

NORTHERN IRELAND PRISON SERVICE
ANNUAL REPORT AND ACCOUNTS 2016-17

Northern Ireland Prison Service
Annual Report and Accounts
For the year ended 31 March 2017

*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

4 July 2017



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CONTENTS	Page
<u>PERFORMANCE REPORT</u>	
Overview	
– Foreword by Accounting Officer	1
– Statement of purpose and activities	3
– Performance summary and forward look	5
Performance analysis	9
<u>ACCOUNTABILITY REPORT</u>	
Corporate Governance Report	
– Directors’ Report	19
– Statement of Accounting Officer’s Responsibilities	20
– Governance Statement	21
Remuneration and Staff Report	28
Assembly Accountability and Audit Report	
– Assembly accountability disclosures	40
– Certificate and Report of the Comptroller and Auditor General	41
<u>FINANCIAL STATEMENTS</u>	
Statement of Comprehensive Net Expenditure	43
Statement of Financial Position	44
Statement of Cash Flows	45
Statement of Changes in Taxpayers’ Equity	46
Notes to the Accounts	47
<u>OTHER</u>	
Appendix 1 - Glossary	74

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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 Chief Executive 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 2016-17 Annual Report and Accounts for the Northern Ireland Prison Service (hereafter referred to as NIPS or the Service).

Firstly I would like to pay tribute to my predecessor Sue McAllister who stepped down as Director General at the end of October last year. She led the Prison Service through a time of tremendous change and reform with 90% of the Prison Review Team recommendations completed or signed off by the Ministerial Oversight Group. It is important that we build on the foundations of the reform programme and continue to improve. I would like to wish Sue well and thank her for her contribution in building a modern prison service in Northern Ireland.

This has been a contrasting year for the Prison Service, with a positive inspection at Hydebank Wood College and reports indicating continued progress at Maghaberry Prison. However there were a number of deaths in custody at the end of 2016 which brought into sharp focus the challenges facing some people in custody and an erroneous release of a Category A prisoner. There was also the despicable attack on one of our officers which left her with a severe facial injury which highlighted the level of dedication and professionalism by the people working in our prisons.

The unannounced inspection at Hydebank Wood College and Women's Prison in May 2016 was the first report since the transition from a Young Offenders' Centre into the UK's first secure college. While it highlighted areas for improvement, the Inspectors described the College as demonstrating a culture of improvement with rehabilitation at the core of its ethos. This was extremely positive and a demonstration that the Prison Service can deliver real change. The challenge now will be to sustain this and to support the people in custody at Hydebank to address their offending behaviour and to play a positive role when they return to their community.

The low-impact inspections on Maghaberry have been encouraging as the inspectors reported the prison had been stabilised and that work was progressing to

deliver a safe, decent and secure environment for staff, prisoners and visitors. This progress is testament to the hard work by the Governor and his staff, however this work will take time and that will remain as a key priority for the senior team of the Service.

I am very grateful to have been given the opportunity to lead the Prison Service. I look forward to working with everyone associated with prisons as I believe partnership is the key to ensuring we continue to improve and strive for excellence. That is how we will deliver a prison system that supports people in custody to rehabilitate, and enable us all to play our part in building a safer community in Northern Ireland.

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 2017 will be laid in the Northern Ireland Assembly.

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

Statement of Purpose

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

Vision

NIPS vision is that our Service will:

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

Strategic Aims

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

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

Key Risks and Issues

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

Safety and Security

A significant operational failure by NIPS results in:

- escape, significant security breach, Serious Prison Incident, loss of accommodation;
- release in error; and
- death in custody, serious self-harm.

Failure to develop, embed and implement change

- PSMB fully aware of performance across estate;
- Establishments are always prepared for unannounced inspections;
- findings and recommendations from inspections are not addressed;
- failure to embed prison reform and progress the five strategic themes; and
- failure to embed and progress change arising from Programme for Government and Ministerial priorities.

Resource

- recognise budgetary situation where NIPS must live within budget;
- financial inability to meet the expectations of the new Minister; and
- procurement and contract management.

Relationship with Health and Social Care

- impacts on ability to influence safety and rehabilitation; and
- inability to secure health services to meet the needs of the prison population.

Rehabilitation

- failure to have an appetite and balance for risk inhibits rehabilitation - need to accept risk; and
- failure to embed rehabilitation into ethos and culture of NIPS.

Estate

- risks posed by an ageing estate; and
- prison population fluctuation.

Industrial Relations

- risk posed by relations with Staff Associations.

PERFORMANCE SUMMARY AND FORWARD LOOK

REVIEW OF THE YEAR

Unannounced Inspection of Hydebank Wood Secure College and Ash House - May 2016

Unannounced inspections of Hydebank Wood Secure College and Ash House Women's Prison were undertaken between 9 and 19 May 2016 by Criminal Justice Inspection NI (CJINI). 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 these inspections:

Female side:

- Level three - Safety;
- Level two - Respect;
- Level three - Purposeful Activity; and
- Level three - Resettlement.

Male side:

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

The inspectors concluded that there was an impressive improvement of scores across eight marks, and that there was an ongoing delivery of exciting vision and real substance. The Chief Inspector commented that these were positive reports that acknowledge the considerable efforts made by the Governors and staff, supported by prison leadership to raise the establishment's previously unacceptable standards reported in 2013. He went on to say that he did not underestimate the scale of the challenge and what has been achieved which, in his view, has the potential to transform the experience of the young men and women sentenced to imprisonment in Northern Ireland.

A total of 89 recommendations were made, 41 in respect of the Male side, and 48 in respect of the Female side.

Review of Progress at Maghaberry Prison - September 2016

Following the re-inspection of Maghaberry in January 2016, Brendan McGuigan, Chief Inspector, CJINI announced his intention to review progress against the nine substantive recommendations through a series of low-impact inspections to the prison. The first of these inspections took place from 5-7 September with a small team of Inspectors from Her Majesty's Inspectorate of Prisons, Criminal Justice Inspectorate Northern Ireland, Regulation and Quality Improvement Authority and

Education and Training Inspectorate. This was a broad inspection with the chief focus on progress made against the Action Plan and the nine strategic recommendations.

The feedback from this inspection was that the progress, seen in January 2016, has been maintained and that there is a sense of momentum which provides reassurance that action to address the concerns raised in May 2015 will continue.

Capital Estates Programme

Maghaberry Prison

The contractor commenced work on-site in July 2016 for the Maghaberry 360 Cell Accommodation Block with a potential realisation of £6m savings up to the financial year 2025-26. An Outline Business Case 1 (OBC1) for a New Visits Facility is currently at advanced draft stage and has a capital cost of approximately £19.6m. The project is awaiting Capital Funding.

The OBC1 for a High Security Facility is at an advanced draft stage and has a capital cost of approximately £8.2m.

There is a proposed new dual training facility for the Service at Maghaberry and Hydebank Wood with an approximate cost of £5m capital. Work on the draft OBC is ongoing.

New Facility for women

This project for a new facility for women is awaiting capital funding. Capital cost inflation has been added to take account of the delay in construction. This results in a revised capital cost of £45.6m, funding the additional resource costs of approximately £8.9m up to financial year 2025-26.

Incoming Energy Link (electricity and gas) to the New Magilligan prison

The OBC for the electricity component is currently at draft stage, while the gas link OBC has not been started at this stage. The total capital cost is £4.9m.

Capital Works

£15.6m in Capital works were completed in the 2016-17 financial year.

Outsourcing of Learning and Skills

The NIPS has worked in partnership with Belfast Metropolitan College and North West Regional College from June 2015 to provide learning and skills to people in custody. The evaluation of these pilot arrangements demonstrated an increased level of accreditations and better quality provision of learning and skills to prisoners. Final preparations are underway for the full outsourcing of learning and skills to these providers early in the incoming business year. This will include the transfer of NIPS teaching staff to the providers. A Service Level Agreement has been developed between NIPS, Belfast Metropolitan College and North West Regional College setting out agreed performance standards and targets for the provision of a learning and skills curriculum in each establishment to improve learning outcomes, support effective resettlement and ultimately contribute to reducing re-offending of people leaving custody.

Psychology

During this year, the recommendations arising from the internal review of the NIPS Psychology function approved in February 2016, were implemented. This included work to re-balance the staffing profile, the introduction of a new suite of management tools and management information, development of working relationships with Prisoner Development Unit and a new delivery model for Offending Behaviour Programmes, extensive development of staff and an internal competition to fill Staff Officer (Higher) psychologist posts substantively.

Police Rehabilitation and Training Trust

In January 2017 the then Minister of Justice, Claire Sugden, announced a new partnership between NIPS and the Police Rehabilitation and Training Trust (PRRT) to develop support service for prisoner officers in Northern Ireland. PRRT provides experienced clinicians or practitioners with specialist training in supporting people who work in challenging situations. They will now be able to bring that expertise to deliver additional support for prison officers.

Body Worn Cameras

In January 2017 the then Minister of Justice announced the introduction of Body Worn Video Cameras to improve safety in Northern Ireland prisons. Their use in custodial environments is recognised as:

- a key de-escalation tool in confrontational situations;
- enhancing staff safety; and
- facilitating the production of evidential quality audio and video recordings.

OBJECTIVES AND TARGETS FOR 2017-18

NIPS has identified four strategic areas on which it will focus throughout 2017-18, summarised below:

- Prisons 2020:
 - Prisons development;
 - Workforce planning;
 - Staff support; and
 - Prison Estate.
- Building Purposeful Partnerships;
- Prison Healthcare strategy; and
- Rehabilitation and Resettlement.

PERFORMANCE ANALYSIS

REVIEW OF PERFORMANCE 2016-17

Performance against Key Performance Targets

NIPS Business Plan for 2016-17, produced at the beginning of the year, set out 11 **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
1. By March 2017 to produce a report on an Adult Restorative Justice Strategy.	Work has been conducted to produce a draft strategy. This has been overtaken by the Fresh Start Agreement, specifically recommendation A9 with regard to the future funding of restorative justice and a Centre of Restorative Excellence.	Partially met
2. By March 2017 to complete staff and trade unions engagement under the Modernisation Programme.	Initial discussions have taken place with the Trade Union Side. Progress was slower than anticipated as a result of a challenging industrial relations position at the end of 2016.	Partially met
3. By March 2017 to have work streams developed and scoped to equip staff to deliver excellence in rehabilitation.	Priorities for rehabilitation functions have been agreed for the incoming year.	Met
4. By January 2017 to scope and develop options for additional support services for prison staff.	Work has been ongoing between NIPS and PRRT to finalise extension of services to serving prison officers.	Met
5. By November 2016 to agree proposals to extend PRRT services and achieve actions for January - March 2017.	The then Justice Minister announced on 24 January that services would be extended. PRRT services were utilised by the end of March 2017 and full roll out is expected in April.	
6. Upgrade of Maghaberry heating mains by November 2016.	Scheduled for completion March 2017.	Met

Key performance targets	Comment	Year-end Status
7. To continue work on Maghaberry 360 cell block accommodation to ensure completion by May 2019.	Work commenced July 2016. On target for completion May 2019.	Met
8. To secure capital funding for redevelopment of Magilligan Project.	OBC approved January 2015. Moved to OBC2 being drafted in-house.	Partially met
9. To secure capital funding to proceed with a new women's facility.	OBC approved December 2015. Awaiting Capital Funding.	Partially met
10. By December 2016 to finalise amendments to business case for a new visits area within Maghaberry.	OBC1 drafted in-house and forwarded to FSD who returned with comments which are currently being addressed.	Met
11. By December 2016 to complete amendments to business case for a high security facility at Maghaberry.	OBC1 returned from FSD with comments which are currently being addressed.	Met

Financial Review

Net Expenditure

The net expenditure of the Agency for 2016-17 is compared to the previous two financial years in the table below:

	2016-17 £000	2015-16 £000	2014-15 £000
Total operating income	(2,559)	(2,636)	(3,036)
Staff costs	61,639	71,373	72,282
Purchase of goods and services	28,831	29,736	29,749
Depreciation and impairment charges	22,792	12,822	11,729
Provision expense	4,970	5,059	1,579
Grants	1,218	1,168	774
Total operating expenditure	119,450	120,158	116,113
Net operating expenditure	116,891	117,522	113,077
Finance expense	(80)	(9)	77
Net expenditure for the year	116,811	117,513	113,154

Non-Current Assets

Non-Current Asset expenditure movements are detailed in the notes to the financial statements. Capital expenditure in 2016-17 totalled £16.4m (2015-16: £9.9m).

There was a wide range of small minor works improvements across the prison estate during the year. A sample of the projects undertaken can be found summarised below:

Upgrades at Hydebank

A rolling programme of improvements to support free movement and enhance circulation spaces has been completed across the site. This included reducing the numbers of grilles and gates within general circulation spaces, providing new floor coverings within corridors and offering enhanced DDA requirements to provide widened access for mobility scooters.

Further improvements have also been made to improve shower areas in the gymnasium with ventilation and redecoration together with refurbishment of the WC's in the staff administration area. A new universal access WC and wudu have been created for the chapel/multi-faith space. The existing garden area at Hydebank has been remodelled with additional planting, hard landscaping and lighting to accommodate the relocated memorial stones, moved following the closure of the training college at Millisle.

Upgrades at Maghaberry

Significant improvements have been made to the existing Care and Supervision Unit within Maghaberry. A total of 30 cells were refurbished all receiving new fitted safer cell anti-ligature furniture and fittings, toughened WC's and sanitaryware, anti-ligature window, together with new floor finishes and internal redecoration. In addition, a new sprinkler and CCTV system were installed within the unit.

The main boilerhouse at Maghaberry has undergone a major refurbishment including new industrial boilers, pipework, valves, pumps and water treatment systems. The system has been designed to improve the heat and energy efficiency of the site.

A new district heating system has been installed at Maghaberry. This included laying over 6km of pre-insulated high efficiency pipework linking to over 20 plantrooms. The new system offers improvements in energy efficiency coupled with improved control measures across the site.

Upgrades at Magilligan

A rolling programme of work to upgrade the accommodation blocks has seen improvements to two wings within H3 and H1. The upgrades provide new furniture, in-cell-sanitation, enhanced sprinkler provision and internal redecoration within 96 cells. Magilligan joinery shop manufactured and fitted the new cell furniture. Following the successful pilot the next phase of work has now commenced in H2.

Financial Position

The total net assets of the Agency at 31 March 2017 were £175.0m (2015-16: £190.5m).

Cash Flow

As detailed in the notes to the Accounts, the Agency's Net Assembly draw down in 2016-17 was £113.2m (2015-16: £108.7m) and the net decrease in Cash and cash equivalents in the year was £1.2m (2015-16: increase £2.5m)

Financial risk

For 2016-17, the Agency relied primarily on the Department of Justice for funding and the risk to this funding is low.

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

Cost per Prisoner Place

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

The actual Cost per Prisoner Place in Northern Ireland over 2016-17 was £53,408. This is below the target of £58,000. 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 and the grant paid to the Prison Service Trust.

	2016-17	2015-16
Net Expenditure for the year (£000)	£116,811	£117,513
Non Standard Costs (£000)	<u>(£14,588)</u>	<u>(£7,185)</u>
Operating Expenditure (£000)	£102,223	£110,328
Prisoner Places (CNA)	1,914	1,914
Cost per Prisoner Place (£)	£53,408	£57,643
Target Cost per Prisoner Place (£)	£58,000	£58,000

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 2013-14 to 2017-18; and
- **Chart 2:** the indicative 2017-18 non-ringfenced Resource DEL budget split by the Core Department, Executive Agencies (including the NI Prison Service) and Non-Departmental Public Bodies.

Chart 1: DOJ Non Ringfenced Resource DEL opening baseline

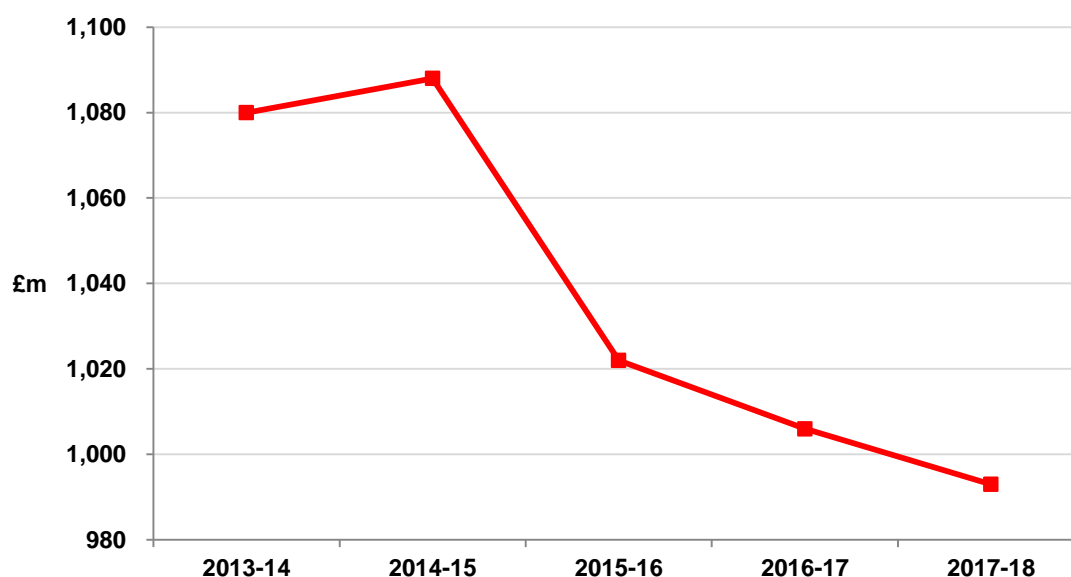
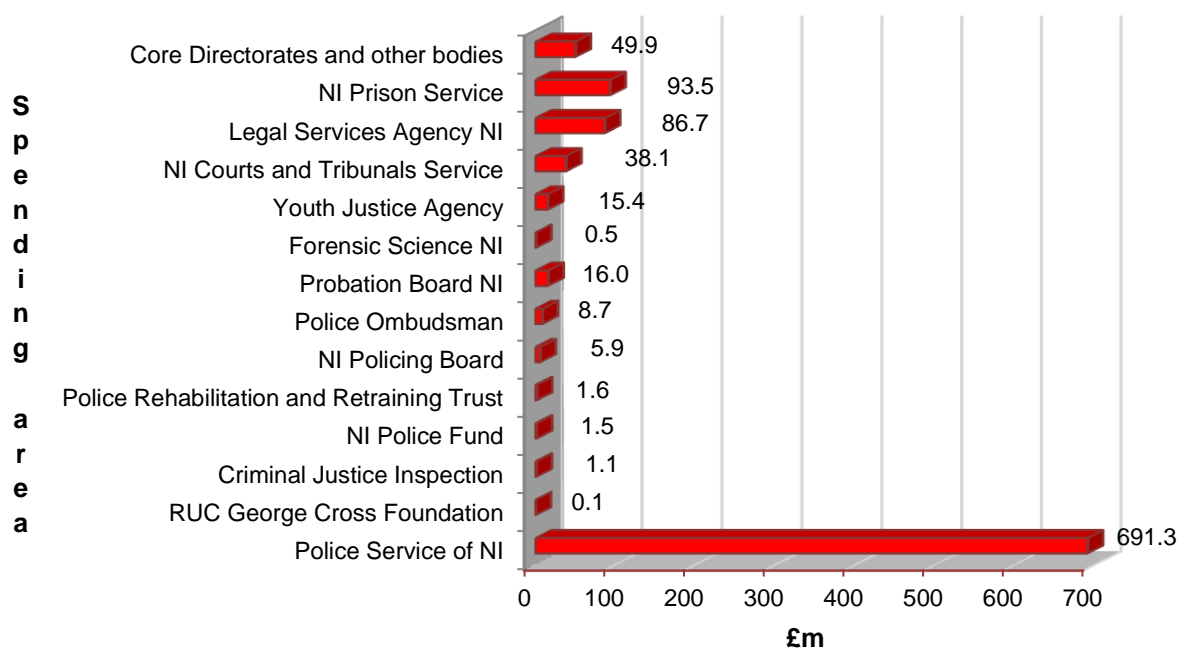


Chart 2: DOJ 2017-18 Non Ringfenced Resource DEL indicative budgets



2013-14 and 2014-15 financial years

Budgets for these years were set as part of the four year Budget 2011-15 period. During this period, covering the financial years 2011-12 to 2014-15, the DOJ was ringfenced. That did not mean that the budget was protected. Instead, the Department received the direct Barnett consequential changes from changes in the funding levels of the Home Office and Ministry of Justice as a result of the UK spending review settlement for Whitehall departments.

The DOJ's non ringfenced Resource Departmental Expenditure Limit (DEL) fell by 7.2% from 2011-12 to 2014-15. Taking into account the effect of inflation, the real terms impact was significantly greater.

During this period, the NI Prison Service budget fell by 15.1%, largely as a result in savings from a staff exit scheme.

2015-16 financial year

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

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

2016-17 financial year

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

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

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

2017-18 financial year

On 24 April, the Secretary of State outlined an indicative 2017-18 budget position and set out indicative allocations for Northern Ireland departments. This was to give clarity to departments as to the basis for departmental allocations, so that Permanent Secretaries could plan and prepare to take more detailed decisions in that light.

The starting point for the Department of Justice's indicative 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.

NIPS received in year funding from the Department in 2016-17 to meet financial pressures in the baseline budget. In setting indicative 2017-18 budgets, the NIPS opening baseline was increased by the Department by 3.5% in recognition of financial pressures and the particular challenges facing prisons.

Auditors

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

The notional audit fee for the work performed by the staff of the C&AG during the reporting period, and which relates solely to the audit of these Financial Statements, was £32,000 (2015-16: £37,000).

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

Payment of Suppliers

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

The Agency has achieved 96% (2015-16: 96%) of payments to suppliers within 30 days and 90% (2015-16: 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.

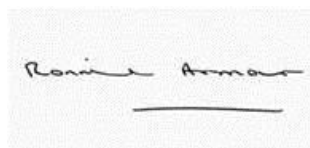
Energy/Environmental Management

NIPS is committed to ensuring that environmentally and cost efficient services are applied across its operations and through its supply chain.

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

Monitoring and targeting System	The system continues to be actively used to monitor and track energy and water consumption and is invaluable in: <ol style="list-style-type: none"> 1. quickly identifying any unusual patterns of energy or water use - which allows NIPS to proactively manage and minimise consumption; and 2. evidencing where to target improvements to improve the use of energy.
Sustainable Procurement	NIPS maintained its Fair trade status and promotes sustainable procurement.
Recycling	NIPS continues to support recycling initiatives and during the year a new poly tunnel was added at Hydebank to enhance the facilities for the segregation and recycling of waste (paper, plastics, cardboard, metal, wood).
Environmental	NIPS continues to manage the estate to create and enhance wildlife habitats including managing the Area of Special Scientific Interest at Maghaberry, established with Royal Society for the Protection of Birds and the NI Environment Agency, to support one of the largest breeding colonies of lapwings in the UK and Ireland.

PERFORMANCE REPORT



Ronnie Armour
Accounting Officer
22 June 2017

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

Currently NIPS is headed by the Director, Reducing Offending who is supported by a Management Board consisting of two Executive Directors, one Non-Executive Director (reduced from two following the resignation of one Non-Executive Director on 31 December 2016) and the Head of Strategy and Governance. Between April 2016 and October 2016 NIPS was headed by a Director General, and led by an Acting Director General between November 2016 and January 2017.

The Service's Management Board is responsible for the strategic and business management of the Agency's operations. At 31 March 2017, the Management Board was as follows:

- Ronnie Armour - Director, Reducing Offending;
- Phil Wragg - Director of Prisons;
- Louise Cooper - acting Director of Rehabilitation;
- Brendan Giffen - Head, Strategy and Governance;
- Paul Leighton CBE QPM - Non-Executive Director.

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

Register of Interests

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

Reportable Loss of Data

There were no reportable losses of data during 2016-17.

Complaints Procedure

When appropriate, the Service follows Departmental procedures in respect of complaints made by members of the general public. During 2016-17 there was one complaint raised through Departmental procedures. Complaints made by prisoners and their families are initially dealt with internally but, if required, may be escalated to the Prisoner Ombudsman.

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, Reducing Offending as Accounting Officer for the year of account.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding NIPS' assets, are set out in the Accounting Officer's Memorandum, issued by DoF and published in Managing Public Money Northern Ireland.

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

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

GOVERNANCE STATEMENT

Introduction and Scope of Responsibility

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

In addition to my role as Accounting Officer 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 DOJ and the Minister of Justice, 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 at www.justice-ni.gov.uk under Publications/Corporate Reports.

During 2016-17 NIPS complied with the 2013 Corporate Governance Code. The key organisational structures which support the delivery of effective governance are the:

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

Review of Effectiveness of the Framework

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

Ministerial Directions

No Ministerial Directions were given to NIPS during this year.

Prison Service Management Board (PSMB)

PSMB brings together the strategic and operational leadership of NIPS. The Board is currently chaired by the Director, Reducing Offending, having previously been chaired by a Director General and an acting Director General between April 2016 and January 2017, and consists of one Non-Executive Director (two up to 31 December 2016), two Executive Directors, the Head of Strategy and Governance

and a representative from Financial Services Division. It is the top management structure in NIPS and its main role is to provide advice to the Director, Reducing Offending, set the strategic direction of the Service and scrutinise implementation of policy and strategy. It also challenges decisions made by the Executive Team, monitors NIPS performance and provides overall assurance to the Director, Reducing Offending.

The Board works to a scheduled Forward Work Programme with key items scheduled monthly and recurring issues scheduled on a quarterly basis. A feature of the Board is its focus on exception reporting and monthly 'progress and challenge' reports from the 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 Board provides an effective challenge function for the senior team. It reviews performance, governance and risk and independent members provide challenge and guidance when required.

PSMB met on 10 occasions during 2016-17; attendance by members is shown in the table below.

Member	Attendance	Changes to membership in 2016-17
Director, Reducing Offending - Ronnie Armour	1	appointed on 1 February 2017
Director General - Sue McAllister	7	left NIPS on 29 October 2016
Director, Operations - Phil Wragg	8	
Director, Rehabilitation - Brian McCaughey	9	left NIPS on 31 December 2016
Director, Policy and Service Delivery - Stephen Davis	3	resumed Governing Governor position on 4 July 2016
Head, Strategy and Governance - Brendan Giffen	8	
Acting Director, Rehabilitation - Louise Cooper	1	appointed on 1 January 2017
Non-Executive Director - Phil Wheatley	8	left NIPS on 31 December 2016
Non-Executive Director - Paul Leighton	9	

Among matters considered by the Board during 2016-17 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.

Audit and Risk Committee (ARC)

ARC is appointed by the Board and its members are a Non-Executive Director (reduced from two Non-Executive Directors following the resignation of Phil Wheatley in December 2016) and an Independent Board Member 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 2016-17; attendance by members is shown in the table below.

Member	Attendance
Non-Executive Director - Paul Leighton (Chair)	3
Non-Executive Director - Phil Wheatley	2
Independent Board member - Olwen Laird	4

Key matters considered during 2016-17 included:

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

Other Governance Arrangements - Internal Audit

Internal Audit reviewed eight key areas throughout the year including a review of Compensation Claims Unit and Information Assurance. In the Head of Internal Audit's 2016-17 Annual Report and Opinion he has given NIPS an overall opinion rating of satisfactory. Of the eight reports completed, five received satisfactory assurance and one area retained limited assurance from the previous year; this audit covered Maghaberry Central Detail Office. The two remaining reviews covered a special investigation into Magilligan Central Detail Office and providing an independent review of the recycling facility at Hydebank Wood. There was one Priority 1 recommendations made to NIPS and several Priority 2 and 3 recommendations which have all been accepted.

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

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 nine occasions during 2016-17; attendance by members is shown in the table below.

Member	Attendance
Director of Prisons (Chair)	7
Governor, Maghaberry	8
Governor, Magilligan	9
Governor, Hydebank Wood	7
Head of PECCS	8
Director of Rehabilitation	8
Head of Security	9
Head of Licensing and Legislation	8
Head of Strategy and Governance	7

Finance Committee

The Finance Committee is an Executive Committee chaired by the Director, Reducing Offending and supported by Financial Services 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 2016-17 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 2016-17 the Finance Committee met 12 times and members attended as follows:

Member	Attendance
Director General (Chair)	7
Director, Reducing Offending (Chair)	3
Director of Prisons	8
Director of Rehabilitation	7
Deputy Director of Rehabilitation/Acting Director of Rehabilitation	6
Director of Policy and Service Delivery (resumed Governing Governor duties on 4 July 2016)	3
Head of Strategy and Governance	11

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;
- Northern Ireland Audit Office - responsible for the issue of money from central government funds to Northern Ireland Departments and financial value for money audit of central government bodies in Northern Ireland; and
- Justice Committee - the Justice Committee is the Departmental Assembly Committee with a scrutiny, policy development, and consultation role in relation to DOJ, extending to its Agencies, including NIPS.

Conflicts of Interest

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

- Note 20 to the 2016-17 Accounts details Related Party Transactions; and
- Board Members are asked to declare any potential conflicts of interest to items on the agenda at the start of each PSMB and ARC meeting.

No conflicts of interest were declared in the 2016-17 year, and therefore no action was necessary.

Risk Management and Internal Control

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

NIPS Corporate Risk Register 2016-17 consisted of seven risks, which were assessed, addressed and reviewed by PSMB on a quarterly basis. Underpinning this, each Establishment and Branch had their own 2016-17 risk register, continually reviewed and formally updated quarterly. Risks are managed locally to a level appropriate to their authority and duties, with the most serious being escalated to PSMB.

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

SIGNIFICANT INTERNAL CONTROL ISSUES

Erroneous Release - March 2017

Michael Lawrence Smith, a Category A prisoner on remand, was erroneously released from Maghaberry Prison on Tuesday 7 March. Mr Smith is charged with a range of offences, including murder. As soon as NIPS became aware that Mr Smith had been released from custody in error, the Director of Prisons commissioned an urgent preliminary enquiry into the circumstances of this case. That enquiry has been completed and, as a result, a full investigation under the NIPS Professional Code of Code is now being taken forward. With immediate effect, the Director of Prisons also introduced an enhanced arrangement for processing Category A prisoners for discharge of any type. Under this arrangement final authorisation for Category A discharges can only be granted by a Governor.

Michael Smith was arrested by the Police Service of Northern Ireland on 5 April 2017 and returned to custody.

Deaths in Custody at Maghaberry Prison

There were four deaths in custody at Maghaberry Prison in 2016-17. Three of these deaths occurred in November 2016 and as a result the Minister of Justice announced a joint review into support for vulnerable people in custody which is ongoing.

ACCOUNTING OFFICER STATEMENT ON ASSURANCE

NIPS has established a robust assurance framework that includes primary assurance through line management structures on the achievement of objectives. This primary assurance is supplemented by secondary assurances through oversight of management activity, and by the DOJ Internal Audit team operating to Government Internal Audit Standards, who deliver an agreed prioritised programme of systems based audits. The Head of Internal Audit provides NIPS with an Annual Report and his professional opinion on the level of assurance that he can provide based on the work carried out, completed over a three year period. For 2016-17, he has provided an overall satisfactory assurance.

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

Remuneration Policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have 8 pay points) to allow progression through the pay scales within a reasonable period of time.

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

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

- Phil Wheatley CB was appointed as a Non-Executive Director and member of Prison Service Management Board (PSMB) with effect from 16 January 2010 on a three year contract. He stepped down temporarily on 20 July 2010 to take up a position with the Prison Review Team (PRT). He returned as a member of the PSMB on 1 November 2011 following completion of his work with the PRT. While his contract had been renewed until 17 October 2017 he resigned as a Non-Executive Director with effect from 31 December 2016.
- Paul Leighton CBE was appointed as a Non-Executive Director and member of PSMB on 1 November 2011 on a three year contract. His contract has been extended until 17 October 2017.
- Olwen Laird became an Independent Committee member of the Audit and Risk Committee on 1 June 2015 on a three year appointment.

Salary and pension entitlements

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

Single total figure of remuneration

[Audited information]

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

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

[Audited information]

2015-16					
Board Member	Salary and allowances £000	Bonus £000	Benefits in Kind (to nearest £100)	Pension Benefits £000*	Total £000
Sue McAllister Director General	100-105	-	18,000	41	155-160
Max Murray Director of Estates (until 30 September 2015)	40-45 (full year equivalent 85-90)	-	-	(69)	(25)- (30)
Mark Adam Director of HR, Finance and Corporate Services (until 15 February 2016)	90-95 (full year equivalent 105-110)	-	-	-	90-95
Paul Cawkwell Director of Offender Policy and Operations (until 5 June 2015)	20-25 (full year equivalent 90-95)	-	-	10	30-35
Brian McCaughey Director of Rehabilitation	95-100	-	1,200	58	150-155
Phil Wragg Director of Operations (from 27 July 2015)	60-65 (full year equivalent 90-95)	-	-	13	70-75
Stephen Davis Director of Policy and Service Delivery (from 27 July 2015) Interim Director of Offender Policy and Operations (8 June 2015 to 26 July 2015)	65-70 (full year equivalent 75-80)	-	-	44	105-110
Brendan Giffen Head of Strategy and Governance (from 2 November 2015)	20-25 (full year equivalent 50-55)	-	-	21	40-45
Phil Wheatley CB Non-Executive Director	5-10	-	-	-	5-10
Paul Leighton CBE Non-Executive Director	10-15	-	-	-	10-15
Patricia Gordon Non-Executive Director	5-10	-	-	-	5-10

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

Salary

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

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The net benefits in kind shown above are in respect of detached duty allowances and expenses, on which the tax payable (£11,682) is met by the agency.

Bonuses

Bonuses are no longer payable to members of the Senior Civil Service.

Fair pay disclosure

[Audited information]

	2016-17	2015-16
Band of highest paid director's total remuneration*	£95-100,000	£115-120,000
Median total remuneration*	£24,610	£23,785
Ratio	3.96	4.94

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

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

The banded remuneration of the highest-paid director in NIPS in the financial year 2016-17 was £95-100,000 (2015-16: £115-120,000). This was 3.96 times (2015-16: 4.94 times) the median remuneration of the workforce, which was £24,610 (2015-16: £23,785). In 2016-17, no employees (2015-16: None) received remuneration in excess of the highest paid Director. Remuneration ranged from £12,500 to £95-100,000 (2015-16: £9,000 to £115-120,000).

Pension Benefits

[Audited information]

Board Member	Accrued pension at pension age as at 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/17 or date of leaving	CETV at 31/3/16 or date of joining*	Real increase in CETV
	£000	£000	£000	£000	£000
Ronnie Armour Director, Reducing Offending (from 1 February 2017)	30-35 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5-5	591	564	25
Sue McAllister Director General (until 29 October 2016)	5-10 plus lump sum of 0	0-2.5 plus lump sum of 0	123	118	(3)
Brian McCaughey Director of Rehabilitation (until 31 December 2016)	45-50 plus lump sum of 105-110	0-2.5 plus lump sum of (2.5)-0	1,050	1,020	22
Phil Wragg Director of Prisons	30-35 plus lump sum of 95-100	2.5-5 plus lump sum of 0-2.5	652	595	29
Stephen Davis Director of Policy and Service Delivery (until 4 July 2016)	25-30 plus lump sum of 85-90	(2.5)-0 plus lump sum of (2.5)-0	577	590	(15)
Brendan Giffen Head of Strategy and Governance	15-20 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	229	199	19
Louise Cooper Acting Director, Rehabilitation (from 1 January 2017)	0-5 plus lump sum of 0	0-2.5 plus lump sum of 0	10	7	2

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

No pension benefits are provided to the independent Board members.

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). 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). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. Prior to 2011, pensions were reviewed in line with changes in the Retail Prices Index. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is 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 current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the cost of living.

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will 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 also 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 will be 2.32%. CARE pension benefits are increased annually in line with increases in the cost of living.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Any applicable increases are applied from April and are determined by the Consumer Price Index (CPI) figure for the preceding September. The CPI in September 2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 - 31 March 2018 are as follows:

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates - Classic members or classic members who have moved to alpha	Contribution rates - All other members
From	To		
£0	£15,000.99	4.60%	4.60%
£15,001.00	£21,422.99	4.60%	4.60%
£21,423.00	£51,005.99	5.45%	5.45%
£51,006.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal 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 2008 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 (2015-16: £Nil).

Payments to past directors

There were no payments by the Agency to past directors during the financial year (2015-16: £Nil).

STAFF REPORT

Staff Costs

[Audited information]

			2016-17	2015-16
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	47,339	95	47,434	56,871
Social security costs	4,832	1	4,833	3,970
Other pension costs	9,372	-	9,372	10,532
Total costs	61,543	96	61,639	71,373

Pensions

The Northern Ireland Civil Service pension schemes are unfunded multi-employer defined benefit schemes but NIPS is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2017.

For 2016-17, employers' contributions of £9,360,680 were payable to the NICS pension arrangements (2015-16: £10,731,641) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2017-18, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 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 £11,731 (2015-16: £13,818) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2015-16: 3% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £523, 0.5% (2015-16: £1,120, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

Ill-health Retirement

59 persons (2015-16: 62 persons) retired early on ill health grounds; the total accrued pension liabilities in the year amounted to £126,225 (2015-16: £121,156).

Average number of persons employed

[Audited information]

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

			2016-17	2015-16
	Permanently employed staff	Others	Total	Total
Administration staff	97	1	98	170
Operational staff	1,348	3	1,351	1,481
Staff engaged on capital projects	1	-	1	3
Total number of staff	1,446	4	1,450	1,654

Staff Composition

The table below provides a gender breakdown of all operational and non-operational staff at 31 March 2017:

	Female staff	Male staff	Total staff
Prison Service Management Board	1	3	4
Senior Civil Service	-	2	2
Staff	523	944	1467

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 have continued to be high - the provisional figures supplied by Northern Ireland Statistics and Research Agency for 2016-17 indicate that this was 18.8 days per employee, albeit an improvement on the previous year (2015-16: 21.0 days). However, it is noteworthy that provisionally more than 52.7% of staff (872 members of staff) have taken no sickness absence. This level of absence has had a significant impact on the prisons, particularly at Maghaberry. This has been proactively addressed by the Governors which has resulted in a lower level of sickness, although this remains a challenging issue.

Occupational Support

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

STAFF POLICIES

Employment for Disabled Persons

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

Equality and Diversity

NIPS has in place trained Harassment Contact Officers to provide guidance, support and advice to staff who consider they have been subjected to, or accused of offensive conduct or unacceptable behaviour.

Mediation Officers are also available to provide an impartial, confidential process to help resolve disputes between members of staff quickly, and in a way that empowers staff to seek their own solutions with the aim of improving working relationships. These interventions have been proven to be effective in the early resolution of disagreements.

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. The monthly staff publication 'NIPS News' was sent to all staff with articles of interest from across the Service. All of this was 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 jointly chaired by two Grade 7s;
- six monthly meetings chaired by the Director of Offender Policy and Operations; and
- the 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 £nil expenditure on consultancy during 2016-17 (2015-16: £14,493).

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]

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2016-17 Total number of exit packages by cost band	2015-16 Total number of exit packages by cost band
<£10,000	-	-	-	10
£10,000 - £25,000	-	-	-	43
£25,000 - £50,000	-	-	-	34
£50,000 - £100,000	-	-	-	36
£100,000 - £150,000	-	-	-	1
£150,000 - £200,000	-	-	-	-
over £200,000	-	-	-	-
Total number of exit packages	-	-	-	124
Total resource cost £	-	-	-	£4,643,342

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs which include pension costs due to the PCSPS (NI) are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

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.

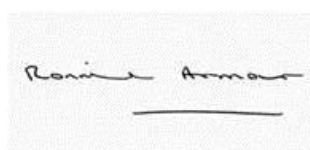
Special Payments

Included in the provision note (Note 16) are special payments. Amounts utilised during the year included 845 compensation payments (2015-16: 492) totalling £3,503,709 (2015-16: £2,709,402).

Remote Contingent Liabilities

There were no contingent liabilities requiring disclosure under Assembly reporting requirements. The Agency had no significant remote contingent liabilities during 2016-17 that require disclosure. Note 19 provides further details regarding the contingent liabilities that are included within the financial statements.

ACCOUNTABILITY REPORT

A handwritten signature in black ink that reads "Ronnie Armour". Below the signature is a horizontal line.

Ronnie Armour
Accounting Officer
22 June 2017

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

I certify that I have audited the financial statements of the Northern Ireland Prison Service for the year ended 31 March 2017 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report and Staff Report and the Assembly Accountability and Audit report that is described in these reports as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Director, Reducing Offending as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Prison Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Prison Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Northern Ireland Prison Service's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements 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 other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit 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.

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 Remuneration and Staff Report and the Assembly Accountability and Audit 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 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

27 June 2017

FINANCIAL STATEMENTS**Statement of Comprehensive Net Expenditure****For the year ended 31 March 2017**

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	2016-17 £000	2015-16 £000
Income from sale of goods and services	3.1	(2,445)	(2,510)
Other operating income	3.1	(114)	(126)
Total operating income		(2,559)	(2,636)
Staff costs	4	61,639	71,373
Purchase of goods and services	3.1	28,831	29,736
Depreciation and impairment charges	3.1	22,792	12,822
Provision expense	3.1	4,970	5,059
Grants	3.1	1,218	1,168
Total operating expenditure		119,450	120,158
Net operating expenditure		116,891	117,522
Finance expense	3.1	(80)	(9)
Net expenditure for the year		116,811	117,513
Other comprehensive net expenditure			
Items that will not be reclassified to Net operating expenditure:			
- Net (gain)/loss on revaluation of property, plant and equipment	8	4,420	(17,525)
- Net (gain)/loss on revaluation of intangibles	9	(68)	(41)
- Actuarial (gain)/loss on provisions	16	11,600	3,020
Comprehensive net expenditure for the year		132,763	102,967

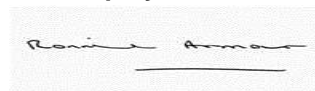
The notes on pages 47 to 73 form part of these accounts.

Statement of Financial Position

As at 31 March 2017

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

	Note	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	8	233,590	242,988
Intangible assets	9	2,964	4,267
Trade and other receivables	14	2	6
Financial assets	10	29	100
Total non-current assets		236,585	247,361
Current assets			
Inventories	12	1,065	1,125
Trade and other receivables	14	1,479	611
Financial assets	10	62	190
Cash and cash equivalents	13	43	39
Total current assets		2,649	1,965
Total assets		239,234	249,326
Current liabilities			
Cash and cash equivalents	13	(1,832)	(633)
Trade and other payables	15	(16,862)	(20,176)
Provisions	16	(10,898)	(10,208)
Total current liabilities		(29,592)	(31,017)
Total assets less current liabilities		209,642	218,309
Non-current liabilities			
Provisions	16	(34,660)	(27,821)
Other payables	15	(2)	(3)
Total non-current liabilities		(34,662)	(27,824)
Total assets less total liabilities		174,980	190,485
Taxpayers' equity and other reserves:			
General fund		108,966	116,843
Revaluation reserve		66,014	73,642
Total equity		174,980	190,485



Ronnie Armour
Accounting Officer

22 June 2017

The notes on pages 47 to 73 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2017

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

	Note	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net expenditure for the year		(116,811)	(117,513)
Adjustments for non-cash transactions	3.2	31,764	20,601
(Increase)/decrease in trade and other receivables	14	(864)	601
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14	29	(1)
(Increase)/decrease in inventories	12	60	40
Increase/(decrease) in trade and other payables	15	(3,315)	7,489
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	15	(4,259)	319
Use of provisions	16	(9,041)	(7,678)
Net cash outflow from operating activities		(102,437)	(96,142)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,978)	(9,820)
Purchase of intangible assets		(228)	(420)
Proceeds of disposal of property, plant and equipment		4	29
Repayments from other bodies	10	203	278
Net cash outflow from investing activities		(11,999)	(9,933)
Cash flows from financing activities			
Net Assembly Funding - drawn down		113,238	108,651
Net financing		113,238	108,651
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(1,198)	2,576
Receipts due to the Consolidated Fund which are outside the scope of the Agency's activities		34	94
Payments of amounts due to the Consolidated Fund		(31)	(121)
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		(1,195)	2,549
Cash and cash equivalents at the beginning of the period	13	(594)	(3,143)
Cash and cash equivalents at the end of the period	13	(1,789)	(594)

The notes on pages 47 to 73 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

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

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Balance at 31 March 2015		122,861	59,248	182,109
Net Assembly Funding		108,651	-	108,651
Comprehensive net expenditure for the year		(120,533)	17,566	(102,967)
Auditors Remuneration	5	37	-	37
Other notionals	5	2,655	-	2,655
Transfers between reserves		3,172	(3,172)	-
Balance at 31 March 2016		116,843	73,642	190,485
Net Assembly Funding		113,238	-	113,238
Comprehensive net expenditure for the year		(128,411)	(4,352)	(132,763)
Auditors Remuneration	5	32	-	32
Other notionals	5	3,988	-	3,988
Transfers between reserves		3,276	(3,276)	-
Balance at 31 March 2017		108,966	66,014	174,980

The notes on pages 47 to 73 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2016-17 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:

Asset category	Useful Life
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

Past and present employees are covered by the provisions of the PCSPS (NI) and the PCSPS (GB). Liability for payment of future benefits is a charge to the PCSPS (NI) and PCSPS (GB). The Agency meets the cost of pension cover through the payment of charges calculated on an accruing basis. Contributions are charged to the Statement of Comprehensive Net Expenditure as incurred.

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 Funding

NIPS is financed by supply estimates voted by the Assembly. Its provision was set out in Request for Resources A of the Department of Justice (DOJ) for this reporting period.

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 21 but not elsewhere in these accounts since neither NIPS nor the Government more generally has a direct beneficial interest in them.

1.22 Related Party Transactions

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

1.23 Critical accounting estimates and key judgements

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

(i) Depreciation of property, plant and equipment

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

(ii) Impairment of property, plant and equipment

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

(iii) Injury on Duty Awards life expectancy assumption

Benefits payable under the Civil Service Injury Benefit Scheme (Northern Ireland) relating to NIPS are payable to former employees for life. Provision is made for the costs of providing injury awards to employees based on the current number of injury awards and also on the estimated life expectancy of these pensioners.

The injury awards were valued under International Accounting Standard (IAS) 19 Employee Benefits by Government Actuary's Department (GAD). IAS 19 requires the employer to value the expected injury awards for active members, who are currently uninjured but who may become injured in the future, and include the value in the Statement of Accounts.

(iv) Litigation Provisions

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

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

1.24 Voluntary Early Retirement Scheme

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

1.25 Accounting standards, interpretations and amendments to published standards and FReM

Update on 2015-16 position:

Standard	Comments
IFRS 10 - Consolidated Financial Statements	The International Accounting Standards Board (IASB) issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards were effective with EU adoption from 1 January 2014.
IFRS 11 - Joint Arrangements	
IFRS 12 - Disclosure of Interests in Other Entities	
	Accounting boundaries for IFRS purposes are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on Office of National Statistics control criteria, as designated by HM Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change to include NDPBs and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

Issued and effective in 2016-17 for the first time:

NIPS has considered the accounting initiatives identified by HM Treasury effective in 2016-17 for the first time and considers that these changes are not relevant or material to its operations.

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

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2017 or later periods, but which NIPS has not adopted early. Other than as outlined in the table below, NIPS considers that these standards are not relevant to its operations.

Standard	IFRS 15 - Revenue from Contracts with Customers (IAS 18 Revenue replacement) (new)
Effective date	1 January 2018 (not yet EU adopted) - with a view to include in the 2018-19 FReM.
Description of revision	<p>The core principle recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled, in exchange for those goods or services. The Standard sets out five steps to recognise revenue and also includes requirements for accounting for contract costs.</p> <p>The disclosure objective of the new Standard is to establish the application principles required for entities to report useful information to the users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.</p>
Comments	The introduction of IFRS 15 is subject to analysis and review by HM Treasury and the other Relevant Authorities. HM Treasury issued an Exposure Draft on IFRS 15 over the Summer of 2016. Feedback from this consultation process has been considered and will inform updates to the FReM. No adaptations to IFRS 15 have been proposed.

Standard	IFRS 16 - Leases (IAS 17 Leases replacement) (new)
Effective date	1 January 2019 (not yet EU adopted) - with a view to include in the 2019-20 FReM.
Description of revision	<p>IFRS 16 has been developed by the IASB with the aim of improving the financial reporting of leasing activities in light of criticisms that the previous accounting model for leases failed to meet the needs of users of financial statements.</p> <p>IFRS 16 largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This is a significant change in lessee accounting.</p>
Comments	The introduction of IFRS 16 is subject to analysis and review by HM Treasury and the other Relevant Authorities. HM Treasury will issue an Exposure Draft on IFRS 16 in early 2018.

1.27 Financial reporting - future developments

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

2. Statement of Operating Costs by Operating Segment

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

2015-16	Maghaberry £000	Magilligan £000	Hydebank £000	Others £000	Total £000
Gross expenditure	46,926	20,724	15,029	37,470	120,149
Income	(1,351)	(843)	(334)	(108)	(2,636)
Net expenditure	45,575	19,881	14,695	37,362	117,513

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

3.1 Operating Income and Expenditure

2016-17	Note	Administration £000	Programme £000	Total £000
Income from sale of goods and services	7	-	(2,445)	(2,445)
Other operating income	7	-	(114)	(114)
Total operating income		-	(2,559)	(2,559)
Staff costs	4	4,285	57,354	61,639
Purchase of goods and services	5, 6	6,020	22,811	28,831
Depreciation and impairment charges	5, 6	-	22,792	22,792
Provision expense	6	-	4,970	4,970
Grants	6	-	1,218	1,218
Total operating expenditure		10,305	109,145	119,450
Net operating expenditure		10,305	106,586	116,891
Finance expense	5,6	(77)	(3)	(80)
Net expenditure for the year		10,228	106,583	116,811
2015-16				
	Note	Administration £000	Programme £000	Total £000
Income from sale of goods and services	7	(17)	(2,493)	(2,510)
Other operating income	7	(8)	(118)	(126)
Total operating income		(25)	(2,611)	(2,636)
Staff costs	4	8,128	63,245	71,373
Purchase of goods and services	5, 6	6,141	23,595	29,736
Depreciation and impairment charges	5, 6	2	12,820	12,822
Provision expense	6	-	5,059	5,059
Grants	6	-	1,168	1,168
Total operating expenditure		14,271	105,887	120,158
Net operating expenditure		14,246	103,276	117,522
Finance expense	6	-	(9)	(9)
Net expenditure for the year		14,246	103,267	117,513

3.2 Non-cash costs

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

2015-16		Administration	Programme	Total
	Note	£000	£000	£000
Purchase of goods and services	5, 6	2,692	37	2,729
Depreciation and impairment charges	5, 6	2	12,820	12,822
Provision expense	6	-	5,059	5,059
Grants		-	-	-
Finance expense	6	-	(9)	(9)
Total		2,694	17,907	20,601

4. Staff costs

	2016-17	2015-16
	£000	£000
Wages and salaries	47,434	56,871
Social Security costs	4,833	3,970
Other pension costs	9,372	10,532
	61,639	71,373
Less recoveries in respect of outward secondments	-	-
Total net costs	61,639	71,373
Of which:		
Charged to Administration	4,285	8,128
Charged to Programme	57,354	63,245

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report.

5. Other Administrative Costs

	Note	2016-17 £000	2015-16 £000
Purchase of goods and services			
Staff related costs		252	763
Rentals under operating leases		167	172
Accommodation costs		441	495
Office services		777	946
Contracted out services		114	149
Professional and consultancy costs		48	77
Managed services		286	591
Other costs		(85)	256
		2,000	3,449
Non-cash items			
(Profit)/loss on disposal of non-current assets	8, 9	-	-
Auditors' remuneration		32	37
Notional costs - other departments and agencies		2,213	2,041
Notional costs - Department of Justice		1,775	614
		4,020	2,692
		6,020	6,141
Depreciation and impairment charges			
Depreciation	8, 9	-	2
Total administration costs excluding finance expense		6,020	6,143
Finance expense			
Interest charges		(77)	-
Total administration costs including finance expense		5,943	6,143

6. Programme Costs

	Note	2016-17 £000	2015-16 £000
Purchase of goods and services			
Prisoner costs		11,053	11,608
Staff related costs		1,212	1,317
Accommodation costs		8,693	8,234
Rentals under operating leases		7	6
Office services		371	432
Professional costs		770	1,255
Consumables, materials and equipment costs		600	638
Other costs		99	68
		22,805	23,558
Non-cash items			
(Profit)/loss on disposal of non-current assets	8, 9	6	37
		22,811	23,595
Depreciation and impairment charges			
Depreciation	8	9,221	11,298
Amortisation	9	1,599	1,720
Net revaluation charge to SoCNE	11	11,972	(198)
		22,792	12,820
Provisions expense			
Provisions: provided for in year	16	6,099	6,930
Provisions: written back in year	16	(1,729)	(1,871)
Borrowing costs		600	
		4,970	5,059
Grants			
		1,218	1,168
Total programme costs excluding finance expense			
		51,791	42,642
Finance expense			
Interest charges		(3)	(9)
Total programme costs including finance expense			
		51,788	42,633

7. Income

	2016-17 £000	2015-16 £000
Administration income		
Sale of goods and services	-	17
Other non-trading income	-	8
	<hr/> -	<hr/> 25
Programme income		
Sale of goods and services	2,445	2,493
Other non-trading income	114	118
	<hr/> 2,559	<hr/> 2,611
Total operating income	<hr/> 2,559	<hr/> 2,636

8. Property, plant and equipment

2016-17

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

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)

2015-16

	Land £000	Buildings £000	Vehicles, Plant & Machinery £000	Information Technology £000	Assets Under Construct -ion £000	Total £000
Cost or valuation						
At 1 April 2015	5,666	241,477	33,963	4,047	9,963	295,116
Additions	-	5,235	504	26	3,764	9,529
Disposals	-	-	(1,096)	(730)	-	(1,826)
Transfers	-	-	-	-	-	-
Reclassifications	-	1,072	150	-	(1,222)	-
Revaluation charged to SoCNE	-	318	3	(1)	-	320
Revaluations	82	21,322	86	(2)	-	21,488
At 31 March 2016	5,748	269,424	33,610	3,340	12,505	324,627
Depreciation						
At 1 April 2015	-	36,501	27,800	3,713	-	68,014
Charged in year	-	9,509	1,681	110	-	11,300
Disposals	-	-	(1,030)	(730)	-	(1,760)
Transfers	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluation charged to SoCNE	-	120	2	-	-	122
Revaluations	-	3,910	55	(2)	-	3,963
At 31 March 2016	-	50,040	28,508	3,091	-	81,639
Carrying amount at 31 March 2016	5,748	219,384	5,102	249	12,505	242,988
Carrying amount at 31 March 2015	5,666	204,976	6,163	334	9,963	227,102
Asset financing:						
Owned	5,748	219,384	5,102	249	12,505	242,988
Carrying amount at 31 March 2016	5,748	219,384	5,102	249	12,505	242,988

9. Intangible assets

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

9. Intangible assets (continued)

2015-16	Software Licences £000	Assets Under Construction £000	Total £000
Cost or valuation			
At 1 April 2015	17,680	1,141	18,821
Additions	8	412	420
Disposals	-	-	-
Transfers	-	-	-
Reclassifications	852	(852)	-
Revaluation charged to SoCNE	14	-	14
Revaluations	176	-	176
At 31 March 2016	18,730	701	19,431
Amortisation			
At 1 April 2015	13,295	-	13,295
Charged in year	1,720	-	1,720
Disposals	-	-	-
Reclassifications	-	-	-
Revaluation charged to SoCNE	14	-	14
Revaluations	135	-	135
At 31 March 2016	15,164	-	15,164
Carrying amount at 31 March 2016	3,566	701	4,267
Carrying amount at 31 March 2015	4,385	1,141	5,526
Asset financing:			
Owned	3,566	701	4,267
Carrying amount at 31 March 2016	3,566	701	4,267

10. Financial Assets

	2016-17 £000	2015-16 £000
Housing Loans Scheme		
Balance at 1 April	290	559
Additions	-	-
Disposals	-	-
Repayments	(203)	(278)
Impairments	-	-
Revaluations	4	9
Balance at 31 March	91	290
Current Assets	62	190
Non-current Assets	29	100
Balance at 31 March	91	290
Balance at 31 March comprises:		
Carrying value	105	314
Net discount	(8)	(12)
Impairment	(6)	(12)
Amortised amount (Fair value) at 31 March	91	290

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% (2015-16: 3.7%) in line with Treasury guidelines. NIPS had 113 loans to officers at 31 March 2017 (161 at 31 March 2016) and does not hold any other financial assets. NIPS is therefore exposed to little credit, liquidity or market risk.

11. Impairments

		2016-17 £000	2015-16 £000
	Note		
Charged directly to SoCNE			
Property, plant and equipment	8	11,972	(198)
		11,972	(198)

12. Inventories

	2016-17 £000	2015-16 £000
Consumables and equipment	869	959
Fuel stores	196	166
	1,065	1,125

13. Cash and cash equivalents

	2016-17 £000	2015-16 £000
Balance at 1 April	(594)	(3,143)
Net change in cash and cash equivalent balances	(1,195)	2,549
Balance at 31 March	(1,789)	(594)

The following balances at 31 March were held at :

Commercial bank and cash in hand	(1,789)	(594)
Balance at 31 March	(1,789)	(594)

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

	2016-17 £000	2015-16 £000
Current assets	43	39
Current liabilities	(1,832)	(633)
Total	(1,789)	(594)

14. Trade receivables and other assets

	2016-17 £000	2015-16 £000
Amounts falling due within one year		
Trade receivables	56	42
Other receivables	9	7
Prepayments and accrued income	143	226
VAT	1,271	336
	1,479	611
Amounts falling due after more than one year		
Other receivables	2	6
	2	6
Total	1,481	617

15. Trade payables and other current liabilities

	2016-17 £000	2015-16 £000
Amounts falling due within one year		
Taxation and social security	1	1
Trade payables	283	38
Other payables	103	94
Accruals and deferred income	16,441	20,042
Consolidated Fund Extra Receipts to be paid to the Consolidated Fund:		
- Received	3	-
- Receivable	31	1
	16,862	20,176
Amounts falling due after more than one year		
Consolidated Fund Extra Receipts receivable and due to be paid to the Consolidated Fund	2	3
	2	3
Total	16,864	20,179

16. Provisions for liabilities and charges

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

Analysis of expected timing of discounted flows*

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

16. Provisions for liabilities and charges (continued)

	Voluntary Early Retirement Scheme £000	Injury Awards £000	Litigation £000	Hearing Loss £000	Other £000	Total £000
Balance at 1 April 2015	15,071	14,041	4,030	4,441	45	37,628
Provided in the year	-	810	3,770	2,226	124	6,930
Provisions not required written back	(177)	-	(1,278)	(416)	-	(1,871)
Provisions utilised in the year	(3,184)	(880)	(1,402)	(2,179)	(33)	(7,678)
Actuarial loss	-	3,020	-	-	-	3,020
At 31 March 2016	11,710	16,991	5,120	4,072	136	38,029

Analysis of expected timing of discounted flows*

	Voluntary Early Retirement Scheme £000	Injury Awards £000	Litigation £000	Hearing Loss £000	Other £000	Total £000
No later than one year	3,137	880	3,032	3,139	20	10,208
Later than one year and not more than five years	8,384	3,360	2,088	933	116	14,881
Later than five years	189	12,751	-	-	-	12,940
At 31 March 2016	11,710	16,991	5,120	4,072	136	38,029

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

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

Voluntary Early Retirement Scheme

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

16. Provisions for liabilities and charges (continued)

Injury Awards

From 1 April 2006 all benefits payable under the Civil Service Injury Benefit Scheme (Northern Ireland) relating to NIPS are charged to NIPS by Civil Service Pensions (Northern Ireland) on a monthly basis. The allowance is payable to the former employee for life. An estimated life expectancy of 70 years has been applied. Provision is made for the costs of providing injury awards to employees based on the current number of injury awards, and also on estimated life expectancy of these pensioners.

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

The split of the provision is shown below:

	2016-17	2015-16
	£000	£000
Liability in respect of:		
Active members	(2,960)	(1,360)
Pensions in payment (Injury Awards)	(25,440)	(15,631)
	(28,400)	(16,991)

Litigation

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

Hearing Loss

The hearing loss provision relates to claims from current and ex-prison officers for occupational hearing loss. The provision reflects claims up to March 2017 - the number of claims likely to be received in the future is uncertain and cannot be reliably estimated. Each case will be considered on its own merits and any settlement based on the severity of hearing loss.

Other provisions

The others provision relates to additional pension costs due to PCSPS (NI) for Early Departure, Industrial Tribunals and Equal Opportunities claims.

17. Capital commitments

	2016-17 £000	2015-16 £000
Contracted capital commitments at 31 March not otherwise included in these accounts:		
Property, plant and equipment	44,180	12,152
Intangible assets	-	-
	44,180	12,152

18. Commitments under leases**18.1 Operating leases**

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

	2016-17 £000	2015-16 £000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	166	165
Later than one year and not later than five years	-	-
Later than five years	-	-
	166	165
Other		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-
Total	166	165

18.2 Finance leases

NIPS does not presently hold any finance leases.

19. Contingent liabilities

At the year end NIPS has estimated contingent liabilities of £0.168m (2015-16: £0.448m) in respect of litigation claims against NIPS. These claims relate to legal claims against the 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.

20. 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 has 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.

21. Third Party Assets

There is a Prisoners' Personal Cash (PPC) facility for the lodgement of prisoner earnings and funding of tuck shop purchases. When prisoners are discharged they are paid in full the balance on their PPC account. The average prisoner private cash balance at 31 March 2017 was £164 (2015-16: £142).

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 2016 £000	Gross Inflows £000	Gross Outflows £000	31 March 2017 £000
Monetary assets such as bank balances and balances on deposit				
Prisoners' Private Cash Accounts	207	1,829	(1,802)	234
Prisoners' Amenities Funds	262	77	(146)	193
	469	1,906	(1,948)	427

22. Events after the reporting period

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

Date authorised for issue

The Accounting Officer authorised these financial statements for issue on 27 June 2017.

Appendix 1 - Glossary

Acronym	Details
ARC	Audit and Risk Committee
C&AG	Comptroller and Auditor General
CARE	Career Average Revalued Earnings
CB	Companion of the Most Honourable Order of the Bath
CBE	Commander of the Order of the British Empire
CETV	Cash Equivalent Transfer Value
CJINI	Criminal Justice Inspection Northern Ireland
CNA	Certified Normal Accommodation
CPI	Consumer Price Index
CSP	Civil Service Pensions
DDA	Disability Discrimination Act
DoF	Department of Finance
DOJ	Department of Justice
FReM	Financial Reporting Manual
GAD	Government Actuary's Department
HR	Human Resources
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
IT	Information Technology
KPT	Key Performance Target
MPMNI	Managing Public Money NI
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NIPS	Northern Ireland Prison Service
OBC	Outline Business Case
OMB	Operational Management Board
PCSPS	Principal Civil Service Pension Scheme
PECCS	Prisoner Escorting and Court Custody Services
PPC	Prisoner's Personal Cash
PRRT	Police Rehabilitation and Training Trust
PRT	Prison Review Team
PSMB	Prison Service Management Board
PSNI	Police Service of Northern Ireland
QPM	Queen's Police Medal
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