

CRIMINAL JUSTICE AND COURT SERVICES ACT 2000

National Probation Service: Consolidated Accounts of the Local Probation Boards for the year ended 31 March 2008, prepared pursuant to Schedule 1, para 17(4) of the Criminal Justice and Court Services Act 2000, together with the Comptroller and Auditor General's Certificate and Report thereon.

Presented pursuant to Schedule 1, para 17(5) of the Criminal Justice and Court Services Act 2000

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## **National Probation Service**

# **Consolidated Accounts of the Local Probation Boards 2007-2008**

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# Foreword to the Consolidated Accounts for the year ended 31 March 2008

## Statutory Background

The National Probation Service for England and Wales (NPS) was established by the Criminal Justice and Court Services Act 2000 (CJCS Act) and came into existence on 1 April 2001. The NPS operates within the provisions of the CJCS Act and relevant subordinate legislation and local probation boards will comply with any directions given by the Secretary for Justice under the powers in the legislation and act in accordance with any guidance given by him/her. The Offender Management Act 2007 (OM Act) will replace the CJCS Act as the governing legislation for those Probation Areas where it is brought into force. The OM Act was brought into force for the first six Areas in April 2008.

The NPS consists of the 42 Local Probation Boards (listed in Annex A to the Foreword) and, until 31 March 2007, consisted also of the National Probation Directorate (NPD) which was part of the Home Office for accounting purposes. The responsibilities of the NPD transferred to the National Offender Management Service (NOMS) headquarters in January 2007. NOMS headquarters was, until 9 May 2007, part of the core Home Office, after which it transferred to the new Ministry of Justice (MoJ). The 42 Local Probation Boards produce their own accounts, which are consolidated to produce the consolidated accounts of the Local Probation Boards. These in turn are consolidated into the MoJ accounts and so form part of the Department's Resource Accounts.

These accounts are a consolidation of the results of the 42 Local Probation Boards and have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by the Treasury, and in accordance with a direction given by the Treasury in pursuance of Schedule 1 paragraph 17 (4) of the Criminal Justice and Courts Services Act 2000. The direction is reproduced on page 38.

## Statement of Purpose

The NPS has five aims, specified in the Criminal Justice and Court Services Act 2000. They are:

- The protection of the public;
- the reduction of re-offending;
- the proper punishment of offenders;
- ensuring offenders' awareness of the effects of crime on the victims of crime and the public; and
- the rehabilitation of offenders.

## Principal Objectives

In its first seven years of existence the NPS has created new governance and management structures and improved its performance year on year. Within the context of continuing change the NPS is aiming to maintain its focus on flexibility to adapt to changing circumstances.

The principal objectives of the NPS are set out in the NPS Business Plan for 2007/8.

The key priorities for the NPS in 2007/8 were:

1. **Public Protection: Improving public confidence.** Promoting and explaining the work of the probation service locally.
2. **Managing people.** Workforce planning, staff development, employee relations and reducing sickness absence.

3. **Service delivery.** Public protection, Offender management and Interventions.
4. **Working with partners.** Developing a lead provider model and achieving the 10% contracting out target.
5. **Diversity.** Ensuring compliance with equality legislation.
6. **Efficiency.** Resource Allocations; Value-For-Money Savings and Unit Costs.

### **National Offender Management Service (NOMS)**

The development of “end to end” offender management underpins the implementation of the CJA and is central to NOMS. All Probation Areas were required in 2005-06 to implement Offender Management in the community, and from November 2006 Offender Management was extended to an initial priority group of some 12,500 serving prisoners followed by a further extension to Initial Priority Prisoners (IPP) (3,700) in January 2008. Implementation for other prisoner groups is being considered. An internal strategic review of Offender Management was undertaken and recommended that the immediate focus following roll-out of Phase 3 should be on consolidation of the existing phases with a decision on future roll-out to be taken later in 2008.

The Offender Assessment System (OASys) is an integral part of the Offender Management Model. End to end Offender management is dependant on the assumption that offender managers will draw up a sentence plan based on a thorough assessment utilising OASys. Major developmental releases of OASys were deployed during the year (OASys Release 4.2) to further support Offender management.

The establishment of NOMS has provided a new context for work with offenders including:

- A focus on offender management with a single offender manager responsible for assessing need, selecting and sequencing interventions;
- The use of commissioning to separate the identification of need from the delivery of services;
- The use of contestability to challenge existing providers to demonstrate they continue to provide the best value in terms of both cost and quality.

### **Future Developments**

For 2008/9 the forty-two probation areas are required to produce a business plan which includes:

1. **Public Protection** – quality of risk assessments, improved practice, learning from SFOs, parole reports.
2. **Service delivery** – offender management and interventions, including compliance and enforcement.
3. **Managing people** – workforce planning, staff development, employee relations and reducing sickness absence.
4. **Diversity** – ensuring compliance with equality legislation.
5. **Business development** – development of local commissioning, best value, vfm, unit costs.

The Director of Probation and the Regional Offender Managers will support area/regional and national initiatives to achieve efficiency savings through shared business services, process improvements and the better use of information/communications technology.

### **Offender Management Act 2007**

The OM Act gives the Secretary of State the powers to dissolve Local Probation Boards and to create Probation Trusts.

The principal changes from the CJCS Act to the OM Act are:

- The transfer of the statutory duty for the provision of probation services from the Local Probation Boards to the Secretary of State;
- The Secretary of State being able to contract with other providers for the provision of probation services;
- The public sector providers, Probation Trusts, have as their purpose the delivery of probation services under contract with the Secretary of State but they are not required by statute to deliver probation services;
- Trusts, unlike Boards, not being geographically constrained.

The first six Probation Trusts were created in April 2008. These are Dyfed Powys, South Wales, West Mercia, Merseyside, Leicestershire and Rutland and Humberside Probation Trusts.

### **Criminal Justice Act 2003**

The Criminal Justice Act introduced radical changes to the sentencing framework in relation both to community and custodial sentences and affects the work of the NPS at all levels.

The Act sets out for the first time the purposes of sentencing which include reform, rehabilitation and reparation as well as punishment and deterrence. The Community Punishment Order, Drug Treatment Testing Orders and other community sentences are replaced with a single Community Order that can be tailored by the courts to meet the circumstances of individual cases. The Act also introduces new custodial sentences for Public Protection.

All the sentences described in Part 12 of the Act, except Custody Plus and Intermittent Custody, were implemented on 4 April 2005 and apply to offences committed on or after that date. Custody Plus was planned to be implemented in autumn 2006 but has been deferred. The limited pilot of Intermittent Custody, which operated in two prisons from 2004, came to an end in November 2006. There are no plans to implement this sentence.

The Act has led to an increased workload for the NPS from the new licence arrangements for offenders released from custody and also from the increasing use of the Community Order and Suspended Sentence Order.

### **Results for the Year**

The 2007/08 Net Operating Cost for the 42 Boards is £845.3m (2006/07 £807.1m), which mainly consist of staff costs £673.4m (2006/07 £628.1m).

The Balance Sheet shows a net liability of £523m (2006/07 £549.9m), which is mainly due to the pension liability of £502.5m (2006/07 £534.9m).

The National Probation Directorate was absorbed into NOMS in January 2007 and is therefore not reported as a separate entity in 2007/08. Until 2006/07 the NPD was part of the NPS but its expenditure was not included in the consolidation because the Directorate's expenditure was then part of the Home Office Accounts.

### **Remuneration**

The Director of Probation and other central staff with Probation responsibilities including members of the probation coherence group are NOMS staff and are therefore employed by the MoJ and are on the payroll. All the employee costs associated with this are accounted for in the MoJ accounts.

All the 42 Local Probation Boards have their own separate Board. The remuneration of Local Probation Board members is disclosed in each Local Probation Board's published accounts.

### **Going Concern**

The balance sheet at 31 March 2008 shows net liabilities of £523m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from other sources of income, may only be met by future grants or grants in aid from the Ministry of Justice. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant and grant in aid for 2008/09, taking into account the amounts required to meet liabilities falling due in that year, have already been included in the Department's Estimates for that year. These have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### **Fixed Assets**

Ownership of land, buildings and IT equipment transferred to the Secretary of State from the predecessor organisations on 1st April 2001.

On 1st April 2003 the responsibility for the management of the NPD estate transferred from the local probation boards to the NPD. As a result, the risks and rewards of ownership have transferred to the NPD. From the 1st April 2003 therefore, in accordance with FRS 5, the estate properties will not be accounted for in the consolidated accounts of the local boards. They are accounted for within the Ministry of Justice Consolidated Resource Accounts as tangible fixed assets.

Local Probation Boards retain ownership of vehicles and office machinery. During 2007/8 the 42 Probation Boards purchased assets costing £2.6m and disposed of assets which cost £0.8m.

### **Post Balance Sheet Events**

Under the OM Act six Probation Trusts were created on 1st April 2008 as detailed above. The written Ministerial Statement on the 21st October 2008 confirmed that the NOMS Agency will proceed to provide opportunities for all Boards to become Trusts by 2010 in line with the commitments set out in the Offender Management Act.

On 29th January 2008 the Secretary of State issued a written statement announcing the new structure for the MoJ. At the core of the changes announced are the strategic aims of reducing re-offending and creating more efficient, effective offender management services in custody and the community.

The Government's vision for the National Offender Management Service (NOMS) is set out in a new framework document published on 17th July 2008. The document formalises NOMS' role as an MoJ executive agency and details how it will operate up to 2011.

### **Research and Development**

The NPS continues to ensure that its work is delivered consistently and within an agreed framework across England and Wales and uses evidence-based practice to reduce re-offending. The NPS contributes to the Spending Review 2002 target to reduce the rate of re-offending by 5% by 2006. We are currently on track to exceed this target for adult offenders. The latest results for adults from 2005 show a 7.4% fall in re-offending between 2000 and 2005.

The NPS working with wider partners, will play a key role in the future delivery of Priority Action 4 of the Make Communities Safer PSA (23), to reduce re-offending through improved management of offenders. This PSA is underpinned by two indicators which will monitor the frequency of re-offences and the number of severe re-offences. A policy update paper will be published towards the end of



this year to provide a narrative on how we manage offenders throughout their entire sentence across custody and the community and build on our success in reducing reoffending.

Research is managed within the MOJ's research quality assurance framework, working with Offender Management and Sentencing (OMS) Analytical Services<sup>1</sup> which is responsible for developing the national evidence base required on offender management and sentencing, disseminating this information to practitioners and external stakeholders, and providing insightful, consistent, quality assured intelligence on business issues. This includes commissioning new research where there is a national interest, providing advice to others in MoJ who are involved in procuring new evidence, and influencing other organisations involved in commissioning/undertaking research (e.g. other government departments and research councils). It also includes collecting, analysing and disseminating statistics on offender management flows and caseload. Under the new structure, OMS Analytical Services works mainly for the Criminal Justice Group in MoJ.

The OMS Analytical Services Business Plan for 2007/08 included a number of projects to increase our knowledge on probation issues, including three major cohort studies, one of which (the *Offender Management Community Cohort Study* or OMCCS) is looking at offenders under community supervision<sup>2</sup>. The cohort studies are designed to provide evidence about which interventions are effective in reducing re-offending for offenders with different needs and characteristics. All three studies are using a longitudinal cohort design. This means they are following the same group of offenders from the beginning of their sentences and catching up with them at various points (for example, at the mid-point and end of sentence and, for prisoners, post-release). The cohort studies are studying large groups of offenders and each using different methods for gathering the data on these offenders. OMCCS is due to start by the end of 2008, and will use data from IT systems and from individual interviews with offenders. Final results for this set of studies will not be available for several years, but each study is producing various reports as they progress detailing emerging findings, and where technically appropriate will include analysis of results for different groups.

OMS Analytical Services is also taking forward a Unit Costs of Criminal Justice (UCCJ) project aimed at supporting the cohort studies in generating unit cost data on activities and interventions as well as a model for estimating the cost of criminal careers for identified groups of offenders within the offender population. This is aimed at building up our understanding of the social benefits in terms of costs of crime avoided to be gained through activities and interventions that reduce re-offending.

The work to make unpaid work by offenders more visible through 'Community Payback' has been extended through environmental projects, "Planet Payback" and civic partnerships, "Mayoral Payback". Communities have been encouraged to propose unpaid work projects and projects have been identified as being completed by the probation service. A new general offending behaviour programme has been developed and piloted and the implementation of the new domestic violence programme is being evaluated.

### **Pensions Liabilities**

See Notes 1.10 and 3 to the Accounts for further information.

### **Communications and Employee Involvement**

During 2007/08, the number of full time equivalent employees across England and Wales has remained at an average in year figure of 20,850, including staff working in probation offices, prisons, Youth Offending Teams (YOTs), Drug Action Teams (DATs) and Local Authority community safety teams.

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<sup>1</sup> Previously known as the Research and Development and Statistics unit within NOMS, or RDS NOMS.

<sup>2</sup> The other cohort studies are looking at prisoners and young offenders (aged 10-17) respectively.

A communications team continues to integrate the Director's communications, both internally and with key stakeholders outside the Probation Service. Activity ranges from monitoring and regulating communications with the 42 probation areas as the central distribution point, to publishing corporate manuals, leaflets, reports and regular briefings, to launching new projects and initiatives, to maintaining the Service's authoritative website.

The team has now integrated with the NOMS communication team and continues to be the conduit for communicating NOMS policy to the 42 areas. Since the creation of the Ministry of Justice on May 9<sup>th</sup> 2007 the team has also worked with the MoJ communications team.

In order to increase the public profile of Community Payback, the team launched the Mayor's Unpaid Work project in which areas were encouraged to approach a newly-installed mayor to sponsor a project. This resulted in considerable local publicity in conjunction with mayors' offices and local authorities.

The team worked with the Home Office marketing unit and a commercial PR consultancy on a campaign to raise the profile of community sentences which ended shortly after the start of the year but resulted in an award from PR Week, the industry publication, "for DJs on Service", an initiative involving local radio disc jockeys sampling different aspects of a probation order.

The organisation change within the MoJ delayed the start of a new campaign. This began during January with the appointment of a new PR consultancy and agreement on a new national focus to the campaign.

The team, working with a firm company, produced a CD-Rom called Judge for Yourself, for use in community engagement and with school students as part of citizenship lessons. This outlines four real cases which resulted in community orders and invites the viewer to decide on a sentence. The sentence is then compared with the magistrate's decision and the script projects forward twelve months to see what the outcome was.

## **Equality and Diversity**

NOMS has redesigned its approach to the strategic leadership and implementation of Equality and Diversity following a review which was completed in May 2007 of the headquarter's operations. The Chief Executive of NOMS, Phil Wheatley, is the champion for equality and diversity and the Director of Commissioning and Partnerships is the executive lead and owner at Board level.

Four main recommendations were taken forward from the review and they were to:

1. Establish a "Stakeholder Engagement Board".
  - Chaired by NOMS Chief Executive, ex officio, this Board would meet quarterly and report to the NOMS Board. It was mainly comprised of external stakeholders.
2. Establish an Equality and Diversity Taskforce ("EDT").
  - Chaired by the Director of Commissioning and Partnerships, ex officio, this taskforce would meet monthly and report to the NOMS Board;
  - Provide governance and a delivery arm for urgent work on Equality and Diversity including supporting the work of the Stakeholder Engagement Board.
3. Establish an Equality and Diversity Strategic Consultancy Team.
  - To have sufficient resources to provide strategic guidance and coordination across NOMS as well as to provide specific support to the proposed governance structures. This was superseded by further restructuring within NOMS.

4. Engage an external SLA to augment operational support.
  - This was actioned through contracts with organisations with strong expertise in the equalities field.

### **What has been achieved**

An outline of some of the work progressed by NOMS is detailed below:

- ***Service delivery***

- Improving the equality monitoring data of staff and offenders became a high priority for the NPS, so that meaningful analysis about the quality of service delivery to all under-represented groups could be conducted. The focus has been to ensure case management systems were ready to capture dedicated data on offenders' disability and that probation areas were aware of their duty to collect similar information in respect of staff and in particular the specific duty for Race. All case management systems were being updated to record offenders' disabilities and a revised monitoring format was developed to improve response rates. Consideration will be given in 2008/09 to establishing baseline data on disability monitoring.
- A NOMS national strategy on hate crime is currently being developed that will provide valuable guidance and information for the management and supervision of racially motivated offenders.
- Assistive technology is needed at all aspects of the IT infrastructure and greater use of Equality Impact Assessments (EIAs) was introduced in the year to facilitate the accessibility of the systems in use.
- Monitoring of the utilisation of EIAs was introduced to give better management of their implementation across NOMS.

- ***Workforce representation***

- The NPS exceeded the Home Secretary's race equality target of 8.3% by 4.6%, achieving 12.9% in 2007/08. The Service still aims to have 7% of all Black and Minority Ethnic (BME) staff at senior management levels by 2009.
- The positive action leadership programme 'Accelerate' which facilitates the development of BME and disabled staff who have demonstrated that they have the potential to progress into senior management roles, was due to end in 2007. Due to the success of the programme, which has demonstrably assisted in the promotion and onward development of participants a decision has been taken to renew the contract of this development programme. The Accelerate programme has twice been short listed for the prestigious training and development – Personnel Today Award in 2005 and 2006 and for the National Training Awards in 2007.

- ***Equality legislation***

- All 42 Probation Areas continued to progress with their Race, Disability and Gender equality schemes. The action plans contained in those schemes are reviewed on an annual basis. In addition the fuller use of 'Equality Impact Assessments' was pursued to enable compliance with legislation.
- The NOMS headquarters became part of the Ministry of Justice (MoJ) in May 2007 and took part in redrafting of MoJ wide corporate Race, Disability and Gender equality schemes, which were launched in April 2008. Action plans were included so that different sections and divisions had their own actions to undertake.

## Payment of Creditors

All the Local Probation Boards observe the principles of the CBI "Prompt Payment" Code and BS 7890, the British Standard for prompt payment, and aims to pay all approved invoices within 30 days. The percentage of undisputed invoices paid within 30 days by Board is shown in 5% ranges.

Range	Number of Boards within range	
	2007/08	2006/07
Less than 55%	0	0
55%-59.9%	0	0
60%-64.9%	0	0
65%-69.9%	0	2
70%-74.9%	1	1
75%-79.9%	2	2
80%-84.9%	4	2
85%-89.9%	4	4
90%-94.9%	9	15
95%-100%	22	16
<b>Total</b>	<b>42</b>	<b>42</b>

## Audit

Local Boards are required under Schedule 2, paragraph 1(p) of the Audit Commission Act 1998 (ACA), as amended by Schedule 1 paragraph 17(3) of the Criminal Justice and Court Services Act 2000 (CJCS Act) or section 12 of the Public Audit (Wales) Act 2004 (PAWA) to send a copy of the statement of accounts to the auditor appointed by the Audit Commission or the Auditor General for Wales.

In accordance with the ACA and the Code of Audit Practice issued by the Audit Commission or the PAWA and the Code of Audit and Inspection Practice issued by the Auditor General for Wales, the auditor will give an opinion whether the accounts give a true and fair view, that the transactions in all material respects are in accordance with governing authorities and give a conclusion on the board's arrangements for securing value for money.

The Boards are required to send a copy of the audited statement of accounts to NOMS Finance and Business Planning Unit for consolidation. The Boards are also required to make available as required the statement of accounts and any accounts and records relating to them, to the Comptroller and Auditor General (C&AG) so that the accounts may be examined as under paragraph 17(2) of Schedule 1 of the CJCS Act. The C&AG will examine, certify and report to Parliament on the consolidated accounts in accordance with Schedule 1 paragraph 17(5) of the CJCS Act.

The notional audit fee for the Consolidated Accounts of the Local Probation Boards 2007/08 is £69k (£69k in 2006/07).

*So far as the National Accountable Officer is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware, and the National Accountable Officer has taken all the steps that he ought to have taken to make himself aware of relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.*

## Probation Coherence Group

The Director of Probation is appointed under normal recruitment policies with permission from the Cabinet Office. The Director's pay is determined under the rules set out in Chapter 7.1, Annex A of the Senior Civil Service Management Code. On 1<sup>st</sup> April 2005 Roger Hill took up his appointment as Director of Probation.

The Probation Coherence Group held its first meeting on 30<sup>th</sup> January 2007. This is an informal meeting designed to bring together managers within NOMS with responsibilities that are, at least in part, probation facing.

The meeting has two purposes.

1. Members exchange information and give updates on issues relevant to probation:

- Structure and legislation;
- Personnel changes and issues;
- Delivery and performance;
- Policy developments and ministerial concerns;
- Communications and press interest;
- Projects and development initiatives.

2. Final clearance of Probation Circulars for issue through the Gateway.

The following were members of the Probation Coherence Group during 2007/08 (on occasions deputies attend on behalf of members, these are not listed).

Roger Hill	Director of Probation
George Barrow	Head of Communication (part year)
Susan Lord	NPS Communications
John Scott	Head of Public and Licensed Release Unit and subsequently of PrOMT
Gordon Davidson	Head of Public Protection Unit (acting)
Richard Mason	Head of Offender Assessment and Management Unit (part year)
Sharon Robins	Head of Offender Assessment and Management Unit (part year)
Tony Grapes	Probation Offender Manager Provider Team
David Griffiths	Head of Probation Change Programme
Anton Obholzer	Head of Probation Change Programme/Probation Trust Programme
Sarah Mann	Head of Interventions & Substance Abuse Unit
Richard Cullen	Head of Probation Area Coordination Unit
David Hankin	Probation Estates Consultant (part year)
Francis Flaxington	Head of Partnerships Unit
Kay Wood	NOMS Planning & Finance, Financial Controller National Probation Service
Barbara Swyer	Representing Regional Offender Managers
Jane Forsyth	Operational Policy Lead Offender Health

The members of the Probation Coherence Group have no significant interests to declare.

### **NPS Annual Report**

The Annual Report for the Department is an internal performance document which was published separately on 21st July 2008 and can be accessed via the following link:  
<http://www.probation.justice.gov.uk/output/page32.asp>

*Roger Hill*

Director of Probation and National Accountable Officer  
7th November 2008

## Annex A

### 42 Local Probation Boards

Avon & Somerset  
Bedfordshire  
Cambridgeshire  
Cheshire  
Cumbria  
Derbyshire  
Devon & Cornwall  
Dorset  
Durham  
Dyfed-Powys  
Essex  
Gloucestershire  
Greater Manchester  
Gwent  
Hampshire  
Hertfordshire  
Humberside  
Kent  
Lancashire  
Leicestershire & Rutland  
Lincolnshire  
London  
Merseyside  
Norfolk  
Northamptonshire  
Northumbria  
North Wales  
North Yorkshire  
Nottinghamshire  
South Wales  
South Yorkshire  
Staffordshire  
Suffolk  
Surrey  
Sussex  
Teesside  
Thames Valley  
Warwickshire  
West Mercia  
West Midlands  
West Yorkshire  
Wiltshire

## Statement of National Accountable Officers' Responsibilities

Under the Criminal Justice and Court Services Act 2000, HM Treasury has directed the National Probation Service to prepare for each financial year a Consolidated Account of the Local Probation Boards detailing the resources acquired, held or disposed of during the year and the use of resources by the local boards during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Local Probation Boards, and its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the Accounts, the National Accountable Officer is required to comply with the *Government Financial Reporting Manual* and in particular to:

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

The Accounting Officer of the Ministry of Justice has designated the Director of Probation as Accountable Officer of the National Probation Service. The responsibilities of the National Accountable Officer, including the responsibility for the propriety and regularity of the public finances for which he/she is answerable, for keeping proper records and for safeguarding the National Probation Service's assets, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Managing Public Money*.

The Director of Probation, as National Accountable Officer, is responsible for appointing the Accountable Officers for the local probation boards. Their responsibilities are set out in their own Statements of Accountable Officer's Responsibilities, which are included in the boards' published accounts.



# Statement on Internal Control

## Scope of responsibility

I have responsibility as Accountable Officer for the National Probation Service for maintaining a sound system of internal control that supports:

- The achievement of the NPS policies, aims and objectives;
- The safeguarding of the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money and letters of delegation.

I discharge this responsibility in conjunction with the Accountable Officers of the Area Probation Boards. My relationship with these Accountable Officers is set out in statements contained in the NPS Management Statement and Financial Memorandum and designatory letters.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed:

- To identify and prioritise the risks to the achievement of NPS corporate policies, aims and objectives;
- To evaluate the likelihood of risks being realised and its impact should they be realised;
- To manage them efficiently, effectively and economically.

The system of internal control has been in place in the National Probation Service for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

I am committed to the ongoing development, monitoring and review of these systems to ensure they continue to be appropriate, effective and integral to the business processes of the NPS.

## Capacity to handle risk

The National Probation Service comprises the Probation Area Co-ordination Unit – PACU (a unit of the Ministry of Justice), other policy units that guide the work of the NPS and the 42 Local Probation Boards, established under the Criminal Justice and Court Services Act 2000.

As National Accountable Officer and Director of Probation I lead the risk management process, supported by the NOMS Audit Committee and the Risk Management Project Board.

The published Risk Management Policy and Strategy (A Guide for Probation Areas & NPD 2004) has been in place throughout the year. This policy and strategy has been used by the local Probation Areas to develop their own risk management strategies, policies, and practices to assist in the identification, evaluation and treatment of various related risks in the provision of their services.

## The risk and control framework

The process of risk management operated by the NPS is consistent with HM Treasury guidelines, the Home Office Risk Management guidance and that of the Ministry of Justice. Risks to the successful delivery of Area Probation objectives were identified; evaluated and appropriate action plans were developed to ensure effective management of the risks.



The identified risk with appropriate risk owners and action owners are detailed in each Probation Area risk register. These risks are monitored regularly by the Probation Area Audit Committee.

As part of the business planning process, each Probation Area submitted the details of their main risks for 07/8 to PACU. These risks are then reviewed together with identified PACU risks by Probation Coherence Group, to ensure that appropriate and corrective actions are taken so that NPS business objectives and targets are successfully delivered.

The NOMS Audit Committee continues to monitor the progress of the action plans set out in the risk register to ensure the effective management of the identified risks.

The NOMS Board also reviews the NPS risks that have been escalated to the NOMS Risk Register.

Identified key risks to the achievement of PSA targets are included in the Ministry of Justice risk register, and these are being monitored by the Ministry of Justice Audit Committee.

Key risks in the areas of policy submission and projects undertaken are identified regularly and appropriate action taken to reduce the impact of risk on the policy submission and projects.

Some NPS services such as IT, Estate and Finance are provided by NOMS. I draw assurance from NOMS as to the effective handling of the risks associated with these services.

During the 2007–08 financial year, the main identified and addressed risks were:-

- Failure to reduce the level of sick absence;
- Inadequate management of the Probation Trust transition due to loss of key officers at local Board level;
- Failures in the management of High Risk of Harm cases;
- Negative publicity about Approved Premises resulting in shortage of capacity;
- Inconsistency in the implementation of the Offender Management model across the Probation service; and
- Failure to meet statutory requirements of the diversity programme.

### **Review of effectiveness**

I have responsibility as the Accountable Officer, for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors;
- The Chief Officers within the Probation Areas who have responsibility for the development and maintenance of the internal control framework;
- The managers within PACU;
- The external “gateway” review of key projects;
- The work of Her Majesty’s Inspectorate of Probation; and
- Comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **The Probation Coherence Group (PCG)**

The Probation Coherence Group provides strategic direction, monitors and manages the risks to the successful delivery of the key objectives of the organisation.

### **The NOMS Audit Committee**

The purpose of the Audit Committee is to advise me as NPS Accountable Officer on the adequacy of arrangements for internal control and risk management across the National Probation Service. The Committee is being chaired by an independent chair in accordance with Audit Committee best practice.

### **Internal Audit**

The NPS Internal Audit service was provided by the Ministry of Justice (MoJ) Internal Audit Division, operating to standards laid down in HM Treasury's Government Internal Audit Standards. The audit programmes comprise:

- Internal audit programmes delivered to the 42 Probation Boards based on a local analysis of risks;
- Audits carried out within PACU as a Ministry of Justice directorate on behalf of both myself as NPS Accountable Officer and the Departmental Accounting Officer; and
- Audits in NOMS as part of the MoJ audit programme. As NPS Accountable Officer I draw assurance from those reviews carried out on services delivered by NOMS to NPS.

The Head of Internal Audit for the NPS provides regular reports to the NOMS Audit Committee as well as ad hoc advice on risk and governance related issues. Annually the HIA provides a report summarising internal audit findings and giving his independent opinion as to the adequacy and effectiveness of internal controls.

### **HM Inspectorate of Probation**

Her Majesty's Inspectorate of Probation which was created under section 23 of the Probation Service Act 1993 continues to carry out its independent scrutiny of the National Probation Service and reports its findings directly to the Secretary of State.

HMIP also continues to carry out a variety of Thematic Inspections across the NPS as well as local Area inspections. Individual reports are discussed with operational management and, where appropriate, improvement programmes agreed. The overall results of these are brought together by HM Chief Inspector in an annual report. HM Inspectorate of Probation attend the Audit Committee and provide a regular update to that committee.

### **Planned Control Improvements**

NPS is committed to ensuring a continuous improvement in the overall control of corporate governance environment. The following processes introduced will continue to be monitored:

- Implementation of the NOMS Data Security strategy across the National Probation Service;
- Improvements in financial and budget management within PACU;
- The commitment to provide Probation Areas whose performance falls below expectations with assistance from the Performance and Improvement Unit to raise standards; and

The performance and governance of the first wave Probation Trusts in order to adapt lessons learnt to subsequent waves.

*Roger Hill*

Director of Probation and National Accountable Officer

7th November 2008

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

I certify that I have audited the financial statements of the National Probation Service for the year ended 31 March 2008 under the Criminal Justice and Court Services Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the National Accountable Officer and auditor

The National Probation Service and the National Accountable Officer are responsible for preparing the Foreword and the financial statements in accordance with the Criminal Justice and Court Services Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accountable Officers' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Criminal Justice and Court Services Act 2000 and HM Treasury directions. I report to you whether, in my opinion, the information included in the Foreword is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the National Probation Service has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the National Probation Service's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the National Probation Service's corporate governance procedures or its risk and control procedures.

I read the information contained in the Foreword and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the National Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Probation Service's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Criminal Justice and Court Services Act 2000 and directions made thereunder by HM Treasury, of the state of the National Probation Service's affairs as at 31 March 2008, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Criminal Justice and Court Services Act 2000; and
- information included within the Foreword is consistent with the financial statements.

**Opinion on Regularity**

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

**Report**

I have no observations to make on these financial statements.

*T J Burr*  
Comptroller and Auditor General

14th November 2008

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS

## Operating Cost Statement for the year ended 31 March 2008

	Notes	2007-2008		2006-2007	
		£000	£000	£000	£000
<b>Administration Costs:</b>					
Staff costs	2(a)	667,838		621,967	
Other administration costs	4(a)	219,883		224,154	
Income	6(a)	(42,170)		(41,946)	
<b>Gross Administration Costs</b>		<b>845,551</b>		<b>804,175</b>	
Add/(Less): finance charge/(income)	3(e)	(1,346)		2,595	
<b>Net Administration Costs</b>		<b>844,205</b>		<b>806,770</b>	
<b>Programme Costs:</b>					
Staff costs	5(a)	5,535		6,135	
Programme costs	5(b)	4,721		4,098	
Income	6(b)	(9,120)		(9,929)	
		1,136		304	
<b>Net Operating Costs</b>			<b>845,341</b>		<b>807,074</b>

All income and expenditure is derived from continuing operations

## Statement of Recognised Gains and Losses for the year ended 31 March 2008

	Notes	2007-2008	2006-2007
		£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	7	3	(27)
Receipt of donated assets	13(b)	0	12
Actuarial gain/(loss) relating to the pension scheme	3(f)	43,010	(287,348)
<b>Recognised gains and losses for the financial year</b>		<b>43,013</b>	<b>(287,363)</b>

The notes on pages 20 to 37 form part of these accounts

## Balance Sheet as at 31 March 2008

	Notes	31 March 2008		31 March 2007	
		£000	£000	£000	£000
<b>Fixed Assets:</b>					
Tangible fixed assets	7		8,259		7,528
Debtors falling due after more than one year	8		496		731
<b>Current Assets:</b>					
Debtors	8	25,850		21,391	
Cash at bank and in hand	9	42,188		44,237	
		<u>68,038</u>		<u>65,628</u>	
Creditors (amounts falling due within one year)	10	<u>(57,089)</u>		<u>(49,859)</u>	
<b>Net current assets/(liabilities)</b>			<b>10,949</b>		<b>15,769</b>
<b>Total assets less current liabilities</b>			<b>19,704</b>		<b>24,028</b>
Creditors (amounts falling due after more than one year)	10	(33)		(36)	
Provisions for liabilities and charges	11	<u>(40,174)</u>		<u>(39,021)</u>	
<b>Net assets/(liabilities) excluding pension liability</b>			<b>(20,503)</b>		<b>(15,029)</b>
Pension Liability	3		(502,540)		(534,865)
<b>Net assets/(liabilities) including pension liability</b>			<b>(523,043)</b>		<b>(549,894)</b>
<b>Taxpayers' equity:</b>					
General fund	12		(523,232)		(550,087)
Revaluation reserve	13(a)		177		181
Donated asset reserve	13(b)		12		12
			<u>(523,043)</u>		<u>(549,894)</u>

*Roger Hill*

Director of Probation and National Accountable Officer  
7th November 2008

The notes on pages 20 to 37 form part of these accounts

## Cash Flow Statement for the year ended 31 March 2008

	<b>Notes</b>	<b>2007-2008 £000</b>	<b>2006-2007 £000</b>
Net cash outflow from operating activities	14(a)	(841,878)	(829,411)
Capital expenditure and financial investment	14(b)	(2,563)	(2,631)
Financing	14(c)	842,392	846,090
<b>Increase/(decrease) in cash in the period</b>		<b><u>(2,049)</u></b>	<b><u>14,048</u></b>

The notes on pages 20 to 37 form part of these accounts

# Notes to the Accounts

## 1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2007-08 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FRoM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate and gives a true and fair view has been selected. The 42 Probation Boards' accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, at their value to the business by reference to their current costs.

### 1.2 Going concern

The Balance Sheet at 31 March 2008 shows negative Taxpayers' Equity. This reflects the inclusion of liabilities falling due in future years which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet Net Cash Requirement of the Ministry of Justice of which the NPS is part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund by the Ministry of Justice other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the NPS liabilities is accordingly to be met by future grants of Supply to the Ministry of Justice and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2008-09 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for preparation of these financial statements.

### 1.3 Tangible Fixed Assets

The minimum level for capitalisation of a tangible fixed asset is £5,000, inclusive of any irrecoverable VAT element, where appropriate. Tangible assets have been stated at current cost using published indices appropriate to the category of asset.

All land and building fixed assets used by Probation Boards are managed and owned centrally by the Ministry of Justice and are recorded on their Balance Sheet. The cost of using those assets is included within Note 4 (a), other administration costs under "contracted out services", which also includes the costs of other recharged services. The charge to the Probation Boards does not represent the full cost incurred by the Ministry of Justice. Recharges are calculated using national rates agreed at the start of the financial year and are based on bed space for Approved Premises and by gross internal area for the Commercial Estate.

### 1.4 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point at which the asset is brought into use.

Asset lives are normally in the following ranges:

Vehicles	— 5 to 7 years;
Office Machinery, Fixtures and Fittings and IT Equipment	— 3 to 5 years.



### **1.5 Donated Assets**

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Operating Cost Statement.

### **1.6 Stock**

Stocks of stationery and other consumable stores are not considered material and are written off in the Operating Cost Statement as they are purchased.

### **1.7 Operating Income**

Income is accounted for applying the accruals convention and is recognised in the period in which services are provided.

Operating income is income that relates directly to the operating activities of the 42 Probation Boards. It comprises of rent receivables, income from EU sources, income from other Government Departments and miscellaneous income. Fees and charges for services are recovered on a full cost basis in accordance with the Treasury's Fees and Charges guide.

The Probation Boards can earn interest from various sources but under the Criminal Justice and Court Services Act 2000, it is not allowed to retain any interest received from the investment of funds received from the centre. This interest is accounted for as Consolidated Funds Extra Receipts (CFERs) that are surrendered through the Ministry of Justice to HM Treasury.

### **1.8 Administration and Programme Expenditure**

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follow the definition of administration costs set out in the Spending Review - see para 4:3:3 of the FReM, as by H.M. Treasury. Administration costs reflect the costs of running the Probation Boards together with associated operating income. Programme costs are defined as projects which are fully or partially funded from outside the Ministry of Justice.

### **1.9 Capital Charge**

A charge, reflecting the cost of capital utilised by the 42 Probation Boards, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities except for:

- a) Provisions for Liabilities and Charges, which is charged at 2.2% to reflect the discount rate applied.
- b) Pension Liability, which is charged at 2.5%. The discount rate applied to the various pension schemes of the Boards may differ as this is determined by the relevant authority.
- c) Tangible fixed assets, where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost;
  - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal);
  - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure).
- d) Donated assets, where the charge is nil.

### **1.10 Pensions**

Past and present employees are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits. Under the LGPS Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate (Disclosure of Stakeholder Pensions Schemes is not included in these accounts). Where a central government entity has a share of a local government (or other) pension scheme liability on its balance sheet, then that entity will use a discount rate determined by the appropriate authority (for example CIPFA or a qualified independent actuary) in valuing its share and not the rate advised annually by HM Treasury.

### **1.11 Early Departure Costs**

The 42 Probation Boards are required to meet the additional costs of benefits beyond the normal pension benefits in respect of employees who retire early. The Probation Boards policies are to provide in full for this cost when the early retirement programme has been announced and is binding on the Probation Boards. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. A discount rate of 2.2 per cent is used.

### **1.12 Leases**

All the Boards' leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

### **1.13 Grants Receivable**

Monies received as grants (of any nominal type, classification, or attached conditions) are treated as financing rather than income and are recognised in the accounts by directly crediting the General Fund and are also reflected elsewhere in the statements for example in the Cash Flow statement. (Most bodies covered by the Financial Reporting Manual do not receive grants, and are financed by voted parliamentary funding).

### **Financing of Training Consortia**

Part of the funding that goes to the Probation Boards is allocated to the 10 Regional Training Consortia. This is for all the costs of the Regional Training Consortia and is split as a percentage for the 9 Lead Areas who co ordinate the Training funds and a percentage to the remaining Probation Boards.

### **1.14 Provisions**

The Probation Boards provide for legal or constructive obligations which are of uncertain timing or amount at the balance sheet 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 significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. A discount rate of 2.2 per cent is used.

### **1.15 Value Added Tax**

Most of the activities of the 42 Probation Boards are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### **1.16 Comparatives**

With effect from the 9th May 2007, responsibility for the Probation Services was transferred from the Home Office to the newly created Ministry of Justice. Additionally, where costs have been reclassified comparatives have been restated.

## 2 Staff numbers and related costs

2(a) Total staff costs comprise:

	2007-2008		2006-2007 (Restated)	
	£000	£000	£000	£000
	<b>Permanently employed</b>			
	<b>Total</b>	<b>staff</b>	<b>Others</b>	<b>Total</b>
Wages and salaries	574,656	560,643	14,013	556,113
Social security costs	42,991	42,926	65	41,610
Other pension costs	101,863	101,790	73	72,455
<b>Sub Total</b>	<b>719,510</b>	<b>705,359</b>	<b>14,151</b>	<b>670,178</b>
Less recoveries in respect of outward secondments	(51,672)	(51,609)	(63)	(48,211)
<b>Total net admin costs</b>	<b>667,838</b>	<b>653,750</b>	<b>14,088</b>	<b>621,967</b>
Net programme costs	5,535	4,210	1,325	6,135
<b>Total Staff Costs</b>	<b>673,373</b>	<b>657,960</b>	<b>15,413</b>	<b>628,102</b>

(restated due to a reclassification of inward secondment costs)

The Local Government Pension Schemes are funded multi-employer defined benefit schemes. The Probation Boards' share of the underlying assets and liabilities are shown below in Note 3.

60 persons (2006-07: 53 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,543,515 (2006-07: £845,513).

2(b) Average number of persons employed

	2007-2008		2006-2007	
	Total	Permanently employed staff	Others	Total
	20,850	20,330	520	21,034
	<b>20,850</b>	<b>20,330</b>	<b>520</b>	<b>21,034</b>

## 3 Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the 42 Probation Boards offer retirement benefits. Although these will not actually be payable until employees retire, the Boards have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The provisions of the Local Government Pension Scheme (LGPS), which is statutory and fully funded, cover present and past employees. The 42 Probation Boards participate in the Local Government Pension Scheme administered by various bodies.

The Local Government Pension Scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Benefits accrue at the rate of one-eightieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three eightieths of final pay of every year of total membership is payable on retirement. The scheme permits employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Members pay contributions of 6% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirements benefits.

- 3(a)** A full actuarial valuation was carried out at 31 March 2007 by various actuaries. For 2007-08, employers' contributions of £90,290,000 were payable to the LGPS's (2006-07 £84,708,000) in a range from 12.8% to 26.3%. The schemes Actuaries review employer contributions every three years following full scheme(s) valuations. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

Partnership accounts are excluded under FRS17

The average for the current year's employers contributions and an approximated average value for the next two years are as follows:

Employer's contributions for 2007-08 were 17.8% of salaries; and,

Employer's contributions for 2008-09 will be 17.6% of salaries; and

Employer's contributions for 2009-10 will be 17.6% of salaries.

- 3(b) The major assumptions used by the actuaries were:**

	<b>31 March 2008</b>	<b>31 March 2007</b>	<b>31 March 2006</b>
Inflation assumption	3.6%	3.2%	2.9%
Rate of increase in salaries	5.2%	4.7%	4.5%
Rate of increase for pensions in payment and deferred pensions	3.6%	3.2%	2.9%
Discount rate	6.6%	5.4%	5.8%

- 3(c) The assets in the scheme and the expected rate of return were:**

	<b>Expected long-term rate of return at 31 Mar 2008 %</b>	<b>Value at 31 Mar 2008 £000</b>	<b>Expected long-term rate of return at 31 Mar 2007 %</b>	<b>Value at 31 Mar 2007 £000</b>	<b>Expected long-term rate of return at 31 Mar 2006 %</b>	<b>Value at 31 Mar 2006 £000</b>
Equities	7.6%	1,239,773	7.6%	1,358,140	7.2%	1,241,565
Bonds	5.3%	335,659	4.9%	322,531	4.5%	287,959
Property	5.7%	181,901	6.3%	186,461	5.9%	152,999
Cash	5.2%	115,813	5.2%	92,115	4.6%	94,013
<b>Total market value of assets</b>		<b>1,873,146</b>		<b>1,959,247</b>		<b>1,776,536</b>
<b>(Present value of scheme liabilities)</b>		<b>(2,375,686)</b>		<b>(2,494,112)</b>		<b>(2,033,143)</b>
<b>Surplus/(Shortfall) of the scheme</b>		<b>(502,540)</b>		<b>(534,865)</b>		<b>(256,607)</b>
<b>Net pension asset/(liability)</b>		<b>(502,540)</b>		<b>(534,865)</b>		<b>(256,607)</b>

**3(d) Pension Cost**

	<b>2007-2008</b>	<b>2006-2007</b>
	<b>£000</b>	<b>£000</b>
Current service cost	88,105	72,414
Past service cost	14,216	609
<b>Total operating charge</b>	<b><u>102,321</u></b>	<b><u>73,023</u></b>

**3(e) Analysis of amount credited to other finance income or debited to other finance charge**

	<b>2007-2008</b>	<b>2006-2007</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets	(136,787)	(117,296)
Interest on pension scheme liabilities	135,441	119,891
<b>Net return</b>	<b><u>(1,346)</u></b>	<b><u>2,595</u></b>

**3(f) Analysis of amount recognised in statement of recognised gains and losses (SRGL)**

	<b>2007-2008</b>	<b>2006-2007</b>
	<b>£000</b>	<b>£000</b>
Actual return less expected return on pension scheme assets	(196,720)	9,859
Experience gains and losses arising on the scheme liabilities	46,502	(732)
Changes in assumptions underlying the present value of the scheme liabilities	193,228	(296,475)
<b>Actuarial gain/(loss) recognised in the SRGL</b>	<b><u>43,010</u></b>	<b><u>(287,348)</u></b>

**3(g) Movement in Surplus/(Shortfall) during the year:**

	<b>2007-2008</b>	<b>2006-2007</b>
	<b>£000</b>	<b>£000</b>
Surplus/(shortfall) in scheme at the beginning of the year	(534,865)	(256,607)
Current service costs	(88,105)	(72,414)
Employer Contributions	90,290	84,708
Past service costs	(14,216)	(609)
Other finance income	1,346	(2,595)
Actuarial gain/(loss)	43,010	(287,348)
<b>Surplus/(shortfall) in scheme at the end of the year</b>	<b><u>(502,540)</u></b>	<b><u>(534,865)</u></b>

**3(h) History of experience gains and losses**

	<b>2007-2008</b>	<b>2006-2007</b>	<b>2005-2006</b>	<b>2004-2005</b>
<b>Difference between the expected and actual return on scheme assets:</b>				
Amount in £000	(196,720)	9,859	246,053	54,137
Percentage of scheme assets	(10.5%)	0.5%	13.9%	3.8%
<b>Experience gains and losses on scheme liabilities:</b>				
Amount in £000	46,502	(732)	(15,853)	23,586
Percentage of the present value of the scheme liabilities	2.0%	0.0%	(0.8%)	1.4%
<b>Total amount recognised in statement of recognised gains and losses:</b>				
Amount in £000	43,010	(287,348)	26,787	74,375
Percentage of the present value of the scheme liabilities	1.8%	(11.5%)	1.3%	4.4%

**4 Other Administration Costs**

	2007-2008		2006-2007	
	£000	£000	£000	£000
Rentals under operating leases	1,615		1,826	
Interest charges	4		3	
Utilities and premises	3,447		5,427	
Transport costs	4,132		4,005	
Supplies and services	27,622		30,930	
Contracted out services	97,322		105,247	
Third party payments	34,229		35,601	
Chair's and members expenses	1,517		1,655	
Other expenditure	55,831		39,804	
Auditors' remuneration and expenses	1,474		1,383	
		227,193		225,881
Non-cash items				
Notional Audit Remuneration for Consolidated Accounts	69		69	
Depreciation	2,028		1,828	
Impairment of fixed assets	1		4	
(Profit) on disposal of fixed assets	(7)		(6)	
Loss on disposal of fixed assets	18		89	
Cost of capital charges	(13,062)		(7,527)	
Early retirement provision provided for in year	2,672		2,495	
Other provisions provided for in year	971		1,321	
		(7,310)		(1,727)
<b>Total</b>		<b>219,883</b>		<b>224,154</b>

Included within staff costs and other admin costs above, six boards incurred total expenditure of £373k in preparing for the move to Trust Status from 1st April 2008. These costs are split as follows: staff costs £235k and other costs £138k.

**5 Programme Costs****5(a) Staff Costs**

	2007-2008			2006-2007
	£000	£000	£000	(Restated)
	<b>Total</b>	<b>Permanently Employed staff</b>	<b>Others</b>	<b>£000</b>
Wages and salaries	4,816	3,491	1,325	5,251
Social security costs	261	261	0	316
Other pension costs	458	458	0	568
<b>Sub total</b>	<b>5,535</b>	<b>4,210</b>	<b>1,325</b>	<b>6,135</b>
Less recoveries in respect of outward secondments	0	0	0	0
<b>Net programme staff costs</b>	<b>5,535</b>	<b>4,210</b>	<b>1,325</b>	<b>6,135</b>

(restated due to reclassification of inward secondment costs)

**5(b) Other Programme Costs**

Current expenditure	4,721	4,098
<b>Total Programme Costs</b>	<b>10,256</b>	<b>10,233</b>

**6 Income****6(a) Administration Income**

	2007-2008		2006-2007 (Restated)	
	£000	£000	£000	£000
Rent receivable from minor occupiers of Probation Estate property:				
From within the departmental boundary	91		108	
From other government bodies	0		43	
From external tenants	53		69	
		144		220
EU funding: direct contributions to Board activities		254		393
Income receivable: from other government bodies		18,057		17,320
Miscellaneous Income		21,160		21,927
		<u>39,615</u>		<u>39,860</u>
<b>Operating Income to be Surrendered</b>				
Interest received:				
From bank	2,338		1,862	
From car loans	83		111	
From other sources	134		113	
		<u>2,555</u>		<u>2,086</u>
Total operating income to be surrendered		<u>2,555</u>		<u>2,086</u>
<b>Total Administration Income</b>		<b>42,170</b>		<b>41,946</b>
<b>6(b) Programme Income</b>				
EU funding	3,517		3,638	
Other programme income	5,603		6,291	
		<u>9,120</u>		<u>9,929</u>
<b>Total Programme Income</b>		<b>9,120</b>		<b>9,929</b>
<b>Total Operating Income</b>		<b>51,290</b>		<b>51,875</b>

(restated to reclassify programme income)

**7 Tangible Fixed Assets**

	<b>2007-2008</b>				
	<b>Information Technology £000</b>	<b>Plant &amp; Equipment £000</b>	<b>Furniture and Fittings £000</b>	<b>Vehicles £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 April 2007	512	5,115	807	8,782	<b>15,216</b>
Additions	299	1,485	31	747	<b>2,562</b>
Donations	0	0	0	0	<b>0</b>
Net Transfers In/Out	0	0	544	0	<b>544</b>
Disposals	(29)	(342)	(14)	(421)	<b>(806)</b>
Revaluations	3	18	1	19	<b>41</b>
Indexation	(32)	(51)	12	0	<b>(71)</b>
Impairment	(2)	(1)	0	0	<b>(3)</b>
<b>At 31 March 2008</b>	<b>751</b>	<b>6,224</b>	<b>1,381</b>	<b>9,127</b>	<b>17,483</b>
<b>Depreciation</b>					
At 1 April 2007	298	2,342	312	4,736	<b>7,688</b>
Charged in year	55	776	200	997	<b>2,028</b>
Net Transfers In/Out	0	0	296	0	<b>296</b>
Disposals	(29)	(310)	(14)	(399)	<b>(752)</b>
Revaluations	0	(3)	3	0	<b>0</b>
Indexation	(15)	(19)	0	0	<b>(34)</b>
Impairment	(2)	0	0	0	<b>(2)</b>
<b>At 31 March 2008</b>	<b>307</b>	<b>2,786</b>	<b>797</b>	<b>5,334</b>	<b>9,224</b>
<b>Net Book Value at 31 March 2008</b>	<b>444</b>	<b>3,438</b>	<b>584</b>	<b>3,793</b>	<b>8,259</b>
<b>Net Book Value at 31 March 2007</b>	<b>214</b>	<b>2,773</b>	<b>495</b>	<b>4,046</b>	<b>7,528</b>
<b>Asset Financing:</b>					
Owned	444	3,438	584	3,793	<b>8,259</b>
Finance Lease	0	0	0	0	<b>0</b>
<b>Net Book Value at 31 March 2008</b>	<b>444</b>	<b>3,438</b>	<b>584</b>	<b>3,793</b>	<b>8,259</b>
<b>Revaluation analysis</b>					
Net change to Revaluation (excluding Impairment)	(14)	(11)	10	19	<b>4</b>
Impairment	0	(1)	0	0	<b>(1)</b>
<b>Statement of Recognised Gains and Losses</b>	<b>(14)</b>	<b>(12)</b>	<b>10</b>	<b>19</b>	<b>3</b>

Notes:

There were no donated assets during the year.



	<b>2006-2007 (Restated)</b>				
	<b>Information Technology £000</b>	<b>Plant &amp; Equipment £000</b>	<b>Furniture and Fittings £000</b>	<b>Vehicles £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 April 2006	667	4,511	227	8,557	<b>13,962</b>
Additions	128	1,217	596	871	<b>2,812</b>
Donations	0	0	0	12	<b>12</b>
Net Transfers In/Out	0	0	0	0	<b>0</b>
Disposals	(267)	(489)	(24)	(712)	<b>(1,492)</b>
Revaluations	0	(21)	8	(19)	<b>(32)</b>
Indexation	(10)	(93)	0	68	<b>(35)</b>
Impairment	(6)	(10)	0	5	<b>(11)</b>
<b>At 31 March 2007</b>	<b>512</b>	<b>5,115</b>	<b>807</b>	<b>8,782</b>	<b>15,216</b>
<b>Depreciation</b>					
At 1 April 2006	533	2,169	217	4,359	<b>7,278</b>
Charged in year	38	688	119	983	<b>1,828</b>
Net Transfers In/Out	0	0	0	0	<b>0</b>
Disposals	(265)	(457)	(24)	(621)	<b>(1,367)</b>
Revaluations	(1)	(5)	0	(16)	<b>(22)</b>
Indexation	(3)	(47)	0	28	<b>(22)</b>
Impairment	(4)	(6)	0	3	<b>(7)</b>
<b>At 31 March 2007</b>	<b>298</b>	<b>2,342</b>	<b>312</b>	<b>4,736</b>	<b>7,688</b>
<b>Net Book Value at 31 March 2007</b>	<b>214</b>	<b>2,773</b>	<b>495</b>	<b>4,046</b>	<b>7,528</b>
<b>Net Book Value at 31 March 2006</b>	<b>134</b>	<b>2,342</b>	<b>10</b>	<b>4,198</b>	<b>6,684</b>
<b>Asset Financing:</b>					
Owned	214	2,773	495	4,046	<b>7,528</b>
Finance Lease	0	0	0	0	<b>0</b>
<b>Net Book Value at 31 March 2007</b>	<b>214</b>	<b>2,773</b>	<b>495</b>	<b>4,046</b>	<b>7,528</b>
<b>Revaluation analysis</b>					
Net change to Revaluation (excluding Impairment)	(6)	(62)	8	37	<b>(23)</b>
Impairment	(2)	(4)	0	2	<b>(4)</b>
<b>Statement of Recognised Gains and Losses</b>	<b>(8)</b>	<b>(66)</b>	<b>8</b>	<b>39</b>	<b>(27)</b>

(restated due to reclassification of fixed asset categories)

Notes:

A vehicle worth 12k was donated to Gwent Probation area.

**8 Debtors****8(a) Analysis by type**

	<b>31 March 2008</b>	<b>31 March 2007 (Restated)</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one Year:</b>		
Trade debtors	4,184	3,346
VAT	966	816
Staff debtors	722	956
Debtors due from NOMS	962	1,417
Debtors due from the Office of Criminal Justice Reform (OCJR)	15	7
Debtors due from the Ministry of Justice – Core	438	278
Debtors due from HM Prison Service (excluding private Prisons)	8,897	5,584
Debtors due from HM Court Service (HMCS)	52	1
Other debtors	5,499	5,464
Prepayments and accrued income	4,115	3,522
	<b><u>25,850</u></b>	<b><u>21,391</u></b>
<b>Amounts falling due after more than one Year:</b>		
Trade debtors	2	0
Staff debtors	477	731
Other debtors	17	0
Prepayments and accrued Income	0	0
	<b><u>496</u></b>	<b><u>731</u></b>
<b>Total Debtors at 31 March 2008</b>	<b><u>26,346</u></b>	<b><u>22,122</u></b>

(restated to include intra-government balances)

**8(b) Intra-Government Balances**

	<b>Amounts falling due within one Year:</b>		<b>Amounts falling due after more than one Year:</b>	
	<b>31 March 2008</b>	<b>31 March 2007 (Restated)</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balances with other central government bodies	12,471	9,676	17	0
Balances with local authorities	3,603	3,059	0	0
Balances with NHS Trusts	471	257	0	0
Balances with public corporations and trading funds	257	73	0	0
Subtotal: intra-government balances	<u>16,802</u>	<u>13,065</u>	<u>17</u>	<u>0</u>
Balances with bodies external to government	9,048	8,326	479	731
<b>Total Debtors at 31 March 2008</b>	<b><u>25,850</u></b>	<b><u>21,391</u></b>	<b><u>496</u></b>	<b><u>731</u></b>

(restated to reclassify both intra-government &amp; external balances)

**9 Cash at Bank and in hand**

	<b>31 March 2008 £000</b>	<b>31 March 2007 £000</b>
Balance at 1 April	44,237	30,189
Net change in cash balances	(2,049)	14,048
<b>Balance at 31 March</b>	<b><u>42,188</u></b>	<b><u>44,237</u></b>

The following balances at 31 March are held at:

Office of HM Paymaster General	0	0
Commercial banks and cash in hand	42,188	44,237
<b>Balance at 31 March 2008</b>	<b><u>42,188</u></b>	<b><u>44,237</u></b>

**10 Creditors****10(a) Analysis by type**

	<b>31 March 2008 £000</b>	<b>31 March 2007 (Restated) £000</b>
<b>Amounts falling due within one Year:</b>		
VAT	236	183
Other taxation and social security	8,370	9,181
Trade creditors	13,128	11,947
Other creditors	9,541	9,492
Accruals and deferred income	13,718	5,450
Staff creditors	4,458	5,540
Bank overdraft	4	244
Creditors due to NOMS	355	224
Creditors due to the Ministry of Justice	13	5
Creditors due to HM Prison Service (excluding private Prisons)	106	294
Creditors due to HM Court Service (HMCS)	5	0
Unpaid pension contributions due to the pension scheme	4,428	4,997
Operating Income to be surrendered (Interest received)	2,555	2,086
Fixed asset accruals	172	216
	<b><u>57,089</u></b>	<b><u>49,859</u></b>
<b>Amounts falling due after more than one Year:</b>		
Other creditors	33	36
	<b><u>33</u></b>	<b><u>36</u></b>
<b>Total Creditors at 31 March 2008</b>	<b><u>57,122</u></b>	<b><u>49,895</u></b>

(restated to include intra-government balances)

**10(b) Intra-Government Balances**

	Amounts falling due within one Year:		Amounts falling due after more than one Year:	
	31 March 2008	31 March 2007 (Restated)	31 March 2008	31 March 2007
	£000	£000	£000	£000
Balances with other central government bodies	912	1,050	0	0
Balances with local authorities	4,047	4,531	0	36
Balances with NHS Trusts	5,553	5,479	0	0
Balances with public corporations and trading funds	174	57	0	0
Subtotal: intra-government balances	10,686	11,117	0	36
Balances with bodies external to government	46,403	38,742	33	0
<b>Total Creditors at 31 March 2008</b>	<b>57,089</b>	<b>49,859</b>	<b>33</b>	<b>36</b>

(restated to reclassify both intra-government & external balances)

**11 Provisions for Liabilities and Charges**

	31 March 2008		
	Early Retirement and Pension Commitments	Other Provisions	Total
	Added Years	Provisions	
	£000	£000	£000
Balance at 1 April 2007	37,466	1,555	39,021
Provided in the year	2,704	1,390	4,094
Provisions not required written back	(32)	(419)	(451)
Provisions utilised in the year	(2,276)	(214)	(2,490)
<b>Balance at 31 March 2008</b>	<b>37,862</b>	<b>2,312</b>	<b>40,174</b>
	31 March 2007		
	Early Retirement and Pension Commitments	Other Provisions	Total
	Added Years	Provisions	
	£000	£000	£000
Balance at 1 April 2006	37,121	519	37,640
Provided in the year	2,547	1,333	3,880
Provisions not required written back	(52)	(12)	(64)
Provisions utilised in the year	(2,150)	(285)	(2,435)
<b>Balance at 31 March 2007</b>	<b>37,466</b>	<b>1,555</b>	<b>39,021</b>

**Early Retirement and Pension Commitments**

The Probation Boards meet the additional costs of benefits beyond the normal Local Government Pension Scheme (LGPS) benefits in respect of employees who retire early by paying the required amounts annually to the LGPS over the period between early departure and normal retirement date. The Probation Boards provide for this in full when the early retirement programme becomes binding on the Boards by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms.

The Other Provisions relate to provisions arising from: legal costs, job evaluation, superannuation contributions, staff costs, programme funding.

**12 General Fund**

	Note	2007-2008 £000	2006-2007 £000
Balance at 1 April		(550,087)	(294,221)
<b>Financing Activities:</b>			
Net NOMS Financing received in year (excluding Training Consortia)		700,106	700,860
Training Consortia financing received from NOMS in the capacity as Lead Board		20,356	17,598
Training Consortia financing from NOMS received by the Area Board		21,444	22,332
Training Consortia financing received from the Boards within their consortia		15	84
Training Consortia financing transferred from the Lead Board to the boards within their consortia		(827)	(989)
Training Consortia financing received from their Lead Board		849	970
Training Consortia financing transferred to their Lead Board		(60)	(74)
Training Consortia financing received by the Board from another non-lead Board		0	27
Training Consortia financing transferred from the Board to another non-lead Board		0	(10)
Recharges by NOMS for centrally provided services		102,595	107,302
<b>Net Transfers from Operating Activities:</b>			
Net operating cost for the year		(845,341)	(807,074)
Operating income to be surrendered (Interest received)		(2,555)	(2,086)
<b>Non-Cash Charges:</b>			
Cost of capital charge	4	(13,062)	(7,527)
Auditors' remuneration	4	69	69
Net asset transfers in/(out)	7	248	0
Transferred from revaluation reserve	13(a)	8	0
Actuarial gains and losses (SRGL)	3(f)	43,010	(287,348)
<b>Balance at 31 March 2008</b>		<b><u>(523,232)</u></b>	<b><u>(550,087)</u></b>

**13 Reserves****13(a) Revaluation Reserve**

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2007-2008 £000	2006-2007 £000
Balance at 1 April	181	204
Arising on revaluations during the year (net)	4	(23)
Transferred to General Fund	(8)	0
<b>Balance at 31 March 2008</b>	<b><u>177</u></b>	<b><u>181</u></b>

**13(b) Donated Asset Reserve**

	2007-2008 £000	2006-2007 £000
Balance at 1 April	12	0
Additions during the year	0	12
Revaluations	0	0
Release to the Operating Cost statement	0	0
<b>Balance at 31 March 2008</b>	<b><u>12</u></b>	<b><u>12</u></b>

There were no donated assets during the year.

**14 Notes to the Cash Flow Statement****14(a) Reconciliation of operating cost to operating cash flows**

	Note	2007-2008 £000	2006-2007 £000
Net operating cost		(845,341)	(807,074)
Adjustments for non-cash transactions	4	(7,310)	(1,727)
(Increase)/Decrease in debtors		(4,224)	2,428
Increase/(Decrease) in creditors		7,227	(11,325)
less movements in creditors relating to items not passing through the OCS		(425)	(188)
Adjustments for pension funding		10,685	(9,090)
Use of provisions	11	(2,490)	(2,435)
<b>Net cash outflow from operating activities</b>		<b><u>(841,878)</u></b>	<b><u>(829,411)</u></b>

**14(b) Analysis of capital expenditure and financial investment**

		2007-2008 £000	2006-2007 £000
Tangible fixed assets additions	7	(2,562)	(2,812)
Plus opening balance for fixed asset accruals	8	(216)	(77)
Minus closing balance for fixed asset accruals	8	172	216
Minus proceeds of disposal of fixed assets		43	42
<b>Net cash outflow from investing activities</b>		<b><u>(2,563)</u></b>	<b><u>(2,631)</u></b>

**14(c) Analysis of financing**

		2007-2008 £000	2006-2007 £000
Net NOMS Financing received in year (excluding Training Consortia)		700,106	700,860
Training Consortia financing received by the Lead Board from NOMS		20,356	18,775
Training Consortia financing received by the non-lead Board from NOMS		21,444	21,155
Training Consortia financing received from the boards within their consortia		15	84
Training Consortia financing transferred from the Lead Board to the boards within their consortia		(827)	(1,002)
Training Consortia financing received from their Lead Board		849	970
Training Consortia financing transferred to their Lead Board		(60)	(61)
Training Consortia financing received by the Board from another non-lead board		0	27
Training Consortia financing transferred from the Board to another non-lead board		0	(10)
Recharges by NOMS for centrally provided services		102,595	107,302
Consolidated Fund Extra Receipts received in prior year surrendered (Interest Received)		(2,086)	(2,010)
<b>Net financing</b>		<b><u>842,392</u></b>	<b><u>846,090</u></b>

**15 Capital Commitments**

	31 March 2008 £000	31 March 2007 £000
Capital commitments at 31 March for which no provision has been made		
Committed	0	55
Authorised but not contracted	33	33
<b>Total</b>	<b><u>33</u></b>	<b><u>88</u></b>

## 16 Commitments Under Leases

### Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

#### Obligations under operating leases comprise:

	2007-2008 £000	2006-2007 £000
<b>Other:</b>		
Expiry within 1 year	437	422
Expiry after 1 year but not more than 5 years	870	1,096
Expiry thereafter	12	59
<b>Total</b>	<b>1,319</b>	<b>1,577</b>

## 17 Other financial commitments

Staffordshire Probation Board has entered into non-cancellable contracts (which are not operating leases) for outsourced service provision. Gwent Probation Board has entered into a non-cancellable contract for the Home Computing Initiative. The payments to which these Boards are committed during 2008-09, analysed by the period during which the commitment expires are as follows:

	2007-2008 £000	2006-2007 £000
Expiry within 1 year	364	276
Expiry within 2 to 5 years	822	219
Expiry thereafter	0	0
<b>Total</b>	<b>1,186</b>	<b>495</b>

## 18 Financial Instruments

### *Risk management objectives and policies*

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the 42 Probation Boards are not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 applies. The Boards have very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the 42 Probation Boards in undertaking their activities.

### *Liquidity Risk*

The Probation Boards are financed by grant from the Ministry of Justice, it is therefore not exposed to significant liquidity risk.

### *Interest Rate Risk*

The Probation Boards bank balances carry floating interest rates, and the interest is paid over to the Consolidated Fund via the Ministry of Justice. It is therefore not exposed to significant interest rate risk.

### *Foreign Currency Risk*

Foreign currency does not form part of the assets and liabilities of the Probation Boards.

## 19 Contingent Liabilities

At the balance sheet date, 2 Probation Boards had specific contingent liabilities. They are Nottinghamshire and Warwickshire.

Nottinghamshire: A number of staff following grievance procedures may result in compensation or claims to Employment Tribunals.

Warwickshire: There is a request to indemnify a former employee in respect of her (shared) liability for the debts of the management committee in the course of her duties as a probation officer.

For those Boards transferring to Trust status there will be an expected liability arising from the deficit on the Chief Officer's pension fund, the full extent of which is not yet known.

## 20 Contingent Liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

There are no contingent liabilities that are not required to be disclosed under FRS12 to be included in this note for parliamentary reporting and accountability purposes.

## 21 Losses and Special Payments

Losses Statement	2007-2008		2006-2007	
	Number of Cases	Total Value £000	Number of Cases	Total Value £000
Cash losses	13	3	2	17
Claims abandoned	22	18	2	17
Administrative write-offs	88	56	8	61
Fruitless payments	0	0	0	0
Stores losses	0	0	0	0
Special payments	415	5,453	29	162
<b>Total</b>	<b>538</b>	<b>5,530</b>	<b>41</b>	<b>257</b>
<i>Details of cases over £100,000</i>				
Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Administrative write-offs	0	0	0	0
Fruitless payments	0	0	0	0
Stores losses	0	0	0	0
Special payments	13	1,642	0	0
<b>Total</b>	<b>13</b>	<b>1,642</b>	<b>0</b>	<b>0</b>

Special Payments over £100k all relate to redundancy payments split between the Boards as follows: London 10 cases – £1,283k and South Wales 3 cases – £359k.

## 22 Related party transactions

The Ministry of Justice and the Home Office are regarded as a related party. During the year, the Probation Board had various material transactions with the Ministry of Justice and its former sponsor body, the Home Office. Additionally, the Probation Board had transactions with other Probation Boards, other government bodies and third party organisations.

The main transactions relate to provision of staff for long term secondments within the Prison Service. Some Probation Boards have strong links to their Local Authorities who provide varying levels of support services e.g. finance facilities or personnel/payroll services. Several inter-board transactions relate to Training Consortia and comprise of recharges and passing on grants. Other 'related party transactions' can be seen in the respective locally published accounts.



### 23 Third-party assets

These are not Probation Board assets and as such are not included within the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised of monetary assets, such as bank balances and monies on deposit, listed securities, trust funds and an amenity fund. The following Boards administer a trust fund; they are Humberside, Greater Manchester, North Wales, Northumbria, Staffordshire, Warwickshire and West Mercia. Suffolk Probation Board administers an Amenity fund. The combined value of these third-party assets is set out in the table below:

	<b>31 March 2008</b>	<b>31 March 2007 (Restated)</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	213	224
Funds paid in during the year	101	72
Funds paid out during the year	(108)	(83)
<b>Balance at 31 March 2008</b>	<b>206</b>	<b>213</b>

(restated to reflect updated valuations)

### 24 Post balance sheet events

In accordance with the requirements of FRS 21 *Events after the balance sheet date*, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the same date of the Certificate and Report of the Comptroller and Auditor General.

With effect from 1st April 2008 six Probation Boards were dissolved and established as Probation Trusts under the Offender Management Act 2007. Under the Act, the new Trusts have been set up in order to support the strategic aims and current Public Service Agreement of the Ministry of Justice. The Probation Trusts have as their purpose the delivery of probation services under contract with the Secretary of State but they are not required by statute to deliver probation services. The written Ministerial Statement on the 21st October 2008 confirmed that the NOMS Agency will proceed to provide opportunities for all Boards to become Trusts by 2010 in line with the commitments set out in the Offender Management Act.

The Government's vision for the National Offender Management Service (NOMS) is set out in a new framework document published on 17th July 2008. The document formalises NOMS role as an MoJ Executive Agency and details how it will operate up to 2011.

# Consolidated Accounts of Local Probation Boards in England and Wales

## **ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SCHEDULE 1, PARAGRAPH 17(4) OF THE CRIMINAL JUSTICE AND COURT SERVICE ACT 2000, AND SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000.**

HM Treasury directs that consolidated accounts of the local probation boards in England and Wales shall be prepared by the Secretary of State for the Ministry of Justice in respect of the financial year ended 31 March 2008 and subsequent financial years.

The consolidated accounts shall be prepared so as:

- to give a true and fair view of the state of affairs of the National Probation Service as at the financial year-end and of the net resource outturn, recognised gains and losses and cash flows for the financial year and have been properly prepared in accordance with the Criminal Justice and Court services Act 2000;
- to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

These consolidated accounts shall be prepared from the audited accounts of the local probation boards to which they relate and shall comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual ("the FReM") issued by HM Treasury and which is in force for the relevant financial year. A note on the application of the FReM to the consolidated accounts of the Local Probation Boards is attached at Annex A.

*Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. Any material departure from the FReM should be discussed in the first instance with the Treasury.*

*The consolidated accounts shall be transmitted to the Comptroller and Auditor General for the purpose of his audit examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to ensure compliance with the agreed administrative deadline.*

This accounts direction supersedes all previous issues.

*David Watkins*  
Head, Financial Reporting Policy, HM Treasury  
19 May 2008

## ANNEX A

### **APPLICATION OF THE GOVERNMENT FINANCIAL REPORTING MANUAL ISSUED BY HM TREASURY TO THE CONSOLIDATED ACCOUNTS OF LOCAL PROBATION BOARDS**

1. There is no requirement to prepare a Statement of Parliamentary Supply or a Statement of Net Operating Costs by Departmental Aims and Objectives.
2. Monies received as grant-in-aid should be treated as financing and not as income.
3. The salary and pension entitlements of key managers should be appropriately disclosed.
4. Items may be added to or deleted from the above list only with the agreement of HM Treasury.



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