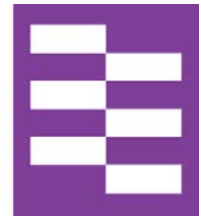


**Lancashire
Probation Trust**



Lancashire Probation Trust

**Annual Report and Accounts
2012–2013**



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Annual Report and Accounts
2012–2013

Presented to Parliament pursuant to The Government Resources and Accounts Act 2000
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Vision, Mission & Values

Purpose

The purpose of the Trust is that of managing risk, changing lives and improving communities.

Vision

Lancashire Probation Trust is a 21st century organisation providing 21st century services, making Lancashire a safer place to live by:

- Working with partners and individuals to reduce reoffending,
- Working to prevent the next victim,
- Enabling offenders to fulfil their potential to be a responsible member of the community.

Beliefs and Values

The Trust has as its beliefs and values:

- Respect,
- Integrity,
- Innovation,
- Empowering,
- Inspiring Challenging.

Foreword

Lancashire Probation Trust (LPT) delivers effective rehabilitation services to manage risk, change lives and improve communities in a complex, demanding and challenging environment. We are a statutory Criminal Justice service working with other voluntary and statutory Criminal Justice services to make Lancashire a safer place.

We work to:

- Protect the public
- Cut crime
- Enforce punishment of offenders
- Rehabilitate offenders to lead law abiding lives
- Uphold the victims of crime

Across Lancashire in the courts, the community and custodial settings, our staff are working on a daily basis with difficult, vulnerable and sometimes dangerous people.

In doing so we have, over the past 12 months, supervised over 8,000 offenders and tackled many of their complex alcohol behaviours, homelessness, drugs misuse and employment issues, in order to reduce reoffending rates in Lancashire. We have done this by reconfiguring our suite of General Offending Behaviour Programmes called Specified Activity Requirements (SARS). They address many of these issues, developing the offenders' skills to find meaningful ways to transform their behaviour and make real sustained changes to their lives.

We have proactively engaged with the community and our partners delivering conferences on accommodation, employment and research and developed our work with women in and with our communities.

In addition, we held a full staff conference training day for all our 550 employees (including secondees) that brought to the fore the holistic nature of our work to “make a difference” in our everyday engagement with victims and offenders.

We have won prestigious awards such as the gold standard Investors in People and, for the second year in succession, won a commendation from the Butler Trust for innovation.

However we are not complacent, and we have invested in developing a Business and Commercial Development Unit to be our “game changers” in the future competitive market, where the creative flexible approach that is prominent in all that we do and achieve in our work with difficult, vulnerable users of offender services will be developed accordingly.

We have again demonstrated our ability to respond to change from a position of strength having met and exceeded targets and expectations and I'm sure that the committed and motivated staff in Lancashire will continue to do so in order to Manage Risk, Change Lives and Improve the Communities in which we operate.

K Robinson
Chief Executive

20 June 2013

Operational & Performance Review 2012–13

Lancashire Probation Trust's annual contract sets the goals and targets it is required to achieve. The Trust strives to exceed performance in all areas in its commitment to 'manage risk, change lives, improve communities'.

Outcome to be achieved	Target	Outcome	% of target
Victims are satisfied with the service they receive for Victim liaison	92%	94.7%	103%
Victims contacted within 56 days and offered a service	90%	98%	109%
Attendance by the appropriate grade from the Probation Service at each level 2 and 3 Multi Agency Public Protection Meeting	90%	97%	108%
Reduce the rate of proven re-offending whilst under the supervision of probation	10.5%	11.3%	7.1% worse than predicted
Offenders who are in employment at termination of their order or licence	39%	51%	132%
Offenders in settled accommodation at termination of their order or licence	75%	88%	117%
The number of sexual Offender programme completions	60	60	100%
The number of Domestic Violence completions	60	72	120%
The number of Offending Behaviour completions	150	175	117%
The number of Community Payback completions	1500	1423	95%
Number of orders and licences that terminate successfully	70%	75%	107%
Cases where initiation of breach proceedings took place within 10 working days of the relevant unacceptable failure to comply	90%	99.5%	111%
Staff sickness	10.5 days	8.3 days	2.2 days better than target

Reducing Reoffending

The Trust is actively working on the reduction of reoffending and whilst the figures appear to indicate that reoffending has increased this is not the case. What is happening is that the predicted level of reoffending is reducing more quickly than the actual figures. In conjunction with Lancashire Police the Trust is leading the county wide Reducing Reoffending Strategy as this is not an area that can be managed by one agency alone.

The Trust sees reducing reoffending as a key challenge, and one in which it needs to engage partner agencies such as drug and alcohol treatment providers and accommodation and employment providers, as all of these are factors in deterring an individual from reoffending. If they have a stable home, a job to go to and are tackling their addictions, they are more likely to be a responsible member of their community. Another key factor is an individual's lifestyle and associates and to assist with this, the Trust is investing in volunteer mentoring as a means of engaging offenders in transforming their lives.

Community Payback

The past year has proved to be a challenge as the Trust strove to move towards an increased use of placements with other agencies. Whilst this has been successful with an improved level of engagement, the original targets did prove to be ambitious and this, combined with a reduction in the number of orders made by the courts, has led to the target not being achieved.

Management Commentary

Statutory background

The Probation Trusts were established under the Offender Management Act 2007 (OM Act). Each Trust is a corporate body under the OM Act and a Non-Departmental Public Body (NDPB) which reports to the National Offender Management Service (NOMS). This Trust came into existence on 1 April 2009 (following transition from Lancashire Probation Board which was established in 2001).

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT) and in accordance with the accounts direction issued, on page 49, by the Secretary of State under the OM Act.

Principal activities

Lancashire Probation Trust covers the Lancashire police area, as defined in Schedule 1 of the Police Act 1996, serving a population of almost 1.5m.

Each Trust is to initially provide assistance to the courts in determining the appropriate sentences to pass, and making other decisions in respect of persons charged with or convicted of offences, and to assist in the supervision and rehabilitation of such persons.

The discharge of policies as established by the Ministry of Justice, are designed to ensure:

- 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;
- the rehabilitation of offenders.

Operational Performance during 2012–13

An analysis of performance outcomes is summarised in the Annual Report on page 4.

Results for the year

The Statement of Comprehensive Net Expenditure (SoCNE) for the year is shown on page 20. The Statement of Changes in Taxpayers' Equity is shown on page 23.

Operating costs

The net operating cost before tax for 2012–13 stands at £0.788m compared to £0.283m for 2011–12, which is after pension scheme interest costs of £0.965m (2011–12 £0.590m).

Statement of Financial Position and Statement of Cash Flows

The Statement of Financial Position and Statement of Cash Flows are on pages 21 and 22.

The net liability position has increased from £30.510m at March 2012 to £37.611m at March 2013. The largest single movement is the increase in the pension liability from £30.981m to £38.306m.

Payment of creditors

In the year to 31 March 2013, the Trust paid 4,400 trade invoices, with the percentage of undisputed invoices paid within 30 days by the Trust was 87.5% compared to 88.3% in 2011–12.

Treatment of Pension Liabilities

Past and present employees of the Probation Trusts 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. Further information can be found in **Note 4** to the Accounts.

Sickness absence data

The average levels of absence due to staff sickness were 8.3 days across the Trust (2011–12 9.3 days).

Personal data related incidents

There were no significant personal data related incidents in 2012–13.

Going Concern

In March 2012 the Secretary of State announced the start of consultation exercises on the future of probation services in England and Wales and on planned reforms to community sentences. This consultation ended at the end of June 2012. A further consultation commenced in January 2013 building on the previous consultation last year which set out plans to contract out probation services more widely and increase the use of Payment by Results. The consultation period ended on 22 February 2013 and the results of these consultations were published in “Transforming Rehabilitation: A strategy for Reform”, on 9 May 2013 by the Secretary of State for Justice.

The recommendations of the report will change the way in which probation services are commissioned and delivered. A new National Probation Service will be created to protect the public from the most dangerous offenders and manage the provision of probation services. England and Wales will be divided into 21 contract areas which align closely with local authorities and Police and Crime Commissioner areas. MoJ/NOMS will be responsible for commissioning rehabilitation services. Probation service local delivery units will support the gathering of intelligence on needs and priorities at a local level, including from key partners (e.g. local authority needs assessments) to feed into the MoJ/NOMS commissioning process. The implications of the new arrangements for individual Trusts are not provided in the consultation announcement at this stage. Specifically, the announcement does not provide sufficient detail to form a judgement on whether the material functions, assets and liabilities will be transferred for continuing use in the public sector in the context of the FReM paragraph 2.2.15. This is likely to become clearer during 2013–14 as the proposals are further developed and implemented.

Implementation of the new arrangements will require a Statutory Instrument to be issued by the Secretary of State under the Offender Management Act 2007, subject to negative affirmation. This had not been drafted at the date the Annual Report and Accounts were approved. Senior management has concluded therefore that, having reviewed the results of the consultation within the context of the Financial Reporting Manual (FReM), it is appropriate for the Trust to prepare the 2012–13 Annual Report and Accounts on a going concern basis, with disclosure of a ‘material uncertainty’ around going concern, arising from the recommendations of the report, Transforming Rehabilitation: A strategy for Reform.

Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Certificate of the Comptroller and Auditor General.

As at the date of the Audit Certificate, no reportable events had occurred.

In March 2012 the Secretary of State announced the start of consultation exercises on the future of probation services in England and Wales and on planned reforms to community sentences. This consultation ended at the end of June 2012. A further consultation commenced in January 2013 building on the previous consultation last year which set out plans to contract out probation services more widely and increase the use of Payment by Results. The Consultation period ended on 22 February 2013 and the results of these consultations were published on 9 May 2013 by the Secretary of State for Justice.

Although the detail of the new structure has not been confirmed, the recommendations will change the way in which probation services are commissioned and delivered. As a result it is expected that the

future structure of the probation service and of this Trust will need to change and adapt to meet the new requirements. (Trusts to add additional comments if specifically mentioned in report).

Senior management has concluded that, having reviewed the recommendations of the report within the context of the accounting standards including the Financial Reporting Manual (FReM) para 2.2.15 and IAS 10: Events after the reporting period, it is appropriate for the Trust to prepare the 2012–13 Annual Report and Accounts on a going concern basis, arising from the recommendations of the Probation Review.

Sustainable development

The Trust falls within the scope of reporting under the Greening Government commitment. As such we have produced a separate sustainability report showing performance against sustainability targets for greenhouse gas emissions, waste minimisation and management and the use of finite resources and their related expenditure. The Sustainability Report is shown on pages 51 to 54.

Future developments

As stated above the structure of the probation service is currently being reviewed, in light of the results of the consultations published on 9 May 2013.

Communications and employee involvement

The Trust attaches great importance to engaging and communicating with its staff, particularly in this time of significant change. Staff are kept up to date with developments through the Trust's intranet, staff roadshows and email communications.

Staff diversity

Lancashire Probation Trust is committed to equal opportunities in both employment practice and service delivery. In accordance with the requirements of the Equality Act 2010 the Trust has published equality information on its website, and developed a suite of equality objectives which are driven and monitored throughout the organisation.

Audit

In accordance with the direction given by the Secretary of State, these accounts have been prepared in accordance with the FReM. With effect from 1 April 2012, the external Auditor changed from the Audit Commission to the National Audit Office. This change of the external Auditors was driven by a Department for Communities and Local Government decision to disband the Audit Commission and was made by HMT via a 2012 order to the Government Resource Accounts Act 2000. The Comptroller and Auditor General is appointed by statute to audit the Trust and reports on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The Audit Certificate of the Comptroller and Auditor General is attached to the Accounts on page 18.

Total audit fees reported in the Accounts are £26,000. The audit fees for 2011–12 relate to the previous external auditor.

As Accountable Officer, I have taken all steps to ensure that:

- I am aware of any relevant audit information
- the Auditor is aware of that information, and
- there is no relevant audit information of which the Auditor is unaware.

The Lancashire Probation Trust Management Board

The governance arrangements within the Trust for the period April 2012 to March 2013, included the following:

- Annual plans for service provision
- Agreeing and delivering the contract with NOMS
- A range of sub-committees reporting to the Board.

The operational management throughout the year was carried out by the Management Board.

The Chair, Chief Executive, and other members of the Board were all appointed by the Secretary of State.

Details of the remuneration of the Management Board are set out in the Remuneration Report on pages 9 to 10.

Membership of the Board is set out in the table below:

Position	Name
Chief Executive	Mr K Robinson
Chair	Mr R Male
Board member	Mr D Booker
Board member	Mrs C Ainscough
Board member	Mrs C Threlfall
Board member	Mr L Sewell

My thanks and appreciation is extended to all past and present members of the Board for their hard work and effort during this reporting year.

K Robinson
Accountable Officer
20 June 2013

Remuneration Report

Appointments

The Chair, the Chief Executive, and other members of the Trust Board are all appointed by the Secretary of State. The terms of employment of the appointed members are for the Secretary of State to determine, though the terms of employment of the Chief Executive are for the appointed members to determine, with the approval of the Secretary of State.

The salary and pension entitlements of the senior managers and non-executive directors of the Lancashire Probation Trust were as follows:

A) REMUNERATION – AUDITED

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

	2012/13			2011/12		
	Salary (as defined below) £000s	Bonus £000s	Benefits in kind (rounded to the nearest £100) £	Salary (as defined below) £000s	Bonus £000s	Benefits in kind (rounded to the nearest £100) £
Mr K Robinson	75–80	None	5	30–35 (part year)	None	3
Mr R Male	15–20	None	5	15–20	None	6
Mr D Booker	0–5	None	7	0–5	None	None
Mrs C Ainscough	0–5	None	None	0–5	None	None
Mrs C Threlfall	0–5	None	1	0–5	None	None
Mr L Sewell	0–5	None	1	0–5	None	None

All MoJ appointed Trust Board members receive non-pensionable remuneration of £15.40 per hour from 1 April 2008, with the exception of the Chief Executive and the Chair. Trusts at their discretion may pay a travelling allowance and any other relevant expenses incurred.

The total remuneration of the highest paid Director and the median total remuneration for other staff are shown in the table below.

	Total Full-time Equivalent Remuneration	
	2012–13	2011–12
Highest paid Director (pay band)	£75,000–£80,000	£90,000–£95,000
Median for other staff	£23,274	£24,229
Pay multiple ratio	3.4:1	3.8:1

The median remuneration is the total remuneration of the staff member lying in the middle of the linear distribution of the total staff, excluding the highest paid Director. The pay multiple ratio is ratio between the total remuneration of the highest paid Director and the median for other staff.

Salary

'Salary' includes the gross salary; overtime; etc as applicable to Lancashire Probation Trust.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits received are in respect of costs for accommodation, travel and the pecuniary liability in respect of tax paid under the employer PAYE settlement agreement with HM Revenue and Customs.

B) PENSION BENEFITS – AUDITED

	Total accrued pension at pension age as at 31 March 2013 & related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV at 31 March 2013	CETV at 31 March 2012	Real increase/ (decrease) in CETV after adjustment for inflation and changes in market investment factors
	£000s	£000s	£000s	£000s	£000s
Mr K Robinson	41 plus lump sum 62	4 plus lump sum 5	515	441	64

This scheme provides benefits on a ‘final salary’ basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths 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 between 5.5% and 7.5% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses current market valuation factors for the start and end of the period.

K Robinson
Accountable Officer
 20 June 2013

Statement of Accountable Officer's Responsibilities

Under the Schedule 1, paragraph 13(1)(b) of the Offender Management Act 2007, the Secretary of State has directed the Lancashire Probation Trust to prepare for each financial year, a statement of accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Trust during the year. The accounts are prepared on an accrual basis and must give a true and fair view of the state of affairs of the Trust and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments 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 material departures in the financial statements; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

The Secretary of State has appointed the Chief Executive as the Accountable Officer of the Trust. The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Trust's assets, are set out in Managing Public Money published by HM Treasury.

Governance Statement

Scope of Responsibility

As Chief Executive and Accountable Officer for Lancashire Probation Trust I have responsibility for maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible in accordance with responsibilities assigned to me in "Managing Public Money." I am held accountable by Lancashire Probation Trust Board for the administration of finances and for the overall performance of the Trust:

- The Trust's Business Plan sets out the aims, objectives and budget for the Lancashire Probation Trust.
- Financial out-turn and performance against contracted targets and objectives are regularly monitored through my regular Contract Monitoring meetings with the nominated senior representative of the National Offender Management Service (NOMS).
- I ensure on behalf of the Trust Board that the public funds, for which I have responsibility, are allocated in accordance with the Trust's Standing Orders and financial regulations.
- I ensure that Lancashire Probation Trust staff work within the framework of policies and financial regulations approved by the Trust Board.
- I also ensure that organisational risks are identified and managed in accordance with the policy and structures agreed by the Board and that monitoring arrangements are in place for this through the Audit Committee.

As Chief Executive, I am involved in a number of significant inter-agency activities. These include the Criminal Justice Board and partnerships with the Police and others on the management of dangerous offenders through the multi-agency public protection (MAPPA) arrangements, partnerships with the Prison Service in the resettlement of offenders and a series of inter-agency partnerships involving Criminal Justice agencies, the National Health Service and local authority services in relation to child protection, drug misuse, the administration of justice and the resettlement of offenders.

Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Trust Board directs and controls its activities and through which it accounts to the Secretary of State and the community. The framework enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The Trust Board must ensure, through myself as Chief Executive and Accountable Officer, that arrangements are in place to meet its accountabilities to the NOMS Agency and through the Agency to Parliament. These include;

- Agreeing and delivering the contract with NOMS for the provision of probation services in Lancashire.
- Preparing annual plans for service provision, including an assessment of risks associated and ensuring these are commensurate with the Agency's aims and objectives.
- Ensuring the annual accounts and associated reports are prepared and presented in accordance with the Government Financial Reporting Manual (FRM) and ensuring appropriate records are held.

Central to the governance framework is the Trust Board who met in public meeting on 9 occasions during 2012/13 and was quorate for each meeting ensuring the work of the Board progressed in a timely manner. In order to further discharge these responsibilities, the Board has put in place a supporting structure comprising 4 Committees;

- Audit Committee
- Health and Safety Committee
- Joint Negotiating Consultative Committee (JNCC)
- Partnerships and Commissioning Board

The table below shows the membership of the Trust Board and sub – committees and the attendance records of members at meetings during the period 1st April 2012–31st March 2013

Name	Role	Trust Board	Audit Committee	Health and Safety Committee	JNCC	Partnerships and Commissioning Board
		No.	No.	No.	No.	No.
Mr K Robinson	Chief Executive	9/9	3/5	3/4	2/4	3/5
Mr R Male	Chair	9/9	4/5 *			
Mr D Booker	Board Member	9/9	4/5			4/5
Mrs C Ainscough	Board Member	6/9	4/5			
Mrs C Threlfall	Board Member	8/9		1/4 (As deputy)	4/4	
Mr L Sewell	Board Member	9/9	5/5	3/4	4/4	5/5

* As Ex-officio

The system of internal control is a significant part of the governance framework and 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 the Trust's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework, including the system of internal control, has been in place in the Lancashire Probation Trust for the year ended 31 March 2013 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Risk Assessment

The Audit Committee is responsible for reviewing the risk and control framework of Lancashire Probation Trust operating within their agreed Terms of Reference. These draw fully on the guidance provided in the 'Audit Committee Handbook' issued by H.M. Treasury which defines the policy principles of Audit Committees operating within the public sector. The Committee met on 5 occasions during the year and all meetings were quorate.

The purpose of the Audit Committee is to provide advice and support to myself as Accountable Officer in the effective discharge of my responsibilities for Governance, Risk Management and Internal Control. In the discharge of these duties the Audit Committee reviews and scrutinises:

- Internal Financial Control matters including maintenance of proper accounting records and the reliability of financial information.
- Risks regarding disclosure statements, including the Annual Governance Statement.
- The Trust's Risk Register containing those risks that underlie the achievement of the Trust's strategic objectives, together with the underlying assurances provided by way of mitigation.
- Specific procedures relating to anti fraud and corruption and
- Regular audit reports from the Internal Auditors (the NOMS Audit and Assurance Unit (AAU)) on internal controls and risk management activity.

The Trust's risk management strategy underpins the risk management arrangements in place to successfully achieve the objectives of the Trust. The overarching Risk Management Policy continues to support the governance framework and associated processes. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks through the following processes:

- As part of the business planning process, the Senior Leaders' Forum considers the current risk register detailing the existing critical risks that face the organisation and identify those emerging from

the new business plan objectives and priorities for the coming year. A summary risk register is compiled from this review and is included within the business plan itself.

- Responsibility for the ongoing assessment and management of risk is allocated to individual members of the senior management team (the Risk Owners) within their individual areas of expertise. The overall responsibility for risk management processes has been delegated to the Treasurer to the Trust Board.
- The Senior Leaders Forum formally reviews the risk register on a quarterly basis as part of the performance review cycle. The group ensures that those risks already identified are being well managed and also identifies and considers any emerging risks. In assessing risk, consideration is given to both the probability of occurrence and the potential impact on the Lancashire Probation Trust given the controls in place. The Senior Leaders Forum receives individual reports from each of the Risk Owners, each quarter, on the steps being taken to manage the risks assigned to them together with a commentary on the action to be taken to minimise the risk further wherever possible. A colour coded, traffic-light system is used to focus attention on the key risk areas.
- The risk register is reviewed at each Audit Committee meeting. The key business risks identified and monitored during the year were:
 - Contract management and delivery against performance targets.
 - Public protection.
 - Employee relations.
 - Financial planning.
 - Statutory compliance with regard to the Lancashire estate and the Ministry of Justice's facilities management contract.
 - Retention of business following the impending outcome of the Ministry of Justice's Transforming Rehabilitation Consultation.
 - Information systems.
 - Staff recruitment and retention.

The risks have been well managed during the year however, as a consequence of failings in service provision in the facilities management contract, the Audit Committee and the Trust Board have deemed the position sufficiently serious to escalate this to the Ministry of Justice through the Trust contract dispute procedure.

- The organisation continues to embed the risk management process across all aspects of work. Every team, both operational and support service, is required to include a Risk Register in their team plan for the year, considering the risks specific to their own area of operation as well as those which link with, and impact on, the key organisational risks identified in the Business Plan.
- The Audit Committee receives regular reports from the Internal Auditors which provide an independent opinion on the adequacy and effectiveness of the Trust's system of internal control, together with recommendations for improvement. The Audit Committee reviews progress against the recommendations made at each meeting.
- A methodology for the prioritisation of workload by staff is in place to ensure that the level of risk is minimised in the event of any shortfall in available resources.
- The reporting framework in place across the organisation ensures that all reports presented for consideration and approval at the Trust Board, Audit Committee or Senior Leaders Forum meetings systematically consider:
 - Risk implications
 - Financial implications
 - Staffing implications
 - Health and Safety implications
 - Links to the Business Plan objectives

Risk and control framework

The key elements of the Trust's risk and internal control environment include:

- Standing Orders, Terms of Reference for individual Committees and a Scheme of Delegation which establishes the overall arrangements for policy setting and decision making and the delegation of powers to the Trust Board and officers

- A clear business planning process which sets clear objectives and targets and reconciles policy priorities and targets with financial resources
- A system of regular monitoring and reporting of the Trust’s performance against the business plan
- Established budget setting and budgetary management systems, ensuring the economical, effective and efficient use of resources and regular reporting of financial performance to officers and to the Trust Board
- Financial Regulations and a supporting framework of financial procedures
- A structure of centrally monitored, devolved financial management that promotes management of the Trust’s finances at the appropriate organisational level
- A risk management policy that sets out the Trust’s commitment to systematic risk assessment and provides the framework to properly manage and control both business and operational risk
- A Code of Conduct for Trust Board Members and a Code of Professional Standards for Trust officers that set out clear expectations for standards of behaviour
- Arrangements for dealing with complaints and whistle-blowing and for combating fraud and corruption.

Corporate Governance

The Code of Good Practice (Corporate Governance in Central Government Departments – HM Treasury, July 2011) covers six key areas on which accountable officers need to be in a position where they can either confirm compliance or explain alternative governance measures as being in place i.e. the “comply or explain mechanism”. The checklist developed by the National Audit Office offers a template with which to measure compliance.

It is my view that although some of the principles in the Code are not directly applicable to Probation Trusts, the checklist does give the opportunity to demonstrate where assurances of compliance are in place:

Principle	Assessment
Parliamentary accountability	Not currently applicable, but as far as possible the role of the Accountable Officer with regards to internal control (set out above) would suggest compliance
The role of the Board	Complied. see sections: Governance Framework Review of effectiveness
Board composition	Complied. see sections: Governance Framework Review of effectiveness
Board effectiveness	Complied. see sections: Governance Framework Review of effectiveness
Risk management	Complied. see sections: Risk & control framework
Arm’s Length Bodies	Not currently applicable. However the effect of the Probation Review means the Trust Board needs to be prepared in advance to take the right advice.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance framework and system of internal control. My review of effectiveness is informed by the work of the internal auditors and the senior managers within Lancashire Probation Trust who have responsibility for the development and maintenance of the internal control framework, and the comments made by the external auditors in their management letter issued to the Trust Board during the year.

Advice has been provided by the Trust Board, the Audit Committee and the Senior Leaders Forum on the implications arising from the results of my review, the development and implementation of plans to address weaknesses identified and to ensure a system of continuous improvement is in place.

In maintaining and reviewing the effectiveness of the Trust's internal control environment, the following have been considered:

- Reports received by Audit Committee
The Audit Committee receives and discusses the plans, reports and recommendations of both the Internal and External auditors to ensure development of the internal control environment. During the year the Internal Auditor carried out 8 audits covering topics within the areas of financial systems, service delivery and national standards and support services. Progress on the implementation of internal audit recommendations is reviewed at each Audit Committee meeting
- The Annual Internal Audit Assurance Report
Regular reports by the Trust's Internal Auditors include an independent opinion on the adequacy and effectiveness of internal controls, together with recommendations for improvement. Their annual report is based primarily on the work conducted during the year but also takes into account their observations during attendance at Audit Committee meetings. It also takes into account their confidence in the extent to which agreed actions to remedy weaknesses are implemented by due dates.

Their assessment of the Trust in their report for 2012/13 stated:

'our work identified moderate/significant rated findings that are isolated to specific systems and processes and when taken in aggregate we believe they are not pervasive to the system of internal control as a whole. Consequently I can give reasonable assurance on the adequacy and effectiveness of the system of governance, risk management and internal control.'

- Quarterly reviews of the risk register by the Senior Leaders Forum and the Audit Committee
- Quarterly performance monitoring reports presented to the Trust Board
- Monthly performance 'Tracker' reports presented to and scrutinised by the Senior Leaders Forum
- The thematic reviews and audits of practice undertaken by the Trust's Performance, Quality and Standards Unit
- Serious Further Offence Reviews carried out by senior management and action learning points disseminated to staff
- The Trust's 3 year Finance Strategy and financial scenario planning model
- Monthly sickness absence monitoring reports
- A Corporate Governance and Financial Management Manual that consolidates the key documents in both these areas, issued to all Board Members and managers
- The Trust Board has agreed several new policies and revised and updated existing ones, in conjunction with the senior management team, including:
 - Flexi Time Policy
 - Consultation Policy
 - Recruitment and Selection Policy
 - Personal Annual Leave Policy
 - Staff Award and Recognition Policy
 - Secondment and Placement Policy
 - Career Break Policy

Significant Governance and Internal Control Issues

On the basis of the review of the sources of assurance set out in this statement, I am satisfied that Lancashire Probation Trust has in place a satisfactory system of governance and internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

As part of my review, I am required to identify and disclose any significant internal control issues; no such significant control issues have been identified either within the Trust by management or staff or by the Internal or External Auditors.

However, the governance framework and system of internal control must be subject to continuous review and to ensure that it continues to meet the needs of the service and to operate effectively we have identified the following work:

- A Transforming Rehabilitation Transition Project – to ensure the Trust is prepared and can manage the change and the transition arrangements arising from the finalisation of the Ministry of Justice’s consultation paper whilst still maintaining a high level of performance and service delivery
- An IT Project Steering Group – to oversee the implementation and development of the new, national offender management and offender risk management IT systems, Delius and OASys.

K Robinson
Accountable Officer

20 June 2013

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of Lancashire Probation Trust for the year ended 31 March 2013 under the Offender Management Act 2007. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Offender Management Act 2007. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate. I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Lancashire Probation Trust's affairs as at 31 March 2013 and of the net operating cost after taxation for the year then ended; and
- the financial statements have been properly prepared in accordance with the Offender Management Act 2007 and Secretary of State directions issued thereunder.

Emphasis of Matter – Material uncertainty in respect of going concern

Without qualifying my opinion, I have considered the adequacy of the disclosures made in **Note 1.3** of the financial statements, concerning management's consideration of a material uncertainty around the going concern status of the Trust. This arises from an announcement by the Secretary of State for Justice on 9 May 2013, regarding the future of the probation service.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Offender Management Act 2007; and
- the information given in the Operational and Performance Review and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

3rd July 2013

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

Accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2013

	Notes	2012–13 £000	2011–12 £000
Administration costs			
Staff costs	3(a)	17,613	17,640
Other administration costs	6(a)	6,359	6,090
Income	7(a)	(24,125)	(24,013)
Net administration costs		(153)	(283)
Programme costs			
Staff costs	3(a)	338	307
Other programme costs	6(b)	0	9
Income	7(b)	(362)	(340)
Net programme costs		(24)	(24)
Net operating costs		(177)	(307)
Expected return on pension assets	4(d)	(3,974)	(4,470)
Interest on pension scheme liabilities	4(d)	4,939	5,060
Net operating costs before taxation		788	283
Taxation	5	132	0
Net operating costs after taxation		920	283

Other Comprehensive Expenditure

	Notes	2012–13 £000	2011–12 £000
Net gain on revaluation of property, plant and equipment	8	(26)	(4)
Net gain on revaluation of intangibles	9	(1)	(1)
Pension actuarial loss	23	6,208	6,715
Total comprehensive expenditure for the year ended 31 March 2013		7,101	6,993

The notes on pages 24 to 48 form part of these accounts.

Statement of Financial Position

As at 31 March 2013

	Notes	2012–13 £000	2011–12 £000
Non-current assets			
Property plant and equipment	8	349	296
Intangible assets	9	67	2
Total non-current assets		416	298
Current assets			
Deferred tax asset	19	0	0
Trade and other receivables	12(a)	1,972	1,849
Cash and cash equivalents	13	877	1,991
Total current assets		2,849	3,840
Total assets		3,265	4,138
Current liabilities			
Trade and other payables	14(a)	(1,558)	(2,687)
Provisions	15	0	0
Taxation payables	14(a)	(1,012)	(980)
Total current liabilities		(2,570)	(3,667)
Non-current assets plus/less net current assets/(liabilities)		695	471
Non-current liabilities			
Pension liability	4(c)	(38,306)	(30,981)
Total non-current liabilities		(38,306)	(30,981)
Assets less liabilities		(37,611)	(30,510)
Taxpayers' equity			
General fund	23	(37,715)	(30,587)
Revaluation reserve – property, plant and equipment	24(a)	108	82
Revaluation reserve – intangible assets	24(b)	(4)	(5)
		(37,611)	(30,510)

The financial statements on pages 20 to 23 were approved by the Board on 20 June 2013 and were signed on its behalf by

..... Accountable Officer

Date: 20 June 2013

The notes on pages 24 to 48 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2013

		2012-13	2011-12
	Notes	£000	£000
Cash flows from operating activities			
Net operating costs	23	(920)	(283)
Adjustments for non-cash transactions	6(a)	112	141
Adjustments for pension cost		1,117	329
Increase in receivables	12(a)	(123)	(622)
(Decrease)/increase in payables	14(a)	(1,097)	735
Net cash outflow from operating activities		(911)	301
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(143)	0
Purchase of intangibles	9	(65)	0
Proceeds on disposal of property, plant and equipment	8	5	5
Proceeds on disposal of intangibles	9	0	0
Net cash outflow from investing activities		(203)	5
Cash flows from financing activities			
Net financing received in year	23	0	0
Payments of amounts due to the Consolidated Fund to NOMS		0	(1)
Net financing		0	(1)
Net (Decrease)/increase in cash and cash equivalents in the period		(1,114)	305
Cash and cash equivalents at the beginning of the period	13	1,991	1,686
Cash and cash equivalents at the end of the period	13	877	1,991
(Decrease)/increase in cash		(1,114)	305

The notes on pages 24 to 48 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013

	Notes	General Fund £000	Revaluation Reserve £000	Total £000
Balance as at 1 April 2011		(23,589)	72	(23,517)
Prior period adjustment	23/24	0	0	0
Changes in taxpayers' equity for 2011–12				
Net operating cost after taxation	SocNE	(283)		(283)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)	0	4	4
Net gain/(loss) on revaluation of intangibles	24(b)	0	1	1
Transferred from revaluation reserve	23	0	0	0
Pension actuarial (loss)/gain	23	(6,715)	0	(6,715)
Balance as at 31 March 2012		(30,587)	77	(30,510)
Changes in taxpayers' equity for 2012–13				
Net operating cost after taxation	SocNE	(920)		(920)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)		26	26
Net gain/(loss) on revaluation of intangibles	24(b)		1	1
Transferred from revaluation reserve	23	0	0	0
Pension actuarial (loss)/gain	23	(6,208)	0	(6,208)
Balance as at 31 March 2013		(37,715)	104	(37,611)

The notes on pages 24 to 48 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2012–13 Government Financial Reporting Manual (FRm) issued by HM Treasury. The accounting policies contained in the FRm follow International Financial Reporting Standards (IFRS) as at the reporting date to the extent that it is meaningful and appropriate to the public sector.

Where the FRm permits a choice of accounting policy, the policy which has been judged to be the most appropriate to the particular circumstances of the Probation Trust for the purpose of giving a true and fair view has been selected. The Probation Trust's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The Trust has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements, except for the following:

The IASB has issued an amended IAS 19 that will come into force for financial periods beginning on or after 1 January 2013 (IAS 19R). IAS 8 requires the disclosure of the impact of the changes to accounting standards which have not yet been adopted. In particular, it requires a disclosure, in the 2013 accounts for those employers with 31 March 2013 year end date, of the expected impact of the future change in accounting standard. The principal changes are as follows:

- The expected return on assets is calculated at the discount rate, instead of, as currently, at an expected return based on actual assets held in the Fund.
- The interest on the service cost is included in the service cost itself.
- Administration expenses continue to be charged through the Statement of Comprehensive Net Expenditure, but are set out as a separate item.

Had the Trust adopted the amended IAS19 for the 2012–13 reporting period, the impact on the pension cost in the financial statements would have been an increase of £0.6m.

1.1 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention and modified to account for the revaluation of non-current assets, where material, at their value to the business. The functional and presentational currency of the Trust's financial statements is the British pound sterling (to the nearest £1,000 unless otherwise stated).

1.2 Changes in accounting policies and restatement of comparatives

There have been no changes in accounting policies or restatement of comparatives in these accounts.

1.3 Going concern

The Statement of Financial Position at 31 March 2013 shows negative Taxpayers' Equity, which reflects the inclusion of liabilities falling due in future years. The future financing of the Probation Trust liabilities is met by future grants of Supply to the Ministry of Justice/NOMS and there is no reason to believe that future approvals of Supply will not be forthcoming. The Trust will continue to invoice NOMS for the provision of probation services under the terms of its contract with NOMS.

A consultation paper "Transforming Rehabilitation – A revolution in the way we manage offenders" was issued in January 2013 which built on the previous consultation last year and set out plans to contract out probation services more widely and increase the use of Payment by Results. The consultation period ended on 22 February 2013 and the results of both consultations were published in "Transforming Rehabilitation: A strategy for Reform", on 9 May 2013 by the Secretary of State for Justice.

The recommendations of the report will change the way in which probation services are commissioned and delivered. A new National Probation Service will be created to protect the public from the most dangerous offenders and manage the provision of probation services. England and Wales will be divided into 21 contract areas which align closely with local authorities and Police and Crime Commissioner areas. MoJ/NOMS will be

responsible for commissioning rehabilitation services. Probation service local delivery units will support the gathering of intelligence on needs and priorities at a local level, including from key partners (e.g. local authority needs assessments) to feed into the MoJ/NOMS commissioning process. The implications of the new arrangements for individual Trusts are not provided in the consultation announcement at this stage. Specifically, the announcement does not provide sufficient detail to form a judgement on whether the material functions, assets and liabilities will be transferred for continuing use in the public sector in the context of the FReM paragraph 2.2.15. This is likely to become clearer during 2013–14 as the proposals are further developed and implemented.

Implementation of the new arrangements will require a Statutory Instrument to be issued by the Secretary of State under the Offender Management Act 2007, subject to negative affirmation. This had not been drafted at the date the Annual Report and Accounts were approved. Senior management has concluded therefore that, having reviewed the results of the consultations within the context of the Financial Reporting Manual (FReM), it is appropriate for the Trust to prepare the 2012–13 Annual Report and Accounts on a going concern basis, with disclosure of a 'material uncertainty' around going concern, arising from the recommendations of the report, Transforming Rehabilitation: A strategy for Reform.

1.4 Property, plant and equipment

Non-current assets are included at cost upon purchase and are restated at each Statement of Financial Position date using the Price Index Numbers for Current Cost Accounting (Office for National Statistics). The minimum level for capitalisation of a tangible non-current asset is £5,000, inclusive of any irrecoverable VAT element, where appropriate.

All land and building assets used by the Probation Trust are managed and owned centrally by NOMS and are recorded on their Statement of Financial Position. The cost of using those assets is included within **Note 6(a)**, other administration costs under "accommodation, maintenance & utilities". The charge to the Probation Trust does not represent the full cost incurred by NOMS.

Revaluation of non-current assets

The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments in non-current assets (excluding donated assets). Upward revaluations go to the Revaluation Reserve. Downward revaluations are charged to the revaluation reserve if there is a prior credit balance; otherwise they are charged to the SoCNE.

1.5 Depreciation

Non-current 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 currently in the following ranges:

Information technology	5 years depending on individual asset type
Plant & equipment	3 to 15 years depending on individual asset type
Vehicles	7 years depending on individual asset type
Furniture, fixtures & fittings	5 years depending on individual asset type

1.6 Impairment

All non-current assets are assessed annually for indications of impairment as at 31 March. Where indications of impairment exist, the asset value is tested for impairment by comparing the book value to the recoverable amount. In accordance with IAS 36 the recoverable amount is determined as the higher of the "fair value less costs to sell" and the "value in use". Where the recoverable amount is less than the carrying amount, the asset is considered impaired and written down to the recoverable amount and an impairment loss is recognised in the SoCNE. Any reversal of an impairment charge is recognised in the SoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in the SoCNE. The remaining amount is recognised in the Revaluation Reserve. Under IAS 36, Intangible Assets under construction should be tested for impairment annually.

1.7 Intangible non-current assets

Intangible non-current assets should be recognised only if it is probable that future service potential will flow to the Trust and the cost of the asset can be measured reliably. The future service potential can be defined as a direct contribution of the intangible asset to the delivery of services to the public. These intangibles mainly comprise of internally developed software for internal use and purchased software.

The minimum level for capitalisation of an intangible non-current asset is £5,000, inclusive of any irrecoverable VAT element, where appropriate.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition. Internal staff costs are expensed to the SoCNE, as are those of contractors and interims undertaking ongoing roles that might otherwise be filled by civil servants. The costs of external consultants engaged on projects are capitalised where appropriate.

The useful lives of intangible assets are assessed to be finite. As there is no active market for these intangible assets, their fair value is assessed at re-valued amount less any accumulated amortisation and accumulated impairment losses.

The re-valued amount and indications of impairment are determined from an annual appraisal of the assets' underlying business case using discounted future economic benefits (cost savings). The net present value of the project is compared with the total current cost, and impaired accordingly.

The intangible assets (Software and Development) are amortised over 7 years using the straight-line.

Intangible assets are restated at each Statement of Financial Position date using ONS IT price indices.

1.8 Non-current assets held for sale

The Trust does not have any non-current assets held for sale.

1.9 Inventories

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

1.10 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 Probation Trust. This comprises income under the Trust's contract with NOMS for the provision of Probation Services, rent receivables, income from EU sources, income from other Trusts, from within the MoJ Group, 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.

With effect from 1 April 2011, NOMS has confirmed that Trusts can now retain bank interest received. Trusts are no longer required to surrender this to HM Treasury via NOMS and MoJ.

1.11 Administration and programme expenditure

The SoCNE is analysed between administration and programme income and expenditure. The classification of expenditure and income for both Administration and Programme follows the definition set out in the FReM by HM Treasury. Administration costs reflect the costs of running the Probation Trust together with associated operating income. Programme costs are defined as projects which are fully or partially funded from outside the Ministry of Justice. On consolidation into NOMS Agency Accounts, all expenditure and income is classified as programme, except the audit fee which is administration expenditure.

1.12 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 statement of financial position, 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. The pension fund actuary has used roll forward estimated asset value figures in producing the IAS 19 pension liability and other disclosures.

1.13 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as a tangible non-current 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 SoCNE over the period of the lease at a constant rate in the relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the SoCNE on a straight-line basis over the term of the lease.

A distinction is made between finance leases and operating leases. Finance leases are leases where substantially all of the risks and rewards incidental to ownership of leased non-current assets are transferred from the lessor to the lessee when assessed against the qualitative and quantitative criteria in IAS 17. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Finance leases

Finance lease rights and obligations are initially recognised at the commencement of the lease term as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments determined at the inception of the lease. Minimum lease payments are allocated between interest expense and reduction of the outstanding lease liability, according to the interest rate implicit in the lease or the HM Treasury rate where a rate could not extrapolated from the lease.

Finance lease liabilities are allocated between current and non-current components. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

Operating leases

The Trust has entered into a number of operating lease arrangements. Rentals under operating leases are charged to the SoCNE on a straight-line basis.

Operating leases – incentives

Lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) are treated as an integral part of the consideration for the use of the leased asset. The incentives are accounted as an integral part of the net consideration agreed for the use of the leased asset over the lease term, with each party (the lessor and lessee) using a single amortisation method applied to the net consideration.

IFRIC 4 Determining whether an arrangement contains a lease

In determining whether the Trust holds a lease, contracts that use assets are assessed to determine whether the substance of the arrangements contain a lease. The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The arrangement is then assessed under IAS 17 to determine whether it should be accounted for as a finance or operating lease.

1.14 Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when the Probation Trust has a present legal or constructive obligation, as a result of past events, for which it is probable or virtually certain that an outflow of economic benefits will be 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.

1.15 Value Added Tax

For the Probation Trust most of the activities are within the scope of VAT and, in general, output tax is charged and input tax on purchases is recoverable. Capitalised purchase cost of non-current assets are stated net of recoverable VAT. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.16 Deferred Tax

It is the Trust's policy to recognise a deferred tax asset on tax losses to the extent it is considered more likely than not that future taxable profits will arise against which the losses can be utilised.

1.17 Corporation Tax

The Trust is a "corporate body" in accordance with the Offender Management Act 2007 supplying court work and offender management services to NOMS and the Ministry of Justice, and as a result, HMRC has confirmed that it is subject to corporation tax. Probation Trusts are therefore subject to CT on their profits and 'profit' for this purpose means income and chargeable gains. These accounts include estimates of corporation tax liabilities.

1.18 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in hand that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

1.19 Financial instruments

As the cash requirements of the Trust are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Trust's expected purchase and usage requirements as well as cash, receivables and payables. Therefore it is felt that the Trust is exposed to little credit, liquidity or market risk.

1.20 Segmental analysis of spend as reported to the Management Board

The segmental analysis presents the financial information based on the structure reported to the Trust's Management Board. The segments reflect the Trust's own individual structure allowing the Board to have a clear view on the costs of front-line operations. This is in accordance with IFRS 8 Segmental Reporting. Further detail is shown in **Note 2**.

1.21 Third party assets

The Trust does not hold any third party assets.

2. Statement of Operating Costs and Net Assets by Operating Segment

Operational Unit	2012–13	2011–12
	Over/(under) spend £000	Over/(under) spend £000
Offender Management	(329)	(22)
Interventions Team	98	(177)
Area Wide Team	(138)	(61)
Management & Support	15	(126)
Seconded Staff	9	(1)
Other	148	389
Revenue to capital transfer	208	0
Overspend/(Underspend)	11	2

MEMO: Reconciliation of net spend to net operating cost

	2012–13 £000
Total for reportable segments (as above)	11
Add back:	
Corporation tax charged in the above	(132)
Revenue to capital transfer	(208)
	(329)
Accounting adjustments for year end accounts:	
IAS 19 – retirement benefits	152
Net operating costs per accounts	(177)

The operating segments are as reported to the Chief Executive and Senior Leadership Group of the Trust for management and decision making purposes. Assets are not allocated to operating segments as part of the internal management reporting used for decision making.

3. Staff numbers and related costs

3a. Staff costs consist of:

	2012-13			2011-12
	Total £000	Permanently- employed staff £000	Others £000	Total £000
Wages and salaries	15,612	14,947	665	15,458
Social security costs	1,148	1,148	0	1,164
Other pension costs	2,717	2,717	0	2,568
Sub-total	19,477	18,812	665	19,190
Less recoveries in respect of outward secondments	(1,526)	(1,526)	0	(1,243)
Total staff costs	17,951	17,286	665	17,947
Administration-related staff costs	17,613	16,948	665	17,640
Programme-related staff costs	338	338	0	307
	17,951	17,286	665	17,947

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Probation Trust's share of the underlying assets and liabilities are shown below in **Note 4**.

One person (2011-12: 3 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £7,518 (2011-12: £11,551).

3b. Average number of persons employed

The average number of full time equivalent persons (including senior management) employed during the year was as follows:

	2012-13		2011-12
	Total	Permanently- employed staff	Others
	498	475	23
	498	475	23

3c. Reporting of compensation schemes – exit packages

Exit packages cost band	2012-13			2011-12		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0	0	12	12
£10,000-£25,000	0	0	0	0	9	9
£25,000-£50,000	0	0	0	0	13	13
£50,000-£100,000	0	2	2	0	3	3
£100,000-£150,000	0	0	0	0	1	1
£150,000-£200,000	0	0	0	0	0	0
£200,000+	0	0	0	0	0	0
Total number of exit packages by type	0	2	2	0	38	38
Total resource cost £000	0	144	144	0	976	976

Redundancy and other departure costs have been paid in accordance with the Trust compensation scheme. Exit costs are accounted for in full in the year of departure. The additional costs of any early retirements are met from the Trust and not the pension scheme and are included in the above figures. Ill health retirement costs are met from the pension scheme and are excluded from the above table.

4. Pensions costs

As part of the terms and conditions of employment of its officers and employees, the Trust offers retirement benefits. Although these will not actually be payable until employees retire, the Trust has a commitment to make the payments that need to be disclosed at the time employees earn their future entitlement. The Trust is a member of the Local Government Pension Scheme, which is statutory and fully funded, and the provisions cover present and past employees. The scheme is administered locally by Lancashire County Council. The Local Government Pension Scheme provides benefit on a “final salary” basis at normal retirement age. Benefits are payable based on members’ final salary and the number of years membership of the fund. Members paid contributions of between 5.5–7.5% of pensionable earnings during the year. Employers pay the balance of the cost of providing benefits, after taking account of investment returns. The expected rate of return of Fund assets is the assumed return the assets of the fund will achieve over the entire life of the related obligation based on market expectations at the beginning of the period. This assumption is used to determine the expected return on assets for the pension expense.

4a Pension costs

A full actuarial valuation was carried out at 31 March 2010 by Mercer Limited. For 2012–13, employers’ contributions of £2.459m were payable to the LGPS (2011–12 £2.499m) at a rate of 19.1% of pensionable pay. The schemes’ Actuary reviews employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Partnership accounts are excluded under IAS19.

The approximate employer’s pension contributions for the three years from 1 April 2012:

- Employers Contributions for 2012–13 were 19.1% of salaries; and
- Employers contributions for 2013–14 will be 19.1% of salaries; and
- Employers Contributions for 2014–15 will be determined following the next Actuarial valuation.

4b. The major assumptions used by the actuary were:

	2012–13	2011–12
	%	%
Inflation assumption	2.4%	2.5%
Rate of increase in salaries	4.4%	4.5%
Rate of increase for pensions in payment and deferred pensions	2.4%	2.5%
Discount rate	4.2%	4.9%

Mortality Assumptions

Non-retired and retired members – SPA02_CMI_2009_1%Tables

The assumed life expectations from age 65 are:

- Retiring today Males 20.1 years Females 24.1 years
- Retiring in 20 years Males 22.1 years Females 26.0 years

4c. The assets in the scheme and the expected rate of return were:

	2012-13			2011-12		
	Expected long-term rate of return	Value as a percentage of total scheme assets	Value	Expected long-term rate of return	Value as a percentage of total scheme assets	Value
	%	%	£000	%	%	£000
Equities	7.0%	62%	49,832	7.0%	58%	40,614
Government bonds	2.8%	8%	6,349	3.1%	5%	3,501
Other bonds	3.9%	17%	13,824	4.1%	15%	10,503
Property	5.7%	9%	7,475	6.0%	10%	7,002
Other	3.8%	4%	2,893	3.8%	12%	8,403
Total		100%	80,373		100%	70,023
Present value of scheme liabilities			(118,679)			(101,004)
Deficit of the scheme			(38,306)			(30,981)
Net pension liability			(38,306)			(30,981)

4d. Analysis of amounts recognised in SoCNE

	2012–13	2011–12
	£000	£000
Pension cost		
Current service cost	2,426	2,265
Past service cost	125	0
Effect of curtailment	166	303
Effect of settlement	0	0
Total operating charge	2,717	2,568

	2012–13	2011–12
	£000	£000
Analysis of interest cost on pension scheme – assets/(liabilities)		
Expected return on pension scheme assets	(3,974)	(4,470)
Interest on pension scheme liabilities	4,939	5,060
Net interest costs	965	590

4e. Analysis of amounts recognised in other comprehensive expenditure

	2012–13	2011–12
	£000	£000
Pension actuarial loss	(6,208)	(6,715)
Total shown in other comprehensive expenditure	(6,208)	(6,715)

4f. Changes to the present value of liabilities during the year

	2012–13	2011–12
	£000	£000
Opening present value of liabilities	101,004	91,793
Current service cost	2,419	2,265
Interest cost	4,939	5,060
Contributions by members	855	866
Actuarial losses on liabilities*	12,837	3,433
Benefits paid	(3,607)	(2,716)
Past service cost	125	0
Unfunded benefits paid	(59)	0
Curtailements	166	303
Closing present value of liabilities	118,679	101,004

* Includes changes to actuarial assumptions

4g. Changes to the fair value of assets during the year

	2012–13	2011–12
	£000	£000
Opening fair value of assets	70,023	67,856
Expected return on assets	3,974	4,470
Actuarial gains/(losses) on assets	6,629	(3,282)
Contributions by the employer	2,558	2,829
Contributions by members	855	866
Benefits paid	(3,607)	(2,716)
Unfunded benefits paid	(59)	0
Closing fair value of assets	80,373	(70,023)

4h. History of asset values, present values of liabilities, surplus/deficit and experience gains and losses

	2012–13	2011–12	2010–11	2009–10	2008–09
	£000	£000	£000	£000	£000
Fair value of assets	80,373	70,023	67,856	63,772	45,816
Present value of liabilities	(118,679)	(101,004)	(91,793)	(96,534)	(67,279)
Deficit	(38,306)	(30,981)	(23,937)	(32,762)	(21,463)
Experience gains/(losses) on scheme assets	6,629	(3,345)	789	12,351	(15,652)
Experience gains on scheme liabilities	0	0	4,624	0	0
Percentage experience gains/(losses) on scheme assets	8%	(5%)	1%	20%	(34%)
Percentage experience gains/(losses) on scheme liabilities	0%	0%	5%	0%	0%

4i. Sensitivity analysis

		Sensitivity 1	Sensitivity 2	Sensitivity 3
		+0.1% p.a. discount rate	+0.1% p.a. inflation	1 year increase in life expectancy
	£000	£000	£000	£000
Liabilities	118,679	116,651	120,746	121,055
Assets	(80,373)	(80,373)	(80,373)	(80,373)
Deficit/(surplus)	38,306	36,278	40,373	40,682
Projected service cost for next year	3,052	2,958	3,148	3,121
Projected expected return on assets for next year	(4,432)	(4,432)	(4,432)	(4,432)
Projected interest cost for next year	4,990	5,019	5,078	5,091

5. Taxation

	2012–13	2011–12
	£000	£000
UK corporation tax	132	0
Total	132	0

Probation Trusts are corporate bodies under the Offender Management Act 2007, supplying court work and offender management services to the Ministry of Justice. Probation Trusts are therefore subject to Corporation Tax on their profits and 'profit' for this purpose means income and chargeable gains.

6. Other administrative costs and programme costs

6a. Administration costs

	2012-13		2011-12	
	£000	£000	£000	£000
Rentals under operating leases	29		29	
Accommodation, maintenance and utilities	2,248		2,165	
Travel, subsistence and hospitality	434		409	
Professional services	251		123	
IT services	895		827	
Communications, office supplies and services	379		429	
Other staff related	504		878	
Offender costs	1,274		925	
Other expenditure	190		137	
External Auditors' remuneration – statutory accounts	26		27	
Internal Auditors' remuneration and expenses	17		0	
		6,247		5,949
Non-cash items				
Depreciation of tangible non-cash assets	109		135	
Amortisation of intangible non-cash assets	1		4	
Profit/(loss) on disposal of tangible non-cash assets	2		2	
		112		141
Total		6,359		6,090

There was no internal auditors' remuneration disclosed for 2011-12 due to the utilisation of an overaccrual for earlier years charges, arising from delays in invoicing and a change in the basis of charging.

6b. Programme costs

Current expenditure	0	9
Total	0	9
Total other administration and programme costs	6,359	6,099

7. Income

7a. Administration income

Income receivable from the sponsoring department – NOMS
 Rent receivable from minor occupiers of Probation estate property:

Other income received from Probation Trusts
 Other income from NOMS
 Other income from other Government departments
 Miscellaneous income

Interest received:
 From bank

Total interest received

Total administration income

2012-13		2011-12	
£000	£000	£000	£000
23,659		23,168	
0		0	
	23,659		23,168
	49		108
	62		164
	168		373
	177		196
	24,115		24,009
10		4	
	10		4
	24,125		24,013

7b. Programme income

EU income from NOMS
 EU income from other Government departments
 Other EU income

Total programme income

Total income

0		0	
0		0	
362		340	
	362		340
	24,487		24,353

8. Property, plant and equipment

	2012-13					
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2012	0	392	466	0	0	858
Additions	143	0	0	0	0	143
Disposals	0	0	(76)	0	0	(76)
Indexation/revaluation	18	13	23	0	0	54
As at 31 March 2013	161	405	413	0	0	979
Depreciation						
As at 1 April 2012	0	263	299	0	0	562
Charge in year	0	56	53	0	0	109
Disposals	0	0	(69)	0	0	(69)
Indexation/revaluation	0	11	17	0	0	28
As at 31 March 2013	0	330	300	0	0	630
Carrying value as at 31 March 2013	161	75	113	0	0	349
Carrying value as at 31 March 2012	0	129	167	0	0	296
Asset financing						
Owned	161	75	113	0	0	349
Finance leased	0	0	0	0	0	0
Carrying value as at 31 March 2013	161	75	113	0	0	349

8. (Continued)

	2011-12					
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2011	0	394	530	0	0	924
Additions	0	0	0	0	0	0
Disposals	0	(7)	(65)	0	0	(72)
Indexation/revaluation	0	5	1	0	0	6
As at 31 March 2012	0	392	466	0	0	858
Depreciation						
As at 1 April 2011	0	204	286	0	0	490
Charge in year	0	65	70	0	0	135
Disposals	0	(7)	(58)	0	0	(65)
Indexation/revaluation	0	1	1	0	0	2
As at 31 March 2012	0	263	299	0	0	562
Carrying value as at 31 March 2012	0	129	167	0	0	296
Carrying value as at 31 March 2011	0	190	244	0	0	434
Asset financing						
Owned	0	129	167	0	0	296
Finance leased	0	0	0	0	0	0
Carrying value as at 31 March 2012	0	129	167	0	0	296

9. Intangible assets

	2012-13				
	Development	Software	Licences	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 April 2012	0	54	0	0	54
Additions	0	65	0	0	65
Disposals	0	0	0	0	0
Indexation/revaluation	0	1	0	0	1
As at 31 March 2013	0	120	0	0	120
Amortisation					
As at 1 April 2012	0	52	0	0	52
Charge in year	0	1	0	0	1
Disposals	0	0	0	0	0
Indexation/revaluation	0	0	0	0	0
As at 31 March 2013	0	53	0	0	53
Carrying value as at 31 March 2013	0	67	0	0	67
Carrying value as at 31 March 2012	0	2	0	0	2
Asset financing					
Owned	0	67	0	0	67
Finance leased	0	0	0	0	0
Carrying value as at 31 March 2013	0	67	0	0	67

9. (Continued)

	2011-12				
	Development	Software	Licences	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 April 2011	0	53	0	0	53
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Indexation/revaluation	0	1	0	0	1
As at 31 March 2012	0	54	0	0	54
Amortisation					
As at 1 April 2011	0	48	0	0	48
Charge in year	0	4	0	0	4
Disposals	0	0	0	0	0
Indexation/revaluation	0	0	0	0	0
As at 31 March 2012	0	52	0	0	52
Carrying value as at 31 March 2012	0	2	0	0	2
Carrying value as at 31 March 2011	0	5	0	0	5
Asset financing					
Owned	0	2	0	0	2
Finance leased	0	0	0	0	0
Carrying value as at 31 March 2012	0	2	0	0	2

10. Impairments

There was no impairment charge for the year (2011–12 £nil)

11. Assets held for sale

There were no assets held for resale (2011–12 £nil)

12. Trade receivables and other current assets

12a. Analysis by type

	2012–13	2011–12
	£000	£000
Amounts falling due within one year		
Trade receivables	11	25
Receivables due from Probation Trusts	32	91
Receivables due from NOMS agency	1,672	1,596
Receivables due from all other Government departments	139	37
Prepayments	96	98
Accrued income	22	2
	1,972	1,849
Amounts falling due after more than one year		
	0	0
Total	1,972	1,849

12b. Intra-Government receivables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012–13	2011–12	2012–13	2011–12
	£000	£000	£000	£000
Balances with other central Government bodies (inc. parent department)	1,706	1,687	0	0
Balances with local authorities	137	33	0	0
Balances with NHS bodies	0	4	0	0
	1,843	1,724	0	0
Balances with bodies external to Government	129	125	0	0
Total	1,972	1,849	0	0

13. Cash and cash equivalents

	2012–13	2011–12
	£000	£000
Balance at 1 April	1,991	1,686
Net change in cash and cash equivalents	(1,114)	305
Balance at 31 March	877	1,991
The following balances at 31 March are held at:		
Government Banking Service	0	0
Commercial banks and cash in hand	877	1,991
Balance at 31 March	877	1,991

14. Trade payables and other current liabilities

14a. Analysis by type

	2012–13	2011–12
	£000	£000
Amounts falling due within one year (excluding taxation)		
Trade payables	352	133
Accruals	886	1,426
Deferred income	34	40
Staff payables	4	18
Payables due to Probation Trusts	2	5
Payables due to NOMS Agency	0	251
Payables due to HM Courts & Tribunals Service (HMCTS)	0	1
Payables due to all other Government departments	2	533
Unpaid pensions contributions due to the pensions scheme	278	280
	1,558	2,687
Tax falling due within one year		
VAT	569	605
Corporation tax	89	0
Other taxation and social security	354	375
	1,012	980
Total amounts falling due within one year	2,570	3,667
Amounts falling due after more than one year		
	0	0
Total	2,570	3,667

14b. Intra-Government payables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012–13	2011–12	2012–13	2011–12
	£000	£000	£000	£000
Balances with other central Government bodies (inc. parent department)	1,214	1,753	0	0
Balances with local authorities	2	17	0	0
Balances with NHS bodies	0	0	0	0
Balances with public corporations and trading funds	0	0	0	0
	1,216	1,770	0	0
Balances with bodies external to Government	1,354	1,897	0	0
Total	2,570	3,667	0	0

15. Provisions for liabilities and charges

The Trust has no provisions for liabilities and charges (2011–12 £nil)

16. Capital commitments

The Trust had no capital commitments at 31 March 2013 (2011–12 £nil)

17. Commitments under lease

17a. Operating leases

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

Obligations under operating leases for the following periods comprise:

	2012–13	2011–12
	£000	£000
Other		
Not later than one year	13	14
Later than one year and not later than five years	12	2
Later than five years	0	0
Total	25	16

17b. Finance leases

The Trust has no finance leases (2011–12 £nil)

18. Other financial commitments

There were no other financial commitments at 31 March 2013 (2011–12 £nil)

19. Deferred tax asset

The Trust had no deferred tax asset or liability.

20. Financial instruments

As the cash requirements of the Trust are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Trust's expected purchase and usage requirements as well as cash, receivables and payables. Therefore it is felt that the Trust is exposed to little credit, liquidity or market risk.

21. Contingent liabilities

There are currently three employment tribunal cases pending for 2013/14. Of these cases, two are at an early stage of proceedings and will be defended by the Trust, so it is not possible to assess at this juncture whether the Trust will be held liable, or to estimate the quantum of any settlement, if appropriate.

With regards to the third case, this is due to be heard before the end of May 2013, and Counsel has advised that the Trust should be successful in defending the claim, although it is too early to provide a complete assurance as regards the outcome, or to quantify the amount of any costs if the Trust should be held liable. The outcome of this case is expected to be made known in August 2013.

The Trust had no contingent liabilities at 31 March 2012.

22. Losses and special payments

22a. Losses statement

	2012–13		2011–12	
	Number of cases	Total value £000	Number of cases	Total value £000
Claims abandoned	0	0	2	8
Total	0	0	2	8

22b. Special payments schedule

	2012–13		2011–12	
	Number of cases	Total value £000	Number of cases	Total value £000
Special payments	4	17	3	22
Total	4	17	3	22

23. General fund

	2012–13 £000	2011–12 £000
Balance at 1 April	(30,587)	(23,589)
Prior period adjustment (Note 28)	0	0
Balance restated at 1 April	(30,587)	(23,589)
Net transfers from Operating Activities:		
Statement of Comprehensive Net Expenditure	(920)	(283)
Actuarial gains and losses	(6,208)	(6,715)
Balance at 31 March	(37,715)	(30,587)

24. Revaluation reserve

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

24a. Property, plant and equipment

	2012–13	2011–12
	£000	£000
Balance at 1 April	82	78
Prior period adjustment (Note 28)	0	0
Balance restated at 1 April	82	78
Arising on revaluations of PPE during the year (net)	26	78
Transferred to General Fund	0	4
Balance at 31 March	108	82

24b. Intangibles

	2012–13	2011–12
	£000	£000
Balance at 1 April	(5)	(6)
Prior period adjustment (Note 28)	0	0
Balance restated at 1 April	(5)	(6)
Arising on revaluations of intangibles during the year (net)	1	1
Transferred to General Fund	0	0
Balance at 31 March	(4)	(5)

25. Related party transactions

NOMS and the Ministry Of Justice are regarded as a related party. During the year, the Trust had various material transactions with the Ministry Of Justice. Additionally, the Trust had transactions with other Trusts, other government bodies and third party organisations.

During the year, none of the members of the Management Board, members of key management staff or other related parties, or their related parties has undertaken any material transactions with the Trust.

26. Third-party assets

The Trust held no third party assets at 31 March 2013 (2011–12 £nil).

27. Events occurring after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Certificate of the Comptroller and Auditor General.


As at the date of the Audit Certificate, the following reportable events had occurred:

The results of the “Transforming Rehabilitation” consultation paper were published on 9 May 2013, by the Secretary of State for Justice, which announced the future requirements for the provision of probation services. The recommendations will change the way in which probation services are commissioned and delivered. A new National Probation Service will be created to protect the public from the most dangerous offenders and manage the provision of probation services. England and Wales will be divided into 21 contract areas which align closely with local authorities and Police and Crime Commissioner areas. MoJ/NOMS will be responsible for commissioning rehabilitation services. Probation service local delivery units will support the gathering of intelligence on needs and priorities at a local level, including from key partners (e.g. local authority needs assessments) to feed into the MoJ/NOMS commissioning process. It is expected that the detail will be finalised over the coming months. None of the Trust’s assets, liabilities or functions had been transferred at the date the accounts were authorised for issue.

Accounts Direction

ACCOUNTS OF LOCAL PROBATION TRUSTS IN ENGLAND AND WALES ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH PARAGRAPHS 13(1) and 14(2) OF SCHEDULE 1 TO THE OFFENDER MANAGEMENT ACT 2007

1. This direction applies to the Local Probation Trusts (the Trusts) listed in the attached Appendix 1.
2. Each Trust shall prepare a statement of accounts for the financial year ended 31 March 2013 and subsequent financial years, in compliance 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.
3. The accounts shall be prepared so as to:
 - give a true and fair view of the state of affairs of the Trust as at the financial year-end and of the comprehensive net expenditure, changes in taxpayers’ equity and cash flows for the financial year and have been properly prepared in accordance with the Offender Management Act 2007;
 - 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.
4. 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. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with NOMS Agency finance team and HM Treasury.
5. Additionally the Trusts shall be required to comply with all Probation Communication Notices to the extent that they build on the requirement of the FReM subject to the directions in paragraph 4.
6. This direction supersedes that provided by the Secretary of State to Probation Trusts dated 8 March 2012.



Edward Kirby

On behalf of the Secretary of State for the Ministry of Justice
6 March 2013

Appendix 1

35 Probation Trusts:

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

Sustainability report – not subject to audit

Introduction

This is the second Sustainability Report for Lancashire Probation Trust, prepared in accordance with 2011–2012 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ published at: www.hm-treasury.gov.uk/frem_sustainability.htm. Sustainability focus is on achieving government targets, reducing environmental impact and reducing costs. Priorities include reducing carbon emissions, water consumption and waste to landfill.

This report covers 18 buildings.

Shared occupations are not accounted for due to the limitations of extrapolating reliable sustainability data from service charges supplied by landlords. In addition, HM Courts & Tribunals Service is obliged to supply office space free of charge to probation trusts. As these are modest in size there is little, if any, benefit from isolating their sustainability data. We do not consider that the exclusion of these areas has a material impact on sustainability reporting for the Trust as a whole.

Governance, responsibilities and internal assurance

Overall governance and assurance is managed by the Ministry of Justice Sustainable Development Team (MoJ SDT). The probation estate is managed by facilities contractors, acting on behalf of MoJ, who manage day to day estate operations including voluntary and mandated sustainability reporting. There are some limitations to the accuracy of our financial and non-financial sustainability data and we continue to improve the quality of our internal controls, for example through internal audit.

Greening Government Commitments

The Greening Government Commitments launched on 1 April 2011 require Departments, including probation trusts, to take action to significantly reduce environmental impact by 2014–2015 (compared to a 2009–2010 baseline). These commitments can be found at: <http://sd.defra.gov.uk/gov/green-government/commitments/>.

Climate change adaption and mitigation

The MoJ SDT has drafted a Statement for Climate Change Adaptation and set their built and non-built estate challenging objectives as follows:

- To enable the MoJ estate to evaluate risks to its strategy for programme delivery on vulnerable flood plains and evaluate its baseline for future adaptation of its targets and actions against climate change.
- To enable the MoJ estate to prioritise its management of high risk sites and where necessary divert and recalculate important and fragile resources where they are vital to operational delivery.
- To identify where stakeholders and central partners need to act to facilitate further or additional actions to protect against climate change.
- To establish a strategic process by which MoJ can put in place measures necessary to adapt to future climate change.

Carbon Reduction Commitment (CRC)

CRC is managed by MoJ and associated carbon allowances are accrued by MoJ Corporate Estates.

Carbon Management Plan (CMP)

A CMP is a systematic approach to reducing greenhouse gas emissions; integrating technical, financial, corporate governance and communications within an overarching strategy. A CMP covers the entire probation estate across 35 Trusts and was developed in partnership with the Carbon Trust. MoJ SDT is working to consolidate all CMPs, including those in place in the Prison Service and Courts & Tribunals to deliver a single cohesive approach with costed projects for each unit to provide an overarching framework to tackle climate change.

Our vision is to:

- be a low carbon business in which carbon management and sustainability are embedded within decision making; and
- engage stakeholders and demonstrate best practice in meeting corporate sustainability targets.

The plan and statements will be kept under review and open to amendment in order to facilitate a continued improvement in meeting statutory obligations for climate change adaptation and reporting.

Environmental Management System (EMS)

MoJ SDT has an ongoing EMS implementation programme, and is looking to develop a more streamlined EMS that fully meets the requirements while reducing resource impacts on front line services.

Sustainable procurement

Lancashire Probation Trust has access to purchasing agreements for commodities from suppliers that make available recycled and low carbon products where appropriate.

Social and environmental awareness

The MoJ SDT has drafted a statement for social and community partnership, which also encourages external partnerships to promote learning and skills training in all areas of sustainable development.

Performance summary

Greenhouse gas (GHG) emissions

		2009–10	2010–11	2011–12	2012–13
Non-financial indicators (tCO ₂ e)	Total gross emissions for scopes 1 & 2	846.8	875.9	753.7	775.3
	Electricity: green/renewable	110.5	118	109	89.4
	Total net emissions for scopes 1 & 2	736.2	757.9	644.8	686.0
	Travel emissions scope 3	205.6	183.1	175.7	170.5
	Total gross GHG emissions (all scopes)	1,052.3	1,059	929.4	945.8
Non-financial (kWh)	Electricity: Grid, CHP & non-renewable	637,201	680,289	628,172	515,254
	Electricity: renewable	212,400.	226,763	209,390.	171,751
	Gas	1,893,830	1,971,973	1,441,410	1,803,090
	Other energy sources	0	0	0	0
	Total energy	2,743,431	2,879,025	2,278,973	2,490,095
Financial indicators	Expenditure on energy	£167,188	£151,931	£158,516	£172,973
	Expenditure on official business travel	£438,796	£391,384	£404,290	£416,313

Performance commentary (including targets)

NOMS is committed to achieving the Greening Government Commitments by 2014–15 (based on a 2009–10 baseline). The above figures show a 7% reduction in scope 1 and 2 carbon emissions over the four year period, whilst gross carbon emissions have fallen by 10% over the same period. Energy usage shows a 9% reduction from the 2009–10 baseline.

Controllable impacts commentary

Delivering cost and carbon savings remain a priority of NOMS. Most of the Trust's reported carbon dioxide emissions are from electricity and gas use in our buildings.

Overview of influenced impacts

NOMS Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the NOMS Procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Waste

			2009–10	2010–11	2011–12	2012–13
Non-financial indicators (tonnes)	Hazardous waste	Hazardous waste	0	0	0	0
	Non-hazardous waste	Landfill waste	66	69	82	75
		Reused/recycled waste	82	59	75	71
		Energy from waste	0	0	0	0
		Total waste arising	148	128	157	146
Financial indicators	Hazardous waste	Hazardous waste	0	0	0	0
	Non-hazardous waste	Landfill waste	0	0	0	0
		Reused/recycled waste	0	0	0	0
		Energy from waste	0	0	0	0
		Total waste costs (£)	Not available	Not available	Not available	Not available

Performance commentary (including targets)

NOMS waste targets are led by the Government's Greening Government Commitments which require a 25% reduction in waste arising by 2014–15 based on 2009–10. Although the above figures show waste arising at a similar level to 2009–10, we only report our waste in buildings where we receive data from our waste management company, which have been incomplete.

Controllable impacts commentary

NOMS are currently working with management companies to improve the speed and coverage of data gathering provided.

Overview of influenced impacts

NOMS Procurement liaise with suppliers to reduce the environmental impact of our operations. Where possible the procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Water

		2009–10	2010–11	2011–12	2012–13
Non-financial indicators	Total water consumption (cubic metres)	6,465	7,049	4,571	3,344
Financial indicators	Total water supply costs (£)	£22,856	£31,643	£23,414	£20,443

Performance commentary (including targets)

NOMS targets are led by the Government's Greening Government Commitments which require benchmark performance to be established by 2014–15. The target is to reduce water consumption from a 2009–10 baseline, and report on office water use against best practice benchmarks. Water use is almost exclusively from washrooms and kitchen facilities.

Controllable impacts commentary

Again data is reported as supplied to us, which in the past has been incomplete. Reducing water is a priority, and the issue of monitoring is being addressed by NOMS by the roll out of smart water meters that will allow for accurate monitoring and targeting in line with the above reporting requirements.

Overview of influenced impacts

NOMS Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the NOMS procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.



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