



NORTHERN IRELAND PRISON SERVICE
ANNUAL REPORT AND ACCOUNTS 2015-16

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Northern Ireland Prison Service
Annual Report and Accounts
For the year ended 31 March 2016

*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

1 July 2016



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PERFORMANCE REPORT

OVERVIEW

FOREWARD BY DIRECTOR GENERAL

I am pleased to present the 2015-16 Annual Report and Accounts for the Northern Ireland Prison Service (hereafter referred to as NIPS or the Service).

This has been a difficult year for NIPS, with business overshadowed by the abhorrent murder of our colleague Adrian Ismay. Adrian dedicated almost 30 years to serving the public through his work in our prisons, in addition to his tireless community work. Adrian is missed by all his friends and colleagues across the Service and we continue to keep his wife Sharon and his family in our thoughts.

The findings of the unannounced inspection of Maghaberry in May 2015 were disappointing, rating the prison as performing poorly across three of the four healthy prison tests. However, by the time the report was published in November, we had already put in place measures to stabilise and improve performance in the prison, and this was borne out by the follow-up inspection in January 2016. Work on Maghaberry is not complete; however, working in partnership with Criminal Justice Inspection Northern Ireland (CJINI) through a period of announced, low-impact visits to the prison, I am confident we will continue to see improvement throughout the coming year.

March 2016 also saw the end of the formal prison reform programme, with 36 of the 40 recommendations made by Anne Owers and the Prison Review Team signed-off by the Ministerial Oversight Group. While this is welcome progress, it is by no means the end of prison reform. The Oversight Group identified five strategic themes on which we will now focus to continue the process of reform and to consolidate and embed the positive changes already delivered. This year we have seen progress on the delivery of Learning and Skills, working in partnership with Belfast Met and the North West Regional College, the implementation of the Prisoner Development Model in all three establishments, and progress made in updating the prison estate, with upgrades including the opening of the Murray House step-down facility for women.

The coming year will undoubtedly bring further challenges. However, I believe that this year we will start to see real dividends from the Reform Programme, with further developments in the modernising of the Prison Estate, with strengthened leadership across the organisation and with the nurturing and development of key relationships across the statutory, voluntary and community sectors. NIPS remains committed to supporting offenders through custody and back into the community and will continue to work in partnership to put rehabilitation at the heart of everything we do.

STATEMENT OF PURPOSE AND ACTIVITIES

History and statutory background

The Northern Ireland Prison Service (NIPS) was established as an Executive Agency of the Northern Ireland Office (NIO) 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 2016 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 re-offending.

Key Risks and Issues

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

Safety and Security

- Escape, security breach, release in error, death in custody/serious self-harm, loss of accommodation through an incident.

Failure to develop, embed and implement change

- Rehabilitation is at the core of our work;
- Practices are in place to improve performance and outcomes; and
- Failure to embed PRT and progress the five priorities.

Resource

- Recognise budgetary situation where NIPS must live within budget; and
- Financial inability to meet the expectations of the new Minister.

Prison Estate

- Risks posed by an ageing estate.

PERFORMANCE SUMMARY AND FORWARD LOOK

REVIEW OF THE YEAR

Prison Reform

The formal Prison Reform Programme came to a close in March 2016, after four years focusing on consolidating, embedding and sustaining change. This process was informed by the Prison Review Team (PRT) report published in October 2011.

At the formal end point, 36 of the 40 PRT recommendations (90%) had been signed off by the Prison Review Oversight Group, which was chaired by the Justice Minister. While significant progress was made, the end of the formal Programme was not the end of the process of reform. Prison Reform will continue for 10 years or more, overseen by the Prison Service Management Board, focusing on the five key strategic themes that have emerged from the Programme:

- leadership, recognising the importance of strong and effective leadership across the Service;
- purposeful activity, equipping offenders with the necessary skills and experience to return to the community;
- equality and diversity, looking at both equality of outcome for prisoners and a workforce that better represents our society;
- a fit for purpose prison estate, with 21st Century accommodation central to all of NIPS plans; and
- partnership with healthcare, recognising that strong working relationships with Health colleagues, working to a common goal, are vital to work in prisons.

Capital Estates Programme

The Capital Estates Programme (CEP) Board, chaired by the Director General, continued to take forward the implementation of the NIPS Estate Strategy and the estate-related recommendations contained in the PRT report during 2015-16.

PRT recommendation 5 states that the Maghaberry site should be reconfigured into three 'mini-prison' areas: one for short-sentenced, remand prisoners and new committals; a second for long- and life-sentenced prisoners; and finally a high security facility for Category A and separated prisoners. Inherent within this recommendation is that the appropriate support, regimes and security infrastructure should be supplied for each mini-prison. Project boards have continued to meet throughout the year in order to progress projects including two projects specifically related to PRT 5 namely the High Security Facility (HSF) and the 360 Accommodation Block. The key project to enable this reconfiguration to take place has been the provision of a new and more efficient 360 Accommodation Block. The Maghaberry 360 Cell Accommodation Block Project Outline Business Case (OBC) was approved by the Department of Finance (DoF) [formerly Department of Finance

and Personnel (DFP)] in May 2014, and is currently in the final stages of the tender assessment process. The tender process remains on course for delivery with the new block scheduled to open in early 2019.

The Strategic Outline Case (SOC) for the High Security Facility Project was approved in December 2015. Work is currently underway to draft the OBC and the design brief in conjunction with CPD.

NIPS received DoF approval for the SOC for a New Visits Facility project in January 2015. The OBC is currently being reviewed by FSD. The development of a new visits facility at Maghaberry also supports the delivery of PRT recommendation 5 as this new provision will integrate with the rest of the new accommodation on site.

A contractor for the installation of a new Heating Mains, which will address the continued leaks and significant heat loss within the current system, has been appointed, is now on site and will be progressing work over the coming months, with completion anticipated in the summer of 2016.

The Redevelopment of Magilligan Project OBC, which has an estimated cost of approximately £150m, was approved in January 2015. This major re-development work, will take approximately nine years to deliver on the current site. This facility was recommended by PRT Recommendation 6, and is awaiting a capital budget allocation in order to progress further. The design business case is currently with FSD for review.

The OBC1 and design contract to progress the new Women's Prison to OBC2 stage was approved by DoF in December 2015. This facility was recommended by PRT Recommendation 36, and is awaiting a capital budget allocation in order to progress further.

Future projects will entail the approval of an OBC for the main infrastructure project at Magilligan; whilst at Maghaberry, a new Family Centre Visits facility and a Dog Training Unit are proposed. At Hydebank Wood College the completion of the new staff training facility and the development of the historic garden into a new Memorial Garden are some of the projects currently being developed.

CJINI and HMIP Unannounced Inspection of Maghaberry Prison

Following an Unannounced Inspection of Maghaberry in May 2015, the CJINI report, published in November 2015, rated the prison as performing poorly in three of the healthy prison tests and highlighted the need for urgent action to stabilise and improve performance at the prison.

Inspectors made nine recommendations for change, eight of which fall to NIPS and Maghaberry Prison to implement with the other falling to the South Eastern Health and Social Care Trust; NIPS accepted all eight recommendations. Inspectors also made the decision to return to the prison for a follow-up inspection in January 2016.

Following the initial inspection, NIPS put in place an Action Plan to improve the performance of Maghaberry as well as putting in place a longer-term plan to ensure

the prison is delivering better outcomes for prisoners and playing its part in building a safer Northern Ireland. The appointment of a new Governor, and a refreshed Maghaberry senior management team, led to improvements in a number of areas.

The re-inspection report published in February 2016 stated that Maghaberry has been stabilised and progress made across a range of areas. CJINI plans to review the nine recommendations through a series of low impact visits to the prison over the next 18 months.

Implementation of New Prisoner Development Model

The Prisoner Development Model is now fully operational in all establishments. The risks, needs and strengths of all prisoners are assessed shortly after their arrival in custody. All sentenced prisoners will have Personal Development Plans so that people are supported to address their thinking and behaviour, ultimately leading to a reduced likelihood of re-offending on release from custody. A Prisoner Development Governor Leads Group has been established to oversee and monitor implementation of the new model.

Outsourcing of Learning and Skills

In 2014-15 it was agreed that NIPS would outsource Learning and Skills provision to Colleges NI via Belfast Metropolitan College (BMC) and North West Regional College (NWRC). The outsourcing of learning and Skills provision was agreed and launched in June 2015 with BMC, NWRC and NIPS signing a partnership Service Level Agreement (SLA) for a one year pilot. NIPS teachers were 'seconded' to the Colleges in August 2015 and College recruitment commenced with new teachers across NIPS filling agreed additional provision and curriculum for those in our care. The new outsourcing arrangements have evidenced increased accreditation and quality of delivery outcomes for individuals and as a result NIPS intends to develop a business case and revised SLA for an outsourced partnership for the next two – three years.

OBJECTIVES AND TARGETS FOR 2016-17

NIPS has identified five strategic areas on which it will focus throughout 2016-17, summarised below:

- ***Leadership***
NIPS remains committed to developing staff and leadership at all levels across the organisation, with a number of measures in place to manage this strategically, including the Ulster University accredited 'Certificate of Competence' and the T50 leadership development programme.
- ***Purposeful activity***
The Reform Programme put rehabilitation at the core of NIPS work, recognising that the most effective method of improving outcomes for prisoners was through the provision of education and vocational training. This should also include activities outside formal accreditation, including kitchens, gardens and outside placements. Recreational activities will also be included.
- ***Respect and Inclusivity***
NIPS strategic approach will address two key areas. Firstly it will look at the differential in outcomes between prisoners, working to understand why this occurs and what steps need to be taken to improve the position. NIPS will continue to work to make the workforce better representative of society in Northern Ireland.
- ***Fit for purpose prison estate***
NIPS Estate Programme has developed long term plans and will work over a number of spending review periods and Assembly mandates to ensure funding is secured to provide NIPS with a fit for purpose estate consisting of safe, secure and decent accommodation.
- ***Partnership with healthcare***
One of the most complex and important elements of the Reform Programme was the development of partnership working between NIPS and Healthcare. With the provision of Healthcare having been fully transferred to the South Eastern Health and Social Care Trust in April 2012, this partnership working is more important than ever.

PERFORMANCE ANALYSIS

REVIEW OF PERFORMANCE 2015-16

Performance against Key Performance Targets

NIPS Business Plan for 2015-16, produced at the beginning of the year, set out 15 **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. Reduce access to and use of drugs and alcohol within prisons by detecting/disrupting supply and reducing demand through access to programmes	<p>Magilligan testing shows encouraging results for the year and met the local target. The recent trend at Hydebank shows progress but that more work is required, while at Maghaberry significant challenges remain.</p> <p>Significant local and organisational work is ongoing or planned (including through the draft Joint Healthcare and Criminal Justice Strategy).</p>	Target not met
2. Maximise rehabilitation by enhancing learning and skills, employment opportunities and interventions to address offenders' risks, needs and strengths	<p>Learning and Skills was outsourced in August 2015. A Placement Policy and Guidelines was published and introduced in October 2015. A pilot Placement Officer scheme with NIACRO has been conducted in 2015-16.</p> <p>A comprehensive audit of Psychology has been completed and new direction and operations agreed and implementation commenced.</p> <p>Prisoner Development Unit staff are now routinely assessing the risks, needs and strengths of sentenced prisoners on their committal to custody.</p>	Target met
3. Make prisons safer by addressing bullying and reducing the level of assaults	<p>At Magilligan the level of assaults remains low. At Hydebank and Maghaberry, whilst the levels of assaults exceeded the local target for the year, there has been significant improvement in the last six months of the year.</p> <p>Maintaining this trend will deliver improved results and outcomes in 2016-17.</p>	Target not met

Key performance targets	Comment	Year-end Status
4. Delivery of 2015-16 works programme in line with the Estate Strategy, subject to business case approval and capital funding	<p>Pilot in-cell sanitation project at Magilligan completed.</p> <p>Step-Down facility for women completed October 2015.</p> <p>Design and build contract for 360 cell accommodation block at Maghaberry awarded April 2016.</p>	Target met
5. Service provision to reflect the increase in the understanding of prisoner risk/needs through the prisoner development arrangements	77% of prisoners now have active Personal Development Plan based on assessment of Risk, Needs, Strengths.	Target met
6. Review, agree and commission value for money services in line with offenders' risks, needs and strengths	<p>The Risks Needs and Strengths Data has been utilised to confirm NIPS funding priorities in terms of Employment, Families and mentoring.</p> <p>A paper was presented to the Departmental Board promoting a Commissioner led Outcomes Based Approach to future DOJ funding of the Voluntary and Community Sector. The work is now being developed.</p>	Target met
7. To have evidenced enhanced outcomes (accreditations) through the outsourcing of the learning and skills provision	<p>Outsourcing Learning and Skills has resulted in a wider curriculum available to prisoners and students as well as new timetables across the three establishments.</p> <p>All establishments can evidence a minimum of 10% increase in accreditation and often greater.</p>	Target met
8. To have active employer links and placement opportunities with each establishment to reflect prisoner development plans	The pilot Placement Officer scheme was successful in developing sufficient placements (88 new placements) to meet establishment and prisoner development needs. Further work is required across the organisation to maximise usage of placement available so as to promote successful resettlement.	Target partially met
9. To have delivered all actions for 2015-16 within the desistance action plan (Programme for Government target)	All actions for 2015-16 within the desistance action plan have been delivered. Notable achievements include: increased range of research projects; the datalab pilot; the development of an adult Restorative Justice Strategy; and staff training.	Target met

Key performance targets	Comment	Year-end Status
10. To have in place an agreed Adult Restorative Justice strategy recognising the contributions of all sectors	The adult Restorative Justice Strategy is completed in draft form and must now go to consultation.	Target partially met
11. Consolidating the reform programme and moving to business as usual	<p>The formal Reform Programme closed in March 2016 with 36 of the 40 PRT recommendations signed-off by the Ministerial Oversight Group.</p> <p>The Oversight Group identified five strategic themes to be taken forward by the Prison Service Management Board (PSMB). The five themes are: leadership; purposeful activity; equality and diversity; a fit for purpose prison estate; and partnership with healthcare. These themes have been adopted by PSMB, with Board-level champions assigned to each theme.</p>	Target met
12. Develop the capability and resilience of our workforce	NIPS has worked with Queen's University to deliver leadership and resilience training for Senior Managers. This continues as a priority within the leadership theme.	Target partially met
13. Manage our governance obligations including Audit and Risk, Information Assurance, restructuring of the organisation and staff absence	Staff absence has been a challenge which has been robustly managed. However NIPS has not met the overall target of 9.2 days.	Target not met
14. Develop the Directorate strategic direction for the next four years	<p>NIPS has identified five strategic priorities out of the Prison Reform Programme:</p> <ul style="list-style-type: none"> • leadership; • purposeful activity; • equality and diversity; • a fit for purpose prison estate; and • partnership with healthcare <p>NIPS has committed to developing these themes across the organisation.</p>	Target met
15. Using resources effectively to continuously improve service delivery	NIPS has liaised with DOJ to ensure effective use of resources.	Target met

Financial Review

Net Expenditure

The net expenditure of the Agency for 2015-16 is compared to the previous two financial years in the table below:

	2015-16	2014-15	2013-14
	£000	£000	£000
Total operating income	(2,636)	(3,036)	(2,999)
Staff costs	71,373	72,282	78,674
Purchase of goods and services	29,736	29,749	32,433
Depreciation and impairment charges	12,822	11,729	10,361
Provision expense	5,059	1,579	3,598
Grants	1,168	774	790
Total operating expenditure	120,158	116,113	125,856
Net operating expenditure	117,522	113,077	122,857
Finance expense	(9)	77	(59)
Net expenditure for the year	117,513	113,154	122,798

Non-Current Assets

Non-Current Asset expenditure movements are detailed in the notes to the financial statements. Capital expenditure in 2015-16 totalled £9.9m (2014-15: £8.3m).

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

The opening of 'The Barn' at Hydebank in November 2015 has seen a much welcomed addition to Hydebank Wood College and the local community, with opportunity for staff, visitors and the general public to purchase students metalwork; craftwork; pastries and hot drinks.

The construction of Murray House, a six bed step down facility for women was opened in December 2015.

In line with the development of a Hydebank Wood College ethos, the entrance upgrade has provided a 'welcoming face' to Hydebank Wood College and was completed in June 2015.

With the pending closure of Prison Service College Millisle, the staff training unit has relocated to Hydebank Wood.

Further work was undertaken on a range of other minor works including upgrading Elm and Willow accommodation with ablutions and the provision of services at 'The Cabin'.

Upgrades at Maghaberry

Several infrastructure and capital works schemes were delivered at Maghaberry during the year including the upgrades to the emergency control room server; heating pumps; locking systems; the existing visitors' car park, and Burren House kitchen at the Working Out Unit.

Continuing from summer 2015 is the major water and heating mains project that is planned to complete in 2016.

The Care and Supervision Unit (CSU) was started in November 2015. This work will include the upgrade of cellular accommodation with anti-ligature windows and furniture.

Work has been completed on essential security infrastructure requirements at the loading bay and surrounds for some accommodation blocks.

Upgrades at Magilligan

Proposals were taken forward to replace priority infrastructure works at the site including new fire and water tanks. Further work was undertaken on workshop lighting, boiler upgrades and controls, gym lighting and a range of other minor works.

Financial Position

The total net assets of the Agency at 31 March 2016 were £190.5m (2014-15: £182.1m).

Cash Flow

As detailed in the notes to the Accounts, the Agency's Net Assembly draw down in 2015-16 was £108.7m (2014-15: £111.3m) and the net increase in Cash and cash equivalents in the year was £2.5m (2014-15: decrease £2.8m)

Financial risk

For 2015-16, 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 2015-16 was £57,643. This is below the target of £58,000. The prison population in 2015-16 decreased and this was primarily due to the dispute with the legal profession regarding legal aid. With the resolution of the dispute in February, the prison population has started to increase and is expected to return to previous numbers over the next year to eighteen months. 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 PST.

	2015-16	2014-15
Net Expenditure for the year (£000)	117,513	113,154
Non Standard Costs (£000)	<u>(7,185)</u>	<u>(1,401)</u>
Operating Expenditure (£000)	110,328	111,753
Prisoner Places (CNA)	1,914	1,914
Cost per Prisoner Place (£)	57,643	58,387
Target Cost per Prisoner Place (£)	58,000	60,800

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 £37,000 (2014-15: £42,000).

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% (2014-15: 94%) of payments to suppliers within 30 days and 89% (2014-15: 87%) 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 Management

NIPS is committed to ensuring the most environmentally and cost efficient services are applied across the supply chain.

Our aim is to realise potential opportunities for sustainable development through procurement and logistics, to ultimately deliver sustainable value.

Current activities aim to:

- reduce energy consumption and carbon emissions;
- reduce waste, saving money and minimising environmental impacts; and
- build supply chain resilience.

PERFORMANCE REPORT



Sue McAllister
Director General and Accounting Officer
2 June 2016

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

Management Board

NIPS is headed by a Director General who is supported by a Management Board consisting of three Executive Directors, two Non-Executive Directors (reduced from three following the ending of one Non-Executive Director's term on 29 February 2016) and the Head of Strategy and Governance.

The Service's Management Board is responsible for the strategic and business management of the Agency's operations. At 31 March 2016, the Management Board was as follows:

- Sue McAllister – Director General;
- Phil Wragg – Director, Operations;
- Brian McCaughey – Director, Rehabilitation;
- Stephen Davis – Director, Policy and Service Delivery;
- Phil Wheatley CB – Non-Executive Director;
- Paul Leighton CBE QPM – Non-Executive Director; and
- Brendan Giffen – Head, Strategy and Governance.

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 2015-16.

Complaints Procedure

When appropriate, the Service follows Departmental procedures in respect of complaints made by members of the general public. During 2015-16 there were no complaints raised through Departmental procedures. Complaints made by prisoners and their families are initially dealt with internally but, if required, may be escalated to the Prisoner Ombudsman.

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) [formerly Department of Finance and Personnel (DFP)] has directed the Northern Ireland Prison Service (NIPS) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NIPS and of its income and expenditure, changes in taxpayer's equity and cash flows for the financial year.

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

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

The Accounting Officer for the Department of Justice has designated the Director General of NIPS 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

Director General 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 Director General and Accounting Officer for NIPS, from September 2014 I have held the role of Director of Reducing Offending Directorate (ROD). 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 on NIPS website under Publications/Corporate Documents.

Prison Service Management Board (PSMB)

PSMB brings together the strategic and operational leadership of NIPS. The Board is chaired by the Director General and consists of two Non-Executive Directors (three up to 29 February 2016), Executive Directors and the Head of Strategy and Governance. It is the top management structure in NIPS and its main role is to provide advice to the Director General, lead on the development and scrutinise implementation of policy and strategy, challenge decisions made by the Executive Team, monitor NIPS performance and to provide overall assurance to the Director General on NIPS affairs.

The Board works to a scheduled Forward Work Programme with key items scheduled monthly and recurring issues scheduled on a quarterly basis. A feature of the Board is its focus on exception reporting and monthly 'progress and challenge' reports from 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 12 occasions during 2015-16; attendance by members is shown in the table below.

Member	Attendance	Changes to Board members
Director General – Sue McAllister	12	
Director, Offender Policy and Operations – Paul Cawkwell	2	left NIPS on 05 June 2015
Director, Operations – Phil Wragg	8	appointed on 27 July 2015
Director, Human Resources (HR), Finance and Corporate Services – Mark Adam	8	left NIPS on 15 February 2016
Director, Rehabilitation – Brian McCaughey	11	
Director, Estates – Max Murray	4	left NIPS on 30 September 2015
Director, Policy and Service Delivery – Stephen Davis (Previously Interim Director, Offender Policy and Operations – 8 June to 26 July 2015)	8	appointed on 27 July 2015
Head, Strategy and Governance – Brendan Giffen	5	Appointed 02 November 2015
Non-Executive Director – Phil Wheatley	10	
Non-Executive Director – Paul Leighton	11	
Non-Executive Director – Patricia Gordon	10	Left on 29 February 2016

Among matters considered by the Board during 2015-16 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 two of the Non-Executive Directors (Phil Wheatley replaced Patricia Gordon in November 2015) and an Independent Board Member (Olwen Laird replaced Peter Toogood on 01 June 2015) 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 2015-16; attendance by members is shown in the table below.

Member	Attendance
Non-Executive Director – Paul Leighton (Chair)	3
Non-Executive Director – Phil Wheatley	1
Non-Executive Director – Patricia Gordon	1
Independent Board Member – Peter Toogood	2
Independent Board member – Olwen Laird	3

Key matters considered during 2015-16 included:

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

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

Other Governance Arrangements – Internal Audit

Internal Audit reviewed ten key areas throughout the year including attendance management and payroll and allowances. In the Head of Internal Audit's 2015-16 Annual Report and Opinion he has given NIPS an overall opinion rating of satisfactory. Of the ten reports completed in 2015-16, eight received satisfactory assurance with the two remaining areas receiving limited assurance. These audits covered Magilligan Stores and Maghaberry Central Deployment Office. There were two Priority 1 recommendations made to NIPS during the 2015-16 year. NIPS received several Priority 2 and 3 recommendations which have all been accepted.

Operational Management Board (OMB)

The role of the OMB is to ensure that the policies and procedures approved by PSMB are implemented. The OMB will be guided by both high level strategic thinking and available evidence in taking decisions on implementation of operational policy. OMB will also scrutinise proposed operational policy and endorse minor policy changes deemed by the Director of Offender Policy and Operations to not require full PSMB approval.

OMB met on ten occasions during 2015-16; attendance by members is shown in the table below.

Member	Attendance
Director of Operations (Chair)	9
Governor, Maghaberry	9
Governor, Magilligan	9
Governor, Hydebank Wood	10
Head of PECCS	8
Head of Security	9
Head of Licensing and Legislation	8

Prison Review Team (PRT) Programme Board

The PRT Programme Board had its final meeting in August 2015, which was chaired by the Director General. The Board was attended by NIPS Executive Directors, Governing Governors and the PRT Programme Manager. The purpose of the Board was to:

- monitor progress achieved on the PRT Programme;
- take decisions regarding issues arising from the PRT Programme;
- review, amend and approve outputs from the PRT Programme; and
- approve additional projects suggested to come within the scope of the Programme, outcomes expected from these projects and timescales for delivery.

Following the final PRT Programme Board meeting, responsibility for reform was transferred to the Prison Service Management Board.

Finance Committee

The Finance Committee is an Executive Committee chaired by the Director General. 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 2015-16 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 2015-16 the Finance Committee met three times and members attended as follows:

Member	Attendance
Director General (Chair)	3
Director of Operations	2
Director of Rehabilitation	3
Director of Policy and Service Delivery	3
Head of Strategy and Governance	3

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 (HMIP) – 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 2015-16 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 2015-16 year, and therefore no action was necessary.

SIGNIFICANT INTERNAL CONTROL ISSUES

Internal Control Issues arising during 2015-16

CJINI and HMIP Unannounced Inspection of Maghaberry Prison

An Unannounced Inspection of Maghaberry Prison took place in May 2015. During this inspection Criminal Justice Inspection for Northern Ireland (CJINI), who were assisted by Her Majesty's Chief Inspector of Prisons (HMCIP), assessed Maghaberry Prison against the UK wide standard of a 'Healthy Prison' of which there are four key tests. The four areas considered and assessed in the tests are Safety, Respect, Purposeful Activity and Resettlement.

The report, published in November 2015, rated the prison as performing poorly in three of the healthy prison tests, with Resettlement rated as having reasonably good outcomes for prisoners.

Following the initial inspection, NIPS put in place an action plan to improve the performance of Maghaberry and address all the recommendations from the report, including an independent inquiry into the fire in Erne House. Under the leadership of the new Governor several initiatives, designed to address the report's recommendations, were put in place. Safety, which is a major focus of the report, has seen significant measures introduced, including the development of a new Core Day for prisoners, and a more effective use of staff resources with the introduction of staff patrols of recreation rooms and exercise yards.

While challenges do remain, the re-inspection report, published in February 2016, stated that Maghaberry has been stabilised and progress made across a range of areas. Locally the management team are fully committed to addressing the recommendations that have been made by CJINI.

SECURITY DATA INCIDENT

On 19 May 2016 a staff member from the Department of Justice accidentally sent a spreadsheet containing the security clearance details of NIPS staff and contractors to a security cleared contractor. The issue was quickly identified and swift action was taken to contain the incident. A digital recovery expert subsequently purged all traces of the email and spreadsheet from the contractor's computer system. The incident was referred to the Information Commissioner's Office on 25 May 2016.

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 2015-16, 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. This was subsequently reduced to 10 points in 2014 and 9 points in 2015 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 General, taking account of guidance issued by the Office of the First Minister and deputy First Minister 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 and his contract has been renewed until 17 October 2017.
- Patricia Gordon was appointed as a Non-Executive Director and member of PSMB with effect from 25 February 2010 on a three year contract. The contract was extended for a further 3 years in February 2013 and ended on 29 February 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.
- Peter Toogood became an Independent Committee member of the Audit and Risk Committee on 1 April 2013 on a two year appointment. Following an extension to his contract his term finished in June 2015.
- Olwen Laird replaced Peter Toogood as an Independent Committee member of the Audit and Risk Committee on 01 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]

2015-16					
Board Member	Salary and allowances £000	Bonus £000	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1,000)*	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.

[Audited information]

2014-15					
Board Member	Salary and allowances £000	Bonus £000	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1,000)*	Total £000
Sue McAllister Director General	100-105	-	16,800	39	155-160
Max Murray Director of Estates	85-90	-	-	23	110-115
Joanne McBurney Director of Finance and Corporate Services (to 7 May 2014)	5-10 (full year equivalent 65-70)	-	-	(3)	0-5
Mark Adam Director of HR, Finance and Corporate Services	120-125	-	-	-	120-125
Paul Cawkwell Director of Offender Policy and Operations	90-95	-	-	18	110-115
Brian McCaughey Director of Rehabilitation	90-95	-	1,200	13	105-110
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 is met by the agency.

Bonuses

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

Fair pay disclosure

[Audited information]

	<u>2015-16</u>	<u>2014-15</u>
Band of highest paid director's total remuneration*	£115-120,000	£120-125,000
Median total remuneration*	£23,785	£23,230
Ratio	4.94	5.27

* 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 2015-16 was £115-120,000 (2014-15: £120-125,000). This was 4.94 times (2014-15: 5.27 times) the median remuneration of the workforce, which was £23,785 (2014-15: £23,230). In 2015-16, no employees (2014-15: None) received remuneration in excess of the highest paid Director. Remuneration ranged from £9,000 to £115-120,000 (2014-15: £9,000 to £120-125,000).

Pension Benefits

[Audited information]

Board Member	Accrued pension at pension age as at 31/3/16 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/16 or date of leaving £000	CETV at 31/3/15* £000	Real increase in CETV £000
Sue McAllister Director General	5-10 plus lump sum of 0	0-2.5 plus lump sum of 0	120	85	22
Max Murray Director of Estates (until 30 September 2015)	30-35 plus lump sum of 220-225	(7.5)-(10) plus lump sum of 97.5-100	867	928	(51)
Paul Cawkwell Director of Offender Policy and Operations (until 5 June 2015)	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 0.2-5	393	380	5
Brian McCaughey Director of Rehabilitation	45-50 plus lump sum of 105-110	2.5-5 plus lump sum of 2.5-5	1,020	947	73
Phil Wragg Director of Operations (from 27 July 2015)	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 2.5-5	595	544	9
Stephen Davis Director, Policy and Service Delivery (from 27 July 2015) Interim Director of Offender Policy and Operations (8 June 2015 to 26 July 2015)	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 5-7.5	590	517	38
Brendan Giffen Head of Strategy and Governance (from 2 November 2015)	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	199	166	18

* 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 increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). 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 CPI.

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 CPI.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2015 was negative (-0.1%) and HM Treasury has announced that there will be no increase to public service pensions from April 2016. Therefore public service pensions will remain at their current level.

Employee contribution rates for all members for the period covering 1 April 2016 – 31 March 2017 are as follows:

Scheme Year 1 April 2016 to 31 March 2017

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	From 01 April 2016 to 31 March 2017	From 01 April 2016 to 31 March 2017
£0	£15,000.99	3.8%	4.6%
£15,001.00	£21,210.99	4.6%	4.6%
£21,211.00	£48,471.99	5.45%	5.45%
£48,472.00	£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 3% and 14.7% (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 CSP 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. The actuarial factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. 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 (2014-15: £Nil).

Payments to past directors

There were no payments by the Agency to past directors during the financial year (2014-15: £Nil).

STAFF REPORT

Staff Costs

[Audited information]

			2015-16	2014-15
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	56,420	451	56,871	57,848
Social security costs	3,967	3	3,970	4,188
Other pension costs	10,532	-	10,532	10,246
Total costs	70,919	454	71,373	72,282

Pensions

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but (insert employer's name) 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 2016.

For 2015-16, employers' contributions of £10,731,641 were payable to the NICS pension arrangements (2014-15 £10,243,944) 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 2016-17, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £13,818 (2014-15 £15,057) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 14.7% (2014-15 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,120 0.5% (2014-15 £1,189, 0.8%) of pensionable pay, were payable to the NICS Pension Arrangements 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

62 persons (2014-15:32 persons) retired early on ill health grounds; the total accrued pension liabilities in the year amounted to £121,156 (2014-15: £72,438)

Average number of persons employed

[Audited information]

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

			2015-16	2014-15
	Permanently employed staff	Others	Total	Total
Administration staff	169	1	170	205
Operational staff	1,471	10	1,481	1,619
Staff engaged on capital projects	3	-	3	-
Total number of staff	1,643	11	1,654	1,824

Staff Composition

The table below provides a gender breakdown of all operational and non-operational staff at 31 March 2016:

	Female staff	Male staff	Total staff
Prison Service Management Board	1	6	7
Senior Civil Service	1	3	4
Staff	493	940	1,433

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 (NISRA) for 2015-16 indicate that this was 20.9 days per employee (2014-15: 17.7 days). However, it is noteworthy that more than 87.5% 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

Since 1 April 2014 Occupational Support for NIPS staff has been 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

Through Front-line forums and staff briefings NIPS management team discussed areas important to staff across the organisation. The Director General and Director of HR visit each prison as part of the front-line forum meetings which bring together a cross section of staff – this is in addition to the regular visits to the prisons by the leadership team. The staff intranet was also made accessible to all, including operational staff on the landings, and was refreshed to ensure it was more user friendly and contained information relevant to specific business areas. 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.

The Service has also recently consulted with staff on employee engagement. That has now been agreed by the Prison Service Management Board and will be actioned throughout 2015-16. This will build on current engagement with staff to improve communications across the Service.

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 £14,493 expenditure on consultancy during 2015-16 (2014-15: £25,775).

Off-Payroll Engagements

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

Exit packages**[Audited information]**

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2015-16 Total number of exit packages by cost band	2014-15 Total number of exit packages by cost band
<£10,000	-	10	10	-
£10,000 - £25,000	-	43	43	-
£25,000 - £50,000	-	34	34	2
£50,000 - £100,000	-	36	36	-
£100,000 - £150,000	-	1	1	-
£150,000 - £200,000	-	-	-	1
over £200,000	-	-	-	11
Total number of exit packages	-	124	124	14
Total resource cost £	-	£4,643,342	£4,643,342	£3,158,805

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 492 compensation payments (2014-15: 300) totalling £1,624,973 (2014-15: £887,083). There was one individual payment exceeding £250,000. On the advice of DSO and Counsel, an amount in excess of £250k was set aside in respect of an ongoing legal claim relating to an employers' liability case. NIPS are still taking advice in relation to this case.

Remote Contingent Liabilities

There were no contingent liabilities requiring disclosure under Assembly reporting requirements. The Agency had no significant remote contingent liabilities during 2015-16 that require disclosure. Note 19 provides further details regarding the contingent liabilities that are included within the financial statements.

Long-term expenditure trends

The charts below show:

- **Chart 1:** the movement in the Department of Justice unringfenced Resource DEL opening baseline over the period 2013-14 to 2016-17; and
- **Chart 2:** the 2016-17 budget split by the Core Department, Executive Agencies (including the LSA) and Non-Departmental Public Bodies. For Forensic Science NI, this shows the net income received from the Department.

Chart 1: DOJ unringfenced resource DEL opening baseline

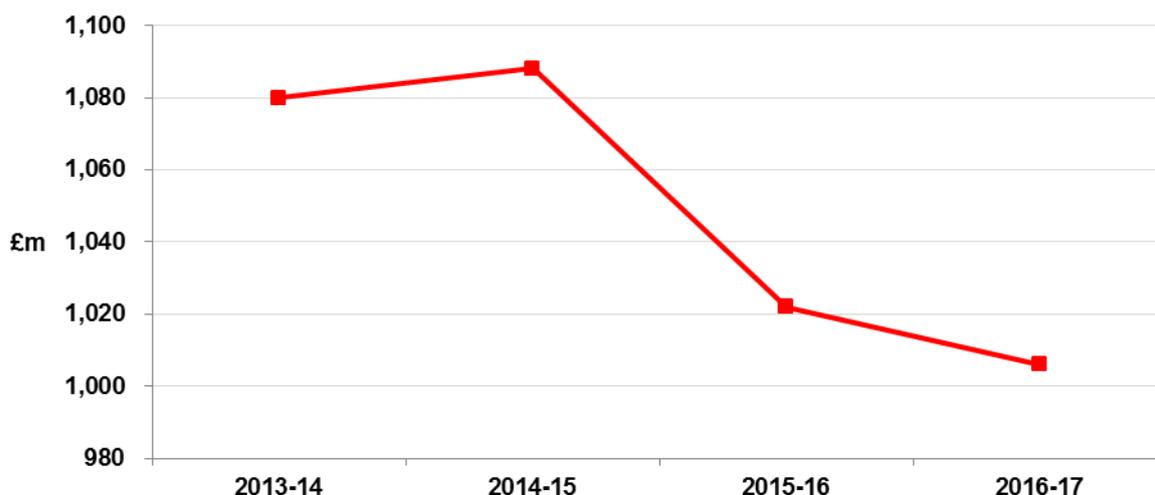
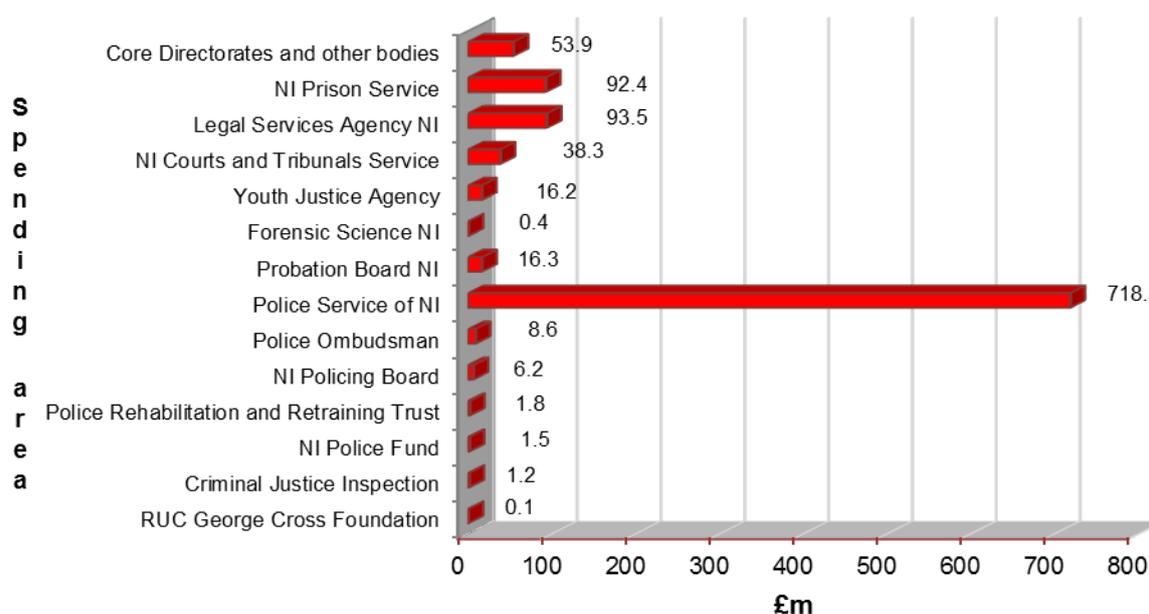


Chart 2: DOJ 2016-17 unringfenced Resource DEL budget



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 unringfenced 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 of 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 £0.3m 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 2015-16 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.

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.

ACCOUNTABILITY REPORT



Sue McAllister
Director General and Accounting Officer
2 June 2016

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I certify that I have audited the financial statements of the Northern Ireland Prison Service for the year ended 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. These 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 and Staff Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Director General 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 Performance Report and Accountability 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 2016 and of the net operating expenditure, cash flows and changes in taxpayers' equity 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 (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Department of Finance (formerly Department of Finance and Personnel) 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 part of the Remuneration and Staff 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

Date 27 June 2016

FINANCIAL STATEMENTS**Statement of Comprehensive Net Expenditure****For the year ended 31 March 2016**

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	2015-16 £000	2014-15 £000
Income from sale of goods and services	3.1	(2,510)	(2,782)
Other operating income	3.1	(126)	(254)
Total operating income		(2,636)	(3,036)
Staff costs	4	71,373	72,282
Purchase of goods and services	3.1	29,736	29,749
Depreciation and impairment charges	3.1	12,822	11,729
Provision expense	3.1	5,059	1,579
Grants	3.1	1,168	774
Total operating expenditure		120,158	116,113
Net operating expenditure		117,522	113,077
Finance expense	3.1	(9)	77
Net expenditure for the year		117,513	113,154
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	(17,525)	(15,366)
- Net (gain)/loss on revaluation of intangibles	9	(41)	(70)
- Actuarial (gain)/loss on pension liability	16	3,020	1,070
Comprehensive net expenditure for the year		102,967	98,788

The notes on pages 46 to 72 form part of these accounts.

Statement of Financial Position

As at 31 March 2016

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

	Note	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	8	242,988	227,102
Intangible assets	9	4,267	5,526
Trade and other receivables	14	6	10
Financial assets	10	100	323
Total non-current assets		247,361	232,961
Current assets			
Inventories	12	1,125	1,165
Trade and other receivables	14	611	1,208
Financial assets	10	190	236
Cash and cash equivalents	13	39	42
Total current assets		1,965	2,651
Total assets		249,326	235,612
Current liabilities			
Cash and cash equivalents	13	(633)	(3,185)
Trade and other payables	15	(20,176)	(12,686)
Provisions	16	(10,208)	(8,677)
Total current liabilities		(31,017)	(24,548)
Total assets less current liabilities		218,309	211,064
Non-current liabilities			
Provisions	16	(27,821)	(28,951)
Other payables	15	(3)	(4)
Total non-current liabilities		(27,824)	(28,955)
Total assets less total liabilities		190,485	182,109
Taxpayers' equity and other reserves:			
General fund		116,843	122,861
Revaluation reserve		73,642	59,248
Total equity		190,485	182,109



Sue McAllister
Accounting Officer

2 June 2016

The notes on pages 46 to 72 form part of these accounts

Statement of Cash Flows

For the year ended 31 March 2016

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	2015-16 £000	2014-15 £000
Cash flows from operating activities			
Net expenditure for the year		(117,513)	(113,154)
Adjustments for non-cash transactions	3.2	20,601	15,538
(Increase)/decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14	601	28
	14	(1)	(1)
(Increase)/decrease in inventories	12	40	407
Increase/(decrease) in trade and other payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	15	7,489	(3,427)
	15	319	(2,092)
Use of provisions	16	(7,678)	(5,479)
Net cash outflow from operating activities		(96,142)	(108,180)
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,820)	(5,190)
Purchase of intangible assets		(420)	(1,071)
Proceeds of disposal of property, plant and equipment		29	1
Repayments from other bodies	10	278	303
Net cash outflow from investing activities		(9,933)	(5,957)
Cash flows from financing activities			
Net Assembly Funding – drawn down		108,651	111,276
Net financing		108,651	111,276
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		2,576	(2,861)
Receipts due to the Consolidated Fund which are outside the scope of the Agency's activities		94	58
Payments of amounts due to the Consolidated Fund		(121)	(39)
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		2,549	(2,842)
Cash and cash equivalents at the beginning of the period	13	(3,143)	(301)
Cash and cash equivalents at the end of the period	13	(594)	(3,143)

The notes on pages 46 to 72 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2016

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 2014		120,916	46,356	167,272
Net Assembly Funding		111,276	-	111,276
Comprehensive net expenditure for the year		(114,224)	15,436	(98,788)
Auditors Remuneration	5	42	-	42
Other notionals	5	2,152	-	2,152
Items funded by Department - Capital		155	-	155
Transfers between reserves		2,544	(2,544)	-
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
Items funded by Department - Capital		-	-	-
Transfers between reserves		3,172	(3,172)	-
Balance at 31 March 2016		116,843	73,642	190,485

The notes on pages 46 to 72 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2015-16 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 & external doors, internal walls & partitions, internal doors, floors/wall/ceiling finishes.
Engineering Systems	Sanitary appliances, services equipment, disposal installation, water installation, heat source, space heating & air treatment, ventilation systems, electrical, gas, lift and protective installations.
Equipment & Security Installations	CCTV, access control, alarm systems, control rooms including all associated Information & Communications Technology (ICT) hardware & software; fixed furniture, fittings, equipment & 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 where 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 Voluntary Exit Scheme

The cost of redundancy and other departure costs to staff leaving the organisation under the NICS Voluntary Exit are included within administrative and programme staff costs.

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

Update on 2014-15 position:

Standard	Comments
IFRS 10 - <i>Consolidated Financial Statements</i>	<p>The International Accounting Standards Board (IASB) has issued new and amended Standards (IFRS 10, IFRS 11 and IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These Standards are effective with EU adoption from 1 January 2014.</p> <p>Accounting boundaries for IFRS purposes are currently adapted in the <i>FReM</i> 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 Northern Ireland (NI), which will bring NI departments under the same adaptation, has been carried out but a decision has yet to be made by the Executive. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. Arm's Length Bodies (ALBs) apply IFRS in full and their consolidation boundary may change as a result of the new Standards</p>
IFRS 11 - <i>Joint Arrangements</i>	
IFRS 12 - <i>Disclosure of Interests in Other Entities</i>	

Issued and effective in 2015-16 for the first time:

Standard	Comments
IFRS 13 - <i>Fair Value Measurement</i> (new)	<p>IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise). The Standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements.</p> <p>Although IFRS 13 is applied without adaptation, IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible assets</i> have been adapted and interpreted for the public sector context to limit the circumstances in which a valuation is prepared under IFRS 13.</p> <p>IAS 16 is adapted to specify the valuation bases for assets which are held for their service potential (i.e. operational assets) and assets which were most recently held for their service potential but are surplus.</p> <p>IAS 38 has been adapted for the public sector dependent on whether or not an active (homogeneous) market exists.</p>

1.27 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 2016 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 - <i>Revenue from Contracts with Customers</i> (IAS 18 <i>Revenue</i> replacement) (new)
Effective date	1 January 2018 (not yet EU adopted) - with a view to include in the 2018-19 <i>FReM</i> .
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 will be issuing an Exposure Draft on IFRS 15 over the Summer of 2016. Subsequent clarifications raised will also be reviewed as a part of the implementation project.

Standard	IFRS 16 - <i>Leases</i> (IAS 17 <i>Leases</i> replacement) (new)
Effective date	1 January 2019 (not yet EU adopted) - with a view to include in the 2019-20 <i>FReM</i> .
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 advance of the effective date.

1.28 Financial reporting - future developments

The Department 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

2015-16	Maghaberry	Magilligan	Hydebank	Others	Total
	£000	£000	£000	£000	£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

2014-15	Maghaberry	Magilligan	Hydebank	Others	Total
	£000	£000	£000	£000	£000
Gross expenditure	50,380	23,046	17,000	25,764	116,190
Income	(1,542)	(930)	(400)	(164)	(3,036)
Net expenditure	48,838	22,116	16,600	25,600	113,154

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

2015-16		Administration	Programme	Total
	Note	£000	£000	£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
2014-15		Administration	Programme	Total
	Note	£000	£000	£000
Income from sale of goods and services	7	(36)	(2,746)	(2,782)
Other operating income	7	(30)	(224)	(254)
Total operating income		(66)	(2,970)	(3,036)
Staff costs	4	7,937	64,345	72,282
Purchase of goods and services	5, 6	6,094	23,655	29,749
Depreciation and impairment charges	6	-	11,729	11,729
Provision expense	6	-	1,579	1,579
Grants	6	-	774	774
Total operating expenditure		14,031	102,082	116,113
Net operating expenditure		13,965	99,112	113,077
Finance expense	5, 6	88	(11)	77
Net expenditure for the year		14,053	99,101	113,154

3.2 Non-cash costs

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

2014-15		Administration	Programme	Total
	Note	£000	£000	£000
Purchase of goods and services	5, 6	2,240	1	2,241
Depreciation and impairment charges	6	-	11,729	11,729
Provision expense	6	-	1,579	1,579
Grants		-	-	-
Finance expense	6	-	(11)	(11)
Total		2,240	13,298	15,538

4. Staff costs

	2015-16	2014-15
	£000	£000
Wages and salaries	56,871	57,848
Social Security costs	3,970	4,188
Other pension costs	10,532	10,246
	71,373	72,282
Less recoveries in respect of outward secondments	-	-
Total net costs	71,373	72,282
Of which:		
Charged to Administration	8,128	7,937
Charged to Programme	63,245	64,345

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	2015-16 £000	2014-15 £000
Purchase of goods and services			
Staff related costs		763	771
Rentals under operating leases		172	191
Accommodation costs		495	553
Office services		946	960
Contracted out services		149	151
Professional costs		63	93
Consultancy costs		14	26
Managed services		591	779
Consumables, materials and equipment costs		16	16
Non capital purchases		25	8
Other costs		215	306
		3,449	3,854
Non-cash items			
(Profit)/loss on disposal of non-current assets	8, 9	-	46
Auditors' remuneration		37	42
Notional costs - other departments and agencies		2,041	2,080
Notional costs - Department of Justice		614	72
		2,692	2,240
		6,141	6,094
Depreciation and impairment charges			
Depreciation	8, 9	2	-
Total administration costs excluding finance expense		6,143	6,094
Finance expense			
Interest charges		-	88
Total administration costs including finance expense		6,143	6,182

6. Programme Costs

	Note	2015-16 £000	2014-15 £000
Purchase of goods and services			
Prisoner costs		11,608	11,115
Staff related costs		1,317	1,198
Accommodation costs		8,234	8,611
Rentals under operating leases		6	9
Office Services		432	457
Professional costs		1,255	1,435
Contracted out services		2	9
Consumables, materials and equipment costs		638	670
Non capital purchases		59	86
Other costs		7	64
		23,558	23,654
Non-cash items			
(Profit) /loss on disposal of property, plant and equipment	8, 9	37	1
		23,595	23,655
Depreciation and impairment charges			
Depreciation	8	11,298	10,478
Amortisation	9	1,720	1,880
Net revaluation charge to SoCNE	11	(198)	(629)
		12,820	11,729
Provisions expense			
Provisions: provided for in year	16	6,930	10,486
Provisions: written back in year	16	(1,871)	(8,907)
		5,059	1,579
Grants			
		1,168	774
Total programme costs excluding finance expense			
		42,642	37,737
Finance expense			
Interest charges	10	(9)	(11)
Total programme costs including finance expense			
		42,633	37,726

7. Income

	2015-16	2014-15
	£000	£000
Administration income		
Sale of goods and services	17	36
Other non-trading income	8	30
	25	66
Programme income		
Sale of goods and services	2,493	2,746
Other income	118	224
	2,611	2,970
Total operating income	2,636	3,036

8. Property, plant and equipment

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

Land and Property Services (LPS) carried out a full valuation of land and buildings at 1 April 2011, in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and on a componentised basis. The next full valuation of land and buildings will be 1 April 2016. It is intended that the Prison Service College will be disposed of. Until this time, on the basis that all lands at Millisle will be sold together, the property at Lisnevin has been valued at its pro-rata replacement cost.

8. Property, plant and equipment (continued)

2014-15

	Land £000	Buildings £000	Vehicles, Plant and Machinery £000	Information Technology £000	Assets Under Construct -ion £000	Total £000
Cost or valuation						
At 1 April 2014	5,634	221,072	32,381	4,047	5,757	268,891
Additions	-	292	891	85	5,997	7,265
Disposals	-	-	(55)	(84)	(46)	(185)
Transfers	-	-	156	-	-	156
Reclassifications	-	1,473	272	-	(1,745)	-
Revaluation charged to SoCNE	-	771	(2)	-	-	769
Revaluations	32	17,869	320	(1)	-	18,220
At 31 March 2015	5,666	241,477	33,963	4,047	9,963	295,116
Depreciation						
At 1 April 2014	-	24,991	26,043	3,643	-	54,677
Charged in year	-	8,733	1,591	154	-	10,478
Disposals	-	-	(52)	(84)	-	(136)
Transfers	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluation charged to SoCNE	-	141	-	-	-	141
Revaluations	-	2,636	218	-	-	2,854
At 31 March 2015	-	36,501	27,800	3,713	-	68,014
Carrying amount at 31 March 2015	5,666	204,976	6,163	334	9,963	227,102
Carrying amount at 31 March 2014	5,634	196,081	6,338	404	5,757	214,214
Asset financing:						
Owned	5,666	204,976	6,163	334	9,963	227,102
Carrying amount at 31 March 2015	5,666	204,976	6,163	334	9,963	227,102

9. Intangible assets

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

9. Intangible assets (continued)

2014-15	Software Licences £000	Assets Under Construction £000	Total £000
Cost or valuation			
At 1 April 2014	17,030	481	17,511
Additions	12	1,059	1,071
Disposals	-	-	-
Reclassifications	399	(399)	-
Revaluation charged to SoCNE	18	-	18
Revaluations	221	-	221
At 31 March 2015	17,680	1,141	18,821
Amortisation			
At 1 April 2014	11,246	-	11,246
Charged in year	1,880	-	1,880
Disposals	-	-	-
Reclassifications	-	-	-
Revaluation charged to SoCNE	18	-	18
Revaluations	151	-	151
At 31 March 2015	13,295	-	13,295
Carrying amount at 31 March 2015	4,385	1,141	5,526
Carrying amount at 31 March 2014	5,784	481	6,265
Asset financing:			
Owned	4,385	1,141	5,526
Carrying amount at 31 March 2015	4,385	1,141	5,526

10. Financial Assets

	2015-16	2014-15
	£000	£000
Housing Loans Scheme		
Balance at 1 April	559	851
Additions	-	-
Disposals	-	-
Repayments	(278)	(303)
Impairments	-	-
Revaluations	9	11
Balance at 31 March	290	559
Current Assets	190	236
Non-current Assets	100	323
Balance at 31 March	290	559
Balance at 31 March comprises:		
Carrying value	314	593
Net discount at 3.7%	(12)	(18)
Impairment	(12)	(16)
Amortised amount (Fair value) at 31 March	290	559

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% (2014-15: 2.2%) in line with Treasury guidelines. NIPS had 161 loans to officers at 31 March 2016 (202 at 31 March 2015) and does not hold any other financial assets. NIPS is therefore exposed to little credit, liquidity or market risk.

11. Impairments

	Note	2015-16 £000	2014-15 £000
Charged directly to the SoCNE			
Property, plant and equipment	8	(198)	(629)
Taken through the revaluation reserve			
Property, plant and equipment	8	(17,525)	(15,366)
Intangible assets	9	(41)	(70)
		<u>(17,566)</u>	<u>(15,436)</u>
Total impairment charge for the year		<u>(17,764)</u>	<u>(16,065)</u>

12. Inventories

	2015-16 £000	2014-15 £000
Consumables and equipment	959	952
Fuel stores	166	213
	<u>1,125</u>	<u>1,165</u>

13. Cash and cash equivalents

	2015-16 £000	2014-15 £000
Balance at 1 April	(3,143)	(301)
Net change in cash and cash equivalent balances	<u>2,549</u>	<u>(2,842)</u>
Balance at 31 March	<u>(594)</u>	<u>(3,143)</u>

The following balances at 31 March were held at :

Commercial bank and cash in hand	<u>(594)</u>	<u>(3,143)</u>
Balance at 31 March	<u>(594)</u>	<u>(3,143)</u>

14. Trade receivables and other assets

	2015-16	2014-15
	£000	£000
Amounts falling due within one year		
Trade receivables	42	25
Other receivables	7	109
Prepayments and accrued income	226	222
VAT	336	852
	611	1,208
Amounts falling due after more than one year		
Other receivables	6	10
	6	10
Total	617	1,218

15. Trade payables and other current liabilities

	2015-16	2014-15
	£000	£000
Amounts falling due within one year		
Taxation and social security	1	193
Trade payables	38	120
Other payables	94	257
Accruals and deferred income	20,042	12,088
Consolidated Fund Extra Receipts to be paid to the Consolidated Fund:		
- Received	-	27
- Receivable	1	1
	20,176	12,686
Amounts falling due after more than one year		
Consolidated Fund Extra Receipts receivable and due to be paid to the Consolidated Fund	3	4
	3	4
Total	20,179	12,690

16. Provisions for liabilities and charges

	Voluntary Early Retirement Scheme	Injury Awards	Litigation	Hearing Loss	Other	Total
	£000	£000	£000	£000	£000	£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	Injury Awards	Litigation	Hearing Loss	Other	Total
	£000	£000	£000	£000	£000	£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

16. Provisions for liabilities and charges (continued)

	Voluntary Early Retirement Scheme	Injury Awards	Litigation	Hearing Loss	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	16,276	12,821	2,715	8,481	165	40,458
Provided in the year	1,666	771	2,667	5,344	38	10,486
Provisions not required written back	-	-	(557)	(8,255)	(95)	(8,907)
Provisions utilised in the year	(2,871)	(621)	(795)	(1,129)	(63)	(5,479)
Actuarial loss	-	1,070	-	-	-	1,070
At 31 March 2015	15,071	14,041	4,030	4,441	45	37,628

Analysis of expected timing of discounted flows*

	Voluntary Early Retirement Scheme	Injury Awards	Litigation	Hearing Loss	Other	Total
	£000	£000	£000	£000	£000	£000
No later than one year	3,251	560	2,441	2,380	45	8,677
Later than one year and not more than five years	10,715	2,120	1,589	2,061	-	16,485
Later than five years	1,105	11,361	-	-	-	12,466
At 31 March 2015	15,071	14,041	4,030	4,441	45	37,628

* 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:

	2015-16	2014-15
	£000	£000
Liability in respect of:		
Active members	(1,360)	(1,041)
Pensions in payment (Injury Awards)	(15,631)	(13,000)
	<u>(16,991)</u>	<u>(14,041)</u>

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 2016, 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 and Equal Opportunities claims.

17. Capital commitments

	2015-16 £000	2014-15 £000
Contracted capital commitments at 31 March not otherwise included in these accounts:		
Property, plant and equipment	12,152	1,466
Intangible assets	-	252
	12,152	1,718

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.

	2015-16 £000	2014-15 £000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	165	187
Later than one year and not later than five years	-	-
Later than five years	-	-
	165	187
Other		
Not later than one year	-	3
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	3
Total	165	190

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 £0.448m (2014-15: £0.398m) 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 (DoH) [formerly Department of Health, Social Services and Public Safety (DHSSPS)], Department of Finance (DoF) [formerly Department of Finance and Personnel (DFP)] 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 2016 was £142 (2014-15: £157).

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 2015 £000	Gross Inflows £000	Gross Outflows £000	31 March 2016 £000
Monetary assets such as bank balances and balances on deposit				
Prisoners' Private Cash Accounts	271	1,978	(2,042)	207
Prisoners' Amenities Funds	230	171	(139)	262
	501	2,149	(2,181)	469

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 28 June 2016.

Appendix 1 - Glossary

Acronym	Details
ALB	Arm's Length Bodies
ARC	Audit and Risk Committee
BMC	Belfast Metropolitan College
ASSI	Area of Special Scientific Interest
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
CEP	Capital Estates Programme
CETV	Cash Equivalent Transfer Value
CJINI	Criminal Justice Inspectorate Northern Ireland
CNA	Certified Normal Accommodation
CPI	Consumer Price Index
CPO	Custody Prison Officer
CSP	Civil Service Pensions
CSU	Care and Supervision Unit
DFP	Department of Finance and Personnel
DoF	Department of Finance
DHSSPS	Department of Health, Social Services and Public Safety
DOH	Department of Health
DOJ	Department of Justice
DSO	Departmental Strategic Objective
ESOL	English Speaking for Other Languages
FC	Finance Committee
FReM	Financial Reporting Manual
FYE	Full Year Equivalent
GAD	Government Actuary's Department
HR	Human Resources
HM	Her Majesty's
HMIP	Her Majesty's Inspectorate of Prisons
HQ	Headquarters
IA	Information Assurance
ICO	Information Commissioner's Office
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IROC	Information Risk Owner's Council
IT	Information Technology
KPT	Key Performance Target
LPS	Land and Property Services
M&T	Monitoring and Targeting
NAO	National Audit Office
NHS	National Health Service
NIA	Northern Ireland Assembly
NIAO	Northern Ireland Audit Office
NIACRO	Northern Ireland Association for the Care and Resettlement of Offenders
NICS	Northern Ireland Civil Service
NICSC	Northern Ireland Community Safety College
NIO	Northern Ireland Office
NIPS	Northern Ireland Prison Service
NISRA	Northern Ireland Statistics and Research Agency
NOMS	National Offender Management Service
NWRC	North West Regional College
OBC	Outline Business Case
OMB	Operational Management Board

Acronym	Details
PECCS	Prisoner Escorting and Court Custody Services
PBNI	Probation Board for Northern Ireland
PCSPS	Principal Civil Service Pension Scheme
PCO	Prisoner Custody Officer
PPC	Prisoner's Personal Cash
PRT	Prison Review Team
PSMB	Prison Service Management Board
PSNI	Police Service of Northern Ireland
PST	Prison Service Trust
QPM	Queen's Police Medal
RICS	Royal Institute of Chartered Surveyors
RPI	Retail Price Index
RSPB	Royal Society of the Protection of Birds
SCS	Senior Civil Service
SOC	Strategic Outline Case
SEE	Strategic Efficiency and Effectiveness
SEHSCT	South Eastern Health and Social Care Trust
SIB	Strategic Investment Board
SLA	Service Level Agreement
TOM	Target Operating Model
UK	United Kingdom
UUJ	University of Ulster Jordanstown
VAT	Value Added Tax
VES	Voluntary Exit Scheme
VER	Voluntary Early Retirement
WPFGB	World Police and Fire Games
WOU	Working Out Unit