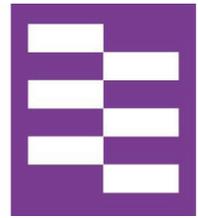


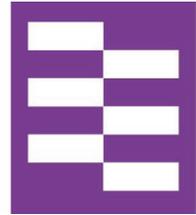
**Staffordshire and
West Midlands
Probation Trust**



Staffordshire and West Midlands Probation Trust

**Annual Report and Accounts
2012–2013**

**Staffordshire and
West Midlands
Probation Trust**



Staffordshire and West Midlands Probation Trust
Annual Report and Accounts
2012–2013

Presented to Parliament pursuant to The Government Resources and Accounts Act 2000
(Audit of Public Bodies) Order 2012 (S.I. 2012, No. 854).

Ordered by the House of Commons to be printed 15 July 2013

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Vision, Mission & Values

Our Vision

The **vision** of Staffordshire and West Midlands Probation Trust is to reduce the number of victims of crime and to make communities safer.

Our **Mission** is to:

- Work as one team, accountable for the delivery of one plan, which delivers excellent performance
- Learn from each other and adopt new ideas quickly
- Work actively with partners and stakeholders to achieve common solutions
- Empower staff to contribute to the organisation
- Respond quickly to feedback from staff and stakeholders
- Secure future contracts to deliver probation services in the Staffordshire and West Midlands Probation Trust area

Values – what inspires us to work:

- Being public servants and working with the public and their representatives to ensure the service we offer meets local need
- Professionalism in our behaviour and in service delivery. Committing ourselves to the achievement of excellent standards in our work
- Being responsive to the beliefs and opinions of others both inside and outside the organisation. Seeking to understand the needs and expectations of our stakeholders, including victims and offenders, and recognising their right to speak about what we do
- Respecting diversity in our workplace and in the wider community. Seeking to offer the best possible opportunity for those we deal with to thrive and develop positively.
- Making the best use of public money through operating the most cost-effective processes and benchmarking what we do against the best providers

Behaviours and expectations

- Treat all customers and colleagues with courtesy, respect and fairness
- Focus on delivering customer and stakeholder requirements
- Implement, own and improve key business processes
- Integrity, honesty and confidentiality
- Equal opportunities and reward for contribution without penalising others
- Open communication and enjoyment
- Give encouragement and support
- Provide relevant training
- Encourage innovation and improvement
- Aim to do the right thing first time
- Promote customer-focussed teamwork

Foreword

I am pleased to introduce the 2012–13 Annual Report of the Staffordshire and West Midlands Probation Trust. The Trust was created on 1st April 2010 through the merger of the former Staffordshire and West Midlands Probation Areas. We act under the authority of a contract with the Secretary of State and we exist with the purpose of protecting the public through implementing the sentences of the court which, in turn, are focussed on the proper punishment and, where safe to do so, the rehabilitation of offenders.

The Trust is the second largest in the country and was formed with the specific aim of creating a robust and capable organisation which can face the immense challenges that were obvious to us when we formed and have developed at pace since then. As public spending cuts have begun to have their effect we have needed to use the efficiencies that our size offers us to the maximum. We have also seen the beginnings of competition for our services with the Ministry of Justice Transforming Rehabilitation consultation indicating that there are major changes ahead for the provision of Probation services.

Although there are many challenges, we face the future with great confidence. The main reasons that we can do this are, first of all, the high calibre of our staff and their engagement with our purpose and, secondly, the close and positive relationships we enjoy with our key partners and stakeholders. It is true to say that, in addressing offending, effective work is always based on doing things with others. We see that principle applying to the relationship we have both with our staff and with our partners. The Trust has performed very well against operational targets during 2012–13 and our staff engagement activity indicates that we have broad support from our staff and we continue to produce amongst the very best figures for reducing reoffending in the country.

We believe that working with our staff and our partners is the basis for such excellent results and it is our firm intention to engage with the Transforming Rehabilitation agenda to ensure that the high standards of service to offenders and other stakeholders continue in the future.

As this is my last contribution to Staffordshire and West Midlands Probation Trust's Annual Report, as Chief Executive, I would like to thank my colleagues on the Trust Board and all Trust staff. Together, you have made my time as Chief Executive at the Trust both stimulating and constructive. We have achieved a great deal together and I am confident that the skills and commitment of probation staff will continue to make a real difference in rehabilitating offenders, now and in the future.

Michael Maiden
Chief Executive and Accountable Officer

31 May 2013

1. Operational & Performance Review 2012–13

A. Enablers:

The Trust adopted the following key priorities in its Business Plan for 2012–13.

1. The Trust must retain its focus on the reason why we exist: namely, to protect the public through reducing reoffending.
2. The Trust must reduce spending through adopting the most efficient possible approach to the delivery of activity.
3. The Trust must prepare its staff for changes that lie ahead.
4. The Trust must further develop its ability to bid for business and to manage contracts.
5. The Trust must constantly refresh its understanding of, and its response to, the future and adopt modern methods and technology.

Leadership

The Trust continued to deliver strong and improved performance in 2012–13, reflecting the commitment of the Board, Managers and staff to high standards in the delivery of our objectives. The year also saw the Trust's Offender Management Inspection 2 results published by the Probation Inspectorate, which showed continuing improvements in the quality of the work of the Trust, alongside high levels of performance against targets. During the year other measures of success have included improved and above average positive feedback from offenders in the NOMS Offender Management Survey; from sentencers via a Sentencer Survey; and from our staff, through our Staff Survey 2012.

The Trust's commitment to public protection has been equally strong. This is reflected in Board leadership – e.g. through its assurance of the quality of practice in risk management, and its oversight of, for example, review of cases where Serious further offences have been committed. Managers have ensured that at a local level public protection remains a top priority and that the high standards of practice are maintained through, for example, local audits of work; and leadership in partnerships with the Police, and other agencies to manage serious offenders safely in the community.

The Board and Senior Managers have continued to ensure the Trust is well-positioned to respond to developments in government policy and the external environment. As the year began, the competition for Lot 4 of the national Community Payback procurement was expected to commence during the year, after the completion of the competition in London. The Trust led a group of 6 Trusts in readiness to bid for the work. In the event the competition has been overtaken by the Transforming Rehabilitation Project, but the work proved a catalyst for change and improvement in performance, effectiveness and efficiency in all partner Trusts, including in Staffordshire and West Midlands Probation Trust. Also as the year began the Trust was about to embark on the Dialogue phase of a competition to select a private sector partner for the Ministry of Justice Payment by Results pilot. Although the pilot was 'paused' in the autumn, and did not subsequently proceed. The Trust learned valuable lessons about engagement with private sector providers and payment by results regimes which will help the Trust in the challenges that lie ahead. Finally, in April 2012 in line with the then direction of government policy, the Trust began to gear up to evolve into the 'Commissioning Trust' envisaged by MoJ plans for the service, which included consideration of the requirements of such an organisation – its capabilities, systems, information requirements and structure.

In the autumn a change of ministerial team at the MoJ presaged a shift in policy direction; as proposed in the Transforming Rehabilitation consultation document published in January, the work of existing Trusts will be separated between the 'reserved services' which will continue to be delivered by the public sector; and the 'compiled services' which will be subject to national competition via a number of contract lots. Again the Trust demonstrated its leadership as the national agenda changed, in particular in seconding the Chief Executive of the Trust to NOMS to provide crucial operational experience to support the

Transforming Rehabilitation Project. These fundamental changes will have an impact on all members of staff and a programme of face-to-face briefings by the Executive Team was undertaken in January and February to ensure staff were fully apprised of developments and that staff morale and motivation at a time of major change were sustained.

During the year the Board has continued to exercise strong oversight and governance including a specific focus on measures to address the stubbornly high levels of sickness absence in the Trust. Where appropriate, Board 'Task and Finish' groups have been used to ensure more detailed scrutiny of particular issues of concern, including the performance of contracts, and the development of the Business Plan.

Heads of Probation in Local Development Units (LDUs) have continued to develop and sustain relationships with strategic partners in the police and local authorities and have become established as the face of probation in each local authority area. Managers have continued to play leading roles in the continuing development of Integrated Offender Management schemes and Multi-Agency Public Protection Arrangements. In addition relationships have been built with the newly elected Police and Crime Commissioners in both Staffordshire and West Midlands.

Policy and Strategy

Central to the Trust's work with offenders has been supporting effective practice – doing the things which research tells us are most likely to impact on offender's behaviour to reduce re-offending. The Trust's Effective Practice Strategy in 2012–13 has included:

- Training all Probation Service Officers (PSOs) in effective practice (the 'Threshold's' training). This followed the training of all Probation Officers in 2011–12.
- Continuing development of the use of volunteers, which is to culminate in the Trust hosting a national Probation Volunteers Conference in May 2013.
- The roll-out of the national SEEDS programme (Skills of Effective Engagement, Development and Supervision), which is designed to embed learning and development of effective practice in the day to day work of staff.
- The successful holding of the Trust's first Effective Practice Conference in March 2013.
- Developing effective engagement to ensure service user feedback informs our work. This has included the use of focus groups and exit questionnaires to capture the user voice; using offender feedback in, for example the re-design and refurbishment of reception areas; and through the Trust's Offender Engagement month in December 2012, each LDU sought different local ways to learn from its offenders how to improve its services.

The Trust has also continued a commitment to Innovation, with the Innovation Fund (£803,000 in 2012–13) used to test out new ideas and developments in service provision in LDUs.

The Trust has continued the work to harmonise its policies and structures following merger in 2010. During the year there has been major work to harmonise HR policies; to re-design the final phase of the Corporate Services structure (Legal Services and Finance departments); and to implement a new procurement framework across the Trust.

People Management

The new Learning & Development (L&D) unit is now fully embedded within the Trust with the deployment of 10 Training Assessors, locally based, delivering training, practice development and assessment. The embedded model has increased the opportunity for learning to be delivered in local offices. In addition the new way of delivering training has included the use of blended learning, that is, producing pre-reading and thus shortening the time spent on face to face training events. Both developments have reduced costs to the Trust by reducing unnecessary travelling expenses and time spent away from the work location.

Linked to the new model of delivery was the closure of the Midlands Region Training Consortium (MRTC) and the successful repatriation of Staffordshire and West Midlands staff and all matters relating to staff consultation, assets and liabilities. The MRTC, prior to closure, coordinated accredited programmes and Regional Sex Offender Unit (RSOU) training across the region. The Trust now provide staff and admin support to accredited programme events as well as supporting the RSOU in running regional training. The Trust has also been successful in setting up an internal Vocational Qualification Assessment Centre and has created a new Learning & Development programme for Probation Service Officers.

During the last financial year 2012–13 L&D have delivered and /or administered 1,600 individual learning experiences across 179 courses and are currently on target to meet the Trust identified training needs generated by the 2012 training needs analysis.

On the 1 of January 2013 saw the HR Services and an integrated People Management strategy was created. It aims to ensure that staff are effectively managed, developed and deployed within the Trust. Consequently the L&D Department is now fully incorporated within HR Services and as such is more closely aligned to the Human Resources Department.

HR Services continue to undertake policy reviews in accordance with the agreed 3 year review cycle (unless employment law or feedback from stakeholders require a more frequent policy update). This year we have seen the implementation of 10 new policies.

HR Services have also introduced a new 'light touch' annual Performance Development Review (PDR) process. The new process was launched under the umbrella of 'Leadership Academy' and is part of a suite of measures for Leadership Development which include, leadership behaviours, talent management, coaching and mentoring scheme, leadership courses for new and existing managers and seniors. HR Services are currently undertaking a procurement exercise to have these L&D interventions in place for 2013/14.

Absence Management remains a key priority for the Trust and as such a new harmonised policy was launched as of 1 January 2013 and subsequent briefing sessions undertaken at all relevant staff meetings.

One of the major causes of absence is stress related illness and therefore HR Services have commissioned Occupational Health provider 'Medigold' to deliver two 'pilot' workshops on developing personal resilience prior to rolling out across the Trust. These workshops focused upon the need for individual managers to develop their own personal resilience in order to more effectively lead their teams, the need to understand the basic principles of resilience in order to understand the needs of their team members and how to influence their team culture to support individual's adoption of resilience habits.

HR Services continue to undertake an active role in the implementation of the new HR/Payroll system, i-Trent. The new integrated system will be implemented on 1 April 2013 for the former West Midlands and August 2013 for the former Staffordshire part of the trust.

Partnerships and Resources

The Trust faced a reduction in its budget of (1.5%) in 2012–13 but through a process of effective budget management, was able to deliver improvements in the quality of its work and meet its performance targets, whilst achieving a balanced budget at the end of the year. One of the principles which the Trust set itself when it was created in 2010 was to prioritise operational work and increase the proportion of expenditure on operational units and this has continued, aided by the implementation of reviews of corporate departments, e.g. Learning and Development, which have seen continuing reductions in expenditure in Corporate departments. Another principle was the delegation of budget management to Heads of LDUs and other Departments, whilst maintaining clear oversight by the Executive Team.

The experience of the delegated arrangements has developed over the year, and has supported effective financial management in the Trust.

Locally, Heads of Probation continue to make strong contribution to strategic partnerships (e.g. Community Safety Partnerships) where the Trust's experience and expertise is particularly valued. This has enabled the Trust to access resources and contribute to local initiatives to reduce reoffending, and our strong performance in reducing reoffending reflects both the quality of the Trust's interventions and the impact of partnership working at a local level. The Trust continues to play a full part in MAPPA (Multi-Agency Public Protection Arrangements) in LDUs and centrally in both Staffordshire and West Midlands; in working with local and national partners to manage the small but growing number of extremist offenders in the community; in Local Child Safeguarding Boards; and in the multi agency management of Persistent and Prolific Offenders through the IOM schemes in place across the Trust.

The Trust commissions a variety of offender services, including money advice, substance misuse, employment and training and other services from private or voluntary sector providers, worth £2.2m in 2012–13. During the year new contracts for Money Advice, Waking Night Care (in Approved Premises) and Substance Misuse Programmes commenced. The latter introduced outcome focussed payments, linking a proportion of the value of the contract to sustained behaviour change by the offenders with whom the provider has worked. During the year a bid was successfully submitted to joint NOMS and NHS Commissioners to develop a project for offenders with Personality Disorder in Stoke and Staffordshire, which commenced on 1 April 2013; this will involve partnerships with local Health Trusts to provide expert consultation and advice to probation officers managing some of the most serious offenders the Trust supervises. The Trust has also continued to support the Women's 'One-Stop Shop' Projects (Brighter Futures in Stoke, Anawim in Birmingham) in the year and for 2013–14, whilst signalling a review of women's services across the Trust with a view to ensuring appropriate services are available to women in each LDU.

Processes

In terms of operational work, there has continued to be a focus on improving systems and processes. Examples include managing the re-integration of offender management of single requirement orders into Community Payback units; reviewing the implementation of National Standards 2011; and improving processes and systems to deliver improved levels of successful completion of orders and licences.

There have been major changes to the Trust's IT systems in the year. In March 2013 the Staffordshire part of the Trust successfully migrated to National Delius, a national case management system, with the West Midlands part to follow in May 2013. This migration involved considerable planning and preparation as well as significant training of staff and re-design of business processes. This work was complicated by the implementation of OASys-R as the end of March 2013. OASys-R is also a national system and planning and preparation was nationally led but required significant local work to prepare for migration and train staff. Finally during the year there was detailed planning for, and implementation of, new HR, Finance and Payroll systems, which went live at the end of the year. Combined with the move of the Trust Executive office in February, the scale of IT and infrastructure-related change the trust faced was unprecedented and it is a tribute to all staff involved that these simultaneous challenges have been successfully met, whilst performance has been maintained.

B. Results:

The targets comprise 3 groups.

- Those which are nationally set by NOMS and feature as part of the published Probation Trust Rating Scheme (PTRS). These are obligatory for all Probation Trusts.
- National Trust Contract measures – these are KPIs set as part of the Trust contract and are nationally applicable – i.e. all Trusts have these targets
- Local Trust Contract targets – these are local targets agreed with the NOMS Commissioner by the Trust as part of the contract setting process each year, and reflect local circumstances. These may differ from Trust to Trust.

Target identifier	Description	Annual Target	Performance (with Red, Amber, Green rating)
Probation Trust Rating System (PTRS)			
	Overall Trust PTRS Rating	-	Green
	Public Protection Domain		
IPPF 04	Offender Management Inspection (OMI) Risk of Harm	-	78%
OM32	Victim Feedback	90%	99%
OM26	OASys (Offender Assessment System) Quality	90%	95%
	MAPPA Effectiveness	90%	98%
Reduce Re-Offending Domain			
OM21	Re-Offending Rate	-	(13)%
INT9	Employment at Termination	40%	47%
OM17	Accommodation at Termination	87%	89%
OM26	OASys Quality	90%	95%
OM29	Offender Feedback	67%	78%
IPPF06	OMI Interventions	-	77%
Sentence Delivery Domain			
OM20	Orders and Licences Successfully Completed	74%	76%
OM29	Offender Feedback	67%	78%
IPPF05	OMI Assessment and Sentence Planning		78%
IPPF19	OMI Enforcement & Compliance	-	78%
Nationally Set Trust Contract Measures			
INT06	Number of Offenders sustaining employment	1,300	1,513
OM19	Number of referrals in education provision	-	884
INT01	Sex Offender Treatment Programme (SOTP) Completions	145	173
INT02	Domestic Violence Programme Completions	120	130
INT03	Offending Behaviour Programme Completions	800	823
INT06	Drug Rehabilitation Requirement Completions	547	680
INT07	Alcohol Treatment Requirement Completions	150	338
OM40	Court report Timeliness	90%	98%
OM04	Licence Recall Requests within 24 hours	90%	94%
OM05	Enforcement	90%	94%

Target identifier	Description	Annual Target	Performance (with Red, Amber, Green rating)
OM39	OASys Tier 2, 3, 4 and Prolific and other Persistent Offender Final reviews	90%	92%
OM27	Generic Parole Process	80%	94%
INT05	Community Payback Completions	4,750	4,482
Locally Negotiated Trust Contract Measures			
INT20	Referrals resulting in an award	23%	55%
INT13	Sex Offender Treatment Programme Completion rate	75%	82%
INT14	Domestic Violence Programme Completion rate	70%	70%
INT15	Offending Behaviour Programme Completion rate	65%	66%
-	Structured Intervention to Address Domestic Abuse Completions	250	450
INT17	Drug Rehabilitation Requirement Completion rate	55%	57%
INT16	Alcohol Treatment Requirement Completion rate	55%	65%
INT18	Community Payback Completion rate	73%	75%
INT11	Unpaid Work days lost to Stand Downs	1%	1%
OM03	End to end Enforcement – Court Services	65%	61%
Management Information			
INT10	Education starts	-	692
OM7	Victim contact	90%	100%
IPPF8	Staff sickness	10 days	12 days
IPPF14	Staff Diversity	-	26%
National Standards (locally set)			
Q15	Tier 4 cases (High RoH) – Home Visit takes place	-	84%
Q32	Did Programme commence within 6 weeks of start?	-	65%
Q48	CP – minimum of 6 hours work per week	-	58%

C. Workload and Activity Statistics (from 01/04/2010)

Workload and activity type	2010–2011	2011–2012	2012–2013
Pre Criminal Justice Act (CJA) 2003 Community Orders	72	7	5
CJA Community Sentences	10,073	9,284	8,887
Youth Rehabilitation Orders	199	230	188
Total Pre & Post CJA Orders	10,344	9,599	9,080
CJA Supervision Requirement	11,276	11,197	10,381
CJA Unpaid Work Requirement	7,741	7,151	5,920
CJA Drug Rehabilitation Requirement	1,293	1,257	1,323
CJA Programme Requirement	3,111	3,074	2,698
CJA Suspended Sentence	4,964	4,614	4,449
Total Custodial Sentences	9,194	8,592	8,521
Total Post-Release Licences	3,847	3,899	4,077
Total Pre-Sentence Reports	16,941	17,119	13,935
Total Magistrates' Courts Reports	10,923	10,658	8,821
Total Crown Courts Reports	6,018	6,461	4,872
Percentage as Fast Delivery Reports	43%	42%	49%
Community Punishment/Unpaid Work Hours Ordered	876,364	868,897	718,178
Community Punishment/Unpaid Work Hours Worked	676,646	654,382	584,480
Numbers of victims contacted	1,268	1350	996*

Requirements also reflect requirements added to Suspended Sentence & Youth Rehabilitation Orders.

Numbers of pre-sentence reports are updated on a monthly basis and will increase as a result of backloading.

Unpaid Work is taken from Community Payback Dashtop.

Programme Requirements are taken from IAPS.

Total custodial sentences include AUR.

Post-release licences exclude AUR.

*Victims figures for 2012–2013 represent 9 months' data (April–Dec) and are taken from the Probation Hub. Figures for 2011–2012 have been updated from those on the Probation Hub.

Workload and Activity Statistics – Legacy Probation Areas 2008–2010

Workload and activity type	Former Staffordshire Probation Service		Former West Midlands Probation Service	
	2008–2009	2009–2010	2008–2009	2009–2010
Pre-CJA 2003 Community Orders	120	59	57	211
CJA Community Sentences	2,410	2,226	7,919	7,994
Youth Rehabilitation Orders	-	5	-	-
Total Pre & Post CJA Orders	2,530	2,290	7,976	8,015
CJA Supervision Requirement	2,588	2,290	8,230	8,867
CJA Unpaid Work Requirement	1,557	1,552	5,375	5,912
CJA Drug Rehabilitation Requirement	426	320	951	931
CJA Programme Requirement	1076	815	2,383	2,203
CJA Suspended Sentence	969	840	3,502	3,894
Total Custodial Sentences	1,988	1,768	6,308	6,549
Total Post-Release Licences	818	821	2,629	3,323
Total Pre-Sentence Reports	4,207	4,215	14,474	14,743
Total Magistrates' Courts Reports	3,018	2,871	9,589	9,499
Total Crown Courts Reports	1,189	1,344	4,885	5,244
Percentage as Fast Delivery Reports	37%	40%	42%	41%
Community Punishment/Unpaid Work Hours Ordered	Not available	Not available	645,266	729,060
Community Punishment/Unpaid Work Hours Worked			434,128	523,752
Numbers of victims contacted	Not available	Not available	1,194	752

D. Names of Board Members & Official Contact Address

Dr A Harrison (Chair)
Mr M Maiden (Chief Executive 1 April 2012–31 May 2013)
Ms C Holland (Chief Executive from 1 June 2013)

Mr K James
Mr T Johnson
Professor H Kemshall
Mr J Ryan
Mr R Singh
Ms M Stevenson
Mrs B Thomas

HH Judge Orme (Advisor) Replaced January 2013 by
HH Judge Burbidge (Advisor)

Secretary to the Board and Trust Solicitor
Philip Grafton

Contact Address
Staffordshire and West Midlands Probation Board
2nd Floor,
5 St Philip's Place
Birmingham
B3 2PW

Tel: 0121 643 1300

Website: www.swmprobation.gov.uk

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 both Staffordshire Probation Board and West Midlands Probation Board which were 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 55, by the Secretary of State under the OM Act.

Accounts

Each Trust is required under Schedule 1, paragraph 13(1) of the Offender Management Act 2007 to prepare in respect of each financial year of the Trust a statement of accounts.

The Secretary of State has given direction as to:

- The information to be given in the report and the form in which it is to be given,
- The time by which the report is to be made, and
- The form and manner in which the report is to be published.

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 by the Secretary of State under the OM Act.

Principal Activities

Staffordshire and West Midlands Probation Trust delivers probation services covering the Staffordshire and West Midlands Police areas, as defined in Schedule 1 of the Police Act 1996, serving a population of approximately 3.7 million. During the year, the Trust employed some 1,561 full time equivalents, who worked from 35 Probation buildings as well as having staff based in crown courts and magistrates courts. The Trust also operates 10 approved premises across the area.

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

The Chief Executive is a statutory office holder appointed by the Secretary of State. The Chief Executive is the Accountable Officer for the Trust and is accountable to the National Director in the position as the Principal Accountable Officer (PAO) for National Offender Management within the Ministry of Justice. The PAO, in turn, is accountable to the Accounting Officer of the Ministry of Justice, who is directly accountable to Parliament for safeguarding public funds.

Operational Performance during 2012–13

An analysis of performance outcomes is summarised in the Annual Report on pages 4–12.

Results for the year

The Statement of Comprehensive Net Expenditure (SoCNE) for the year is shown on page 25. The Statement of Changes in Taxpayers' Equity is shown on page 28.

Operating costs

The net operating cost before tax for 2012–13 stands at £106,000 income compared to £483,000 cost for 2011–12. The reason for the decrease is predominantly due to reduction in staff costs.

Statement of Financial Position and Statement of Cash Flows

The Statement of Financial Position and Statement of Cash Flows are on pages 26 and 27.

The net asset position has decreased from -£100,763,000 at March 2012 to -£129,584,000 at March 2013. The largest single movement in net assets is £29,124,000 due to the increase in pension liability.

Payment of creditors

The Trust observes the principles of the “Better Payment Code of Practice” and aims to pay all approved invoices within 30 days. In the year to 31 March 2013, the Trust paid 13,014 trade invoices. The percentage of undisputed invoices paid within 30 days by the Trust was 78.22% compared to 84.23% in 2011–12. The decrease was due to a new Finance system being implemented in March 2013 which delayed the processing of some invoices.

Going Concern

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

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

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

Pension Liabilities

The pension liabilities are set out in **Note 4** to the Accounts. Employees of the Trust are members of the West Midlands Metropolitan Authorities Pension Fund.

Sickness absence data

The average levels of absence due to staff sickness were 11.7 days across the Trust (2011–12 10 days).

Sustainable development

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

Public Interest

The Trust operates a policy of equal opportunities, regardless of gender, race, disability, or sexuality.

Management

The strategic management throughout the year was carried out by the Trust Board, which consisted of the members listed at Section D of part 1 of this report: all Home Office appointed Board members receive non-pensionable remuneration of £15.40 per hour from 1 April 2004, with the exceptions of the Chief Executive and Chair. Staffordshire and West Midlands Probation Trust also pay a travel allowance and other relevant expenses incurred by Board members.

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 23.

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.

Remuneration Report

Appointments

The Chair, and other members of the Trust Board apart from the Chief Executive were all appointed by the Secretary of State in line with the Commissioner for Public Appointments' "Guidance on Appointments to Public Bodies". The emoluments of these persons are paid for through Ministry of Justice funds. The Chief Executive was appointed by the Secretary of State after a round of assessment and interviews.

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.

Remuneration of the board members is set out in the table below:

Name	Role	2012–13		2011–12	
		Salary £000	Benefits in Kind (to nearest £100)	Salary £000	Benefits in Kind (to nearest £100)
Michael Maiden	Chief Executive	100–105	None	100–105	None
Dr Alan Harrison	Chair	20–25	None	20–25	None
Mr Ken James	Board Member	0–5	None	0–5	None
Professor Hazel Kemshall	Board Member	0–5	None	0–5	None
Rashpal Singh	Board Member	0–5	None	5–10	None
Ms Merisha Stevenson	Board Member	0–5	None	0–5	None
Mrs Brenda Thomas	Board Member	0–5	None	0–5	None
Mr Tony Johnson	Board Member	0–5	None	0–5	None
Mr J Ryan	Board Member	0–5	None	0–5	None

The median remuneration of the trust's staff for 2012–13 was in the band £30,000–£35,000 (2011–12 £30,000–£35,000). The ratio of this to the banded remuneration of the Chief Executive was 1:3 (2011–12 1:3).

PENSION BENEFITS – AUDITED

	Total accrued pension at pension age as at 31 March 2013 & related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV at 31 March 2013	CETV at 31 March 2012	Real increase/ (decrease) in CETV after adjustment for inflation and changes in market investment factors
	£000s	£000s	£000s	£000s	£000s
Michael Maiden	0–2.5	35–40	664	626	38

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.

Michael Maiden

Chief Executive and Accountable Officer from 1 April 2012 to 31 May 2013

Catherine Holland

Chief Executive and Accountable Officer from 1 June 2013

26 June 2013

Statement of Accountable Officer's Responsibilities

Under Schedule 1, paragraph 13(1)(b) of the Offender Management Act 2007, probation trusts must prepare a statement of accounts in respect of each financial year, in conformity with an Accounts Direction issued by the Secretary of State, reproduced on page 55.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trust and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Probation Trust will continue in operation.

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

2. Governance Statement

This Statement sets out for our staff and stakeholders the basis on which the Trust has been established; the way in which it is governed and managed; and how it is accountable for what it does.

Introduction

The Staffordshire and West Midlands Probation Trust was established on 1st April, 2010 under the Offender Management Act 2007. The Trust is required to operate within the provisions of the Act and relevant subordinate legislation. It must also comply with any directions given by the Secretary of State for Justice. The Secretary of State is ultimately accountable to Parliament for the activities and performance of Probation Trusts. The Chief Executive for the National Offender Management Service (NOMS), as Accountable Officer for the whole of Probation, designates the Chief Executive of the Trust to undertake the role of Accountable Officer for the Trust.

The Trust complied in all material aspects with the code of corporate governance in the context of its size and complexity.

Governance Framework

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Staffordshire and West Midlands Probation Trust policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in managing public money.

As the Trust's Accountable Officer I am personally responsible for propriety and regularity in the management of the public funds allocated to the Trust and for the day-to-day operations and management of the probation service in Staffordshire and West Midlands. The Board and I are held to account for the performance of the Staffordshire and West Midlands Probation Trust through regular reporting mechanisms to the National Offender Management Service (NOMS).

The Trust Board agreed a Contract for Offender Management and Interventions with NOMS. This contract was reviewed formerly with NOMS on a quarterly basis. We were able to demonstrate and evidence good governance, good performance against targets and robust financial management.

The Trust Board and its committees are a key element in the corporate governance structure of the Trust. The Board is made up of a balanced mix of both commercial and public sector members who bring a wealth of experience and skills to the Trust. To maintain a high level of corporate governance, the Board has established the following processes:

- The Trust Board meets at least eight times per year to consider the plans and strategic direction of the Trust.
- The Audit Committee meets at least four times per year.
- The Trust Board receives detailed minutes of each meeting of the Audit Committee together with an annual report on its work, by the Chair of the Audit Committee.
- Regular reports by Internal Audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Trust Board's system of internal control together with recommendations for improvement.
- A comprehensive performance management system is in place based upon publication of monthly local performance reports and quarterly national Probation Trust Rating System (PTRS) reports.
- Performance results are discussed regularly at Trust Board meetings with a detailed operational presentation taking place each quarter.

- The Board has approved, adopted and implemented the following procedures to maintain robust Corporate Governance and Internal Controls:
 - Standing Orders.
 - Standing Financial Instructions.
 - Register of Interests.
- Budget control in Staffordshire and West Midlands is delegated to a range of budget holders and this is tightly managed by the Director of Finance on behalf of the Chief Executive and supported by formal documentation for the management of delegated budgets. A NOMS recommended Scheme of Delegation is in place.
- The Board maintains a regularly reviewed set of policies. This is available to all staff via an Intranet based Lotus Notes database and includes:
 - Risk Management
 - Anti Fraud and Corruption
 - Public Interest Disclosure (“Whistle blowing”)
 - Information Security
- A detailed Staff Survey is conducted every two years to ascertain the views of staff based on their experience of working for the Staffordshire and West Midlands Probation Trust. Outcomes from the survey are reflected in the Trust Business Plan. In addition, more regular ‘My View’ mini staff surveys are conducted several times a year.

Attendance at Board and Committee meetings during the year was as follows:

1 April 2012 – 31 March 2013

Name	Invited to attend	Attended
Harrison Dr A	21	21
Burbidge HH Judge J (Advisor)	2	1
James Mr K W	21	20
Johnson Mr T	17	10
Kemshall Professor H	27	9
Maiden Mr M	17	10
Orme HH Judge R (Advisor)	9	5
Ryan Mr J	27	23
Singh Mr R	27	23
Stevenson Ms M	23	20
Thomas Mrs B	24	21

This Schedule includes the following meetings:

Trust Board – 11 meetings

Audit Committee – 6 meetings

Health and Safety Committee – 5 meetings

Joint Negotiating Council Committee – 2 meetings

SFO Panel – 6 meetings

Task and Finish Groups – 4 meetings

Risk Management

The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of National Offender Management Service, Probation Trust and departmental 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. I am satisfied with the overall effectiveness of the internal control structure. The system of internal control has been in place in Staffordshire and West Midlands Probation Trust for the year ended 31 March 2013 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

The process for the identification and monitoring risk is well established both strategically and operationally. The Strategic Business Risk Register is defined as the risk log for the Business Plan Project. In addition, the Strategic Business Risks relate directly to the delivery of the Business Plan objectives. The Trust's Audit Committee agreed the strategic business risks for 2012–13 on the basis of detailed work by the Executive Team. Each deliverable in the Business Plan has an action to "review the risk control report" with a requirement for a quarterly review. The Executive Team review Strategic Risks on a quarterly basis. Risk owners review strategic risks and business plan impact via PAM (computerised system). The availability of the Strategic Risk Register and Risk and Control Reports within this software, to all managers through any web enabled computer at any time, allows documentation to be updated at any time, ensuring that the Risks to the organisation, and control measures in place, are up to date. Progress on the Business Plan, including the review of Strategic Business Risks, is reported to the Board quarterly.

The Audit Committee and the Board agreed the internal and external audit plans for 2012–13. Senior management staff have received training in Risk Management and Heads of Service engage teams in Risk Management within Delivery Unit planning. The Risk Manager regularly attends Association of Local Authority Risk Managers (ALARM) meetings, this is a national risk group with officers of other Trusts to learn and share best practice. The Strategic Business Risk Register is reviewed quarterly, at the Audit Committee meetings, and at every Board meeting.

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 within the Staffordshire and West Midlands Probation Trust 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 Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The systems of internal control and performance management are also maintained, reviewed and informed by:

- National thematic review reports – produced by Her Majesty's Inspector of Probation (HMIP) and the Ministry of Justice Audit and Assurance (AAU) internal audit service.
- Internal audit reviews – all Internal Audit reviews are closely scrutinised by the Board's Audit Committee which also tracks implementation of recommendations made. Tracking of improvements is maintained and reported to the Audit Committee and to the Board and Operations and Performance Scrutiny Committee as appropriate.
- Review of the Trust's Information security arrangements
- Operational systems are internally assessed for compliance, for example by ongoing file reading quality assurance processes.
- Individual accountability through supervision and appraisal.
- Risk Ownership – each of the significant corporate risks are assigned to a risk owner and they are required to review the risk standing and counter measures quarterly in accordance with the procedures outlined above.

During 2012–13 the Audit Committee received the following reports for carried out by Internal Audit:

Audit Report	Rating
Corporate Governance	Green (Draft)
Follow Up Audit	Green
Financial Systems Data Migration	Green
Local Office – Dudley	Amber / Green
Serious Further Offences	Amber / Green
Information Assurance	Amber / Green
Financial Control Framework	Amber / Green
Programme Completion	Amber / Green
Staitheford House – Approved Premises	Amber / Green
Carpenter – Approved Premises	Amber / Green
Appraisal System	Amber / Green
Local Office – Victims Unit	Amber / Red

Progress against the Trust Business Plan is monitored by the Executive Team through:

- Senior Management Team reviews conducted at each monthly Heads of Service meeting on an exception basis and quarterly through a full review and update of the risk register.
- Operational Managers Team and business meetings between, Directors and Heads of Service.

Regular reports on progress against the Business Plan projects and improvement priorities are provided to the Board, which has the responsibility to establish the overall strategic direction of the organisation within the policy and resources framework determined by Ministers.

The Trust accounts include the accounts of the training consortium for which I am Accountable Officer, namely the Midlands Regional Probation Training Consortium. The Staffordshire and West Midlands Probation Trust acts as host for the Midlands Training Consortium, which is managed by an Executive Board made up from members from the participating Probation Trusts. I am also the Accountable Officer for the Regional Sex Offender Unit. The Consortium and the Regional Sex Offender Unit are subject to the same internal control and audit arrangements as detailed above.

Information Assurance

The Trust continues to comply with Ministry of Justice information security guidelines. All staff are required to undertake information assurance training.

In 2012–13 there were three single incidents resulting in minor data losses. All incidents were reported in line with our policy and reported to the National Offender Management Service. There were no significant data losses during the year.

Michael Maiden

Chief Executive and Accountable Officer from 1 April 2012 to 31 May 2013

Catherine Holland

Chief Executive and Accountable Officer from 1 June 2013

26 June 2013

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

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

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Staffordshire and West Midlands 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.

4. Accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2013

	Notes	2012–13 £000	2011–12 £000
Administration costs			
Staff costs	3(a)	54,142	56,019
Other administration costs	6(a)	17,578	16,313
Income	7(a)	(71,826)	(71,849)
Net administration costs		(106)	483
Programme costs			
Staff costs	3(a)	0	0
Other programme costs	6(b)	0	0
Income	7(b)	0	0
Net programme costs		0	0
Net operating costs		(106)	483
Expected return on pension assets	4(d)	(12,566)	(13,369)
Interest on pension scheme liabilities	4(d)	15,295	15,326
Net operating costs before taxation		2,623	2,440
Taxation	5	19	243
Net operating costs after taxation		2,642	2,683

Other Comprehensive Expenditure

	Notes	2012–13 £000	2011–12 £000
Net (gain)/loss on revaluation of property, plant and equipment	8	64	(5)
Pension actuarial loss	23	26,215	15,990
Total comprehensive expenditure for the year ended 31 March 2013		28,921	18,668

The notes on pages 29 to 50 form part of these accounts.

Statement of Financial Position

As at 31 March 2013

		2012–13	2011–12
	Notes	£000	£000
Non-current assets			
Property plant and equipment	8	548	727
Total non-current assets		548	727
Current assets			
Trade and other receivables	12(a)	8,157	9,318
Cash and cash equivalents	13	1,350	337
Total current assets		9,507	9,655
Total assets		10,055	10,382
Current liabilities			
Trade and other payables	14(a)	(5,702)	(4,944)
Provisions	15	(445)	(1,448)
Taxation payables	14(a)	(4,047)	(4,432)
Total current liabilities		(10,194)	(10,824)
Non-current assets plus/less net current assets/(liabilities)		(139)	(442)
Non-current liabilities			
Trade and other payables	14(a)	0	0
Provisions	15	0	0
Pension liability	4(c)	(129,445)	(100,321)
Total non-current liabilities		(129,445)	(100,321)
Assets less liabilities		(129,584)	(100,763)
Taxpayers' equity			
General fund	23	(129,651)	(100,894)
Revaluation reserve – property, plant and equipment	24(a)	67	131
		(129,584)	(100,763)

The financial statements on pages 25 to 28 were approved by the Board on 11 June 2013 and were signed on its behalf by

Michael Maiden

Accountable Officer from 1 April 2012 to 31 May 2013

Catherine Holland

Accountable Officer from 1 June 2013

26 June 2013

The notes on pages 29 to 50 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2013

		2012-13	2011-12
	Notes	£000	£000
Cash flows from operating activities			
Net operating costs	23	(2,642)	(2,683)
Adjustments for non-cash transactions	6(a)	(125)	1,296
Adjustments for pension cost		2,909	2,758
(Increase)/decrease in receivables	12(a)	1,161	1,128
Increase/(decrease) in payables	14(a)	373	(3,880)
Utilisation of provisions	15	(663)	(16)
Less movements in property, plant and equipment payable	14(a)	0	203
Less payments of amounts due to Consolidated Fund to NOMS	14(a)	0	22
Net cash inflow /(outflow) from operating activities		1,013	(1,172)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	0	(203)
Net cash outflow from investing activities		0	(203)
Cash flows from financing activities			
Payments of amounts due to the Consolidated Fund to NOMS		0	(22)
Net financing		0	(22)
Net increase/(decrease) in cash and cash equivalents in the period		1,013	(1,397)
Cash and cash equivalents at the beginning of the period	13	337	1,734
Cash and cash equivalents at the end of the period	13	1,350	337
Increase/(decrease) in cash		1,013	(1,397)

The notes on pages 29 to 50 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013

	Notes	General Fund £000	Revaluation Reserve £000	Total £000
Balance as at 1 April 2011		(82,221)	126	(82,095)
Changes in taxpayers' equity for 2011–12				
Net operating cost after taxation	SocNE	(2,683)	0	(2,683)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)	0	5	5
Pension actuarial (loss)/gain	23	(15,990)	0	(15,990)
Balance as at 31 March 2012		(100,894)	131	(100,763)
Changes in taxpayers' equity for 2012–13				
Net operating cost after taxation	SocNE	(2,642)	0	(2,642)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)	0	(64)	(64)
Transferred from revaluation reserve	23	100	0	100
Pension actuarial (loss)/gain	23	(26,215)	0	(26,215)
Balance as at 31 March 2013		(129,651)	67	(129,584)

The notes on pages 29 to 50 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 (FReM) issued by HM Treasury. The accounting policies contained in the FReM 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 FReM 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 additional £2,455,000 on total pension cost.

1.1 Accounting convention

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

1.2 Changes in accounting policies and restatement of comparatives

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

1.3 Going concern

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

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

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

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

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

1.4 Property, plant and equipment

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

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

Revaluation of non-current assets

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

1.5 Depreciation

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

Asset lives are currently in the following ranges:

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

1.6 Impairment

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

1.7 Intangible non-current assets

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

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

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

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

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

The intangible assets (Software and Development) are amortised over 5 years using the straight-line.

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

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

The Trust has not entered into any new operating lease arrangements. Existing 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 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.

1.17 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.

1.18 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.

1.19 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**.

2. Statement of Operating Costs by Operating Segment

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.

Operational Unit	2012–13	2011–12
	Net Expenditure £000	Net Expenditure £000
Offender Management	32,625	33,764
Interventions	17,908	17,089
Corporate and Management Costs	20,164	20,456
Total Net Expenditure	70,697	71,309
Contract Income	(68,055)	(68,626)
Overspend/(Underspend)	2,642	2,683

3. Staff numbers and related costs

3a. Staff costs consist of:

	2012–13		2011–12
	Total	Permanently- employed staff	Others
	£000	£000	£000
Wages and salaries	45,223	45,223	0
Social security costs	3,345	3,345	0
Other pension costs	7,593	7,593	0
Sub-total	56,161	56,161	0
Less recoveries in respect of outward secondments	(2,019)	(2,019)	0
Total staff costs	54,142	54,142	0
Administration-related staff costs	54,142	54,142	0
Programme-related staff costs	0	0	0
	54,142	54,142	0
			56,019
			56,019

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 a reduction in the adjustment to bring the actual payments to the pension fund to agree to the charges included by the actuary in their calculations of the pension liability.

1 person (2011–12: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to Nil (2011–12: Nil).

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
	1,561	1,561	0
	1,561	1,561	0
			1,571
			1,571

3c. Reporting of compensation schemes – exit packages

Exit packages cost band	2012–13		2011–12		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	Number of compulsory redundancies		Number of other departures agreed
<£10,000	1	6	7	0	11	11
£10,000–£25,000	3	8	11	1	7	8
£25,000–£50,000	2	5	7	0	4	4
£50,000–£100,000	0	1	1	1	0	1
£100,000–£150,000	0	1	1	0	0	0
£150,000–£200,000	0	0	0	0	0	0
£200,000+	0	0	0	0	0	0
Total number of exit packages by type	6	21	27	2	22	24
Total resource cost £000	125	541	666	101	284	385

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

4. Pensions costs

Pension benefits are provided through the Local Government Pension Scheme (LGPS). This is a statutory and intended fully funded scheme which provides benefits on a "final salary" basis at a normal retirement age of 65, with employees eligible to go at 60. Changes were made to the scheme from 1st April 2008 with employee benefits now accruing at the rate of 1/60th of pensionable salary for each year of service. Members pay contributions as a percentage of pensionable earnings in a range of 5.8 to 7.2%. On death pensions are payable to the surviving spouse at the rate of half of the members pension. Staffordshire and West Midlands Probation Trust is a member of the West Midlands Pension Scheme administered by Wolverhampton City Council. For the 2012–13 calculations the actuary has based the calculations on market conditions as at 31st March 2013.

4a Pension costs

A full actuarial valuation was carried out at 31 March 2010 by Mercer Ltd. For 2012–13, employers' contributions of £6,357,945 were payable to the LGPS (2011–12 £7,125,718) at a rate of 11.9%. The schemes' Actuary reviews employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Partnership accounts are excluded under IAS19.

The approximate employer's contribution for the three years including the annual lump sum payable by the Trust:

- Employer's contributions for 2012–13 were 11.9% of salaries; and £1,756,600 Lump Sum.
- Employer's contributions for 2013–14 will be 11.9% of salaries; and £1,840,000 Lump Sum.
- Employer's contributions for 2014–15 will be calculated in the triannual review.

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

	2012–13	2011–12
	%	%
Inflation assumption	2.4%	2.6%
Rate of increase in salaries	4.2%	4.4%
Rate of increase for pensions in payment and deferred pensions	2.4%	2.6%
Discount rate	4.2%	5.1%

Mortality Assumptions:

Life expectancy of a male (female)

- current pensioner aged 65 22.1 (24.8) years
- future pensioner aged 65 in 20 years time 23.9 (26.7) 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	Expected long-term rate of return	Value as a percentage of total scheme assets
	%	%	%	%
Equities	7.0%	42%	7.0%	69%
Government bonds	2.8%	9%	3.5%	10%
Other bonds	3.9%	12%	5.1%	8%
Property	5.7%	9%	6.4%	12%
Other	0.5%	28%	0.5%	1%
Total	5.9%	100%	6.4%	100%
		Value £000		Value £000
		96,233		138,113
		20,572		19,730
		27,430		15,704
		20,572		25,166
		63,774		2,617
		228,581		201,330
Present value of scheme liabilities		(358,026)		(301,651)
Surplus/(deficit) of the scheme		(129,445)		(100,321)
Net pension asset/(liability)		(129,445)		(100,321)

4d. Analysis of amounts recognised in SoCNE

	2012–13	2011–12
	£000	£000
Pension cost		
Current service cost	7,062	7,175
Past service cost	0	752
Effect of curtailment	91	0
Total operating charge	7,153	7,927

	2012–13	2011–12
	£000	£000
Analysis of interest cost on pension scheme – assets/(liabilities)		
Expected return on pension scheme assets	(12,566)	(13,369)
Interest on pension scheme liabilities	15,295	15,326
Net interest costs	2,729	1,957

4e. Analysis of amounts recognised in other comprehensive expenditure

	2012–13	2011–12
	£000	£000
Pension actuarial gain/(loss)	(26,215)	(15,990)
Total shown in other comprehensive expenditure	(26,215)	(15,990)

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

	2012–13	2011–12
	£000	£000
Opening present value of liabilities	301,651	279,540
Current service cost	7,062	7,175
Interest cost	15,295	15,326
Contributions by members	2,532	2,685
Actuarial (gains)/losses on liabilities*	38,548	7,799
Benefits paid	(7,153)	(11,626)
Past service cost	0	752
Curtailments	91	0
Closing present value of liabilities	358,026	301,651

* Includes changes to actuarial assumptions

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

	2012–13	2011–12
	£000	£000
Opening fair value of assets	201,330	197,967
Expected return on assets	12,566	13,369
Actuarial gains/(losses) on assets	12,333	(8,191)
Contributions by the employer	6,973	7,126
Contributions by members	2,532	2,685
Benefits paid	(7,153)	(11,626)
Closing fair value of assets	228,581	201,330

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

	2012–13	2011–12	2010–11	2009–10	2008–09
	£000	£000	£000	£000	£000
Fair value of assets	228,581	201,330	197,967	142,481	107,673
Present value of liabilities	358,026	301,651	279,540	226,094	156,209
Surplus/(deficit)	(129,445)	(100,321)	(81,573)	(83,613)	(48,536)
Experience gains/(losses) on scheme assets	12,333	(8,071)	(4,956)	26,810	(33,886)
Experience gains/(losses) on scheme liabilities	0	0	0	0	0
Percentage experience gains/(losses) on scheme assets	5%	-4%	-3%	19%	-31%
Percentage experience gains/(losses) on scheme liabilities	0%	0%	0%	0%	0%

4i. Sensitivity analysis

	Central £000	+0.1% pa Discount Rate £000	+0.1% pa Inflation £000	1 year increase in life expectancy £000
Liabilities	358,026	351,838	364,331	365,067
Assets	(228,581)	(228,581)	(228,581)	(228,581)
Deficit/(Surplus)	129,445	123,257	135,750	136,486
Projected Service Cost for next year	8,907	8,641	9,179	9,110
Projected Interest Cost for next year	(13,445)	(13,445)	(13,445)	(13,445)
Projected service cost	15,126	15,215	15,397	15,426

5. Taxation

	2012–13	2011–12
	£000	£000
UK corporation tax (Residual Balance from 2011–12)	19	243
Total	19	243

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

6. Other administrative costs and programme costs

6a. Administration costs

	2012–13		2011–12	
	£000	£000	£000	£000
Accommodation, maintenance and utilities	6,288		6,154	
Travel, subsistence and hospitality	721		889	
Professional services	667		587	
IT services	2,758		2,719	
Communications, office supplies and services	2,122		2,144	
Other staff related	1,060		423	
Offender costs	661		673	
Other expenditure	3,325		1,328	
External Auditors' remuneration – statutory accounts	45		46	
External Auditors' remuneration – other	0		0	
Internal Auditors' remuneration and expenses	56		54	
		17,703		15,017
Non-cash items				
Depreciation of tangible non-cash assets	215		258	
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		2	
Profit/(loss) on disposal of intangible non-cash assets	0		0	
Other provisions provided for in year	(340)		1,036	
Early retirement provisions not required	0		0	
		(125)		1,296
Total		17,578		16,313

7. Income

7a. Administration income

	2012-13	2011-12
	£000	£000
Income receivable from the sponsoring department – NOMS	68,055	68,626
Rent receivable from minor occupiers of Probation estate property: From within the departmental boundary	1	2
	68,056	68,628
Other income received from Probation Trusts	1,185	1,013
Other income from NOMS	493	400
Other income from rest of MoJ Group	6	0
Other income from other Government departments	888	827
Miscellaneous income	1,184	962
	71,812	71,830
Interest received: From bank	14	19
Total interest received	14	19
Total administration income	71,826	71,849

8. Property, plant and equipment

		2012–13			
	Information technology £000	Plant and machinery £000	Transport equipment £000	Furniture, fixtures and fittings £000	Total £000
Cost or valuation					
As at 1 April 2012	56	748	1,170	134	2,108
Disposals	0	0	(11)	0	(11)
Indexation/revaluation	5	28	76	3	112
As at 31 March 2013	61	776	1,235	137	2,209
Depreciation					
As at 1 April 2012	32	470	746	133	1,381
Charge in year	8	105	101	1	215
Disposals	0	0	(11)	0	(11)
Indexation/revaluation	5	19	50	2	76
As at 31 March 2013	45	594	886	136	1,661
Carrying value as at 31 March 2013	16	182	349	1	548
Carrying value as at 31 March 2012	24	278	424	1	727
Asset financing					
Owned	16	182	349	1	548
Finance leased	0	0	0	0	0
Carrying value as at 31 March 2013	16	182	349	1	548

8. (Continued)

		2011-12			
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 April 2011	56	761	1,246	131	2,194
Disposals	0	(19)	(80)	0	(99)
Indexation/revaluation	0	6	4	3	13
As at 31 March 2012	56	748	1,170	134	2,108
Depreciation					
As at 1 April 2011	22	356	708	126	1,212
Charge in year	10	128	115	5	258
Disposals	0	(18)	(79)	0	(97)
Indexation/revaluation	0	4	2	2	8
As at 31 March 2012	32	470	746	133	1,381
Carrying value as at 31 March 2012	24	278	424	1	727
Carrying value as at 31 March 2011	34	405	538	5	982
Asset financing					
Owned	24	278	424	1	727
Finance leased	0	0	0	0	0
Carrying value as at 31 March 2012	24	278	424	1	727

9. Intangible assets

There are no Intangible Assets owned by the Trust (2011–12 £0).

10. Impairments

There have been no impairment charges during the year (2011–12 £0).

11. Assets held for sale

There were no assets held for sale at 31 March 2013 (2011–12 £0).

12. Trade receivables and other current assets

12a. Analysis by type

	2012–13 £000	2011–12 £000
Amounts falling due within one year		
Trade receivables	246	112
Receivables due from Trusts	251	29
Receivables due from NOMS agency	6,589	7,879
Receivables due from all other Government departments	538	319
Other receivables	173	207
Prepayments	126	558
Accrued income	234	214
	8,157	9,318
Amounts falling due after more than one year	0	0
Total	8,157	9,318

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)	6,840	7,913	0	0
Balances with local authorities	357	136	0	0
Balances with NHS bodies	170	178	0	0
Balances with public corporations and trading funds	20	0	0	0
	7,387	8,227	0	0
Balances with bodies external to Government	770	1,091	0	0
Total	8,157	9,318	0	0

13. Cash and cash equivalents

	2012–13 £000	2011–12 £000
Balance at 1 April	337	1,734
Net change in cash and cash equivalents	1,013	(1,397)
Balance at 31 March	1,350	337
The following balances at 31 March are held at:		
Commercial banks and cash in hand	1,350	337
Balance at 31 March	1,350	337

14. Trade payables and other current liabilities

14a. Analysis by type

	2012–13	2011–12
	£000	£000
Amounts falling due within one year (excluding taxation)		
Trade payables	348	330
Other payables	212	199
Accruals	2,222	2,316
Deferred income	320	290
Staff payables	930	909
Payables due to Probation Trusts	310	80
Payables due to NOMS Agency	685	195
Payables due to all other Government departments	88	19
Unpaid pensions contributions due to the pensions scheme	587	606
	5,702	4,944
Tax falling due within one year		
VAT	3,046	3,051
Corporation tax	0	333
Other taxation and social security	1,001	1,048
	4,047	4,432
Total amounts falling due within one year	9,749	9,376
Amounts falling due after more than one year	0	0
Total	9,749	9,376

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)	5,042	4,707	0	0
Balances with local authorities	570	19	0	0
Balances with NHS bodies	32	0	0	0
Balances with public corporations and trading funds	14	0	0	0
	5,658	4,726	0	0
Balances with bodies external to Government	4,091	4,650	0	0
Total	9,749	9,376	0	0

15. Provisions for liabilities and charges

	2012–13	2011–12
	£000	£000
Balance at 1 April	1,448	428
Provided in year	323	1,036
Provisions not required written back	(663)	0
Provision utilised in the year	(663)	(16)
Unwinding of discount	0	0
Balance as at 31 March	445	1,448

	2012–13	2011–12
	£000	£000
Analysis of expected timing of discount flows		
Not later than one year	445	1,448
Current liability	445	1,448
Non-current liability	0	0
Balance as at 31 March	445	1,448

The trust has created provisions for potential charges arising from cases which have been lodged with employment tribunals and for organisational restructuring. These have been partly utilised during 2012–13 and have been reassessed at 31st March 2013 where some previous provisions were not required during the year and subsequently released without being utilised.

16. Capital commitments

There were no Capital Commitments for the Trust at 31 March 2013 (2011–12 £0).

17. Commitments under lease

17a. Operating leases

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

Obligations under operating leases for the following periods comprise:

	2012–13	2011–12
	£000	£000
Other		
Not later than one year	2	58
Later than one year and not later than five years	1	3
Later than five years	0	0
Total	3	61

17b. Finance leases

The Trust does not have any Finance Leases (2011–12 £0).

18. Other financial commitments

The Trust has not entered into any non-cancellable contracts (2011–12 £0)

19. Deferred tax asset

There is a nil value for Deferred Tax (2011–12 £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 held at 31st March 2013 (2011–12 £0).

22. Losses and special payments

22a. Losses statement

There are no losses that should be disclosed at the Trust (2011–12 £0).

22b. Special payments schedule

There are no special payments (2011–12 £0).

23. General fund

	2012–13	2011–12
	£000	£000
Balance at 1 April	(100,894)	(82,221)
Net transfers from Operating Activities:		
Statement of Comprehensive Net Expenditure	(2,642)	(2,683)
Transferred from revaluation reserve	100	0
Actuarial gains and losses	(26,215)	(15,990)
Balance at 31 March	(129,651)	(100,894)

24. Revaluation reserve

24a. Property, plant and equipment

	2012–13	2011–12
	£000	£000
Balance at 1 April	131	126
Arising on revaluations of PPE during the year (net)	36	5
Transferred to General Fund	(100)	0
Balance at 31 March	67	131

25. Related party transactions

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

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

26. 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.

5. Sustainability Report 2012–13 – not subject to audit

Introduction

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

This report covers 36 buildings. The Trust is not allowed to hold any legal interest in land or buildings and improvements to services and facilities are funded and carried out by the Ministry of Justice on behalf of the Secretary of State.

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 and 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.

Waste cost data is not available at this stage.

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 the 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 Adaptation 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

The Carbon Reduction Commitment (CRC) is managed by the 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. The 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,
- 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)

The 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.

Summary of Performance

Benchmark measures	2012–13		
Annual tCO ₂ buildings by unit areas (m ²)	2,898 tCO ₂	24,220 m ²	0.11 tCO ₂ /m ²
Annual tCO ₂ emitted buildings per person (tCO ₂)	2,898 tCO ₂	1,561	1.86
Cost per energy unit (kWh)	£509,535	9,978,243 kWh	£0.05/kWh
Annual water consumption per person (m ³)	18,086 m ³	1,561	11.6
Annual waste per person (Tonnes)	336 Tonnes	1,561	0.22
Paper use per person (Reams)	21,576	1,561	13.8

Greenhouse gas (GHG) emissions

	2009–10	2010–11	2011–12	2012–13	
Non-financial indicators (tCO ₂ e)	Total gross emissions for scopes 1 & 2	3192.0	3023.8	3312.7	2700.0
	Electricity: green/renewable	431.7	363.2	400.9	317.3
	Total net emissions for scopes 1 & 2	2760.3	2660.7	2911.8	2382.7
	Travel emissions scope 3	0.0	0.0	239.3	198.3
	3192.0	3023.8	3552.0	2898.3	
Non-financial indicators (kWh)	Electricity: Grid, CHP & non-renewable	2,488,787	2,093,691	2,311,351	1,829,375
	Electricity: renewable	829595.5	697897	770450.25	609791.75
	Gas	7,911,050	8,483,243	8,913,753	7,539,076
	Other energy sources	0	0	0	0
	Total energy	11,229,432	11,274,831	11,995,554	9,978,243
Financial indicators (£)	Expenditure on energy	644,148	531,092	754,466	509,535
	Expenditure on official business travel	0	0	599,558	468,828

Performance commentary (including targets)

From 1 April 2011 new Greening Government Commitments require us to reduce greenhouse gas emissions from a 09/10 baseline from the whole estate and business-related transport and cut domestic business travel flights by 20% by 2015 from a 09/10 baseline. Both energy costs and business travel costs have reduced since 2011–12.

Controllable impacts commentary

The main direct impacts are in the consumption of electricity and gas through the 36 properties within the Trust. 93% of our reported carbon dioxide emissions are from electricity and gas in buildings.

Overview of influenced impacts

Emissions have reduced since 2011–12 and are at its lowest since 2009/10.

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	265	224	272	148
		Reused/recycled waste	289	223	213	188
		Energy from waste	0	0	0	0
Total waste arising (tonnes)			554	447	485	336
Financial indicators (£)	Hazardous waste	Hazardous waste	0	0	0	0
	Non-hazardous waste	Landfill waste	21,214	17,912	21,752	0
		Reused/recycled waste	43,902	32,328	25,528	0
		Energy from waste	0	0	0	0
Total waste costs (£)			65,116	50,240	47,280	0

Performance commentary (including targets)

The Trust has a number of initiatives to recycle waste paper, glass, aluminium and metal cans. It also has systems in place to recycle printer toner cartridges and mobile phones. From 1 April 2011 new targets (GGC) require us to reduce the amount of waste we generate by 25% from a 2009/10 baseline, cut paper use by 10% in 2011–12 and ensure that redundant ICT equipment is re-used (within government, the public sector or wider society) or responsibly recycled.

The Trust is heading in the right direction significantly reducing the amount of waste produced as well as reducing the amount of waste going to landfill.

Controllable impacts commentary

Office Waste makes up the majority of reported waste.

Overview of influenced impacts

We only report our waste in buildings where we receive data from our waste management company. Waste costs for 2012–13 are not available.

Water

		2009–10	2010–11	2011–12	2012–13
Non-financial indicators	Total water consumption (cubic metres)	29,531	27,676	21,656	18,086
Financial indicators	Total water supply costs (£)	95,565	90,030	63,165	52,752

Performance commentary (including targets)

Water consumption is reducing largely due to the fewer number of buildings in the estate. The trust has over the years replaced lever water taps with percussion taps to reduce water consumption and to prevent water wastage.

Controllable impacts commentary

The majority of water use is from washrooms and drinking. Some locations use water in heating and ventilation systems.

Overview of influenced impacts

We only report water use in buildings where we are directly billed and responsible for the payment.

Paper

	2009–10	2010–11	2011–12	2012–13
Cost (£ excluding VAT)	0	0	46,653	48,546

As a Trust we are aiming to reduce the amount of paper we use through various means. We have introduced tablet PCs for meetings to reduce the duplicate printouts of various reports. We also encourage employees to only print information when necessary.

Notes:

1. Current energy and water reporting systems take 8 weeks for data to be released. Because of the publication deadlines of this report the final month of 2012–13 is estimated using data from periods 10 and 11.
2. Waste Costs are not available.
3. Travel data includes travel by all our staff regardless of their location.
4. We do not have any fugitive emissions in 2012–13.

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 and West Midlands
Surrey & Sussex
Thames Valley
Wales
Warwickshire
West Mercia
West Yorkshire
Wiltshire
York & North Yorkshire



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