



Ministry of
JUSTICE

National Offender
Management Service

National Probation Service

Consolidated Accounts of the Local Probation Boards 2008–2009

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Foreword to the Consolidated Accounts for the year ended 31 March 2009

Statutory Background

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

The NPS now consists of the remaining 36 Local Probation Boards (listed in Annex A to the Foreword on page 11). The responsibilities of the NPS were transferred to the National Offender Management Service (NOMS) which was launched as an executive agency of the Ministry of Justice (MoJ) in April 2008. The remaining 36 Local Probation Boards produce their own accounts, which are consolidated to produce the consolidated accounts of the Local Probation Boards. These in turn, together with the accounts for the six Probation Trusts, are consolidated into the NOMS Agency accounts.

These accounts are a consolidation of the results of the remaining 36 local probation boards and have been prepared in accordance with the Government Financial Reporting Manual (FRm) issued by the Treasury, and in accordance with a direction given by the Treasury in pursuance of Schedule 1 paragraph 17 (4) of the Criminal Justice and Courts Services Act 2000. The direction is reproduced on page 49.

Statement of Purpose

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

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

National Offender Management Service (NOMS)

The National Offender Management Service (NOMS) was launched as an executive agency of the Ministry of Justice (MoJ) in April 2008, with the aim of ensuring prison and probation services work collectively in managing offenders throughout their sentences. It ensures that the punishments of the court are carried out and offenders are managed effectively across the custody and community divide.

As an Agency, NOMS must continue to strive for even more efficient and effective delivery in its vital work to protect the public and reform offenders. NOMS is developing more streamlined systems and structures and exploiting the benefits of commissioning to give a local focus on work, with processes that are benchmarked and tested by competition. NOMS works as part of the wider Criminal Justice System (CJS), which has prosecution, the courts, probation, prisons and youth justice working together through Local Criminal Justice Boards to deliver better justice. A fair and effective justice system must provide collective benefit: this means justice for victims and local communities; punishment and reform for offenders; and, it must also demonstrate value for the taxpayer.

NOMS is responsible for commissioning and delivering adult offender management services for England and Wales within the strategic policy framework. It is also responsible to the Youth Justice Board (YJB) for the services it provides for children and young adults remanded or sentenced to custody and to the United Kingdom Borders Agency (UKBA) for the custodial places provided to hold detainees being considered for deportation.

NOMS operates through providers and partners in the public, private and third sectors to manage offenders in an integrated way. NOMS work protects victims, reduces re-offending and makes communities safer. Decisions on what work needs to be done to achieve NOMS objectives - and who does the work - is based on evidence and driven by ensuring value for money.

NOMS works closely with the Criminal Justice Group (CJG) of the MoJ to agree the overall approach to the management of offenders and to develop other strategic issues such as commissioning and competition. NOMS is central to the MoJ's objectives to achieve better outcomes for society, to provide a more effective, transparent and responsive criminal justice system and the delivery of offender management.

NOMS commissions adult offender services in custody and the community from:

- public, private and third sector organisations;
- the public sector prison service; and
- the Boards and Trusts which provide the public probation services.

Providers deliver services under contract or Service Level Agreements to:

- carry out the punishments imposed by the courts;
- protect the public from offenders and communities from the impact of crime;
- reform offenders and reduce re-offending;
- deliver the sentence plans in accordance with the court's requirements;
- take account of risk, and the needs, wishes and rights of the victims of crime; and,
- make the best use of resources.

The NOMS Agency Framework Document (AFD) explains how NOMS works and defines the relationship between NOMS and the MoJ.

The vision and strategy for NOMS is driven by the requirement to deliver the defined outcomes for Departmental Strategic Objective (DSO) 3 (relating to public protection and reducing re-offending) and make a clear contribution to DSO 4 (a more effective, transparent and responsive criminal justice system) and is underpinned by key principles and policies around offender management, commissioning, competition and by vital work to align supply and demand.

Since April 2008, NOMS has brought together the strategic management of prison and probation services and put in place new streamlined structures at national and regional levels. By working in a more integrated and joined up way NOMS is able to deliver end-to-end offender management services more efficiently at national, regional and local levels.

Directors of Offender Management (DOMs) have been appointed to each English region and Wales, with clear accountability to reduce re-offending and with increased delegation to commission services that better meet offenders' need. DOMs ensure that resources are targeted at priorities and now manage a range of providers from the public, private and third sectors through robust contracts or service level agreements.

A streamlined NOMS headquarters provides DOMs with effective support and challenge by:

- maintaining effective planning and governance regimes;
- securing and allocating resources to priorities;
- developing and agreeing national standards and specifications for service delivery;
- monitoring performance and intervening where performance or efficiency is causing concern;
- commissioning and providing those services which are most cost-effectively managed nationally; and,
- facilitating coordination across Wales and the regions where needed to support national standards, and sharing good practice.

Offender Management Act 2007

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

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

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

The first six Probation Trusts were created in April 2008. These are Dyfed Powys, South Wales, West Mercia, Merseyside, Leicestershire and Rutland and Humberside Probation Trusts. The accounts of these six probation Trusts are not consolidated into the accounts of the National Probation Service.

Criminal Justice Act 2003

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

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

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

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

Results for the Year

The 2008/09 Net Operating Cost for the 36 Boards is £785.6m (2007/08 £736.5m), which mainly consist of staff costs £599.6m (2007/08 £584.7m).

The Balance Sheet shows a net liability of £638.4m (2007/08 £449.0m), which is mainly due to the pension liability of £618.2m (2007/08 £430.5m).

Remuneration

The Director of Probation and other central staff with Probation responsibilities are NOMS staff and are therefore employed by NOMS. All the employee costs associated with this are accounted for in the NOMS accounts.

All the 36 Local Probation Boards have their own separate Board. The remuneration of Local Probation Board members is disclosed in each Local Probation Board's published accounts.

Going Concern

The balance sheet at 31 March 2009 shows net liabilities of £638.4m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from other sources of income, may only be met by future grants or grants in aid from NOMS. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Provision for grant and grant in aid to the Probation Service has been included for the Department's Estimate. These have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Fixed Assets

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

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

Local Probation Boards retain ownership of vehicles and office machinery. During 2008/9 the 36 Probation Boards purchased assets costing £2.7m and disposed of assets which cost £1.1m.

Post Balance Sheet Events

Under the OM Act two further Probation Trusts were created on 1 April 2009, namely Lancashire and Greater Manchester. The remaining Boards all became Trusts on 1 April 2010.

On 8 June 2010, Michael Spurr was appointed as the first Chief Executive Officer of the NOMS Agency and took over the role of Accountable Officer for the Probation Service from this date. The former Director General, Phil Wheatley, retired at the end of June 2010.

Pensions Liabilities

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

Communications and Employee Involvement

During 2008/09, the number of full time equivalent employees across England and Wales was 17,945 (2007/08 17,941), including staff working in probation offices, prisons, Youth Offending Teams (YOTs), Drug Action Teams (DATs) and Local Authority community safety teams.

In order to increase the public profile of Community Payback, in 2006 the team launched the Mayoral Unpaid Work project in which areas were encouraged to approach a newly-installed mayor to sponsor a project. This resulted in considerable local publicity in conjunction with mayors' offices and local authorities.

The organisation change within the MoJ delayed the start of a new campaign. This began during January 2009 with the appointment of a new PR consultancy and agreement on a new national focus to the campaign.

Equality legislation

All 36 Probation Boards continued to progress with their Race, Disability and Gender equality schemes. The action plans contained in those schemes are reviewed on an annual basis. In addition the fuller use of 'Equality Impact Assessments' was pursued to enable compliance with legislation.

NOMS was established in April 2008 and took part in redrafting of MoJ wide corporate Race, Disability and Gender equality schemes, which were launched in April 2008. Action plans were included so that different sections and divisions had their own actions to undertake.

Payment of Creditors

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

RANGE	No of Boards within range	
	2008–2009	2007–2008
Less than 55%	0	0
55% to 59.9%	0	0
60% to 64.9%	0	0
65% to 69.9%	0	0
70% to 74.9%	1	1
75% to 79.9%	2	0
80% to 84.9%	0	4
85% to 89.9%	8	3
90% to 94.9%	9	9
95 % to 100%	16	19
Boards reported =	36	36

Audit

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

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

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

The notional audit fee for the Consolidated Accounts of the Local Probation Boards 2008/09 is £73k (£69k in 2007/08).

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

- I am aware of any relevant audit information
- The Auditor is aware of that information
- There is no relevant audit information of which the Auditor is unaware.

Michael Spurr

NOMS Chief Executive Officer and Accountable Officer

5 October 2010

Annex A

36 Local Probation Boards

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

Statement of National Accountable Officer's Responsibilities

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

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

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

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

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

Statement of Internal Control

1. Scope of Responsibility

I was appointed Accounting Officer for NOMS on 8 June 2010 but prior to that was Chief Operating Officer for the Agency and have attended Agency Audit Committee meetings for a number of years so took up my post with a good understanding of the control environment within the Agency and of the risks facing it.

As Accounting Officer for the Agency, I am also the Accountable Officer for the Probation Service. I have responsibility for maintaining a sound system of internal control that supports the achievement of the Probation Service policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my letter of delegation and in Managing Public Money.

I have bi-lateral meetings with the Permanent Secretary of the MoJ and with the Minister with responsibility for Probation.

2. Purpose of the System of Internal Control

The system of internal control is designed to manage 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 ongoing process designed to identify the principal risks to the achievement of PS policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PS for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

3. Capacity to handle risk

The risk management process is consistent with HM Treasury guidelines and with the NOMS and Ministry of Justice guidance. Each Probation Board completed a self assessment against the risk capability and maturity model and the average overall assessment was at level 4, indicating that integrated approaches to managing risk are implemented across boundaries.

A regular programme of risk awareness training, in the form of facilitated workshops is available to all staff in HQ, Prisons and Probation, and a description of the process is available on the Intranet or, for Probation Staff, the Electronic Probation Information Centre (EPIC). However, there is still scope to strengthen training given to first line managers to ensure that they understand how the process can help them to manage better.

4. The Risk and Control Framework

As Accountable Officer for the PS I lead the risk management process, although Probation Boards risks are identified and managed primarily at area level. Risks to the successful delivery of Probation Board objectives were identified and evaluated, and appropriate action plans put in place to manage the risks. Risks are reviewed, generally on a quarterly basis, by Probation Boards and the process is overseen by their Audit Committees who, in some cases, review risks on behalf of Boards. There is a process in place whereby Probation Boards can escalate risks, through the Chief Operating Officer, to the NOMS Agency Board.

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

5. Review of effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, and the executive 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 and the effectiveness of the system of internal control by the Management Board, the Audit Committee, which includes four independent members (one of whom chairs it), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I have established the following processes to maintain and review the effectiveness of the system of internal control and risk management:

- a Management Board which meets weekly to discuss and consider current business issues;
- a Change Programme Board which meets monthly to consider the plans and strategic direction of the Agency and, each quarter, to review performance and key risks. The Board comprises the Management Board plus three non-executive directors;
- annual assurance statements from each of my Directors covering the key systems for which they are responsible;
- regular reports by Internal Audit, which meet the Government Internal Audit Standards, which include the Head of Audit & Corporate Assurance's independent opinion on the adequacy and effectiveness of the Agency's risk, control and governance arrangements, together with recommendations for improvement;
- bi-lateral meetings with the Head of Audit & Corporate Assurance to discuss emerging issues;

- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- for Probation Boards a self assessment process which requires staff to assess the quality of a sample of their casework;
- implementation of a robust prioritisation methodology for actions based on risk ranking and cost-benefit analysis;
- establishment of key performance indicators and regular review of performance against them;
- an annual report from the Chair of the Audit Committee concerning risk management and internal control; and
- attending Agency Audit Committee meetings.

I have appointed a Senior Information Risk Officer (SIRO) to advise me on the effectiveness with which we manage the risks associated with information. The SIRO is informed by the work of an Information Assurance Programme and by the work of Internal Audit. We have achieved ISO 27001 stage 1 accreditation, which is a significant achievement. By the end of March 2009 there were detailed information asset registers for each of the Agency's 239 business units covering both Prisons and Probation. These have been produced at information assurance workshops which have had the added benefit of raising awareness of information security, resulting in improved performance in handling information securely. The Information Assurance Programme has developed a culture change plan which reiterates NOMS and MoJ policies to all staff. The key risks that have been identified have been risk assessed using CRAMM risk assessment methodology. The NOMS Information Assurance Programme will continue to identify further risks and increase performance through the transition to a permanent NOMS Information Assurance.

During the year, Internal Audit conducted an audit of IT Security and found risk weaknesses which resulted in an audit rating of marginal; they also issued a draft report on document security which, subject to comments from management was rated as deficient. However, action plans have been agreed to remedy the weaknesses identified. In addition, Internal Audit has reviewed its audit coverage at delivery unit level for 2009/10 and has updated the audit test pack, in consultation with the Chief Information Officer, to confirm that it encompasses key aspects of Information Assurance.

NOMS delivers the Internal Audit Service to the Probation Service. During 2008/09 the audit activity was focused, to a large extent, on topics that were considered important locally. We reported that 146 of the 179 systems reviewed were adequately controlled or better. On the basis of work conducted during 2008/09, the Head of Audit & Corporate Assurance was able to give a reasonable level of assurance that risk management, control and governance processes were adequate to achieve the Probation Service objectives.

6. Consolidated Accounts for the year ended 31 March 2009

These accounts for 2008-09 have been completed much later than originally planned. However in the absence of a statutory publication date and the timing of key work in preparation for the introduction of the International Financial Reporting Standards across NOMS it was necessary to reallocate the available accounts production resources.

Michael Spurr

NOMS Chief Executive Officer and Accountable Officer

5 October 2010

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

I certify that I have audited the financial statements of the Consolidated Accounts of the Local Probation Boards for the year ended 31 March 2009 under the Criminal Justice and Court Services Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the National Accountable Officer and auditor

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

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

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

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

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

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

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Criminal Justice and Court Services Act 2000 and directions made thereunder by HM Treasury, of the state of the Consolidated Accounts of the Local Probation Board's affairs as at 31 March 2009, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Criminal Justice and Court Services Act 2000; and
- information included within the Foreword is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas Morse
Comptroller and Auditor General

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

18 October 2010

Operating Cost Statement for the year ended 31 March 2009

		2008–2009		2007–2008 (Restated)	
	Notes	£000	£000	£000	£000
Administration Costs:					
Staff costs	2(a)	596,848		580,284	
Other administration costs	4	219,852		188,664	
Income	6(a)	<u>(30,956)</u>		<u>(32,861)</u>	
Net Administration Costs		785,744		736,087	
 Programme Costs:					
Staff costs	5(a)	2,665		4,421	
Programme costs	5(b)	3,479		4,074	
Income	6(b)	<u>(6,299)</u>		<u>(8,109)</u>	
Net Programme Costs		(155)		386	
 Net Operating Costs			785,589		736,473

All income and expenditure is derived from continuing operations.

Statement of Recognised Gains and Losses for the year ended 31 March 2009

	<u>Notes</u>	2008–2009 <u>£000</u>	2007–2008 (Restated) <u>£000</u>
Net gain/(loss) on revaluation of tangible fixed assets	7	324	2
Receipt of donated assets	13(b)	16	0
Actuarial gain/(loss) relating to the pension scheme	3(i)	(166,064)	47,048
Recognised gains and losses for the financial year		<u>(165,724)</u>	<u>47,050</u>

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

Balance Sheet as at 31 March 2009

	Notes	31 March 2009		31 March 2008 (Restated)	
		£000	£000	£000	£000
Fixed Assets:					
Tangible fixed assets	7		7,968		7,112
Debtors falling due after more than one year					
	8		251		440
Current Assets:					
Debtors	8	20,793		22,395	
Cash at bank and in hand	9	<u>38,244</u>		<u>29,606</u>	
		59,037		52,001	
Creditors (amounts falling due within one year)	10	<u>(50,317)</u>		<u>(44,358)</u>	
Net current assets/(liabilities)			<u>8,720</u>		<u>7,643</u>
Total assets less current liabilities			<u>16,939</u>		<u>15,195</u>
Creditors (amounts falling due after more than one year)	10	(33)		(33)	
Provisions for liabilities and charges	11	<u>(37,146)</u>		<u>(33,652)</u>	
Net assets/(liabilities) excluding pension liability			<u>(20,240)</u>		<u>(18,490)</u>
Pension Liability	3(c)		(618,167)		(430,470)
Net assets/(liabilities) including pension liability			<u>(638,407)</u>		<u>(448,960)</u>
Taxpayers' equity:					
General fund	12		(638,953)		(449,182)
Revaluation reserve	13(a)		518		210
Donated asset reserve	13(b)		28		12
			<u>(638,407)</u>		<u>(448,960)</u>

Michael Spurr
NOMS Chief Executive Officer & Accountable Officer

5 October 2010

Cash Flow Statement for the year ended 31 March 2009

	<u>Notes</u>	2008–2009 <u>£000</u>	2007–2008 (Restated) <u>£000</u>
Net cash outflow from operating activities	14(a)	(766,779)	(734,287)
Capital expenditure and financial investment	14(b)	(2,501)	(2,225)
Financing	14(c)	777,918	731,458
Increase / (decrease) in cash in the period		<u>8,638</u>	<u>(5,054)</u>

Notes to the Accounts

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2008–09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate and gives a true and fair view has been selected. The 36 Probation Boards' accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Going concern

The Balance Sheet at 31 March 2009 shows negative Taxpayers' Equity. This reflects the inclusion of liabilities falling due in future years which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet Net Cash Requirement of the Ministry of Justice of which the NPS is part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund by the Ministry of Justice other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the NPS liabilities is accordingly to be met by future grants of Supply to the Ministry of Justice and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2009–10 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for preparation of these financial statements.

1.3 Tangible Fixed Assets

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

All land and building fixed assets used by Probation Boards are managed and owned centrally by the Ministry of Justice and are recorded on their Balance Sheet. The cost of using those assets is included within Note 4, other

administration costs under “rentals under operating leases” and “accommodation, maintenance and utilities”. The charge to the Probation Boards does not represent the full cost incurred by the Ministry of Justice. Recharges are calculated using national rates agreed at the start of the financial year and are based on bed space for Approved Premises and by gross internal area for the Commercial Estate.

1.4 Depreciation

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

Asset lives are normally in the following ranges:

- Vehicles – 5 to 7 years;
- Plant & Equipment, Furniture & Fittings and IT Equipment – 3 to 5 years.

1.5 Donated Assets

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

1.6 Stock

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

1.7 Operating Income

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

Operating income is income that relates directly to the operating activities of the 36 Probation Boards. It comprises rent receivables, income from EU sources, income from other Government Departments and miscellaneous income. Fees and charges for services are recovered on a full cost basis in accordance with the Treasury’s Fees and Charges guide.

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

1.8 Administration and Programme Expenditure

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

1.9 Capital Charge

A charge, reflecting the cost of capital utilised by the 36 Probation Boards, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities except for:

- a) Provisions for Liabilities and Charges, which is charged at 2.2% to reflect the discount rate applied.
- b) Pension Liability, which is charged at 3.2%. However, the discount rate applied to its share of the pension scheme is determined by the appropriate authority.
- c) Tangible fixed assets, where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - additions at cost;
 - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal);
 - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure).
- d) Donated assets, where the charge is nil.

1.10 Pensions

Past and present employees are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet 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 balance sheet, then that entity will use a discount rate determined by the appropriate authority (for example CIPFA or a qualified independent actuary) in valuing its share and not the rate advised annually by HM Treasury.

The pension funds' actuaries have used roll forward estimated asset value figures in producing the FRS17 pension liability and other disclosures. Where the actual asset values at 31 March 2009 are materially different to those estimates and the impact on the Probation Boards' share of the asset values are material, a disclosure within the Notes of the individual Board accounts reflecting the extent of the material difference has been made.

The actuarial approach to estimating the asset values at 31 March is unlikely to change in future years and as material differences could continue to appear again, local Boards should state the difference between the estimated and actual asset values within their Local Notes. In accordance with 'Amendment to FRS17' quoted securities in 2008/09 are required to be valued at their bid price as opposed to their previous mid price. The effect of this change has been captured in the actuarial gains/losses on assets in 2008/09 rather than restating the 2007/08 asset figures.

1.11 Early Departure Costs

The 36 Probation Boards are required to meet the additional costs of benefits beyond the normal pension benefits in respect of employees who retire early. The Probation Boards policies are to provide in full for this cost when the early retirement programme has been announced and is binding on the Probation Boards. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. A discount rate of 2.2 per cent is used.

1.12 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the 36 Probation Boards, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.13 Grants Receivable

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

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

1.14 Provisions

The Probation Boards provide for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. A discount rate of 2.2 per cent is used.

1.15 Value Added Tax

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

1.16 Comparatives

With effect from the 1st April 2008, 6 former Probation Boards were dissolved and established as Probation Trusts under the Offender Management Act 2007. The comparatives have therefore been restated on the basis of consolidating the remaining 36 Boards.

2 Staff numbers and related costs

2(a) Total staff costs comprise:

	2008–2009			2007–2008
	£000	£000	£000	(Restated) £000
	Permanently -employed			
	Total	staff	Others	Total
Wages and salaries	522,884	502,877	20,007	499,173
Social security costs	38,247	38,189	58	37,256
Other pension costs	76,850	76,849	1	86,737
Sub Total	637,981	617,915	20,066	623,166
Less recoveries in respect of outward secondments	(41,133)	(41,133)	-	(42,882)
Total net admin costs	596,848	576,782	20,066	580,284
Net programme costs	2,665	2,121	544	4,421
Total Staff Costs	599,513	578,903	20,610	584,705

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

41 persons (2007–08: 49 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,705,990 (2007–08: £1,524,416).

2(b) Average number of persons employed

2008–2009			2007–2008 (Restated)
Total	Permanently -employed staff	Others	Total
17,945	17,269	676	17,941
17,945	17,269	676	17,941

3 Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the 36 Probation Boards offer retirement benefits. Although these will not actually be payable until employees retire, the Boards have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The provisions of the Local Government Pension Schemes (LGPS), which are statutory and fully funded, cover present and past employees. The 36 Probation Boards participate in the Local Government Pension Schemes administered by various bodies.

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

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

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

3(a) A full actuarial valuation was carried out at 31 March 2007 by various actuaries. For 2008–09, employers’ contributions of £78,411k were payable to the LGPS (2007–08 £78,408k) in a range from 13.50% to 23.9%. The schemes’ Actuaries 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 FRS17.

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

- Employer's contributions for 2008–09 were 17.9% of salaries; and,
- Employer's contributions for 2009–10 will be 17.9% of salaries; and
- Employer's contributions for 2010–11 will be 18.0% of salaries.

3(b) The major assumptions used by the actuary were:

	31 March 2009 %	31 March 2008 %
		(Restated)
Inflation assumption	3.2%	3.6%
Rate of increase in salaries	4.7%	5.2%
Rate of increase for pensions in payment and deferred pensions	3.7%	4.0%
Discount rate	6.9%	6.6%

Mortality Assumptions

Life expectancy is based on PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners.

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

	Expected long-term rate of return at 31 March 2009 %	Value at 31 March 2009 £000	Expected long-term rate of return at 31 March 2008 %	Value at 31 March 2008 £000
				(Restated)
Equities	8.3%	830,142	9.1%	1,068,157
Government Bonds	3.7%	167,242	4.3%	215,347
Other Bonds	5.5%	137,170	5.2%	136,110
Property	5.6%	107,964	6.0%	124,194
Other	3.7%	86,895	5.2%	85,689
Total		1,329,414		1,629,497
(Present value of scheme liabilities)		(1,947,581)		(2,059,967)
Surplus/ (Deficit) of the scheme		(618,167)		(430,470)
Net Pension Asset / (Liability)		(618,167)		(430,470)

3(d) Pension Cost

	2008–2009	2007–2008 (Restated)
	£000	£000
Current service cost	65,337	76,215
Past service cost	10,871	9,703
Effect of Curtailment or Settlement	908	1,219
Total operating charge	77,116	87,137

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

	2008–2009	2007–2008 (Restated)
	£000	£000
Expected return on pension scheme assets	(112,998)	(119,315)
Interest on pension scheme liabilities	135,926	118,203
Net return	22,928	(1,112)

3(f) Changes to the present value of liabilities during the year

	2008–2009	2007–2008 (Restated)
	£000	£000
Opening present value of liabilities	2,059,967	2,177,333
Current service cost	65,337	76,215
Interest cost	135,926	118,203
Contributions by Members	28,787	24,801
Actuarial (gains)/losses on liabilities *	(285,245)	(283,401)
Benefits paid	(68,970)	(64,106)
Past service costs	10,871	9,703
Curtailments/Settlements	908	1,219
Closing present value of liabilities	1,947,581	2,059,967

* Includes changes to actuarial assumptions

3(g) Changes to the fair value of assets during the year

	2008–2009	2007–2008 (Restated)
	£000	£000
Opening fair value of assets	1,629,497	1,707,432
Expected return on assets	112,998	119,315
Actuarial gains/(losses) on assets	(451,309)	(236,353)
Contributions by the Employer	78,411	78,408
Contributions by Members	28,787	24,801
Benefits paid	(68,970)	(64,106)
Net increase from disposals and acquisitions	0	0
Settlements	0	0
Closing fair value of assets	1,329,414	1,629,497

3(h) Actual return on assets

	2008–2009	2007–2008 (Restated)
	£000	£000
Expected return on assets	112,998	119,315
Actuarial gains/(losses) on assets	(451,309)	(236,353)
Actual return on assets	(338,311)	(117,038)

3(i) Analysis of amount recognised in SRGL

	2008–2009	2007–2008 (Restated)
	£000	£000
Total actuarial gains/(losses)	(166,064)	47,048
Cumulative actuarial gains/(losses)	(295,931)	(133,935)

3(j) History of asset values, present values of liabilities, surplus/deficit and experience gains and losses

	2008–2009	2007–2008	2006–2007 (Restated)	2005–2006	2004–2005
	£000	£000	£000	£000	£000
Fair value of assets	1,329,414	1,629,497	1,707,432	1,546,746	1,189,967
Present value of liabilities	1,947,581	2,059,967	2,177,333	1,743,986	1,418,165
Surplus / (Deficit)	(618,167)	(430,470)	(469,901)	(197,240)	(228,198)
Experience gains / (losses) on scheme assets:	(392,254)	(214,592)	11,758	194,491	50,374
Experience gains / (losses) on scheme liabilities:	4,948	99,490	13,020	(7,422)	16,813

4 Other Administration Costs

	2008–2009		2007–2008 (Restated)	
	£000	£000	£000	£000
Rentals under operating leases	18,612		17,970	
Interest charges	3		4	
Finance charges/(income) – pension costs	22,928		(1,112)	
Accommodation, maintenance and utilities	53,580		51,398	
Travel, subsistence and hospitality	20,076		20,391	
Professional services	11,813		11,402	
IT services	19,145		17,623	
Communications, office supplies and services	18,695		17,320	
Other staff related	14,370		17,370	
Offender Costs	30,896		25,655	
Other expenditure	16,686		15,591	
Auditors' remuneration and expenses	1,372		1,305	
		<u>228,176</u>		<u>194,917</u>
Non-cash items				
Notional Audit fee for the consolidated accounts	73		69	
Depreciation	2,070		1,696	
Impairment of fixed assets	6		1	
Profit on disposal of fixed assets	0		(7)	
Loss on disposal of fixed assets	61		10	
Cost of capital charges	(16,993)		(11,311)	
Early retirement provision provided for in year	2,241		2,257	
Other provisions provided for in year	4,218		1,032	
		<u>(8,325)</u>		<u>(6,253)</u>
Total		<u>219,852</u>		<u>188,664</u>

Included within staff costs and other admin costs above the National Probation Service incurred expenditure of £81,000 in preparing for the move to Trust Status from 1 April 2009. These costs are split as follows: staff costs £72,000 and other costs £9,000.

5 Programme Costs

5(a) Staff Costs

	2008–2009		2007–2008
	£000	£000	(Restated) £000
	Permanently -employed		
	Total	staff	Others
Wages and salaries	2,286	1,756	530
Social security costs	138	135	3
Other pension costs	266	255	11
Sub total	2,690	2,146	544
Less recoveries in respect of outward secondments	25	25	0
Net programme staff costs	2,665	2,121	544

5(b) Other Programme Costs

Current expenditure	3,479	4,074
Total Programme Costs	6,144	8,495

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

	2008–2009		2007–2008	
	£000	£000	(Restated) £000	£000
Rent receivable from minor occupiers of Probation Estate property:				
From within the departmental boundary	96		91	
From other government bodies	0		0	
From external tenants	5		5	
		101		96
EU funding: direct contributions to Board activities		168		419
Income receivable: from other government bodies		14,481		14,122
Miscellaneous Income		14,833		15,983
		29,583		30,620
Operating Income to be Surrendered				
Interest received:				
From bank	1,319		2,158	
From car loans	50		79	
From other sources	4		4	
Total operating income to be surrendered		1,373		2,241
Total Administration Income		30,956		32,861
6(b) Programme Income				
EU funding	3,323		5,309	
Other programme income	2,976		2,800	
Total Programme Income		6,299		8,109
Total Operating Income		37,255		40,970

7 Tangible Fixed Assets

	2008–2009				
	Information Technology £000	Plant & Equipment £000	Furniture & Fittings £000	Vehicles £000	Total £000
Cost or valuation					
At 1 April 2008	690	5,230	1,026	7,794	14,740
Additions	264	1,266	11	1,207	2,748
Donations	0	0	0	16	16
Net Transfers In/Out	(20)	14	0	0	(6)
Disposals	(1)	(453)	0	(699)	(1,153)
Revaluations	0	(5)	0	0	(5)
Indexation	(25)	104	(39)	540	580
Impairment	0	0	0	0	0
At 31 March 2009	908	6,156	998	8,858	16,920
Depreciation					
At 1 April 2008	286	2,257	565	4,520	7,628
Charged in year	113	841	164	952	2,070
Net Transfers In/Out	(4)	4	0	0	0
Disposals	(1)	(364)	0	(632)	(997)
Revaluations	0	(6)	0	0	(6)
Indexation	(13)	31	(18)	251	251
Impairment	0	1	0	5	6
At 31 March 2009	381	2,764	711	5,096	8,952
Net Book Value at 31 March 2009	527	3,392	287	3,762	7,968
Net Book Value at 31 March 2008	404	2,973	461	3,274	7,112
Asset Financing:					
Owned	527	3,392	287	3,762	7,968
Finance Lease	0	0	0	0	0
Net Book Value at 31 March 2009	527	3,392	287	3,762	7,968
Revaluation analysis					
Net change to Revaluation (excluding Impairment)	(12)	74	(21)	289	330
Impairment	0	(1)	0	(5)	(6)
Statement of Recognised Gains and Losses	(12)	73	(21)	284	324

Notes: There was one donated asset to Gloucestershire Probation Board.

	2007–2008				
	(Restated)				
	Information Technology £000	Plant & Equipment £000	Furniture & Fittings £000	Vehicles £000	Total £000
Cost or valuation					
At 1 April 2007	483	4,093	786	7,574	12,936
Additions	258	1,373	0	591	2,222
Donations	0	0	0	0	0
Net Transfers In/Out	0	0	242	0	242
Disposals	(22)	(210)	(14)	(386)	(632)
Revaluations	3	17	1	15	36
Indexation	(31)	(42)	11	0	(62)
Impairment	(1)	(1)	0	0	(2)
At 31 March 2008	690	5,230	1,026	7,794	14,740
Depreciation					
At 1 April 2007	269	1,832	295	4,028	6,424
Charged in year	54	629	154	856	1,693
Net Transfers In/Out	0	0	127	0	127
Disposals	(22)	(186)	(14)	(364)	(586)
Revaluations	0	(4)	3	0	(1)
Indexation	(14)	(14)	0	0	(28)
Impairment	(1)	0	0	0	(1)
At 31 March 2008	286	2,257	565	4,520	7,628
Net Book Value at 31 March 2008	404	2,973	461	3,274	7,112
Net Book Value at 31 March 2007	214	2,261	491	3,546	6,512
Asset Financing:					
Owned	404	2,973	461	3,274	7,112
Finance Lease	0	0	0	0	0
Net Book Value at 31 March 2008	404	2,973	461	3,274	7,112
Revaluation analysis					
Net change to Revaluation (excluding Impairment)	(14)	(7)	9	15	3
Impairment	0	(1)	0	0	(1)
Statement of Recognised Gains and Losses	(14)	(8)	9	15	2

8 Debtors

8(a) Analysis by type

	31 March 2009	31 March 2008 (Restated)
	£000	£000
Amounts falling due within one Year:		
Trade debtors	4,626	3,394
VAT	1,015	857
Deposits and advances	298	533
Debtors due from Probation Trusts	65	10
Debtors due from NOMS Agency	6,240	8,379
Debtors due from the Ministry of Justice – HQ	187	510
Debtors due from HM Courts Service (HMCS)	5	52
Other debtors	3,237	4,646
Prepayments and accrued income	5,120	4,014
	20,793	22,395
Amounts falling due after more than one Year:		
Trade debtors	0	0
Deposits and advances	226	411
Other debtors	25	29
Prepayments and accrued Income	0	0
	251	440
Total Debtors at 31 March 2009	21,044	22,835

8(b) Intra-Government Balances

	Amounts falling due within one Year:		Amounts falling due after more than one Year:	
	31 March 2009	31 March 2008 (Restated)	31 March 2009	31 March 2008 (Restated)
	£000	£000	£000	£000
Balances with other central government bodies (inc. parent dept)	8,760	11,152	0	0
Balances with local authorities	2,721	3,083	0	0
Balances with NHS Trusts	357	833	0	0
Balances with public corporations and trading funds	15	116	0	0
Subtotal: intra-government balances	11,853	15,184	0	0
Balances with bodies external to government	8,940	7,211	251	440
Total Debtors at 31 March 2009	20,793	22,395	251	440

9 Cash at Bank and in hand

	31 March 2009	31 March 2008
	(Restated)	
	£000	£000
Balance at 1 April	29,606	34,660
Net change in cash balances	8,638	(5,054)
Balance at 31 March	38,244	29,606

The following balances at 31 March are held at:

Office of HM Paymaster General	0	0
Commercial banks and cash in hand	38,244	29,606
Balance at 31 March 2009	38,244	29,606

10 Creditors

10(a) Analysis by type

	31 March 2009	31 March 2008
	(Restated)	
	£000	£000
Amounts falling due within one Year:		
VAT	147	190
Other taxation and social security	8,067	6,858
Trade creditors	13,356	11,076
Other creditors	3,886	3,638
Accruals and deferred income	16,432	13,161
Staff creditors	2,857	3,141
Creditors due to Probation Trusts	135	83
Creditors due to NOMS Agency	460	374
Creditors due to the Ministry of Justice – HQ	63	4
Creditors due to HM Courts Service (HMCS)	11	14
Unpaid pension contributions due to the pension scheme	3,236	3,436
Operating Income to be surrendered (Interest received)	1,373	2,241
Fixed asset accruals	294	142
	50,317	44,358
Amounts falling due after more than one Year:		
Other creditors	33	33
	33	33
Total Creditors at 31 March 2009	50,350	44,391

10(b) Intra-Government Balances

	Amounts falling due within one Year:		Amounts falling due after more than one Year:	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
	(Restated)		(Restated)	
	£000	£000	£000	£000
Balances with other central government bodies (inc. parent dept)	1,521	429	0	0
Balances with local authorities	2,555	2,847	0	0
Balances with NHS Trusts	159	238	0	0
Balances with public corporations and trading funds	126	176	0	0
Subtotal: intra-government balances	4,361	3,690	0	0
Balances with bodies external to government	45,956	40,668	33	33
Total Creditors at 31 March 2009	50,317	44,358	33	33

11 Provisions for Liabilities and Charges

	31 March 2009		
	Early Retirement and Pension Commitments Added Years £000	Other Provisions £000	Total £000
Balance at 1 April 2008	31,918	1,734	33,652
Provided in the year	2,248	4,320	6,568
Provisions not required written back	(7)	(102)	(109)
Provisions utilised in the year	(1,973)	(992)	(2,965)
Balance at 31 March 2009	32,186	4,960	37,146

	31 March 2008 (Restated)		
	Early Retirement and Pension Commitments Added Years £000	Other Provisions £000	Total £000
Balance at 1 April 2007	31,558	873	32,431
Provided in the year	2,289	1,398	3,687
Provisions not required written back	(32)	(366)	(398)
Provisions utilised in the year	(1,897)	(171)	(2,068)
Balance at 31 March 2008	31,918	1,734	33,652

Early Retirement and Pension Commitments

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

Other

Provision has been made for other claims against the National Probation Service.

12 General Fund

		2008–2009	2007–2008
		£000	(Restated)
		£000	£000
Balance at 1 April		(449,182)	(479,722)
Financing activities:	14(c)		
Net NOMS Financing received in year (excluding Training Consortia)		661,133	607,304
Training Consortia financing received from NOMS in the capacity as Lead Area		16,730	17,400
Training Consortia financing from NOMS received by the Area		18,435	19,127
Training Consortia financing transferred from the Lead Area to the Areas within their consortia		(503)	(170)
Training Consortia financing received from their Lead Area		1,311	811
Training Consortia financing transferred to their Lead Area		(78)	(56)
Recharges by NOMS for centrally provided services		83,131	88,909
Net transfers from Operating Activities:			
Net operating cost for the year		(785,589)	(736,473)
Operating income to be surrendered (Interest received)	6(a)	(1,373)	(2,241)
Non-Cash Charges:			
Cost of capital charge	4	(16,993)	(11,311)
Notional Audit fee for the consolidated accounts	4	73	69
Net asset transfers in/(out)	7	(6)	115
Transferred from revaluation reserve	13(a)	22	8
Actuarial gains and losses (SRGL)	3(i)	(166,064)	47,048
Balance at 31 March 2009		(638,953)	(449,182)

13 Reserves

13(a) Revaluation Reserve

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

	2008–2009	2007–2008 (Restated)
	£000	£000
Balance at 1 April	210	215
Arising on revaluations during the year (net)	330	3
Transferred to General Fund	(22)	(8)
Balance at 31 March 2009	518	210

13(b) Donated Asset Reserve

	2008–2009	2007–2008 (Restated)
	£000	£000
Balance at 1 April	12	12
Additions during the year	16	0
Revaluations	0	0
Release to the Operating Cost statement	0	0
Balance at 31 March 2009	28	12

During the year Gloucestershire Probation Board received a donated asset. During 2006/07 Gwent Probation Board was in receipt of a donated asset by a local authority.

14 Notes to the Cash Flow Statement

14(a) Reconciliation of operating cost to operating cash flows

		2008–2009	2007–2008 (Restated)
		£000	£000
Net operating cost	12	(785,589)	(736,473)
Adjustments for non-cash transactions	4	(8,325)	(6,253)
(Increase)/Decrease in debtors	8(a)	1,791	(2,788)
Increase/(Decrease) in creditors	10(a)	5,959	6,006
less movements in creditors relating to items not passing through the OCS	10(a)	716	(328)
Adjustments for pension funding	3	21,633	7,617
Use of provisions	11	(2,965)	(2,068)
Net cash outflow from operating activities		(766,779)	(734,287)

14(b) Analysis of capital expenditure and financial investment

	2008–2009	2007–2008 (Restated)
	£000	£000
Tangible fixed assets additions	(2,748)	(2,222)
Plus opening balance for fixed asset accruals	(142)	(188)
Minus closing balance for fixed asset accruals	294	142
Minus proceeds of disposal of fixed assets	95	43
Net cash outflow from investing activities	(2,501)	(2,225)

14(c) Analysis of financing

	2008–2009	2007–2008 (Restated)
	£000	£000
Net NOMS Financing received in year (excluding Training Consortia)	661,133	607,304
Training Consortia financing received by the Lead Area from NOMS	16,730	17,400
Training Consortia financing received by the non-lead Area from NOMS	18,435	19,127
Training Consortia financing transferred from the Lead Area to the boards within their consortia	(503)	(170)
Training Consortia financing received from their Lead Area	1,311	811
Training Consortia financing transferred to their Lead Area	(78)	(56)
Recharges by NOMS for centrally provided services	83,131	88,909
Consolidated Fund Extra Receipts received in prior year surrendered (Interest Received)	(2,241)	(1,867)
Net financing	777,918	731,458

15 Capital Commitments

	31 March 2009	31 March 2008 (Restated)
	£000	£000
Capital commitments at 31 March for which no provision has been made:		
Committed	7	0
Authorised but not contracted	0	33
Total	7	33

16 Commitments Under Leases

Operating Leases

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

Obligations under operating leases comprise:	2008–2009	2007–2008 (Restated)
	£000	£000
Other:		
Expiry within 1 year	333	380
Expiry after 1 year but not more than 5 years	497	725
Expiry thereafter	72	12
Total	902	1,117

17 Other financial commitments

Avon & Somerset entered into a non-cancellable contract for payroll services, occupational health for staff and drug & alcohol treatment for offenders. Nottinghamshire Probation Board entered into non-cancellable contracts for the provision for accommodation and social welfare needs of offenders. Staffordshire Probation Board entered into non-cancellable contracts (which are not operating leases) for outsourced service provision. Gwent Probation Board entered a non-cancellable contract for the Home Computing Initiative. The payments to which these Boards are committed during 2008–09, analysed by the period during which the commitment expires are as follows:

	2008–2009	2007–2008 (Restated)
	£000	£000
Expiry within 1 year	1,193	760
Expiry within 2 to 5 years	319	822
Expiry thereafter	0	0
Total	1,512	1,582

18 Financial Instruments

Risk management objectives and policies

FRS 29, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the 36 Probation Boards are not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 29 applies. The Boards have very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the 36 Probation Boards in undertaking their activities.

Liquidity Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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

19 Contingent Liabilities

At the Balance Sheet date, 3 Probation Boards had contingent liabilities. They are Surrey, Nottinghamshire and Warwickshire.

Surrey: An outstanding claim for injury made by an offender. The Board will be liable if the claim were to succeed. In addition a former employee has taken preliminary steps towards submitting a claim to Employment Tribunal under the Disability Discrimination Act. No provision has been made for this.

Nottinghamshire: A number of staff are following grievance procedures which may result in the paying out of compensation and / or expenditure in defending claims at Employment Tribunals. No provision has been made in these accounts.

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

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

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

21 Losses and Special Payments

Losses Statement	2008–2009		2007–2008 (Restated)	
	Number of Cases	Total Value £000	Number of Cases	Total Value £000
Cash losses	7	0	13	3
Claims abandoned	17	16	21	17
Administrative write-offs	61	18	82	36
Fruitless payments	3	2	0	0
Stores losses	0	0	0	0
Special payments	336	1,385	376	4,254
Total	424	1,421	492	4,310
<u>Details of cases over £100,000</u>				
Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Administrative write-offs	0	0	0	0
Fruitless payments	0	0	0	0
Stores losses	0	0	0	0
Special payments	0	0	10	1,283
Total	0	0	10	1,283

22 Related party transactions

The Ministry of Justice is regarded as a related party. During the year, the Probation Boards had various material transactions with the Ministry. Additionally, the 36 Probation Boards had transactions with other Probation Areas, other government bodies and third party organisations.

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

23 Third-party assets

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

	31 March 2009	31 March 2008 (Restated)
	£000	£000
Balance at 1 April	121	149
Funds paid in during the year	7	57
Funds paid out during the year	(13)	(85)
Balance at 31 March 2009	115	121

24 Post balance sheet events

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

With effect from 1 April 2009 two further Probation Boards were dissolved and established as Probation Trusts under the Offender Management Act 2007. The remaining Boards became Trusts on 1 April 2010, at which point they were consolidated into 35 Trusts in total. Under the Act, the new Trusts have been set up in order to support the strategic aims and current Public Service Agreement of the Ministry of Justice. The Probation Trusts have as their purpose the delivery of probation services under contract with the Secretary of State but they are not required by statute to deliver probation services.

On 8 June 2010, Michael Spurr was appointed as the first Chief Executive Officer of the NOMS Agency and took over the role of Accountable Officer for the Probation Service from this date. The former Director General, Phil Wheatley, retired at the end of June 2010.

Accounts Direction – Consolidated Accounts of Local Probation Boards in England and Wales

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

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

The consolidated accounts shall be prepared so as:

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

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

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

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

This accounts direction supersedes all previous issues.

David Watkins
Head, Financial Reporting Policy, HM Treasury

19 May 2008

Annex A

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

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



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