

**NORTHERN IRELAND PRISON SERVICE**  
**ANNUAL REPORT AND ACCOUNTS 2018-19**



**Northern Ireland Prison Service**  
**Annual Report and Accounts**  
**For the year ended 31 March 2019**

*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*

5 July 2019



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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**

I am pleased to present the 2018-19 Annual Report and Accounts for the Northern Ireland Prison Service (hereafter referred to as NIPS or the Service).

This year has been a highly demanding but rewarding year for the Service. Demanding in terms of the complexity of the work we do, as we challenge and support those in our care to change; rewarding in the context of the significant progress we have made. 'Prisons 2020: The Way Forward', which was published in July, set out the strategic direction of the Service under the four pillars of 'Our People', 'Our Services', 'Our Infrastructure', and 'Our Partnerships'. This is the vehicle to drive continuous improvement as we continue to focus on our rehabilitative work.

In this year we delivered transformational and unprecedented change at Maghaberry as evidenced by the Criminal Justice Inspection Northern Ireland (CJINI) and HM Inspectorate of Prisons (HMIP) Inspection Report. The journey from 2015 to now has been long and difficult, however through the leadership at Maghaberry and the hard work of our staff, and partner agencies, the inspectors found that outcomes for the men in our care were at a level rarely seen in other prisons across the UK.

CJINI also reported on resettlement across our prisons. This was a very positive report and demonstrated the progress we have made with partners such as the Probation Board for Northern Ireland (PBNI), with our 'through the gate' policies, and how we reintegrate people out of custody and back into the community. We also delivered many new initiatives across all business areas with a new Wellbeing Centre at Magilligan, the new Headway Unit at Hydebank Wood, and the modernisation of our Prisoner Escort fleet. This new vehicle fleet boasts some of the most progressive prisoner support systems in the UK.

In the past, the work of prisons staff has often gone unnoticed. That changed this year with our work being recognised across a number of areas. An Officer from Hydebank won BBC Cook of the Year and we enjoyed unprecedented success at the NICS Awards with 35 nominations, seven shortlisted as finalists and three winners.

Officer Jon Wood received a commendation from the Butler Trust for his work with prisoners at the Maghaberry recycling centre and David Savage, the Residential Governor at Maghaberry, won the overall Butler Trust award in the UK for his work in transforming the prison. Other staff were recognised in the honours system, including our longest serving uniformed Officer, Ernest Smyth, who has served in our prisons for over 40 years.

In September HRH the Princess Royal opened the Prison Service Memorial Garden at Hydebank. This was a hugely significant day for the prison family, when staff past and present, were joined by the families of our fallen colleagues. We continue to remember them and the sacrifice they made, and the garden is a fitting and lasting tribute to them.

As we look ahead, we will again face many challenges and opportunities. One such opportunity will be presented when we open Davis House, our new £55m state of the art facility at Maghaberry. I want to acknowledge the work of the Prison Estate Team in developing and delivering Davis House and for the work they are doing to transform our estate through the redevelopment of Magilligan and a new innovative facility for the women in our care at Hydebank Wood.

In reflecting on the past year, I also want to remember the men who took their lives while in our care. Whilst the management of vulnerable prisoners is very challenging, we remain committed to doing everything we can to keep those in our care safe. That will remain my top priority in 2019. I want to send my sympathy, and the thoughts of the entire Service to their families.

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 they make to supporting and challenging the people in our care to change, is greatly appreciated. Together we are playing our part in building a safer community in Northern Ireland.

**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 2019 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, "making the community safer by supporting and challenging people to change".

### Vision

NIPS vision is that our Service will:

- achieve better outcomes for people in our care;
- deliver safe, secure and decent custody;
- develop a highly skilled and professional workforce;
- work in partnership with stakeholders;
- develop a fit for purpose estate;
- deliver stable and controlled finances; and
- promote public confidence.

### 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.

NIPS managed these risks through well-established governance structures and by putting mitigations in place as early as possible to minimise the risk. Each risk was pro-actively managed with a view to minimising impact and this made a significant contribution to the ability of NIPS to meet the objectives set for this year.

### ***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. This could lead to the disruption of the prison regime, and depending on nature of the incident could be a potential risk to the public and/or people in our care. This is likely to result in considerable organisational and reputational damage.

### ***Health and social care***

NIPS and 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***

Poor or short-term workforce planning causes staffing shortages against the operational staffing level. Failure to effectively plan to ensure operational staffing levels meet the needs of the organisation, would lead to negative impacts on current staff and people in our care. It would also limit our ability to deliver rehabilitation and reduce the risk of re-offending. Also this could have a negative impact on the people in our care as restrictions to the regime would be more frequent.

### ***The Prison Estate***

Poor planning for the future of the estate would result in infrastructure and accommodation at Magilligan which is not fit for purpose and the continued co-location at Hydebank. This would lead to criticism from oversight bodies, especially CJINI.

### ***Staff retention***

The number of staff leaving under medical retirement and injury on duty is growing with an increasing impact on budget and resources, which could become unsustainable if it continues to increase in line with recent years.

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

Set strategic direction on continuous improvement across the Service through its people, infrastructure, services and partnerships as set out in Prisons 2020. Ensure preparedness for unannounced inspections and address corporate issues flowing from oversight reports and inspections.

## PERFORMANCE SUMMARY AND FORWARD LOOK

### PERFORMANCE SUMMARY

#### Unannounced Inspection of Maghaberry Prison - April 2018

There was an unannounced inspection of Maghaberry Prison between 9 and 19 April 2018 and the report was published in November 2018.

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 Maghaberry.

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:

Test	Comment
Safety	Not sufficiently good outcomes for prisoners
Respect	Reasonably good outcomes for prisoners
Purposeful activity	Not sufficiently good outcomes for prisoners
Rehabilitation and release planning	Good outcomes for prisoners

In his foreword the Chief Inspector of CJINI described this as

*'an immensely encouraging inspection of a prison that had previously struggled to provide a safe, respectful and purposeful environment for the men held. The reduced numbers of prisoners at Maghaberry had assisted this process, but we would not want to minimise the impact of excellent leadership at all levels from staff in the houses and the senior management team to the NIPS in achieving some excellent outcomes.'*

The report included 14 recommendations (eight for NIPS and six for SEHSCT) and Maghaberry Prison has developed an action plan to address them.

## Resettlement: An Inspection of Resettlement in the Northern Ireland Prison Service

This Report was published by CJINI in May 2018. The Report noted the significant progress that had been made in the area of Resettlement as evidenced by individual prison inspections. However, it also set out recommendations in order to lift Resettlement to the next level and make a real impact on reoffending. NIPS accepted the two Strategic Recommendations and seven Operational Recommendations. There has been a significant body of work, particularly in relation to the Review of the Prisoner Development Model in partnership with Probation Board for Northern Ireland (PBNI). While the recommendations were time-bounded, it has been agreed with CJINI that the effective commencement date was 1 October 2018 when the Director of Rehabilitation took up post.

### Deaths in custody

During this year there have been seven deaths in custody and a further two deaths occurred within 14 days of release. The cause of death in each instance has not been confirmed pending Coroner's Inquests taking place. The Prisoner Ombudsman's Office was notified following each death in custody and their investigations into the circumstances are ongoing. The NIPS extends its sympathy to the families of those who have died.

### Capital Estates Programme (CEP)

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 are now being consulted on the alternative delivery plans for the five outstanding projects which were outlined in the NIPS Estates 2020 discussion document. 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>

Davis House at Maghaberry Prison 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. The £3.2m Incoming Power project at Magilligan Prison will commence this year. A large number of minor works, security and ICT projects were also completed during the financial year with a budget of £14.5m bringing the total allocated capital budget for 2018-19 to £37.5m.

## FORWARD LOOK

### Prisons 2020

In July 2018, NIPS launched 'Prisons 2020: The Way Forward'. The aim 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 is capable of rehabilitating those placed in our care.

NIPS will deliver our business through four key strands:

- Our People - by developing, supporting and motivating our staff;
- Our Services - by focusing on the work we and our partners do;
- Our Infrastructure - by ensuring we develop our estate and use of technology to facilitate rehabilitation; and
- Our Partnerships - by developing and enhancing our partnerships across the public, private, community and voluntary sectors.

Underpinning the strategic overview will be delivery plans, which will be developed annually. These will set out the actions which will be taken to work towards our strategic vision and the clear milestones to be achieved. This will enable us to monitor progress towards achieving our overall aims.

### 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.

## **PERFORMANCE ANALYSIS**

### **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 Northern Ireland 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.

## REVIEW OF PERFORMANCE 2018-19

### Performance against Key Performance Targets

NIPS Business Plan for 2018-19, produced at the beginning of the year, set out **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
Develop a strategic approach to support ex-offenders into employment.	A multi-agency Interventions group under the wider Employability NI Programme, including representation from the voluntary and community sector, has been established to consider and develop a strategic approach to support ex-offenders into employment.	Partially met
By March 2019, improving health within Prisons by: <ul style="list-style-type: none"> <li>collaborating with Social Care professionals to improve services for people within NIPS care;</li> <li>delivering a renewed person centred approach to supporting people at risk of suicide and/or self-harm;</li> <li>completing Phase One of the joint health and justice review of vulnerable people in custody and begin implementation of recommendations.</li> </ul>	<p>NIPS, Probation Board for Northern Ireland (PBNI) and South Eastern Health and Social Care Trust (SEHSCT) have worked together to identify those prisoners with social care needs and provide the appropriate response to meet those needs. Work will need to be undertaken to formalise the overarching policy between NIPS and Department of Health (DoH).</p> <p>SPAR Evolution has now been implemented within each prison and four courts. Rollout to the remaining courts will be completed by the end of March 2019. SPAR Evolution has provided a flexible person-centred approach aimed at meeting the needs of the individual.</p> <p>NIPS provided input to inform phase one of the Review. In November 2018 DoH retained Regulation and Quality Improvement Authority (RQIA) to complete a rapid review report of work to date, concentrating on the SEHSCT aspect which was delivered in February 2019. Notification of the way forward is expected in the near future.</p>	<p>Met</p> <p>Met</p> <p>Partially met</p>

Key Performance Targets	Comment	Year-end Status
<ul style="list-style-type: none"> <li>• developing a strategic approach to support positive family connections for those in our care by March 2019.</li> <li>• working with criminal justice and third sector partners to develop a draft Adult Restorative Justice Strategy for public consultation and that takes account the findings of the Feasibility Study on a Centre of Restorative Excellence for NI by March 2019.</li> </ul>	<p>Strengthening Family Relations - the draft strategy is currently out for consultation it is expected that the strategy will be ready for publication by the end of summer 2019.</p> <p>Work is underway to finalise draft Adult Restorative Justice Strategy now that the Feasibility study on the Centre of Restorative Excellence (CORE) has been finalised. The CORE implementation Working Group was established and timetable of meetings agreed.</p>	<p>Partially met</p> <p>Partially met</p>
<p>Deliver a continuous improvement programme for the Prison Service, with rehabilitation at its core, under four key themes:</p> <ul style="list-style-type: none"> <li>• Our People;</li> <li>• Our Services;</li> <li>• Our Infrastructure; and</li> <li>• Our Partnerships.</li> </ul>	<p>Year 1 of the Prisons 2020 programme has been successfully completed across four strands and a detailed report on achievements is being compiled.</p> <p>All the objectives are on target and NIPS and PBNI have worked closely together on an Action Plan, overseen by the Reducing Reoffending Strategic Outcomes Group, since publication of the report in May 2018.</p>	<p>Met</p>
<p>Delivery of 'Improving Health within Criminal Justice - Joint Strategy and Action Plan.</p>	<p>The "improving health within criminal justice" strategy and action plan remains in draft due to the ongoing absence of an Assembly.</p> <p>DoH is leading work to refocus the Steering Group which leads delivery of the action plan, with the intention to provide updates against the action plan and publish the document (strategy and action plan) in the near future with approval from the Permanent Secretaries of Health and Justice.</p>	<p>Partially met</p>



## Financial Review

### Net expenditure

The net expenditure of the Agency for 2018-19 is compared to the previous two financial years in the table below:

	2018-19 £000	2017-18 £000	2016-17 £000
<b>Total operating income</b>	<b>(2,685)</b>	<b>(2,732)</b>	<b>(2,559)</b>
Staff costs	64,402	61,705	61,639
Purchase of goods and services	30,326	30,785	28,831
Depreciation and impairment charges	12,017	11,186	22,792
Provision expense	4,338	1,738	4,970
Grants	2,172	1,188	1,218
<b>Total operating expenditure</b>	<b>113,255</b>	<b>106,602</b>	<b>119,450</b>
<b>Net operating expenditure</b>	<b>110,570</b>	<b>103,870</b>	<b>116,891</b>
Finance expense	(3)	(9)	(80)
<b>Net expenditure for the year</b>	<b>110,567</b>	<b>103,861</b>	<b>116,811</b>

### Non-current assets

Non-Current Asset expenditure movements are detailed in the notes to the financial statements. Capital expenditure in 2018-19 totalled £37.5m (2017-18: £23.4m).

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.

#### ***Upgrade of accommodation, H-Blocks - Magilligan***

The final phase of the rolling programme of works to upgrade the accommodation blocks was completed during the year. This saw the introduction of in-cell-sanitation into H2 together with new furniture and internal redecoration within 96 cells. Magilligan joinery shop manufactured and fitted the new cell furniture.

#### ***Upgrade of ablutions in Beech and Cedar - Hydebank***

Significant improvements were concluded during the year to the eight ablution areas within the two accommodation blocks. The refurbishment works included new resin floors, improved ventilation and floor drainage together with remodelling of internal layouts to provide additional showering capacity. Raising the number of available shower spaces from 22 to 40 spaces.

***Gymnasium and workshops - Maghaberry***

Upgraded shower and changing facilities have been introduced within the Gymnasium. This has seen the refurbishment of the existing areas with new floor, wall and ceiling finishes together with enhancements to the ventilation system. The workshops have also benefitted from a lighting upgrade programme with energy efficient LED lights.

***Upgraded activity provision - Magilligan***

A number of adaptations have been made to existing buildings to improve prisoner activity areas. A new six bay barbers training salon has been created. In addition, the welding bay area within the workshops has been refurbished, including a new ventilation system, and the provision of 10 welding bays within the workshops.

***Learning and skills facilities - Hydebank***

A major refurbishment project commenced in year to re-configure the layout of the teaching spaces, improving the amount of natural light and creating a new library and a new multi-functional presentational space. The project is due for completion by Summer 2019.

**Financial position**

The total net assets of the Agency at 31 March 2019 were £201.6m (2017-18: £189.8m).

**Cash flow**

As detailed in the notes to the Accounts, the Agency's Net Assembly draw down in 2018-19 was £126.0m (2017-18: £113.6m) and the net decrease in Cash and cash equivalents in the year was £0.1m (2017-18: decrease £1.0m).

**Financial risk**

For 2018-19, the Agency relied 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 (CPPP) 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 2018-19 was £54,893. This is below the target of £56,000. 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, Prisoner Escorting and Court Custody Services and the grant paid to the Prison Service Trust.

	2018-19	2017-18 <i>Restated*</i>
Net Expenditure for the year (£000)	£110,567	£103,861
Non Standard Costs (£000)	<u>£(8,741)</u>	<u>£(5,891)</u>
Operating Expenditure (£000)	£101,826	£97,970
Prisoner Places (CNA)	1,855	1,855
<b>Cost per Prisoner Place (£)</b>	<b>£54,893</b>	<b>£52,814</b>
<b>Target Cost per Prisoner Place (£)</b>	<b>£56,000</b>	<b>£55,628</b>

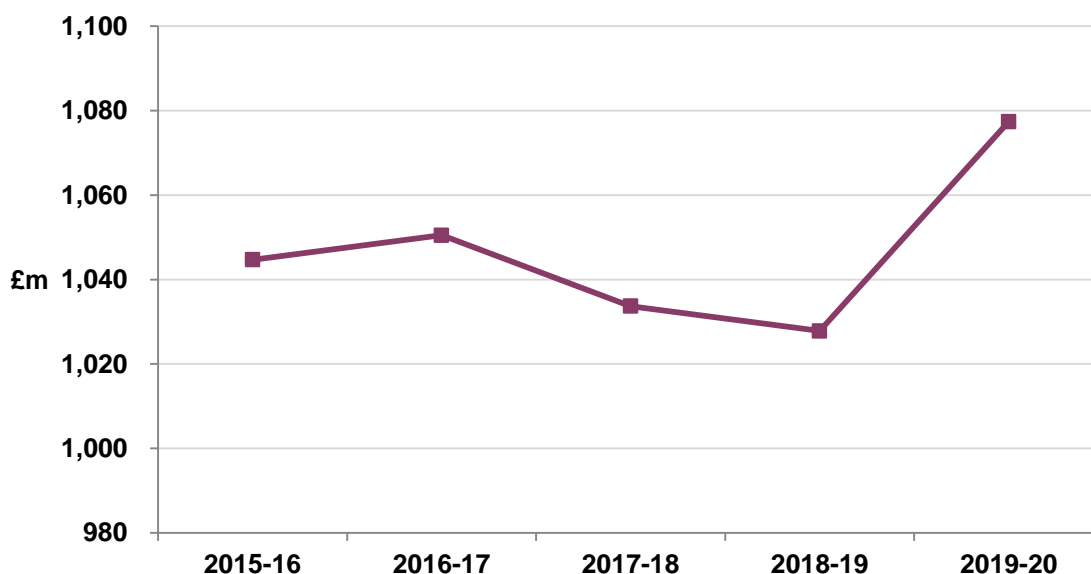
*\*Costs for 2017-18 have been restated to remove spend of £4.64m relating to Prisoner Escorting and Court Custody Services. This is intended to make figures for NIPS more comparable with other services. As a result the CPPP for 2017-18 reduced from £55,304 to £52,814.*

### Long-term expenditure trends

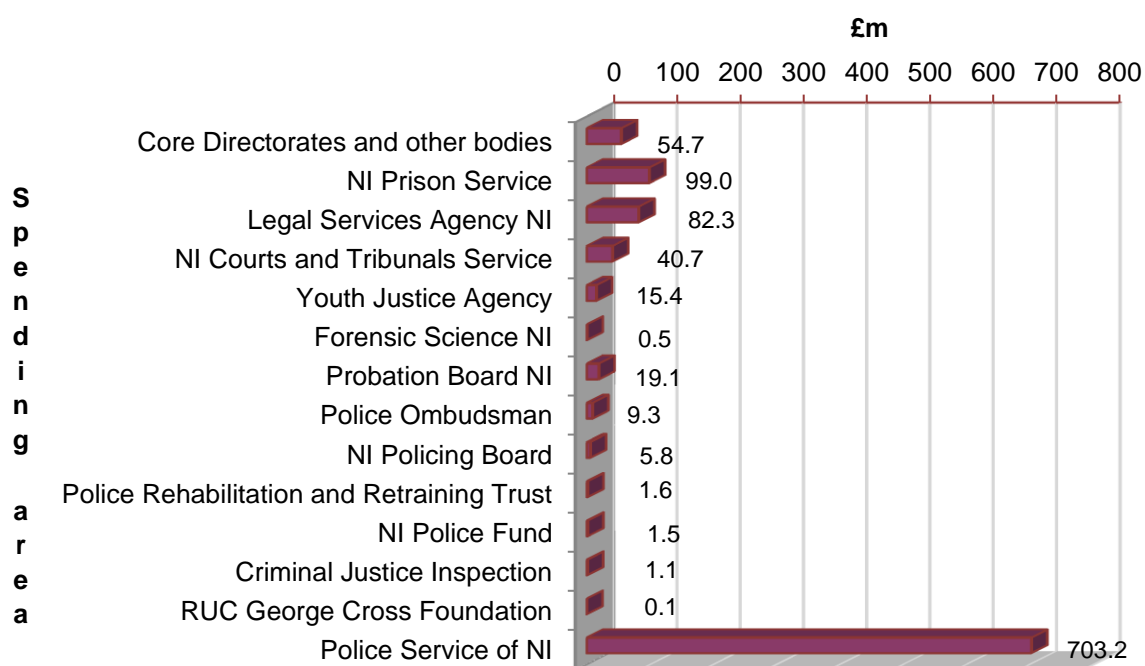
The charts below show:

- **Chart 1:** the movement in the Department of Justice non-ringfenced Resource DEL opening baseline over the period 2015-16 to 2019-20; and
- **Chart 2:** the 2019-20 non-ringfenced Resource DEL budget split by the Core Department, executive agencies and Non-Departmental Public Bodies.

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



**Chart 2: DoJ 2019-20 Non-Ringfenced Resource DEL Opening Budgets**



**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.

**2019-20 financial year**

The Secretary of State announced a Northern Ireland 2019-20 budget on 28 February 2019.

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

- a flat cash allocation (2018-19 opening baseline);
- £31.1m of additional security funding for the PSNI was provided from the 'Fresh Start' Agreement;
- £11.3m was provided towards pressures identified by the Department;
- £32.0m contribution towards pension pressures; and
- £10.7m of funding for EU Exit costs.

In setting 2019-20 budgets, the NI Prison Service allocation was increased by 2.7%.

**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 £30,000 (2017-18: £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. A NIAO Report to Those Charged with Governance for NIPS in 2017-18 highlighted the increase in provision for injury awards, and the significant burden to the NIPS budget and the public purse in future years. As a result, NIAO will produce a report specifically relating to injury awards as part of its three year public reporting programme.

**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 97% (2017-18: 94%) of payments to suppliers within 30 days and 93% (2017-18: 89%) 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 and 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 financial year improvements to energy management resulted in an overall reduction in carbon emissions of 9.3%. Electricity consumption was reduced by 4.4% and the use of fossil fuels fell by 2.1%. The figures exclude any exceptional top up contingency fuel purchased as a specific request by Government for Brexit.

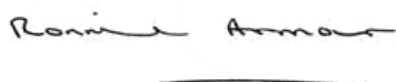
Our aim is to realise potential opportunities for sustainable development through procurement and logistics. NIPS's continues to manage and support our environmental commitments through a variety of sources:

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 continued at Maghaberry, Hydebank and Magilligan. This saw a further five plantrooms upgraded during Summer 2018. The continuance of 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, additional heating control measures were introduced to the three H-blocks during Summer 2018. This has seen the introduction of zoned heating.</p>
LED lighting programme	A rolling programme of LED lighting replacements was continued during the year. These have targeted both external and internal lighting schemes in order to reduce energy consumption and maintenance costs.
Waste management recycling	NIPS continues to support recycling initiatives and during the year expanded its dedicated recycling facilities. All three establishments now have compactors, balers and other associated recycling equipment installed on site. This has increased the recycling rates (paper, plastics, cardboard, metal and wood) and significantly reduced the waste sent to landfill.
Sustainable procurement	NIPS has maintained its Fair Trade status and promotes the 'Buy Social' initiative to support sustainable procurement.



Area	Comment
Environmental and biodiversity	<p>NIPS continues to manage the estate to create and enhance wildlife habitats including managing the Area of Special Scientific Interest (ASSI) at Maghaberry, established with RSPB and the Northern Ireland Environment Agency (NIEA), to support one of the largest breeding colonies of lapwings in the UK and Ireland.</p> <p>A new management plan for the ASSI has been agreed with NIEA which has seen the introduction of 15 ponds to attract insects for nesting birds and their chicks.</p>
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>
Construction	<p>A new 360 cell accommodation block 'Davis House' is scheduled to open in Autumn 2019. It has been designed to be an environmentally friendly building to best sustainable design standards. A design stage assessment has already awarded it a rating of BREEAM 'excellent'.</p>

## **PERFORMANCE REPORT**



**Ronnie Armour**  
**Accounting Officer**  
**26 June 2019**

## **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 Members 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 2019, the Management Board was as follows:

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

Appointments to the Management Board (except for the Non-Executive Members) 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 2018-19.

#### **Complaints procedure**

When appropriate, the Service follows Departmental procedures in respect of complaints made by members of the general public. During 2018-19 there were no complaints 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.

## **NON-EXECUTIVES' REPORT**

During 2018-19 the Northern Ireland Prison Service (NIPS) has been focussed on efficient and effective delivery of its services, on delivery of its continuous improvement plan Prisons 2020, and on good governance. NIPS focus is on its mission of making Northern Ireland a safer place by reducing reoffending.

Appointed through the Department of Justice, NIPS has two Non-Executive Members (NEMs) who have been in place throughout 2018-19. The NEMs are Dale Ashford and Claire Keatinge.

Mr Ashford and Ms Keatinge are members of the Prison Service Management Board (PSMB) and the NIPS Audit and Risk Committee (ARC). NIPS also has an Independent Committee Member, Olwen Laird, who provides additional financial expertise and is a member of the ARC only. Ms Laird has been in place throughout 2018-19.

### ***Prison Service Management Board (PSMB)***

Throughout 2018-19, the NEMs have provided independent and external input to the work of the PSMB. They have contributed positively to the good governance of NIPS by offering independent constructive challenge across the PSMB's business, ensuring that all aspects of strategy and delivery of policy were scrutinised for effectiveness and efficiency.

PSMB meets regularly in different NIPS establishments. Prior to each meeting of PSMB, NEMs have had the opportunity to tour the premises, and to talk with staff and people in custody in all of the establishments. NEMs welcome the open approach provided by the Director General and wider NIPS staff to their membership of, and participation in, the work of the PSMB.

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

The ARC is appointed by the PSMB to support the Director General of NIPS in his role as Accounting Officer in monitoring the corporate governance and control systems (including financial reporting) in NIPS. The primary function of the ARC is to test and challenge the assurances which the Board and the Accounting Officer have identified as meeting their assurance needs, the way in which these assurances are developed, and the management priorities and approaches on which the assurances are based. The Committee acts in an advisory capacity, having no executive powers.

ARC was chaired during the period April - December 2018 by Mr Ashford and during the period January to April 2019 by Ms Keatinge. ARC has provided clear and effective scrutiny, challenge and support to NIPS throughout 2018-19.

ARC considered its own effectiveness through undertaking a self-assessment review in line with guidance from the National Audit Office (NAO). This self-assessment identified the need for some changes to the terms of reference for the ARC which have been made and implemented.

ARC carried out its work in line with its terms of reference, including having a focus on:

- internal audit strategy and schedule for the forthcoming year;
- reviewing the overall assurance framework and considering assurances provided in year;
- considering findings from Northern Ireland Audit Office Reports to Those Charged with Governance;
- external audit strategy and schedule for the forthcoming year; and
- review of previous year's recommendations made by internal and external audit, and progress on actions taken.

The NEMs and Independent Committee Member of ARC would like to thank the Director General of NIPS, NIPS staff, Internal Audit and the Northern Ireland Audit Office for their co-operative and efficient support for our roles and work.

## 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.

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.

The Director General as Accounting Officer confirms that the Annual Report and Accounts as a whole is fair, balanced and understandable and takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

## **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 2018-19 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 regularly reviews 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 at each meeting 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 2018-19; attendance by members is shown in the table below:-

Member	Attendance	Changes in 2018-19
Director General - Ronnie Armour	8	
Acting Director of Prisons - Austin Treacy	8	
Director of Rehabilitation - Paul Doran	4	Appointed on 1 October 2018
Acting Director of Rehabilitation - Louise Cooper	5	Left on 29 September 2018
Head of Strategy and Governance - Brendan Giffen	7	
Non-Executive Director - Dale Ashford	8	
Non-Executive Director - Claire Keatinge	8	



Among matters considered by the Board during 2018-19 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 22 to the 2018-19 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.

There was one conflict of interest declared in the 2018-19 year, and the Board was content this did not cut across the workings of the Service.

### Audit and Risk Committee (ARC)

ARC is appointed by the Board and its members are two of the Non-Executive Members, Dale Ashford and Claire Keatinge 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 2018-19; attendance by members is shown in the table below.

Member	Attendance
Non-Executive Director - Dale Ashford (Chair)	4
Non-Executive Director - Claire Keatinge	4
Independent Board Member - Olwen Laird	4

Key matters considered during 2018-19 included:

- review of the Corporate Risk Register;
- in depth review of recommendations arising from Internal Audit reports;
- review of the draft Annual Report and Accounts; 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 2018-19; attendance by members is shown in the table below.

<b>Member</b>	<b>Attendance</b>
Acting Director of Prisons (Chair)	12
Governor, Maghaberry	12
Governor, Magilligan	12
Governor, Hydebank Wood	12
Head of Prisoner Escorting and Court Custody Services (PECCS)	12
Acting Director of Rehabilitation	8
Deputy Director - Operational Management	10
Deputy Director of Operations and Security/Head of Security Management	10
Head of Licensing Legislation and Estates	11
Head of Strategy and Governance	11
Head of Wellbeing	11

## 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 2018-19 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 2018-19 the Finance Committee met eight times and dealt with business by correspondence once. Members attended as follows:

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

### **Other governance arrangements - Internal Audit**

Internal Audit reviewed six key areas throughout the year. These were Compensation Claims, Central Detailing Units, Central and Local Stores, Inmates Cash and Earnings, Behaviour and Discipline, and Tuckshops. In the Head of Internal Audit's Annual Report and Opinion for 2018-19 she has given NIPS an overall opinion rating of Satisfactory. Of the six audits completed, four received satisfactory assurances and two areas received a limited assurance (Central and local Stores and Behaviour and Discipline).

There were three Priority 1 recommendations made to NIPS with several Priority 2 and 3 recommendations which have all been accepted. The Priority 1 recommendations related to concerns raised by Internal Audit during the audits of:

- Central and Local Stores - in relation to the storage of lighter fuel which should be stored in a fire proof cabinet with restricted access; and
- Behaviour and Discipline - in relation to processes for professional standards and code of conduct.

These recommendations are being taken forward by the NIPS Management Team and Internal Audit will review progress on the implementation of these recommendations during 2019-20.

### **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 and 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 2018-19 consisted of seven risks. PSMB took the approach of reviewing and addressing in depth one risk per meeting while providing continuous assessment to the risk register as a whole. Underpinning this, each Establishment and Branch had their own 2018-19 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.

## **Budget position**

In the continuing absence of an Executive and a sitting Assembly the Northern Ireland Budget Act 2018 was progressed through Westminster, receiving Royal Assent on 20 July 2018, followed by the Northern Ireland Budget (Anticipation and Adjustments) Act 2019 which received Royal Assent on 15 March 2019. The authorisations, appropriations and limits in these Acts provide the authority for the 2018-19 financial year and a vote on account for the early months of the 2019-20 financial year as if they were Acts of the Northern Ireland Assembly.

## **SIGNIFICANT INTERNAL CONTROL ISSUES**

### **Pre-release testing - abscondments**

There were three high profile abscondments as part of the pre-release testing programme in 2018-19:

- on 21 June 2018, a prisoner absconded while on accompanied day release in Belfast City Centre. He was arrested the following day.
- on 2 September 2018, a 56 year old prisoner from Maghaberry failed to return to Burren House after being permitted to attend the Mater Hospital. The prisoner was subsequently arrested in the Republic of Ireland and transferred to the custody of the Police Service of Northern Ireland on 10 September 2018, who returned him to the prison.
- abscondment of a prisoner on 27 February 2019 when he failed to return after a period of pre-release testing. He was arrested and returned to custody on 1 March 2019.

These cases attracted considerable media attention. Pre-release testing is challenging, however it provides an important public safety element of the work of the NIPS. Judgments are often finely balanced and, on occasions, individuals will fail the testing process. The Prison Service recognise the importance of maintaining public confidence in our pre-release testing arrangements and have, in order to ensure both accountability and transparency, recently provided briefings to a range of local politicians on the procedures we have in place. These briefings have included visits to both Maghaberry Prison and our Pre-Release Working Out Unit.

### **Deaths in custody**

During this year there have been seven deaths in custody and a further two deaths occurred within 14 days of release. The cause of death in each instance has not been confirmed pending Coroner's Inquests taking place. The Prisoner Ombudsman's Office was notified following each death in custody and their investigations into the circumstances are ongoing. The NIPS extends its sympathy to the families of those who have died.

## **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 Public Sector 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 2018-19, she has provided an overall satisfactory assurance.

## **REMUNERATION AND STAFF REPORT**

### **REMUNERATION REPORT**

#### **Remuneration policy**

The pay remit for the Northern Ireland (NI) public sector, including senior civil servants (SCS), is normally approved by the Minister of Finance. In the absence of an Executive, the Department of Finance's Permanent Secretary has set the 2018-19 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. The pay award for SCS staff for 2018-19 has been finalised but not yet paid.

The pay of senior civil servants (SCS) is 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.

#### **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. Dale Ashford has subsequently been appointed as the Chair of the Probation Board for Northern Ireland and left his post in NIPS at the end of May 2019. The process to appoint a new Non-Executive Director is underway.

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.



## Remuneration and pension entitlements

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

*[Audited information]*

2018-19				
Board Member	Salary and allowances £000	Benefits in Kind (to nearest £100)	Pension Benefits* £000	Total £000
<b>Ronnie Armour</b> Director General	90-95	-	42	135-140
<b>Austin Treacy</b> Acting Director of Prisons	75-80	-	8	85-90
<b>Paul Doran</b> Director of Rehabilitation (from 1 October 2018)	35-40 (full year equivalent 70-75)	-	(1)	35-40
<b>Louise Cooper</b> Acting Director of Rehabilitation (until 29 September 2018)	30-35 (full year equivalent 60-65)	-	5	35-40
<b>Brendan Giffen</b> Head of Strategy and Governance	60-65	-	29	90-95
<b>Dale Ashford</b> Non-Executive Director	10-15	200	-	-
<b>Claire Keatinge</b> Non-Executive Director	10-15	2,200	-	-

\* 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]

2017-18				
Board Member	Salary and allowances £000	Benefits in Kind (Restated*) (to nearest £100)	Pension Benefits** (Restated) £000	Total (Restated) £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	-	78	145-150
<b>Brendan Giffen</b> Head of Strategy and Governance	55-60	-	17	70-75
<b>Dale Ashford</b> Non-Executive Director (from 1 November 2017)	5-10 (full year equivalent 10-15)	100	-	5-10
<b>Claire Keatinge</b> Non-Executive Director (from 1 November 2017)	5-10 (full year equivalent 10-15)	1,300	-	5-10
<b>Paul Leighton CBE</b> Non-Executive Director (until 17 October 2017)	0-5 (full year equivalent 10-15)	-	-	0-5

\*Benefits in kind have been restated to be consistent with the methodology used in 2018-19.

\*\*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.

\*\*\*Pension benefits have been restated to reflect transfers from other pension schemes that were not finalised at the time of completing the 2017-18 financial statements.

**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 severance or ex 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]*

	<b>2018-19</b>	<b>2017-18</b> <b>Restated**</b>
Band of highest paid director's total remuneration*	£90-95,000	£85-90,000
Median total remuneration*	£27,723	£25,455
Ratio	3.34	3.44

*\*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.*

*\*\*The 2017-18 Median total remuneration has been re-calculated to reflect consistency with the methodology used for 2018-19.*

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 2018-19 was £90-95,000 (2017-18: £85-90,000). This was 3.34 times (2017-18: 3.44 times) the median remuneration of the workforce, which was £27,723 (2017-18: £25,455).

In 2018-19, no employees (2017-18: None) received remuneration in excess of the highest paid Director.

Remuneration ranged from £17,000 to £90-95,000 (2017-18: £17,000 to £85-90,000).

**Pension entitlements***[Audited information]*

<b>Board Member</b>	<b>Accrued pension at pension age as at 31/3/19 and related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/3/19 or date of leaving</b>	<b>CETV at 31/3/18 or date of joining <i>Restated</i> *</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 110-115	0-2.5 plus lump sum 0-0.2.5	852	745	25
<b>Austin Treacy</b> Acting Director of Prisons	40-45 plus lump sum 130-135	0-2.5 plus lump sum 0-2.5	958	925	7
<b>Paul Doran</b> Director of Rehabilitation (from 1 October 2018)	35-40 plus lump sum 60-65	0-2.5 plus lump sum (0-2.5)	711	700	2
<b>Louise Cooper</b> Acting Director of Rehabilitation (until 29 September 2018)	10-15 plus 0 lump sum	0-2.5 plus 0 lump sum	119	107	1
<b>Brendan Giffen</b> Head of Strategy and Governance	15-20 plus lump sum 40-45	0-2.5 plus lump sum 0-2.5	302	251	15

*\*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 '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 2018 was 2.4% and HM Treasury has announced that public service pensions will be increased accordingly from April 2019.

Employee contribution rates for all members for the period covering 1 April 2019 to 31 March 2020 are as follows:

Annualised rate of Pensionable Earnings (Salary Bands)		% Contribution rate for all members
From	To	
£0	£23,500.99	4.60%
£23,501.00	£54,500.99	5.45%
£54,501.00	£150,000.99	7.35%
£150,001.00 and above		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 (2017-18: £Nil).

### **Payments to past directors**

There were no payments by the Agency to past directors during the financial year (2017-18: £Nil).

## STAFF REPORT

### Staff costs

*[Audited information]*

			2018-19	2017-18
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	49,460	138	49,598	47,561
Social security costs	5,040	3	5,043	4,911
Other pension costs	9,761	-	9,761	9,233
<b>Total costs</b>	<b>64,261</b>	<b>141</b>	<b>64,402</b>	<b>61,705</b>

### Pensions

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but the Agency is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out the scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2012 scheme valuation was completed by GAD in February 2015. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2015 to 31 March 2019.

For 2018-19, employers' contributions of £9,710,170 were payable to the NICS pension arrangements (2017-18: £9,195,645) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands.

Work was completed on the 2016 valuation, based on the position as at 31 March 2016. The outcome of this scheme valuation informed employer contribution rates for 2019-20. Employer contribution rates payable will range from 28.7% to 34.2% of pensionable pay, based on salary bands. This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4% pa above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 £13,962 (2017-18: £13,240) 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% (2017-18: 8% to 14.75%) of pensionable pay. The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings. Employer contributions of £220, 0.5% (2017-18: £527, 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.

37 persons (2017-18: 44 persons) retired early on ill health grounds; the total accrued pension liabilities in the year amounted to £12,084 (2017-18: £58,454).

### Average number of persons employed

*[Audited information]*

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

			2018-19	2017-18
	Permanently employed staff	Others	Total	Total
Operational staff	1,347	5	1,352	1,346
Administration staff	124	-	124	114
Staff engaged on capital projects	13	-	13	1
<b>Total number of staff</b>	<b>1,484</b>	<b>5</b>	<b>1,489</b>	<b>1,461</b>

### Staff composition

The table below provides a gender breakdown of all operational and non-operational staff at 31 March 2019:

	Female staff	Male staff	Total staff
Prison Service Management Board	1	5	6
Senior Civil Service	-	3	3
Staff	581	983	1,564

## **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 2018-19 indicate that this was 18.4 days per employee, a slight decrease on the previous year (2017-18: 19.7 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 and HR Business Partner 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.

NIPS also has a partnership with the Police Rehabilitation and Retraining Trust (PRRT) for operational staff.

As part of Prisons 2020, NIPS launched a Prisons Well programme in March 2019 which aims to support staff well-being.

## **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**

The NIPS Equality and Diversity (E&D) Coordinator has continued to act as the liaison and point of contact between the Service, DoJ, Equality Commission NI and CJINI to ensure consistency of approach around policy development and Equality Screening and Consultation. In coordination with the E&D Governors and Committees in the establishments work has been progressing to address and implement the actions from the DoJ E&D and Disability Action plans and the recommendations of the CJINI Inspection of the Implementation of Section 75 of the Northern Ireland Act 1998. NIPS has contributed to all of the relevant returns during the period on a range of UN Conventions and Inspections.

Training has been provided to senior members of staff by the Equality Commission NI on S75 and the screening process. NIPS has been represented at number of events throughout the year and the NIPS establishments have held a number of events for both staff and prisoners around Equality, Diversity and Disability. A timetable of events for 2019-20 has recently been agreed which will see a range of events going forward at each of the establishments.

Equality and Diversity training has been provided to all new recruits during the year as part of their induction training. This training encompasses best practice and knowledge established through a number of recent case studies. Training has also been 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 £51,679 expenditure on consultancy during 2018-19 (2017-18: £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 were agreed in 2018-19 (2017-18: £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**

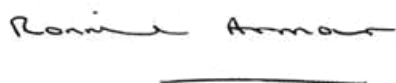
Included in the provision note (Note 17) are special payments. Amounts utilised during the year included 248 compensation payments (2017-18: 396, *restated*) totalling £1,002,979 (2017-18: £1,358,697, *restated*).

The 2017-18 disclosure for special payments has been re-calculated to remove legal payments to counsel to ensure consistency with the methodology adopted for 2018-19.

#### **Remote contingent liabilities**

There were no contingent liabilities requiring disclosure under Assembly reporting requirements. The Agency had no significant remote contingent liabilities during 2018-19 that require disclosure. Note 21 provides further details regarding the contingent liabilities that are included within the financial statements.

## **ACCOUNTABILITY REPORT**



**Ronnie Armour**  
**Accounting Officer**  
**26 June 2019**

## 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 2019 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 including significant accounting policies. 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 2019 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.

My objectives are 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

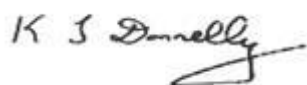
### **Matters on which I report by exception**

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*

*Date: 28 June 2019*



**FINANCIAL STATEMENTS****Statement of Comprehensive Net Expenditure****For the year ended 31 March 2019**

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	2018-19 £000	2017-18 <i>Restated</i> £000
Revenue from contracts with customers	3	(2,653)	(2,470)
Other operating income	3	(32)	(262)
<b>Total operating income</b>		<b>(2,685)</b>	<b>(2,732)</b>
Staff costs	3	64,402	61,705
Purchase of goods and services	3	30,326	30,785
Depreciation and impairment charges	3	12,017	11,186
Provision expense	3	4,338	1,738
Grants	3	2,172	1,188
<b>Total operating expenditure</b>		<b>113,255</b>	<b>106,602</b>
<b>Net operating expenditure</b>		<b>110,570</b>	<b>103,870</b>
Finance expense	3	(3)	(9)
<b>Net expenditure for the year</b>		<b>110,567</b>	<b>103,861</b>
<b>Non-operating activities:</b>			
Loss on net assets transferred in	1.28	1,101	-
<b>Net expenditure after non-operating activities</b>		<b>111,668</b>	<b>103,861</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	(5,798)	(14,212)
- Net (gain)/loss on revaluation of intangibles	9	(38)	(57)
- Actuarial (gain)/loss on provisions	17	12,296	12,940
<b>Comprehensive net expenditure for the year</b>		<b>118,128</b>	<b>102,532</b>

The notes on pages 55 to 85 form part of these Accounts.

## Statement of Financial Position

As at 31 March 2019

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.

		2019	2018
		£000	<i>Restated</i> £000
<b>Non-current assets</b>			
Property, plant and equipment	8	290,677	259,392
Intangible assets	9	1,873	1,787
Trade and other receivables	15	-	-
Financial assets	11	7	22
<b>Total non-current assets</b>		<b>292,557</b>	<b>261,201</b>
<b>Current assets</b>			
Assets classified for resale	10	-	1,700
Inventories	13	1,340	928
Trade and other receivables	15	1,794	1,613
Financial assets	11	18	17
Cash and cash equivalents	14	255	88
<b>Total current assets</b>		<b>3,407</b>	<b>4,346</b>
<b>Total assets</b>		<b>295,964</b>	<b>265,547</b>
<b>Current liabilities</b>			
Cash and cash equivalents	14	(3,093)	(2,859)
Trade and other payables	16	(28,178)	(20,410)
Provisions	17	(6,835)	(8,392)
<b>Total current liabilities</b>		<b>(38,106)</b>	<b>(31,661)</b>
<b>Total assets less current liabilities</b>		<b>257,858</b>	<b>233,886</b>
<b>Non-current liabilities</b>			
Provisions	17	(56,284)	(44,045)
<b>Total non-current liabilities</b>		<b>(56,284)</b>	<b>(44,045)</b>
<b>Total assets less total liabilities</b>		<b>201,574</b>	<b>189,841</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		123,898	113,370
Revaluation reserve		77,676	76,471
<b>Total equity</b>		<b>201,574</b>	<b>189,841</b>



**Ronnie Armour**  
Accounting Officer

26 June 2019

The notes on pages 55 to 85 form part of these Accounts.

## Statement of Cash Flows

### For the year ended 31 March 2019

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.

	2018-19	2017-18
	£000	<i>Restated</i> £000
<b>Cash flows from operating activities</b>		
Net expenditure for the year	(110,567)	(103,861)
Adjustments for non-cash transactions	4	16,963
(Increase)/decrease in trade and other receivables	15	(132)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	15	(36)
	-	
(Increase)/decrease in inventories	13	137
Increase/(decrease) in trade and other payables	16	3,546
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	16	536
Use of provisions	17	(7,799)
Machinery of Government transfer	(138)	-
<b>Net cash outflow from operating activities</b>	<b>(100,533)</b>	<b>(90,646)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(26,507)	(23,605)
Purchase of intangible assets	(602)	(352)
Proceeds of disposal of assets	1,535	8
Repayments from and loans to other bodies	11	62
<b>Net cash outflow from investing activities</b>	<b>(25,557)</b>	<b>(23,887)</b>
<b>Cash flows from financing activities</b>		
Net Assembly Funding - drawn down	125,987	113,553
<b>Net financing</b>	<b>125,987</b>	<b>113,553</b>
<b>Net (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to Consolidated Fund</b>	<b>(103)</b>	<b>(980)</b>
Receipts due to the Consolidated Fund which are outside the scope of the Agency's activities	68	148
Payments of amounts due to the Consolidated Fund	(32)	(150)
<b>Net (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>	<b>(67)</b>	<b>(982)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(2,771)</b>	<b>(1,789)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(2,838)</b>	<b>(2,771)</b>

The notes on pages 55 to 85 form part of these Accounts.

## Statement of Changes in Taxpayers' Equity

## For the year ended 31 March 2019

This statement shows the movement in the year on the different reserves held by the Agency 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 of the Agency, 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 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>
Net Assembly Funding		125,987	-	125,987
Comprehensive net expenditure for the year		(123,964)	5,836	(118,128)
Auditors Remuneration	5	30	-	30
Other notionals	5	3,844	-	3,844
Transfers between reserves		4,631	(4,631)	-
<b>Balance at 31 March 2019</b>		<b>123,898</b>	<b>77,676</b>	<b>201,574</b>

The notes on pages 55 to 85 form part of these Accounts.

## Notes to the Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-19 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 Income**

#### **Financing**

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.

#### **Revenue from contracts with customers**

Revenue is recognised at an amount that reflects the consideration to which the Agency is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Agency: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

#### ***Sale of goods and services***

Revenue from the sale of goods is recognised either:

- at the point in time when the customer obtains control of the goods, which is generally at the time of delivery; or
- over time as the services are rendered based on either a fixed price or an agreed rate.

#### **Other operating income**

Other operating income is income which relates directly to the operating activities of the Agency. It includes both income classified as Accruing Resources and income due to the Consolidated Fund, which in accordance with the FReM, is treated as operating income.

***Rental income***

Rent revenue from properties is recognised on a straight-line basis over the lease term.

***Other income***

Other revenue is recognised when it is received or when the right to receive payment is established.

**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 23 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 (VER) 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 2018-19 for the first time

<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>	IFRS 9 includes several improvements, and introduces substantially greater disclosure requirements, to the previous IAS 39 which includes: <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>
<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 15 Revenue from Contracts with Customers
<b>Effective date</b>	1 January 2018 (EU endorsed 31 October 2017)
<b>FReM application</b>	2018-19
<b>Description of revision</b>	IFRS 15 introduces a new five stage model for assessing and recognising revenue from contracts with customers. It also introduces substantially greater disclosure requirements to address the shortcomings of the previous Standards (IAS 1 and IAS 18).
<b>Comments</b>	IFRS 15 will affect all public-sector bodies.

## 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 2019 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 16 <i>Leases</i> (replaces IAS 17 <i>Leases and related interpretations</i> )
<b>Effective date</b>	January 2019 (EU endorsed 31 October 2017)
<b>FReM application</b>	2020-21
<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, unless they qualify for low value or short-term exemptions. In addition, there are updated disclosure requirements.</p> <p>The lessor accounting model is generally unchanged from IAS 17 but entities should be aware of the introduction and impacts of IFRS 9 <i>Financial Instruments</i>, enhanced disclosure requirements and that a sub-lessor now determines whether a lease is finance or operating based on the right of use asset it subleases.</p>
<b>Comments</b>	IFRS 16 <i>Leases</i> replaces IAS 17 <i>Leases</i> and is effective with EU adoption from 1 January 2019. In line with the requirements of the <i>FReM</i> , IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2020.

## 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.

### 1.28 Machinery of government transfer

A number of functions previously carried out by Reducing Offending Directorate in DoJ Core Department transferred to NIPS on 1 April 2018. This was accounted for by way of machinery of government (MoG) and the following balances transferred:

	<b>1 April 2018</b> <b>£000</b>
Provisions	963
Payables	138
<b>Total</b>	<b>1,101</b>

In line with DoF guidance, prior year comparative figures were not adjusted as this was a transfer within the same department.

### 1.29 Prior year restatements

Following the introduction of IFRS 15 Revenue from contracts with customers the Agency reviewed the reclassification of its Income and restated the 2017-18 financial information as follows:

<b><u>Note 7</u></b>	<b>2017-18 Published Accounts £000</b>	<b>IFRS 15 reclassifi- cation £000</b>	<b>2017-18 Restated £000</b>
Revenue from contracts with customers	2,462	8	2,470
Other operating income	270	(8)	262
	<b>2,732</b>	<b>-</b>	<b>2,732</b>

Figures for Cash and cash equivalents have also been restated as follows:

<b><u>Note 14</u></b>	<b>2017-18 Published Accounts £000</b>	<b>IFRS 15 reclassifi- cation £000</b>	<b>2017-18 Restated £000</b>
Current assets	36	52	88
Current liabilities	(2,807)	(52)	(2,859)
	<b>(2,771)</b>	<b>-</b>	<b>(2,771)</b>

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

<b>2018-19</b>	<b>Maghaberry £000</b>	<b>Magilligan £000</b>	<b>Hydebank £000</b>	<b>Others £000</b>	<b>Total £000</b>
Gross expenditure	42,859	19,930	13,993	36,470	113,252
Income	(1,382)	(847)	(349)	(107)	(2,685)
<b>Net expenditure</b>	<b>41,477</b>	<b>19,083</b>	<b>13,644</b>	<b>36,363</b>	<b>110,567</b>

<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	106,593
Income	(1,320)	(754)	(326)	(332)	(2,732)
<b>Net expenditure</b>	<b>39,781</b>	<b>18,423</b>	<b>12,687</b>	<b>32,970</b>	<b>103,861</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

2018-19		Administration	Programme	Total
	Note	£000	£000	£000
Revenue from contracts with customers	7	-	(2,653)	(2,653)
Other operating income	7	-	(32)	(32)
<b>Total operating income</b>		<b>-</b>	<b>(2,685)</b>	<b>(2,685)</b>
Staff costs	5, 6	5,229	59,173	64,402
Purchase of goods and services	5, 6	6,611	23,715	30,326
Depreciation and impairment charges	5, 6	-	12,017	12,017
Provision expense	6	-	4,338	4,338
Grants	6	-	2,172	2,172
<b>Total operating expenditure</b>		<b>11,840</b>	<b>101,415</b>	<b>113,255</b>
<b>Net operating expenditure</b>		<b>11,840</b>	<b>98,730</b>	<b>110,570</b>
Finance expense	5, 6	-	(3)	(3)
<b>Net expenditure for the year</b>		<b>11,840</b>	<b>98,727</b>	<b>110,567</b>
<b>2017-18</b>		<b>Administration</b>	<b>Programme</b>	<b>Total</b>
	<b>Note</b>	<b>£000</b>	<b><i>Restated</i></b>	<b><i>Restated</i></b>
			<b>£000</b>	<b>£000</b>
Revenue from contracts with customers	7	-	(2,470)	(2,470)
Other operating income	7	-	(262)	(262)
<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>



**4. Non-cash costs**

<b>2018-19</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	3,874	2	3,876
Depreciation and impairment charges	5, 6	-	12,017	12,017
Provision expense	6	-	4,338	4,338
Grants	6	-	67	67
Finance expense	5, 6	-	(4)	(4)
Grant income	7	-	(2)	(2)
<b>Total</b>		<b>3,874</b>	<b>16,418</b>	<b>20,292</b>

<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>

## 5. Other administrative expenditure

	Note	2018-19 £000	2017-18 £000
<b>Staff Costs*</b>			
Wages and salaries		3,932	3,395
Social security costs		401	351
Other pension costs		896	737
		<b>5,229</b>	<b>4,483</b>
<b>Purchase of goods and services</b>			
Staff related costs		510	406
Rentals under operating leases		174	173
Accommodation costs, maintenance and utilities		338	463
IT, communications and office services		836	802
Contracted out and managed services		795	539
Professional and consultancy costs		60	61
Other costs		24	16
		<b>2,737</b>	<b>2,460</b>
<b>Non-cash items:</b>			
Auditors' remuneration		30	32
Notional costs - other departments and agencies		3,360	3,314
Notional costs - Department of Justice		484	494
		<b>3,874</b>	<b>3,840</b>
		<b>6,611</b>	<b>6,300</b>
<b>Depreciation and impairment charges</b>			
Depreciation	8, 9	-	-
<b>Finance expense</b>			
Interest charges		-	-
<b>Total administrative expenditure</b>		<b>11,840</b>	<b>10,783</b>

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

## 6. Programme expenditure

	Note	2018-19 £000	2017-18 £000
<b>Staff Costs*</b>			
Wages and salaries		45,666	44,166
Social security costs		4,642	4,560
Other pension costs		8,865	8,496
		<b>59,173</b>	<b>57,222</b>
<b>Purchase of goods and services</b>			
Prisoner costs		11,469	11,249
Staff related costs		1,194	1,341
Accommodation costs, maintenance and utilities		8,867	9,528
IT, communications and office services		417	373
Professional and consultancy costs		812	816
Consumables, materials and equipment costs		924	950
Other costs		30	19
		<b>23,713</b>	<b>24,276</b>
<b>Non-cash items:</b>			
(Profit)/loss on disposal of non-current assets	8, 9	2	206
Increase/(decrease) in impairment of trade receivables		-	3
		<b>2</b>	<b>209</b>
		<b>23,715</b>	<b>24,485</b>
<b>Depreciation and impairment charges</b>			
Depreciation	8	11,658	10,423
Amortisation	9	529	1,587
Net revaluation charge to SoCNE	12	(343)	(824)
Impairment of current and non-current assets	12	173	-
		<b>12,017</b>	<b>11,186</b>
<b>Provisions expense</b>			
Provisions: provided for in year	17	4,202	3,899
Provisions: written back in year	17	(918)	(2,941)
Borrowing costs		1,054	780
		<b>4,338</b>	<b>1,738</b>
<b>Grants</b>			
		<b>2,172</b>	<b>1,188</b>
<b>Finance expense</b>			
		<b>(3)</b>	<b>(9)</b>
<b>Total programme expenditure</b>			
		<b>101,412</b>	<b>95,810</b>

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

## 7. Income

	Note	2018-19 £000	2017-18 £000
<b>Administration income</b>		-	-
<b>Programme income:</b>			
<b><i>Revenue from contracts with customers</i></b>			
Sale of goods and services		2,653	2,470
<b><i>Other operating income</i></b>			
Grant income		32	262
		<b>2,685</b>	<b>2,732</b>
<b>Total operating income</b>		<b>2,685</b>	<b>2,732</b>

Income can be further analysed as follows:

2018-19	Maghaberry £000	Magilligan £000	Hydebank £000	Others £000	Total £000
Revenue from contracts with customers	1,382	846	348	77	2,653
Other operating income	-	-	2	30	32
<b>Net expenditure</b>	<b>1,382</b>	<b>846</b>	<b>350</b>	<b>107</b>	<b>2,685</b>
2017-18	Maghaberry £000	Magilligan £000	Hydebank £000	Others £000	Total £000
Revenue from contracts with customers	1,320	754	326	70	2,470
Other operating income	-	-	-	262	262
<b>Net expenditure</b>	<b>1,320</b>	<b>754</b>	<b>326</b>	<b>332</b>	<b>2,732</b>

## 8. Property, plant and equipment

2018-19	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 2018	4,345	246,174	13,052	656	27,302	291,529
Additions	-	130	2,675	900	33,145	36,850
Disposals	-	-	(48)	(11)	-	(59)
Transfers	-	-	(210)	(6)	-	(216)
Reclassifications	-	4,659	-	29	(4,663)	25
Revaluation charged to SoCNE	-	395	3	-	-	398
Revaluations	-	6,570	78	5	-	6,653
<b>At 31 March 2019</b>	<b>4,345</b>	<b>257,928</b>	<b>15,550</b>	<b>1,573</b>	<b>55,784</b>	<b>335,180</b>
<b>Depreciation</b>						
At 1 April 2018	-	21,459	10,234	444	-	32,137
Charged in year	-	10,882	691	85	-	11,658
Disposals	-	-	(42)	(7)	-	(49)
Transfers	-	-	(148)	(5)	-	(153)
Reclassifications	-	-	-	-	-	-
Revaluation charged to SoCNE	-	54	1	-	-	55
Revaluations	-	796	57	2	-	855
<b>At 31 March 2019</b>	<b>-</b>	<b>33,191</b>	<b>10,793</b>	<b>519</b>	<b>-</b>	<b>44,503</b>
<b>Carrying amount at 31 March 2019</b>	<b>4,345</b>	<b>224,737</b>	<b>4,757</b>	<b>1,054</b>	<b>55,784</b>	<b>290,677</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>Asset financing:</b>						
Owned	4,345	224,737	4,757	1,054	55,784	290,677
<b>Carrying amount at 31 March 2019</b>	<b>4,345</b>	<b>224,737</b>	<b>4,757</b>	<b>1,054</b>	<b>55,784</b>	<b>290,677</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)****2017-18**

	<b>Land £000</b>	<b>Buildings £000</b>	<b>Vehicles, Plant &amp; Machinery £000</b>	<b>Information Technology £000</b>	<b>Assets Under Construct -ion £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>						
At 1 April 2017	6,030	210,443	34,038	3,466	20,724	<b>274,701</b>
Additions	-	1,767	552	80	20,704	<b>23,103</b>
Disposals	-	(112)	(17,998)	(2,898)	(24)	<b>(21,032)</b>
Reclassifications	(1,700)	17,679	(3,577)	(2)	(14,102)	<b>(1,702)</b>
Revaluation charged to SoCNE	-	955	(4)	-	-	<b>951</b>
Revaluations	15	15,442	41	10	-	<b>15,508</b>
<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	-	<b>41,111</b>
Charged in year	-	9,178	1,127	118	-	<b>10,423</b>
Disposals	-	(2)	(17,922)	(2,894)	-	<b>(20,818)</b>
Reclassifications	-	2,885	(2,886)	(1)	-	<b>(2)</b>
Revaluation charged to SoCNE	-	118	6	3	-	<b>127</b>
Revaluations	-	1,263	27	6	-	<b>1,296</b>
<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</b>						
<b>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</b>						
<b>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</b>						
<b>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>

**9. Intangible assets**

<b>2018-19</b>	<b>Software and Licences £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 April 2018	20,314	357	<b>20,671</b>
Additions	14	588	<b>602</b>
Disposals	(1)	-	<b>(1)</b>
Reclassifications	470	(495)	<b>(25)</b>
Revaluation charged to SoCNE	-	-	-
Revaluations	69	-	<b>69</b>
<b>At 31 March 2019</b>	<b>20,866</b>	<b>450</b>	<b>21,316</b>
<b>Amortisation</b>			
At 1 April 2018	18,884	-	<b>18,884</b>
Charged in year	529	-	<b>529</b>
Disposals	(1)	-	<b>(1)</b>
Reclassifications	-	-	-
Revaluation charged to SoCNE	-	-	-
Revaluations	31	-	<b>31</b>
<b>At 31 March 2019</b>	<b>19,443</b>	<b>-</b>	<b>19,443</b>
<b>Carrying amount at 31 March 2019</b>	<b>1,423</b>	<b>450</b>	<b>1,873</b>
<b>Carrying amount at 31 March 2018</b>	<b>1,430</b>	<b>357</b>	<b>1,787</b>
<b>Asset financing:</b>			
Owned	1,423	450	1,873
<b>Carrying amount at 31 March 2019</b>	<b>1,423</b>	<b>450</b>	<b>1,873</b>

**9. Intangible assets (continued)**

<b>2017-18</b>	<b>Software and 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	1,430	357	1,787
<b>Carrying amount at 31 March 2018</b>	<b>1,430</b>	<b>357</b>	<b>1,787</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	2018-19 £000	2017-18 £000
Balance 1 April		1,700	-
Transferred from Property, plant and equipment	8	-	1,700
Disposals		(1,527)	-
Impairment		(173)	-
<b>At 31 March</b>		<b>-</b>	<b>1,700</b>

## 11. Financial assets

<b>Housing Loans Scheme</b>	2018-19 £000	2017-18 £000
Balance at 1 April	39	91
New Loans	1	-
Repayments	(18)	(62)
Revaluations	3	10
<b>Balance at 31 March</b>	<b>25</b>	<b>39</b>
Current Assets	18	17
Non-current Assets	7	22
<b>Balance at 31 March</b>	<b>25</b>	<b>39</b>
<b>Balance at 31 March comprises:</b>		
Carrying value	26	43
Net discount	(1)	(4)
Impairment	-	-
<b>Amortised amount (Fair value) at 31 March</b>	<b>25</b>	<b>39</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% (2017-18: 3.7%) in line with Treasury guidelines. NIPS had 12 loans to officers at 31 March 2019 (23 at 31 March 2018) and does not hold any other financial assets. NIPS is therefore exposed to little credit, liquidity or market risk.

**12. Impairments**

		<b>2018-19</b>	<b>2017-18</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Charged directly to SoCNE</b>			
Property, plant and equipment	8	(343)	(824)
Assets held for sale		173	-
		<b>(170)</b>	<b>(824)</b>
<b>Taken through Revaluation Reserve</b>			
Property, plant and equipment	8	(5,798)	(14,212)
Intangible assets	9	(38)	(57)
		<b>(5,836)</b>	<b>(14,269)</b>
<b>Total charge for the year</b>		<b>(6,006)</b>	<b>(15,093)</b>

**13. Inventories**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
Consumables and equipment	1,027	757
Fuel stores	313	171
	<b>1,340</b>	<b>928</b>

**14. Cash and cash equivalents**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(2,771)	(1,789)
Net change in cash and cash equivalent balances	(67)	(982)
<b>Balance at 31 March</b>	<b>(2,838)</b>	<b>(2,771)</b>

The following balances at 31 March were held at :

Commercial bank and cash in hand	(2,838)	(2,771)
<b>Balance at 31 March</b>	<b>(2,838)</b>	<b>(2,771)</b>

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

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b><i>Restated</i></b>
		<b>£000</b>
Current assets	255	88
Current liabilities	(3,093)	(2,859)
<b>Total</b>	<b>(2,838)</b>	<b>(2,771)</b>

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

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	129	38
Other receivables	14	160
Prepayments and accrued income	386	223
VAT	1,265	1,192
	<b>1,794</b>	<b>1,613</b>

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

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Trade payables	763	163
Other payables	827	679
Accruals and deferred income	26,550	19,566
Consolidated Fund Extra Receipts to be paid to the Consolidated Fund - Received	38	2
	<b>28,178</b>	<b>20,410</b>

**17. Provisions for liabilities and charges**

	<b>Injury Awards £000</b>	<b>Litigation claims £000</b>	<b>Voluntary Early Retirement Scheme £000</b>	<b>Early departure costs £000</b>	<b>Total £000</b>
Balance at 1 April 2018	41,070	5,722	5,645	-	<b>52,437</b>
Machinery of government transfer	-	-	-	963	<b>963</b>
Provided in the year	755	3,312	135	-	<b>4,202</b>
Actuarial loss	12,290	-	-	6	<b>12,296</b>
Provisions not required written back	-	(918)	-	-	<b>(918)</b>
Provisions utilised in the year	(2,325)	(1,851)	(2,674)	(65)	<b>(6,915)</b>
Provisions borrowing costs	1,030	-	-	24	<b>1,054</b>
<b>At 31 March 2019</b>	<b>52,820</b>	<b>6,265</b>	<b>3,106</b>	<b>928</b>	<b>63,119</b>

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

	<b>Injury Awards £000</b>	<b>Litigation claims £000</b>	<b>Voluntary Early Retirement Scheme £000</b>	<b>Early departure costs £000</b>	<b>Total £000</b>
No later than one year	1,500	2,594	2,675	66	<b>6,835</b>
Later than one year and not more than five years	5,940	3,671	431	261	<b>10,303</b>
Later than five years	45,380	-	-	601	<b>45,981</b>
<b>At 31 March 2019</b>	<b>52,820</b>	<b>6,265</b>	<b>3,106</b>	<b>928</b>	<b>63,119</b>

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

	Injury Awards £000	Litigation claims £000	Voluntary Early Retirement Scheme £000	Early departure costs £000	Total £000
Balance at 1 April 2017	28,400	8,474	8,684	-	45,558
Provided in the year	677	3,215	7	-	3,899
Actuarial loss	12,940	-	-	-	12,940
Provisions not required written back	-	(2,941)	-	-	(2,941)
Provisions utilised in the year	(1,727)	(3,026)	(3,046)	-	(7,799)
Provisions borrowing costs	780	-	-	-	780
<b>At 31 March 2018</b>	<b>41,070</b>	<b>5,722</b>	<b>5,645</b>	<b>-</b>	<b>52,437</b>

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

	Injury Awards £000	Litigation claims £000	Voluntary Early Retirement Scheme £000	Early departure costs £000	Total £000
No later than one year	1,190	4,583	2,619	-	8,392
Later than one year and not more than five years	4,720	1,139	3,026	-	8,885
Later than five years	35,160	-	-	-	35,160
<b>At 31 March 2018</b>	<b>41,070</b>	<b>5,722</b>	<b>5,645</b>	<b>-</b>	<b>52,437</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.

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

### 17.1 Injury awards

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.

The injury awards are valued under IAS 19 Employee Benefits by the Government Actuary's Department (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>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
Liability in respect of :		
Active members	2,820	2,930
Pensions in payment (injury awards)	50,000	38,140
<b>Total</b>	<b>52,820</b>	<b>41,070</b>

#### Key financial assumptions:

	<b>2018-19</b>	<b>2017-18</b>
	<b>%</b>	<b>%</b>
Rate of discounting scheme liabilities	2.90%	2.55%
Rate of CPI inflation	2.60%	2.45%
Rate of increase in pension	2.40%	2.45%
Long-term rate of increase in salaries	4.10%	3.95%

#### Key demographic assumptions:

	<b>2018-19</b>	<b>2017-18</b>
	<b>Years</b>	<b>Years</b>
Average expected future life at age 65 for:		
Male currently aged 65	22.2	22.2
Female currently aged 65	23.9	23.8
Male currently aged 45	24.2	24.1
Female currently aged 45	25.7	25.7

**17. Provisions for liabilities and charges (continued)****Analysis of movement in scheme liability:**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
Net deficit at 1 April	41,070	28,400
Current service cost	380	360
Past service cost	370	320
Net interest on the net defined benefit liability	1,030	780
Benefits paid (recurring element)	(1,950)	(1,410)
Benefits paid (lump sums)	(370)	(320)
Re-measurements of the net defined liability	12,290	12,940
<b>Net deficit at 31 March</b>	<b>52,820</b>	<b>41,070</b>

**Re-measurements of the liability can be further analysed as:**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
Experience gains and losses arising on the pension liabilities	15,800	8,310
Changes in financial assumptions underlying the present value of the pension liabilities	(3,510)	1,160
Changes in demographic assumptions underlying the present value of the pension liabilities	-	3,470
<b>Re-measurements of the liability</b>	<b>12,290</b>	<b>12,940</b>

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

### **17.2 Litigation claims**

#### ***Legal cases***

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 2019 - 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.

### **17.3 Voluntary Early Retirement (VER) 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.

### **17.4 Early departure costs**

This provision relates to inherited pension costs (Note 1.28) associated with the early departure of staff and benefits payable in respect of loss of earning capacity (or loss of support in respect of a death). The pension costs are payable to NILGOSC over the lifetime of the retired staff member and his/her spouse (where applicable).



## 18. Leases

### 18.1 Operating leases

£0.183m (2017:18: £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.

	2018-19 £000	2017-18 £000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
Not later than one year	173	173
Later than one year and not later than five years	-	173
Later than five years	-	-
	<b>173</b>	<b>346</b>
<b>Other</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<b>-</b>	<b>-</b>
<b>Total</b>	<b>173</b>	<b>346</b>

### 18.2 Finance leases

NIPS does not presently hold any finance leases.

## 19. Capital commitments

	2018-19 £000	2017-18 £000
Contracted capital commitments at 31 March not otherwise included in these accounts:		
Property, plant and equipment	7,108	23,624
Intangible assets	-	-
	<b>7,108</b>	<b>23,624</b>

## 20. Other financial commitments

The Agency has entered into non-cancellable contracts (which are not lease or PFI contracts) for grant expenditure. Total future commitments are shown in the table below analysed according to the period in which the payments fall due.

	2018-19 £000	2017-18 £000
Not later than one year	1,690	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<b>1,690</b>	-

## 21. Contingent liabilities

At the year end NIPS has estimated contingent liabilities of £5.5m (2017-18: £5.557m) 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.

### ***Holiday pay:***

On 17 June 2019 the Court of Appeal ruled in respect of Northern Ireland Industrial Tribunal's November 2018 decision on cases taken against the PSNI on backdated Holiday Pay. It is recognised that the final detail remains to be determined by the Industrial Tribunal who will be guided by the Court of Appeal's judgment.

This is an extremely rare and complex case with a significant number of issues that still need to be resolved, including further legal advice with regards to the judgment; the scope; timescales; process of appeals and engagement with Trade Unions. The legal issues arising from this judgment and the implications for the Northern Ireland Civil Service (NICS) and wider public sector will need further consideration. The Department of Finance (DoF) is leading a piece of work across the NICS, reviewing the implications for each of the major staffing groups across the public sector.

Until there is further clarity when this work has concluded, and based on the inherent uncertainties in the final decision that will be made, a reliable estimate cannot be provided at this stage.

## 22. 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.

## 23. 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.

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 2018 £000	Gross Inflows £000	Gross Outflows £000	31 March 2019 £000
<b>Monetary assets such as bank balances and balances on deposit:</b>				
Prisoners' Private Cash Accounts	277	3,848	(3,967)	158
Prisoners' Amenities Funds	264	157	(161)	260
	<b>541</b>	<b>4,005</b>	<b>(4,128)</b>	<b>418</b>

## 24. Events after the reporting period

There were no events after the reporting date that required disclosure.

### Date authorised for issue

The Accounting Officer authorised these financial statements for issue on 28 June 2019.

**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
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
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