 2007, supplying court work and offender management services to the Ministry of Justice. Probation Trusts are therefore subject to corporation tax on certain profits.

The charge for the year to 31 March 2013 is estimated to be £733k (2011–12: £240k).

31. The Agency boundary

NOMS Agency accounts include the entities listed below. The 35 Probation Trust accounts are consolidated at their pre-audit stage, due to the timing of the preparation and publication of the Trusts' statutory accounts, to allow NOMS to meet Parliamentary publication deadlines. Whilst checks are carried out to ensure the differences between Trusts' pre-audit and post-audit accounts are not material to the NOMS Agency accounts, there is an immaterial difference to be reflected, each year, in the current year of the NOMS Agency accounts. In the NOMS Agency accounts for 2012–13, this difference in relation to the Trusts' 2011–12 accounts was £1,892k. In addition, one Probation Trust has restated 2011–12 comparatives resulting in an immaterial change of £250k recognised in 2012–13. The net effect of £1,642k is shown separately within the Consolidated Statement of Changes in Taxpayers' Equity.

A small number of the Trusts have control over other separate business entities. These entities have not been consolidated by the Trusts into their own statutory accounts and they have not been consolidated by NOMS, on the grounds that the transactions and balances between the entities and Trusts are not material to the accounts. These separate business entities are not therefore included within the list below.

Entities within the Agency boundary:

Avon and Somerset Probation Trust	Leicestershire and Rutland Probation Trust
Bedfordshire Probation Trust	Lincolnshire Probation Trust
Cambridgeshire and Peterborough Probation Trust	London Probation Trust
Cheshire Probation Trust	Merseyside Probation Trust
Cumbria Probation Trust	Norfolk and Suffolk Probation Trust
Derbyshire Probation Trust	Northamptonshire Probation Trust
Devon and Cornwall Probation Trust	Northumbria Probation Trust
Dorset Probation Trust	Nottinghamshire Probation Trust
Durham Tees Valley Probation Trust	South Yorkshire Probation Trust
Essex Probation Trust	Staffordshire and West Midlands Probation Trust
Gloucestershire Probation Trust	Surrey and Sussex Probation Trust
Greater Manchester Probation Trust	Thames Valley Probation Trust
Hampshire Probation Trust	Wales Probation Trust
Hertfordshire Probation Trust	Warwickshire Probation Trust
Humberside Probation Trust	West Mercia Probation Trust
Kent Probation Trust	West Yorkshire Probation Trust
Lancashire Probation Trust	Wiltshire Probation Trust
	York and North Yorkshire Probation Trust



Sustainability Report 2012–2013

8

Introduction

This is the second Sustainability Report for the National Offender Management Service (NOMS) prepared in accordance with 2011–12 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ available at: www.hm-treasury.gov.uk/frem_sustainability.htm, and in line with the Government’s Greening Government Commitments (GGC). These form the primary Sustainable Development efficiency driver across government and include a series of reduction targets in areas such as carbon from energy, waste and water. Further details at: <http://sd.defra.gov.uk/gov/green-government/commitments/>

This report covers 110 public sector prisons, NOMS shared service and administration buildings and sites, four privately operated prisons contracted to provide sustainability data to MoJ, and 35 Probation Trusts. Probation Trust shared occupations are not accounted for due to the limitations of extrapolating reliable sustainability data from service charge data. As these are few in number or reported by the major occupier there is little benefit in extrapolating their sustainability data. This approach is consistent with last year’s report and with the wider government approach. Utilities consumed in prison industries are removed from consumption reporting to provide greater operational consistency between prisons. We do not consider that the exclusion of

these areas has a material impact on sustainability reporting as a whole.

Governance, responsibilities and internal assurance

Overall governance and assurance is the responsibility of the Ministry of Justice (MoJ) Sustainable Development Team (SDT). Energy efficiency projects are managed through a variety of means including the MoJ Carbon Reduction Programme which prioritises projects against potential cost and carbon savings.

There remain some limitations to the accuracy of our financial and non-financial sustainability data. We are continuing to improve the quality of our internal controls, for example through internal audit, further engagement with both internal and external stakeholders and enhanced monitoring devices such as automated meter readers.

Business Plan commitments

Overall MoJ sustainability commitments are set out in an annex to the MoJ Business Plan 2012–15 as follows:

1. Assess and manage environmental, social and economic impacts and opportunities in its policy development and decision-making.

To enable the embedding of sustainable development principles into day to day working practices MoJ holds monthly Sustainable Development Board meetings, chaired by an MoJ Board-level 'Sustainable Development Champion', to steer and agree programmes of work and improve working practices across the different disciplines in the Ministry.

2. Implement the Department's plan to deliver on the Greening Government Commitments (GGC), supplying quarterly information and contributing to an annual report on progress.

GGC was launched on 1 April 2011, requiring government departments to take action to significantly reduce environmental impact by 2014–15 (compared to a 2009–10 baseline). GGC objectives are a key priority for MoJ Estates Directorate, and are managed, reviewed and monitored by SDT.

3. Sustainable procurement: Procure from small businesses with the aspiration that 25% of contracts should be awarded to Small and Medium Enterprises (SME).

Procurement is conducted using a sustainable approach in line with MoJ Procurement policy to embrace best ethical, environmental, and health and safety practice in meeting business needs.

Sustainability forms a part of category strategies. This includes reference to relevant Government Buying Standards and all areas of sustainability, including sourcing strategies to identify how requirements are delivered through the procurement.

In response to a broad package of reforms designed to significantly open up the public sector marketplace to SMEs MoJ has developed a series of targeted actions to make it easier for SMEs to bid for government contracts. The full MoJ Action Plan, including desired outcomes, success factors and contracting opportunities is available at: <https://www.gov.uk/government/organisations/ministry-of-justice/about/procurement>

In the first quarter of the 2012–13 financial year £485 million (34%) of MoJ's procurement spend was with SMEs, exceeding the Government's aspiration of 25%.

Social and environmental awareness

SDT has drafted a statement for social and community partnership, which also encourages external partnerships to promote learning and skills training in all areas of sustainable development. SDT has also implemented an initiative for lead and central partners to agree Memoranda of Understanding promoting restorative justice, reducing reoffending and supporting further progress towards Government sustainability commitments.

Carbon Reduction Commitment (CRC)

CRC is a mandated energy reporting system for medium to large scale energy consumers. Participants must prepare detailed annual consumption reports and purchase sufficient allowances to cover their carbon impact. NOMS reports form part of MoJ's annual CRC submission managed by SDT. The associated NOMS carbon allowances for 2012–13 are estimated to be £4.2 million.

2011-12 performance league table published by the Department of Energy & Climate Change shows a significant improvement in overall performance, with MoJ now placed 218th (2010–11: 605th). This improvement was achieved through Carbon Trust accreditation and a reduction in carbon emissions from energy between 2010–11 and 2011–12.

Climate Change Adaptation

Within NOMS, SDT has implemented a system to prioritise buildings susceptible to the effects of climate change, such as temperature increases and a rise in sea levels. The objectives of the system and associated Statement for Climate Change Adaptation, for both the built and non-built estate, are as follows:

- to enable the MoJ estate to evaluate risks to its strategy for programme delivery on vulnerable flood plains and evaluate its baseline for future adaptation of targets and actions against climate change
- to enable the MoJ estate to prioritise management of high risk sites and where necessary divert and reallocate resources vital to operational delivery
- to identify where stakeholders and central partners need to act to facilitate further or additional actions to protect against climate change, and
- to establish a strategic process to put in place measures necessary to adapt to future climate change.



Biodiversity Action Planning

Biodiversity is a key objective within the overall NOMS strategy. SDT actively works with sites that have either a national designation or a biodiversity significant site, in partnership with Natural England, Wildlife Trusts and local communities. NOMS has 30 designated sites covered by a biodiversity action plan.

Rural Proofing

As part of the MoJ estate management rationale, new estate management contracts highlight where countryside and local transport impacts are of prime importance to rural proofing. Transport plans are an important aspect of our environmental strategy through local planning requirements on new build properties. Establishing public transport routes and negotiating transport timetables is one aspect of how both carbon footprint and social and community plans can be effective in rural proofing across the MoJ estate.

The siting of new buildings is challenging to our estate, in respect of local planning policy statements and nature and heritage requirements; which may impact on both local leisure and tourism industries. Every aspect including nature, archaeological, tourism, leisure and rural diversification are assessed in the early stages of planning and design for all new builds across the MoJ estate as part of our rural proofing policy.

Carbon Management Plan (CMP)

A CMP is a systematic approach to reducing Greenhouse Gas emissions; integrating technical, financial, corporate governance and communications activity in an overarching strategy. Centrally managed CMPs developed in partnership with the Carbon Trust are in place for NOMS and the Probation estate. SDT aims to consolidate all CMP across MoJ into a single, cohesive approach with costed projects to tackle climate change.

Our vision is to:

- be a low carbon business, with carbon management and sustainability embedded in decision-making
- engage stakeholders and demonstrate best practice in meeting sustainability targets, and
- CMPs and statements are kept under review to facilitate continued improvement in meeting statutory obligations for climate change adaptation and reporting.

Sustainable construction

All major refurbishments and new builds are required to be Building Research Establishment Environmental Assessment Method (BREEAM) assessed, to a standard of 'very good' for refurbishments and 'excellent' for new builds. MoJ is also committed to reducing construction waste to landfill and ensures that all major refurbishment and new build projects have clauses requiring details on waste streams.

Performance

Greenhouse gas (GHG) emissions

		2012–2013	2011–2012	2010–2011	2009–2010
Non-Financial Indicators (tCO ₂ e)	Gross emissions for (scopes 1 & 2)	394,102	371,835	414,088	403,360
	Electricity: green/renewable	45,568	44,583	49,649	50,085
	Net emissions (scopes 1 & 2)	348,534	327,252	364,439	353,275
	Travel - emissions (scope 3)	10,283	10,427	10,360	6,334
	Gross GHG emissions (all scopes)	404,385	382,262	424,448	409,694
Non-Financial (MWh)	Electricity: Grid, CHP & non-renewable	263,561	271,046	274,879	279,177
	Electricity: renewable	87,651	90,349	91,626	92,458
	Gas	941,902	782,307	896,421	891,395
	Other energy sources	95,558	102,329	123,583	117,571
	Total energy	1,388,672	1,246,031	1,386,509	1,380,601
Financial indicators	Expenditure on energy (including CRC) (£m)	90.4	84.0	64.0	67.9
	Expenditure on official business travel (£m)	24.6	23.6	25.2	24.5

Performance Commentary (including targets)

NOMS is committed to achieving a 25% reduction in greenhouse gas emissions by 2014–15 based on 2009–10 as per the GGC targets. The above figures show a 1.3% reduction in carbon between 2012–13 and 2009–10. This is a lower reduction than 6.7% highlighted last year. The reduction in performance is largely due to climatic conditions encountered during 2012–13 which led to a significant increase in the consumption of heating fuels. It should also be noted that the reporting quality of ‘refrigerant losses’ (a scope 1 emission) has improved and this area was not covered during the baseline year (these account for 0.5% of total emissions). Also four privately operated prisons now form part of the reporting scope for the first time. NORMALISED PERFORMANCE (against prisoner population): 2009–10: 85,184 prisoners & 409,694 tCO₂e = 4.81 tCO₂e per prisoner. 2012–13 = 84,505 prisoners & 404,385 tCO₂e = 4.79 tCO₂e per prisoner. These figures demonstrate a reduction of 20kg’s per prisoner despite the colder climate experienced during 2012–13. The 2010–11 & 2011–12 figures have been updated from last year’s report in relation to new information relating to ‘green’ electricity consumption.

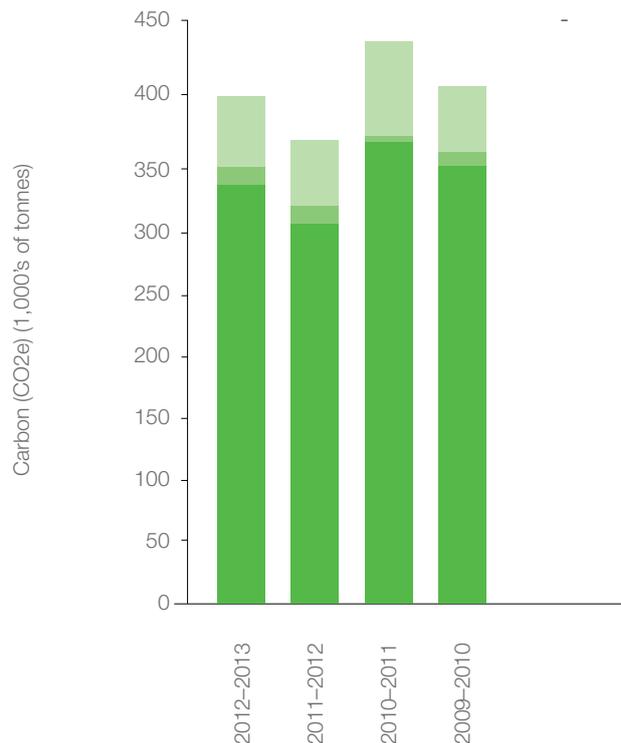
Controllable Impacts Commentary

Delivering cost and carbon savings remains a NOMS priority. Sustainable Development and energy reduction targets are managed at site, region and corporate level. Numerous projects such as estate rationalisation, voltage and boiler optimisation, lighting upgrades and awareness campaigns continue to deliver utility savings.

Overview of Influenced Impacts

MoJ Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the MoJ Procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Greenhouse Gas Emissions by scope



KEY

- Electricity: green/renewable
- Travel emissions (scope 3)
- Total net Emissions (net scopes 1 and 2)

Waste			2012–2013	2011–2012	2010–2011	2009–2010
Non-Financial Indicators (tCO ₂ e)	By waste stream (tonnes)	Hazardous & clinical waste	132	142	242	47
		General waste	45,731	52,193	57,817	49,740
		Total waste	45,863	52,335	58,059	49,787
	Waste by disposal type (tonnes)	Total waste to reuse, recycling, anaerobic digestion, composting	26,596	28,786	32,950	24,735
		Waste to incineration (Energy from Waste)	1,382	472	141	175
		Waste to landfill	17,754	23,235	24,726	24,830
Financial Indicators	All types	Costs (£m)	4.3	4.3	4.3	3.3

Performance Commentary (including targets)

NOMS waste management performance is driven towards meeting the Government's GGC targets to reduce waste by 25% by 2015 from a 2009–10 baseline. To date NOMS is achieving a 9% reduction in waste. The introduction of improved recycling facilities at each site has delivered a significant increase in the amount of waste materials diverted from landfill disposal to other options, such as recycling and composting (58% of waste materials) and 'energy from waste' incineration (3%). Of the total waste generated during 2012–13 61% was diverted away from landfill disposal. NORMALISED PERFORMANCE (against prisoner population): 2009–10: 85,184 prisoners & 49,787 tonnes of waste arising = 584 kg's per prisoner. 2012–13 = 84,505 prisoners & 45,863 tonnes of waste arising = 543 kg's per prisoner. Normalised figures highlight a 42 kg drop in waste per prisoner per year.

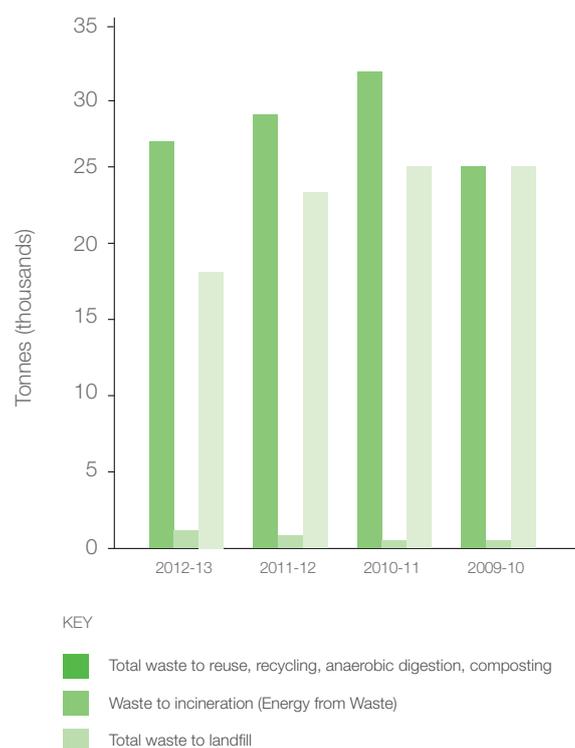
Controllable Impacts Commentary

Waste minimisation opportunities have been introduced across the custodial estate where possible. Additionally, staff and prisoners are encouraged to reduce and manage the waste produced through industry accredited training programmes and behavioural change initiatives, such as 'Environment Days' which are delivered locally and in-house publications, such as 'Sustainability Matters'. Prisons operating the NOMS environmental management system also include waste awareness sessions as part of staff and prisoner induction programmes. Waste data is collected centrally direct from the prisons and Probation Trusts. Full reporting is not received from all prisons therefore material tonnages and costs have been up-lifted using the data received for the full reporting period (58% of prisons reported in full). Figures for previous years have been uplifted proportionally based on the prisoner populations. Probation Trusts are managed by Facility Management providers who provide cost and waste weight detail.

Overview of Influenced Impacts

MoJ Procurement liaise with suppliers to reduce the environmental impact of our operations. Where possible the MoJ procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction. NOMS staff are also encouraged to reduce landfill in publications such as the 'SD Matters'

Waste by final disposal



Water

		2012–2013	2011–2012	2010–2011	2009–2010
Non-Financial Indicators	Water consumption (cubic metres)	8,114,430	8,293,786	8,134,344	8,527,771
Financial Indicators	Costs (£m)	22.0	19.1	17.9	19.6

Performance Commentary (including targets)

Delivering cost and water savings remains a NOMS priority. Reduction targets are led by the Government's GGC targets which require a reduction in water consumed between the 2009–10 and 2014–15. NORMALISED PERFORMANCE (against prisoner population): 2009–10: 85,184 prisoners & 8.5m cubic metres (m³) of water consumed = 100 m³ per prisoner. 2012–13 = 84,505 prisoners & 8.1m m³ of water = 96 m³ per prisoner. Normalised figures highlight a 4% saving per prisoner per year highlighting the successful implementation of efficiency initiatives across the estate.

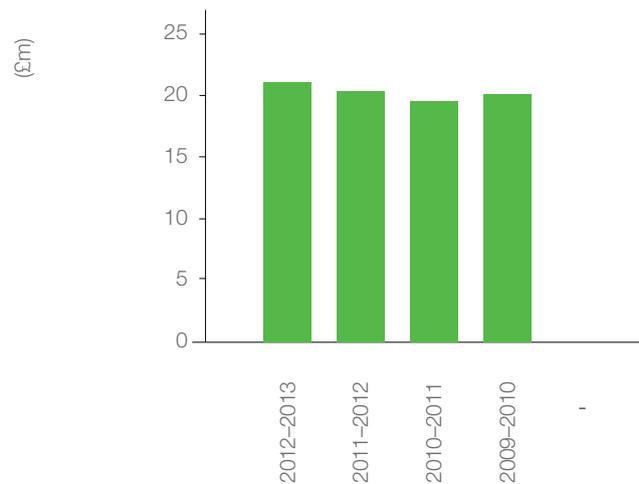
Controllable Impacts Commentary

Current improvements and the future water strategy centre around monitoring and targeting, awareness campaigns, installation of control devices and automated meter readers, rainwater harvesting and re-cycle initiatives.

Overview of Influenced Impacts

MoJ Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the MoJ procurement team engages with suppliers regarding the Government Buying Standards in relation to efficiency, sustainability and cost reduction. Water reporting systems are due to be upgraded to enhance our monitoring in line with the targets set by government.

Total water costs



Paper

	2012–13
Cost excl. VAT (£m)	1.9

Prison Service paper data is taken from a paper supply contract taken from the Government Office Supplies contract which began in October 2011. Under the terms of the contract, management information data is distributed by the Government Procurement Service. Data for the Probation estate is gathered at Trust level.



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