

CRIMINAL JUSTICE AND COURT SERVICES ACT 2000

National Probation Service: Consolidated Accounts of the Local Probation Boards for the year ended 31 March 2006, 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

---

---

## **National Probation Service**

# **Consolidated Accounts of the Local Probation Boards 2005–2006**

Ordered by the House of Commons to be printed 16 October 2006

---

---

CRIMINAL JUSTICE AND COURT SERVICES ACT 2000

National Probation Service: Consolidated Accounts of the Local Probation Boards for the year ended 31 March 2006, 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

---

---

## **National Probation Service**

# **Consolidated Accounts of the Local Probation Boards 2005–2006**

Ordered by the House of Commons to be printed 16 October 2006

---

---

# Contents

	Page
Foreword	1
Statement of National Accountable Officer's Responsibilities	10
Statement on Internal Control	11
Certificate of the Comptroller and Auditor General	14
The Accounting Schedules:	
Schedule 2 – Operating Cost Statement	16
Schedule 3 – Balance Sheet	17
Schedule 4 – Cash Flow Statement	18
Notes to the Accounts	19
Accounts Direction	37

---

# Foreword to the Consolidated Accounts for the year ended 31 March 2006

## 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 Home Secretary under the powers in the legislation and act in accordance with any guidance given by him/her.

The NPS consists of the 42 Local Probation Boards (listed in Annex A to the Foreword) and the National Probation Directorate (NPD) which is part of the Home Office for accounting purposes. The NPD is part of the core Home Office. 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 Home Office accounts and so form part of the department's Statement of 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 Section 7 (2) of the Government Resources and Accounts Act 2000. The direction is reproduced on page 37.

## 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 five years of existence the National Probation Service 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 2005-06.

The key priorities for the National Probation Service in 2005-06 were:

1. Contributing to the building of an excellent National Offender Management Service.
2. Working purposefully with other criminal justice agencies to protect the public from harm.
3. Working with other criminal justice agencies and local Crime and Disorder Partnerships to promote the effective implementation of the Prolific and other Priority Offender (PPO) Strategy.
4. Working with other criminal justice agencies, judges and magistrates to implement the 2003 Criminal Justice Act (CJA) with a particular focus on the new Community Order.
5. The full implementation at a national, regional and area level of "Reducing Re-offending – A National Action Plan".

## **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. This process was overseen by Regional Offender Managers.

The establishment of the 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**

NPS Business Plan for 2006-07

The key priorities for the National Probation Service for 2006-07 are:

- Continue to contribute to the development of NOMS by managing the considerable changes facing probation areas.
- Working collaboratively with other criminal justice agencies to protect the public from harm.
- Working with other criminal justice agencies and local Crime and Disorder Reduction Partnerships in England and Community Safety Partnerships in Wales to develop a new service delivery model.
- Working with other criminal justice agencies, judges and magistrates to reduce re-offending by consolidating the implementation of the 2003 Criminal Justice Act.
- Working with the Regional Offender Managers, the Prison Service and other agencies at a regional and national level to implement the Reducing Re-offending Action Plan.
- Working with the Prison Service and other key agencies to ensure compliance with legislation, embed quality and diversity in the NPS in its work with offenders and in its HR policies.

The NPD will lead the change programme within the NPS. This will be dependent on the progress of legislation through Parliament.

The NPD 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.

These priorities link to the Home Office Five Year Strategy to Protect the Public and Reduce Re-Offending, the NOMS Corporate Plan 2005-08 and NOMS Business Plan 2006-07.

### Criminal Justice Act 2003

The Criminal Justice Act makes radical changes to the sentencing framework in relation both to community and custodial sentences and affects the work of the National Probation Service 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 Order 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. A limited pilot of Intermittent Custody has been running in several areas since 2004. Its future will be reviewed in light of the decision on Custody Plus.

The Act means an increased workload for the NPS particularly from the new licence arrangements for offenders released from custody. The effects of those however only begin to be felt significantly in 2006-07.

### Results for the Year

This is the fifth year that accounts have been produced by the NPS. The Operating Cost Statement for the year is shown on page 16 together with the Statement of Recognised Gains and Losses. The Balance Sheet and Cash Flow Statement are on pages 17 and 18 respectively.

The 2005/06 Net Operating Cost for the 42 Boards is £770.2m.

Although the NPD is part of the NPS, its expenditure is not included in the consolidation because the Directorate's expenditure is part of the Home Office Accounts. The table below shows the direct costs associated with NPD, as extracted from the Home Office accounting records.

Expenditure for NPD is:

	<b>2005-06</b>	<b>2004-05</b>
	<b>£'000</b>	<b>£'000</b>
Pay	3,626	8,950
Other Admin Costs	921	1,618
Total Expenditure	<u>4,547</u>	<u>10,568</u>
Income	<u>0</u>	<u>0</u>
Net Expenditure	<u>4,547</u>	<u>10,568</u>

The reduction in costs between 2004-05 and 2005-06 has been due to the transfer of a number of Units from NPD to NOMS Headquarters on 1 April 2005.

### Remuneration

With the exception of the Head of Diversity/Equality, the Director and Members of the Directorate Management Team are NPD staff and are therefore employed by the Home Office and are on the Home Office payroll. All the employee costs associated with the Directorate Management Team are accounted for in the Home Office Accounts.

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

### Going Concern

The balance sheet at 31 March 2006 shows net liabilities of £294.0m. 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 Home Office. 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 2006-07, taking into account the amounts required to meet liabilities falling due in that year, have already been included in the departments 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 1 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 1 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 Home Office Consolidated Resource Accounts as tangible fixed assets.

Local Probation Boards retain ownership of vehicles and office machinery. During 2005-06 the 42 Probation Boards purchased assets costing £2.7m and disposed of assets which cost £1m.

### **Post Balance Sheet Events**

There is no Post Balance Sheet Event.

### **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 Home Office Public Service Agreement (PSA) standard to reduce the rate of re-offending of offenders by 10% by 2010. Research published in Autumn 2005 indicates that reconviction was 2.6% lower than the predicted rate across prison and probation.

Research is managed under NOMS Research, Development and Statistics (RDS) as part of the larger research plan for NOMS. Small scale local projects continue to be managed at the local level, and where of a sufficiently large scale are quality assured by NOMS RDS.

The NPS contributes to the National Reducing Re-offending Delivery Plan published in November 2005 and the 5 Year Strategy for Protecting the Public and Reducing Re-offending, published in February 2006. It also participates in the work of the Effective Interventions Board established by NOMS in November 2005, with representation across NOMS and the Prison and Probation Services. The major development of an Offender Management Model has been led by NOMS. The model was implemented in the NPS for community and licence cases by spring 2006. Connectivity between the NPS and Prison Service Offender Assessment System (OASys) was completed in March 2006. OASys is used as the basis for sentence planning at the offender level and to assist with policy and practice development nationally.

New development work has included adding value to unpaid work through making it more visible and developing it into 'Community Payback'. Communities have been encouraged to propose unpaid work projects and projects have been identified as being completed by the probation service. Development of new modules to tackle substance abuse has progressed as has work to streamline training for offending behaviour programmes and to make it more efficient.

### **Pensions Liabilities**

See Notes 1.9 and 3 to the Accounts for further information.

## **Communications and Employee Involvement**

During 2005-06, the number of full time equivalent employees across England and Wales has increased to an average in year figure of 20,600, including staff working in probation offices, prisons, Youth Offending Teams (YOTs), Drug Action Teams (DATs) and Local Authority community safety teams.

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 worked closely with the NOMS communication team and been the conduit for communicating NOMS policy to the 42 areas.

The year saw the extremely successful roll-out of Community Payback, promoting the visibility of Unpaid Work and the opportunity for members of the community to suggest the type of projects they would like to see completed in their area. A new Community Payback logo was created and projects are increasingly being badged at the point of delivery and after completion to promote the contribution of Unpaid Work to the community.

The team has continued to work with the Home Office marketing unit and a commercial Public Relations consultancy on a campaign to raise the profile of community sentences. This included a second very successful Clean-up Week which involved asking the public to vote on environmental community projects which were carried out by offenders sentenced to unpaid work. Clean-up won an award for the best Public Sector Campaign at the European Sabre Awards for communications and PR.

A series of DVDs was made highlighting Community Payback. In total these featured 11 projects in eight probation areas. Among the interviewees were a Crown Court judge, two magistrates and many beneficiaries as well as community service staff and offenders.

## **Equality and Diversity**

During 2005-06 the NPS reviewed its equality and diversity role to ensure that it was 'fit for purpose' – to address the existing and new equality challenges facing NPS and NOMS. As result of this review a new framework was put in place to manage the equality and diversity function. This has enabled NPS to make significant progress in the work required to ensure that appropriate consideration is given to the mainstreaming of equality and diversity issues into all core business practices within the Service.

NPS has a good track record of continuous improvement in the mainstreaming of equalities in employment issues. Therefore, the key priorities of the equality and diversity business plan for 2005-06 were to achieve similar progress in service delivery issues, to ensure that NPS was fully compliant with equalities legislation and to adopt a more inclusive approach to equalities which encompassed the six equality strands. NPS has made good progress against these priorities.

A key driver of this has been the establishment of a small corporate equality and diversity team within NPD to deliver the NPS diversity programme and to ensure that the equality function became more closely aligned to the business needs of the organisation.

Governance arrangements for the management of the NPS diversity programme were reviewed. As a consequence of this review a high level business focussed steering group (Diversity Programme Board) was implemented to oversee the NPS diversity programme.

Two forums to support the probation areas diversity leads in the North and South regions have also been established which have enabled probation areas and NPD to work more collaboratively on strategic equalities issues.



- **What have we done?**

We have made significant progress in the delivery of key objectives in the 2005-06 Equality and Diversity business plan:

- **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. NPD set a target of 95% monitoring completion rate for all offenders and staff and integrated ethnic monitoring into the weighted score card performance management system. Against a target of 95% completeness the NPS achieved 97% in 2005-06.

Racially motivated offenders: a scoping report has been completed which will form the basis of a NOMS national strategy on hate crime.

- **Workforce representation**

Substantial progress was made in the area of workforce representation. All regions met the Home Secretary's regional targets and NPS has a workforce where 10% are from the Black and Minority Ethnic (BME) communities. The Service aims to have 7% of all BME staff at senior management levels by 2009 – we have already reached 5% of this target.

A positive action leadership programme 'Accelerate' which facilitates the development of BME and disabled staff through a personal two-year development commenced in 2004 and is due to be completed in 2007. The first cohort consisted of 12 participants and 25% of these have already been promoted to more senior roles. Accelerate was short listed for the Personnel Today Award for excellence in career development during 2005.

- **Equality legislation**

A requirement of the Race Relations (Amendment) Act 2000 was for all listed public authorities to conduct a 'Statutory three year review' of their race equality schemes by May 2005. The NPD and all the 42 Probation Areas completed this exercise and the revised schemes were audited by external consultants and were deemed to be fully compliant with the legislation and 'fit for purpose'. Legislative changes in the Disability Discrimination Act 2005 require listed public authorities to implement a disability equality scheme by the 4 December 2006. Work on this scheme is at an advanced stage and it is the intention of NPS to ensure that this scheme is in place well in advance of the legislative deadline. Impact assessment training has been provided for key policy officers within NPS and the Service will be fully compliant with this aspect of the statutory legislative requirement by the end of 2006.

- **Staff support**

An NPS staff association for disabled staff was established in November 2005 and since its inception has worked actively with NPD to produce the first disability equality scheme. NPS now has four staff association networks who work collaboratively with NPD to support the delivery of the wider Equality and Diversity agenda.

- **Gender strategy**

A national strategy has been drafted which will provide the framework of good practice in working with female offenders and will form the basis of the work on gender specific service delivery issues.

- **Joint working**

During 2005-06 a joint project board was set up between the Her Majesty's Prison Services (HMPS) and NPD to oversee joint working across the UK on five national priorities. Diversity was one of these priorities and the project looked at ways in which the HMPS and NPD could work together to enhance the resettlement opportunities for BME offenders and ex-offenders. The project was successfully completed and has paved the way for further joint working on equality issues.

## Payment of Creditors

All the Local Probation Boards observe the principles of the CBI “Prompt Payment” Code and aim 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	
	2005-06	2004-05
Less than 55%	0	1
55%-59.9%	1	0
60%-64.9%	0	1
65%-69.9%	1	3
70%-74.9%	0	0
75%-79.9%	5	2
80%-84.9%	2	4
85%-89.9%	6	5
90%-94.9%	10	13
95%-100%	17	13
<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 CJCS Act and the Public Audit (Wales) Act 2004 (PAWA) to send a copy of the statement of accounts to the auditor appointed by the Audit Commission. The auditor will examine, certify and report on the statement of accounts in accordance with the Audit Commission Act 1998 (ACA) and the Public Audit (Wales) Act 2004 (PAWA).

The Boards are required to send a copy of the audited statement of accounts to NOMS Planning and Finance 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 2005-06 is £69k (£66k in 2004-05).

## Directorate Management Team

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.

The following were members of the Directorate Management Team during 2005/6.

Roger Hill	Director of Probation
George Barrow	Head of Communication
John Scott	Head of Public and Licensed Release Unit
Richard Mason	Head of CJA Unit
Roger McGarva	Head of Regions and Performance Management
David Griffiths	Head of Business Development
Sarah Mann	Head of Intervention
Richard Cullen	Head of Human Resources
Christine Lawrie	Head of Delivery and Quality
Marjorie Harris	Head of Diversity/Equality
Kay Wood	NOMS Planning & Finance, Financial Controller National Probation Service

The members of the Directorate Management Team have no significant interests to declare.

On 1 April 2005 Roger Hill took up his appointment as Director of Probation.

**NPS Annual Report**

The Annual Report for the Department is an internal performance document which was published separately on 17 July 2006 and can be accessed via the following link:  
<http://www.probation.homeoffice.gov.uk/files/pdf/NPS%20Annual%20Report%202005%2006.pdf>

*Roger Hill*  
Director of Probation and National Accounting Officer

9 October 2006

## 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 Accounting Officer's Responsibilities

Under the Criminal Justice and Court Services Act 2000 the National Probation Service is required to prepare a Consolidated Account of the Local Probation Boards for each financial year, in conformity with a Treasury direction, 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, the net resource outturn, recognised gains and losses and cash flows for the financial year.

The Home Office has appointed the Director General of the National Probation Service as the Accounting Officer, with responsibility for preparing the Consolidated Accounts of the Local Probation Boards and for transmitting them to the Comptroller and Auditor General.

In preparing the Accounts, the Accounting Officer is required to comply with the *Government Financial Reporting Manual* prepared by HM Treasury, and in particular to:

- observe 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 in accordance with the HM Treasury direction and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis, unless it is inappropriate to assume that the National Probation Service or any material part of it will continue in operation.

The responsibilities of the National Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which he/she is answerable, for keeping proper accounting 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 Government Accounting.

The Director of Probation, as National Accounting 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 of Internal Control

## Scope of responsibility

I have responsibility as Accounting Officer for the National Probation Service (NPS) 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 Government Accounting 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.

As Accounting Officer for the NPS I am accountable to the Accounting Officer for the Home Office.

## 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 NPS for the year ended 31 March 2006 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 NPS comprises the National Probation Directorate (a Directorate of the Home Office) and the 42 Local Probation Boards, established under the Criminal Justice and Court Services Act 2000.

As National Accounting 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 Management Project Board has also continued to provide further assistance in the enhancement of the ability of NPS to embed risk management processes in all the services provided.

## The risk and control framework

The process of risk management operated by the NPS is consistent with both HM Treasury guidelines and the Home Office Risk Management guidance. 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 their 05/06 risk register to NPD. These risks are then reviewed together with identified NPD risks by the Directorate Management Team, to ensure that appropriate and corrective actions are taken, so that NPS business objectives and targets are successfully delivered.

The Risk Management Project Board and NOMS Audit Committee continue 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 Home Office risk register, and these are being monitored by the Home Office Audit Committee.

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

Some NPS services such as IT, Estates 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 2005–06 financial year, the main identified and addressed risks were:

Inadequate supervision of cases leading to high profile media attention and unmanageable policy making.

Failure of sentencers to follow Sentencing Guideline Council (SGC) guideline in relation to use of Community Orders (CO)/Custody Plus (C+) requirements, leading to overload in Areas.

Inability to prepare adequately in 05/06 for likely custody plus implementation leading to major disruption of Courts, Probation and Prison Business.

Dismantling of existing structures with no clear, coherent replacement will damage staff morale, undermine staff retention, worsen performance and leads to inadequate supervision of dangerous offenders.

A failure to improve staff attendance in the probation areas leads to loss of performance, damage to staff morale and serious damage to the reputation of the NPS.

Failure to manage risk of harm in all cases in a demonstrably “defensible” way will lead to a reduction in public confidence and a potentially irrecoverable loss of reputation.

Inadequate resources in Probation Areas for service delivery, including custody plus, will result in a distortion of offender management tiering, poorer performance and a deterioration in the quality of supervision resulting in an increase in Serious Further Offences (SFO).

### **Review of effectiveness**

I have responsibility as the Accounting 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 executive managers within NPD;
- 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 Directorate Management Team (DMT)**

The Directorate Management Team continues to provide 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 Accounting 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 (IA) service is provided by the Home Office Audit and Assurance Unit, 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 NPD as a Home Office directorate on behalf of both myself as NPS Accounting Officer and the Home Office Accounting Officer; and
- Audits in NOMS as part of the Home Office audit programme. As NPS Accounting Officer I draw assurance from those reviews carried out on services delivered by NOMS to NPS.

The Head of Internal Audit (HIA) 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 (HMIP)**

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

- The review and testing of Business Continuity Planning within the NPD and all Probation Areas. This will ensure that the Business Continuity Planning is effective and up-to date;
- The performance of contractors delivering Facilities Management services; and
- The commitment to provide Probation Areas whose performance falls below expectations (particularly in relation to Risk of Harm assessment and Supervision) with assistance from Quality & Delivery unit to raise standards.

In addition work will be carried out to clarify the accountability and reporting structures associated with services delivered to NPS by NOMS HQ with a view to detailing these in formal service level agreements.

*Roger Hill*  
Director of Probation and National Accounting Officer

9 October 2006



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

I certify that I have audited the Financial Statements on pages 16 to 36 of the National Probation Service for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the National Accounting Officer and auditor

The National Accounting Officer is responsible for preparing the Foreword and the Financial Statements in accordance with the Criminal Justice and Court Services Act 2000, the Government Resources and Accounts 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 Accounting Officer's 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 Foreword and the Financial Statements and have been properly prepared in accordance with HM the Criminal Justice and Court Services Act 2000, the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder, and 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. I also report to you if, in my opinion, the Foreword is not consistent with the Financial Statements, if the National Probation Directorate 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 11 to 13 reflects the National Probation Service's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the National Accounting Officer's Statement on Internal Control cover 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 other 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 opinion

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 Accounting 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.

**Opinion**

In my opinion:

- the Financial Statements give a true and fair view of the state of the National Probation Service's affairs as at 31 March 2006 and of the surplus, total recognised gains and losses and cashflows for the year then ended and have been properly prepared in accordance with the Criminal Justice and Court Services Act 2000, the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury; and
- 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.

I have no observations to make on these Financial Statements.

*John Bourn*  
Comptroller and Auditor General

11 October 2006

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Operating Cost Statement for the year ended 31 March 2006

		2005-2006		2004-2005 (Restated)	
	Notes	£000	£000	£000	£000
<b>Administration costs</b>					
Staff costs	2	559,565		513,651	
Other administration costs	4	246,040		205,980	
Operating income	6	(49,159)		(48,285)	
<b>Gross Administration Costs</b>		<u>756,446</u>		<u>671,346</u>	
Less: Finance (Income)/Charge	3e	13,529		15,307	
<b>Net Administration Costs</b>		769,975		686,653	
<b>Programme Costs:</b>					
Staff Costs	5	5,373		2,953	
Programme costs	5	3,060		2,055	
Income	6	(8,172)		(4,697)	
		<u>261</u>		<u>311</u>	
<b>Net Operating Costs</b>			<u>770,236</u>		<u>686,964</u>

All income and expenditure is derived from continuing operations.

## Statement of Recognised Gains and Losses for the year ended 31 March 2006

	Notes	2005-2006 £000	2004-2005 £000
Net gain/(loss) on revaluation of tangible fixed assets	7	4	(49)
Receipt of Donated Assets	13B	0	0
Actuarial gain/(loss) relating to the pension scheme	3f	<u>26,787</u>	<u>74,375</u>
<b>Recognised gains and losses for the financial year</b>		<u>26,791</u>	<u>74,326</u>

The notes on pages 19 to 36 form part of these accounts

## Balance Sheet as at 31 March 2006

	Notes	31 March 2006		31 March 2005	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible Fixed Assets	7		6,684		5,462
<b>Debtors falling due after more than one year</b>	8		1,001		1,539
<b>Current Assets</b>					
Debtors	8	23,549		19,915	
Cash at bank and in hand	9	30,189		33,777	
		<u>53,738</u>		<u>53,692</u>	
Creditors (amounts falling due within one year)	10	<u>(61,166)</u>		<u>(49,989)</u>	
<b>Net current assets/(liabilities)</b>			<u>(7,428)</u>		<u>3,703</u>
<b>Total assets less current liabilities</b>			<u>257</u>		<u>10,704</u>
Creditors (amounts falling due after more than one year)	10	(27)		(27)	
Provisions for liabilities and charges	11	<u>(37,640)</u>		<u>(31,961)</u>	
<b>Net assets/(liabilities) excluding pension liability</b>			<u>(37,410)</u>		<u>(21,284)</u>
Pension Liability	3		(256,607)		(297,507)
<b>Net assets/(liabilities) including pension liability</b>			<u>(294,017)</u>		<u>(318,791)</u>
<b>Taxpayers' equity</b>					
General fund	12		(294,221)		(319,037)
Revaluation reserve	13A		204		246
Donated asset reserve	13B		0		0
			<u>(294,017)</u>		<u>(318,791)</u>

Roger Hill  
Director of Probation and National Accounting Officer

9 October 2006

The notes on pages 19 to 36 form part of these accounts

## Cash Flow Statement for the year ended 31 March 2006

	<b>Notes</b>	<b>2005-2006 £000</b>	<b>2004-2005 £000</b>
Net cash outflow from operating activities	14A	(777,423)	(684,880)
Capital expenditure and financial investment	14B	(2,790)	(2,134)
Financing	14C	776,625	688,972
Increase/(decrease) in cash		<u><b>(3,588)</b></u>	<u><b>1,958</b></u>

The notes on pages 19 to 36 form part of these accounts

# Notes to the Accounts

## 1 Statement of Accounting Policies

These Financial Statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM 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 Probation Board 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.

### 1.2 Going concern

The balance sheet at 31 March 2006 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 Home Office of which the NPS is part. Under Government Resources and Accounts Act 2000, no money may be drawn from the fund by the Home Office other than required for the service for 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 Home Office and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2006-07 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.

### 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.

The Revaluation Reserve does not include any values where fixed assets suffer from permanent downward indexation as this is charged to the Operating Cost Statement as impairment.

### 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 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 42 Probation Boards can earn interest from various sources but under the Criminal Justice and Court Services Act 2000, they are not allowed to retain any interest received from the investment of funds received from the National Probation Directorate. This interest is surrendered to HM Treasury via the Home Office who treat this as Consolidated Funds Extra Receipts (CFERs).

### *1.7 Administration and Programme Expenditure*

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income administration or as programme follow the definition of administration costs set out in the FReM by H.M. Treasury. Administration costs reflect the costs of running the 42 Probation Boards together with associated operating income. Programme costs are defined as one off projects, which are fully or partially funded from outside the Home Office, with a threshold of £10,000 per scheme.

### *1.8 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 are discounted at 2.2%
- b) Pension Scheme Liability, which is discounted at 2.8%
- 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.

### *1.9 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 retirements 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.)

### *1.10 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 42 Probation Boards policy is to provide in full for this cost when the early retirement programme has been announced and is binding on the 42 Probation Boards.

### *1.11 Leases*

Where substantially all risks and rewards of ownership of a leased asset are borne by the 42 Probation Boards, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other 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.

### 1.12 Private Finance Initiative (PFI) Transactions

Where the balance of risks and rewards of ownership of the PFI property is borne by the 42 Probation Boards, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

PFI schemes will be disclosed as a note to the accounts.

### 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 42 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 to the 9 Lead Areas who co ordinate the Training funds and a percentage to the remaining Probation Boards.

### 1.14 Provisions

The 42 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 new discount rate of 2.2 per cent has been introduced with effect from 1 April 2005, a reduction from 3.5 per cent.

### 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.

## 2 Staff numbers and related costs

### A Total staff costs comprise:

	2005-2006			2004-2005 (Restated)
	£000	£000	£000	£000
	<b>Permanently employed</b>			
	<b>Total</b>	<b>staff</b>	<b>Others</b>	<b>Total</b>
Wages and salaries	514,382	495,586	18,796	467,406
Social security costs	37,962	37,906	56	35,089
Other pension costs	50,625	50,602	23	52,566
<b>Sub Total</b>	<b>602,969</b>	<b>584,094</b>	<b>18,875</b>	<b>555,061</b>
Inward Secondments	808	445	363	468
<b>Total</b>	<b>603,777</b>	<b>584,539</b>	<b>19,238</b>	<b>555,529</b>
Less recoveries in respect of outward secondments	44,212	44,179	33	41,878
<b>Total net admin costs</b>	<b>559,565</b>	<b>540,360</b>	<b>19,205</b>	<b>513,651</b>
Net Programme Costs	5,373	4,484	889	2,953
<b>Total Staff Costs</b>	<b>564,938</b>	<b>544,844</b>	<b>20,094</b>	<b>516,604</b>

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Probation Boards share of the underlying assets and liabilities are shown below in Note 3.



63 persons (2004-05: 72 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,185,000 (2004-05: £803,000).

### B Average number of persons employed

2005-2006			2004-2005 (Restated)
Permanently employed			Total
Total	staff	Others	
20,578	19,872	706	19,576
20,578	19,872	706	19,576

(04/05 restated to omit outward secondments)

### 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) cover present and past employees, which is statutory and fully funded. 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 for every year of total membership is payable on retirement.

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.

**A** A full actuarial valuation was carried out at 31 March 2004 by various actuaries. For 2005-06, employers’ contributions of £78,766,000 were payable to the LGPS (2004-05 £57,100,000) in a range from 9.3% to 26.4%. The scheme’s Actuary reviews employer contributions every three years following a full scheme valuation. The salary bands were revised for 2005-06 and will remain unchanged until 2007-08. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Regulation 3 of the Local Government Pension Scheme introduces a new option into the retirement benefits of the Local Government Pension Scheme (LGPS) giving LGPS members retiring on or after 6 April 2006 the option to increase the amount of the tax-free lump sum from the current 3/80s of the pension to 25% of the value of the benefits in exchange for commuting (i.e. reducing) their annual pension. 24 board’s have assumed that 50% of employees will take advantage of this change. Their actuaries have advised that this will reduce the value of the Probation Board’s pension liabilities by £14.74 million, included as a Past Service Cost in Note 3(d). Actuaries for 18 board’s have taken the view that there is insufficient reliable evidence to warrant any revaluation of the scheme.

Partnership accounts are excluded under FRS17

The approximate employer’s pension contributions for the three years from:

- Employer’s contributions for 2005-06 were 17.5% of salaries; and,
- Employer’s contributions for 2006-07 will be 17.6% of salaries; and
- Employer’s contributions for 2007-08 will be 17.6% of salaries.

**B The major assumptions used by the actuary were:**

	<b>31 March 2006</b>	<b>31 March 2005</b>	<b>31 March 2004</b>
	%	%	%
Inflation assumption	2.9%	2.9%	2.8%
Rate of increase in salaries	4.5%	4.5%	4.3%
Rate of increase for pensions in payment and deferred pensions	2.9%	2.9%	2.8%
Discount rate	5.8%	6.4%	6.2%

**C The assets in the scheme and the expected rate of return were:**

	<b>Long-term rate of return expected at 31 March 2006</b>	<b>Value at 31 March 2006</b>	<b>Long-term rate of return expected at 31 March 2005</b>	<b>Value at 31 March 2005</b>	<b>Long-term rate of return expected at 31 March 2004</b>	<b>Value at 31 March 2004</b>
	%	£000	%	£000	%	£000
Equities	7.2%	1,241,565	7.6%	1,004,521	7.6%	886,180
Bonds	4.5%	287,959	4.8%	222,561	5.0%	201,557
Property	5.9%	152,999	6.2%	114,603	6.5%	92,525
Cash	4.6%	94,013	4.8%	66,496	3.6%	44,896
<b>Total market value of assets</b>		<b>1,776,536</b>		<b>1,408,181</b>		<b>1,225,158</b>
<b>Present value of scheme liabilities</b>		<u>2,033,143</u>		<u>1,705,688</u>		<u>1,586,054</u>
<b>Surplus/(Shortfall) of the scheme</b>		<u>(256,607)</u>		<u>(297,507)</u>		<u>(360,896)</u>
<b>Net pension asset/(liability)</b>		<u><b>(256,607)</b></u>		<u><b>(297,507)</b></u>		<u><b>(360,896)</b></u>

**D Pension Cost**

	<b>2005-2006 £000</b>	<b>2004-2005 £000</b>
Current service cost	65,859	51,757
Past service cost	(14,735)	1,023
<b>Total operating charge</b>	<u><b>51,124</b></u>	<u><b>52,780</b></u>

**E Analysis of amount credited to other finance income or debited to other finance charge**

	<b>2005-2006 £000</b>	<b>2004-2005 £000</b>
Expected return on pension scheme assets	97,633	86,472
Interest on pension scheme liabilities	(111,162)	(101,779)
<b>Net return</b>	<u><b>(13,529)</b></u>	<u><b>(15,307)</b></u>

**F Analysis of amount recognised in statement of total recognised gains and losses (STRGL)**

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>£000</b>	<b>£000</b>
Actual return less expected return on pension scheme assets	246,053	54,137
Experience gains and losses arising on the scheme liabilities	(15,853)	23,586
Changes in assumptions underlying the present value of the scheme liabilities	(203,413)	(3,348)
<b>Actuarial gain/(loss) recognised in the STRGL</b>	<b><u>26,787</u></b>	<b><u>74,375</u></b>

**G Movement in surplus/(shortfall) during the year:**

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>£000</b>	<b>£000</b>
Surplus/(shortfall) in scheme in the beginning of the year	(297,507)	(360,895)
Current service costs	(65,859)	(51,757)
Employer Contributions	78,766	57,100
Past service costs	14,735	(1,023)
Other finance income	(13,529)	(15,307)
Actuarial gain/(loss)	26,787	74,375
<b>Surplus/(shortfall) in scheme at the end of the year</b>	<b><u>(256,607)</u></b>	<b><u>(297,507)</u></b>

**H History of experience gains and losses**

	<b>2005-2006</b>	<b>2004-2005</b>	<b>2003-2004</b>	<b>2002-2003</b>
<b>Difference between the expected and actual return on scheme assets:</b>				
Amount in £000	246,053	54,137	132,366	(248,990)
Percentage of scheme assets	13.9%	3.8%	10.8%	(25.8%)
<b>Experience gains and losses on scheme liabilities:</b>				
Amount in £000	(15,853)	23,586	(3,912)	(2,292)
Percentage of the present value of the scheme liabilities	(0.8%)	1.4%	(0.2%)	(0.2%)
<b>Total amount recognised in statement of total recognised gains and losses:</b>				
Amount in £000	26,787	74,375	124,779	(254,392)
Percentage of the present value of the scheme liabilities	1.3%	4.4%	7.9%	(17.5%)

**4 Other Administration Costs**

	2005-2006		2004-2005 (Restated)	
	£000	£000	£000	£000
Rentals under operating leases	1,862		1,759	
Interest Charges	1		1	
Utilities and Premises	6,999		3,041	
Transport Costs	3,425		2,719	
Supplies and Services	36,548		30,475	
Contracted Out Services	107,233		100,722	
Third Party Payments	38,445		32,344	
Chair's and Member's Expenses	2,039		2,035	
Other Administration Costs	49,297		42,769	
Auditors' remuneration and expenses	1,280		1,374	
		<u>247,129</u>		<u>217,239</u>
Non-cash items: Notional Audit Remuneration for Consolidated Accounts	69		66	
Depreciation	1,449		1,306	
Impairment of Fixed Assets	2		26	
Profit on disposal of Fixed Assets	(1)		0	
Loss on Disposal of Fixed Assets	24		43	
Cost of Capital Charges	(8,311)		(12,324)	
Movement in Early Retirement Pension				
Commitments provided for in-year	5,554		(417)	
Movement in Other Provisions	125		41	
		<u>(1,089)</u>		<u>(11,259)</u>
<b>Total</b>		<u><b>246,040</b></u>		<u><b>205,980</b></u>

**5 Programme Costs**

	2004-2005		2003-2004	
	£000	£000	£000	£000
	<b>Permanently Employed</b>			
	<b>Total</b>	<b>staff</b>	<b>Others</b>	<b>Total</b>
Wages and salaries	4,486	3,597	889	2,600
Social Security Costs	268	268	0	139
Other Pension Costs	499	499	0	214
<b>Sub total</b>	<u><b>5,253</b></u>	<u><b>4,364</b></u>	<u><b>889</b></u>	<u><b>2,953</b></u>
Inward secondments	120	120	0	0
<b>Total</b>	<u><b>5,373</b></u>	<u><b>4,484</b></u>	<u><b>889</b></u>	<u><b>2,953</b></u>
Less recoveries in respect of outward secondments	0	0	0	0
<b>Total</b>	<u><b>5,373</b></u>	<u><b>4,484</b></u>	<u><b>889</b></u>	<u><b>2,953</b></u>
Current Expenditure	3,060	1,448	1,612	2,055
<b>Total net costs</b>	<u><b>8,433</b></u>	<u><b>5,932</b></u>	<u><b>2,501</b></u>	<u><b>5,008</b></u>

**6 Administration Income****A Administration Income excluding Operating Income to be Surrendered**

	2005-2006		2004-2005 (Restated)	
	£000	£000	£000	£000
Rent receivable from minor occupiers of Probation Estate property:				
From within the Departmental Boundary	102		103	
From Other Government Departments	6		0	
From Local Authorities	27		24	
From External Tenants	103		141	
		238		268
Income from EU Sources: Direct contributions to Board activities		206		91
Income Receivable: From Other Government Departments		20,929		18,295
Miscellaneous Income		25,776		27,800
<b>Total Administration Income excluding Operating Income to be surrendered</b>		<b>47,149</b>		<b>46,454</b>

**B Operating Income to be Surrendered**

	2005-2006		2004-2005	
	£000	£000	£000	£000
Interest received:				
From Bank	1,778		1,582	
From Car Loans	145		195	
From Other Sources	87		54	
<b>Total Operating Income to be surrendered</b>		<b>2,010</b>		<b>1,831</b>
<b>Total Administration Income</b>		<b>49,159</b>		<b>48,285</b>
Programme income		8,172		4,697
<b>Total Income Operating Cost Statement</b>		<b>57,331</b>		<b>52,982</b>

**7 Tangible Fixed Assets**

	2005-2006		
	Office Machinery, Fixtures and Fittings and IT Equipment £000	Vehicles £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2005	4,403	7,834	12,237
Additions	1,495	1,211	2,706
Net Transfers In/Out	0	0	0
Disposals	(387)	(578)	(965)
Revaluations	(12)	0	(12)
Indexation	(87)	90	3
Impairment	(7)	0	(7)
<b>At 31 March 2006</b>	<u>5,405</u>	<u>8,557</u>	<u>13,962</u>
<b>Depreciation</b>			
At 1 April 2005	2,813	3,962	6,775
Charged in year	546	903	1,449
Net Transfers In/Out	0	0	0
Disposals	(376)	(550)	(926)
Revaluations	(1)	1	0
Indexation	(58)	43	(15)
Impairment	(5)	0	(5)
<b>At 31 March 2006</b>	<u>2,919</u>	<u>4,359</u>	<u>7,278</u>
<b>Net Book Value at 31 March 2006</b>	<u>2,486</u>	<u>4,198</u>	<u>6,684</u>
<b>Net Book Value at 1 April 2005</b>	<u>1,590</u>	<u>3,872</u>	<u>5,462</u>
<b>Asset Financing:</b>			
Owned	2,486	4,198	6,684
Finance Lease	0	0	0
<b>Net Book Value at 31 March 2006</b>	<u>2,486</u>	<u>4,198</u>	<u>6,684</u>
<b>Revaluation analysis</b>			
Net change to Revaluation (excluding Impairment)	(40)	46	6
Impairment	(2)	0	(2)
<b>Statement of Recognised Gains and Losses</b>	<u>(42)</u>	<u>46</u>	<u>4</u>

Notes:

There are no donated assets.

	2004-2005		
	Office Machinery, Fixtures and Fittings and IT Equipment £000	Vehicles £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2004	5,239	6,873	12,112
Additions	661	1,198	1,859
Net Transfers In/Out	0	0	0
Disposals	(390)	(286)	(676)
Revaluations	5	0	5
Indexation	(953)	49	(904)
Impairment	(159)	0	(159)
<b>At 31 March 2005</b>	<u>4,403</u>	<u>7,834</u>	<u>12,237</u>
<b>Depreciation</b>			
At 1 April 2004	3,701	3,401	7,102
Charged in year	501	805	1,306
Net Transfers In/Out	0	0	0
Disposals	(356)	(268)	(624)
Revaluations	(5)	2	(3)
Indexation	(895)	22	(873)
Impairment	(133)	0	(133)
<b>At 31 March 2005</b>	<u>2,813</u>	<u>3,962</u>	<u>6,775</u>
<b>Net Book Value at 31 March 2005</b>	<u>1,590</u>	<u>3,872</u>	<u>5,462</u>
<b>Net Book Value at 1 April 2004</b>	<u>1,538</u>	<u>3,471</u>	<u>5,010</u>
<b>Asset Financing:</b>			
Owned	1,590	3,872	5,462
Finance Lease	0	0	0
<b>Net Book Value at 31 March 2005</b>	<u>1,590</u>	<u>3,872</u>	<u>5,462</u>
<b>Revaluation analysis</b>			
Net change to Revaluation (excluding Impairment)	(48)	25	(23)
Impairment	(26)	0	(26)
<b>Statement of Recognised Gains and Losses</b>	<u>(74)</u>	<u>25</u>	<u>(49)</u>

## Notes:

There are no donated assets.

**8 Debtors****A Analysis by type**

	<b>31 March 2006</b>	<b>31 March 2005 (Restated)</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	2,292	1,894
VAT	2,063	1,063
Staff Debtors	1,261	1,180
Debtors due from other Probation Boards (excluding Training Consortia)	0	0
Debtors due from other Probation Boards for Training Consortia	0	0
Debtors due from the Prison Service (excluding private Prisons)	5,002	2,978
Debtors due from the National Probation Directorate	2,074	1,977
Debtors due from the Home Office	192	427
Debtors due from National Offenders Management	215	132
Other Debtors	1,530	1,314
Prepayments and accrued income	3,547	3,200
Financing due from NPD	0	0
	<b>18,176</b>	<b>14,165</b>

	<b>31 March 2006</b>	<b>31 March 2005</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after more than one year:</b>		
Trade debtors	0	0
Staff debtors	1,001	1,539
Other debtors	0	0
Prepayments and accrued Income	0	0
	<b>1,001</b>	<b>1,539</b>

**B Intra-Government Balances**

	<b>31 March 2006</b>	<b>31 March 2005 (Restated)</b>
	<b>£000</b>	<b>£000</b>
Balances with other central government bodies	1,486	1,815
Balances with local authorities	2,951	3,175
Balances with NHS Trusts	869	681
Balances with public corporations and trading funds	67	79
Subtotal: intra-government balances	<b>5,373</b>	<b>5,750</b>
<b>Balances with bodies external to government</b>	<b>0</b>	<b>0</b>
<b>Total Debtors at 31 March</b>	<b>24,550</b>	<b>21,454</b>

**9 Cash at Bank and in hand**

	<b>31 March 2006</b>	<b>31 March 2005</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	33,777	31,587
Net change in cash balances	(3,588)	2,190
<b>Balance at 31 March</b>	<b>30,189</b>	<b>33,777</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General	0	0
Commercial banks and cash in hand	30,189	33,777
Balance at 31 March	30,189	33,777



**10 Creditors****A Analysis by type**

	<b>31 March 2006</b>	<b>31 March 2005 (Restated)</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
VAT	58	478
Other taxation and social security	9,659	8,436
Trade creditors	23,359	15,580
Other creditors	5,271	5,622
Staff creditors	5,218	3,785
Bank Overdraft	379	296
Creditors due to other Probation Boards (excluding Training Consortia)	0	0
Creditors due to other Probation Boards for Training Consortia	0	0
Creditors due to the Prison Service (excluding private prisons)	113	145
Creditors due to the National Probation Directorate	286	1,349
Creditors due to the Home Office	61	101
Creditors due to National Offenders Management	11	0
Unpaid pension contributions due to the pension scheme	4,422	2,643
Long Term Liabilities due within one year	14	14
Operating Income to be surrendered (Interest received)	2,012	1,831
Fixed asset accruals	77	179
Financing due to NPD	0	13
	<b>50,940</b>	<b>40,472</b>

	<b>31 March 2006</b>	<b>31 March 2005</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after more than one year</b>		
Staff creditors	0	0
Other creditors	27	27
	<b>27</b>	<b>27</b>

**B Intra-Government Balances**

	<b>31 March 2006</b>	<b>31 March 2005 (Restated)</b>
	<b>£000</b>	<b>£000</b>
Balances with other central government bodies	5,465	4,612
Balances with local authorities	4,188	4,580
Balances with NHS Trusts	563	300
Balances with public corporations and trading funds	10	25
Subtotal: intra-government balances	10,226	9,517
Balances with bodies external to government	0	0
<b>Total Creditors at 31 March</b>	<b>61,193</b>	<b>50,016</b>

**11 Provisions for Liabilities and Charges**

	<b>31 March 2006</b>		
	<b>Early Retirement and Pension Commitments Added Years</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2005	31,567	394	<b>31,961</b>
Provided in the year	3,717	371	<b>4,088</b>
Provisions not required written back	(29)	(19)	<b>(48)</b>
Provisions utilised in year	(1,814)	(198)	<b>(2,012)</b>
2005/06 impact of change in discount rate from 3.5% to 2.2%	3,681	(29)	<b>3,652</b>
<b>Balance at 31 March 2006</b>	<b>37,121</b>	<b>519</b>	<b>37,640</b>

	<b>31 March 2005</b>		
	<b>Early Retirement and Pension Commitments Added Years</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2004	31,982	353	32,335
Provided in the year	1,070	305	1,375
Provisions not required written back	64	(136)	(72)
Provisions utilised in year	(1,549)	(128)	(1,677)
<b>Balance at 31 March 2005</b>	<b>31,567</b>	<b>394</b>	<b>31,961</b>

**Early Retirement and Pension Commitments**

The 42 Probation Boards meets 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 42 Probation Boards provide for this in full when the early retirement programme becomes binding on the 42 Probation Boards by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms.

**Other**

Provisions have been recognised within the accounts where:

- (i) The 42 Probation Boards have a present obligation (legal or constructive) as a result of a past event;
- (ii) it is probable that a transfer of economic benefits will be required to settle the obligation;
- (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The Other Provisions relate to provisions arising from: legal costs, employment tribunals, rent review, superannuation contributions, motor vehicle accident, restructuring, insurance, programme funding, and settlement agreement and public liability.

**12 General Fund**

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(319,037)	(386,360)
Financing activities:		
Net NPD Financing received in year (excluding Training Consortia)	617,241	527,383
Training Consortia financing received by the Lead Board from NPD	22,946	24,300
Training Consortia financing received by the non-lead Board from NPD	29,603	33,760
Training Consortia financing received from the boards within their consortia	124	325
Training Consortia financing transferred from the Lead Board to the boards within their consortia	(1,388)	(2,045)
Training Consortia financing received from their Lead Board	1,369	2,016
Training Consortia financing transferred to their Lead Board	(203)	(264)
Training Consortia financing received by the Board from another non-lead board	0	0
Training Consortia financing transferred from the Board to another non-lead board	0	0
Recharges by NPD for centrally provided services	108,764	104,646
Increase/(decrease) in Financing Debtors	0	(4,871)
(Increase)/decrease in Financing Creditors	13	8,698
Net Transfers from Operating Activities		
Net Operating Cost for the year	(770,236)	(686,963)
Operating Income to be surrendered (Interest received)	(2,010)	(1,831)
Non-cash Charges:		
Cost of Capital	(8,311)	(12,326)
Transfer from Revaluation and Donated Asset Reserve (From Note 13a&13b)	48	54
Notional Audit Remuneration for the Consolidated Accounts	69	66
Actuarial gains and losses (STRGL)	26,787	74,375
<b>Balance at 31 March</b>	<b><u>(294,221)</u></b>	<b><u>(319,037)</u></b>

**13 Reserves****A Revaluation Reserve**

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

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	246	323
Arising on revaluations during the year (net)	6	(23)
Transfer to General Fund	(48)	(54)
<b>Balance at 31 March</b>	<b><u>204</u></b>	<b><u>246</u></b>

**B Donated Asset Reserve**

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	0	0
Additions during the year	0	0
Release to General Fund	0	0
<b>Balance at 31 March</b>	<b><u>0</u></b>	<b><u>0</u></b>

There are no donated assets.

**14 Notes to the Cash Flow Statement****A Reconciliation of operating cost to operating cash flows**

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>£000</b>	<b>£000</b>
Net operating cost	770,236	686,964
Adjustments for non-cash transactions	1,089	11,259
Increase/(Decrease) in Debtors	3,096	271
(Increase)/Decrease in Creditors	(11,111)	(2,627)
Adjustments for pension funding	14,113	(10,987)
	<b><u>777,423</u></b>	<b><u>684,880</u></b>

**B Analysis of capital expenditure and financial investment**

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>£000</b>	<b>£000</b>
Tangible fixed assets additions	(2,706)	(1,859)
Plus Opening Balance for Fixed Asset Accruals	(179)	(463)
Minus Closing Balance for Fixed Asset Accruals	77	179
Minus Proceeds of Disposal of Fixed Assets	18	9
	<b><u>(2,790)</u></b>	<b><u>(2,134)</u></b>

**C Analysis of financing**

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>£000</b>	<b>£000</b>
Net NPD Financing received in year (excluding Training Consortia)	617,241	527,383
Training Consortia financing received by the Lead Board from NPD	22,946	24,300
Training Consortia financing received by the non-lead Board from NPD	29,603	33,760
Training Consortia financing received from the boards within their consortia	124	325
Training Consortia financing transferred from the Lead Board to the boards within their consortia	(1,388)	(2,045)
Training Consortia financing received from their Lead Board	1,369	2,016
Training Consortia financing transferred to their Lead Board	(203)	(264)
Training Consortia financing received by the Board from another non-lead board	0	0
Training Consortia financing transferred from the Board to another non-lead board	0	0
Recharges by NPD for centrally provided services	108,764	104,646
Consolidated Fund Extra Receipts received in prior year surrendered (Interest Received)	(1,831)	(1,149)
	<b><u>776,625</u></b>	<b><u>688,972</u></b>

**15 Capital Commitments**

	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Capital commitments at 31 March for which no provision has been made		
Committed	13	0
Authorised but not contracted	383	34
<b>Total</b>	<b><u>396</u></b>	<b><u>34</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 the which the lease expires.

#### Obligations under operating leases comprise:

	2005-2006 Other £000	2004-2005 Other £000
Expiry within 1 year	420	443
Expiry after 1 year but not more than 5 years	1,077	860
Expiry thereafter	62	15
	<u>1,559</u>	<u>1,318</u>

## 17 Other financial commitments

Devon and Cornwall have entered into service level agreements with various partner organisations for periods of three years under the guidance of the Home Office's Partnership Compact which is designed to increase capacity in the non-statutory sector.

	2005-2006 Other £000	2004-2005 Other £000
Expiry within 1 year	0	0
Expiry within 2 to 5 years	655	1,006
Expiry thereafter	0	0
	<u>655</u>	<u>1,006</u>

## 18 Financial Instruments

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 42 Probation 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.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the Balance Sheet date have been omitted from this analysis.

## 19 Contingent Liabilities

At the Balance Sheet date, 4 Probation Boards had contingent liabilities. They are Devon and Cornwall, Lancashire, Northamptonshire and Nottinghamshire.

Devon and Cornwall: The Board has been made aware that Cornwall County Council is considering its position with regard to making a claim in respect of a deficit in its pension fund which may relate to pensioners of the old Cornwall Probation Board in the amount of £625,000.

Lancashire: A small number of part-time pensions employment cases have been made against the Board. Proceedings in these cases have been slow to develop and are not yet at an advanced stage, so any potential liability cannot be qualified.

Northamptonshire: There is a contingent liability in respect of an industrial tribunal which took place during the 2005/06 financial year. There will be a settlement awarded to the employee but the amount is uncertain as yet.

Nottinghamshire: A small number of part-time staff have submitted claims to an Employment Tribunal for back-dated rights to join the pension scheme. There is a potential liability if eligible staff choose to exercise their rights to join the scheme and the employer is required to make contributions. The amount depends upon the staff who decide to take up this option. A small number of staff following grievance procedures may result in claims to Employment Tribunals. No provision has been made in these accounts.

## 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	2005-2006		2004-2005	
	Number of Cases	Total Value £000	Number of Cases	Total Value £000
<i>Details of cases over £2,000</i>				
Cash losses	10	29	3	12
Claims abandoned	4	106	1	16
Administrative write-offs	5	23	1	14
Fruitless payments	1	5	2	10
Stores losses	0	0	3	12
Special payments	32	105	9	142
	<b>52</b>	<b>268</b>	<b>19</b>	<b>206</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	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 22 Related party transactions

The Home Office is regarded as a related party. During the year, the 42 Probation Boards have various material transactions with the Home Office. Additionally, the 42 Probation Boards have transactions with other Probation Boards, other government bodies and third party organisations. The main transactions relate to provision of staff for long term secondment within the Prison Service.

Some Probation Boards have strong links to their Local Authorities who may 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 locally published accounts.

### 23 Third-party assets

The following Probation Boards administer a trust fund. They are Essex, Greater Manchester, Humberside, North Wales, Northumbria, Staffordshire, Warwickshire and West Mercia. The following Probation Boards administer an amenity fund. They are Kent and Suffolk. The Essex Probation Board at 31 December 2004 held a balance of £114k on account.

	<b>31 March 2006</b>	<b>31 March 2005</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	64	81
Funds paid in during the year	128	45
Funds paid out during the year	(102)	(62)
<b>Balance at 31 March</b>	<b><u>90</u></b>	<b><u>64</u></b>

### 24 Post balance sheet events

There are no Post Balance Sheet Events requiring disclosure in the accounts

# 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 Home Department in respect of the financial year ended 31 March 2006 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.

*Ian Carruthers*  
Director, Government Reporting, HM Treasury



## 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.



Published by TSO (The Stationery Office) and available from:

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone 0870 240 3701

**TSO Shops**

123 Kingsway, London, WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**TSO@Blackwell and other Accredited Agents**

ISBN 0-10-294348-6



9 780102 943481