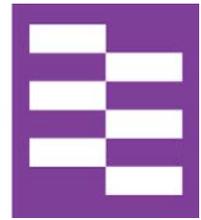
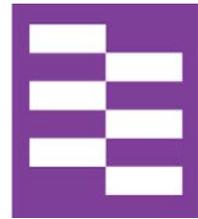


**Northamptonshire**  
Probation Trust



# **Northamptonshire 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 & Strategic Priorities

## **Vision**

Our Vision is to be a modern, respected, competitive and forward thinking Trust inspiring loyalty, commitment and real achievement from our staff.

## **Mission**

Our Mission is to reduce reoffending.

## **Strategic Priorities**

Our three strategic priorities are:

### **Delivery**

Delivering an effective service matters. It can make the difference between an average service and the realisation of genuine lasting outcomes. It's about a mindset to want to deliver the best service possible, attentive to risk, yet aware of cost. We want our staff to take pride in delivering quality; we want our partners to experience and contribute to quality, and we want service users to tell us what quality feels like for them. In this way, we can design quality into everything that we do and use it to define who we are.

### **Engagement**

We know that real engagement with service users can make a genuine difference helping them change their lives and reduce their offending. We are keen to ensure that we design services which meet the needs of offenders and victims, rather than just suiting us so we will listen more and focus on delivery on practice which achieves critical outcomes. We want to harness our professional skill base to ensure that we build powerfully effective relationships with service users, other key professionals and local communities premised on respect and a mutual understanding of core issues and concerns.

### **Efficiency**

We have been making cumulative savings now for a number of years and as our budgets reduce, this challenge becomes ever more important. Efficiency is broader than just reducing budgets or working with reductions, we want staff to continue to deliver services of quality, but reducing the amount of resources that are used to do so. We want to ensure that staff feel empowered to look at processes, systems and ways of doing things to pursue efficiency without damaging our capability.

## Foreword

In its third year as a Probation Trust, Northamptonshire Probation Trust has continued to deliver effective and quality local offender management services in times of reducing budgets.

Funding levels were tight during the year, and the Trust identified and realised a comprehensive efficiency savings plan of £0.571M for which the impact on frontline services was minimised and enabled the Trust to continue to deliver services to a high level, further embed the structural changes made in previous years and to take stock and review its strategic direction for future years. Although the reductions were significant, compulsory redundancies were minimised and savings were mostly achieved through voluntary reductions and savings on non-staff budgets.

The Trust was successful by achieving or exceeding 17 of the 19 performance targets in the final year of the three year contract with the National Offender Management Service (NOMS). Throughout these reductions the Trust continued to build on delivering and embedding quality services to a high level, achieving an overall Green 3 star assessment in the Probation Trust Rating System (PTRS) at year end across all domains of: Reduce Reoffending, Sentence Delivery and Public Protection.

Whilst these challenges have been very demanding, it is credit to all of the staff in the Trust who continued to deliver high quality services throughout this time and meeting the performance in the Trust contract.

We recognise that we can only continue to deliver effective services through strong and meaningful relationships with all our partner agencies and organisations and we have continued to invest and develop this area of our business, working closely with colleagues at a local level through the newly developed Reducing Reoffending Strategy, for example:

- with Police colleagues for Integrated Offender Management,
- building stronger links with Mental Health locally,
- securing additional funding to deliver contracts for education and mental health,
- continuing our high level of service in respect of the national European Social Fund (ESF) REACH project and
- building stronger connections through the Three Trust Change Programme with Cambridge and Peterborough and Hertfordshire Probation Trusts.

The Trust has appreciated the professionalism and commitment of the staff throughout these continual times of change and in an increasingly competitive environment. Like many organisations, Northamptonshire Probation Trust has and will work continue to work with its staff to look at how we anticipate, adapt to those changes and has laid firm foundations to continue delivery for the future.

The future brings significant opportunities and changes, the Trust's contract with the Commissioner (NOMS) has been extended by at least a year until March 2014 The Trust is working actively in the Three Trust Change Programme to inform and influence national changes where possible and proactively explore strategic opportunities from the government's response to the Transforming Rehabilitation consultation to ensure Probation Services are delivered in the most efficient and effective way in Northamptonshire in the future.

Tansi Harper  
Trust Chair

John Budd  
Chief Executive

# 1. Operational & Performance Review 2012–2013

## Operational Review

Northamptonshire Probation Trust is managed operationally by a Chief Executive and the three Directorates are managed by four Directors. Key highlights across the three Directorates for the year 2012–2013 were as follows:

### **Directorate for Offender Management and Public Protection**

The Directorate for Offender Management and Public Protection has the overall responsibility for the effective management of approximately 3,200 offenders, with around two thirds being subject to orders made by the Crown and Magistrates Courts. All offenders are provided with a level of supervision commensurate with the level of risk they present to with defensible 'sentence plans' in place to address critical areas of concern. The emerging government agenda, 'Transforming Rehabilitation' has heralded many opportunities along with uncertainties. Staff within the Trust continue to deliver to high levels of service and this has been evidenced through performance reporting and internal quality assurance processes.

Relationships with stakeholders continue to progress well with strategic interests and issues being progressed collaboratively. There is an excellent inter-face and representation on forums within the county to progress critical issues relating to advancing public protection and securing necessary interventions and support for offenders to assist with their rehabilitation. At a strategic level, it is notable and impressive that key work is being undertaken to secure the necessary commitment and involvement of key partners to progress the 'pathways' to reduce offending. In relation to protecting the public and keeping communities safe, partnership involvement has been well evidenced within the MAPPA arena, where new structures and guidance have been well implemented to provide assurance that the 'critical few' (those offenders who pose the highest risk of harm) are defensibly managed.

Our Integrated Offender Management programme continues to progress well and be responsive to national and local expectations. Exciting and notable achievements have been evidenced in designing a structured programme to work with prolific and priority offenders (PPOs), and we are supporting police colleagues in working with some non-statutory offenders. We continue to benefit from having a co-located team with the police and this year have moved to a new criminal justice site. The GPS satellite tracker system we use for PPOs on a voluntary basis is proving popular both with offenders and staff in supporting the management and compliance of this challenging cohort. The Reducing Re-Offending Partnership Board is the governance structure for Integrated Offender Management and we are proud of the successes being achieved in terms of reducing offending, managing risk and working collectively and collaboratively to secure the necessary interventions to help change the lives of offenders. The support of the REACH project and mentors has been invaluable in supporting IOM and we look forward to progressing future initiatives.

There have been many challenges and changes within Offender Management over the past year. The reductions in public sector funding have been a key feature for our work and relationship with key stakeholders and agencies. No one body has been immune from the fiscal pressures and these have prompted us to work collectively with key partners and agencies to review and revise the delivery of provision to all offenders. We consider that through active collaboration and discussion, service delivery has not been compromised despite the changes made and in many respects this has forged improved communication links and joint opportunities. Within the field of 'safeguarding' and public protection the development of the Multi-agency Safeguarding Hub (MASH), is a good example of joint working. We have placed, and will continue to place an increased focus on 'safeguarding' given the wider partnership expectations of this critical area of work.

Professional Practice within Offender Management has continued to build on the expectations of the National Standards Framework (2011) premised on encouraging an Offender Manager to make informed, defensible, recorded judgements based on the risk(s) posed by an offender. A holistic approach has been adopted to embed Professional Judgement across the Trust and this is progressing well. The focus on improving and evidencing engagement with ‘service users’ under new initiatives, such as SEEDS has been hugely welcomed by the staff in the Trust and in the forthcoming year this will be fully implemented.

With the support of staff from other Directorates we consider that we have progressed well with local and national expectations. We have met all of our key delivery requirements set by NOMS commissioners and remain committed to supporting and providing offenders with the necessary interventions and guidance to commence the journey to desist from crime.

### **Directorate for Interventions, Partnerships and Community**

The Directorate of Interventions, Partnerships and Community has responsibility for assisting NPT develop an outward facing perspective and building partnerships with a wide range of stakeholders to include the County Council, District and Borough Councils, Community Safety Partnerships, Clinical Commissioning Groups, PCC’s Office, DAAT, voluntary sector etc. The purpose of building these partnerships is to support the reduction of reoffending through the delivery of the 7 pathways. The DIPC also has internal responsibilities for the Programmes Unit, Bridgwood House, Victim Liaison Service, transitioning of the Drug and Alcohol team to CRI (new substance misuse providers), development and delivery of the Criminal Justice/Mental Health (MH) agenda, development/delivery of new PD bid, Community Payback, delivery of SLAs in two Prisons, delivery of the ETE agenda/contracts and development/delivery of the Reducing Reoffending Strategy.

During the year, the Directorate secured additional funding and capacity as follows: successful delivery of the REACH 2 project in line with contractual requirements resulting in additional funding secured for 0.5 post, to support transitional work with young adult offenders, securing a new contract with Ingeus (Work Programme Provider) for 2013–2014, NPT were awarded a new 12 month contract with National Careers Service (NCS) for 2013–2014 and successfully secured funding via the local area agreement performance reward grant for a partnership funded post for a second year 2013–2014 (across Probation, Police and Districts), which will be line managed by the Trust and secured £10k contribution from the PCC’s Office towards this shared post.

Work with partners continued to develop during the year as follows: a successful partnership event with the Borough/District Councils to develop the Accommodation Pathway, embedding the Employment, Training and Education (ETE) strategic forum into the Northamptonshire Enterprise Partnership “Worklessness Forum” – NEP is lead agency for ETE developments in the Reducing Reoffending Strategy. NPT continues to Chair a Criminal Justice Mental Health group and is a key partner in the development of the mental health pathway, and has secured funding to develop the Personality Disorder agenda with a service provider. The Trust was mentioned in PCA/Revolving Door good practice guidance on MH and NPT successfully engaged in the development of the specification and the selection process of a new provider – we have secured additional funds from the DAAT to ensure the embedding of the new service in the county, ensuring links with offender needs.

The Directorate faced challenges in the year when the surprise decision to close Wellingborough Prison was announced, however, successful project management of the closure resulted in the majority of staff securing alternative employment in the Trust. In addition key areas of the Directorate were reviewed to release efficiency savings which included: the restructure and review of staff structure in Bridgwood Approved Premises to realise efficiencies, the restructure of Treatment Management in Programmes Unit to realise efficiencies, the review and restructure of the UPW Unit to realise efficiencies and ensure capability to deliver in line with Government requirements (e.g. intensive orders).

Strategic links with partners further developed in the year to include: continued strategic positioning of the Trust at the County Leadership Forum, developing links with the Police and Crime Commissioner's (PCC) Office and working with PCC's Office on 2 year crime prevention/reduction initiative related to 16–24 year olds to focus on health/mental health and ETE needs.

The Directorate also actively engaged in audits and thematics to review existing services and develop them further. This included achieving successful Victim Liaison Audit thematic inspection results, a successful Unpaid Work internal audit related to the planning/piloting of intensive orders and the ETE Unit has been awarded the Matrix Accreditation to deliver Information/Advice/Guidance for a further 3 years, all of which show the breadth and quality of services provided within the Trust.

### **Directorate for Corporate Services**

The Directorate of Corporate Services covers Human Resources, Finance, Information Technology, Performance, Health & Safety and Estates. In addition, the Director also acts as Trust Treasurer and is the Contract Manager for the three year Trust contract with the National Offender Management Service.

The main challenges during the year were to achieve the £0.571M efficiency plan, which was completed on time, to plan and with minimal compulsory redundancies. The management of the Trust worked closely with Trades Unions to implement the reductions sensitively and effectively and an independent Internal Audit Review assessed the process as "Green", with no recommendations for improvement to the processes or approach.

In addition to managing the budget to within a 0.04% variance at year end, Finance Staff worked closely with operational colleagues to undertake the Specification, Benchmarking and Costing (SBC) reviews on the 2011–2012 accounts and in all main aspects NPT was found to compare favourably to other Trusts and the "should cost" ranges. The Trust received a favourable Financial Controls Audit during the year, adopted the new Finance Manual and commenced the drafting of Practice Guidance notes to support the manual.

Human Resources colleagues effectively managed the staff reduction programme and worked closely with operational colleagues to undertake and implement structural reviews in key units. The Vocational Qualification (VQ3) for PSOs continued during the year as did the Probation Qualification Framework with the first two staff completing this programme being deployed as qualified Probation Officers. In addition, challenges included transferring staff under TUPE arrangements to the new Drug and Alcohol provider

The Director continued as the lead for the Informal Joint Consultative Committee with the Trades Unions and supported the Chief Executive in regular meetings with them, to communicate changes, plan and discuss key Trust wide issues.

The Trust continued to prioritise joint Trades Unions and management Health and Safety workplace inspections and these formed a core basis for the Health and Safety Committee workplan for the year. The Committee received details of all Incidents and Accidents during the year and of the 6 severity levels there were 89 incidents (107 in 2011–2012) of which 85 (105 in 2011–2012) were at the lowest severity level (near hit/miss incidents which did not require first aid) and 4 incidents at the second lowest level (2 in 2011–2012). The Trust closed the Corby reporting office (established in 2011–2012 following the closure of the established Corby office). There was no detrimental impact on service delivery or any reduction in reporting rates from travelling to other offices.

The Information Services Unit continued to plan for the OASys-R and DELIUS implementations for the Trust in 2013–14, and managed all Freedom of Information (FOI) and Data Protection (DP) requests for the Trust. In the year, the team responded to 11 FOI Requests (8 in 2011–2012, 11 in 2010–11). In addition, the team responded to 13 DP requests (11 in 2011–2012, 8 in 2010–11).

## Performance Review

NPT performed well against the contractual targets agreed for the year, with 17 of the 19 targets met or exceeded by year end. Key targets for the Trust are included in the national quarterly Probation Trust Rating System (PTRS) and NPT delivered consistently good performance achieving a level 3 rating (with 4 the maximum level possible) for all quarters of the year. This performance compared favourably with other Trusts nationally and locally and evidenced the Trust's consistent and sustained performance over the years. NPT's overall target to reduce reoffending also performed positively with a reduction in the rate of proven offending rate of 6.74 compared to the nationally predicted rate of 6.95.

Performance against the contractual targets for 2012–2013 was as follows:

Description	Target	Actual
Orders of the Court and Releases from Custody on Licence are successfully completed	75%	78%
Pre-Sentence Reports (PSRs) are completed within timescales set by the court	95%	98%
Cases in which initiation of breach proceedings took place within 10 working days	90%	96%
Licence recall requests to reach NOMS Post Release Section within 24 hrs	90%	95%
To achieve a rating of level 3 or better for creating appropriate records on:		
• ViSOR (OM046) and	90%	98%
• Attendance at both SMB (OM041A) meetings and	75%	100%
• MAPPA meetings for Level 2 and 3 cases (OM041B)	90%	99%
Offenders surveyed who are satisfied or very satisfied	68%	76%
OASys final reviews (terminations) are completed or updated within the appropriate timescales	90%	93%
OASys assessments are assessed as either "Satisfactory" or "Good"	88%	86%
Indeterminate Sentence Prisoner assessment reports are completed by target deadline	80%	98%
The number of offenders on an order or licence who find and sustain employment	165	168
Percentage of offenders in employment at termination of their order or licence	50%	54%
Percentage of offenders in settled and suitable accommodation at the end of their order or licence	79%	89%
The number of Accredited Offending Behaviour Programme completions	90	69
The number of Sex Offender Programme completions	32	32
The number of Domestic Violence Programme completions	60	61
The number of Community Payback completions	600	736
Victims responding to NOMS Victim Survey are satisfied or very satisfied	90%	100%

In addition, the contract with the National Offender Management Service also included targets for Specified Activity Requirements (SARs) and performance against these was as follows:

Specified Activity Requirements	Target	Actual
Women's Specified Activity (WSAR)	25	25
Compliance Specified Activity (CAR)	100	150
Alcohol Specified Activity (ASAR)	50	115
ETE Specified Activity	140	133
BASS	32	45

## 2. Management Commentary

### 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 2010 (following transition from Northamptonshire 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 60 by the Secretary of State under the OM Act.

#### Principal activities

Northamptonshire Probation Trust covers the Northamptonshire Police area, as defined in Schedule 1 of the Police Act 1996, serving a population of approximately 684,000. During the year, the Trust employed some 206 FTE staff who worked from 4 offices (which reduced to 3 offices in December 2011) and 1 hostel across the area. In addition, the Trust employed some staff who were seconded to 3 Prisons (which reduced to 2 prisons in December 2012) and other Ministry of Justice or related organisations.

Each Probation 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

Northamptonshire Probation Trust delivers services under a three year contract with the Secretary of State (with NOMS as the Commissioner) and this is detailed further in the Performance Review.

#### Operational Performance during 2012–2013

An analysis of performance outcomes is summarised in the Annual Report on pages 4 to 7.

#### Results for the year

The Statement of Comprehensive Net Expenditure (SoCNE) for the year is shown on page 28. The Statement of Changes in Taxpayers' Equity is shown on page 31.

At the year end, NPT were overspent by £3K which equates to a variance of under 0.04% of total budget.

#### Operating costs

The net operating cost before tax for 2012–2013 stands at £90K compared to £90K for 2011–2012.

#### Statement of Financial Position and Statement of Cash Flows

The Statement of Financial Position and Statement of Cash Flows are on pages 29 and 30.

The net liability position has increased from £9,432K at March 2012 to £11,235K at March 2013. The largest single movement in net liabilities is £1,801K due to increase in pension liability.

#### Payment of creditors

In the year to 31 March 2013, the Trust paid 1603 trade invoices with a value of £7,356,339. The percentage of undisputed invoices paid within 30 days by the Trust was 95.70% compared to 94.83% in 2011–2012.

### 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 13.86 days across the Trust (in 2011–2012, absence was 10.19 days). Although in excess of the 10 day target, the Trust continued to proactively manage sickness absence with staff and managers working with them with the aim to resume work in a timely and planned manner.

### Personal data related incidents

There were no significant personal data related incidents in 2012–2013, which were formally reported to the Information Commissioner's Office (ICO). All potential data related incidents are discussed at the Information Security Forum and all staff undertake compulsory Information Assurance training when joining the Trust and an annual refresher course.

### 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, 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.

The Trust is in discussions with the LGPS regarding potentially incorrect deductions of pension contributions for staff and the employer. Whilst this would possibly relate to a refund of contributions to staff and the Trust, the amounts have not been fully quantified and it is anticipated these discussions will be concluded in 2013–14.

Northamptonshire Probation Trust's continued work in the Three Trust change programme has considered extending to cover a fourth Trust also in the MoJ Contract Package Area and the potential for a Community Interest Company able to register an early expression of interest as a potential provider. This work is not yet concluded and is ongoing.

### 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 56 to 59.

## Future developments

The Trust's Annual Business Plan (ABP) for 2013–2014 builds upon the achievements of the previous year and the objectives contained within it demonstrate the commitment of the Trust to provide high quality services to the courts, communities, victims and offenders of Northamptonshire.

This ABP is realistic and the focus is to maintain performance and deliver the contract with the National Offender Management Service (NOMS). It is written during a government consultation about the future organisation and structure of probation. The government has presented a set of proposals, which, if implemented, would have a significant impact on how services would be delivered in Northamptonshire in the future. Given the uncertainty about future service delivery, the ABP focuses the efforts of the Trust and its staff to continue the high standards that already exist.

The Trust will continue to meet its performance targets moving forwards and at the same time will continue to work in partnership with other agencies and organisations in the county to provide as safe an environment as possible. The harm caused by offenders to communities is considerable and it is through joint working with others that harm is kept to a minimum and communities are made as safe as possible. Continued budget pressures are an on-going feature of delivery. The Trust will continue to make efficiency savings so as to be able to deploy the professional skills of its staff to best effect.

## 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 2013–2014 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 2012–2013 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.

## Communications and employee involvement

NPT use a wide range of communications with external parties and with staff. The Trust website provides a valuable source of information for interested parties and is regularly updated for all key policies and strategies, Board meeting minutes and agendas and includes all job vacancies. The Chief Executive communicates weekly with staff in the “weekly news” and this includes brief updates on key events, national and local and important news for staff to note. The Staff Survey is a rich source of feedback and was completed in 2012–2013 and where actions and improvements are being identified to be taken forward in the coming year.

The main focus of employee involvement is through the regular Informal Joint Consultative Committee comprised of Trades Unions, Human Resources, the Director of Corporate Services and chaired by the Chief Executive. This forum is invaluable for raising and addressing issues and providing updates on key aspects and activities and supports the Formal Joint Consultative Committee comprised of the Trust Chair and Board members as the Employer which meets with the Trades Unions twice each year.

## Staff diversity

NPT produces an annual report to the commissioner which is based on the information the Trust publishes in line with the Equality Act 2010 guidance. NPT highlights this on the Trust’s website before the due dates required under the Act for public scrutiny and whilst it mainly covers the period 2011–2012, it also provides comparatives as at 31/3/10, 31/3/11 and 31/3/12, to highlight any established trends. The report highlights other achievements and progress made in the year in respect of equalities where appropriate for the 2011/2012 year. In addition, the Trust set Equality objectives for 2012–2013 which are published in full in line with the requirements on the Trust’s website. An update was provided to the Trust Board during the year.

There are consistent trends over the past three years in terms of gender balance within the Trust with female staff continuing to represent 72% of the workforce, there has been a slight reduction in staff from BME groups from 10% to 9% representation and over 50% of the Trust’s employees were aged under 45 at 31/3/12. In terms of both sexuality and religion, given the small numbers of staff employed in the Trust, and the percentage of staff who prefer not to detail these (circa 20% for both sexuality and religion), the information is not statistically significant enough to draw conclusions from.

There continues to be 13% of staff working in NPT with a recorded disability and the Trust works proactively with staff and unions to ensure reasonable adjustments are put in place to support staff where needed.

The Trust monitors starters, leavers and other HR information to highlight any trends or areas that need further exploration or consideration at an early stage to enable processes to be put in place if and where required.

## 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 DCLG 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 26.

Total audit fees reported in the Accounts are £35K. The audit fees for 2011–2012 relate to the previous external auditor. The audit fees for 2012–2013 are made up of:

- External Audit £20K and
- Internal Audit £15K.

Internal auditors remuneration is shown in **Note 6a** under Internal Auditors' remuneration and expenses for 2012-2013 and was included within Professional services in 2011–2012.

As Accounting 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 Northamptonshire Probation Trust Board

The governance arrangements within the Trust for the period 2012–2013 were led by the Trust Board. This ensures, through the Chief Executive, that arrangements are in place to meet the Trust's accountabilities to the NOMS Agency and through the Agency to Parliament. These include:

- Agreeing and delivering the contract with NOMS.
- Preparing annual plans for service provision, including an assessment of the risks.
- Ensuring the accounts are prepared and presented in accordance with the FReM.
- Agreeing the accounts and ensuring appropriate records are maintained.
- Agreeing the Governance Statement for inclusion in the annual accounts.
- Ensuring effective procedures for handling complaints are established.
- Being available if required, to appear before a Public Accounts Committee.
- Holding the Chief Executive Accounting for the operational performance of the Trust.

The members of the Trust Board are appointed by the Secretary of State and membership at the start of the year comprised the Trust Chair, Chief Executive and three other members. During the year two further members were appointed giving a total membership at the end of the year of seven. The Board held nine formal business meetings during the year and in conjunction with these meetings members also met on other occasions to allow fuller discussions on a range of strategic issues with the outcome from these discussions feeding into decisions taken subsequently by the Board. The Board is supported in its governance responsibilities by the Trust Secretary and Trust Treasurer.

The Board appointed an Audit Committee with terms of reference based on a Treasury Framework. The Committee met five times during the year reviewing the comprehensiveness, reliability and integrity of the assurances required by the Board and leading the implementation of the Board's commitment to the highest standards of probity and propriety in the use of public funds.

A Joint Consultative Committee of Board members and Trades Unions representatives met once during the year with five Informal Joint Consultative Committee meetings between Trades Unions and management which took place during the year. These meetings are vital in ensuring a sound system of internal control by ensuring HR processes are appropriately adhered to and consulted on.

Board members also attend:

- The Information Security Forum comprising staff, unions and managers to review and recommend policies, review Information Security issues and implement improved awareness and systems.
- The Health and Safety Committee again comprising staff, unions and managers which met five times in the year to review and recommend policies, promote and discuss Health and Safety issues and implement improved awareness and systems with an annual report to the Board.

Details of the remuneration of the Management Board are set out in the Remuneration Report on pages 14 to 16.

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

<b>Position</b>	<b>Name</b>	<b>Date appointment commenced / ended (during 2012–2013) where appropriate</b>
Trust Chair	Tansi Harper	n/a
Chief Executive(1)	John Budd	n/a
Trust Vice Chair	Allan Siu	n/a
Board Member	Colin Chapman	Commenced September 2012
Board Member	Wray Irwin	Commenced September 2012
Board Member	Donna Pumfrey	n/a
Board Member	Terry Schofield	n/a

(1) for the period April to September 2012 was Interim Chief Executive

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.

John Budd  
Accounting Officer

03 July 2013

## Remuneration Report

### Appointments

The Chair, and other members of the Trust Board are all appointed by the Secretary of State under the Offender Management Act 2007. The Chief Executive who is also a Board member is appointed by the Trust.

The salary and pension entitlements of the senior managers and non-executive directors of the Northamptonshire 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.

	2012–2013			2011–2012		
	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) £
<b>Chief Executive Officer</b>						
Bill McHugh (1)	70–75	-	-	70–75	-	-
Jeanette Whitford (2)	n/a	n/a	n/a	35–40	-	-
John Budd (3)	-	-	-	-	-	-
<b>Chair</b>						
Tansi Harper	15–20	-	-	15–20	-	-
<b>Board Members</b>						
Colin Chapman (4)	0–5	-	-	n/a	n/a	n/a
Wray Irwin (4)	0–5	-	-	n/a	n/a	n/a
Josephine Palmer (5)	n/a	n/a	n/a	0–5	-	-
Donna Pumfrey	0–5	-	-	0–5	-	-
Ian Russell (6)	n/a	n/a	n/a	0–5	-	-
Terry Schofield	0–5	-	-	0–5	-	-
Allan Siu	0–5	-	-	0–5	-	-

(1) Substantive Chief Executive seconded to NOMS from July 2011, full costs reflected above and all costs met by NOMS.

(2) Interim Chief Executive ceased October 2011

(3) Chief Executive appointed November 2011 (Interim until September 2012), employed and remunerated by CPPT, reimbursements of salary costs are as follows: £40–45K 2012–2013, (comparative £15–20K in 2011–2012),

(4) Commenced September 2012

(5) Ceased March 2012

(6) Ceased February 2012

All MoJ appointed Trust Board members receive non-pensionable remuneration of £15.40 per hour from 1 April 2004, 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	
	2012–2013	2011–2012
Highest paid Director (pay band)	£56,081–£87,924	£56,081–£87,924
Median for other staff	£28,750	£25,794
Pay multiple ratio	3:1	3:1

The median remuneration is the total remuneration of the staff member(s) 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. The Efficiency Plan staffing reductions in 2012-2013 were mainly from the PSO and Administration grades of staff which increased the median.

### Salary

'Salary' includes the gross salary; overtime; etc.

### 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 £000s	Real increase/ (decrease) in pension and related lump sum at pension age £000s	CETV at 31 March 2013 £000s	CETV at 31 March 2012 £000s	Real increase/ (decrease) in CETV after adjustment for inflation and changes in market investment factors £000s
Mr W McHugh(1)	19	3	46	30	16

(1) Mr McHugh is a substantive employee of the Trust, seconded to the National Offender Management Service

(2) Mr J Budd the Chief Executive is employed by Cambridgeshire and Peterborough Probation Trust (CPPT) and seconded to NPT part-time, therefore, any pension benefits are included within his substantive employment and disclosed in the CPPT Annual Report and Accounts.

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.

John Budd  
Accounting Officer

03 July 2013

## Statement of Accounting Officer's Responsibilities

Under the Schedule 1, paragraph 13(1)(b) of the Offender Management Act 2007, the Secretary of State has directed the Northamptonshire 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 Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by 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 Accounting Officer of the Trust. The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Trust's assets, are set out in Managing Public Money published by HM Treasury.

# Annual Governance Statement

## Introduction

As Accounting Officer I have put in place governance arrangements to ensure that the right decisions are made at the right time, at the right level and by the right people. I am satisfied that I have the necessary systems and processes in place which enable me to maintain an effective system of internal control throughout the Department and that supports the achievement of policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally Accounting.

My Senior Management Team support me in ensuring that we quickly identify any emerging risks and put actions in place to manage them and that we regularly review how well risks are being managed.

The Accounting Officer works closely with and is part of the LCJB and works with the Commissioner (NOMS) to deliver the Trust's three year contract with the Secretary of State for Justice.

In 2013–2014, Northamptonshire Probation Trust (NPT) is going to face many challenges, including the response to the consultation on Transforming Rehabilitation in Spring 2013 and which it is anticipated will bring significant operational, and structural changes to the delivery of Probation Services. The Trust remains committed to the Three Trust Change Programme working with Hertfordshire and Cambridgeshire and Peterborough Probation Trusts to enable it to be ready and prepared to meet and take forward these challenges.

New IT systems during 2013–2014 which include transferring all cases to the new DELIUS Case Management System and OASys–R offender risk assessment system, will also bring challenges.

The year ended the 31 March 2013, is the second year that the Governance Statement has been in place in the Trust and this replaces the Statement of Internal Control which identified the systems of Internal Control in place previously.

This statement sets out in more detail how we have continued to develop our governance structure which builds on the positive Internal Audit report on Governance in 2011–2012 and the Audit Committee Self Assessment a year earlier. The statement sets out how we have reviewed our risks to ensure that we maintain our focus on the areas that are most likely to prevent us from achieving our objectives. I am confident that we have the governance, risk management and assurance arrangements in place to ensure that we can rise to those challenges.

## Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Trust operates.

## The Trust Board

The Trust Board forms the Strategic leadership of the Trust and membership is comprised of the Trust Chair, at least four non Executive Board members and the Chief Executive. The Board is supported by the Trust Secretary and Trust Treasurer and meetings are also attended by the Senior Management Team. During the year, the Secretary of State appointed two non Executive members to bring the total Board membership up to seven and the Board met on nine occasions.

The Probation Trust Board ensures, through the Chief Executive, that arrangements are in place to meet its accountabilities to the National Offender Management Service (NOMS) and through the Agency to Parliament. These include:

- Agreeing and delivering the contract with NOMS.
- Preparing annual plans for service provision, including an assessment of the risks ensuring the accounts are prepared and presented in accordance with FReM.
- Agreeing the accounts and ensuring appropriate records are maintained.
- Agreeing the Governance Statement for inclusion in the annual accounts.
- Ensuring effective procedures for handling complaints are established.
- Being available if required, to appear before a Public Accounts Committee.
- Holding the Chief Executive Accounting for the operational performance of the Trust.

In addition, the Board met with the Cambridgeshire and Peterborough Probation Trust (CPPT) Board on occasions to look at joint working arrangements

## Committees and Sub-Committees of the Board

### The Audit Committee

The Trust's Audit Committee is a committee of the Board and its terms of reference are based on a Treasury Framework. The Audit Committee met five times during the year and supports the Trust Board in its responsibilities for good governance by reviewing the comprehensiveness, reliability and integrity of the assurances required and leading the implementation of the Board's commitment to the highest standards of probity and propriety in the use of public funds.

### Information Security Forum

The Trust held one Information Security Forum meeting during the year which was attended by staff, unions, middle and senior managers and a Board member to review Information Security issues and implement improved awareness and systems.

### Health and Safety Committee

The Trust held five Health and Safety meetings during the year which were attended by staff, unions, the Director of Corporate Services and a Board member to review Health and Safety issues and implement improved awareness and systems. This included making an annual report to the Board.

### The Formal Joint Consultative Committee (FJCC)

The Formal Joint Consultative Committee of Board members and Trades Unions representatives met once during the year and this was supported by the five Informal Joint Consultative Committee meetings between Trades Unions and management which took place during the year. These meetings are vital in ensuring a sound system of internal control by ensuring HR processes are appropriately adhered to and consulted on.

### The Senior Management Team

The Senior Management Team during the year was comprised of the Chief Executive and four Directors: the Director of Corporate Services and Treasurer, one full time and one part time Director of Offender Management and Public Protection and the Director of Interventions, Partnerships and Commissioning. In March 2013, the Board approved a one year part time Director of Operations to work across NPT and CPPT to bring together operational working and achieve synergistic benefits. The Senior Management Team meet weekly for operational and strategic leadership issues and decision making.

### The Leadership Forum

The Leadership Forum was set up in October 2011 and is comprised of all middle and senior managers, chaired by the Chief Executive. During the year 2012–2013, the forum met on five occasions.

### **Three Trust Change Programme**

The Three Trust Change Programme was originally based on a mandate to pursue full merger across four trusts which, following the Transforming Rehabilitation consultation and the decision by one Trust to leave the programme, the mandate was revised to focus on pursuing co creation of new service delivery models with the private and voluntary sectors. A Sponsor Group of the Trust Chairs provides the Strategic direction for the Programme which is supported by a governance framework.

### **Trust Contract Review Meetings**

Assurance on key aspects of the Trust contract with the Commissioner takes place at the quarterly review meetings and at key stages throughout the year. In addition to providing assurance to the Commissioner, this provides further assurance to the Trust and the Accounting Officer. The quarterly review meetings are based on a standard agenda where assurance focuses on performance targets, quality, finance and audits and is supplemented by the Board papers and minutes. In addition, specific assurance has been provided in respect of Business Continuity, Equalities, Health and Safety and Quality for which feedback is awaited.

### **Supporting Documents and Policies**

The governance framework is supported by the following:

- The Trust maintains a regularly reviewed set of policies and this is retained on the centrally controlled policy database. All Policies are compiled in a standard framework to ensure consistency and were adopted by the Trust Board in April 2010 and updated where appropriate in 2012–2013 as highlighted later in the statement. The database is available to all staff via a Lotus Notes Database and includes policies on Whistleblowing and Fraud and Corruption, the latter of which will be reviewed in 2013 in line with the Bribery Act requirements.
- The Board has approved, adopted, implemented (and reviewed where appropriate) the following procedures to maintain a robust internal control mechanism for Corporate Governance:
  - Management Statement and Financial Memorandum
  - Finance Manual (previously Financial Instructions incorporating the Scheme of Financial Delegation)
  - Standing Orders
  - Register of Interests
  - Whistleblowing Policy
  - Business Continuity PolicyThese policies and procedures comply with the requirements of the Trust Contract and the NOMS Governance handbook.
- The Trust has a Practice Database where best practice guidance is prepared for all key tasks and is available for all staff to access.

The system of Internal control is a key element of the governance framework and is designed to manage risk to a reasonable level rather than eliminate the 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 on-going process designed to identify and prioritise the risks to the achievement of Probation Service, Probation Trust and departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework which incorporates the system of Internal Control has been in place 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.

The Statement sets out in more detail the Governance structure and framework in place on which the Internal Audit Review on Governance was undertaken during 2011–2012 and assessed processes and systems and controls as well controlled.

## Oversight and Assurance Arrangements

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the governance framework, including the system of internal control.

My review of the effectiveness of the system of internal control is informed by oversight and assurance arrangements which include the work of the Internal Auditors and the Senior managers who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Governance Assurances, specifically the Letters of Assurance, the Board and the Audit Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

The external auditors comment on the effectiveness of the system of internal control in their Management Letter and other reports.

Specific oversight and assurance arrangements in place and developed further during the year are as follows:

- Online mandatory Information Assurance training was completed in the year by staff in the Trust.
- Online mandatory training on Fraud and Corruption has been launched in the year which will conclude in 2013–2014.
- A staff handbook was issued in 2012–2013 which is available to all staff and is issued to all new staff, together with tailored inductions as required throughout the year.
- The Business Continuity Plan adopted by the Trust on the 12 April 2010 and is currently under review.
- The Board adopted the Finance Manual based on NOMS latest guidance which replaced the Scheme of Financial Delegation in the last quarter of 2012–2013 and approved the document which summarises key financial aspects and arrangements from the above procedures in place.
- A schedule for review of the policies on the Board Policy and Strategy Database is in place and in the 2012–2013 year, the following Policies, Strategies and key documents were formally reviewed and revisions implemented:
  - Standing Orders
  - Business Plan 2013–2014
  - Finance Manual (replacing Financial Instructions and the Scheme of Financial Delegation)
  - Learning Agreement with the Unions

The Trust has arrangements for maintaining and reviewing the effectiveness of the system of internal control, examples of the processes are:

- The Board reviews its Risk Management Policy regularly and procedures for identifying the Boards objectives and key risks are in place.
- The Risk Management Policy was reviewed and revised by the Board in June 2010 which fully adopts NOMS requirements.
- Risk Management forms a regular item on the Senior Management Team agenda and regular reviews are undertaken and reported to the Audit Committee where they are challenged and scrutinised. In addition, appropriate action plans were produced in the year and improvements in minimising and mitigating risk ratings were evidenced during the year.
- A Risk Management clause is contained within contracts with Partnership organisations to ensure that risks are assessed, managed, reviewed and mitigated during the arrangements.
- The Audit Committee receive regular reports by Internal Audit and External Audit on the progress of the Audit Plan commenting on the adequacy and effectiveness of the department's system of internal control, together with recommendations for improvement and these arrangements will continue.
- The 2012–2013 Annual Report from the MoJ Audit and Corporate Assurance Team (Internal Audit) is awaited whilst the final audits remain to be completed and it is anticipated that reasonable assurance

will be given that the Trust's overall risk, control and governance framework is adequate to enable the achievement of its objectives and that the key risks to the Trust are being effectively managed. The Annual Report will be received by the Audit Committee in June 2013.

- Internal Audit Reviews undertaken during the year examined the key business activities as follows:
  - Financial Controls (Green),
  - Community Payback (Green/Amber)
  - Efficiency Savings (Green)
  - Professional Judgement/National Standards (Pending)
- The national shadow Programmes Audit highlighted areas for improvement and this was considered by the Audit Committee during the year with updates on the Action Plan where appropriate.
- Progress on all Internal Audit recommendations has been reported to the Audit Committee at each meeting until the recommendations are fully implemented and this will continue.
- The Audit Committee and the Chair of the Audit Committee provided regular updates to the Board and submitted an Annual Report to the Board at the meeting that approves the Annual Report and Accounts. Again, these practices will continue.
- The Audit Committee have commenced discussions on the Internal Audit Plan for 2013–2014 and this will be reported to the Trust Board.
- A comprehensive performance management system is in place to monitor and report performance against the organisation's objectives and targets. As Accounting Officer I ensure operational performance reviews take place and I report performance to the Board at each meeting. The Probation Trust Rating System (PTRS) is incorporated in these reports quarterly and additional assurances provided where required to the Audit Committee during the year.
- The Board receives regular HR updates and where necessary considers specific significant issues. During the year two individual staffing situations gave rise to appropriate Board consideration, both of which were resolved during the year. In addition, one recently identified staffing situation remains at year end which is contained within the accounts and will be considered by the Board where appropriate in due course.
- Budgetary Control is delegated to a number of budget holders and this is tightly managed by the Treasurer, on behalf of the Chief Executive, with regular reporting to the Board. The Scheme of Financial delegation outlining key financial procedures and budget delegation was the prevalent Policy during the year with the Finance Manual adopted and approved in late 2012–2013 and budget delegation letters issued to all managers in 2013–2014.
- The Board reviewed two updates on Specification, Benchmarking and costing updates (SBC) for submission to the Commissioner (NOMS) for assurance during the year.
- Serious Further Offences (SFOs) were tightly managed during the year, with reports made to the Board. The new reporting systems prescribed by NOMS were implemented during the year, including quarterly reports to the Board. Full reviews are available to members on request. An Annual Report will be presented to the Board in 2013–2014.
- The Trust were subject to a national Victim Audit Thematic inspection for which the final report is awaited but is understood to be positive.
- The Trust were successful in gaining re-accreditation for their Matrix assessment for Education, Training and Employment (ETE) during the year.
- Mandatory online Information Assurance Training was undertaken by staff in the trust by the 31 March 2013.
- Resources were managed tightly during the year to ensure Northamptonshire's budget variance was within 0.04% at year end, in line with the strategic direction approved by the Board and the provisionally approved outturn by NOMS.
- Financial information was reported to the Board on a regular basis during 2012–2013, including updates on the Efficiency Plan which was fully realised and where Board Strategic decisions were made to undertake further review of the four year Business Plan which concluded in the year.
- Ongoing steps are being taken to manage the future budget shortfall in 2013–2014 with plans and timescales approved by the Board in March 2013.

At its March 2013 meeting, to support the Annual Governance Statement, the Audit Committee received a report on the Sources of Assurances required for the Annual Governance Statement which also outlined the types of processes and assurances used in preparing the Statement. To provide additional assurance, the Trust continues the practice of the previous Board of a Letter of Assurance signed by all senior and middle managers. This document has been used for in excess of 7 years to identify whether managers feel the current policies and procedures are sufficient to identify risk and whether there have been any significant control weaknesses during the year which have been caused by poor controls or lack of controls.

All senior and middle managers are offered training and guidance by the Treasurer on the completion of this Letter as required on an individual basis. The contracts with Partnership agencies include responsibilities on both the partners and Northamptonshire Probation Trust to identify, manage and monitor risks in line with the services provided.

### **Risk Management**

The Trust has continued to build on its Risk Management Capacity during 2012–2013 and as it was two years since the last Risk Management awareness training, in March 2013, Board members and SMT received training by the Ministry of Justice Audit and Assurance Unit which was linked to its 2013–2014 Business Planning to identify the strategic risks and further embed the process moving forwards.

A fully effective Risk Management process exists where procedures have been introduced for evaluating business risks, and identifying systems of controls and action plans. Regular reviews of the Risk Register have taken place throughout the year in accordance with the Policy and to a standard risk assessment checklist by the Senior Management Team designated as Risk Owners and the Treasurer/Director of Corporate Services who is the Risk Management Co-ordinator.

Following review by the Risk Owner, the Risk Management assessments and actions are challenged and reviewed quarterly by the Senior Management Team (SMT). Changes are actioned as required to the Risk assessments during this process and the original review and SMT recommended changes are presented to the Audit Committee who challenge and scrutinise the Risk assessments and provide assurance to the Board.

The Committee recommended that Board members and the Senior Management Team identify the 2013–2014 Business Risks as part of the Business Planning process and this work facilitated by the Ministry of Justice Audit and Assurance Team was undertaken in March 2013.

The Risk Management Policy is reviewed and where appropriate revised and the review of the Policy last undertaken in June 2010 still fully complies with Ministry of Justice Risk Management requirements.

The framework developed forms an integral part of the Trust's Governance process and follows Treasury guidance.

## Board Attendance

### Board

There were nine Board meetings in the year and attendance of members and Executives advising the Board was as follows:

Member		Tenure	Board (9 meetings)
<b>Board Members</b>			
Tansi Harper	Trust Chair	12/13	8 out of 9
John Budd	Chief Executive	12/13	8 out of 9
Allan Siu	Trust Vice Chair	12/13	9 out of 9
Donna Pumfrey	Audit Committee Chair	12/13	8 out of 9
Colin Chapman	Board member	From Sept '12	4 out of 5
Wray Irwin	Board member	From Sept '12	2 out of 5
Terry Schofield	Board member	12/13	9 out of 9
<b>Other Attendees:</b>			
Roland Bedford	Trust Secretary	12/13	9 out of 9
Helen King	Trust Treasurer/Director of Corporate Services	12/13	9 out of 9
Denise Meylan	Director of Offender Management & Public Protection	12/13	8 out of 9
Mary Geaney	Director of Interventions, Partnerships and Commissioning	12/13	8 out of 9
Roz Morrison	Director of Offender Management & Public Protection	From Jan '13	2 out of 2
Walter Brady	HR Business Partner	12/13	3 out of 3

The Board meetings allow the opportunity for the public to attend.

### Audit Committee

There were five Audit Committee meetings in the year and where attendance is not possible by the Internal and External Auditor and National Audit Office contact, a deputy attends in their place and attendance of Committee members, Auditors and Executives advising the Committee was as follows:

Member		Tenure	Audit Committee (5 meetings)
<b>Board Members:</b>			
Donna Pumfrey	Audit Committee Chair	12/13	5 out of 5
Tansi Harper (1)	Trust Chair	12/13	5 out of 5
John Budd (2)	Chief Executive	12/13	4 out of 5
Allan Siu	Trust Vice Chair	12/13	5 out of 5
Colin Chapman	Board member	From Sept '12	3 out of 3
Wray Irwin	Board member	From Sept '12	2 out of 3
<b>Other Attendees:</b>			
Roland Bedford	Trust Secretary	12/13	5 out of 5
Helen King	Trust Treasurer/Director of Corporate Services	12/13	5 out of 5
KPMG	External Auditor	To Sept '12	3 out of 3
NAO	Comptroller and Auditor General Representative	From Oct '12	2 out of 2
Deloitte	External Auditor	From Oct '12	2 out of 2
MoJ Audit and Assurance	Internal Auditor	12/13	5 out of 5

(1) In October 2012, National Guidance required a change from the Trust Chair and Chief Executive being ex-officio members of the Audit Committee, however, they are still able to attend and their attendance is based on the full year schedule of meetings.

A Board member continued as the Trust representative on the Executive Committee of the Midlands Region Probation Training Consortium which provided strategic guidance and direction to the Consortium until its closure on the 31 March 2013.

The Trust's Governance Statement complies with the Treasury's Corporate Governance Code.

For the year ended 31 March 2013, I have received satisfactory assurance of the effectiveness of the Control Environment for Northamptonshire from all the Assurance providers. Work will continue to ensure continuous improvement of the governance framework, the system of internal control and the assurances supporting it.

John Budd  
Accounting Officer

## 3. 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 Northamptonshire 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 Accounting 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 Northamptonshire 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, Management Commentary and the Sustainability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept or 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**

**03 July 2013**

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

## 4. Accounts

### Statement of Comprehensive Net Expenditure

For the year ended 31 March 2013

		2012–13	2011–12
	Notes	£000	£000
<b>Administration costs</b>			
Staff costs	3(a)	6,732	7,059
Other administration costs	6(a)	2,280	2,355
Income	7(a)	(9,251)	(9,484)
<b>Net administration costs</b>		<b>(239)</b>	<b>(70)</b>
<b>Programme costs</b>			
Staff costs	3(a)	0	0
Other programme costs	6(b)	0	0
Income	7(b)	0	0
<b>Net programme costs</b>		<b>0</b>	<b>0</b>
<b>Net operating costs</b>		<b>(239)</b>	<b>(70)</b>
Expected return on pension assets	4(d)	(1,209)	(1,433)
Interest on pension scheme liabilities	4(d)	1,538	1,593
<b>Net operating costs before taxation</b>		<b>90</b>	<b>90</b>
Taxation	5	0	0
<b>Net operating costs after taxation</b>		<b>90</b>	<b>90</b>

### Other Comprehensive Expenditure

		2012–13	2011–12
	Notes	£000	£000
Net gain on revaluation of property, plant and equipment	8	(1)	(2)
Net (gain)/loss on revaluation of intangibles	9	0	0
Net (gain)/loss on revaluation of available for sale financial assets		0	0
Pension actuarial loss	23	1,714	2,113
<b>Total comprehensive expenditure for the year ended 31 March 2013</b>		<b>1,803</b>	<b>2,201</b>

The notes on pages 32 to 55 form part of these accounts.

All activities derived from continuing operations.

## Statement of Financial Position

As at 31 March 2013

	Notes	2012–13 £000	2011–12 £000
<b>Non-current assets</b>			
Property plant and equipment	8	13	29
Intangible assets	9	0	0
Deferred tax asset	19	0	0
Trade and other receivables	12(a)	0	0
<b>Total non-current assets</b>		<b>13</b>	<b>29</b>
<b>Current assets</b>			
Assets classified as held for sale	11	0	0
Deferred tax asset	19	0	0
Trade and other receivables	12(a)	1,148	886
Cash and cash equivalents	13	678	959
<b>Total current assets</b>		<b>1,826</b>	<b>1,845</b>
<b>Total assets</b>		<b>1,839</b>	<b>1,874</b>
<b>Current liabilities</b>			
Trade and other payables	14(a)	(560)	(600)
Provisions	15	(107)	(118)
Taxation payables	14(a)	(401)	(403)
<b>Total current liabilities</b>		<b>(1,068)</b>	<b>(1,121)</b>
<b>Non-current assets plus/less net current assets/(liabilities)</b>		<b>771</b>	<b>753</b>
<b>Non-current liabilities</b>			
Trade and other payables	14(a)	0	0
Provisions	15	(20)	0
Pension liability	4(c)	(11,986)	(10,185)
<b>Total non-current liabilities</b>		<b>(12,006)</b>	<b>(10,185)</b>
<b>Assets less liabilities</b>		<b>(11,235)</b>	<b>(9,432)</b>
<b>Taxpayers' equity</b>			
General fund	23	(11,259)	(9,455)
Revaluation reserve – property, plant and equipment	24(a)	24	23
Revaluation reserve – intangible assets	24(b)	0	0
		<b>(11,235)</b>	<b>(9,432)</b>

The financial statements on pages 28 to 31 were approved by the Board on 17th June 2013 and were signed on its behalf by

John Budd, Accounting Officer

03 July 2013

The notes on pages 32 to 55 form part of these accounts.

## Statement of Cash Flows

For the year ended 31 March 2013

		2012–13	2011–12
	Notes	£000	£000
<b>Cash flows from operating activities</b>			
Net operating costs	23	(90)	(90)
Adjustments for non-cash transactions	6(a)	43	(51)
Adjustments for pension cost	4(d)	87	52
Increase in receivables	12(a)	(262)	(620)
Increase/(decrease) in payables	14(a)	(42)	267
Utilisation of provisions	15	(17)	(52)
Less movements in property, plant and equipment payable	14(a)	0	0
Less payments of amounts due to Consolidated Fund to NOMS	14(a)	0	0
<b>Net cash outflow from operating activities</b>		<b>(281)</b>	<b>(494)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	0	0
Purchase of intangibles	9	0	0
Proceeds on disposal of property, plant and equipment	8	0	0
Proceeds on disposal of intangibles	9	0	0
<b>Net cash outflow from investing activities</b>		<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Net financing received in year	23	0	0
Payments of amounts due to the Consolidated Fund to NOMS		0	0
<b>Net financing</b>		<b>0</b>	<b>0</b>
<b>Net decrease in cash and cash equivalents in the period</b>			
		<b>(281)</b>	<b>(494)</b>
Cash and cash equivalents at the beginning of the period	13	959	1,453
Cash and cash equivalents at the end of the period	13	678	959
<b>Decrease in cash</b>		<b>(281)</b>	<b>(494)</b>

The notes on pages 32 to 55 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
<b>Balance as at 1 April 2011</b>		<b>(7,252)</b>	<b>21</b>	<b>(7,231)</b>
Prior period adjustment	23/24	0	0	0
<b>As restated at 1 April 2011</b>		<b>(7,252)</b>	<b>21</b>	<b>(7,231)</b>
<b>Changes in taxpayers' equity for 2011–2012</b>				
Net operating cost after taxation	SocNE	(90)	0	(90)
Net gain on revaluation of property, plant and equipment	24(a)	0	2	2
Net gain/(loss) on revaluation of intangibles	24(b)	0	0	0
Movement in donated assets	23	0	0	0
Transferred from revaluation reserve	23	0	0	0
Pension actuarial (loss)/gain	23	(2,113)	0	(2,113)
Net NOMS financing received in year	23	0	0	0
<b>Balance as at 31 March 2012</b>		<b>(9,455)</b>	<b>23</b>	<b>(9,432)</b>
<b>Changes in taxpayers' equity for 2012–2013</b>				
Net operating cost after taxation	SocNE	(90)	0	(90)
Net gain on revaluation of property, plant and equipment	24(a)	0	1	1
Net gain/(loss) on revaluation of intangibles	24(b)	0	0	0
Movement in donated assets	23	0	0	0
Transferred from revaluation reserve	23	0	0	0
Pension actuarial loss	23	(1,714)	0	(1,714)
Net NOMS financing received in year	23	0	0	0
<b>Balance as at 31 March 2013</b>		<b>(11,259)</b>	<b>24</b>	<b>(11,235)</b>

The notes on pages 32 to 55 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 financial statements would have been an increase on the Statement of Comprehensive Net Expenditure (SoCNE) of £154K.

#### 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 £10,000, 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	15 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 £10,000, 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 5 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

Non-current assets held for sale are identified as assets whose carrying amount will be recovered through sale rather than through continuing use. Depreciation on non-current assets held for sale ceases upon reclassification. Depreciation is re-instated and retrospectively applied to any assets which are subsequently not sold and re-classified as in-use.

### 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 retirements benefits. Under the LGPS Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate

(Disclosure of Stakeholder Pensions Schemes is not included in these accounts). 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

Trusts have 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

The Trust has no deferred tax.

### 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 Corporation Tax 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, as custodian or trustee, certain assets belonging to third parties. There are no assets which need to be recognised in the Statement of Financial Position within **Note 26**.

## 2. Statement of Operating Costs by Operating Segment

	2012–13			2011–12		
	Actual	Budget	Variance	Actual	Budget	Variance
	£000	£000	£000	£000	£000	£000
<b>Main Budget</b>						
Offender Management	4,145	4,247	(102)	4,309	4,320	(11)
Interventions	1,855	1,888	(33)	1,850	1,830	20
Central and Support	1,900	1,801	99	1,811	1,847	(36)
	<b>7,900</b>	<b>7,936</b>	<b>(36)</b>	<b>7,970</b>	<b>7,997</b>	<b>(27)</b>
<b>Contract Income</b>	<b>(8,535)</b>	<b>(8,535)</b>	<b>0</b>	<b>(8,598)</b>	<b>(8,598)</b>	<b>0</b>
Bridgewood Approved Premises	594	581	13	566	579	(13)
Prisons (net)	28	2	26	37	0	37
Reimbursed Posts	16	16	0	62	22	40
<b>Total (Underspend)/Overspend in Year</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>37</b>	<b>0</b>	<b>37</b>
<b>Pension Costs</b>	<b>(242)</b>	<b>0</b>	<b>(242)</b>	<b>(107)</b>	<b>0</b>	<b>(107)</b>
<b>Net operating Costs (SoCNE)</b>	<b>(239)</b>	<b>0</b>	<b>(239)</b>	<b>(70)</b>	<b>0</b>	<b>(70)</b>

The variation from the Operating Segment Statement to the SoCNE relates to adjustments made in **Note 3** to reflect actuarial and pension costs, in line with **Note 4** staff costs.

### 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	6,597	6,503	94	7,026
Social security costs	516	516	0	537
Other pension costs	993	993	0	962
<b>Sub-total</b>	<b>8,106</b>	<b>8,012</b>	<b>94</b>	<b>8,525</b>
Less recoveries in respect of outward secondments	(1,374)	(1,374)	0	(1,466)
<b>Total staff costs</b>	<b>6,732</b>	<b>6,638</b>	<b>94</b>	<b>7,059</b>
Administration-related staff costs	6,732	6,638	94	7,059
Programme-related staff costs	0	0	0	0
	<b>6,732</b>	<b>6,638</b>	<b>94</b>	<b>7,059</b>

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**. The change in other pension costs relates primarily to the changes in staffing levels during the year. Redundancy costs for seconded staff (met by income) are included within **Note 6**.

1 Person (2011-12: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £173K (2011-12: £0). The Trust has ill-health insurance which mitigates the financial impact of some ill-health retirements on the Pension Fund.

#### 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	Total
	186	182	4	206
	<b>186</b>	<b>182</b>	<b>4</b>	<b>206</b>

### 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	5	9	14	0	0	0
£10,000–£25,000	1	4	5	0	0	0
£25,000–£50,000	0	0	0	0	0	0
£50,000–£100,000	0	0	0	0	0	0
£100,000–£150,000	0	0	0	0	0	0
£150,000–£200,000	0	0	0	0	0	0
£200,000+	0	0	0	0	0	0
<b>Total number of exit packages by type</b>	<b>6</b>	<b>13</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total resource cost £000</b>	<b>29</b>	<b>103</b>	<b>132</b>	<b>0</b>	<b>0</b>	<b>0</b>

Redundancy and other departure costs have been paid in accordance with the Trust compensation scheme, included within **Note 6** and detailed above. The additional costs of any early retirements are met from the Trust and are included in the above figures. Ill health retirement costs are met from the pension scheme and are excluded from the above table. Reductions in budget from the contract meant required efficiency savings of £0.571M in the financial year 2012/13 and it was necessary to reduce staff costs to achieve this. All savings through the staff reduction programme were achieved through a voluntary reduction process, with no additional enhancements provided. The Trust also had further reductions due to staff returning from secondment without posts to return to, the closure of Wellingborough Prison and efficiency reviews of Unpaid Work and Approved Premises which were separate to the generic staff reduction process and have resulted in some compulsory redundancies.

## 4. Pensions costs

As part of the terms and conditions of employment of its officers and other employees, the Trust offers retirement benefits. Although these will not be payable until the employee retires, the Trust has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The provisions of the Local Government Pension Scheme (LGPS) cover present and past employees, which is statutory and fully funded. The Trust participates in the LGPS, administered by Northamptonshire County Council with Hymans Robertson LLP as the actuary. The closing liability valuation was calculated by Hymans Robertson in April 2013, based on actual contributions to January 2013 and estimates of the contributions February – March 2013.

#### 4a Pension costs

A full actuarial valuation was carried out at 31 March 2010 by Hyman Robertson LLP. For 2012–2013, employers' contributions of £1,235,000 were payable to the LGPS (2011–2012 £1,070,000) which was 11% plus a lump sum payment of £640,000. 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 employers pension for the three years are as follows:

- Employer's contributions for 2012–2013 were 11% of salaries plus a lump sum payment of £640,000; and
- Employer's contributions for 2013–2014 are 11% of salaries plus a lump sum payment of £674,000; and
- Employer's contributions for 2014–2015 will be advised following the conclusion of the triennial actuarial valuation.

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

	2012–13	2011–12
	%	%
Inflation assumption	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate of increase for pensions in payment and deferred pensions	2.4%	2.5%
Discount rate	4.5%	4.8%

#### Mortality Assumptions:

Life expectancy is based on the Fund's Vitacurves with improvements from 2010 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

- Current Pensioners: Males 21.4 years, Females 23.3 years
- Future Pensioners: Males 23.4 years, Females 25.5 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	4.5%	73%	18,551	6.2%	71%	15,422
Government bonds	4.5%	22%	5,591	3.6%	21%	4,561
Other bonds	0.0%	0%	0	0.0%	0%	0
Property	4.5%	5%	1,271	4.4%	6%	1,303
Other	4.5%	0%	0	3.5%	2%	434
<b>Total</b>	<b>-</b>	<b>100%</b>	<b>25,413</b>	<b>-</b>	<b>100%</b>	<b>21,720</b>
<b>Present value of scheme liabilities</b>			<b>(37,399)</b>			<b>(31,905)</b>
<b>Deficit of the scheme</b>			<b>(11,986)</b>			<b>(10,185)</b>
<b>Net pension liability</b>			<b>(11,986)</b>			<b>(10,185)</b>

## 4d. Analysis of amounts recognised in SoCNE

	2012–13	2011–12
	£000	£000
<b>Pension cost</b>		
Current service cost	926	962
Past service cost	4	0
Effect of curtailment	63	0
Effect of settlement	0	0
<b>Total operating charge</b>	<b>993</b>	<b>962</b>

	2012–13	2011–12
	£000	£000
<b>Analysis of interest cost on pension scheme – assets/(liabilities)</b>		
Expected return on pension scheme assets	(1,209)	(1,433)
Interest on pension scheme liabilities	1,538	1,593
<b>Net interest costs</b>	<b>329</b>	<b>160</b>

## 4e. Analysis of amounts recognised in other comprehensive expenditure

	2012–13	2011–12
	£000	£000
Pension actuarial loss	(1,714)	(2,113)
Irrecoverable surplus (if applicable)	0	0
<b>Total shown in other comprehensive expenditure</b>	<b>(1,714)</b>	<b>(2,113)</b>

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

	2012–13	2011–12
	£000	£000
<b>Opening present value of liabilities</b>	<b>31,905</b>	<b>28,831</b>
Current service cost	926	962
Interest cost	1,538	1,593
Contributions by members	338	369
Actuarial losses on liabilities*	3,667	1,220
Benefits paid	(1,036)	(1,064)
Past service cost	4	0
Unfunded benefits paid	(6)	(6)
Curtailments	63	0
Settlements	0	0
<b>Closing present value of liabilities</b>	<b>37,399</b>	<b>31,905</b>

\* Includes changes to actuarial assumptions

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

	2012–13 £000	2011–12 £000
<b>Opening fair value of assets</b>	<b>21,720</b>	<b>20,811</b>
Expected return on assets	1,209	1,433
Actuarial gains/(losses) on assets	1,953	(893)
Contributions by the employer	1,235	1,070
Contributions by members	338	369
Benefits paid	(1,036)	(1,064)
Net increase from disposals and acquisitions	0	0
Unfunded benefits paid	(6)	(6)
Curtailments	0	0
Settlements	0	0
<b>Closing fair value of assets</b>	<b>25,413</b>	<b>21,720</b>

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

	2012–13 £000	2011–12 £000	2010–11 £000	2009–10 £000	2008–09 £000
Fair value of assets	25,413	21,720	20,811	17,563	12,274
Present value of liabilities	37,399	31,905	28,831	34,039	20,176
<b>Surplus/(deficit)</b>	<b>(11,986)</b>	<b>(10,185)</b>	<b>(8,020)</b>	<b>(16,476)</b>	<b>(7,902)</b>
Experience gains/(losses) on scheme assets	1,965	(1,052)	1,466	3,805	(4,508)
Experience gains/(losses) on scheme liabilities	44	(363)	2,675	(4)	(9)
Percentage experience gains/(losses) on scheme assets	<b>8%</b>	<b>(5%)</b>	<b>7%</b>	<b>22%</b>	<b>(37)%</b>
Percentage experience gains/(losses) on scheme liabilities	<b>0%</b>	<b>(1%)</b>	<b>9%</b>	<b>0%</b>	<b>0%</b>

#### 4i. Sensitivity analysis

IAS1 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approx % Increase to Employer Liability	Approx Monetary Amount £000
<b>Change In Assumptions at 31 March 2013</b>		
0.5% decrease in real discount rate	11%	4,050
1 year increase in member life expectancy	3%	1,122
0.5% increase in salary increase rate	3%	1,286
0.5% increase in pension increase rate	7%	2,695

## 5. Taxation

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 CT on their profits and 'profit' for this purpose means income and chargeable gains. There was no corporation tax due in 2012–2013 (or 2011–2012) and no losses which gave rise to a tax effect.

## 6. Other administrative costs and programme costs

### 6a. Administration costs

	2012-13		2011-12	
	£000	£000	£000	£000
Rentals under operating leases	0		0	
Interest charges	0		0	
Accommodation, maintenance and utilities	775		860	
Travel, subsistence and hospitality	200		216	
Professional services	95		150	
IT services	312		356	
Communications, office supplies and services	187		224	
Other staff related	215		140	
Offender costs	395		438	
Other expenditure	23		0	
External Auditors' remuneration – statutory accounts	20		22	
External Auditors' remuneration – other	0		0	
Internal Auditors' remuneration and expenses	15		0	
		2,237		2,406
<b>Non-cash items</b>				
Depreciation of tangible non-cash assets	17		30	
Amortisation of intangible non-cash assets	0		0	
Impairment of non-current assets	0		0	
Profit/(loss) on disposal of tangible non-cash assets	0		4	
Profit/(loss) on disposal of intangible non-cash assets	0		0	
Other provisions provided for in year	26		(85)	
Early retirement provisions not required	0		0	
		43		(51)
<b>Total</b>		<b>2,280</b>		<b>2,355</b>

### 6b. Programme costs

Current expenditure	0		0	
<b>Total</b>		<b>0</b>		<b>0</b>
<b>Total other administration and programme costs</b>		<b>2,280</b>		<b>2,355</b>

## 7. Income

### 7a. Administration income

Income receivable from the sponsoring department – NOMS  
 Rent receivable from minor occupiers of Probation estate property:  
     From within the departmental boundary  
     From other Government departments  
     From external tenants

EU income from NOMS  
 EU income from other Government departments  
 Other EU income  
 Other income received from Probation Trusts  
 Other income from NOMS  
 Other income from rest of MoJ Group  
 Other income from other Government departments  
 Miscellaneous income

Interest received:  
     From bank  
     From car loans  
     From other sources  
**Total interest received**

**Total administration income**

### 7b. Programme income

EU income from NOMS  
 EU income from other Government departments  
 Other EU income  
 Other programme income  
**Total programme income**

**Total income**

	2012-13		2011-12	
	£000	£000	£000	£000
Income receivable from the sponsoring department – NOMS	8,535		8,652	
Rent receivable from minor occupiers of Probation estate property:				
From within the departmental boundary	0		0	
From other Government departments	0		0	
From external tenants	0		0	
		<b>8,535</b>		<b>8,652</b>
EU income from NOMS		0		0
EU income from other Government departments		0		0
Other EU income		167		161
Other income received from Probation Trusts		23		8
Other income from NOMS		59		95
Other income from rest of MoJ Group		0		22
Other income from other Government departments		372		393
Miscellaneous income		93		152
		<b>9,249</b>		<b>9,483</b>
Interest received:				
From bank	2		1	
From car loans	0		0	
From other sources	0		0	
<b>Total interest received</b>		<b>2</b>		<b>1</b>
<b>Total administration income</b>		<b>9,251</b>		<b>9,484</b>

EU income from NOMS	0	0
EU income from other Government departments	0	0
Other EU income	0	0
Other programme income	0	0
<b>Total programme income</b>	<b>0</b>	<b>0</b>
<b>Total income</b>	<b>9,251</b>	<b>9,484</b>

## 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
<b>Cost or valuation</b>						
<b>As at 1 April 2012</b>	<b>0</b>	<b>135</b>	<b>220</b>	<b>0</b>	<b>0</b>	<b>355</b>
Additions	0	0	0	0	0	0
Disposals	0	(10)	(63)	0	0	(73)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	5	9	0	0	14
<b>As at 31 March 2013</b>	<b>0</b>	<b>130</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>296</b>
<b>Depreciation</b>						
<b>As at 1 April 2012</b>	<b>0</b>	<b>121</b>	<b>205</b>	<b>0</b>	<b>0</b>	<b>326</b>
Charge in year	0	7	10	0	0	17
Disposals	0	(10)	(63)	0	0	(73)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	4	9	0	0	13
<b>As at 31 March 2013</b>	<b>0</b>	<b>122</b>	<b>161</b>	<b>0</b>	<b>0</b>	<b>283</b>
<b>Carrying value as at 31 March 2013</b>	<b>0</b>	<b>8</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>13</b>
<b>Carrying value as at 31 March 2012</b>	<b>0</b>	<b>14</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>29</b>
<b>Asset financing</b>						
Owned	0	8	5	0	0	13
Finance leased	0	0	0	0	0	0
<b>Carrying value as at 31 March 2013</b>	<b>0</b>	<b>8</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>13</b>

## 8. (Continued)

	2011-12					Total £000
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	
	£000	£000	£000	£000	£000	
<b>Cost or valuation</b>						
<b>As at 1 April 2011</b>	<b>0</b>	<b>159</b>	<b>218</b>	<b>0</b>	<b>0</b>	<b>377</b>
Additions	0	0	0	0	0	0
Disposals	0	(26)	0	0	0	(26)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	2	2	0	0	4
<b>As at 31 March 2012</b>	<b>0</b>	<b>135</b>	<b>220</b>	<b>0</b>	<b>0</b>	<b>355</b>
<b>Depreciation</b>						
<b>As at 1 April 2011</b>	<b>0</b>	<b>130</b>	<b>186</b>	<b>0</b>	<b>0</b>	<b>316</b>
Charge in year	0	11	19	0	0	30
Disposals	0	(22)	0	0	0	(22)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	2	0	0	0	2
<b>As at 31 March 2012</b>	<b>0</b>	<b>121</b>	<b>205</b>	<b>0</b>	<b>0</b>	<b>326</b>
<b>Carrying value as at 31 March 2012</b>	<b>0</b>	<b>14</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>29</b>
<b>Carrying value as at 31 March 2011</b>	<b>0</b>	<b>29</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>61</b>
<b>Asset financing</b>						
Owned	0	14	15	0	0	29
Finance leased	0	0	0	0	0	0
<b>Carrying value as at 31 March 2012</b>	<b>0</b>	<b>14</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>29</b>

## 9. Intangible assets

There were no Intangible Assets held by the Trust in 2012–2013 (2011–2012 £0).

## 10. Impairments

There were no impairments (2011–2012 £0).

## 11. Assets held for sale

There were no assets held for sale at the reporting date (2011–2012 £0).

## 12. Trade receivables and other current assets

### 12a. Analysis by type

	2012–13 £000	2011–12 £000
<b>Amounts falling due within one year</b>		
Trade receivables	100	40
VAT	0	0
Deposits and advances	0	0
Receivables due from Probation Trusts	39	15
Receivables due from NOMS agency	936	730
Receivables due from Ministry of Justice – core	0	0
Receivables due from Ministry of Justice – NDPBs	0	0
Receivables due from HM Courts & Tribunals Service (HMCTS)	0	0
Receivables due from Office of the Public Guardian (OPG)	0	0
Receivables due from all other Government departments	32	32
Other receivables	0	2
Prepayments	35	45
Accrued income	6	22
	<b>1,148</b>	<b>886</b>
<b>Amounts falling due after more than one year</b>		
Trade receivables		
Deposits and advances	0	0
Other receivables	0	0
Prepayments and accrued income	0	0
	<b>0</b>	<b>0</b>
<b>Total</b>	<b>1,148</b>	<b>886</b>

### 12b. Intra-Government receivables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012–13 £000	2011–12 £000	2012–13 £000	2011–12 £000
Balances with other central Government bodies (inc. parent department)	975	745	0	0
Balances with local authorities	26	29	0	0
Balances with NHS bodies	2	0	0	0
Balances with public corporations and trading funds	4	3	0	0
	<b>1,007</b>	<b>777</b>	<b>0</b>	<b>0</b>
Balances with bodies external to Government	141	109		0
<b>Total</b>	<b>1,148</b>	<b>886</b>	<b>0</b>	<b>0</b>

## 13. Cash and cash equivalents

	2012–13	2011–12
	£000	£000
Balance at 1 April	959	1,453
Net change in cash and cash equivalents	(281)	(494)
<b>Balance at 31 March</b>	<b>678</b>	<b>959</b>
The following balances at 31 March are held at:		
Government Banking Service	0	0
Commercial banks and cash in hand	678	959
<b>Balance at 31 March</b>	<b>678</b>	<b>959</b>

## 14. Trade payables and other current liabilities

### 14a. Analysis by type

	2012–13	2011–12
	£000	£000
<b>Amounts falling due within one year (excluding taxation)</b>		
Trade payables	111	37
Other payables	0	0
Accruals	68	175
Deferred income	101	137
Staff payables	110	47
Bank overdraft	0	0
Payables due to Probation Trusts	42	8
Payables due to NOMS Agency	120	67
Payables due to Ministry of Justice – core	0	0
Payables due to Ministry of Justice – NDPBs	0	0
Payables due to HM Courts & Tribunals Service (HMCTS)	0	0
Payables due to Office of the Public Guardian (OPG)	0	0
Payables due to all other Government departments	8	129
Unpaid pensions contributions due to the pensions scheme	0	0
Long-term liabilities due within one year	0	0
Operating income to be surrendered (interest received)	0	0
Non-current asset accruals	0	0
	<b>560</b>	<b>600</b>
<b>Tax falling due within one year</b>		
VAT	253	222
Corporation tax	0	0
Other taxation and social security	148	181
	<b>401</b>	<b>403</b>
<b>Total amounts falling due within one year</b>	<b>961</b>	<b>1,003</b>
<b>Amounts falling due after more than one year</b>		
Staff payables	0	0
Other payables	0	0
	<b>0</b>	<b>0</b>
<b>Total</b>	<b>961</b>	<b>1,003</b>

### 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)	563	478	0	0
Balances with local authorities	5	129	0	0
Balances with NHS bodies	0	0	0	0
Balances with public corporations and trading funds	3	0	0	0
	<b>571</b>	<b>607</b>	<b>0</b>	<b>0</b>
Balances with bodies external to Government	390	396	0	0
<b>Total</b>	<b>961</b>	<b>1,003</b>	<b>0</b>	<b>0</b>

## 15. Provisions for liabilities and charges

	2012–13	2011–12
	£000	£000
Balance at 1 April	118	255
Provided in year	61	47
Provisions not required written back	(35)	(132)
Provision utilised in the year	(17)	(52)
Unwinding of discount	0	0
<b>Balance as at 31 March</b>	<b>127</b>	<b>118</b>

	2012–13	2011–12
	£000	£000
<b>Analysis of expected timing of discount flows</b>		
Not later than one year	107	118
<b>Current liability</b>	<b>107</b>	<b>118</b>
Later than one year and not later than five years	20	0
Later than five years	0	0
<b>Non-current liability</b>	<b>20</b>	<b>0</b>
<b>Balance as at 31 March</b>	<b>127</b>	<b>118</b>

The Trust holds provisions at year end as follows:

The Trust hold a provision for severance costs based on known factors and estimated liabilities with one scheduled to fall in 2014–2015 and all others anticipated to fall within 2013–2014.

A provision for the excess cost of known insurance claims has been included based on estimates from Willis who undertook the NOMS claims handling arrangements in 2012–2013.

A provision has been included for estimated legal fees due to one staffing matter arising within 2012–2013.

A provision has been included for outstanding holiday and TOIL payments liabilities as at 31/3/13 in line with previous years.

Three minor provisions (all under £7K individually) have also been included as follows:

A provision for potential costs which may be incurred for bus tickets has been made,

A provision for a potential ex-gratia arrangement with a partner agency in respect of a staffing and security issue and

A provision for the anticipated costs of the pension transfer arrangements for TUPE transfer

## 16. Capital commitments

There were no commitments for capital expenditure and major maintenance works for which provision has been made in these accounts (2011–2012 £0).

## 17. Commitments under lease

### 17a. Operating leases

There are no obligations under operating leases (2011–2012 £0).

### 17b. Finance leases

There are no obligations under finance leases (2011–2012 £0).

## 18. Other financial commitments

The Trust has not entered into any non-cancellable contracts (2011–2012 £0).

## 19. Deferred tax asset

There are no deferred tax assets held (2011–2012 £0).

## 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 no contingent liabilities (2011–2012 £0).

## 22. Losses and special payments

### 22a. Losses statement

There are no losses (2011–2012 £0).

### 22b. Special payments schedule

There are no special payments losses (2011–2012 £0).

## 23. General fund

	2012–13	2011–12
	£000	£000
Balance at 1 April	(9,455)	(7,252)
Prior period adjustment (Note 28)	0	0
<b>Balance restated at 1 April</b>	<b>(9,455)</b>	<b>(7,252)</b>
Financing	0	0
<b>Net transfers from Operating Activities:</b>		
Statement of Comprehensive Net Expenditure	(90)	(90)
Movement in donated assets	0	0
Transferred from revaluation reserve	0	0
Actuarial gains and losses	(1,714)	(2,113)
<b>Balance at 31 March</b>	<b>(11,259)</b>	<b>(9,455)</b>

## 24. Revaluation reserve

### 24a. Property, plant and equipment

	2012–13	2011–12
	£000	£000
Balance at 1 April	23	21
Prior period adjustment (Note 28)	0	0
<b>Balance restated at 1 April</b>	<b>23</b>	<b>21</b>
Arising on revaluations of PPE during the year (net)	1	2
Transferred to General Fund	0	0
<b>Balance at 31 March</b>	<b>24</b>	<b>23</b>

### 24b. Intangibles

There are no intangible assets (2011–2012 £0).

## 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. Northamptonshire Probation Trust was a member of the Midlands Probation Training Consortium for the Probation Qualification Framework and PSO VQ3 training which was coordinated by a lead Trust and the Consortium closed on the 31 March 2013.

The Trust has worked closely with Cambridgeshire and Peterborough and Hertfordshire Probation Trusts as part of the Three Trust Change Programme.

## 26. Third-party assets

There are no third party assets (2011–2012 £0).

## 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.

The Trust is in discussions with the LGPS regarding potentially incorrect deductions of pension contributions for staff and the employer. Whilst this would possibly relate to a refund of contributions to staff and the Trust, the amounts have not been fully quantified and it is anticipated these discussions will be concluded in 2013–2014.

Northamptonshire Probation Trust’s continued work in the Three Trust change programme has considered extending to cover a fourth Trust also in the MoJ Contract Package Area and the potential for a Community Interest Company able to register an early expression of interest as a potential provider. This work is not yet concluded and is ongoing.

## 28. Prior period adjustments

There are no prior period adjustments (2011–2012 £0).

## 5. Sustainability report (not subject to Audit)

### Introduction

This is the second Sustainability Report for Northamptonshire 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](http://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 four 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

Northamptonshire 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

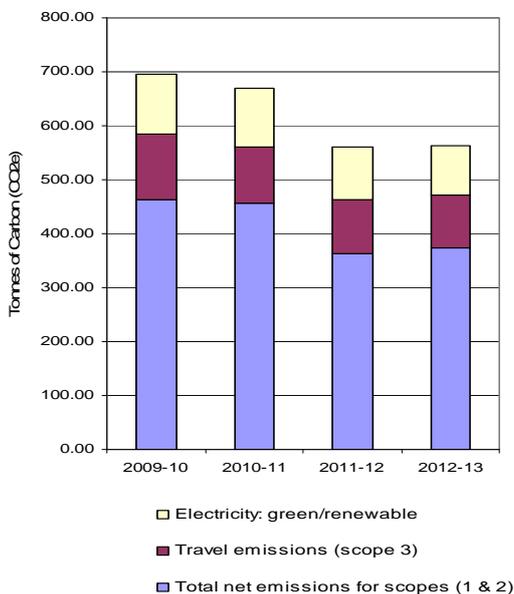
The Trust promotes recycling in all offices and reminders to staff to use utilities effectively and efficiently take place on a regular basis.

### Performance summary

#### Greenhouse gas (GHG) emissions

		2009–10	2010–11	2011–12	2012–13
Non-financial indicators (tCO2e)	Total gross emissions for scopes 1 & 2	574.1	564.9	462.4	465.8
	Electricity: green/renewable	110.2	108.7	98.3	91.1
	<b>Total net emissions for scopes 1 &amp; 2</b>	<b>463.9</b>	<b>456.2</b>	<b>364.1</b>	<b>374.7</b>
	Travel emissions scope 3	120.6	104.9	98.0	97.0
	<b>Total gross GHG emissions (all scopes)</b>	<b>694.7</b>	<b>669.8</b>	<b>560.4</b>	<b>562.8</b>
Non-financial indicators (kWh)	Electricity: Grid, CHP & non-renewable	635,556	626,720	566,945	525,057
	Electricity: renewable	211,852	208,907	188,982	175,019
	Gas	587,942	607,166	247,453	444,990
	<b>Total energy</b>	<b>1,435,350</b>	<b>1,442,793</b>	<b>1,003,380</b>	<b>1,145,066</b>
Financial indicators	Expenditure on energy	£91,817	£94,880	£93,617	£90,910
	Expenditure on official business travel	£257,641	£245,772	£229,605	£216,778

GHG Emissions by scope



**Performance commentary (including targets)**

Buildings occupied by Northamptonshire Probation Trust are Walter Tull House – Northampton, 20 Oxford Street – Wellingborough, Baron Avenue – Kettering and Bridgewood House – Northampton. Northamptonshire Probation Trust has maintained the trend of a year on year reduction of the amount of carbon being emitted into the atmosphere.

**Controllable impacts commentary**

The levels of carbon being emitted has reduced due to travel emissions and due to tighter controls on staff travel and the introduction of video conferencing. Northamptonshire Probation Trust has undertaken maintenance and controlling of the gas boiler located in headquarters

**Overview of influenced impacts**

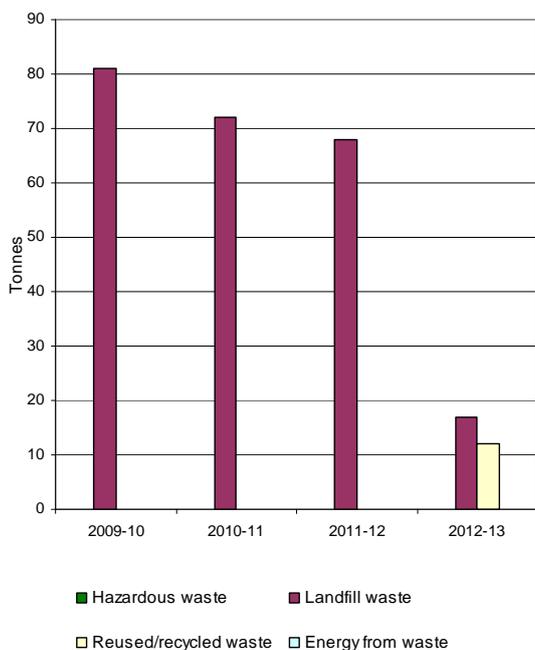
Northamptonshire Probation Trust’s policies are working and they are having an impact which can be seen with these figures.

**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	81	72	68	17
		Reused/recycled waste	0	0	0	12
		Energy from waste	0	0	0	0
		<b>Total waste arising</b>	<b>81</b>	<b>72</b>	<b>68</b>	<b>29</b>
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
		<b>Total waste costs (£)</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

Financial information was not able to be provided by the Ministry of Justice Sustainable Development Team for the period.

Waste by final disposal



**Performance commentary (including targets)**

Northamptonshire Probation Trust has been able to reduce its wastage over the last 4 financial years.

**Controllable impacts commentary**

Northamptonshire Probation Trust piloted a scheme whereby waste was recycled as much as possible. This has a full year effect in 2012–2013 and the results can be seen in the halving of its waste.

**Overview of influenced impacts**

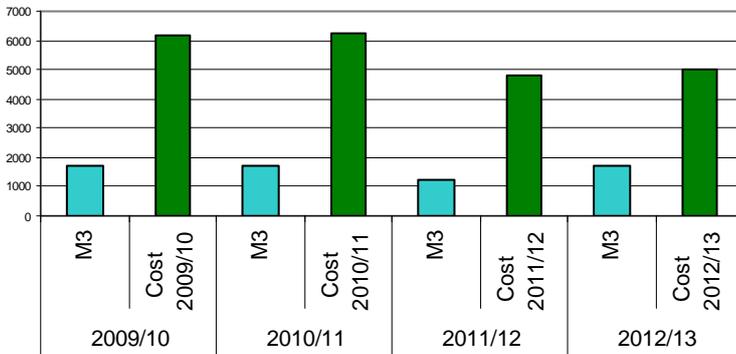
Northamptonshire Probation Trust’s policies are working and they are having an impact which can be seen with these figures.

**Water**

Non-financial indicators **Total water consumption (cubic metres)**  
 Financial indicators **Total water supply costs (£)**

2009–10	2010–11	2011–12	2012–13
1,723	1,720	1,230	1,686
£6,184	£6,260	£4,803	£5,038

Water. Total consumption and costs.



**Performance commentary (including targets)**

Water usage within the Trust is fairly static although it has reduced slightly over the four year period.

**Controllable impacts commentary**

The closure of one building may be the reason for the reduction between 2010–2011 and 2011–2012.

**Overview of influenced impacts**

Usage is steady and has reduced due to closure of one office.

**Paper**

**Cost (excluding VAT)**

2009–10	2010–11	2011–12	2012–13
£12,483	£4,017	£3,672	£3,624

The information for paper usage is based upon the timing of purchasing.

## 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

## Glossary

ABP	Annual Business Plan
BASS	Bail Accommodation Support Service
BME	Black and Minority Ethnic
CJ	Criminal Justice
CPD	Continuous Professional Development
CPPT	Cambridge and Peterborough Probation Trust
CRI	Crime Reduction Initiative
DAAT	Drug and Alcohol Team
DIPC	Director Interventions, Partnerships & Community
DP	Data Protection
ESF	European Social Fund
ETE	Education, Training and Employment
FOI	Freedom of Information
FReM	Financial Reporting Manual
HPT	Hertfordshire Probation Trust
HR	Human Resources
IOM	Integrated Offender Management
LCJB	Local Criminal Justice Board
LGPS	Local Government Pension Scheme
MAPPA	Multi Agency Public Protection Arrangements
MH	Mental Health
MOJ	Ministry of Justice
NDPB	Non-Departmental Public Body
NEP	Northamptonshire Enterprise Partnership
NOMS	National Offender Management Service
OM	Offender Manager
PCA	Probation Chiefs Association
PCC	Police & Crime Commissioner's Office
PD	Personality Disorder
PPO	Priority and Prolific Offenders
PSO	Probation Service Officer
SBC	Specifications, Benchmarking and Costings
SLA	Service Level Agreement
SEEDS	Skills for Effective, Engagement, Development and Supervision
UPW	Unpaid Work



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