

**NORTHERN IRELAND PRISON SERVICE**  
**ANNUAL REPORT AND ACCOUNTS 2017-18**



**Northern Ireland Prison Service**  
**Annual Report and Accounts**  
**For the year ended 31 March 2018**

*Laid before the Northern Ireland Assembly under  
Section 11(3)(c) of the Government Resource  
and Accounts Act (Northern Ireland) 2001  
by the Department of Justice*

*on*

29 June 2018



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## **PERFORMANCE REPORT**

### **OVERVIEW**

The purpose of the overview is to provide sufficient information to ensure that the remit and purpose of the Agency is understood. The overview includes:

- a statement from the Director General providing his perspective on the performance of the Agency over the period;
- a statement of the purpose and activities of the Agency;
- the key issues and risks that could affect the Agency in delivering its objectives; and
- a performance summary.

### **FOREWORD BY ACCOUNTING OFFICER**

In this my first full year as Director General I am pleased to present the 2017-18 Annual Report and Accounts for the Northern Ireland Prison Service (hereafter referred to as NIPS or the Service).

2017-18 has been a very positive year for the Service during which we have received an encouraging interim inspection report in relation to Maghaberry and an excellent report in relation to Magilligan. Staff at both prisons, along with their colleagues at Hydebank Wood, and the Prisoner Escorting and Court Custody Service (PECCS), continue to work extremely hard and remain committed to supporting and challenging those in our care to change. Recognition should also be given to our support staff working at Headquarters and in each of our four business areas for the very significant contribution they make in supporting staff on the frontline.

During the year we have been focused on developing our Prisons 2020 continuous improvement programme. In July we launched a consultation exercise and by October we had received 64 detailed written responses and had conducted over 30 focus groups with almost 200 members of staff and prisoners. The outcome of this very positive consultation exercise enabled us to shape a challenging programme that will enable us to deliver a modern, progressive Prison Service where we make the community safer by supporting and challenging people to change.

Another significant development during the year was the outsourcing of responsibility for the delivery of learning and skills within prisons to the Belfast Metropolitan College and the North West Regional College. This was a major piece of work and I would pay tribute to our Acting Director of Rehabilitation, Louise Cooper and her team for the determination and hard work that delivered this positive outcome.

During the year I was also pleased to make several key appointments, Austin Treacy assumed the role of acting Director of Prisons, David Kennedy was appointed as Governing Governor of Maghaberry and Gary Alcock took responsibility for PECCS.

All three, along with our other senior Governors, continue to make a very significant impact and I am grateful to them and all our other senior managers for their contribution and support throughout the year.

Two new Non-Executive Directors, Dale Ashford and Claire Keatinge joined the Prison Service Management Board in November 2017, succeeding Paul Leighton who retired from the Board after serving for some seven years. We are grateful to Paul for the significant contribution he made as a Board Member.

Sadly during the year we lost one of our most experienced Governors when, following a short illness, Stephen Davis passed away. Stephen's death had a profound impact on the Service and we continue to miss him as a colleague and friend. Our thoughts and prayers remain with his wife Jill and son Patrick. It is fitting that we will name our new accommodation at Maghaberry "Davis House" when it opens in 2019.

Working with our colleagues from the South Eastern Health and Social Care Trust we continue to face the challenge of providing the best possible care for vulnerable prisoners, many of whom suffer from serious addiction and mental health issues. These individuals often require intensive care. While inspection reports continue to recognise the challenges we face, they also acknowledge that we must do more in the absence of other more suitable facilities. It was therefore very pleasing when Senior Officer Wendy Graham was named our Prison Officer of the Year. The award was in recognition of Wendy's outstanding work caring for vulnerable prisoners at Magilligan.

In concluding, I want to thank all our staff for the work they do on a daily basis and to pay tribute to our many partners from the statutory, voluntary and community sectors who work with us. The contribution all these individuals make in delivering rehabilitation, resettlement and facilitating the reintegration of offenders back into society should never be underestimated.

**RONNIE ARMOUR**



## STATEMENT OF PURPOSE AND ACTIVITIES

### History and statutory background

NIPS was established as an Executive Agency of the Northern Ireland Office in April 1995 under the Government's Next Steps Initiative.

On 12 April 2010 an amendment to schedule 3 of the Northern Ireland Act 1998 devolved justice functions in Northern Ireland to the Northern Ireland Assembly and the Department of Justice (DoJ) came into existence as a new Northern Ireland Department. From this date, NIPS became an Executive Agency of DoJ.

The Annual Report and Accounts of NIPS for the year ended 31 March 2018 will be laid in the Northern Ireland Assembly.

NIPS is responsible for the operation and delivery of services within the Northern Ireland prison system with the main statutory duties set out in the Prison Act (Northern Ireland) 1953.

### Statement of Purpose

As part of our journey towards reform, NIPS has redefined and refocused its statement of purpose as, "improving public safety by reducing the risk of re-offending, through the management and rehabilitation of offenders in custody".

### Vision

NIPS vision is that our Service will:

- be well led and competently managed;
- have a fit, flexible, motivated, well trained and well rewarded staff;
- be compact and cost effective;
- have the offender at the centre of its focus;
- reduce the risk of offenders re-offending on release; and
- be respected and valued by the community we serve.

### Strategic Aims

NIPS has also identified three strategic aims, which support delivery against this core purpose. These are:

- safe, secure and decent custody;
- reform and modernise to create an effective and efficient Service; and
- reduce the risk of reoffending.

## **Key Risks and Issues**

NIPS strategic risks are regularly reviewed and interrogated by the Prison Service Management Board (PSMB) and by the Audit and Risk Committee. A summary of the organisation's top risks can be found below:

### ***Safety and Security***

A significant operational failure by NIPS results in escape, significant security breach, serious prison incident, loss of accommodation; and release in error.

### ***Supporting Vulnerable People***

NIPS / South Eastern Health and Social Care Trust (SEHSCT) arrangements to support vulnerable people are not sufficient to address individual needs and risks, potentially resulting in deaths in custody or higher levels of serious self-harm incidents.

### ***Stability of Workforce planning***

Insufficient budget limits capability to deliver workforce planning which meets operational requirements.

### ***Health and Social Care***

Health Services fail to meet the needs of the prison population.

### ***Estate***

Significant parts of the prison estate are not fit for purpose, including accommodation and constructive activity facilities. Ministerial approval is required to progress draft estate strategy.

### ***Industrial Relations***

Risk posed by relations with Staff Associations which would disrupt operational delivery.

### ***Managing oversight and delivering continuous improvement***

Prisons receive a high level of scrutiny and associated recommendations. Insufficient structures regarding preparedness for inspections and delivery of recommendations could lead to operational failures and significant organisational damage.

No Ministerial direction for continuous improvement programme due to political uncertainty.

## PERFORMANCE SUMMARY AND FORWARD LOOK

### REVIEW OF THE YEAR

#### Review of Progress at Maghaberry Prison - April 2017

Following the re-inspection of Maghaberry in January 2016 Brendan McGuigan, the Criminal Justice Inspectorate Chief Inspector, announced his intention to continue to review progress against the nine substantive recommendations made in 2015 through a series of low-impact visits to the prison.

The second of these visits took place between 3 and 4 April 2017 and the report was published in August 2017.

On publishing the report the Chief Inspector welcomed the drive, determination, innovation and creativity shown by the leadership team and staff to stabilise the prison, to improve outcomes for those committed to their care and implement the nine recommendations. However he reinforced that further work was required to ensure that the needs of vulnerable prisoners at Maghaberry are addressed.

#### Unannounced Inspection of Magilligan Prison - June 2017

There was an unannounced inspection of Magilligan Prison between 12 and 22 June 2017 and the report was published in December 2017.

This inspection was carried out by Criminal Justice Inspection Northern Ireland (CJINI) and Her Majesty's Inspectorate of Prisons in England and Wales (HMIP) with support from the Regulation and Quality Improvement Authority (RQIA) and the Education and Training Inspectorate (ETI). They found that improvements had been made in a number of key areas at Magilligan.

Inspections are based on four 'healthy prison' tests - safety, respect, purposeful activity and resettlement. Each is scored one (lowest) to four (highest).

Inspectors reported the following results from this inspection:

- Level three - Safety;
- Level four - Respect;
- Level three - Purposeful activity; and
- Level three - Resettlement.

The Chief Inspector of CJINI said the inspection recognised the progress made at Magilligan but stressed the continued need for management within the prison to maintain a focus on delivering positive outcomes for prisoners.

The report included 39 recommendations and Magilligan Prison has developed an action plan to address them.

## Partnership Working

Partnership working between NIPS and the South Eastern Health and Social Care Trust (SEHSCT) has continued to embed. The two organisations have worked together to develop, agree and approve joint strategies in the areas of Suicide & Self-Harm Risk Management and Management of Substance Misuse in Custody. Implementation work has been taken forward, with all actions identified in the strategies having been addressed or initiatives planned to address any outstanding actions.

## Prisons 2020

In July 2017, Director General Ronnie Armour launched the discussion paper 'Prisons 2020: Driving continuous improvement in the Prison Service'. The paper highlighted the need for NIPS to build on the reform delivered in recent years and sought the views of staff, the public and other stakeholders on how NIPS should deliver rehabilitation in the future, across four strands: - 'Our People', 'Our Services', 'Our Infrastructure', and 'Our Partnerships'.

The engagement was very positive with almost 200 staff taking part from across all business areas. Prisoner discussion groups were also held and meetings took place with a range of key stakeholders including political parties, staff associations, service providers and prisoner families.

## Capital Estates Programme

The discussion paper 'Prisons 2020: Driving continuous improvement in the Prison Service' which launched in July 2017, recognised that it was timely to carry out a review of the NIPS Estate Strategy. The aim of the review was not to question the need for the infrastructure changes NIPS has already identified but rather to consider if other delivery models could be identified. This review was completed after the Prisons 2020 consultation period ended in September 2017. Stakeholders will now be consulted over the next few months on the alternative delivery plans for the five outstanding projects which were outlined in the NIPS Estate Strategy 2015. The outstanding projects include:

NIPS Establishment	Project
Maghaberry Prison	<ul style="list-style-type: none"> <li>- New Visits Facility</li> <li>- High Security Facility</li> </ul>
Magilligan	<ul style="list-style-type: none"> <li>- Redevelopment of Magilligan</li> <li>- Incoming Power to Magilligan</li> </ul>
Hydebank Wood College	<ul style="list-style-type: none"> <li>- New Facility for Women</li> </ul>

The Capital Estates Programme has continued to take forward the remaining elements of the NIPS Estates Strategy 2015 for which capital funding has been secured for a 360 Cell Accommodation Block.

This capital works project will deliver a new 360 Cell Accommodation Block at Maghaberry Prison. The development of this new accommodation block is progressing well. The work is on schedule for completion in late 2019 and spend to date is on target within the overall capital budget of £52.4m.

A large number of minor works, security and ICT projects were also completed during the financial year with a budget of £6.7m bringing the total allocated capital budget for 2017-18 to £24m.

## KEY PRIORITIES FOR 2018-19

### Prisons 2020

In 2017, the Director General launched the discussion paper 'Prisons 2020: Driving continuous improvement in the Prison Service'. This highlighted that NIPS should deliver rehabilitation across four strands: - 'Our People', 'Our Services', 'Our Infrastructure', and 'Our Partnerships'.

Work is now underway to develop detailed delivery plans to underpin each of the priorities identified, with clear milestones to be achieved. Once these have been developed further engagement will take place with key stakeholders.

Prisons 2020 will be the key strategy for ensuring continuous improvement in prisons in 2018-19 and beyond.

### Capital Estates Programme (CEP)

The CEP will continue to take forward the implementation of the NIPS Estates Strategy and also the alternative delivery models as identified through the outcomes from the Prisons 2020 Discussion Paper.

Some of the planned outcomes for the year ahead include:-

- completion of Outline Business Case 1 for the New Visits Facility at Maghaberry;
- completion of Outline Business Case 1 for the Redevelopment of Magilligan Prison;
- completion of Outline Business Case 1 for the New Facility for Women; and
- creation of exemplar designs for all of the Business Cases listed above.

## OBJECTIVES AND TARGETS FOR 2018-19

The draft Programme for Government (PfG) outlines the major societal outcomes the Executive is seeking to achieve and focuses on the need for significant changes in approach and behaviour if delivery is to be achieved.

The Department of Justice is leading on Outcome Seven:

*“We have a safe community where we respect the law and each other.”*

Underpinning Outcome Seven are three indicators, namely:

- Indicator 1 - Reduce Crime;
- Indicator 38 - Increase effectiveness of the Justice System; and
- Indicator 39 - Reduce Reoffending.

The Reducing Offending Directorate (ROD), which includes the NI Prison Service, is leading on Indicator 39: have a safe community where we respect the law, and each other. Central to the approach of the Department is a focus on ‘Problem Solving Justice.’

Our three prisons are very much communities within the community and therefore many of the other PfG indicators are applicable to those in our care. For example:

- Indicator 3 - Increase healthy life expectancy;
- Indicator 5 - Improve the quality of the healthcare experience;
- Indicator 6 - Improve mental health; and
- Indicator 11 - Improve educational outcomes.

In July 2017, Director General Ronnie Armour launched the discussion paper ‘Prisons 2020: Driving continuous improvement in the Prison Service’. The paper highlighted the need for NIPS to build on the reform delivered in recent years and sought the views of staff, the public and other stakeholders on how NIPS should deliver rehabilitation in the future, across four strands:

- Our People;
- Our Services;
- Our Infrastructure; and
- Our Partnerships.

The purpose of Prisons 2020 is to ensure NIPS is structured and resourced to provide an efficient, effective, modern and affordable service which is focused on the development of our staff and capable of rehabilitating people in our custody.

## PERFORMANCE ANALYSIS

### REVIEW OF PERFORMANCE 2017-18

#### Performance against Key Performance Targets

NIPS Business Plan for 2017-18, produced at the beginning of the year, set out five **key performance targets** (KPTs) to measure the Service's performance. These were developed in line with the NIPS Reform Programme and the intention is to continue to build on these measures.

Details of performance against each of the KPTs are set out in the table below:

Key performance targets	Comment	Year-end Status
Extend <b>restorative principles</b> to the adult justice system: <ul style="list-style-type: none"> <li>• complete a Feasibility Study into the viability of a Centre of Restorative Excellence; and</li> <li>• develop an adult restorative justice strategy.</li> </ul>	Final report on Feasibility Study received March 2018. Once formal sign-off is completed, the report will be published and its recommendations will be taken forward by the Department and the Tackling Paramilitarism Programme Board on a cross-departmental basis.  The Adult Strategy will be developed once the Feasibility Study is published as part of the implementation of agreed recommendations.	Partially met
Establish a strategic steering group encompassing Reducing Offending Directorate, Probation Board for Northern Ireland, NIPS and Youth Justice Agency to develop a programme of innovative work to reduce reoffending linked to the Programme for Government.	The Reducing Reoffending Strategic Outcomes Group has been established and met for the first time in May 2017. The Group meets every quarter.	Met
Commence delivery of ' <b>Improving Health</b> within Criminal Justice - a Joint strategy and Action Plan'.	The draft "Improving Health within Criminal Justice" Strategy and associated action plan remains unapproved due to the unresolved political situation. The steering group continues to meet periodically and work is ongoing to address actions identified in the action plan to ensure that key issues are progressed. This has resulted in the agreement of joint Suicide & Self-Harm Risk Management and Management of Substance Misuse in Custody strategies between NIPS and South Eastern Health and Social Care Trust (SEHSCT) and ongoing implementation of those strategies involving both organisations.	Met



Key performance targets	Comment	Year-end Status
<p>Implement a revised model for <b>learning and skills</b> in custody to enhance educational access and outcomes.</p>	<p>A revised model for the provision of learning and skills in custody was implemented on 3 May 2017. A Service Level Agreement was signed outsourcing Learning and Skills provision to Belfast Met at Hydebank Wood and Maghaberry and to North West Regional College at Magilligan. The purpose of outsourcing is to enable experts in education delivery to lead on the provision of learning and skills in the prison environment. This ensures that individuals are supported to improve their learning and skills while in custody, thereby increasing employability, supporting effective resettlement and reducing the risk of future reoffending.</p>	<p>Met</p>
<p>Develop a continuous improvement programme for the Prison Service with rehabilitation at its core by:</p> <ul style="list-style-type: none"> <li>• Developing a workforce planning model which is sustainable and enhances staff development and services;</li> <li>• Ensuring that Voluntary and Community Sector Services are aligned to pathways supporting resettlement and desistance from crime; and</li> <li>• A review of the prison infrastructure, including estates and technology.</li> </ul>	<p>The discussion paper 'Prisons 2020: Driving continuous improvement in the Prison Service' was launched in July 2017. It highlighted the need for NIPS to build on the reform delivered in recent years and sought the views of staff, the public and other stakeholders on how NIPS should deliver rehabilitation in the future, across four strands: - 'Our People', 'Our Services', 'Our Infrastructure', and 'Our Partnerships'.</p> <p>The engagement was very positive with almost 200 staff taking part from across all business areas. Prisoner discussion groups were also held and meetings took place with a range of key stakeholders including political parties, staff associations, service providers and prisoner families.</p> <p>Condition Surveys have been undertaken and a rolling asset upgrade programme has commenced to strengthen the resilience and effectiveness of energy and technology infrastructure across the estate.</p>	<p>Met</p>

## Financial Review

### Net Expenditure

The net expenditure of the Agency for 2017-18 is compared to the previous two financial years in the table below:

	2017-18 £000	2016-17 £000	2015-16 £000
<b>Total operating income</b>	<b>(2,732)</b>	<b>(2,559)</b>	<b>(2,636)</b>
Staff costs	61,705	61,639	71,373
Purchase of goods and services	30,785	28,831	29,736
Depreciation and impairment charges	11,186	22,792	12,822
Provision expense	1,738	4,970	5,059
Grants	1,188	1,218	1,168
<b>Total operating expenditure</b>	<b>106,602</b>	<b>119,450</b>	<b>120,158</b>
<b>Net operating expenditure</b>	<b>103,870</b>	<b>116,891</b>	<b>117,522</b>
Finance expense	(9)	(80)	(9)
<b>Net expenditure for the year</b>	<b>103,861</b>	<b>116,811</b>	<b>117,513</b>

### Non-Current Assets

Non-Current Asset expenditure movements are detailed in the notes to the financial statements. Capital expenditure in 2017-18 totalled £23.4m (2016-17: £16.4m).

There were notable improvements undertaken to the estate during the year with more than 60 projects having been undertaken. A sample of the projects undertaken are summarised below:

#### *Upgrades at Hydebank*

Significant improvements have been made to eight ablution areas within the two accommodation blocks. The refurbishment works include new resin floors, improved ventilation and floor drainage together with remodelling the internal layout to provide additional showering capacity. This raises the number of showers from 22 to 40 spaces.

A programme of improvements was concluded with the installation of new curtain walling to the classroom based training facilities at Hydebank. The new curtain walling will increase the thermal performance of the building and has enhanced the environment in which to deliver the training function.

***Upgrades at Maghaberry***

A new centralised booking office has been created within the Mourne House administration area to offer a co-ordinated approach for inmates and visitors to book official visits at any of the prison sites.

***Upgrades at Magilligan***

The rolling programme of work to upgrade the accommodation blocks has seen improvements to a further three wings within H1, H2 and H3. The upgrades provide new furniture, in-cell-sanitation, enhanced sprinkler provision and internal redecoration within 96 cells. Magilligan joinery shop manufactured and fitted the new cell furniture.

***Disability Discrimination Act (DDA) Upgrades at Maghaberry and Magilligan***

A number of adaptations have been made to existing buildings to provide universal access and improve toilet and showering facilities. The areas upgraded include the healthcare and Reach gardens at Maghaberry and accommodation within the Foyleview area at Magilligan.

**Financial Position**

The total net assets of the Agency at 31 March 2018 were £189.8m (2016-17: £175.0m).

**Cash Flow**

As detailed in the notes to the Accounts, the Agency's Net Assembly draw down in 2017-18 was £113.6m (2016-17: £113.2m) and the net decrease in Cash and cash equivalents in the year was £1.0m (2016-17: decrease £1.2m)

**Financial risk**

For 2017-18, the Agency relied primarily on the Department of Justice for funding and the risk to this funding is low.

The Agency accounts for all transactions in sterling and has no borrowings. As such, the Agency is not exposed to any exchange rate or liquidity risk.

### Cost per Prisoner Place

The target Cost per Prisoner Place is calculated by dividing Operating Expenditure (excluding non-standard costs) by the average total available places defined as Certified Normal Accommodation (CNA).

The actual Cost per Prisoner Place in Northern Ireland over 2017-18 was £55,304. This is below the target of £58,118. The operating expenditure relates to the resource expenditure outturn with non-standard cost items removed. These relate to the costs associated with movements in respect of provisions for employees leaving the service, Injury Benefits provision for payments due to former employees, impairments arising from the revaluation of NIPS fixed assets and the grant paid to the Prison Service Trust.

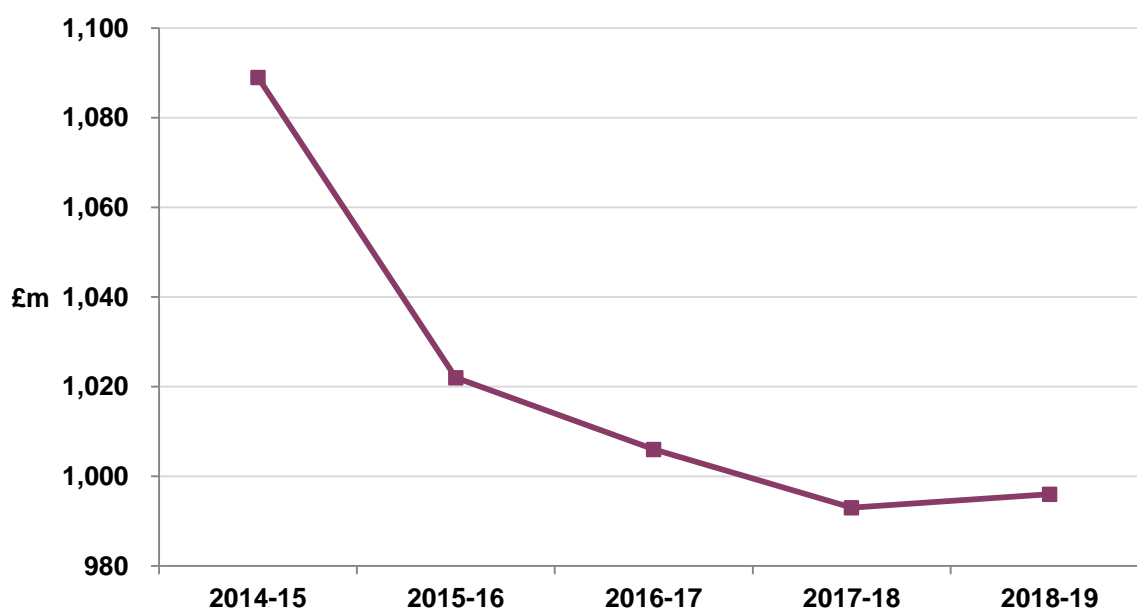
	2017-18	2016-17
Net Expenditure for the year (£000)	£103,861	£116,811
Non Standard Costs (£000)	<u>(£1,273)</u>	<u>(£14,588)</u>
Operating Expenditure (£000)	£102,588	£102,223
Prisoner Places (CNA)	1,855	1,914
<b>Cost per Prisoner Place (£)</b>	<b>£55,304</b>	<b>£53,408</b>
<b>Target Cost per Prisoner Place (£)</b>	<b>£58,118</b>	<b>£58,000</b>

### Long-term expenditure trends

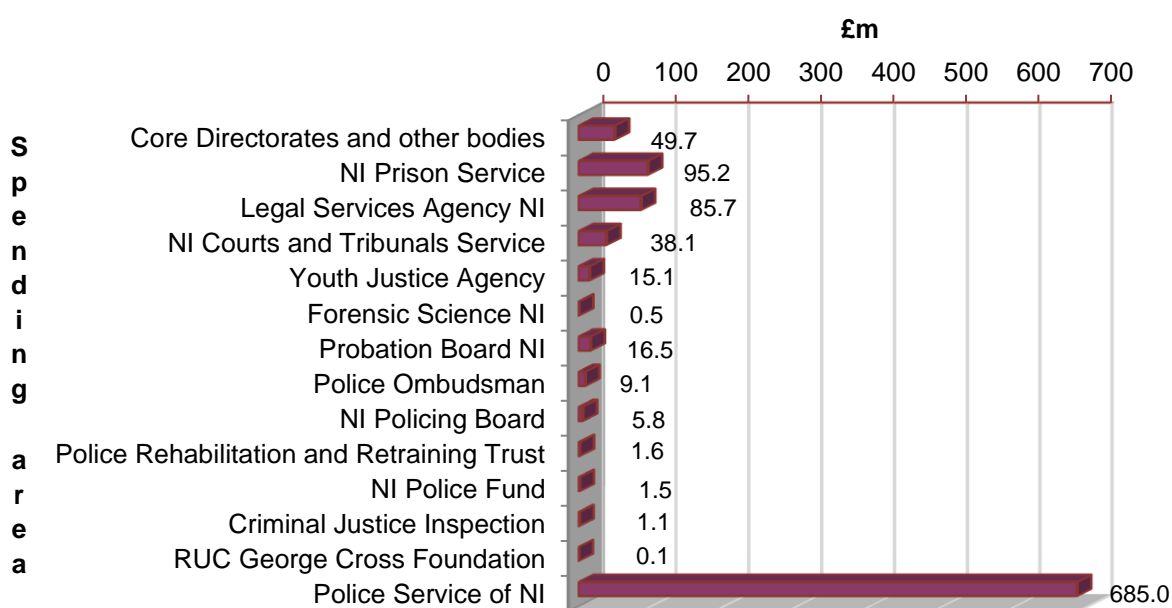
The charts below show:

- **Chart 1:** the movement in the Department of Justice non-ringfenced Resource DEL opening baseline over the period 2014-15 to 2018-19; and
- **Chart 2:** the 2018-19 non-ringfenced Resource DEL budget split by the Core Department, Executive Agencies (including the NI Prison Service) and Non-Departmental Public Bodies.

**Chart 1: DoJ Non-Ringfenced Resource DEL opening baselines**



**Chart 2: DoJ 2018-19 Non-Ringfenced Resource DEL opening budgets**



***2015-16 financial year***

In 2015-16, the DoJ ringfence was removed. The starting point for the Department's budget was a 15.1% cut against the 2014-15 baseline - a cut equivalent to £165m. The Executive then provided an allocation of £90m, equivalent to 8.3%. In total, PSNI received £65m of the £90m with the balance allocated to priority areas.

In setting opening 2015-16 budgets, the NI Prison Service budget fell by 8.1%, including an allocation of £300k from the NI Executive's Change Fund.

***2016-17 financial year***

The 2016-17 Budget outcome for the Department is summarised below:

- with the exception of PSNI, the starting point for all DoJ spending areas was a reduction of 5.7% from 2016-17 opening baselines;
- the reduction to the core PSNI budget was limited to 2%;
- £32m of additional security funding for the PSNI was provided from the 'Fresh Start' Agreement;
- in recognition of the ongoing pressures facing the Department in respect of legal aid, an allocation of £15m has been provided by the Executive; and
- additional Voluntary Exit Scheme (VES) funding of £12.4m was available.

Taking into account the above outcome, and in line with Ministerial priorities, the NI Prison Service budget reduced by 2.6% going into 2016-17, compared to the overall figure of 5.7% for the Core Department.

***2017-18 financial year***

In a statement to the House of Commons on 24 April 2017 the Secretary of State for Northern Ireland outlined an indicative Budget position for NI departments. This position was based on the advice of the Head of the NI Civil Service (NICS) in conjunction with the NICS Board. The purpose of this statement was to provide clarity to departments as to the basis for departmental allocations in the absence of an Executive, so that Permanent Secretaries could plan and prepare to take more detailed decisions in that light. The departmental allocations set out by the Secretary of State provided the basis on which departments could plan for 2017-18. The Department's budget was confirmed on 13 November 2017 when the Secretary of State announced a 2017-18 Northern Ireland budget.

The starting point for the Department of Justice's non-ringfenced Resource DEL budget was as follows:

- a 4% cut was applied to the opening budget;
- 25% of the PSNI budget was protected and had no % cut;
- £34m of additional security funding for the PSNI was provided from the 'Fresh Start' Agreement; and
- £20m was provided towards pressures identified by the Department.

In setting indicative 2017-18 budgets, the NI Prison Service indicative allocation was increased by the Department by 3.5%.

### ***2018-19 financial year***

The Secretary of State announced a Northern Ireland 2018-19 budget on 8 March 2018.

The starting point for the Department of Justice's non-ringfenced Resource DEL Budget was as follows:

- a 2% cut was applied to the opening budget;
- 25% of the PSNI budget was protected and had no % cut;
- £34m of additional security funding for the PSNI was provided from the 'Fresh Start' Agreement; and
- £20m was provided towards pressures identified by the Department.

In 2018-19 the NI Prison Service budget had no % cut.

### **Auditors**

The financial statements are audited by the Comptroller and Auditor General (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. The C&AG is head of the Northern Ireland Audit Office (NIAO) and reports his findings to the Assembly. The C&AG and his staff are wholly independent of the Agency.

The notional audit fee for the work performed by the staff of the C&AG during the reporting period, and which relates solely to the audit of these Financial Statements, was £32,000 (2016-17: £32,000).

The C&AG may also undertake other statutory activities that are not related to the audit of the Service's Financial Statements such as Value for Money reports. No such activity took place during the year.

## **Payment of Suppliers**

The Agency's policy is to pay bills from all suppliers within 10 working days following receipt of a properly rendered invoice or in accordance with contractual conditions, whichever is the earlier.

The Agency has achieved 94% (2016-17: 96%) of payments to suppliers within 30 days and 89% (2016-17: 90%) of payments to suppliers within 10 working days following receipt of a properly rendered invoice. The Service is committed to prompt payment within 10 days.

## **Human Rights**

NIPS staff have a statutory duty to respect, protect and fulfil people's human rights when delivering services. The Northern Ireland Human Rights Commission (NIHRC) interactive guide to Human Rights is available to NIPS staff to ensure they have knowledge of human rights law and standards and the core principles through which human rights are realised. The training is designed to increase human rights knowledge and strengthen the culture of human rights awareness and good practice within NIPS.

## **Anti-corruption and Anti-bribery**

NIPS is committed to the values of probity and accountability which foster a positive organisational culture. It is also committed to the elimination of any fraud within the NIPS, to the rigorous investigation of any prima facie case, and, where fraud or other criminal acts are proven, to ensure that wrongdoers are dealt with appropriately. NIPS will take proportionate steps to recover any assets lost as a result of fraud, corruption or theft. NIPS has a zero tolerance approach towards acts of bribery and corruption by staff, associated persons and organisations.



## Energy/Environmental Management

NIPS is committed to ensuring that environmentally and cost efficient services are applied across its operations and through its supply chain. During the course of the previous financial year improvements to energy management resulted in an overall reduction in carbon emissions of 3.5%. Electricity consumption was reduced by 1% and the use of fossil fuels fell by 7%.

Our aim is to realise potential opportunities for sustainable development through procurement and logistics and to deliver sustainable value. NIPS continues to manage and support environmental commitments through a variety of sources:

Area	Comment
Heating Infrastructure	<p>In order to improve infrastructure resilience and support ongoing energy improvements, two programmes of work were delivered during the year.</p> <p>Firstly, the rolling plantroom upgrade programme commenced at Magherry, Hydebank and Magilligan. This saw six plantrooms upgraded during summer 2017. The annual summer programme is planned to continue over the next number of years in order to improve the resilience of heating systems and support the reduction of energy consumption across the entire estate.</p> <p>Secondly, the main boiler replacement programme - which has spanned the past two years - was completed during summer 2017. This has now replaced the main boiler plant serving the district heating systems at Magherry and Hydebank over the preceding two summers.</p>
LED Lighting Programme	A rolling programme of LED lighting replacements was continued during the year. These have targeted both external and internal lighting and schemes in order to reduce energy consumption and maintenance costs.
Monitoring and Targeting System	<p>The system continues to be actively used to monitor and track energy and water consumption and is invaluable in:</p> <ul style="list-style-type: none"> <li>• quickly identifying any unusual patterns of energy or water use, which allows NIPS to proactively manage and minimise consumption; and</li> <li>• evidencing where to target improvements to improve the use of energy.</li> </ul>
Sustainable Procurement	NIPS has maintained its Fairtrade status and promotes sustainable procurement.
Recycling	NIPS continues to support recycling initiatives and during the year a new enlarged recycling facility was created at Magherry. This has increased the recycling rates (paper, plastics, cardboard, metal, wood) and significantly reduced the waste sent to landfill.
Environmental	NIPS continues to manage the Estate to create and enhance wildlife habitats including managing the Area of Special Scientific Interest (ASSI) at Magherry, established with RSPB and the NI Environment Agency, to support one of the largest breeding colonies of lapwings in the UK and Ireland.

**PERFORMANCE REPORT**

A handwritten signature in black ink, appearing to read 'Ronnie Armour', with a horizontal line underneath it.

**Ronnie Armour**  
**Accounting Officer**  
**15 June 2018**

## **ACCOUNTABILITY REPORT**

The Accountability section of the Annual Report outlines how the Agency meets its key accountability requirements to the Assembly and ensures best practice with corporate governance norms and codes. The three sub-sections within the Accountability Report are outlined below.

### **i - Corporate Governance Report**

The purpose of this section is to explain the composition and organisation of the Agency's governance structures and how they support the achievement of its objectives.

As a minimum, the corporate governance report must include:

- Directors' Report;
- Statement of Accounting Officer's responsibilities; and
- Governance Statement.

### **ii - Remuneration and Staff Report**

This section sets out the Agency's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors as salary and pension entitlements.

In addition the report provides information relating to remuneration and staff that the Assembly and other users see as key to accountability.

### **iii - Assembly Accountability and Audit Report**

This section brings together the key Assembly accountability documents within the Annual Report and Accounts. It comprises:

- regularity of expenditure;
- Assembly accountability disclosures; and
- Certificate and Report of the Comptroller and Auditor General to the Assembly.

## **CORPORATE GOVERNANCE REPORT**

### **DIRECTORS' REPORT**

#### **Management Board**

NIPS is headed by the Director General who is supported by a Management Board consisting of two Executive Directors, two Non-Executive Directors (increased from one following the end of his term on 31 October 2017) and the Head of Strategy and Governance.

The Service's Management Board is responsible for the strategic and business management of the Agency's operations. At 31 March 2018, the Management Board was as follows:

- Ronnie Armour - Director General;
- Austin Treacy - acting Director of Prisons;
- Louise Cooper - acting Director of Rehabilitation;
- Brendan Giffen - Head of Strategy and Governance;
- Dale Ashford - Non-Executive Director; and
- Claire Keatinge - Non-Executive Director.

Appointments to the Management Board (except for the Non-Executive Directors) are made in accordance with the Civil Service Commission's general regulations. Details of the salary and benefits of the Management Board members are disclosed in the Remuneration Report.

#### **Register of Interests**

A register of interests is maintained by the Service and no significant interests are currently held by Board Members which may conflict with their management responsibilities.

#### **Reportable Loss of Data**

There were no reportable losses of data during 2017-18.

#### **Complaints Procedure**

When appropriate, the Service follows Departmental procedures in respect of complaints made by members of the general public. During 2017-18 there was one complaint raised through Departmental procedures. Complaints made by prisoners and their families are initially dealt with internally but, if required, may be escalated to the Prisoner Ombudsman.

## Whistleblowing

The DoJ Whistleblowing policy, which includes the Service, is designed to reassure staff that it is safe and acceptable to speak up should they have a concern about malpractice. The procedures provide arrangements in order that concerns can be addressed at an early stage and in a fair and proper way. The Head of Internal Audit is a named contact in the policy and is involved in conducting independent investigations into issues raised under the policy.

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance (DoF) has directed the NIPS 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 NIPS and of its income and expenditure, changes in taxpayer's equity 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 DoF, 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 financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer for the Department of Justice has designated the Director General as Accounting Officer for the year of account.

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 NIPS' assets, are set out in the Accounting Officer's Memorandum, issued by DoF and published in Managing Public Money Northern Ireland.

The Accounting Officer is required to confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

As far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditors are unaware and the Accounting Officer has taken all the steps that ought to have been taken to be aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

## **GOVERNANCE STATEMENT**

### **Introduction and Scope of Responsibility**

The Northern Ireland Prison Service (NIPS), an Executive Agency of the Department of Justice (DoJ), complies with Managing Public Money NI (MPMNI) and, as Designated Accounting Officer for NIPS, I have prepared this Governance Statement in line with the requirements set out in Annex 3.1 of MPMNI.

In addition to my role as Accounting Officer and Director General for NIPS, I hold the role of Director, Reducing Offending. Reducing Offending Directorate, created in September 2014, is one of the four Directorates within core DoJ, and has a sponsorship role for both NIPS and the Youth Justice Agency. I am a member of the DoJ Board, held to account by the Departmental Accounting Officer (Chair of the Departmental Board), which takes the form of regular reports to the Department, as well as regular bi-lateral discussions with the Departmental Accounting Officer.

### **Corporate Governance Framework**

The Corporate Governance framework (the 'Framework') and the Prison Service Management Board supports me in my role as Designated Accounting Officer. The Framework provides detail on NIPS approach to ensure the proper and effective governance and management of its affairs, outlining NIPS governance and accountability arrangements, both external and internal. A copy of the Framework can be accessed on NIPS website under Publications/Corporate Documents.

During 2017-18 NIPS complied with the Corporate Governance Code. The key organisational structures which support the delivery of effective governance are the:

- Prison Service Management Board;
- Audit and Risk Committee;
- Operational Management Board; and
- Finance Committee.

### **Review of Effectiveness of the Framework**

NIPS has recently reviewed its framework and is satisfied it has a robust framework that is compliant with relevant guidance issued by DoF.

### **Ministerial Directions**

No Ministerial Directions were given to NIPS during this year.

### Prison Service Management Board (PSMB)

PSMB brings together the strategic and operational leadership of NIPS. The Board is chaired by the Director General and consists of two Non-Executive Directors. It is the top management structure in NIPS and its main role is to provide advice to the Director General; lead on the development and implementation of policy and strategy; challenge decisions made by the Executive Team; monitor NIPS performance and to provide overall assurance to the Director General on NIPS affairs.

The Board works to a scheduled Forward Work Programme with key items scheduled monthly and recurring issues scheduled on a quarterly basis. A feature of the Board is its focus on exception reporting and monthly 'progress and challenge' reports from Executive Directors, each of which highlights quickly and efficiently the key issues from the previous month, allowing the Board to focus their attention on the key issues and request further information on topics of concern. The information received is considered to be of a high standard and allows the Board to be kept informed of any issues that it needs to be aware of support decision making and drive improvement. The Board provides an effective challenge function for the senior team. It reviews performance, governance and risk with independent members providing challenge and guidance when required.

PSMB met on eight occasions during 2017-18; attendance by members is shown in the table below:-

Member	Attendance	Membership changes in 2017-18
Director General - Ronnie Armour	8	
Director of Prisons - Phil Wragg	3	Left on 5 July 2017
Acting Director of Prisons - Austin Treacy	3	Appointed on 3 July 2017
Acting Director of Rehabilitation - Louise Cooper	7	
Head of Strategy and Governance - Brendan Giffen	7	
Non-Executive Director - Paul Leighton	5	Left on 31 October 2017
Non-Executive Director - Dale Ashford	3	Appointed on 1 November 2017
Non-Executive Director - Claire Keatinge	2	Appointed on 1 November 2017



Among matters considered by the Board during 2017-18 were:

- strategic and business planning;
- performance;
- financial planning and management, with particular regard to budget pressures; and
- human resource management, including staffing levels and sickness absence.

### ***Conflicts of Interest***

There are two mechanisms in place to monitor the potential conflicts of interest of NIPS Board Members:

- Note 21 to the 2017-18 Accounts details Related Party Transactions; and
- Board Members are asked to declare any potential conflicts of interest to items on the agenda at the start of each PSMB and ARC meeting.

No conflicts of interest were declared in the 2017-18 year, and therefore no action was necessary.

### **Audit and Risk Committee (ARC)**

ARC is appointed by the Board and its members are two of the Non-Executive Directors, Dale Ashford and Claire Keatinge replacing Paul Leighton in November 2017 and an Independent Board Member Olwen Laird with attendees from relevant NIPS business areas as required. Its primary function is to test and challenge the assurances which the Board and the Accounting Officer have identified as meeting their needs, the way in which these assurances are developed and the management priorities and approaches on which the assurances are premised. In addition, ARC ensures that recommendations are implemented by reviewing the actions taken by management in response to the Northern Ireland Audit Office's 'Report to Those Charged with Governance'.

ARC met four times during 2017-18; attendance by members is shown in the table below.

<b>Member</b>	<b>Attendance</b>
Non-Executive Director - Paul Leighton (Chair)	3
Non-Executive Director - Dale Ashford (Chair)	1
Non-Executive Director - Claire Keatinge	1
Independent Board Member - Olwen Laird	4

Key matters considered during 2017-18 included:

- review of the Corporate Risk Register;
- review of the NIPS fraud log and external consultants register;
- updates on Gateway Reviews; and
- updates from Internal Audit and the NIAO.

A review of ARC effectiveness is carried out on an annual basis through a short questionnaire to members.

### Operational Management Board (OMB)

The Operational Management Board provides the governance mechanism to ensure that the operational responsibilities of NIPS are effectively delivered, and that implementation and delivery remains effectively aligned to the overarching corporate vision, priorities, values and behaviours.

OMB met on 12 occasions during 2017-18; attendance by members is shown in the table below.

Member	Attendance
Director/Acting Director of Prisons (Chair)	11
Governor, Maghaberry	12
Governor, Magilligan	12
Governor, Hydebank Wood	12
Head of Prisoner Escorting and Court Custody Services (PECCS)	12
Acting Director of Rehabilitation	9
Head of Licensing and Legislation	10
Head of Security	6
Head of Strategy and Governance	7

## Finance Committee

The Finance Committee is an Executive Committee chaired by the Director General and supported by the Financial Services Division (FSD) of the DoJ. Its purpose is to discuss and scrutinise key strategic finance plans and financial issues impacting on NIPS. Among the matters considered by the Committee during 2017-18 were:

- review of in-year financial position;
- challenge and quality assure business issues with financial consequences;
- scrutinise strategic financial plans in the face of financial and operational difficulties and to test the robustness of those plans and proposals with shared service partners from FSD;
- review and challenge capital proposals and priorities and agree adjustments as necessary within affordability constraints;
- oversee progress on finance projects which are of significant strategic importance and which impact on NIPS ability to meet its targets; and
- the improvement of financial planning, monitoring and reporting within NIPS.

During 2017-18 the Finance Committee met eight times and dealt with business by correspondence once. Members attended as follows:

Member	Attendance
Director General	8
Director/Acting Director of Prisons	5
Acting Director of Rehabilitation	6
Head of Strategy and Governance	7

### **Other Governance Arrangements - Internal Audit**

Internal Audit reviewed five key areas throughout the year including the Central Detailing Office, Procurement and Contract Management and Fine, Bail and Offender Levy Monies. In the Head of Internal Audit's Annual Report and Opinion for 2017-18 she has given NIPS an overall opinion rating of Satisfactory. Of the five audits completed, four received satisfactory assurances and one area received a limited assurance. There were three Priority 1 recommendations made to NIPS and several Priority 2 and 3 recommendations which have all been accepted. The Priority 1 recommendations relate to the audit of Central Detailing Units and Internal Audit raised concerns in relation to the working of conditioned hours in accordance with shift patterns and the number of shifts in operation. These recommendations are being taken forward by the NIPS Management Team and Internal Audit will review progress on the implementation of these recommendations during 2018-19.

From the beginning of the 2017-18 year, a single NICS Internal Audit team has been established within the Department of Finance and this incorporates the DoJ Internal Audit team. The Internal Audit service to the DoJ will continue to be provided as before with the same personnel and to the same professional standards.

### **Other Governance Arrangements - External**

There are a number of external bodies which provide assurance to the Board, including:

- Criminal Justice Inspection Northern Ireland (CJINI) - an independent statutory Inspectorate with responsibility for inspecting all aspects of the Criminal Justice system in Northern Ireland, apart from the judiciary;
- Prisoner Ombudsman - investigates complaints from prisoners, deaths in NIPS custody and complaints from visitors to prisoners;
- Her Majesty's Inspectorate of Prisons - independent scrutiny of the conditions for and treatment of prisoners and promoting the concept of 'healthy prisons' in which staff work effectively to support prisoners and detainees to reduce reoffending or achieve other agreed outcomes;
- Independent Monitoring Board - independent members monitor the day to day life in prison and ensure that proper standards of care and decency are maintained; and
- Northern Ireland Audit Office - responsible for the issue of money from central government funds to Northern Ireland Departments and financial value for money audit of central government bodies in Northern Ireland.

## **Risk Management and Internal Control**

Risk management forms a central element of the NIPS internal control framework and is also embedded within the business planning process.

NIPS Corporate Risk Register 2017-18 consisted of seven risks, which were assessed, addressed and reviewed by PSMB on a quarterly basis. Underpinning this, each Establishment and Branch had their own 2017-18 risk register, continually reviewed and formally updated quarterly. Risks are managed locally to a level appropriate to their authority and duties, with the most serious being escalated to PSMB.

NIPS is content the methods in place to monitor risk have proved effective in identifying risks as they arise, quickly and efficiently.

## **SIGNIFICANT INTERNAL CONTROL ISSUES**

### **Abscond from Staff at Hospital - September 2017**

On 24 September 2017 a 40 year old prisoner from Magilligan Prison absconded from staff whilst attending the Causeway Hospital in Coleraine for treatment. The prisoner was subsequently re-captured by police on 25 September and returned to prison custody.

## **ACCOUNTING OFFICER STATEMENT ON ASSURANCE**

NIPS has established a robust assurance framework that includes primary assurance through line management structures on the achievement of objectives. This primary assurance is supplemented by secondary assurances through oversight of management activity, and by the DoJ Internal Audit team operating to Government Internal Audit Standards, who deliver an agreed prioritised programme of systems based audits. The Acting Head of Internal Audit provides NIPS with an Annual Report and her professional opinion on the level of assurance that she can provide based on the work carried out, completed over a three year period. For 2017-18, she has provided an overall satisfactory assurance.

## **REMUNERATION AND STAFF REPORT**

### **REMUNERATION REPORT**

#### **Remuneration Policy**

The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have eight pay points) to allow progression through the pay scales within a reasonable period of time.

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the DoF Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17.

#### **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. 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 [www.nicscommissioners.org](http://www.nicscommissioners.org)

The remuneration of the Non-Executive Directors was determined by the Director General, taking account of guidance issued by The Executive Office on the appointment of independent Non-Executive Directors.

Dale Ashford and Claire Keatinge were appointed as Non-Executive Directors on 1 November 2017 for a period of three years, renewable by agreement.

Olwen Laird became an Independent Member of the Audit and Risk Committee on 1 June 2015 on a three year appointment, which has been extended by a further year.

## Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the senior management of the Agency.

### Single total figure of remuneration

*[Audited information]*

2017-18				
Board Member	Salary and allowances £000	Benefits in Kind (to nearest £100)	Pension Benefits £000*	Total £000
<b>Ronnie Armour</b> Director General	85-90	-	151	240-245
<b>Phil Wragg</b> Director of Prisons (until 5 July 2017)	25-30 (full year equivalent 90-95)	-	(4)	20-25
<b>Austin Treacy</b> Acting Director of Prisons (from 3 July 2017)	55-60 (full year equivalent 75-80)	-	5	60-65
<b>Louise Cooper</b> Acting Director of Rehabilitation	70-75	-	155	225-230
<b>Brendan Giffen</b> Head of Strategy and Governance	55-60	-	17	70-75
<b>Paul Leighton CBE</b> Non-Executive Director (until 17 October 2017)	0-5 (full year equivalent 10-15)	-	-	0-5
<b>Dale Ashford</b> Non-Executive Director (from 1 November 2017)	5-10 (full year equivalent 10-15)	-	-	5-10
<b>Claire Keatinge</b> Non-Executive Director (from 1 November 2017)	5-10 (full year equivalent 10-15)	900	-	5-10

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

[Audited information]

2016-17				
Board Member	Salary and allowances £000	Benefits in Kind (to nearest £100)	Pension Benefits £000*	Total £000
<b>Ronnie Armour</b> Director General (from 1 February 2017)	10-15 (full year equivalent 85-90)	-	33	45-50
<b>Sue McAllister</b> Director General (until 29 October 2016)	55-60 (full year equivalent 100-105)	10,200	(2)	65-70
<b>Brian McCaughey</b> Director of Rehabilitation (until 31 December 2016)	70-75 (full year equivalent 95-100)	900	14	85-90
<b>Phil Wragg</b> Director of Prisons	95-100	-	47	140-145
<b>Stephen Davis</b> Director of Policy and Service Delivery (until 4 July 2016)	20-25 (full year equivalent 75-80)	-	(17)	0-5
<b>Louise Cooper</b> Acting Director of Rehabilitation (from 1 January 2017)	10-15 (full year equivalent 55-60)	-	6	20-25
<b>Brendan Giffen</b> Head of Strategy and Governance	55-60	-	37	90-95
<b>Phil Wheatley CB</b> Non-Executive Director (until 31 December 2016)	5-10 (full year equivalent 5-10)	600	-	5-10
<b>Paul Leighton CBE</b> Non-Executive Director	10-15	-	-	10-15

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



## Salary

'Salary' includes 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 and any gratia payments.

## 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 net benefits in kind shown above are in respect of expenses, on which the tax payable is met by the Department.

## Fair pay disclosure

*[Audited information]*

	2017-18	2016-17
Band of highest paid director's total remuneration*	£85-90,000	£95-100,000
Median total remuneration*	£23,785	£24,610
Ratio	3.68	3.96

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

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in NIPS in the financial year 2017-18 was £85-£90,000 (2016-17: £95-100,000). This was 3.68 times (2016-17: 3.96 times) the median remuneration of the workforce, which was £23,785 (2016-17: £24,610). In 2016-17, no employees (2016-17: None) received remuneration in excess of the highest paid Director. Remuneration ranged from £11,000 to £85-90,000 (2016-17: £12,500 to £95-100,000).

**Pension Benefits***[Audited information]*

<b>Board Member</b>	<b>Accrued pension at pension age as at 31/3/18 and related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/3/18 or date of leaving</b>	<b>CETV at 31/3/17 or date of joining*</b>	<b>Real increase in CETV</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Ronnie Armour</b> Director General	40-45 plus lump sum 105-110	5-7.5 plus lump sum 15-17.5	745	591	115
<b>Phil Wragg</b> Director of Prisons (until 5 July 2017)	30-35 plus lump sum 95-100	0 plus lump sum 0	652	652	(6)
<b>Austin Treacy</b> Acting Director of Prisons (from 3 July 2017)	40-45 plus lump sum 125-130	0-2.5 plus lump sum 0-2.5	926	914	4
<b>Louise Cooper</b> Acting Director of Rehabilitation	10-15	7.5-10	107	10	91
<b>Brendan Giffen</b> Head of Strategy and Governance	15-20 plus lump sum 35-40	0-2.5 plus lump sum 0	251	229	5

\* Where additional information becomes available CETVs can change from the previously reported figures.

No pension benefits are provided to the Non-Executive Directors.

## Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP).

The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

New entrants joining can choose between membership of alpha or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2017 was 3% and HM Treasury has announced that public service pensions will be increased accordingly from April 2018.

Employee contribution rates for all members for the period covering 1 April 2018 to 31 March 2019 are as follows:

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates - Classic members or classic members who have moved to alpha	Contribution rates - All other members
From	To		
£0	£15,000.99	4.60%	4.60%
£15,001.00	£21,636.99	4.60%	4.60%
£21,637.00	£51,515.99	5.45%	5.45%
£51,516.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

Benefits in classic 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. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>.

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

### **Pension Liabilities**

The treatment of pension costs and liabilities is disclosed in Note 1.9 to the Accounts.

### **Compensation on early retirement or for loss of office**

There were no compensation benefits paid by the Agency to any senior staff members during the financial year (2016-17: £Nil).

### **Payments to past directors**

There were no payments by the Agency to past directors during the financial year (2016-17: £Nil).

## STAFF REPORT

### Staff Costs

*[Audited information]*

			2017-18	2016-17
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	47,463	98	47,561	47,434
Social security costs	4,910	1	4,911	4,833
Other pension costs	9,233	-	9,233	9,372
<b>Total costs</b>	<b>61,606</b>	<b>99</b>	<b>61,705</b>	<b>61,639</b>

### Pensions

The Northern Ireland Civil Service pension schemes are unfunded multi-employer defined benefit schemes but NIPS is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2018.

For 2017-18, employers' contributions of £9,195,645 were payable to the NICS pension arrangements (2016-17: £9,360,680) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2018-19, the rates will also range from 20.8% to 26.3% however the salary bands differ. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £13,240 (2016-17: £11,731) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2016-17: 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £527, 0.5% (2016-17: £523, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £Nil. Contributions prepaid at that date were £Nil.

### Ill-health Retirement

44 persons (2016-17: 59 persons) retired early on ill health grounds; the total accrued pension liabilities in the year amounted to £58,454 (2016-17: £126,225).

### Average number of persons employed

*[Audited information]*

The average number of whole-time equivalent persons employed during the year was as follows:

			2017-18	2016-17
	Permanently employed staff	Others	Total	Total
Administration staff	114	-	114	98
Operational staff	1,342	4	1,346	1,351
Staff engaged on capital projects	1	-	1	1
<b>Total number of staff</b>	<b>1,457</b>	<b>4</b>	<b>1,461</b>	<b>1,450</b>

### Staff Composition

The table below provides a gender breakdown of all operational and non-operational staff at 31 March 2018:

	Female staff	Male staff	Total staff
Prison Service Management Board	2	4	6
Senior Civil Service	1	2	3
Staff	539	944	1,483

## **Management of Sickness Absence**

The Northern Ireland Civil Service (NICS) HR Handbook contains a section on Inefficiency Sickness Absence which provides a framework for the management of sickness absence. Long term sickness absence (absences of 20 working days or more) accounts for the majority of sickness absence in NIPS. All reasonable action is taken to support staff to achieve a return to work at the earliest possible time and to support their colleagues who are providing service delivery in their absence.

Sickness absence levels across NIPS continues to be high and the provisional figures supplied by Northern Ireland Statistics and Research Agency for 2017-18 indicate that this was 19.7 days per employee, a slight increase on the previous year (2016-17: 18.8 days). This, although disappointing, is still less than the 2015-16 figure of 21.0 days. This level of absence has had a significant impact on the prisons, particularly at Magilligan, Hydebank College and PECCS. Sickness absence management has been and continues to be proactively addressed by the NICS Employee Relations Team in partnership with Governors. This has produced some positive results, although this remains a challenging issue.

## **Occupational Support**

Occupational Support for NIPS staff is provided by the centralised Welfare Support Service in DoF. NIPS staff have access to a team of dedicated welfare officers and continue to receive an independent and confidential service as before.

## **STAFF POLICIES**

### **Employment for Disabled Persons**

The Agency aims to ensure that people with a disability suffer no detriment in recruitment and advancement and that its policies and practices comply with the requirements of the Disability Discrimination Act 1995 and amendments made under the Act. The consideration and implementation of reasonable adjustments help to ensure that staff with disabilities can fully utilise their skills and abilities.

### **Equality and Diversity**

NIPS has recently appointed an Equality & Diversity Coordinator at headquarters to act as the liaison and point of contact between the Service, Equality Commission NI and CJINI and to ensure consistency of approach around policy development and Equality Screening and Consultation. Training has been provided to senior members of staff by the Equality Commission NI on S75 and the screening process. The Coordinator has represented NIPS at number of events recently including the Northern Ireland Human Rights Commission launch of the 'Let's Talk About Rights and Religion' animation, DOJ Hate Crime Delivery Group and Dept. of Infrastructure event on the Ageing Population in NI.

Equality and Diversity training is also provided to all new recruits as part of their induction training. This training encompasses best practice and knowledge established through a number of recent case studies. Training is also provided to



the NIPS Equality and Diversity Co-ordinators, Senior Officers and Prisoner Representatives.

### **Career Development**

NIPS is committed to career development, acknowledging that skilled and engaged staff are an essential resource in meeting current and future business needs. It is NIPS policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work.

### **Staff Information**

Senior leaders regularly visit each prison as part of engagement with a cross section of staff. The staff intranet continues to be available to all, including operational staff on the landings, and was further developed as part of the wider NICS work. This is in addition to the normal day to day engagement between managers and staff.

Formal Whitley structures facilitate communication between staff and their representatives, the meetings are:

- local Whitley meetings in each establishment chaired by the Governor;
- quarterly Headquarters meetings chaired by a Grade 6;
- six monthly meetings chaired by the Director of Prisons; and
- annual Whitley Council chaired by the Director General of NIPS.

There is also informal engagement with both trade unions and staff via a range of communication and engagement strategies, which facilitate staff engagement with senior management.

### **Expenditure on consultancy**

NIPS incurred no expenditure on consultancy during 2017-18 (2016-17: £Nil).

### **Off-Payroll Engagements**

NIPS had no “off-payroll” engagements during this financial year that exceeded £58,200.

### **Reporting of Civil Service and other compensation schemes - exit packages**

*[Audited information]*

No compulsory redundancies or other exit packages have been agreed in 2017-18 (2016-17: £Nil)

Ill-health retirement costs are met by the pension scheme and detailed above.

## **ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT**

### **ASSEMBLY ACCOUNTABILITY DISCLOSURES**

#### **Regularity of expenditure**

*[Audited information]*

#### **Losses**

The total value of losses did not exceed £250,000 and therefore no disclosure is required.

#### **Special Payments**

Included in the provision note (Note 17) are special payments. Amounts utilised during the year included 404 compensation payments (2016-17: 845) totalling £3,025,344 (2016-17: £3,503,709).

#### **Remote Contingent Liabilities**

There were no contingent liabilities requiring disclosure under Assembly reporting requirements. The Agency had no significant remote contingent liabilities during 2017-18 that require disclosure. Note 20 provides further details regarding the contingent liabilities that are included within the financial statements.

## **ACCOUNTABILITY REPORT**



**Ronnie Armour**  
**Accounting Officer**  
**15 June 2018**

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

### Opinion on financial statements

I certify that I have audited the financial statements of the Northern Ireland Prison Service for the year ended 31 March 2018 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the 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 Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Northern Ireland Prison Service's affairs as at 31 March 2018 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

### 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 the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Northern Ireland Prison Service in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

## Other Information

The Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

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

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

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

### **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
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; 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 the Department of Finance's guidance.

### **Report**

I have no observations to make on these financial statements.



*KJ Donnelly*  
*Comptroller and Auditor General*  
*Northern Ireland Audit Office*  
*106 University Street*  
*Belfast*  
*BT7 1EU*

*22 June 2018*

**FINANCIAL STATEMENTS****Statement of Comprehensive Net Expenditure****For the year ended 31 March 2018**

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2017-18 £000	2016-17 £000
Income from sale of goods and services	3	(2,462)	(2,445)
Other operating income	3	(270)	(114)
<b>Total operating income</b>		<b>(2,732)</b>	<b>(2,559)</b>
Staff costs	3	61,705	61,639
Purchase of goods and services	3	30,785	28,831
Depreciation and impairment charges	3	11,186	22,792
Provision expense	3	1,738	4,970
Grants	3	1,188	1,218
<b>Total operating expenditure</b>		<b>106,602</b>	<b>119,450</b>
<b>Net operating expenditure</b>		<b>103,870</b>	<b>116,891</b>
Finance expense	3	(9)	(80)
<b>Net expenditure for the year</b>		<b>103,861</b>	<b>116,811</b>
<b>Other comprehensive net expenditure</b>			
Items that will not be reclassified to Net operating expenditure:			
- Net (gain)/loss on revaluation of property, plant and equipment	8	(14,212)	4,420
- Net (gain)/loss on revaluation of intangibles	9	(57)	(68)
- Actuarial (gain)/loss on provisions	17	12,940	11,600
<b>Comprehensive net expenditure for the year</b>		<b>102,532</b>	<b>132,763</b>

The notes on pages 52 to 79 form part of these Accounts.

## Statement of Financial Position

As at 31 March 2018

This statement presents the financial position of NIPS. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	2018 £000	2017 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	259,392	233,590
Intangible assets	9	1,787	2,964
Trade and other receivables	15	-	2
Financial assets	11	22	29
<b>Total non-current assets</b>		<b>261,201</b>	<b>236,585</b>
<b>Current assets</b>			
Assets classified for resale	10	1,700	-
Inventories	13	928	1,065
Trade and other receivables	15	1,613	1,479
Financial assets	11	17	62
Cash and cash equivalents	14	36	43
<b>Total current assets</b>		<b>4,294</b>	<b>2,649</b>
<b>Total assets</b>		<b>265,495</b>	<b>239,234</b>
<b>Current liabilities</b>			
Cash and cash equivalents	14	(2,807)	(1,832)
Trade and other payables	16	(20,410)	(16,862)
Provisions	17	(8,392)	(10,898)
<b>Total current liabilities</b>		<b>(31,609)</b>	<b>(29,592)</b>
<b>Total assets less current liabilities</b>		<b>233,886</b>	<b>209,642</b>
<b>Non-current liabilities</b>			
Provisions	17	(44,045)	(34,660)
Other payables	16	-	(2)
<b>Total non-current liabilities</b>		<b>(44,045)</b>	<b>(34,662)</b>
<b>Total assets less total liabilities</b>		<b>189,841</b>	<b>174,980</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		113,370	108,966
Revaluation reserve		76,471	66,014
<b>Total equity</b>		<b>189,841</b>	<b>174,980</b>



**Ronnie Armour**  
Accounting Officer

15 June 2018

The notes on pages 52 to 79 form part of these Accounts.

## Statement of Cash Flows

### For the year ended 31 March 2018

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Agency during the reporting period. The statement shows how the Agency generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Agency. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Agency's future public service delivery.

	Note	2017-18 £000	2016-17 £000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(103,861)	(116,811)
Adjustments for non-cash transactions	4	16,963	31,764
(Increase)/decrease in trade and other receivables	15	(132)	(864)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	15	(36)	29
(Increase)/decrease in inventories	13	137	60
Increase/(decrease) in trade and other payables	16	3,546	(3,315)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	16	1,575	(4,259)
Use of provisions	17	(7,799)	(9,041)
<b>Net cash outflow from operating activities</b>		<b>(89,607)</b>	<b>(102,437)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(24,644)	(11,978)
Purchase of intangible assets		(352)	(228)
Proceeds of disposal of property, plant and equipment		8	4
Repayments from other bodies	11	62	203
<b>Net cash outflow from investing activities</b>		<b>(24,926)</b>	<b>(11,999)</b>
<b>Cash flows from financing activities</b>			
Net Assembly Funding - drawn down		113,553	113,238
<b>Net financing</b>		<b>113,553</b>	<b>113,238</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>(980)</b>	<b>(1,198)</b>
Receipts due to the Consolidated Fund which are outside the scope of the Agency's activities		148	34
Payments of amounts due to the Consolidated Fund		(150)	(31)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>		<b>(982)</b>	<b>(1,195)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	14	<b>(1,789)</b>	<b>(594)</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>(2,771)</b>	<b>(1,789)</b>

The notes on pages 52 to 79 form part of these Accounts.



## Statement of Changes in Taxpayers' Equity

## For the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held analysed into General Fund Reserves (those reserves that reflect a contribution from the Consolidated Fund) and the Revaluation Reserve (which reflects the change in asset values that have not been recognised as income or expenditure). The General Fund represents the total assets less liabilities, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
<b>Balance at 31 March 2016</b>		<b>116,843</b>	<b>73,642</b>	<b>190,485</b>
Net Assembly Funding		113,238	-	113,238
Comprehensive net expenditure for the year		(128,411)	(4,352)	(132,763)
Auditors Remuneration	5	32	-	32
Other notionals	5	3,988	-	3,988
Transfers between reserves		3,276	(3,276)	-
<b>Balance at 31 March 2017</b>		<b>108,966</b>	<b>66,014</b>	<b>174,980</b>
Net Assembly Funding		113,553	-	113,553
Comprehensive net expenditure for the year		(116,801)	14,269	(102,532)
Auditors Remuneration	5	32	-	32
Other notionals	5	3,808	-	3,808
Transfers between reserves		3,812	(3,812)	-
<b>Balance at 31 March 2018</b>		<b>113,370</b>	<b>76,471</b>	<b>189,841</b>

The notes on pages 52 to 79 form part of these Accounts.

## Notes to the Accounts

### 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by the Department of Finance (DoF). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of NIPS for the purpose of giving a true and fair view has been selected. The particular policies adopted by NIPS are described below. They have been applied consistently in dealing with items considered material to the financial statements.

#### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories and the revaluation of financial instruments which are recorded in the Statement of Financial Position at their fair value, being the carrying amount discounted to present value at the effective rate of interest of 3.7%.

The accounts are stated in sterling, which is the Agency's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£000).

#### 1.2 Operating Income

Operating income is income that relates directly to the operating activities of NIPS. This includes income from Trading Activities in relation to prisoners and staff catering and is shown gross on the face of the Statement of Comprehensive Net Expenditure and in Note 7 with related costs and expenses shown separately in Notes 5 and 6 of these financial statements.

#### 1.3 Property, Plant and Equipment

Freehold Land and Buildings on the NIPS estate are capitalised where title is held by the Agency. Land and Buildings are subject to professional valuation at least once every five years and revalued using Land and Property Services indices in intervening years.

Property, plant and equipment, other than land and buildings, are carried at current cost using indices compiled by the Office for National Statistics. The standard threshold for capitalisation is £1,000. Lower thresholds apply to certain types of IT equipment.

Expenditure on office furniture and equipment is classified as capital expenditure if the purchase cost of an individual item is over the standard threshold of £1,000. An exception to this is if, as the result of a refurbishment or the establishment of a new

office or project, a pool of new office furniture or equipment is purchased with individual items costing less than £1,000 but the total purchase costs are more than £1,000.

Properties regarded by NIPS as operational are valued on the basis of existing use, or where this could not be assessed because there is no market value for the property, its depreciated replacement cost. Properties regarded by NIPS as non-operational are valued on the basis of open market value.

#### 1.4 Intangible Assets

Purchased computer software licences are capitalised as intangible assets where expenditure of £1,000 or more is incurred. Intangible assets are stated at their market value. Intangible assets are amortised on a straight-line basis over the expected useful lives of the assets concerned.

#### 1.5 Financial Instruments

Under IAS 39 and IFRS 7, NIPS is required to recognise, measure and disclose the elements of its 0% interest Housing Loan Scheme at fair value. These elements have been identified within both Non-current and Current Financial Assets. The carrying value has been discounted at a rate of 3.7% in line with Treasury guidelines. NIPS does not hold any other financial instruments.

#### 1.6 Depreciation and Amortisation

Freehold land is not depreciated. NIPS has depreciated separately identified components of its buildings assets according to the useful life of that component, with individual lives applied to each component.

Component	Definition
Building Structure	Substructure, frame, upper floors, roof, stairs, external walls, windows and external doors, internal walls and partitions, internal doors, floors/wall/ceiling finishes.
Engineering Systems	Sanitary appliances, services equipment, disposal installation, water installation, heat source, space heating and air treatment, ventilation systems, electrical, gas, lift and protective installations.
Equipment and Security Installations	CCTV, access control, alarm systems, control rooms including all associated Information and Communications Technology hardware and software; fixed furniture, fittings, equipment and appliances.
External Works	Roads, footpaths, drainage, fences, gates, boundary walls, street furniture, landscaping and external lighting.

Provision for depreciation and amortisation is made to write-off the cost of property, plant and equipment and intangible assets on a straight-line basis over the expected useful lives of the assets concerned. Land, assets under construction or assets awaiting disposal are not depreciated. The overall expected useful lives of assets are as follows:

<b>Asset category</b>	<b>Useful Life</b>
Permanent buildings	up to 80 years
Plant and Equipment	2 - 40 years
Furniture and Office Equipment	3 - 40 years
Information Technology and Software	1 - 15 years
Vehicles	5 - 20 years

### **1.7 Realised Element of Depreciation from Revaluation Reserve**

Depreciation is charged to expenditure on the revalued amount of property, plant and equipment. An element of the depreciation therefore arises due to the increase in valuation and is in excess of the depreciation that would be charged on the historical cost of assets. The amount relating to this excess is a realised gain on revaluation and is transferred from the Revaluation Reserve to the General Fund.

### **1.8 Inventories**

Inventories are valued at the lower of cost or net realisable value.

### **1.9 Pension Costs**

Employees of the Agency are covered by the provisions of the NICS pension arrangements.

The NICS pension arrangements are defined benefit schemes which are unfunded. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the NICS pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the NICS pension arrangements. In respect of defined contribution schemes, the Agency recognises the contributions payable for the year.

### **1.10 Employee Benefits**

Under IAS 19 an employing entity should recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for the service. NIPS has therefore recognised both annual and flexi leave entitlements that have been earned by the year end but not yet taken. These are included in Current Liabilities and in Staff Costs for both administration and programme staff across the service.

### **1.11 Provision for Liabilities and Charges**

NIPS provides for legal and constructive obligations, which are of uncertain timing or amount, at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated cash flows are discounted.

### **1.12 Contingent Liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37, NIPS discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

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

### **1.13 Operating Leases**

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure as incurred.

### **1.14 Grants**

Grants payable to third parties are charged to the Statement of Comprehensive Net Expenditure as the recipient carries out the activity that creates entitlement.

### **1.15 Early Retirement Costs**

NIPS is required to meet the cost of paying pensions of employees who retire early from the date of their retirement until they reach normal pension age. NIPS accounts in full for this cost when the applications for early retirement have been approved and the individuals have been notified.

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

The majority of the activities of NIPS are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment. Where output tax is charged or input VAT is recoverable the amounts are stated net of VAT.

### **1.17 Administration and Programme Expenditure**

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by DoF.

### **1.18 Notional costs**

Some of the costs directly related to the running of NIPS are borne by other Government Departments or organisations. These costs have been included on the basis of the estimated cost incurred by the providing organisation.

### **1.19 Insurance**

Except where there is a statutory requirement to do so, NIPS does not take out general insurance. Instead expenditure in connection with uninsured risks is charged as incurred.

### **1.20 Financing**

The NIPS is primarily resourced by funds approved by the Assembly through the annual Supply process. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund.

### **1.21 Third Party Assets**

NIPS holds, as custodian, certain assets belonging to third parties. These assets consist of cash held in respect of a Prisoners' Amenity Fund administered by each prison establishment and used for the welfare and benefit of all prisoners. Also included are cash amounts belonging to prisoners in the Prisoners' Personal Cash (PPC) accounts, held in the NIPS bank account. PPC balances are disclosed at Note 22 but not elsewhere in these accounts since neither NIPS nor the Government more generally has a direct beneficial interest in them.

### **1.22 Related Party Transactions**

NIPS is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence NIPS or to be controlled or influenced by NIPS. Disclosure of these transactions allows readers to assess the extent to which the NIPS financial position and income and expenditure may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

### **1.23 Critical accounting estimates and key judgements**

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the NIPS accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

#### ***(i) Depreciation of property, plant and equipment***

Depreciation is provided in the consolidated accounts so as to write-down the respective assets to their residual values over their expected useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 1.6.

#### ***(ii) Impairment of property, plant and equipment***

Where there is an indication that the carrying value of items of property, plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of that asset.

#### ***(iii) Injury on Duty Awards life expectancy assumption***

Benefits payable under the Civil Service Injury Benefit Scheme (Northern Ireland) relating to NIPS are payable to former employees for life. Provision is made for the costs of providing injury awards to employees based on the current number of injury awards and also on the estimated life expectancy of these pensioners. The injury awards were valued under International Accounting Standard (IAS) 19 Employee Benefits by Government Actuary's Department (GAD). IAS 19 requires the employer to value the expected injury awards for active members, who are currently uninjured but who may become injured in the future, and include the value in the Statement of Accounts.

#### ***(iv) Litigation Provisions***

The litigation provision relates to legal claims against NIPS by staff, prisoners and third parties for injuries and other damages including fair employment and industrial tribunal cases. The provisions are based upon the assessment of the likely damages and legal costs payable, with reference to legal experts and in consideration of settlements in cases of a similar nature were it is probable that the claim will be successful. NIPS also carry out an objective exercise to compare estimates to actual settlements in current and previous years and will adjust the provisions in line with these findings on an annual basis.

Other than depreciation, provisions and employee benefits, no material accounting estimates or judgements were made by NIPS in preparing these accounts.

## 1.24 Voluntary Early Retirement Scheme

The cost of severance payments to staff leaving the organisation under the Voluntary Early Retirement Scheme are included within programme costs. The cost of staff working on the administration of the scheme are included within staff costs.

## 1.25 Accounting standards, interpretations and amendments to published standards and FReM - issued and effective in 2017-18 for the first time

There were no accounting initiatives issued and effective in 2017-18 for the first time.

## 1.26 Accounting standards, interpretations and amendments to published standards not yet effective

NIPS has considered those new standards, interpretations and amendments to existing standards which have been published and are mandatory for accounting periods beginning on or after 1 April 2018 or later periods, but which NIPS has not adopted early. Other than as outlined below, NIPS considers that these standards are not relevant or material to its operations.

<b>Standard</b>	IFRS 9 - Financial Instruments
<b>Effective date</b>	1 January 2018 (EU endorsed 22 November 2016)
<b>FReM application</b>	2018-19
<b>Description of revision</b>	<p>IFRS 9 includes several improvements, and introduces substantially greater disclosure requirements, to the previous IAS 39 which includes:</p> <ul style="list-style-type: none"> <li>• a single approach to classification and measurement;</li> <li>• a new forward-looking 'expected loss' impairment model; and</li> <li>• a revised approach to hedge accounting.</li> </ul> <p>The application of this standard is retrospective (without restatement). This has been mandated in the FReM with approval from the Financial Reporting Advisory Board.</p>
<b>Comments</b>	IFRS 9 will affect all public sector bodies that have any financial Instruments (including trade receivables, lease receivables, loan commitments and contract assets).



<b>Standard</b>	IFRS 16 - Leases (replaces IAS 17 Leases and related interpretations)
<b>Effective date</b>	1 January 2019 (EU endorsed 31 October 2017)
<b>FReM application</b>	2019-20
<b>Description of revision</b>	<p>The IASB issued IFRS 16 in January 2016 with an effective date for annual periods beginning on or after 1 January 2019. Early application is permitted for those entities applying IFRS 15.</p> <p>IFRS 16 represents a significant change in lessee accounting by largely removing the distinction between operating and finance leases and introducing a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value on the Statement of Financial Position. There are corresponding changes to the disclosure requirements to show the effect that leases have on the financial position, financial performance and cash flows of the lessee.</p> <p>The lessor accounting model is significantly unchanged from IAS 17 but entities should be aware of the introduction and impacts of IFRS 9 Financial Instruments and the enhanced disclosure requirements.</p>
<b>Comments</b>	The introduction of IFRS 16 is subject to analysis and review by HM Treasury and the other Relevant Authorities. HM Treasury will issue an Exposure Draft on IFRS 16 during 2018 in advance of the effective date.

### 1.27 Financial reporting - future developments

NIPS has considered the accounting initiatives identified by HM Treasury for which the Standards are under development and considers that these changes are not relevant or material to its operations.

**2. Statement of Operating Costs by Operating Segment**

<b>2017-18</b>	<b>Maghaberry £000</b>	<b>Magilligan £000</b>	<b>Hydebank £000</b>	<b>Others £000</b>	<b>Total £000</b>
Gross expenditure	41,101	19,177	13,013	33,302	<b>106,593</b>
Income	(1,320)	(754)	(326)	(332)	<b>(2,732)</b>
<b>Net expenditure</b>	<b>39,781</b>	<b>18,423</b>	<b>12,687</b>	<b>32,970</b>	<b>103,861</b>

<b>2016-17</b>	<b>Maghaberry £000</b>	<b>Magilligan £000</b>	<b>Hydebank £000</b>	<b>Others £000</b>	<b>Total £000</b>
Gross expenditure	47,481	20,066	18,036	33,787	<b>119,370</b>
Income	(1,324)	(749)	(326)	(160)	<b>(2,559)</b>
<b>Net expenditure</b>	<b>46,157</b>	<b>19,317</b>	<b>17,710</b>	<b>33,627</b>	<b>116,811</b>

In line with the requirements of IFRS 8, NIPS has reported on Income, Gross and Net Expenditure by geographical segment as pertains to each operational establishment and is consistent with the management approach and internal reporting structures existing within the Service.

The 'Others' segment reported above consists of all Headquarters functions, the Prison Service College and the Prisoner Escorting and Court Custody Service.

### 3. Summary of information for Statement of Comprehensive Net Expenditure

2017-18	Note	Administration £000	Programme £000	Total £000
Income from sale of goods and services	7	-	(2,462)	(2,462)
Other operating income	7	-	(270)	(270)
<b>Total operating income</b>		<b>-</b>	<b>(2,732)</b>	<b>(2,732)</b>
Staff costs	5, 6	4,483	57,222	61,705
Purchase of goods and services	5, 6	6,300	24,485	30,785
Depreciation and impairment charges	5, 6	-	11,186	11,186
Provision expense	6	-	1,738	1,738
Grants	6	-	1,188	1,188
<b>Total operating expenditure</b>		<b>10,783</b>	<b>95,819</b>	<b>106,602</b>
<b>Net operating expenditure</b>		<b>10,783</b>	<b>93,087</b>	<b>103,870</b>
Finance expense	5, 6	-	(9)	(9)
<b>Net expenditure for the year</b>		<b>10,783</b>	<b>93,078</b>	<b>103,861</b>
2016-17	Note	Administration £000	Programme £000	Total £000
Income from sale of goods and services	7	-	(2,445)	(2,445)
Other operating income	7	-	(114)	(114)
<b>Total operating income</b>		<b>-</b>	<b>(2,559)</b>	<b>(2,559)</b>
Staff costs	5, 6	4,285	57,354	61,639
Purchase of goods and services	5, 6	6,020	22,811	28,831
Depreciation and impairment charges	5, 6	-	22,792	22,792
Provision expense	6	-	4,970	4,970
Grants	6	-	1,218	1,218
<b>Total operating expenditure</b>		<b>10,305</b>	<b>109,145</b>	<b>119,450</b>
<b>Net operating expenditure</b>		<b>10,305</b>	<b>106,586</b>	<b>116,891</b>
Finance expense	5, 6	(77)	(3)	(80)
<b>Net expenditure for the year</b>		<b>10,228</b>	<b>106,583</b>	<b>116,811</b>

**4. Non-cash costs**

<b>2017-18</b>		<b>Administration</b>	<b>Programme</b>	<b>Total</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Purchase of goods and services	5, 6	3,840	209	4,049
Depreciation and impairment charges	5, 6	-	11,186	11,186
Provision expense	6	-	1,738	1,738
Grants	6	-	-	-
Finance expense	5, 6	-	(10)	(10)
Grant income	7	-	-	-
<b>Total</b>		<b>3,840</b>	<b>13,123</b>	<b>16,963</b>

<b>2016-17</b>		<b>Administration</b>	<b>Programme</b>	<b>Total</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Purchase of goods and services	5, 6	4,020	6	4,026
Depreciation and impairment charges	5, 6	-	22,792	22,792
Provision expense	6	-	4,970	4,970
Grants	6	-	-	-
Finance expense	5, 6	-	(4)	(4)
Grant income	7	-	(20)	(20)
<b>Total</b>		<b>4,020</b>	<b>27,744</b>	<b>31,764</b>

**5. Other administrative expenditure**

	2017-18	2016-17
Note	£000	£000
<b>Staff Costs*</b>		
Wages and salaries	3,395	3,281
Social security costs	351	320
Other pension costs	737	684
	<b>4,483</b>	<b>4,285</b>
<b>Purchase of goods and services</b>		
Staff related costs	406	254
Rentals under operating leases	173	167
Accommodation costs, maintenance and utilities	463	443
IT, communications and office services	802	777
Contracted out and managed services	539	400
Professional and consultancy costs	61	50
Other costs	16	(91)
	<b>2,460</b>	<b>2,000</b>
<b>Non-cash items</b>		
Auditors' remuneration	32	32
Notional costs - other departments and agencies	3,314	2,213
Notional costs - Department of Justice	494	1,775
	<b>3,840</b>	<b>4,020</b>
	<b>6,300</b>	<b>6,020</b>
<b>Depreciation and impairment charges</b>		
Depreciation	8, 9	-
<b>Finance expense</b>		
Interest charges	-	(77)
<b>Total administrative expenditure</b>	<b>10,783</b>	<b>10,228</b>

\* Further analysis of Staff costs is located in the Staff Report within the Accountability Report.

## 6. Programme expenditure

	Note	2017-18 £000	2016-17 £000
<b>Staff Costs*</b>			
Wages and salaries		44,166	44,153
Social security costs		4,560	4,513
Other pension costs		8,496	8,688
		<b>57,222</b>	<b>57,354</b>
<b>Purchase of goods and services</b>			
Prisoner costs		11,249	11,053
Staff related costs		1,341	1,212
Accommodation costs, maintenance and utilities		9,528	8,694
IT, communications and office services		373	372
Professional and consultancy costs		816	773
Consumables, materials and equipment costs		950	687
Other costs		19	14
		<b>24,276</b>	<b>22,805</b>
<b>Non-cash items</b>			
(Profit)/loss on disposal of non-current assets	8, 9	206	6
Increase/(decrease) in impairment of trade receivables		3	-
		<b>209</b>	<b>6</b>
		<b>24,485</b>	<b>22,811</b>
<b>Depreciation and impairment charges</b>			
Depreciation	8	10,423	9,221
Amortisation	9	1,587	1,599
Net revaluation charge to SoCNE	12	(824)	11,972
		<b>11,186</b>	<b>22,792</b>
<b>Provisions expense</b>			
Provisions: provided for in year	17	3,899	6,099
Provisions: written back in year	17	(2,941)	(1,729)
Borrowing costs		780	600
		<b>1,738</b>	<b>4,970</b>
<b>Grants</b>			
		<b>1,188</b>	<b>1,218</b>
<b>Finance expense</b>			
Interest charges		<b>(9)</b>	<b>(3)</b>
<b>Total programme expenditure</b>		<b>95,810</b>	<b>109,142</b>

\* Further analysis of Staff costs is located in the Staff Report within the Accountability Report.

**7. Income**

	<b>2017-18</b>	<b>2016-17</b>
<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Administration income</b>	<b>-</b>	<b>-</b>
<b>Programme income</b>		
Sale of goods and services	2,462	2,445
Other non-trading income	8	94
Grant income	262	20
	<b>2,732</b>	<b>2,559</b>
<b>Total operating income</b>	<b>2,732</b>	<b>2,559</b>

## 8. Property, plant and equipment

2017-18

	Land £000	Buildings £000	Vehicles, Plant & Machinery £000	Information Technology £000	Assets Under Construct -ion £000	Total £000
<b>Cost or valuation</b>						
At 1 April 2017	6,030	210,443	34,038	3,466	20,724	274,701
Additions	-	1,767	552	80	20,704	23,103
Disposals	-	(112)	(17,998)	(2,898)	(24)	(21,032)
Transfers	-	-	-	-	-	-
Reclassifications	(1,700)	17,679	(3,577)	(2)	(14,102)	(1,702)
Revaluation charged to SoCNE	-	955	(4)	-	-	951
Revaluations	15	15,442	41	10	-	15,508
<b>At 31 March 2018</b>	<b>4,345</b>	<b>246,174</b>	<b>13,052</b>	<b>656</b>	<b>27,302</b>	<b>291,529</b>
<b>Depreciation</b>						
At 1 April 2017	-	8,017	29,882	3,212	-	41,111
Charged in year	-	9,178	1,127	118	-	10,423
Disposals	-	(2)	(17,922)	(2,894)	-	(20,818)
Reclassifications	-	2,885	(2,886)	(1)	-	(2)
Revaluation charged to SoCNE	-	118	6	3	-	127
Revaluations	-	1,263	27	6	-	1,296
<b>At 31 March 2018</b>	<b>-</b>	<b>21,459</b>	<b>10,234</b>	<b>444</b>	<b>-</b>	<b>32,137</b>
<b>Carrying amount at 31 March 2018</b>	<b>4,345</b>	<b>224,715</b>	<b>2,818</b>	<b>212</b>	<b>27,302</b>	<b>259,392</b>
<b>Carrying amount at 31 March 2017</b>	<b>6,030</b>	<b>202,426</b>	<b>4,156</b>	<b>254</b>	<b>20,724</b>	<b>233,590</b>
<b>Asset financing:</b>						
Owned	4,345	224,715	2,818	212	27,302	259,392
<b>Carrying amount at 31 March 2018</b>	<b>4,435</b>	<b>224,175</b>	<b>2,818</b>	<b>212</b>	<b>27,302</b>	<b>259,392</b>

Land and Property Services carried out a full valuation of land and buildings at 1 April 2016, in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and on a componentised basis. The next full valuation of land and buildings will be 1 April 2021.



**8. Property, plant and equipment (continued)**

2016-17

	Land £000	Buildings £000	Vehicles, Plant & Machinery £000	Information Technology £000	Assets Under Construct -ion £000	Total £000
<b>Cost or valuation</b>						
At 1 April 2016	5,748	269,424	33,610	3,340	12,505	324,627
Additions		2,300	431	85	13,389	16,205
Disposals	-	-	(100)	-	-	(100)
Transfers	-	-	20	-	-	20
Reclassifications	-	4,998	(82)	-	(4,916)	-
Revaluation charged to SoCNE	-	(15,552)	-	2	(404)	(15,954)
Revaluations	282	(50,727)	159	39	150	(50,097)
<b>At 31 March 2017</b>	<b>6,030</b>	<b>210,443</b>	<b>34,038</b>	<b>3,466</b>	<b>20,724</b>	<b>274,701</b>
<b>Depreciation</b>						
At 1 April 2016	-	50,040	28,508	3,091	-	81,639
Charged in year	-	7,816	1,308	97	-	9,221
Disposals	-	-	(90)	-	-	(90)
Reclassifications	-	1	(1)	-	-	-
Revaluation charged to SoCNE	-	(3,994)	11	1	-	(3,982)
Revaluations	-	(45,846)	146	23	-	(45,677)
<b>At 31 March 2017</b>	<b>-</b>	<b>8,017</b>	<b>29,882</b>	<b>3,212</b>	<b>-</b>	<b>41,111</b>
<b>Carrying amount at 31 March 2017</b>	<b>6,030</b>	<b>202,426</b>	<b>4,156</b>	<b>254</b>	<b>20,724</b>	<b>233,590</b>
<b>Carrying amount at 31 March 2016</b>	<b>5,748</b>	<b>219,384</b>	<b>5,102</b>	<b>249</b>	<b>12,505</b>	<b>242,988</b>
<b>Asset financing:</b>						
Owned	6,030	202,426	4,156	254	20,724	233,590
<b>Carrying amount at 31 March 2017</b>	<b>6,030</b>	<b>202,426</b>	<b>4,156</b>	<b>254</b>	<b>20,724</b>	<b>233,590</b>

**9. Intangible assets****2017-18**

	<b>Software Licences £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 April 2017	19,863	171	20,034
Additions	2	350	352
Disposals	-	-	-
Reclassifications	166	(164)	2
Revaluation charged to SoCNE	-	-	-
Revaluations	283	-	283
<b>At 31 March 2018</b>	<b>20,314</b>	<b>357</b>	<b>20,671</b>
<b>Amortisation</b>			
At 1 April 2017	17,070	-	17,070
Charged in year	1,587	-	1,587
Disposals	-	-	-
Reclassifications	1	-	1
Revaluation charged to SoCNE	-	-	-
Revaluations	226	-	226
<b>At 31 March 2018</b>	<b>18,884</b>	<b>-</b>	<b>18,884</b>
<b>Carrying amount at 31 March 2018</b>	<b>1,430</b>	<b>357</b>	<b>1,787</b>
<b>Carrying amount at 31 March 2017</b>	<b>2,793</b>	<b>171</b>	<b>2,964</b>
<b>Asset financing:</b>			
Owned			
<b>Carrying amount at 31 March 2018</b>	<b>1,430</b>	<b>357</b>	<b>1,787</b>

**9. Intangible assets (continued)**

<b>2016-17</b>	<b>Software Licences £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 April 2016	18,730	701	19,431
Additions	62	166	228
Disposals	-	-	-
Reclassifications	696	(696)	-
Revaluation charged to SoCNE	29	-	29
Revaluations	346	-	346
<b>At 31 March 2017</b>	<b>19,863</b>	<b>171</b>	<b>20,034</b>
<b>Amortisation</b>			
At 1 April 2016	15,164	-	15,164
Charged in year	1,599	-	1,599
Disposals	-	-	-
Reclassifications	-	-	-
Revaluation charged to SoCNE	29	-	29
Revaluations	278	-	278
<b>At 31 March 2017</b>	<b>17,070</b>	<b>-</b>	<b>17,070</b>
<b>Carrying amount at 31 March 2017</b>	<b>2,793</b>	<b>171</b>	<b>2,964</b>
<b>Carrying amount at 31 March 2016</b>	<b>3,566</b>	<b>701</b>	<b>4,267</b>
<b>Asset financing:</b>			
Owned	2,793	171	2,964
<b>Carrying amount at 31 March 2017</b>	<b>2,793</b>	<b>171</b>	<b>2,964</b>

## 10. Assets classified as held for sale

IFRS 5 requires that non-current assets classified as held for sale must be disclosed separately from other assets in the Statement of Financial Position. The value of these assets is shown below.

	Note	2017-18 £000	2016-17 £000
Balance 1 April		-	-
Transferred from Property, plant and equipment	8	1,700	-
Disposals		-	-
<b>At 31 March</b>		<b>1,700</b>	<b>-</b>

## 11. Financial assets

Housing Loans Scheme	2017-18 £000	2016-17 £000
Balance at 1 April	91	290
Repayments	(62)	(203)
Revaluations	10	4
<b>Balance at 31 March</b>	<b>39</b>	<b>91</b>
Current Assets	17	62
Non-current Assets	22	29
<b>Balance at 31 March</b>	<b>39</b>	<b>91</b>
<b>Balance at 31 March comprises:</b>		
Carrying value	43	105
Net discount	(4)	(8)
Impairment	-	(6)
<b>Amortised amount (Fair value) at 31 March</b>	<b>39</b>	<b>91</b>

As the cash requirements of NIPS are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

Under IAS 39 and IFRS 7, NIPS is required to recognise, measure and disclose the elements of its 0% interest Housing Loan Scheme at fair value. These elements have been identified within both Non-current and Current Financial Assets. The carrying value has been discounted at a rate of 3.7% (2016-17: 3.7%) in line with Treasury guidelines. NIPS had 23 loans to officers at 31 March 2018 (113 at 31 March 2017) and does not hold any other financial assets. NIPS is therefore exposed to little credit, liquidity or market risk.

**12. Impairments**

		<b>2017-18</b>	<b>2016-17</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Charged directly to SoCNE</b>			
Property, plant and equipment	8	(824)	11,972
		<b>(824)</b>	<b>11,972</b>
<b>Taken through Revaluation Reserve</b>			
Property, plant and equipment	8	(14,212)	4,420
Intangible assets	9	(57)	(68)
		<b>(14,269)</b>	<b>4,352</b>
Total charge for the year		<b>(15,093)</b>	<b>16,324</b>

**13. Inventories**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£000</b>	<b>£000</b>
Consumables and equipment	757	869
Fuel stores	171	196
	<b>928</b>	<b>1,065</b>

**14. Cash and cash equivalents**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(1,789)	(594)
Net change in cash and cash equivalent balances	(982)	(1,195)
<b>Balance at 31 March</b>	<b>(2,771)</b>	<b>(1,789)</b>

The following balances at 31 March were held at :

Commercial bank and cash in hand	(2,771)	(1,789)
<b>Balance at 31 March</b>	<b>(2,771)</b>	<b>(1,789)</b>

Balances for Cash and cash equivalent are disclosed in the Statement of Financial Position as follows:

	<b>2017-18</b>	<b>2016-17</b>
	<b>£000</b>	<b>£000</b>
Current assets	36	43
Current liabilities	(2,807)	(1,832)
<b>Total</b>	<b>(2,771)</b>	<b>(1,789)</b>

**15. Trade receivables, financial and other assets**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	38	56
Other receivables	160	9
Prepayments and accrued income	223	143
VAT	1,192	1,271
	<b>1,613</b>	<b>1,479</b>
<b>Amounts falling due after more than one year</b>		
Other receivables	-	2
	<b>-</b>	<b>2</b>
<b>Total</b>	<b>1,613</b>	<b>1,481</b>

**16. Trade payables, financial and other liabilities**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Taxation and social security	-	1
Trade payables	163	283
Other payables	679	103
Accruals and deferred income	19,566	16,441
Consolidated Fund Extra Receipts to be paid to the Consolidated Fund:		
- Received	2	3
- Receivable	-	31
	<b>20,410</b>	<b>16,862</b>
<b>Amounts falling due after more than one year</b>		
Consolidated Fund Extra Receipts receivable and due to be paid to the Consolidated Fund	-	2
	<b>-</b>	<b>2</b>
<b>Total</b>	<b>20,410</b>	<b>16,864</b>

**17. Provisions for liabilities and charges**

	<b>Voluntary Early Retirement Scheme £000</b>	<b>Injury Awards £000</b>	<b>Litigation £000</b>	<b>Hearing Loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 1 April 2017	8,684	28,400	5,746	2,379	349	45,558
Provided in the year	7	677	2,391	723	101	3,899
Actuarial loss	-	12,940	-	-	-	12,940
Provisions not required written back	-	-	(2,365)	(326)	(250)	(2,941)
Provisions utilised in the year	(3,046)	(1,727)	(1,574)	(1,367)	(85)	(7,799)
Provisions borrowing costs	-	780	-	-	-	780
<b>At 31 March 2018</b>	<b>5,645</b>	<b>41,070</b>	<b>4,198</b>	<b>1,409</b>	<b>115</b>	<b>52,437</b>

***Analysis of expected timing of discounted flows\****

	<b>Voluntary Early Retirement Scheme £000</b>	<b>Injury Awards £000</b>	<b>Litigation £000</b>	<b>Hearing Loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
No later than one year	2,619	1,190	3,308	1,210	65	8,392
Later than one year and not more than five years	3,026	4,720	890	199	50	8,885
Later than five years	-	35,160	-	-	-	35,160
<b>At 31 March 2018</b>	<b>5,645</b>	<b>41,070</b>	<b>4,198</b>	<b>1,409</b>	<b>115</b>	<b>52,437</b>



**17. Provisions for liabilities and charges (continued)**

	<b>Voluntary Early Retirement Scheme £000</b>	<b>Injury Awards £000</b>	<b>Litigation £000</b>	<b>Hearing Loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 1 April 2016	11,710	16,991	5,120	4,072	136	38,029
Provided in the year	96	702	4,181	810	310	6,099
Actuarial loss	-	11,600	-	-	-	11,600
Provisions not required written back	-	-	(1,790)	155	(94)	(1,729)
Provisions utilised in the year	(3,122)	(1,493)	(1,765)	(2,658)	(3)	(9,041)
Provisions borrowing costs	-	600	-	-	-	600
<b>At 31 March 2017</b>	<b>8,684</b>	<b>28,400</b>	<b>5,746</b>	<b>2,379</b>	<b>349</b>	<b>45,558</b>

***Analysis of expected timing of discounted flows\****

	<b>Voluntary Early Retirement Scheme £000</b>	<b>Injury Awards £000</b>	<b>Litigation £000</b>	<b>Hearing Loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
No later than one year	3,038	1,450	4,208	1,857	345	10,898
Later than one year and not more than five years	5,646	5,640	1,538	522	4	13,350
Later than five years	-	21,310	-	-	-	21,310
<b>At 31 March 2017</b>	<b>8,684</b>	<b>28,400</b>	<b>5,746</b>	<b>2,379</b>	<b>349</b>	<b>45,558</b>

\* The only cash flows shown as discounted in the tables above relate to the injury awards as NIPS do not discount other provisions on the basis that the time value of money is considered immaterial and therefore these cash flows are disclosed as undiscounted.

The provisions for liabilities and charges represent the best estimate of the amount payable at the date of the Statement of Financial Position.

**Voluntary Early Retirement Scheme**

The provision for VER costs relates to the early retirement payments arising in respect of employees who depart early from the Service under the Scheme. The provision consists of additional pension costs due to the PCSPS (NI), which NIPS provides for when the VER becomes binding by establishing a provision for the estimated payments. These costs are payable over the period between early departure and normal retirement date for the respective employees. The provision runs through to 2021-22.

## 17. Provisions for liabilities and charges (continued)

### Injury Awards

From 1 April 2006 all benefits payable under the Civil Service Injury Benefit Scheme (Northern Ireland) relating to NIPS are charged to NIPS by Civil Service Pensions (Northern Ireland) on a monthly basis. The allowance is payable to the former employee for life. Provision is made for the costs of providing injury awards to employees based on the current number of injury awards, and also on estimated life expectancy of these pensioners.

This year the injury awards were valued under IAS 19 Employee Benefits by GAD. IAS 19 requires the employer to also value the expected injury awards for active members, who are currently uninjured but who may become injured in the future, and include the value in the Statement of Accounts.

The split of the provision is shown below:

	<b>2017-18</b>	<b>2016-17</b>
	<b>£000</b>	<b>£000</b>
Liability in respect of:		
Active members	2,930	2,960
Pensions in payment (Injury Awards)	38,140	25,440
	<b>41,070</b>	<b>28,400</b>

### Litigation

The litigation provision relates to legal claims against NIPS by staff, prisoners and third parties for injuries and other damages including fair employment and industrial tribunal cases. The provision reflects all known claims where it is considered that it is probable that the claim will be successful and the amount can be reliably estimated. The timing of the settlement of claims depends on the circumstances of each case.

### Hearing Loss

The hearing loss provision relates to claims from current and ex-prison officers for occupational hearing loss. The provision reflects claims up to March 2018 - the number of claims likely to be received in the future is uncertain and cannot be reliably estimated. Each case will be considered on its own merits and any settlement based on the severity of hearing loss.

### Other provisions

The others provision relates to additional pension costs due to PCSPS (NI) for early departure, industrial tribunals and equal opportunities claims.

## 18. Leases

### 18.1 Operating leases

£0.183m (2016:17: £0.174m) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

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

	2017-18 £000	2016-17 £000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
Not later than one year	173	166
Later than one year and not later than five years	173	-
Later than five years	-	-
	<b>346</b>	<b>166</b>
<b>Other</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-
<b>Total</b>	<b>346</b>	<b>166</b>

### 18.2 Finance leases

NIPS does not presently hold any finance leases.

## 19. Capital commitments

	2017-18 £000	2016-17 £000
Contracted capital commitments at 31 March not otherwise included in these accounts:		
Property, plant and equipment	23,624	44,180
Intangible assets	-	-
	<b>23,624</b>	<b>44,180</b>

## 20. Contingent liabilities

At the year end NIPS has estimated contingent liabilities of £5.557m (2016-17: £0.168m) in respect of litigation claims against NIPS. £5.5m of this relates to a legal claim by former staff for fair employment, industrial tribunal and court proceedings. The remaining amount relates to legal claims against NIPS by staff, prisoners and third parties for injuries and other damage. They have not been provided for in the financial statements as NIPS considers that it is not probable that they will be successful.

## 21. Related party transactions

NIPS is an Executive Agency of the DoJ which was regarded as a related party. During the year the Agency has had various material transactions with the DoJ and with other entities for which the DoJ is the parent Department, viz:

- Forensic Science Northern Ireland;
- Northern Ireland Courts and Tribunals Service;
- Youth Justice Agency;
- Northern Ireland Policing Board;
- Police Service of Northern Ireland; and
- Probation Board for Northern Ireland.

In addition NIPS had various material transactions with other government Departments and other central government bodies. Most of these transactions have been with the Department of Health, Department of Finance and related Agencies.

No Board member, key manager or other related parties has undertaken any material transactions with NIPS.

## 22. Third party assets

There is a Prisoners' Personal Cash (PPC) facility for the lodgement of prisoner earnings and funding of tuck shop purchases. When prisoners are discharged they are paid in full the balance on their PPC account. The average prisoner private cash balance at 31 March 2018 was £188 (2016-17: £164).

Each prison establishment administers a Prisoners' Amenities Fund. Payments from the fund are used for the welfare/benefit of all prisoners. Fund receipts include income from the sale of tuck shop items and donations.

	1 April 2017	Gross Inflows	Gross Outflows	31 March 2018
	£000	£000	£000	£000
<b>Monetary assets such as bank balances and balances on deposit:</b>				
Prisoners' Private Cash Accounts	234	1,848	(1,804)	277
Prisoners' Amenities Funds	193	581	(511)	264
	<b>427</b>	<b>2,429</b>	<b>(2,315)</b>	<b>541</b>

## 23. Events after the reporting period

A writ was served on NIPS in May 2018 by former staff. The details of this have been considered and are disclosed at Note 20 Contingent liabilities.

### Date authorised for issue

The Accounting Officer authorised these financial statements for issue on 22 June 2018.

**Appendix 1 - Glossary**

<b>Acronym</b>	<b>Details</b>
ARC	Audit and Risk Committee
C&AG	Comptroller and Auditor General
CARE	Career Average Revalued Earnings
CB	Companion of the Most Honourable Order of the Bath
CBE	Commander of the Order of the British Empire
CETV	Cash Equivalent Transfer Value
CJINI	Criminal Justice Inspection Northern Ireland
CNA	Certified Normal Accommodation
CPI	Consumer Price Index
CSP	Civil Service Pensions
DDA	Disability Discrimination Act
DoF	Department of Finance
DoJ	Department of Justice
FReM	Financial Reporting Manual
GAD	Government Actuary's Department
HR	Human Resources
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
IT	Information Technology
KPT	Key Performance Target
MPMNI	Managing Public Money Northern Ireland
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NIPS	Northern Ireland Prison Service
OMB	Operational Management Board
PCSPS	Principal Civil Service Pension Scheme
PECCS	Prisoner Escorting and Court Custody Services
PPC	Prisoner's Personal Cash
PSMB	Prison Service Management Board
PSNI	Police Service of Northern Ireland
RSPB	Royal Society of the Protection of Birds
SCS	Senior Civil Service
UK	United Kingdom
VAT	Value Added Tax
VER	Voluntary Early Retirement
VES	Voluntary Exit Scheme