



Youth Justice Board
Bwrdd Cyfiawnder Ieuencid

The Youth Justice Board for England and Wales

ANNUAL REPORT AND ACCOUNTS 2013/14



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Crime and Disorder Act 1998

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CONTENTS

| | | |
|------------------|---|-----------|
| | Foreword | 04 |
| Section 1 | Strategic report 2013/14 | 06 |
| | Who we are and what we do | 07 |
| | Summary of performance | 08 |
| | Achievements during 2013/14 | 10 |
| | Chief Executive's report | 16 |
| | Governance statement | 19 |
| Section 2 | Accounts 2013/14 | 30 |
| | Remuneration report | 31 |
| | Statement of accounting officer's responsibilities | 40 |
| | The certificate and report of the Comptroller and Auditor General to the Houses of Parliament | 41 |
| | Accounts | 43 |
| | Notes to the accounts | 47 |

FOREWORD

The performance of the Youth Justice Board for England and Wales (YJB) and the youth justice system as a whole remains strong, with both the number of first-time entrants to the system, and the number of young people under the age of 18 in custody both continuing to fall. These welcome reductions enabled the YJB to decommission 905 places in the secure estate during the year. It was particularly welcome that we were able to withdraw from the three remaining girls' under-18 young offender institution units. This means that girls remanded or sentenced to custody are now placed in an appropriate secure children's home or secure training centre.

Our focus this year has remained firmly on reducing reoffending, with the launch of a three-year reducing reoffending programme. While there are now far fewer young people in the youth justice system, compared to earlier cohorts, those who remain have committed more offences and have more complex needs. This contributes to a relatively high reoffending rate. This year we have identified where the greatest impact on reducing reoffending rates can be achieved. Our work has shown significant variation from area to area, highlighting that an analysis of local cohorts is essential to inform local approaches and to influence resource deployment and practice. Our Reducing Reoffending Toolkit launched this year supports youth offending team (YOT) partnerships in this work.

Effective resettlement is essential in achieving any reduction in reoffending and we strongly support the focus on resettlement in the government's Transforming Youth Custody programme. We have identified four areas of England, selected on the basis of high custody usage, where resettlement consortia will be established. The emphasis for this new generation of consortia will be on the importance of strategic leadership and effective partnerships locally.

Another notable development this year was the launch of statutory guidance for YOT management boards in England to ensure youth justice services remain effective in a changing landscape. The guidance, endorsed by ministers, recognised the significant reforms both nationally and locally which have affected YOTs and their statutory partners, and provided measures and standards against which local partnerships could assess themselves. It highlighted the importance of the YOT model, providing a reminder that while much has changed, the principal aim of all youth justice services remains the same in preventing offending by children and young people.

In Wales, we worked extensively with the Welsh Government to improve services for children and young people in the youth justice system, with two main areas of focus. The first of these was improving the experience of those leaving the youth justice system. Together we have led the establishment of a resettlement consortium in southern Wales, the formation of reintegration and resettlement partnerships and, through our work with the third sector, developed delivery of work experience and training placements for those

leaving custody. Second, following our analysis and identification of the main issues of vulnerability associated with prolific offending, we have initiated a test of an enhanced clinical psychology led model of youth offending team work for the most troubled and challenging young people.

We remain very proud that the YJB and the youth justice system have consistently delivered results, despite continuing pressures on budgets and resources. We welcomed the conclusion of the Triennial Review of the YJB this year that we should continue as a non-departmental public body. We look forward to continuing to focus our efforts firmly outwards on work with partners to sustain and promote a distinct youth justice system. We are confident that our focus on the specific needs of young people will continue to deliver impressive results.



Lord McNally
Chair



Lin Hinnigan
Chief Executive

SECTION

1

STRATEGIC REPORT 2013/14

- Who we are and what we do
 - Summary of performance
 - Achievements during 2013/14
 - Chief Executive's report
 - Governance statement
-

WHO WE ARE AND WHAT WE DO

The Youth Justice Board (YJB) is a non-departmental public body created by the Crime and Disorder Act 1998 to oversee the youth justice system for England and Wales. We are sponsored by the Ministry of Justice and our Board members are appointed by the Secretary of State for Justice.

The Crime and Disorder Act 1998 provides that the principal aim of the youth justice system is to prevent offending and places a duty on all parts of the youth justice system to have regard to the prevention of offending. The YJB fulfils that aim as it influences, shapes and advises across the youth justice system for the benefit of children and young people, and their communities.

Our vision is of an effective youth justice system where young people receive the support they need to live successful, crime-free lives, and where more offenders are held to account for their actions and stop offending. We also seek to protect the public and provide better support for victims.

The youth justice system in England and Wales is made up of a network of organisations that work together to administer justice and support children and young people. This network consists of:

- over 150 youth offending teams (YOTs) – local partnerships made up of partners from the police, probation, local authority children’s services and health services
- the police and the Crown Prosecution Service
- the courts and the judiciary
- secure accommodation providers – under-18 young offender institutions (under-18 YOIs), secure training centres (STCs) and secure children’s homes (SCHs).

The statutory functions of the YJB include the following:

- to monitor the operation of the youth justice system and the provision of youth justice services
- to advise the Secretary of State for justice on:
 - the operation of the youth justice system and the provision of youth justice services
 - how the principal aim of the youth justice system might most effectively be pursued
 - the content of any national standards the Secretary of State may see fit to set with respect to the provision of youth justice services or the accommodation in which children and young people are kept in custody
 - the steps that might be taken to prevent offending by children and young people

- to identify, make known and promote good practice
- to enter into agreements for the provision of secure accommodation for children and young people
- to make grants to local authorities or other bodies for them to develop good practice or to commission research in connection with such practice
- to commission research and publish information in connection with good practice.

We work closely with the Ministry of Justice, our sponsor department, and other government departments to provide advice on good practice and support the development and implementation of policy affecting youth justice.

SUMMARY OF PERFORMANCE

We measure the performance of the youth justice system in three main areas: first-time entrants to the criminal justice system, reoffending, and the use of custody.

First-time entrants

There has been a continuing fall in the number of first-time entrants.^{1,2,3} In the 12 months ending December 2013, there were 23,196 first-time entrants, a fall of 22% when compared with the 12-month period ending December 2012. The number of first-time entrants has fallen by 79% since the peak in the 12 months to December 2006 and by 73% since the 12 months to December 2003.

There has been a decline in the general population aged 10 to 17 years. The rate of first-time entrants per 100,000 population⁴ has fallen by 23% from 599 to 464 over the last 12 months.

The reduction in the number of first-time entrants since the peak in the year to December 2006 reflects both the decrease in the number of young people being issued with a youth caution (or reprimand or warning, prior to 8 April 2013) and the decrease in the number of young people found guilty in all courts.

A number of factors have possibly contributed to the reduction in first-time entrants, but it is not possible to attribute direct causality to any of these factors or to quantify the size of the effect from each.

However, work by youth offending teams (YOTs) and other partners, both to prevent young people offending through targeted youth crime prevention schemes and to divert young people away from the youth justice system through measures such as restorative justice disposals

and Triage schemes, is likely to have contributed to this fall in the number of first-time entrants.

Use of custody

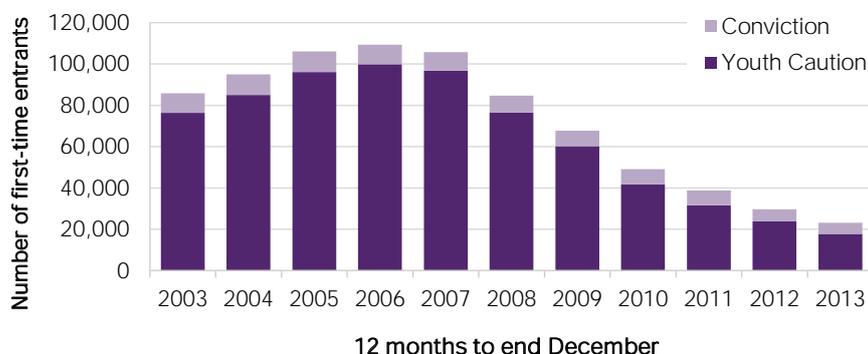
In March 2014, the number of young people under the age of 18 in custody was 1,177,⁵ down by 8% when compared with the number in March 2013 and by 63% since the peak custody figure of 3,200 in October 2002. The fall in the number of young people entering the youth justice system will have contributed to this. In addition, the Youth Rehabilitation Order, introduced in November 2009, offers more flexibility around the interventions given to young people as part of a community sentence.

The following areas of YJB work are likely to have resulted in more young people being diverted from custody:

- focused efforts to raise awareness of different custody rates between local authority areas
- targeted work with YOTs with high levels of custody
- development work associated with legislation to transfer the cost of secure remands to local authorities.

The number of custodial disposals per thousand 10 to 17-year-olds (population) was 0.63 in 2012/13. This represents a 23.5% decrease compared with 2011/12, and a 27.6% decrease compared with 2010/11.

Figure 1: Number of first-time entrants aged 10 to 17 years, 2003 to 2013



1 First-time entrants to the criminal justice system are classified as young people aged 10 to 17 years, resident in England and Wales, who received their first youth caution or conviction, based on data recorded by the police on the Police National Computer.

2 Under the provisions of the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act 2012, reprimands and final warnings have been repealed and replaced by a new out-of-court disposals framework, which offers youth cautions and youth conditional cautions as formal disposals. This change took effect on 8 April 2013. Guidance on out-of-court disposals is available at: www.justice.gov.uk/out-of-court-disposals

3 See *Criminal Justice Statistics* for the year to December 2013, available online at: <https://www.gov.uk/government/publications/criminal-justice-statistics-quarterly-december-2013>. This is the most recent data for the 2013/14 period. Please also see the *Youth Justice Statistics 2012/13*, available at: <https://www.gov.uk/government/publications/youth-justice-statistics>

4 Population has been based on mid-year population estimates for each age group supplied by the Office for National Statistics. The previous year's estimate has been used for calculating the rate in the subsequent year. For example, the 2001 mid-year estimate has been used for calculating the rate for 2002.

5 See *Monthly Data and Analysis Custody Report, March 2014* at <https://www.gov.uk/government/publications/youth-custody-data>. These figures are provisional, and the 2013/14 figures will be finalised in the 2013/14 *Youth Justice Statistics*.

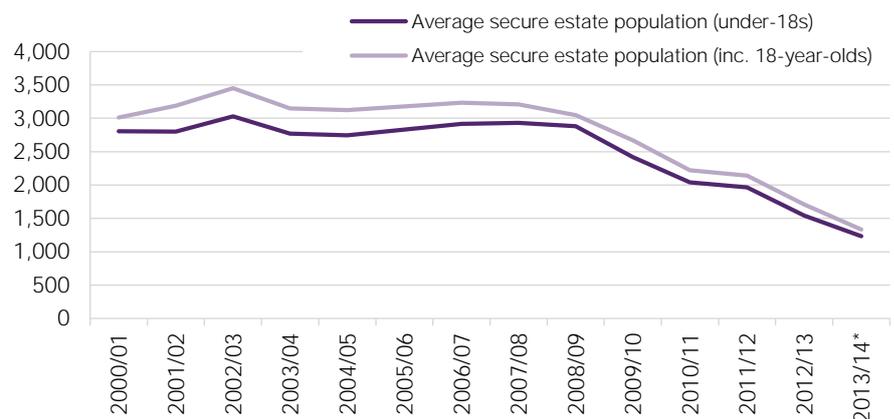
Reoffending

Around 66,000 young people were cautioned, convicted or released from custody between July 2011 and June 2012. Of these, around 23,000 reoffended, giving a proven reoffending rate of 35.3%. This represents a small decrease in the reoffending rate of 0.7 percentage points compared with the previous 12 months (from 36.0%) and a rise of 1.7 percentage points since 2000 (from 33.7%).

Although the overall reoffending rate reduced in the twelve months to June 2012, it had risen between 2007/08 and 2010/11. Meanwhile, the number of young people in the cohort, along with the number of reoffenders and reoffences, has gone down year on year since 2006/07. When compared with 2000, the cohort of offenders has more than halved in size, in line with a substantial decrease in the number of first-time entrants to the criminal justice system. However, while there are now fewer young people in the youth justice system, compared to earlier cohorts, those that remain have committed more previous offences and may have more complex needs. For example, 6.2% of looked-after children in England aged 10 to 17 years had been convicted or subject to a final warning or reprimand during the year ending 31 March 2013 (compared to 1.5% of all children in 2012).⁶

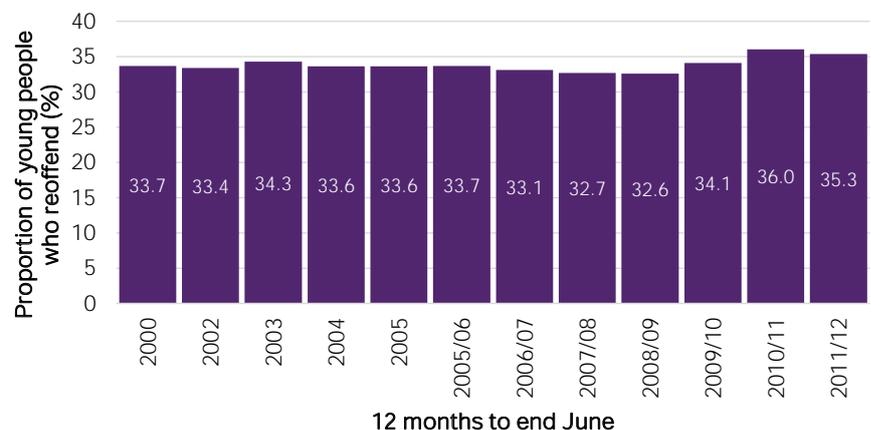
The average number of reoffences per offender for the 12 months ending June 2012 was 1.02 (a 2.0% decrease from the 12 months ending June 2011).

Figure 2: Average number of young people in custody in the secure estate, 2000/01 to 2013/14



* The 2013/14 data is provisional and will be finalised on publication of the *Youth Justice Statistics 2013/14*.

Figure 3: Binary reoffending rate from 2000 to 2011/12



⁶ See Department for Education (2013) *Outcomes for Children Looked After by Local Authorities in England, as at 31 March 2013*. See: <https://www.gov.uk/government/publications/outcomes-for-children-looked-after-by-las-in-england>

ACHIEVEMENTS DURING 2013/14

Targeted work to reduce reoffending and improve outcomes in the youth justice system

Reducing Reoffending Programme

We completed analysis and work to identify areas where the greatest impact can be achieved on reducing reoffending rates. The year 2013/14 was the first year of the YJB's three-year Reducing Reoffending Programme. During the year:

- we undertook analysis of Police National Computer data (for 2010/11) and local data from the pilot youth offending teams (YOTs), which identified a range of issues and themes which have improved our understanding of reoffending and informed actions for the next year of the programme
- twenty-nine YOTs completed the Reducing Reoffending Toolkit pilot; the YOTs have/are in the process of developing action plans to address issues
- we issued guidance on reoffending to YOT management boards and launched a revised Reducing Reoffending Toolkit for YOTs in April 2014. The guidance sets out six themes for YOTs to explore further at local level to help improve performance in terms of reoffending; these themes arose from the analysis of data that we undertook during the year (see above). The revised toolkit contains four tools (together with supporting materials) to allow YOTs to undertake reoffending analysis locally and identify the actions most likely to impact on reoffending in their area. The tools allow analysis of both past and

current performance in terms of reoffending, comparison to national performance rates and easy identification of over-represented ethnic groups.

A YOT reference group was formed and continues to inform the development of the programme, allowing us to help YOTs to develop a better understanding of reoffending and improve targeted activity. We have used the outcomes from year one of the programme to inform our business plan for 2014/15, so that we can direct our work to where we believe we can have the greatest impact.

Work with NOMS on rehabilitation changes

We reviewed, in partnership with the National Offender Management Service (NOMS), the strategic approach to delivering electronic monitoring, YRO (Youth Rehabilitation Order) unpaid work for 16 to 17-year-olds, and junior attendance centres, and the role of probation trusts in the youth justice system in light of Transforming Rehabilitation developments. This work ensures that future frameworks and operating models arising from Transforming Rehabilitation changes support YOTs and enable them to effectively discharge their duties.

Work is ongoing in all three areas (electronic monitoring, YRO unpaid work and junior attendance centres). This will allow youth offending services to exert more control and influence over the delivery of services and interventions, thereby impacting positively on young people's attitudes and behaviour, which will reduce the likelihood of reoffending.

Statutory guidance to YOTs

We updated the statutory guidance for YOT management boards in England to reflect the local and national environment in which youth justice services currently operate. The guidance sets out statutory requirements alongside a range of practice examples and provides a set of measures and standards against which local partnerships can assess themselves. Feedback indicates that the youth justice sector has welcomed the guidance and found it useful when reviewing local strategic partnership arrangements. It has also been used in post-inspection improvement work, especially where governance issues have been identified as needing improvement.

Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act 2012

To support the implementation of LASPO, we monitored the impact of the transfer of remand costs to local authorities and provided (among other things) detention and placement plan guidance, and performance and escalation procedures. We are considering the next steps in terms of evaluation, following a recorded reduction of 31.6% in the use of remand to youth detention accommodation during 2013/14.

AssetPlus

We continued development of AssetPlus, the revised national assessment and planning interventions framework for the youth justice system, which allows youth justice practitioners to individually assess the factors involved in young people's risk of reoffending.

The anticipated benefits of AssetPlus include:

- improved identification and analysis of concerns around speech, language and communication needs and gang affiliation
- improved quality of information and information-sharing across services
- greater confidence in the youth justice system and its assessment and screening tools
- improved YOT operational efficiencies.

The project is expected to be completed by April 2016.

A workforce development programme for the secure estate

The Working with Young People in Custody training programme was delivered in under-18 young offender institutions (under-18 YOIs) by NOMS, with child protection and safeguarding prioritised. This programme was funded by the YJB and was designed by a multi-agency steering group.

The programme includes training on:

- child protection and safeguarding
- adolescent development
- speech, language and communication needs
- emotional and mental well-being.

The intention is to develop a dedicated and diverse workforce with appropriate skills and qualifications specific to working with young people within secure establishments. This is aimed at reducing young people's risk of reoffending and risk of causing serious harm to others.

Strategy to reduce over-representation of Black and Minority Ethnic groups

We are examining the over-representation of Black and Minority Ethnic young people in the youth

justice system, and taking action to ensure that the system meets the specific needs of this group. We know that in 2012/13, 21% of the young people in custody were from a Black ethnic background. This compares with 8% of young people on the overall YOT caseload and 4% of the general population of young people (according to the 2011 census). In addition, 28% of young people from a Black ethnic background in custody were held on remand, compared to 18% of young people from a White ethnic background and 19% from an Asian background.

At the end of March 2014, we published the three-year strategy for addressing the over-representation of Black and Minority Ethnic young people in the youth justice system. The strategy seeks to build a committed coalition of key partners in developing and implementing a work plan in this area. We have begun work with key partners on specific actions arising from the work plan, which will be taken forward for delivery in 2014/15.

Work in Wales to improve joint working

We worked in partnership with the Wales Probation Trust, the youth justice and voluntary sectors to produce a transitions protocol for Wales that sets out the responsibilities of all relevant partners in the transition of young people from the youth to adult justice systems in Wales. In addition, we assisted the Wales Probation Trust with the publication of the evidence and scoping work undertaken by CLINKS as part of this project. This included holding an awareness-raising event for stakeholders in May 2013. This work will improve outcomes for young

people transitioning into adult services and allow youth justice and probation services to share best practice. As reoffending rates are higher among this group of young people, improving services and outcomes for them will have a positive influence on national reoffending levels.

Work in Wales to improve access to health services

We worked with the Welsh Government to improve access to health services for children and young people in the youth justice system.

There were two main areas of focus during 2013/14. The first of these was improving the organisation and delivery of Child and Adolescent Mental Health Services in-reach provision at Parc under-18 YOI. We completed a health needs analysis, which describes the clinical needs of the population and the current provision in place. This will be used to inform future service planning and delivery. Through our liaison with the Welsh Government, shared concerns with regard to the effectiveness of the provision has resulted in the Welsh Government including this provision in their Child and Adolescent Mental Health Services Improvement Action Plan.

Secondly, we worked in partnership with the Welsh Government to produce mental health and criminal justice liaison and diversion guidance. During this project, the YJB assisted the Welsh Government in gathering evidence and holding stakeholder engagement events, and contributed to the drafting of policy implementation guidance.

Reforming the secure estate for children and young people

Transforming Youth Custody Programme

We worked with the Ministry of Justice (MoJ) to develop the government's programme of work to reform the secure estate for children and young people. The government's plans were published in January 2014 in *Transforming Youth Custody: Government Response to the Consultation* (available online at: <https://consult.justice.gov.uk/digital-communications/transforming-youth-custody>).

The reforms aim to improve education and resettlement outcomes for young people in custody, contribute to reducing reoffending and reduce the costs of custody.

The government will build a new secure college near Leicester, where learning, vocational training and life skills will be the central pillar of a regime focused on educating and rehabilitating young people who have offended. The YJB is advising on the design and operation of the college and will provide advice to ministers on development of the specific legislation that will set out the operation of the college.

As part of the programme of reform, the YJB is leading on a range of work to:

- improve the resettlement of young people, so that their progress in custody is developed further on release
- deliver new education contracts in public-sector under-18 YOIs
- ensure that the changes to education delivery in under-18 YOIs can be fully integrated into the core regime

- recommission secure training centre (STC) contracts, to ensure that the needs of young people in custody continue to be met pending the introduction of secure colleges.

This work will continue over the next three years.

We continue to provide advice and guidance on the applicability of the Transforming Youth Custody programme in Wales. As part of the programme, the YJB facilitated consultation events and engagement with national partners in Wales. We also led the re-tendering of the contract for a secure children's home in Wales.

Secure accommodation improvements

We oversaw the build of a new 180-bed accommodation facility and education block at Cookham Wood YOI. The build was completed in January 2014, and will provide improved accommodation conditions, with greater safeguarding provision.

It was planned to develop an enhanced unit to support young people that present complex needs. The project was stopped in order to pursue opportunities presented by the Transforming Youth Custody programme.

The YJB completed a safeguarding capital investment programme within under-18 YOIs. This will enable safer association with other young people and time in the open air, safer use of shower facilities and safer reception of young people.

Decommissioning in the secure estate

Through monitoring capacity in the secure estate and application of our commissioning model, we completed option appraisal exercises to recommend to the Secretary of State an approach to decommissioning within the secure estate. We decommissioned 905 places during the year, across four male under-18 YOIs and three female YOI units. Additionally, the YJB awarded new secure children's home (SCH) contracts. On 1 April 2014, the number of contracted places in SCHs reduced by 28, to 138 places across nine homes. Since the start of the decommissioning programme in 2009, the YJB had, by March 2014, made cumulative decommissioning savings of £207m.

Retendering in YOIs and STCs

We implemented new contracts for the provision of advocacy services within under-18 YOIs and STCs. The contracts were awarded on 27 February 2013 and business as usual commenced in August 2013. The new contracts will achieve savings of 30% against the total price of the previous contracts over the minimum three-year contractual period. Service improvements are being delivered to ensure that young people obtain access to advocates at key stages or through major events occurring in custody.

Implementation of Minimising and Managing Physical Restraint

The three-year Minimising and Managing Physical Restraint (MMPR) implementation programme began in 2012/13. The anticipated outcome is that operational staff will be better equipped to effectively and safely manage the behaviour of young people in a way that minimises

the need to use physical restraint. The YJB has seen evidence of improvements to local quality assurance processes and practice.

During the year:

- the MMPR data collection system was implemented at Oakhill STC and Wetherby and Hindley under-18 YOIs
- data on the first six months' use of MMPR at Rainsbrook STC was published, as well as an update of the government's behaviour management and restraint work programme
- the YJB, working with NOMS, produced an MMPR serious injuries and medical warning signs reporting process for Wetherby and Hindley under-18 YOIs.

Safeguarding and public protection

The YJB's work to ensure that those working in the youth justice system continuously seek to improve the safety and well-being of children, and reduce the likelihood of offending and reoffending, is ongoing.

Our achievements during the year include:

- publication of *Deaths of Children in Custody: Action Taken, Lessons Learnt*, which outlines the actions taken by the YJB in response to recommendations made to the YJB following the deaths of children in custody since 2000; it also identifies the work that still needs to be undertaken to improve the safety of custodial environments
- publication of two sets of 'top tips' for local safeguarding children boards to enable them to better support children in custody

- commencement of regional workshops (in partnership with NOMS) with a focus on management and support for children who have committed, or who are at risk of committing, sexual offences.

We have also taken action to learn from and respond to recommendations made following deaths of children in custody. This action has focused on the need to reduce the risks to young people's safety and well-being, both in custody and the community.

Our work to share effective practice (responding to recommendations made in thematic inspections) about the needs of children at risk of committing sexual offences aims to reduce reoffending among this group.

Improving documentation returns/ quality and increasing the use of Connectivity

In 2013/14, the YJB took a number of measures to improve the quality of documentation and the return rate of information provided to the YJB by YOTs to assist with the placement of young people into custody. This included introducing new quality assurance processes and delivering targeted work with 10 YOTs. This has resulted in a 6% national reduction in missing Placement Information Forms between January 2013 and January 2014. However, further improvement in the return rate of these and other documents is still needed.

The national figure for Connectivity⁷ use has remained relatively static over the past year, but we have achieved a 95% reduction in the number of documents sent by fax (the least secure method of information transfer).

Promoting a youth justice system that successfully resettles young people into their communities

Implementing the Transitions Framework

The Youth to Adult Transitions Framework promotes the delivery of best practice guidance for the transition of young people between YOTs and the probation service. The Y2A (youth to adult) portal will support the transfer of information and is expected to be ready by summer 2014. It will be deployed nationally and is designed to align with the changes following the government's Transforming Rehabilitation programme.

Resettling young people into their communities

As part of the Transforming Youth Custody programme, the YJB and the MoJ have developed a resettlement project. This project was in the planning stages during 2013/14, with delivery set to commence in 2014/15. The project includes:

- developing four new resettlement consortia
- creating two employer engagement forums
- reviewing release on temporary licence (ROTL)
- developing a resettlement case worker approach in three areas, funded by the European Social Fund.

A resettlement consortium is a group of public, private, voluntary and commercial sector organisations working together to improve resettlement outcomes and reduce reoffending by young people leaving

⁷ Connectivity is a system for the secure transfer of information between the YJB and YOTs.

custody. The agreed model is based on what has worked in resettlement practice over the last 15 years. The employer engagement forums have begun to identify employers to offer training and employment opportunities for young people leaving custody.

Effective case management practice

We have begun a project to develop effective case management practice in Wales for young people with prolific offending histories, with the aim of helping practitioners to better understand and address the complex needs of this group. This project has been part-funded by the Welsh Government.

During the 2013/14 year, we focused on the development of a new case management model and planning for implementation. This will provide a guiding framework for YOT practitioners to effectively engage with young people and to address entrenched patterns of offending and complex needs. Its focus is on case formulation and sequencing interventions according to need. There is also a strong emphasis on relational working and building resilience among young people with prolific offending histories.

Welsh Government Resettlement Programme

We continued to deliver the joint YJB/Welsh Government Resettlement Programme – a three-year project which is due to conclude in March 2015. This project will contribute to improvements in the way local authorities (including YOTs), the Probation Service and the secure estate in Wales work together to resettle young people leaving custody, and those serving higher tier community sentences. A regional approach to resettlement across 19 of the 22 local authorities in Wales has been established.

These arrangements are supported by a resettlement broker, who is responsible for working with these areas to co-ordinate a regional approach to resettlement, and facilitates solutions to address common barriers to effective resettlement. The benefits of this approach will include reduced demand for custody, improved access to support and improved engagement by young people, which will contribute to the overall objective to reduce reoffending. This work is fundamental to promoting a youth justice system that successfully resettles young people into their communities.

Driving improved cost effectiveness across the youth justice system

We oversaw the Youth Justice Reinvestment (Pathfinder) project to incentivise local authorities to reduce their use of custody and evaluate the impact of an 'invest to save' approach. The project took place from October 2011 and completed in October 2013. A total of £3.5m was initially committed across four local authority partnership areas, with a wide range of interventions employed locally. The project has strengthened our understanding around the processes associated with invest-to-save initiatives and YOT performance in reducing the use of custody. The learning from the project has also informed other initiatives, such as the Reducing Reoffending Programme.

We supported YOTs to develop effective engagement with police and crime commissioners and police forces across England and Wales. We also engaged extensively with a number of police and crime commissioners, in addition to the Mayor's Office for Policing and Crime in London. This work has increased police and crime commissioners' understanding of the work being delivered in their areas, and how they contribute to local Police and Crime Plans. This means that they are able to more effectively target their resources towards projects and initiatives to reduce crime, anti-social behaviour and reoffending, and therefore provide better value for money.

In Wales we are improving strategic planning and operational delivery by developing a Data Access Manual. This will provide YOTs and key stakeholders with guidance on how to access data sets relevant to the risk factors associated with young people who offend in Wales. As a result, relationships and links have been built between the owners of a range of data sets and potential users. The guidance will enable YOTs and key stakeholders to develop a better understanding of the needs of young people in the youth justice system and tailor their services appropriately.

We worked with the Welsh Government to review our joint outcome indicators to ensure greater alignment, and to reflect the current practice, delivery and strategic environments. As a result of the review, revised indicators are being trialled in several YOTs. The revised indicators will improve cost effectiveness across the youth justice system in Wales by:

- improving oversight of the delivery of the youth justice system in Wales
- facilitating the development of more effective strategies to tackle youth offending
- improving targeting of resources by the YJB, YOTs and the Welsh Government
- enabling more effective commissioning of services and deployment of resources under identified priority themes.

CHIEF EXECUTIVE'S REPORT

Basis of accounts

The statement of accounts has been prepared in a form directed by the Secretary of State, and is issued in accordance with the Crime and Disorder Act 1998.

Auditors

The financial statements are audited by the Comptroller and Auditor General, who is appointed by statute. The audit fee is disclosed in Note 3.1 (see page 56) and does not include any fees for non-audit work as no such work was undertaken.

Board members and senior management

The Crime and Disorder Act 1998 provides that the YJB Board shall be formed of between 10 and 12 members, appointed by the Secretary of State. Board members are appointed for periods of three years. The Board members who served during the year were:

Frances Done CBE (Chair – tenure ended on 31 January 2014)

Lord Tom McNally (Chair – tenure began on 17 March 2014)

David Banks⁸

Rob Butler

Christine Davies CBE

Gillian Fairfield

Seamus Oates

Rosanna O'Connor (tenure ended on 10 May 2013)

Bob Reitemeier CBE

Neil Rhodes

Angela Sarkis CBE⁹

Amanda Sater

David Simpson (tenure ended on 31 July 2013)

John Wrangham

For biographical details of the YJB's Board members, go to: www.justice.gov.uk/about/yjb/yjb-board.htm.

The YJB adopted a *Code of Practice for YJB Board Members* at its first meeting on 16 October 1998; this was last reviewed in July 2012 and is now called the *Code of Conduct for YJB Board Members*. The Code, along with a Register of Members' Interests, can be found on the biographical details page referenced above.

The Chair of the YJB Board is responsible for appointing the Chief Executive, in consultation with the Ministry of Justice (MoJ). Members of the Board may not give instructions that conflict with the Chief Executive's duties as the YJB's Accounting Officer.

The Audit and Risk Committee reviews the YJB's internal control arrangements, the operation of the internal and external audit service, and the management of risks.

Executive Management Group

During 2013/14, the Executive Management Group (EMG) consisted of the Chief Executive, the Deputy Chief Executive – Community, the Deputy Chief Executive – Corporate Services, the Deputy Chief Executive – Effective Practice, the Deputy Chief Executive – Secure Accommodation, the Head of YJB Cymru, and, from 3 September 2013, the Head of Commissioning:

Lin Hinnigan

Chief Executive

Lucy Dawes

Deputy Chief Executive – Community

Martin Skeats

Deputy Chief Executive – Corporate Services

Kate Morris (to 11/08/13 – maternity leave)

Deputy Chief Executive – Effective Practice

Cathy Robinson (maternity leave cover – from 05/11/13)

Acting Deputy Chief Executive – Effective Practice

Ray Hill

Deputy Chief Executive – Secure Accommodation

Dusty (Justin) Kennedy

Head of YJB Cymru

Kevin Venosi

Head of Commissioning

As described on page 22 of the governance statement, a new EMG structure came into effect on 1 April 2014.

The Chief Executive, as Accounting Officer, ensures that all public funds made available to the YJB are used for the purposes intended by Parliament, that adequate internal controls are maintained, and that proper accounts are prepared. Further details of the responsibilities of the Accounting Officer are given in the statement on page 40.

Financial review

The YJB incurred net expenditure of £302.3m in 2013/14, representing a reduction of £63.6m (17%) compared to the previous year.

⁸ Chair of the Audit and Risk Committee.

⁹ Acting Chair of the YJB from 1 February 2014 to 16 March 2014.

£182.6m (55% of total expenditure) was spent on the provision of secure accommodation, compared to £218.0m (59%) in the previous financial year.

Secure escort charges fell to £6.8m (from £9.8m in 2012/13).

Good practice grants of £91.8m (28% of total spend) were paid to youth offending teams (YOTs), compared to £107.4m (29%) in the previous year. The reduction in grant funding to YOTs resulted from cuts of £9.1m and £6.8m respectively in the level of funding to the YJB from the MoJ and the Home Office.

Staff pay costs, which fell by £0.2m from £11.9m in the previous year to £11.7m in 2013/14, represent 4% of total expenditure.

Equal opportunities

The YJB is committed to ensuring that all eligible persons have equality of opportunity for employment and advancement on the basis of their ability, qualifications and suitability for the work. This is recognised in our equal opportunities policy.

The policy states that there must be no discrimination, directly or indirectly, against any eligible person on the grounds of the protected characteristics of age, disability, gender reassignment, marriage and partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation – whether in recruitment, training, promotion or in any other way. The YJB follows the codes of practice issued by the Equality and Human Rights Commission. The Director of Corporate Services has overall responsibility for ensuring that the policy operates effectively for employment issues.

As an organisation, the YJB is committed to promoting equality and embracing diversity. The YJB's equality and diversity strategy reflects this commitment by articulating our duties and our objectives, and detailing how we intend to integrate equality and diversity into our core business. The strategy contains our overarching statement of commitment to the equality and diversity agenda, and definitions of what we mean when we use the terms 'diversity' and 'equality'. It informs staff about the type of culture we want to engender at the YJB.

The YJB is also committed to producing equality statements in any instances where the development or amendment of policies, strategies, projects or new methods of service delivery is being considered. This ensures that we meet our equality duties under Section 149 of the Equality Act 2010.

The YJB Welsh Language Scheme

The YJB is committed to the principle of treating the English and Welsh languages on a basis of equality when conducting public business in Wales. The YJB has a Welsh Language Scheme that complies with the Welsh Language Act 1993 and explains how the YJB will put this principle into practice.

Employee relations

The YJB aims to follow best practice in the management of staff, including giving proper attention to communications to staff, consultation, and motivation of staff. We seek to create an environment in which all employees contribute their best to

their own and the YJB's success. We measure staff engagement annually through a staff survey.

All HR policies are reviewed and amended in line with current employment legislation and best practice, following consultation with employees and trade unions. Regular meetings are held with trade unions to ensure a two-way flow of information.

Internal communications are regularly reviewed to see how they can be improved, which has led to initiatives such as more shared learning sessions in the senior management briefings (regular briefings which are delivered in person by the Chief Executive to all senior managers, who then disseminate the information to the rest of the organisation, principally in smaller team meetings). A weekly electronic bulletin, *InterCom*, is distributed to all staff, and staff can access a range of material on the YJB intranet. An internal audit of the YJB's engagement with its staff was completed this year, which supported the YJB's present approach to engagement with staff.

Employment of disabled people

At 31 March 2014, there was one registered disabled person employed by the YJB. When advertising posts, the YJB specifically welcomes applications from disabled people. We also operate a scheme whereby disabled people who meet the criteria for a post are guaranteed an interview. In accordance with the principles set out in our recruitment, selection and induction policy and procedures, we acknowledge our duty under the Equality Act 2010 to make reasonable adjustments to the

working environment or conditions of appointment that would enable a disabled person to compete for, and carry out, a job on an equal basis.

The YJB head office location at 102 Petty France is fully compliant with the Equality Act 2010 and is accessible for disabled employees and visitors.

Staff by gender

At 31 March 2014, the YJB Board comprised seven men and four women. The Executive Management Group was made up of three women and four men. Of the 229 staff employed by the YJB overall, 129 were women and 100 were men.

Staff absence

The average number of days taken by staff due to sickness was 4.6 in the financial year ending 31 March 2014. This compares with an average of 4.4 days in 2012/13, and compares favourably with the wider Civil Service average of 6.4 days per employee (as at the end of quarter four 2013).

Pension scheme

Details of pension schemes available to staff are contained within the remuneration report on pages 31 to 39.

Key relationships

The YJB has a broad range of external stakeholders encompassing UK government departments, the Welsh Government, local authorities, YOTs, the secure estate, HM inspectorates, the Prisons and Probation Ombudsman, coroners, the Association of Chief Police Officers (ACPO), police and crime

commissioners, and the private and third sectors.

Environment

The YJB is committed to minimising any negative environmental impact its operations have on wider society. We seek to preserve natural resources where possible, improve our use of energy and avoid environmental pollution.

Better Payment Practice

Our standard terms are to make payments in respect of goods/services within 30 days of receipt of a valid invoice. The target under the Better Payment Practice Code is to pay 95% of invoices within the agreed terms. A review of invoices paid in the year showed that 96% (2012/13: 95%) were paid in accordance with that policy.

Risk management

Using the experience we have gained since we were established, we have built risk management into the way we operate, both in our approach to contract and monitoring arrangements for the secure estate and in the support we provide to YOTs.

Our corporate and business planning process has been informed by our assessment of risks, as well as the changing landscape within which youth justice operates. These risks, and the appropriate mitigating measures, are developed and monitored through our risk management framework. More detailed information about the framework, and the principal risks identified in the year, can be found in the governance statement on page 19.

Future activities

The YJB's plans are published annually in our *Corporate and Business Plan*, which is approved by the Secretary of State. The latest plan sets out strategic objectives for 2014–17. Further information on the content of the *Corporate and Business Plan* is given in the governance statement on page 28.

Disclosure of relevant audit information

As Accounting Officer, I confirm that there is no relevant audit information of which the auditors are unaware and that I have taken all the appropriate steps to make myself aware of any relevant audit information, and to establish that the auditors are aware of that information.

Signed by



Lin Hinnigan
Chief Executive and
Accounting Officer

Date: 3 July 2014

GOVERNANCE STATEMENT

Introduction by Lin Hinnigan, Chief Executive of the YJB

As Accounting Officer, I am responsible for managing and controlling the resources used by the YJB, in accordance with the responsibilities outlined in *Managing Public Money*. This statement describes how those duties have been carried out through the year, and includes accounts of both the YJB's corporate governance and risk management.

Assurances have been given to me in end-of-year letters from relevant members of my Executive Management Group (EMG). These letters provided confirmation of how they had complied with both the terms of their budget delegation and the controls on spending imposed by the Cabinet Office and the Ministry of Justice (MoJ).

I am satisfied that the YJB complies in all material respects with the *Corporate Governance in Central Government Departments: Code of Good Practice 2011* to the extent possible, given the YJB's constitution as a non-departmental public body controlled by a statutory Board.

Governance framework

Role of the YJB

The YJB is a non-departmental public body, created by the Crime and Disorder Act 1998. Board members are appointed by the Secretary of State for Justice. The statutory functions of the YJB are detailed in the 'who we are and what we do' section on page 7.

Framework Document

The overarching framework within which the YJB operates is set out in the Framework Document, which was agreed between the YJB and the MoJ in August 2013 and replaced the Management Statement and Financial Memorandum. The Framework Document sets out the following:

- the YJB's governance responsibilities, including the personal responsibilities of the YJB Chair, Board members and the Chief Executive
- the MoJ's governance responsibilities to the YJB as our departmental sponsor, including those of ministers and the Principal Accounting Officer
- the financial management and reporting responsibilities of the YJB, and the conditions under which any public funds are paid to the YJB
- organisational management, including:
 - Board responsibilities for YJB staff
 - pay and conditions of service
 - security and information assurance
 - freedom of information and data protection
 - Parliamentary business, including YJB contributions to Parliamentary questions and ministerial correspondence, and attendance at Select Committee hearings.

The Framework Document is reviewed annually. The document was last updated in June 2014, as part of the usual cycle, but also to take account of specific recommendations made in the Triennial Review Report on the governance of the YJB. More information on the Triennial Review process is given in the 'Account of Corporate Governance' section below.

The YJB Chair, Board and sub-committees

Chair and Board

The YJB Chair and Board members are responsible for establishing the organisation's overall strategic direction, ensuring that it operates within the limits of its statutory authority, and agreeing corporate targets recommended by the EMG.

Board members are appointed by the Secretary of State for Justice, normally for a three-year term, in line with the Code of Practice compiled and issued by the Office of the Commissioner for Public Appointments.

The YJB can have 10–12 Board members. It currently has 11: the Chair, Lord Tom McNally (who took up his appointment in March 2014), and 10 others from backgrounds including education, health, the police, the judiciary, voluntary and community sectors, and the private sector. The Board also includes specific representation for Wales. Biographies of the Board members can be found at www.justice.gov.uk/about/yjb/yjb-board.

The Board formally met seven times during 2013/14. A schedule of attendance is shown in the following table.

Board meeting attendance 2013/14

| | 24/04/13 | 18/06/13 | 24/07/13 | 23/10/13 | 11/12/13 | 12/02/14 | 12/03/14 |
|-------------------|----------|----------|----------|----------|----------|----------|----------|
| David Banks | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Rob Butler | n/a | n/a | ✓ | ✓ | ✓ | ✓ | ✓ |
| Charles Clark | x | ✓ | n/a | n/a | n/a | n/a | n/a |
| Christine Davies | ✓ | x | ✓ | ✓ | ✓ | x | ✓ |
| Frances Done | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | n/a |
| Gillian Fairfield | ✓ | ✓ | ✓ | ✓ | x | ✓ | ✓ |
| Seamus Oates | n/a | n/a | ✓ | ✓ | ✓ | ✓ | ✓ |
| Rosanna O'Connor | ✓ | ✓ | n/a | n/a | n/a | n/a | n/a |
| Bob Reitemeier | x | ✓ | x | ✓ | ✓ | ✓ | ✓ |
| Neil Rhodes | n/a | n/a | ✓ | x | ✓ | ✓ | ✓ |
| Angela Sarkis | x | ✓ | x | ✓ | ✓ | ✓ | ✓ |
| Amanda Sater | n/a | n/a | ✓ | ✓ | ✓ | ✓ | ✓ |
| David Simpson | ✓ | ✓ | ✓ | n/a | n/a | n/a | n/a |
| John Wrangham | ✓ | ✓ | x | ✓ | ✓ | ✓ | ✓ |

n/a = Board member yet to start or had ended their tenure.

The quarterly business Board meetings include consideration of the following standard agenda items:

- Chair's items, covering current issues of importance
- Chief Executive's report of YJB executive activity over the quarter and emerging issues
- minutes of YJB committee meetings
- a quarterly performance report including:
 - information on the achievement of key youth justice outcome indicators
 - risks relating to the secure estate and local youth justice services
 - other risks affecting the YJB
 - progress against the YJB *Corporate and Business Plan*
 - other aspects of YJB performance.

Minutes of Board meetings are published at: www.justice.gov.uk/about/yjb/yjb-board

Sub-committees

Throughout 2013/14, a sub-committee structure supported the Board, comprising the Audit and Risk Committee, the Community Justice Committee, the Secure Accommodation Committee, the Remuneration Committee, and the Wales Youth Justice Advisory Panel. The committees were attended by Board members, members of the EMG, and other senior YJB staff, as well as, in the case of the Wales Youth Justice Advisory Panel, Welsh Government officials. They met quarterly, with the exception of the Remuneration Committee, which met three times. A review of governance arrangements in spring 2014 has resulted in the implementation of a new sub-committee structure, with the Secure Accommodation and Community Justice Committees disbanded and a new Performance Committee created. The Performance Committee will focus specifically on

the delivery of the YJB *Corporate and Business Plan*.

The work of the Board and its committees is formally prescribed in their terms of reference, which are reviewed annually, and in other governance documents, including *YJB Standing Orders*, the *Code of Conduct for YJB Board Members*, and the *YJB Scheme of Delegation*. The governance documentation was reviewed and updated in May 2014.

The Audit and Risk Committee provides specific scrutiny of YJB corporate governance and risks. Standing agenda items for the committee in 2013/14 included:

- a review of the YJB's Corporate Risk Register
- a report on investigations into deaths in secure accommodation and risks arising from other safeguarding issues

- an update on the handling of Parliamentary Questions and requests under the Freedom of Information Act
- a report on expenditure
- a report on progress with internal audit recommendations and plans.

The committee also received a regular report on progress against an action plan that was put in place by the Chief Executive following receipt of the National Audit Office's Audit Completion Report for 2012/13, which had highlighted some issues surrounding senior staff remuneration, as reported on page 42 of the governance statement in the *YJB Annual Report and Accounts 2012/13*. All actions were completed from the action plan, including:

- reviewing the terms of reference of the YJB Remuneration Committee; this was completed in October 2013, with approval given by the Board. The revised terms of reference now give the committee delegated authority to approve the remuneration of all staff reporting directly to the Chief Executive on first appointment, and any subsequent changes, including the arrangements for and conditions of any remuneration or benefits

in kind over and above their basic salary. The Remuneration Committee meeting frequency has also been increased to at least three times a year, from one meeting a year previously

- assessing YJB governance as a whole against best practice criteria issued by the Cabinet Office; this was completed as part of the Triennial Review stage 2 process, more information on which is included on page 25
- completing a lessons learned exercise in relation to the 2012/13 annual report and accounting process; this was conducted in Autumn 2013 and included looking at best practice in this area.

Information about bespoke items put before the Audit and Risk Committee is included in the 'Highlights of the YJB Board and committee reports' section below.

Colleagues from MoJ Internal Audit attend Audit and Risk Committee meetings, along with colleagues from the National Audit Office.

A schedule of Board member attendance at the Audit and Risk Committee is shown below.

Throughout 2013/14, the Community Justice Committee oversaw the YJB's work in relation to:

- young people in the community and the services provided to them
- reducing the demand for custody
- protecting the public and supporting victims
- strategic/cross-youth justice system matters.

The Secure Accommodation Committee provided oversight of the YJB's statutory functions in relation to the secure estate and placing young people in custody.

The Wales Youth Justice Advisory Panel is a body jointly convened by the Welsh Government and the YJB. The panel oversaw the YJB's work to achieve strategic objectives in relation to Wales, and acted as a strategic stakeholder reference group for YJB change initiatives in Wales.

The Remuneration Committee maintained oversight of the remuneration of YJB staff, including consideration of the Chief Executive's annual appraisal and the appointment of any staff reporting directly to the Chief Executive.

Audit and Risk Committee attendance

| | 10/04/2013 | 03/07/2013 | 09/10/2013 | 16/01/2014 |
|-------------------------|------------|------------|------------|------------|
| David Banks | ✓ | ✓ | ✓* | ✓* |
| Frances Done | ✓ | ✓ | ✓ | ✓ |
| Rosanna O'Connor | ✓ | n/a | n/a | n/a |
| Bob Reitemeier | x | ✓ | ✓ | ✓ |
| Angela Sarkis | n/a* | n/a* | x | ✓ |
| David Simpson | ✓* | ✓* | n/a | n/a |

✓* Chair of the committee.

n/a = Tenure as a Board member had ended.

n/a* = Member of the Board but not yet appointed to the committee.

The Executive Management Group

The YJB Executive Management Group (EMG) oversees delivery of the *Corporate and Business Plan*, reviews and monitors budgets, and identifies and manages risk. During 2013/14, the EMG met formally on a weekly basis to plan, deliver and oversee the work of the YJB.

In 2013/14, the EMG comprised the Chief Executive and the Deputy Chief Executives of the Community, Effective Practice, Secure Accommodation, and Corporate Services divisions, plus the Head of Wales and, from 3 September 2013, the Head of Commissioning.

Four of these divisions – Community, Effective Practice, Secure Accommodation and Wales – were responsible for delivering strategic objectives. The fifth, Corporate Services, supported the others in delivery by providing services including ICT, finance, human resources, communications, facilities management, corporate governance, analysis and information management. In addition, the English business area offices developed and maintained working relationships at a local level.

On 1 April 2014, a new executive structure came into effect, comprising five directorates, as follows:

- **Partnerships and Performance**

Responsible for: strategy, communications and stakeholder management, information, analysis and research, the effective practice framework, our partnerships with the MoJ and other government departments, Board support and the Chief Executive's office

- **Operations**

Responsible for: YOT support and monitoring, youth justice grants, community programmes, placements, secure contract management, safeguarding and police liaison

- **Corporate Services**

Responsible for: HR, finance, ICT, facilities management, planning, support and governance, shared services migration and the Flexible Resource team

- **Commissioning and Change**

Responsible for: change programmes (currently primarily the Transforming Youth Custody programme) and the YJB's secure estate commissioning activity

- **YJB Cymru**

Responsible for: strategic leadership and oversight of performance in the youth justice community in Wales. More information on the YJB's work in Wales is given in the section below.

Youth justice in Wales

The YJB Cymru directorate, based in Swansea, supports the Board with its strategic leadership on the operation of the youth justice system in Wales, its interface with the devolved government, service delivery, and how the overarching objective of preventing offending and reoffending by children and young people is most effectively pursued in Wales.

The directorate is led by the Head of YJB Cymru, who works in close contact with John Wrangham, the YJB Board member with lead responsibility for Welsh issues, and who chairs the quarterly Wales Youth Justice Advisory Panel meeting alongside the Welsh Government Deputy Director for Community Safety.

The Welsh Government does not have responsibility for the youth justice system in Wales. However, policies concerning education, housing, substance misuse, health, social services and the needs of looked-after children are all devolved to Welsh ministers and they have a significant impact on the delivery of youth justice services. In recognition of this, we have a formal working agreement with the Welsh Government.

On 3 March 2014, the Silk Commission published its report into devolution in Wales, which included a recommendation that youth justice should be devolved to the Welsh Government. It will be a matter for Parliament to decide on any devolution of powers.

Highlights of the YJB Board and committee reports

The standing agenda items for YJB Board meetings have been listed above. In addition, a number of other items are considered at each YJB Board meeting. In 2013/14, such items included:

- refreshing the youth offending team (YOT) partnership guidance
- a report on learning the lessons from deaths in custody
- the YJB safeguarding strategy
- addressing the over-representation of Black, Asian and Minority Ethnic communities within the youth justice system
- the proposed Welsh Youth Justice Bill
- the revised YJB risk management framework
- changes to YOT escalation processes and grant conditions
- the YJB *Corporate and Business Plan* and budget for 2014–17.

The standing agenda items of the Audit and Risk Committee have also been listed above, but the committee considered a number of other issues throughout the course of the year.

These included the following:

- review of the *Annual Report and Accounts 2012/13*
- a report on recharges from the MoJ for the provision of services (such as accommodation, ICT and human resources) to the YJB
- the YJB health and safety annual report
- the YJB processes for handling whistleblowing cases and matters of concern raised from external sources.

The committee also conducted a review of its scope, membership and effectiveness, following the guidance provided in the revised HM Treasury *Audit and Risk Assurance Committee Handbook*, and for the first time submitted an annual report for the Board, advising it of its work across the year.

A large number of other issues were considered by the Secure Accommodation Committee, the Community Justice Committee and the Wales Youth Justice Advisory Panel.

Account of corporate governance

Parliamentary accountability

The Secretary of State for Justice is accountable to Parliament for the activities and performance of the YJB. The Secretary of State's responsibilities include:

- approving the YJB's strategic objectives and the policy and resources framework within which the YJB operates
- keeping Parliament informed about the YJB's performance
- approving the amount of grant-in-aid/grant/other funds paid to the YJB, and securing Parliamentary approval for these funds
- appointing the Chair and Board members of the YJB
- laying the annual report and accounts before Parliament.

The YJB's Framework Document states that the Chair of the YJB:

... should ensure that activities support the Minister for Youth Justice, and the MoJ's wider strategic policies, and that the YJB's affairs are conducted with probity.

The Chair, Chief Executive and other senior YJB officials can appear before Parliamentary committees, commissions and inquiries to give evidence about the work of the YJB, the youth justice system more generally, and the use and stewardship of the public funds entrusted to the YJB.

In 2013/14, the Chief Executive gave evidence to the Carlile Inquiry into the operation and effectiveness of the youth justice system, and Lucy Dawes, Director of Operations, gave evidence to the All Party Parliamentary Group for Children's inquiry on children and the police.

The YJB Chair and Chief Executive meet regularly with the minister responsible for youth justice and the head of the MoJ Criminal Justice Group to discuss plans, progress and other issues relating to youth justice. The YJB Chief Executive and Director of Corporate Services also meet with the MoJ sponsor unit for quarterly performance review meetings to discuss performance, budget management and risk.

The YJB is required to provide information to the MoJ and other government departments as requested to assist them in answering Parliamentary Questions. In 2013/14, the YJB contributed information to more than 120 Parliamentary Questions.

The role of the Board

The Board has corporate responsibility for ensuring that the YJB fulfils the aims and objectives set by the Secretary of State and for promoting the efficient and effective use of staff and other resources. In terms of governance oversight, the Board has a specific responsibility, outlined in the Framework Document, to:

...ensure compliance with any statutory requirements and the requirements of this framework document. The Youth Justice Board must operate within the limits of

its statutory authority and any delegated authority agreed with the MoJ, as well as in accordance with any other conditions relating to the use of public funds. In reaching decisions, the board must take into account guidance issued by the MoJ's sponsor unit within Justice Policy Group, ALB Governance Division or Corporate Finance.

Board effectiveness

The Chair of the YJB has established a performance appraisal system for Board members. Board members agree their objectives with the Chair at the beginning of the financial year, with periodic reviews of progress followed by an end-of-year appraisal, which is signed off by the Chair and respective Board member. The Chair also provides the Secretary of State for Justice with an assessment of performance when Board members are being considered for reappointment. The performance assessment of the Chair is undertaken annually by the Director General, Justice Policy on behalf of the Secretary of State, to whom the assessment is reported. All appraisals have been completed for 2013/14.

The Board periodically commissions an independent review of its collective operation and effectiveness. The last such independent review took place in January 2013, as reported in last year's Governance Statement. Given that the YJB underwent a Triennial Review in 2013/14 – which firstly considered the continuing need for the Youth Justice Board to carry out each of its functions in their current form, and then the control and governance arrangements in place – the Board did not commission an independent

review of its effectiveness in 2013/14. More information about the Triennial Review process and outcomes is given below.

At its meeting in March 2014, the Board conducted an internal review of its effectiveness. Board members highlighted the differing roles of the Board and the executive and the need to maintain a clear distinction. In particular, the Board agreed that its focus should be on setting the YJB's vision and strategy, with operational matters left to the executive. The Board was pleased with the progress that had been made in strengthening governance arrangements following the qualification of the YJB accounts in 2012/13. In particular, the Board pointed to the work undertaken by the Audit and Risk Committee in reviewing its role and bringing its practices in line with HM Treasury's *Audit and Risk Assurance Committee Handbook*, along with the work to strengthen the role of the Remuneration Committee.

The Board felt that the sub-committee structure required re-working, and subsequently agreed at its meeting in May 2014 that the Secure Accommodation and Community Justice Committees should be disbanded, and a new Performance Committee created. The Board recognised that there is more to be done in its outward-facing role, and in particular in seeking out and engaging with external stakeholders. The Board concluded that ultimately its effectiveness is to be judged against the successful implementation of the YJB *Corporate and Business Plan*, and on the YJB being a well-run, efficient public body.

The YJB Triennial Review

As part of the government's Triennial Review programme, all non-departmental public bodies (NDPBs) must be reviewed every three years to assess whether their individual functions require continuation, and whether the NDPB is the correct body to carry out those functions. The YJB was reviewed in 2013 as part of the 2011–14 programme. The first stage of the review concluded that all of the statutory functions carried out by the YJB should be retained, and that the YJB, as an NDPB, is the correct delivery model to carry out the functions, subject to the implementation of 14 recommendations.

Having concluded the above, Stage 2 looked at the control and governance arrangements in place to ensure that the YJB is complying with recognised principles of good corporate governance. The review concluded that while the YJB complied with the majority of the recognised principles of good corporate governance, there were some improvements needed. As a result, 26 recommendations were made, focusing on:

- improvements to accountability (statutory, administrative, for public money and ministerial)
- clarity of roles (the Board, Chair, Board members, Chief Executive and sponsoring department)
- effective financial management.

The final report, which includes a list of the specific recommendations made under both the first and second stages of the review, was published in November 2013 and can be accessed at: <https://consult.justice.gov.uk/digital-communications/yjb-triennial-review-2012>

The provision of information and data to the Board

Every quarter the Board is presented with the YJB's Corporate Performance Report, which provides:

- data and analysis on the performance of the youth justice system, including data on first-time entrants, youth reoffending rates, reducing the use of custody, and the custodial population
- a performance and risk assessment of YOTs and the secure estate
- YJB corporate data in relation to finance and human resources
- a summary of progress against corporate objectives.

Youth justice system information in the Corporate Performance Report is drawn from the Police National Computer, case management data submitted by YOTs through the Youth Justice Management Information System, and data supplied daily to the YJB from secure establishments. These are well-established databases which are subject to regular quality assurance and which also contribute to national statistics. YJB corporate data is drawn from the internal HR database and finance systems.

The YJB Board and committees regularly review their information requirements, and a number of changes to information reporting have been made during the year. The Board asked that the Corporate Performance Report be condensed so far as possible, with a clear view of key issues for the Board outlined in a covering paper. The Board also asked that specific data be incorporated into the report on the length of time it takes for youth justice cases to reach conclusion.

Ministerial Directions

There were no Ministerial Directions sought or issued during 2013/14.

Payment of grants to youth offending teams and performance oversight

Section 41(5) of the Crime and Disorder Act 1998 gives the YJB authority to make grants, with the approval of the Secretary of State, to local authorities or other bodies to develop good practice and commission research. In 2013/14, the YJB distributed £91.8m to YOTs, based on a historical assessment of need. The terms and conditions of the YOT grant allow local flexibility for YOTs to direct financial resources to specific areas of youth justice activities and in alignment with their youth justice strategic plans.

The terms and conditions of grant were signed by the chair of each YOT management board, the local authority chief financial officer and the YOT manager as proof of acceptance prior to funding being released by the YJB, and costed youth justice plans were also received in advance. Audit certificates signed by the local authority chief financial officer and the YOT manager were received at the end of the financial year to evidence regularity of expenditure.

The YJB's approach to overseeing performance and driving improved outcomes is based on risk-led monitoring and reduced central prescription. We facilitate and promote sector-led improvement activity, provide tools and resources to support performance improvement and deliver central performance improvement support where that improvement is most difficult to sustain.

Each YOT is allocated a named member of the local YJB team, to act as the service's primary YJB contact and attend YOT management board meetings and relevant fora. In Wales, this function is carried out by the YJB Cymru Oversight and Support team. Progress is monitored on a quarterly basis by the YOT Oversight and Commissioning Group, which reviews performance against the three justice indicators (first-time entrants, proven reoffending and use of custody) and National Standards, as well as considering YJB-held knowledge of YOT issues and development (including progress against post-inspection improvement plans). This work is supported by an annual review of the youth justice plan for each service. Where progress proves difficult to sustain, an escalation process is in place which includes both chief executive and ministerial levels.

The Ministry of Justice Audit and Assurance Team conducts an annual audit of the governance of grants, to provide YJB management with an opinion on the adequacy, effectiveness and reliability of the controls operating over the use of grant monies. In 2013/14, this involved the team visiting 10 YOTs to review their financial and governance arrangements. The final audit report returned an amber/green rating, meaning that no significant improvements are required in order to manage risks to the achievement of objectives, but a small number of revisions to controls will help to strengthen the system.

Internal audit

The MoJ's Internal Audit Team, operating to the standards set out in *Public Sector Internal Audit Standards*, draws up its annual audit plans based on an analysis of the risk to which the YJB is exposed and discussions with members of the EMG. The plans are endorsed by the Audit and Risk Committee and approved by the Chief Executive. The implementation of recommendations resulting from internal audits is monitored by the Audit and Risk Committee.

The regular internal audit reports are of particular note to the Audit and Risk Committee from a governance point of view. Seven such audits were commissioned during the year, on the following subjects:

- governance of grants
- business risk management
- the YJB invoicing system
- secure estate placements
- the prisoner escort and custody service (PECS) contract
- staff engagement
- information assurance.

Overall view of internal audit

The MoJ's Head of Internal Audit provides an annual report on their internal audit activity, informed by work conducted during the year, together with individual meetings with senior managers. The report includes the internal auditor's independent opinion on the overall adequacy and effectiveness of the organisation's frameworks of governance, risk management and control. The draft report for 2013/14 concluded that a "reasonable" level of assurance can be given, an equivalent rating to that for 2012/13.

Risk assessment

Capacity to handle risk

The YJB is well placed to manage risks at all levels of the organisation. The YJB's EMG provides leadership by modelling the behaviour and creating the corporate environment necessary for effective risk management across the YJB. The EMG takes ownership of corporate risks and significant risks escalated from programmes and projects, and members are allocated responsibility for managing specific risks.

The EMG encourages staff to:

- consider the risks relevant to their work
- use guidance provided to all staff on the YJB's approach to risk management
- access relevant training – for example, information assurance training is compulsory for all staff.

Staff leading projects and programmes receive bespoke support, advice and coaching on risk management from the YJB's Planning, Support and Governance team. The team also provides general programme management support and reporting to the EMG, and a dedicated resource to manage and co-ordinate the YJB's corporate-level risk processes, enhancing the EMG's capacity to monitor and manage risks.

The risk and control framework

The YJB's Risk Management Framework informs the YJB's risk management system, aligning with HM Treasury's *Orange Book, Management of Risk – Principles and Concepts* (2004) and with the MoJ's *Risk Management Policy* (April 2010). The framework was revised and updated in October 2013, with the changes agreed by both the Audit and Risk Committee and the full Board. The main changes included:

- all corporate risks now having the appropriate Director or the Head of YJB Cymru identified as the responsible risk owner (with the Chief Executive no longer named as a risk owner, but retaining overall accountability for the management of risk)
- amendments to the 'impact' and 'likelihood' scoring guidance to ensure consistency with the MoJ
- a revised approach to align relevant corporate risks with priority thematic areas and key actions
- the addition of four new risk categories: strategic, financial, technological and commercial/procurement.

Day-to-day responsibility for identifying and managing risks lies with managers and programme and project leads within the YJB's directorates. A regular Directorate Risk Group meets to discuss risks identified across the organisation and to assist in the compilation of the overall Corporate Risk Register. The EMG reviews all such risks on a monthly, quarterly and annual basis, through a formal examination and update of the YJB's Corporate Risk Register. On a quarterly basis, the Audit and Risk Committee and the YJB Board review the top risks on

the Corporate Risk Register, as well as those escalated by the EMG. They are also involved in six-monthly risk reviews and annual reviews of the Risk Management Framework.

Risk profile

The principal risks and mitigating actions identified during 2013/14 were as follows.

1. The changing nature of the cohort of young people in the youth justice system.

The principal strategic risk we have identified is the changing nature of the cohort of young people in the youth justice system – as the cohort has become smaller, the needs and behaviour of those within it have become more challenging. This means that we must support YOTs and secure accommodation providers to identify and implement new approaches to case management and addressing offending, and to meet safeguarding needs. Failure to do this could result in offending not being addressed and undermine the progress made to date. Furthermore, a failure to respond adequately to the new cohort could mean the opportunity presented by fewer young people in the youth justice system not being exploited. Controls in place include new software used by the YJB Placement Service to enable us to utilise our knowledge of offenders to make appropriate placements, and ongoing work with the National Offender Management Service on a range of programmes to work with young people and staff within establishments to understand behaviour.

2. Education provision in public under-18 young offender institutions not being of sufficient quality or quantity.

The YJB has worked with the National Offender Management Service and the Education Funding Agency to operate joint governance and scrutiny for services operating in under-18 young offender institutions (under-18 YOIs). In January 2014, a competition was announced for organisations to bid to provide education within the current publicly run under-18 YOIs. The new contracts, which will come into effect in late 2014, will be held by the YJB instead of the Education Funding Agency and seek to double the number of hours of contracted education that young people in under-18 YOIs receive each week.

3. The YJB failing to communicate effectively with staff and stakeholders.

The risk was mitigated through the recall from secondment of the YJB staff member with lead responsibility for digital communications, ongoing work to refresh the YJB's online presence, including the YJB intranet, and the development of a new Communications Strategy.

4. The YJB not having sufficient resources to deliver key outcomes.

The YJB has implemented a flexible resource strategy under which all staff are expected to work in accordance with the YJB's flexible resource management approach, which targets resources to priority work. The EMG reviews progress against the *Corporate and Business Plan* on a quarterly basis and in October 2013 reprioritised resources to meet the immediate business plan needs of the Transforming Youth Custody programme. The EMG is reviewing the organisational structure to ensure that the organisation is optimised to deliver the *Corporate and Business Plan*.

Information assurance, lapses of data security, and freedom of information

The YJB Information Assurance Strategy ensures that the information held by the YJB is handled securely, appropriately protected, as accurate as possible, and made available to the right people, at the right time, for the correct reasons. The strategy complies with the Cabinet Office *HMG Security Policy Framework* and accreditation requirements. YJB staff are required to complete, annually, the information assurance online training module on the Civil Service Learning website. The ICT systems we operate on behalf of the youth justice system are appropriately accredited for security and information assurance, in line with CESG policy (CESG is the UK Government's national technical authority for information assurance).

There were no cases of personal data loss in 2013/14, and no losses reported to the Information Commissioner. However, there were three cases of potential data loss, due to the loss or theft of blackberries. Given that the equipment was password-protected and was disabled remotely, it is unlikely that any data was actually accessed in these cases.

The YJB responded to 49 freedom of information requests in the year, 98% of which were answered within the statutory 20-working day deadline.

Health and safety

The YJB's health and safety function is managed by the Facilities Management team, reporting to the Director of Corporate Services. The team has oversight of the *YJB Corporate Health and Safety Policy*, which enables the YJB to comply with its legal duties and responsibilities under the Health and Safety at Work Act 1974. A Corporate Health and Safety Committee meets quarterly, reporting to the EMG, and an annual report is submitted to the Audit and Risk Committee.

Corporate and business planning

The YJB *Corporate and Business Plan* sets out the YJB's vision, strategic objectives and associated deliverables, taking account of government priorities. The plan details the strategy for delivery, as well as the risks that may threaten this. The main elements of the plan are agreed with the Secretary of State for Justice. The current plan covers the three years to the end of the financial year 2016/17. It specifies the following overarching strategic objectives:

We will work in partnership across the community and commission the secure estate to:

- prevent offending
- reduce reoffending
- protect the public and support victims
- promote the safety and welfare of children and young people in the criminal justice system.

The *Corporate and Business Plan* also sets out an organisational objective for 2014–17:

... to continue to develop the YJB to deliver our mandate, working closely with the UK and Welsh Governments and other stakeholders to deliver a coherent, distinctive and effective youth justice system in a time of reduced resource.

The *Corporate and Business Plan* is updated annually. The plan for 2014–17 is published at:
www.justice.gov.uk/downloads/publications/corporate-reports/yjb/yjb-corporate-plan-2014-17-business-plan-2014-15.pdf

Signed by

A handwritten signature in black ink, appearing to read 'Lin Hinnigan', with a stylized flourish at the end.

Lin Hinnigan
Chief Executive and
Accounting Officer

Date: 3 July 2014

SECTION

2

ACCOUNTS 2013/14

- **Remuneration report**
 - **Statement of accounting officer's responsibilities**
 - **The certificate and report of the Comptroller and Auditor General to the Houses of Parliament**
 - **Accounts**
 - **Notes to the accounts**
-

REMUNERATION REPORT

Remuneration policy

Our staff, whether on permanent or temporary contracts, are subject to levels of remuneration and terms and conditions of service (including superannuation) analogous to those originally set by the Home Office. Staff are classed as public servants and not civil servants, although the contracts are similar.

We operate a performance-related pay scheme derived from a Home Office scheme. For staff graded as equivalent to the Senior Civil Service, the performance framework set by the Cabinet Office for the Senior Civil Service is used as a guide.

Board members' terms of appointment

Appointment of Board members, including the Chair, is for a period of three years. The appointment of Board members, and extension of their appointments, is made by the Secretary of State for Justice, in line with guidance issued by the Office of the Commissioner for Public Appointments. Reappointments are also subject to a satisfactory appraisal process.

Frances Done was the Chair of the YJB for a period of six years that ended on 31 January 2014.¹⁰

Angela Sarkis was appointed as the interim Chair of the YJB by the Secretary of State for Justice for a period of six weeks from 1 February 2014 to 16 March 2014.

Lord McNally has been appointed as the new Chair of the YJB by the Secretary of State for Justice for a period of three years ending on 17 March 2017.

Early termination of a Board member's appointment is at the discretion of the Secretary of State for Justice. The notice period for Board members is three months.

Executive management terms of appointment

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit, on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances in which appointments may be made otherwise. As an accredited non-departmental public body, we follow the Civil Service Commission's recruitment principles.

Executive managers are permanent employees who hold appointments which are, unless otherwise stated, open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at <http://civilservicecommission.independent.gov.uk>.

Remuneration Committee

Our Remuneration Committee meets at least three times a year and may meet at other times as outlined in Standing Orders. It has delegated authority to consider the annual appraisal of the Chief Executive, and to approve any changes to the remuneration of the Chief Executive and all staff reporting directly to the Chief Executive. This includes the arrangements for and conditions of any remuneration or benefits in kind over and above their basic salary. The Remuneration Committee comprises four members: the Chair, the Chair of the YJB Audit and Risk Committee and two Board members.

¹⁰ The *YJB Annual Report and Accounts 2012/13* stated that Frances Done had been appointed for a period of three years ending on 21 January 2014. This has been updated to 31 January 2014 to reflect the end date in the Board member agreement and show she was the Chair for a total period of six years.

Remuneration (audited information)

Board members

Board members' remuneration (including the Chair's) is determined by the Secretary of State for Justice. Board members' fees are £250 per day. During her term as interim Chair, Angela Sarkis was paid £400 per day for two days a week. Lord McNally is paid £400 per day for two days a week. For the year ended 31 March 2014, Board members received remuneration as follows.

| Name | 2013/14 | | | | 2012/13 | | | | Start date | Unexpired term from 31/03/14 |
|--|----------------------------|------------------------------------|---|---------|----------------------------|--|---|---------|------------|------------------------------|
| | Board member fees | Benefits in kind (to nearest £100) | Pension benefits (to nearest £1,000) ¹ | Total | Board member fees | Benefits in kind restated ² (to nearest £100) | Pension benefits (to nearest £1,000) ¹ | Total | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| Lord McNally (from 17/03/2014) | 0-5 | - | - | 0-5 | - | - | - | - | 17/03/2014 | 3 years |
| Frances Done (to 31/01/2014) | 70-75 (FTE: 115-120) | 12.2 | 26 | 105-110 | 80-85 (FTE: 140-145) | 10.6 | 30 | 125-130 | 01/02/2008 | - |
| Charles Clark (to 30/06/2013) | 0-5 | 2.3 | - | 0-5 | 5-10 | 1.1 | - | 10-15 | 01/03/2007 | - |
| Bob Reitemeier | 10-15 | 1.2 | - | 10-15 | 15-20 | 1.3 | - | 15-20 | 01/06/2006 | 1 year and 5 months |
| Rosanna O'Connor (to 30/06/2013) | 0-5 | - | - | 0-5 | 15-20 | 0.2 | - | 15-20 | 11/05/2007 | - |
| Angela Sarkis ³ | 15-20 | 1.1 | - | 15-20 | 10-15 | 0.3 | - | 10-15 | 09/04/2009 | 1 year |
| John Wrangham | 10-15 | 3.9 | - | 15-20 | 10-15 | 1.6 | - | 10-15 | 09/04/2009 | 1 year |
| David Simpson ⁴ (to 31/07/2013) | 5-10 | 0.5 | - | 5-10 | 5-10 | 0.7 | - | 5-10 | 01/10/2004 | - |
| David Banks | 10-15 | 2.5 | - | 10-15 | 0-5 | 1.1 | - | 5-10 | 03/10/2012 | 1 year and 6 months |
| Christine Davies | 5-10 | 4.7 | - | 10-15 | 0-5 | 2.4 | - | 5-10 | 03/10/2012 | 1 year and 6 months |
| Gillian Fairfield ⁵ | 5-10 | 4.8 | - | 10-15 | 0-5 | 0.6 | - | 0-5 | 03/10/2012 | 1 year and 6 months |
| Seamus Oates ⁶ | 5-10 | 0.1 | - | 5-10 | - | - | - | - | 01/07/2013 | 2 years and 3 months |
| Amanda Sater | 5-10 | - | - | 5-10 | - | - | - | - | 01/07/2013 | 2 years and 3 months |
| Neil Rhodes ⁷ | 0-5 | 2.3 | - | 5-10 | - | - | - | - | 01/07/2013 | 2 years and 3 months |
| Rob Butler | 5-10 | 0.2 | - | 5-10 | - | - | - | - | 01/07/2013 | 2 years and 3 months |

¹ Pension benefits are required to be included in the total figure of remuneration for the first time in 2013/14 for current and prior years. Comparatives have been included accordingly. Note that only the remuneration of Frances Done was pensionable and pension benefits do not apply for all other Board members.

² Prior year benefits in kind have been restated to include costs met directly by the YJB.

³ Acting Chair of the YJB from 1 February 2014 to 16 March 2014.

⁴ David Simpson took up his entitlement to Board member fees from August 2012.

⁵ Gillian Fairfield does not personally receive Board member fees and benefits in kind. These are paid directly to her employer, Northumberland, Tyne and Wear NHS Foundation Trust.

⁶ Seamus Oates does not personally receive Board member fees. These are paid directly to his employer, The Bridge AP Academy. Benefits in kind are reimbursed to Seamus by the YJB.

⁷ Neil Rhodes does not personally receive Board member fees and benefits in kind. These are paid directly to his employer, Lincolnshire Police.

Benefits in kind – Board members

The monetary value of benefits in kind covers any benefits provided by the YJB and treated by HM Revenue and Customs (HMRC) as a taxable emolument.

Board members are reimbursed for their travel and subsistence costs incurred in attending Board business at the YJB's central London headquarters and elsewhere. Since Board members are deemed by HMRC to be employees of the YJB, the amounts of these reimbursements are treated as benefits in kind and are disclosed in the table above. The taxation arising on such expenses is borne by the YJB.

The pension entitlements of the former YJB Chair, Frances Done, which are accrued in the Principal Civil Service Pension Scheme, are detailed in the following table. None of the other Board members has any pension entitlements associated with their YJB positions.

| Name and title | Accrued pension at age as at 31/03/14 £'000 | Real increase in pension at pension age as at 31/03/14 £'000 | Related lump sum at pension age £'000 | Real increase in related lump sum at pension age £'000 | CETV at 31/03/14 £'000 | CETV at 31/03/13 £'000 | Real increase in CETV £'000 |
|--|--|---|--|---|-----------------------------------|-----------------------------------|--|
| Frances Done* Chair (to 31/01/2014) | 10-15 | 0-2.5 | - | - | 220 | 182 | 26 |

* As Frances Done was not in post for the full year, the CETV at 31 March 2013 represents the value as at her start date and the CETV at 31 March 2014 represents the value as at her end date.

Executive management

The salary, bonus and benefits in kind of our executive management were as below.

| Name and title | 2013/14 | | | | | 2012/13 | | | | |
|---|--------------------|-------|---------------------------------------|--|---------|---------|-------|---------------------------------------|--|---------|
| | Salary | Bonus | Benefits in kind (to nearest £100) | Pension benefits (to nearest £1,000) ¹ | Total | Salary | Bonus | Benefits in kind (to nearest £100) | Pension benefits (to nearest £1,000) ¹ | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Lin Hinnigan Chief Executive (from 01/04/2013) | 125-130 | - | 5.4 | 33 | 160-165 | - | - | - | - | - |
| John Drew Chief Executive ² (to 31/03/2013) | - | - | - | - | - | 140-145 | - | - | 49 | 190-195 |
| Martin Skeats Deputy Chief Executive – Corporate Services | 90-95 | - | - | 54 | 140-145 | 90-95 | 5-10 | - | 18 | 115-120 |
| Ray Hill Deputy Chief Executive – Secure Accommodation | 100-105 | - | 22.3 | 10 | 130-135 | 100-105 | 5-10 | 34.2 | 22 | 165-170 |
| Lucy Dawes Deputy Chief Executive – Community | 90-95 | 5-10 | - | 21 | 120-125 | 95-100 | - | - | 38 | 130-135 |
| Kate Morris Deputy Chief Executive – Effective Practice (on maternity leave from 28/08/2013) | 65-70 | 5-10 | - | 23 | 95-100 | 90-95 | - | - | 147 | 235-240 |
| Cathy Robinson Acting Deputy Chief Executive – Effective Practice (from 05/11/2013) | 35-40 ³ | - | - | (12) | 20-25 | - | - | - | - | - |
| Dusty (Justin) Kennedy Head of YJB Cymru | 55-60 | 0-5 | - | 24 | 80-85 | 55-60 | - | - | 21 | 75-80 |
| Kevin Venosi Head of Commissioning (from 03/09/2013) | 45-50 ⁴ | 0-5 | - | (2) | 45-50 | - | - | - | - | - |
| Band of highest paid director's total remuneration (£'000)⁵ | | | 130-135 | | | | | 140-145 ⁶ | | |
| Median total remuneration (£) | | | 38,077 | | | | | 38,023 | | |
| Ratio | | | 3.4 | | | | | 3.8 | | |

1 Pension benefits are required to be included in the total figure of remuneration for the first time in 2013/14 for current and prior years. Comparatives have been included accordingly.

2 John Drew's salary for 2012/13 included a payment of £7,312 for annual leave not taken before departure.

3 Cathy Robinson was on secondment from the National Offender Management Service (NOMS); her full-year salary equivalent is £85-90k.

4 Kevin Venosi's full-year salary equivalent is £80-85k.

5 To enable comparison with median total remuneration, this excludes pension benefits.

6 Restated to correct the figure shown in the YJB Annual Report and Accounts 2012/13.

Salary

Salary covers both pensionable and non-pensionable amounts and includes, but may not necessarily be confined to:

- gross salaries
- overtime
- reserved rights to London weighting or London allowances
- recruitment and retention allowances
- private office allowances and any other allowance to the extent that it is subject to UK taxation.

Bonuses

Bonuses are based on performance levels and are awarded following the formal review process. The performance framework set by the Cabinet Office for the Senior Civil Service (SCS) is used as a guide for YJB executive managers graded as equivalent to the SCS. The YJB Remuneration Committee gives final approval of these bonuses.

Executive managers who are not graded as equivalent to the SCS can receive a bonus if they obtain a 'significantly exceeds expectations' rating in the formal review process. This process follows the YJB performance management guidance, with objectives set at the beginning of the performance year, progress reviewed at mid-year and a formal rating given at year end.

Bonuses are included in the table above on a cash basis, so that bonuses disclosed for each year represent those paid to staff in that year, but relate to performance in the previous year.

Benefits in kind – executive management

The monetary value of benefits in kind covers any benefits provided by the YJB and treated by HMRC as a taxable emolument.

Lin Hinnigan, Chief Executive, was reimbursed for her travel and accommodation costs for up to three months to assist with her relocation to London. These costs were agreed by the YJB Chair and approved by the MoJ. They include both reimbursed expenses as well as those expenses met directly by the YJB. All expense claims were reviewed and approved by the Chair before being paid. The total travel and accommodation costs incurred were £3,200 (2012/13: nil). The taxation arising on these expenses of £2,198 (2012/13: nil) will be paid by the YJB. The total benefit in kind was therefore £5,398 (2012/13: nil).

Ray Hill received benefits in kind of £13,102 (2012/13: £20,097) for his travel and subsistence costs incurred from home to the YJB's central London headquarters. The taxation arising on these expenses of £9,151 (2012/13: £14,068) will be paid by the YJB. The total benefit in kind was therefore £22,253 (2012/13: £34,165). In February 2014, Ray's contract was updated and the provision for home to work travel removed. No payments were made or expenses incurred for home to work travel after this date.

Chief Executive's other expenses

The YJB accepted a Triennial Review recommendation that the Chief Executive's total expenses should be published. In addition to the benefit in kind and remuneration payments to the Chief Executive, Lin Hinnigan, disclosed above, the YJB incurred

other expenses of £1,381 in 2013/14. These expenses were directly incurred in the performance of her duties, and were consistent with the YJB's travel and subsistence policy, which applies to all staff. The expenses were reviewed and approved by the Chair before being paid.

From November 2012 to March 2013, the YJB incurred expenses directly attributable to Lin's induction to the Chief Executive position, prior to her taking up the post. These expenses were £5,250 in professional fees and £525 for travel to London, including accommodation costs. These were not required to be disclosed in the remuneration report for 2012/13 as Lin was not an employee of the YJB at this time.

On-call payments

During the financial year 2013/14, executive management received on-call payments; these payments were discontinued from June 2013. The following payments were made: Martin Skeats £1,048, Ray Hill £931, Lucy Dawes £1,048 (2012/13: Martin Skeats £2,312, Ray Hill £3,009, Lucy Dawes £3,194). These amounts are included under salary costs in the above table.

Pension benefits

In 2013/14, pension benefits are disclosed for the first time and included in the total figure of remuneration for current and prior years. Pension benefits are calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less contributions made by the employee. The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

Compensation for loss of office

Ray Hill accepted an offer under a voluntary exit scheme in March 2014 and subsequently received a voluntary exit payment in the band £170,000–£175,000. The payment has been made in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Ray's last day of service was 30 April 2014. No other directors received compensatory payments in 2013/14.

Banded remuneration of the highest-paid director and median pay disclosures

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director at the YJB in the financial year 2013/14 was £130–135k (2012/13: £140–145k). This was 3.4 times (2012/13: 3.8 times) the median remuneration of the workforce, which was £38,077 (2012/13: £38,023).

In 2013/14, no employees (2012/13: nil) received remuneration in excess of the highest-paid director (excluding pension benefits).

Total remuneration for this calculation includes salary, non-consolidated performance-related pay, and benefits in kind. It does not include pension benefits, employer pension contributions and the Cash Equivalent Transfer Value of pensions.

Pension entitlements (audited information)

| Name and title | Accrued pension at pension age £'000 | Real increase in pension at pension age £'000 | Related lump sum at pension age £'000 | Real increase in related lump sum at pension age £'000 | CETV at 31/03/14 £'000 | CETV at 31/03/13 £'000 | Real increase in CETV £'000 |
|---|---|--|--|---|---------------------------|---------------------------|--------------------------------|
| Lin Hinnigan Chief Executive (from 01/04/2013) | 55-60 | 0-2.5 | 155-160 | (2.5-5) | 1,283 | 1,245 | 21 |
| Martin Skeats Deputy Chief Executive – Corporate Services | 25-30 | 2.5-5 | - | - | 415 | 352 ¹ | 37 |
| Ray Hill Deputy Chief Executive – Secure Accommodation | 25-30 | 0-2.5 | 75-80 | 0-2.5 | 394 | 364 | 4 |
| Lucy Dawes Deputy Chief Executive – Community | 45-50 | 0-2.5 | - | - | 896 | 824 | 18 |
| Kate Morris Deputy Chief Executive – Effective Practice (on maternity leave from 28/08/2013) | 15-20 | 0-2.5 | - | - | 179 | 157 ¹ | 8 |
| Cathy Robinson ² Acting Deputy Chief Executive – Effective Practice (from 05/11/2013) | 25-30 | (0-2.5) | 85-90 | (2.5-5) | 490 | 489 | (23) |
| Dusty (Justin) Kennedy Head of YJB Cymru | 5-10 | 0-2.5 | - | - | 76 | 58 | 11 |
| Kevin Venosi ² Head of Commissioning (from 03/09/2013) | 30-35 | 0-2.5 | 100-105 | 0-2.5 | 566 | 556 | (4) |

1 These figures differ from the closing figures in last year's accounts. This is due to a change in pensionable earnings where allowance details were updated after the calculations for last year were completed.

2 Where the individual was not in post for the full year, the CETV at 31 March 2013 represents the value as at their start date and the CETV at 31 March 2014 represents the value as at their end date.

Civil Service pensions – general information

Pension benefits are provided through the Civil Service pension arrangements. There are four defined benefit schemes (depending on date of entry): either a final salary scheme (classic, premium or classic plus) or a whole career scheme (nuvos). These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic, and between 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year

(31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year, and the accrued pension is up-rated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at, or over, pension age. Pension age is 60 for members of classic, premium and classic plus, and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at www.civilservice.gov.uk/pensions.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) 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 an arrangement to secure pension benefits in another pension scheme, or an 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 taken.

**Real increase in the value of the
Cash Equivalent Transfer Value**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

Signed by

A handwritten signature in black ink, appearing to read 'Lin Hinnigan', with a stylized flourish at the end.

Lin Hinnigan

Chief Executive and
Accounting Officer

Date: 3 July 2014

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

The Accounting Officer of the Ministry of Justice (MoJ) has designated the Chief Executive of the YJB as the Accounting Officer for the YJB. The responsibilities of an Accounting Officer are set out in *Managing Public Money*,¹¹ published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, responsibility for keeping proper records and responsibility for safeguarding the YJB's assets.

Under the Crime and Disorder Act 1998, the Secretary of State, with the approval of HM Treasury, has directed the YJB to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the YJB and of its net expenditure, changes in taxpayers' equity and cash flows for the financial year.

Under the Act, the Accounting Officer discharges her responsibilities on behalf of the Board, who are required by legislation to keep proper accounts and records, and to prepare a statement of accounts.

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

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

¹¹ See www.gov.uk/government/publications/managing-public-money

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 the Youth Justice Board for the year ended 31 March 2014 under the Crime and Disorder Act 1998. 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are 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 Crime and Disorder Act 1998. 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 Youth Justice Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Youth Justice Board; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 the Youth Justice Board's affairs as at 31 March 2014 and of the net expenditure after interest for the year then ended; and
- the financial statements have been properly prepared in accordance with the Crime and Disorder Act 1998 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Crime and Disorder Act 1998; and
- the information given in the Strategic Report section of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

Date: 7 July 2014

ACCOUNTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

| | Notes | 2014 £'000 | 2013 re-presented £'000 |
|---------------------------------------|-------|----------------|-------------------------------|
| Expenditure | | | |
| Staff costs | 2.1 | 11,690 | 11,919 |
| Depreciation | 5 | 2,513 | 2,166 |
| Amortisation | 6 | 397 | 397 |
| Other expenditure | 3.1 | 314,496 | 353,890 |
| Income from activities | 4 | (27,973) | (3,866) |
| Net expenditure | | 301,123 | 364,506 |
| Interest payable | 3.1 | 1,173 | 1,385 |
| Net expenditure after interest | | 302,296 | 365,891 |

Other comprehensive expenditure

| | Notes | 2014 £'000 | 2013 £'000 |
|---|-------|----------------|----------------|
| Net (gain) on revaluation of property, plant and equipment | 5 | (10,881) | (613) |
| Total comprehensive expenditure for the year ended 31 March 2014 | | 291,415 | 365,278 |

All results arise from continuing activities.

The notes on pages 47 to 66 form part of these accounts.

Statement of Financial Position as at 31 March 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|-------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | 5 | 73,503 | 65,135 |
| Intangible assets | 6 | 2,423 | 1,896 |
| Total non-current assets | | 75,926 | 67,031 |
| Current assets | | | |
| Trade and other receivables | 8 | 7,873 | 2,860 |
| Cash and cash equivalents | 9 | 21,062 | 17,311 |
| Total current assets | | 28,935 | 20,171 |
| Total assets | | 104,861 | 87,202 |
| Current liabilities | | | |
| Trade and other payables | 10 | (13,319) | (9,928) |
| PFI liabilities | 13 | (1,301) | (2,306) |
| Total current liabilities | | (14,620) | (12,234) |
| Non-current assets plus net current assets | | 90,241 | 74,968 |
| Non-current liabilities | | | |
| PFI liabilities | 13 | (16,742) | (18,043) |
| Total non-current liabilities | | (16,742) | (18,043) |
| Assets less liabilities | | 73,499 | 56,925 |
| Taxpayers' equity | | | |
| Revaluation reserve | | 17,646 | 7,428 |
| General reserve | | 55,853 | 49,497 |
| Total capital and reserves | | 73,499 | 56,925 |



Lin Hinnigan

Chief Executive and Accounting Officer

Date: 3 July 2014

The notes on pages 47 to 66 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|----------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net expenditure after interest | SoCNE | (302,296) | (365,891) |
| Depreciation and amortisation | 5, 6 | 2,910 | 2,563 |
| Loss on write-off of non-current assets | 3.1 | - | 26 |
| Interest received | 4 | 1 | 98 |
| Interest paid | | (1) | (147) |
| (Increase)/decrease in trade and other receivables | 8 | (5,013) | 975 |
| Increase/(decrease) in trade and other payables, excluding interest and PFI liabilities | 10 | 3,391 | 699 |
| Adjustments for non-cash transactions | | | |
| Non-cash interest on PFI liabilities | 3.2 | 172 | 347 |
| Payments made by sponsoring department on behalf of the YJB excluding PFI | 3.1, 3.2 | 73,313 | 36,348 |
| Corporate services provided by sponsoring department | 3.3 | 4,196 | 2,374 |
| Net cash outflow from operating activities | | (223,327) | (322,608) |
| Cash flows from investing activities | | | |
| Intangible asset under construction | 6 | (924) | (1,351) |
| Net cash outflow from investing activities | | (924) | (1,351) |
| Cash flows from financing activities | | | |
| Grant-in-aid | 11 | 228,712 | 322,410 |
| Capital element of payments in respect of Oakhill PFI contract | | (710) | (671) |
| Net financing | | 228,002 | 321,739 |
| Net increase/(decrease) in cash and cash equivalents in the period | | 3,751 | (2,220) |
| Cash and cash equivalents at the beginning of the period | | 17,311 | 19,531 |
| Cash and cash equivalents at the end of the period | 9 | 21,062 | 17,311 |

Grants from government departments are all treated as contributions from a controlling party, as directed by the *Financial Reporting Manual (FReM)*, and recognised on a cash basis with an opposite entry in the general reserve (see Statement of Changes in Taxpayers' Equity).

The notes on pages 47 to 66 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

| | Notes | Revaluation reserve £'000 | General reserve £'000 | Total reserves £'000 |
|---|-------|---------------------------------|-----------------------------|----------------------------|
| Balance at 1 April 2012 | | 7,163 | 51,373 | 58,536 |
| Changes in taxpayers' equity for 2012/13 | | | | |
| Grant-in-aid | 11 | - | 322,410 | 322,410 |
| Non-cash charges | | | | |
| Payments made by sponsoring department on behalf of the YJB | 3.2 | | 38,883 | 38,883 |
| Corporate services provided by sponsoring department | 3.3 | | 2,374 | 2,374 |
| Net expenditure for the year | SoCNE | - | (365,891) | (365,891) |
| Movements in reserves | | | | |
| Release of reserves to the general reserve | | (348) | 348 | - |
| Net gain on revaluation of property, plant and equipment | 5 | 613 | - | 613 |
| Balance at 31 March 2013 | | 7,428 | 49,497 | 56,925 |
| Changes in taxpayers' equity for 2013/14 | | | | |
| Grant-in-aid | 11 | - | 228,712 | 228,712 |
| Non-cash charges | | | | |
| Payments made by sponsoring department on behalf of the YJB | 3.2 | | 75,081 | 75,081 |
| Corporate services provided by sponsoring department | 3.3 | | 4,196 | 4,196 |
| Net expenditure for the year | SoCNE | - | (302,296) | (302,296) |
| Movements in reserves | | | | |
| Release of reserves to the general reserve | | (663) | 663 | - |
| Net gain on revaluation of property, plant and equipment | 5 | 10,881 | | 10,881 |
| Balance at 31 March 2014 | | 17,646 | 55,853 | 73,499 |

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

1.1 Basis of preparation

These accounts have been prepared in accordance with the *Government Financial Reporting Manual 2013-14* (FReM) issued by Her Majesty's (HM) Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. They are in a form as directed by the Secretary of State with the approval of Treasury and in accordance with section 41 of, and Schedule 2 to, the Crime and Disorder Act 1998.

Where the FReM permits a choice of accounting policy, the policy which is judged to be the most appropriate to the particular circumstances of the YJB for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the YJB are described below. They have been applied consistently in dealing with items considered material to the accounts.

The functional and presentation currency of the YJB is the British pound sterling (£).

1.2 Going concern

The YJB is an executive non-departmental public body (NDPB) whose activities are principally financed by the Ministry of Justice (MoJ).

Grant-in-aid for 2014/15, covering the amounts required to meet the YJB's liabilities falling due that year, has already been included in the MoJ estimates for that year, and has been approved by Parliament. There is no reason to believe that future sponsorship and Parliamentary approval will not be forthcoming.

Having considered the circumstances described above, and from discussion with the MoJ, the YJB's management considers it appropriate to adopt a going concern basis for the preparation of these accounts.

1.3 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, as modified to account for the revaluation of non-current assets where material.

1.4 Changes in accounting policy and disclosures

a) Changes in accounting policies

Accounting for remand income

The YJB has made a change in respect of the accounting for remand income. Previously the YJB invoiced local authorities for one-third of the cost of individuals remanded to secure training centres (STCs). The net cost of STC placements was disclosed in the Statement of Comprehensive Net Expenditure (SoCNE).

Following the introduction of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO), the remand income process has changed significantly in 2013/14. Under LASPO, the YJB now has a legislative mandate to recover the full cost of remands from the designated authorities. This now includes the cost of individuals remanded to under-18 young offender institutions (under-18 YOIs), secure children's homes (SCHs) and STCs.

As a result of the change, remand income is now recorded as income from activities in the SoCNE. This change has no impact on net expenditure. Comparative balances have been re-presented, as detailed in Note 1.4d.

b) New and amended standards adopted

IAS 1 'Presentation of Financial Statements – Other Comprehensive Income' (effective for accounting periods beginning on or after 1 July 2012), retains the option to present other comprehensive expenditure on a separate statement from net operating cost items, and to reclassify certain other comprehensive expenditure items to net operating cost. The YJB has applied the requirements of IAS 1 in full to these accounts.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2013 and not adopted early

The following new standards, interpretations and amendments, which are not yet effective, may have an impact on the YJB's future accounts.

IFRS 13 'Fair Value Measurement' provides a consistent definition and measurement framework for determining fair value. The FReM's adaptation of IFRS 13 for public sector application is expected to be effective from 1 April 2015.

The above standards are not expected to have a material impact on the YJB accounts.

d) Re-presenting of comparatives

Certain items such as 'Young offender institutions (HMPS and PFI) including escorts' and 'Secure training centres' within programme expenditure have been re-presented to increase the transparency in the YJB accounts.

Corporation tax reported in 2012/13 has been re-presented to increase consistency with the MoJ group. It was previously shown within admin expenditure and now is shown under programme expenditure.

Due to the change in accounting policy indicated above, remand income is no longer netted off STC expenditure and is presented as income from activities in the SoCNE. The comparative has been re-presented accordingly.

These are detailed in Note 3 and Note 4 and have no impact on net expenditure.

In 2012/13, there was a misclassification of the extension to the Medway STC contract. It was disclosed as an operating lease in Note 12, rather than as other financial commitments. The comparative has been re-presented accordingly.

1.5 Property, plant and equipment

Recognition

Items of property, plant and equipment, including subsequent expenditure on existing assets, are initially recognised at cost when it is probable that future economic benefits or service potential associated with the asset will flow to the YJB and the cost of the asset can be measured reliably.

All other repairs and maintenance are charged to the SoCNE during the financial period in which they are incurred.

Capitalisation threshold

Tangible assets are capitalised if they are intended for use on a continuous basis for more than one year and their original cost, on an individual basis, is £10,000 (including irrecoverable VAT) or more, or on a grouped basis, is £100,000 (including irrecoverable VAT) or more.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition. Such expenditure includes external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

Valuation method

In accordance with the FReM, property, plant and equipment is carried at fair value.

Subsequent to initial recognition, land and buildings (including dwellings) are recorded at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted for each property at least once every five years. During the period between professional valuations, carrying values are adjusted by the application of indices.

Land and buildings at the four STC sites were professionally revalued by independent surveyors, CB Richard Ellis, at 31 March 2014.

STCs are classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued at Depreciated Replacement Cost (DRC) to a modern equivalent basis in accordance with the *RICS Valuation – Professional Standards 2014* ('the Red Book'), taking into account the functional obsolescence of the property.

Revaluation

Gains arising on revaluation are credited to the revaluation reserve and show in other comprehensive expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to the SoCNE to the extent of the previous amount expensed, and any excess is credited to the revaluation reserve.

When an asset's carrying value decreases as a result of a permanent diminution in the value of the asset due to a clear consumption of economic benefit or service potential, the decrease is charged directly to net operating costs in the SoCNE, with any remaining revaluation reserves balance released to the general fund.

A revaluation decrease (other than as a result of a permanent diminution) is reversed against any existing amount held in the revaluation reserve in respect of that same asset, with any residual decrease taken to net operating costs in the SoCNE.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the SoCNE and depreciation based on the asset's original cost is transferred from the revaluation reserve to the general fund.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to write off the value of assets less estimated residual value evenly over their estimated useful lives, or for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or asset categories are reviewed annually. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life. It is the YJB's policy to charge a full year's depreciation in the first year in which assets are recognised.

If an item of property, plant and equipment comprises two or more significant components, with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life.

Estimated useful asset lives are within the following ranges:

| | |
|--|---------------|
| Buildings – core | 40 – 50 years |
| Buildings – machine and electrical equipment | 25 years |

Disposal of non-current assets

Gains and losses on disposal of non-current assets are determined by comparing the sales proceeds with the carrying amount and are recognised within administration or programme costs, as appropriate, in the SoCNE.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

1.6 Intangibles

Intangible assets comprise internally developed software for internal use (including such assets under construction), software developed by third parties, and purchased software licences.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the YJB are capitalised when they meet the criteria specified in the FReM, which has been adapted from IAS 38 'Intangible Assets'.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Purchased software licences are recognised when it is probable that future service potential will flow to the YJB and the cost of the license can be measured reliably. Such licences are initially measured at cost.

Intangible non-current assets are generally not revalued or indexed, but maintained at cost less amortisation unless they have a readily ascertainable market value, in which case, this valuation is used.

Intangible assets under construction are not amortised until the assets are ready for use. At this point they are amortised using the straight-line method over their expected useful lives. The useful life of internally developed software ranges from three to five years. Purchased software licences are amortised over the licence period.

Capitalisation threshold

The threshold for capitalising individual assets is £10,000 (including irrecoverable VAT). The threshold for capitalising grouped assets is £100,000 (including irrecoverable VAT).

1.7 Impairment

An impairment reflects a diminution in value of an asset as a result of a clear consumption of economic benefits or service potential. At 31 March each year, the YJB assesses all assets for indications of impairment. If any such indication exists, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts.

1.8 Leases

A distinction is made between finance leases and operating leases.

Finance leases

Leases of assets where the YJB retains substantially all the risks and rewards of ownership are classified as finance leases. At the commencement of the lease term, finance lease assets and liabilities are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in either short-term or long-term payables, depending on the dates the YJB is contractually obliged to make rental payments. The interest element of the finance cost is charged to the SoCNE over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

Leases other than finance leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the SoCNE on a straight-line basis over the period of the lease. Any upfront payments not yet released to the SoCNE are recognised as a lease prepayment in the Statement of Financial Position (SoFP).

1.9 Service concession arrangements

Service concession arrangements (SCAs), including private finance initiative (PFI) arrangements, occur when private sector operators are contractually obliged to provide services to the public in relation to certain infrastructure assets. The YJB defines such arrangements as SCAs if they meet the conditions set out in the FReM and IFRIC 12 'Service Concession Arrangements'.

The future payment streams of SCAs are assessed to separately identify the infrastructure interest and service components.

The YJB recognises the infrastructure asset at fair value (or the present value of the future minimum infrastructure payments, if lower) as a non-current asset in the SoFP with a corresponding liability for future payments under the agreement. These assets are subsequently valued, indexed and depreciated consistently with other assets in the same class. The useful economic life is determined as the shorter of the life of the asset or the duration of the contract.

The interest element is charged to the SoCNE over the contract period to produce a constant periodic rate of interest on the remaining balance of the liability. The service element is charged to the SoCNE in the period in which the services are rendered by the operator.

For budgeting purposes, SCAs are evaluated according to the balance of risks and reward of ownership as defined by the European System of Accounts 95. This means that some SCAs recognised in the accounts are treated differently for budgetary purposes against HM Treasury budgeting controls.

During the 2012/13 year, the YJB transferred the administrative function of three STC contracts (Medway, Hassockfield and Rainsbrook) to the MoJ as part of the department's strategy to centralise administrative processes and enhance ministerial oversight within the MoJ. As part of this change, the MoJ received and settled invoices directly with the PFI contractor on the YJB's behalf. The YJB continued to bear the 'risk and rewards' of the contract and therefore continued to recognise PFI assets and liabilities in its accounts, where applicable.

The YJB has not entered into any off-balance sheet PFI contracts.

1.10 Cash and cash equivalents

Cash and cash equivalents recorded in the SoFP and Statement of Cash Flows (SoCF) include cash in hand, deposits held on call with banks, and bank overdrafts.

1.11 Employee benefits

Employee accruals

Accruals are made for untaken employee annual leave and bonuses relating to individual performance during the year.

Defined benefit pension schemes

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees. The PCSPS is an unfunded defined benefit scheme although, in accordance with FReM 12.2.5, the YJB accounts for this as a defined contribution scheme. The expected cost of the future pension liabilities is expensed on a systematic and rational basis over the period during which it benefits from employees' services by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

Defined contribution pension schemes

Under defined contribution schemes, the YJB's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. The YJB recognises contributions payable as an expense in the year in which it is incurred.

Early departure costs

The YJB is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme has been announced and is binding on the YJB. The estimated risk-adjusted cash flows are discounted using HM Treasury's real discount rate of 1.80% (2012/13: 2.35%).

1.12 Income

Income from activities

Remand income is accounted for on an accruals basis. As income is wholly attributable to the YJB's goal of providing leadership in the youth justice system, the disclosure requirements of IFRS 8 'Operating Segments' are met by Note 4. There is no income relating to geographical areas outside the United Kingdom.

Grant-in-aid

The YJB is principally funded by grant-in-aid received from the MoJ, which is accounted for when received. Similarly, grants received for revenue purposes are also treated on a cash basis. Grant-in-aid and grant received to finance activities and expenditure which support the statutory and other objectives of the YJB are treated as financing and credited to the general reserve, because they are regarded as contributions from a controlling party.

Interest

The YJB earned interest on funds deposited and this interest is payable to the MoJ.

1.13 Expenditure

Expenditure

Expenditure is wholly attributable to the YJB's goal of providing leadership in the youth justice system. The disclosure requirements of IFRS 8 'Operating Segments' are met by Note 3. There is no income or expenditure relating to geographical areas outside the United Kingdom.

Grant expenditure

Grants payable in respect of YJB expenditure are accounted for on an accruals basis. A liability is deemed to arise when the grant recipient carries out the specific activity which forms the basis for entitlement. Funds provided, which have not been fully utilised by the grantee, are disclosed as a prepayment in the SoFP.

Administration and programme expenditure

The SoCNE is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition set out in HM Treasury's Consolidated Budgeting Guidance.

Administration expenditure reflects the cost of support activities such as business and corporate support services, back-office administration and administration of grants.

Programme expenditure reflects costs directly related to frontline service delivery.

1.14 Settlement of intra-departmental balances

Intra-departmental balances are settled either in cash, or via taxpayers' equity where it does not involve the transfer of cash. The latter method is accounted for through the general fund, and is usually applied when settling balances arising from intra-departmental transfer of assets and service functions.

1.15 Notional costs

Notional costs in Note 3 take two forms: firstly, 'soft charges' for services paid by the MoJ on behalf of the YJB, and secondly, non-cash recharges representing the YJB's usage of MoJ corporate services. See Note 3.3. These notional costs are credited directly to the general fund. See also Note 1.14.

1.16 Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when the YJB has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

Provisions reflect the best estimate of the expenditure required to settle the obligation.

1.17 Contingent liabilities

For Parliamentary reporting and accountability purposes, and, as required by *Managing Public Money*, the YJB discloses certain statutory and non-statutory contingent liabilities, where the likelihood of transfer of economic benefit is remote. This is in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be reported under IAS 37 are stated at the amounts reported to Parliament.

1.18 Value added tax

The activities of the YJB are outside the scope of VAT, therefore output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. 'Soft charges' raised by the MoJ are net of VAT.

1.19 Corporation tax

Most of the activities of the YJB are outside the scope of corporation tax. However, the YJB is liable for corporation tax on interest earned. The current corporation tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

1.20 Financial instruments

Recognition

Financial assets and financial liabilities arising from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with the YJB's normal purchase, sale or usage requirement, are recognised when, and to the extent to which, performance occurs. All other financial assets and liabilities are recognised when the YJB becomes party to the contractual provisions to receive or make cash payments.

De-recognition

Financial assets are de-recognised when the contractual rights to receive future cash flows have expired or the YJB has transferred substantially all the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and measurement – financial assets

In addition to cash, the YJB has one other category of financial assets: loans and receivables.

Loans and receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment, in accordance with IAS 39.

Impairment of financial assets

At the end of each reporting period, the YJB assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on such an asset has been incurred, the YJB recognises this in the SoCNE as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Classification and measurement – financial liabilities

The YJB has financial liabilities, comprising finance lease liabilities, trade payables, other payables and accruals. All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. Where the effect is material, the estimated cash flows of financial liabilities are discounted.

1.21 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The YJB makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Valuation of non-current assets

Land and buildings comprise STCs that are shown at fair value, based on professional valuations. The value of land and buildings fluctuates with changes in construction costs and the current market conditions.

Critical judgements in applying the YJB's accounting policies*Lease accounting*

Judgement is required on initial classification of leases as either operating leases or finance leases. Where a lease is taken out for combined land and buildings, both the building and land elements may be capitalised as separate finance leases if they meet the criteria for a finance lease. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease.

Service concession arrangements

The YJB is party to a number of SCAs, conducted under PFIs. The classification of such arrangements as SCAs requires the YJB to determine whether it controls the infrastructure. This determination is based on an evaluation of the terms and conditions of the arrangements. Where the YJB is judged to control the infrastructure, the contract assets are reflected in the SoFP.

2. Staff numbers and related costs**2.1 Staff-related costs**

| | Board members £'000 | Permanent staff £'000 | Other (including agency) staff costs £'000 | 2014 total £'000 | 2013 total £'000 |
|-----------------------|------------------------------------|--------------------------------------|---|---------------------------------|---------------------------------|
| Wages and salaries | 181 | 8,950 | 132 | 9,263 | 9,613 |
| Social security costs | 16 | 805 | - | 821 | 748 |
| Other pension costs | 17 | 1,589 | - | 1,606 | 1,558 |
| Total | 214 | 11,344 | 132 | 11,690 | 11,919 |

No staff costs were capitalised during 2013/14 (2012/13 nil).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the YJB is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. As part of the government's reform of public service pensions, there is currently a review of the PCSPS being undertaken and a new pension scheme will be introduced on 1 April 2015. The results will determine the employer contribution rate the YJB will have to pay.

For 2013/14, employers' contributions of £1.606m were payable to the PCSPS (2012/13: £1.558m) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands (2012/13: 16.7% to 24.3%). The contribution rates are set to meet the cost of the benefits accruing during 2013/14 to be paid when the member retires and not the benefits paid during this period to existing pensioners. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account (a stakeholder pension with an employer contribution). One employee has taken this option during 2013/14 (2012/13: nil). Employers' contributions of £1,200 were paid to one of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the balance sheet date were £200.

2.2 Staff numbers

Average number of persons employed

The average number of whole-time equivalent persons employed by the YJB during the year was as follows.

| | 2014 | 2013 |
|------------------------------|------------|------------|
| Permanent staff | 186 | 178 |
| Temporary and seconded staff | 24 | 32 |
| Total | 210 | 210 |

2.3 Reporting of Civil Service and other compensation schemes – exit packages

| Exit packages cost band | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | |
|--------------------------------------|-----------------------------------|------|-----------------------------------|----------------|--|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| <£10,000 | - | - | - | 1 | - | 1 |
| £10,000 – £25,000 | - | - | 4 | 2 | 4 | 2 |
| £25,000 – £50,000 | - | - | 4 | 2 | 4 | 2 |
| £50,000 – £100,000 | - | - | 3 | 2 | 3 | 2 |
| £100,000 – £150,000 | - | - | - | - | - | - |
| £150,000 – £200,000 | - | - | 1 | - | 1 | - |
| Total number of exit packages | - | - | 12 | 7 | 12 | 7 |
| Total resource cost* (£) | - | - | 557,328 | 220,628 | 557,328 | 220,628 |

* An additional net cost of £34k was provided in prior years for employee departures in the current year.

Redundancy and other departure costs have been recorded in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. A voluntary exit scheme was in operation during 2013/14. All offers made under this scheme and accepted by staff during this year have been accounted for as expenditure, and accrued where the payments were not made in the year.

3. Other expenditure

3.1 Admin and programme expenditure

| | Notes | 2014 £'000 | 2013 re-presented £'000 |
|--|-------|----------------|-------------------------------|
| Admin expenditure | | | |
| Accommodation costs | | 5 | 984 |
| Audit fee – external ¹ | | 63 | 52 |
| Audit fee – internal | | 47 | 51 |
| Board meetings | | 29 | 25 |
| Communications | | 95 | 90 |
| Conferences | | 17 | 41 |
| Consultancy | | - | 14 |
| General administration | | 50 | 180 |
| IT costs | | 794 | 1,582 |
| Legal costs | | 72 | 14 |
| Personnel costs | | 82 | 149 |
| Professional fees | | 32 | 10 |
| Loss on write-off of non-current assets | 5 | - | 26 |
| Travel and subsistence | | 556 | 681 |
| Total admin expenditure | | 1,842 | 3,899 |
| Programme expenditure | | | |
| Under-18 young offender institutions ² | | 79,843 | 129,848 |
| Secure children's homes | | 34,415 | 33,545 |
| Secure training centres ³ | | 18,915 | 18,305 |
| Secure escorts ² | | 2,460 | 9,826 |
| Good practice grants to youth offending teams | | 91,802 | 107,333 |
| Intensive Fostering | | 1,976 | 1,930 |
| Youth justice information and communications technology (ICT) programmes | | 4,392 | 4,419 |
| Community education and youth justice practitioner training | | - | 975 |
| Other grants for intervention programmes | | 474 | 1,624 |
| Research | | 33 | - |
| Other programme expenditure ⁴ | | 835 | 3,464 |
| Total programme expenditure | | 235,145 | 311,269 |
| Net expenditure for the year excluding staff costs | | 236,987 | 315,168 |

3.1 Admin and programme expenditure continued

| | Notes | 2014 £'000 | 2013 re-presented £'000 |
|--|-------|----------------|-------------------------------|
| Non-cash costs | | | |
| Payments made for secure training centres by sponsoring department ⁵ | | 34,174 | 36,348 |
| Payments made for under-18 young offender institutions by sponsoring department ⁵ | | 15,204 | - |
| Payments made for secure escorts by sponsoring department ⁵ | | 4,329 | - |
| Payments made to promote remand alternatives by sponsoring department ⁶ | | 19,606 | - |
| Corporate services provided by sponsoring department | 3.3 | 4,196 | 2,374 |
| Total non-cash costs | | 77,509 | 38,722 |
| Total pre-interest and depreciation | | 314,496 | 353,890 |
| Interest | | | |
| Interest payable to the Ministry of Justice | | 1 | 98 |
| Finance charges on PFI debt | | 1,173 | 1,385 |
| Total | | 315,670 | 355,373 |

1 External audit fees for 2013/14, £63k, include £9k under accrual for 2012/13, but do not include any non-audit work undertaken by the NAO during the 2012/13 audit.

2 The costs of secure escorts, £9,826m, were included within 'Young offender institutions (HMPS and PFI)' in 2012/13, but are now disclosed separately to reflect their nature and distinguish them from establishment costs. This had no impact on net expenditure.

3 Remand income, £3,866m, is no longer netted off against STC expenditure and is presented as income from activities in the SoCNE. See Note 4.

4 Corporation tax reported, £22k, was shown within admin expenditure in 2012/13 and is now shown under other programme expenditure.

5 Payments made to operators on behalf of the YJB are notionally recharged by the Ministry of Justice (MoJ). The MoJ made payments to under-18 young offender institutions and for secure escort services on behalf of the YJB for the first time in 2013/14.

6 Payments made to local authorities to promote remand alternatives are notionally recharged by the MoJ. These payments were made for the first time in 2013/14.

3.2 Payments made by sponsoring department on behalf of the YJB

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Payments recognised in the SoCNE | 73,313 | 36,348 |
| Capital element of payments in respect of PFI contracts* | 1,596 | 2,188 |
| Interest on PFI liabilities recognised in the SoCNE | 172 | 347 |
| Total | 75,081 | 38,883 |

3.3 Services and facilities provided by sponsoring department

| | 2014 £'000 | 2013 £'000 |
|--------------------------|---------------|---------------|
| Estates | 1,891 | 1,420 |
| ICT | 2,144 | 954 |
| Information operations | 123 | - |
| Communications | 38 | - |
| Total expenditure | 4,196 | 2,374 |

4. Income from activities

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Remand income from local authorities¹ | | |
| Under-18 young offender institutions | 10,155 | - |
| Secure children's homes | 5,512 | - |
| Secure training centres | 12,306 | 3,866 |
| Total remand income | 27,973 | 3,866 |
| Interest received ² | 1 | 98 |
| Total income from activities | 27,974 | 3,964 |

1 Due to a change in accounting policy in 2013/14, remand income from local authorities is no longer netted off against the expenditure in Note 3 and is now disclosed separately. The comparative has been reclassified accordingly. This had no impact on net expenditure. Refer to accounting policy Note 1.4 a.

2 The YJB earned interest on funds deposited at the bank, which is payable to the MoJ.

5. Property, plant and equipment

| | Land £'000 | Buildings £'000 | Information technology £'000 | Office equipment £'000 | Leasehold improvements £'000 | Total £'000 |
|--|---------------|--------------------|------------------------------------|------------------------------|------------------------------------|----------------|
| Cost/valuation at 01 April 2013 | 9,165 | 80,367 | - | - | - | 89,532 |
| Additions | - | - | - | - | - | - |
| Disposals/write-offs | - | - | - | - | - | - |
| Revaluation/indexation | 2,700 | 14,303 | - | - | - | 17,003 |
| Cost/valuation at 31 March 2014 | 11,865 | 94,670 | - | - | - | 106,535 |
| Depreciation at 01 April 2013 | - | 24,397 | - | - | - | 24,397 |
| Charge for the year | - | 2,513 | - | - | - | 2,513 |
| Disposals/write-offs | - | - | - | - | - | - |
| Revaluation/indexation | - | 6,122 | - | - | - | 6,122 |
| Depreciation at 31 March 2014 | - | 33,032 | - | - | - | 33,032 |
| Net book value at 31 March 2014 | 11,865 | 61,638 | - | - | - | 73,503 |
| Asset financing | | | | | | |
| Owned | 5,575 | 15,830 | - | - | - | 21,405 |
| Finance leased | - | - | - | - | - | - |
| On-balance sheet PFI contracts | 6,290 | 45,808 | - | - | - | 52,098 |
| Net book value at 31 March 2014 | 11,865 | 61,638 | - | - | - | 73,503 |

Land and buildings at the four secure training centre (STC) sites were professionally revalued by independent surveyors, CB Richard Ellis, at 31 March 2014. Land and buildings for three STC sites are held under PFI contracts (see Note 13), at the end of which the ownership of the relevant freeholds will revert to the YJB. During 2013/14, the PFI contract for Medway STC concluded and this property has reverted to the YJB. Refer to accounting policy Note 1.5.

| | Land £'000 | Buildings £'000 | Information technology £'000 | Office equipment £'000 | Leasehold improvements £'000 | Total £'000 |
|--|---------------|--------------------|------------------------------------|------------------------------|------------------------------------|----------------|
| Cost/valuation at 01 April 2012 | 9,081 | 79,636 | 611 | 2 | 3,195 | 92,525 |
| Transfers | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - |
| Disposals/write-offs | - | - | (611) | (2) | (3,195) | (3,808) |
| Revaluation/indexation | 84 | 731 | - | - | - | 815 |
| Cost/valuation at 31 March 2013 | 9,165 | 80,367 | - | - | - | 89,532 |
| Depreciation at 01 April 2012 | - | 22,054 | 561 | 2 | 3,194 | 25,811 |
| Charge for the year | - | 2,141 | 25 | - | - | 2,166 |
| Disposals/write-offs | - | - | (586) | (2) | (3,194) | (3,782) |
| Revaluation/indexation | - | 202 | - | - | - | 202 |
| Depreciation at 31 March 2013 | - | 24,397 | - | - | - | 24,397 |
| Net book value at 31 March 2013 | 9,165 | 55,970 | - | - | - | 65,135 |
| Asset financing | | | | | | |
| Owned | - | - | - | - | - | - |
| Finance leased | - | - | - | - | - | - |
| On-balance sheet PFI contracts | 9,165 | 55,970 | - | - | - | 65,135 |
| Net book value at 31 March 2013 | 9,165 | 55,970 | - | - | - | 65,135 |

6. Intangible assets

| | Assets under constuction £'000 | Internally generated software £'000 | Total £'000 |
|--|--------------------------------------|---|----------------|
| Cost/valuation at 01 April 2013 | 1,351 | 1,984 | 3,335 |
| Additions | 924 | - | 924 |
| Disposals | - | - | - |
| Cost/valuation at 31 March 2014 | 2,275 | 1,984 | 4,259 |
| Amortisation at 01 April 2013 | - | 1,439 | 1,439 |
| Charge for the year | - | 397 | 397 |
| Disposals | - | - | - |
| Amortisation at 31 March 2014 | - | 1,836 | 1,836 |
| Net book value at 31 March 2014 | 2,275 | 148 | 2,423 |
| Asset financing | | | |
| Owned | 2,275 | 148 | 2,423 |
| Net book value at 31 March 2014 | 2,275 | 148 | 2,423 |

| | Assets under constuction £'000 | Internally generated software £'000 | Total £'000 |
|--|--------------------------------------|---|----------------|
| Cost/valuation at 01 April 2012 | - | 1,984 | 1,984 |
| Transfers | - | - | - |
| Additions | 1,351 | - | 1,351 |
| Disposals | - | - | - |
| Cost/valuation at 31 March 2013 | 1,351 | 1,984 | 3,335 |
| Amortisation at 01 April 2012 | - | 1,042 | 1,042 |
| Charge for the year | - | 397 | 397 |
| Disposals | - | - | - |
| Amortisation at 31 March 2013 | - | 1,439 | 1,439 |
| Net book value at 31 March 2013 | 1,351 | 545 | 1,896 |
| Asset financing | | | |
| Owned | 1,351 | 545 | 1,896 |
| Net book value at 31 March 2013 | 1,351 | 545 | 1,896 |

7. Financial instruments

As the cash requirements of the YJB are met through grant-in-aid provided by the MoJ, financial instruments play a more limited role in creating and managing risk than would apply to other business entities.

In addition, the YJB does not hold any financial instruments that are complex or play a significant medium to long-term role in its financial risk profile.

Credit risk

The YJB's resource requirements are financed by submitting plans to the MoJ annually, as is its capital expenditure. The YJB's loans and receivables are comprised of trade and other debtors, the majority of which are with local authorities. The YJB is, therefore, not exposed to significant credit risks.

Liquidity risk

The YJB's financial liabilities are trade payables, other payables, accruals and finance leases, including those arising from service concession arrangements. It is unlikely that the YJB will encounter difficulty in meeting its obligations associated with these liabilities, as it is financed by the MoJ, whose resources and capital are voted annually by Parliament. The YJB is, therefore, not exposed to significant liquidity risks.

Market risk

The YJB has no long-term interest-bearing deposits and any interest earned on short-term deposits must be repaid to the MoJ. There is an imputed interest cost for the PFI creditor calculated at 8% for all STCs, except for Oakhill, where the rate is 5.5%. As this is a fixed rate for the term of the contract, the YJB does not face market risk.

Foreign currency risk

The YJB has no powers to borrow or purchase foreign currency with grant-in-aid. The YJB undertakes only a very small number of foreign currency transactions and is not therefore exposed to currency risk.

8. Trade receivables and other current assets

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Other receivables | 4,928 | 2,369 |
| Prepayments and accrued income | 2,800 | 362 |
| Grant prepayments | 145 | 129 |
| Total | 7,873 | 2,860 |
| Intra-government balances | | |
| Balances with central government bodies | 5 | 32 |
| Intra-departmental balances | 498 | 1,584 |
| Balances with NHS bodies | 150 | - |
| Balances with local authorities | 6,700 | 1,157 |
| Total intra-government balances | 7,353 | 2,773 |
| Balances with bodies external to government | 520 | 87 |
| Total | 7,873 | 2,860 |

9. Cash and cash equivalents

| | 2014 | 2013 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Balance at 1 April | 17,311 | 19,531 |
| Net change in cash and cash equivalent balances | 3,751 | (2,220) |
| Balance at 31 March | 21,062 | 17,311 |

The following balances at 31 March were held at:

| | | |
|---|---------------|---------------|
| Government banking service and cash-in-hand | 21,072 | 17,065 |
| Commercial banks and cash-in-hand | (10) | 246 |
| Balance at 31 March | 21,062 | 17,311 |

10. Trade payables and other liabilities

| | 2014 | 2013 |
|---|---------------|--------------|
| | £'000 | £'000 |
| Amounts falling due within one year | | |
| Trade payables | 5,396 | 1,079 |
| Payable to the Ministry of Justice | 896 | 3,481 |
| Payable to the National Offender Management Service | 4,992 | 546 |
| Accruals and deferred income | 2,035 | 4,822 |
| Total | 13,319 | 9,928 |

Intra-government balances

| | | |
|---|---------------|--------------|
| Balances with central government bodies | 6,157 | 4,923 |
| Balances with NHS bodies | 2 | 80 |
| Balances with local authorities | 3,147 | 3,396 |
| Total intra-government balances | 9,306 | 8,399 |
| Balances with bodies external to government | 4,013 | 1,529 |
| Total | 13,319 | 9,928 |

11. Funding

| | 2014 | 2013 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Grant-in-aid | | |
| Grant-in-aid from the Ministry of Justice | 228,453 | 314,464 |
| Grants from the Home Office | 40 | 7,925 |
| Grants from the Welsh Government | 219 | 21 |
| Total | 228,712 | 322,410 |

12. Commitments

12.1 Operating lease commitments

The YJB is committed to making the following minimum lease payments under operating leases during the 2014/15 financial year.

Obligations under operating leases

| | Under-18 young offender institutions ¹ £'000 | Buildings £'000 | Secure children's homes ² £'000 | Secure escorts £'000 | 2014 Total £'000 | 2013 Total re-presented ³ £'000 |
|---|---|--------------------|---|----------------------------|------------------------|---|
| Not later than one year | 61,834 | 5 | 27,813 | 6,800 | 96,452 | 134,819 |
| Later than one year and not later than five years | - | - | 27,790 | - | 27,790 | 18,214 |
| Later than five years | - | - | - | - | - | - |
| Total | 61,834 | 5 | 55,603 | 6,800 | 124,242 | 153,033 |

1 This relates to the annual service level agreement between the YJB and the National Offender Management Service (NOMS) for the provision of beds in the secure estate for children and young people. The service level agreement is negotiated annually between the YJB and NOMS.

2 Contracts between the YJB and nine secure children's home providers expire on 31 March 2016.

3 The extension of the Medway lease, £22,452m, was misclassified under operating leases but is now disclosed correctly in other financial commitments. See Note 12.2.

12.2 Other financial commitments

The YJB has entered into a non-cancellable contract, which is not a lease or PFI contract, for the management and operation of Medway Secure Training Centre. The total payments for which the YJB is committed are as follows.

| | 2014 £'000 | 2013* £'000 |
|---|---------------|----------------|
| Not later than one year | 11,932 | 10,738 |
| Later than one year and not later than five years | - | 11,714 |
| Later than five years | - | - |
| Total | 11,932 | 22,452 |

* The PFI contract for Medway STC ended in April 2013 and an extension of 23 months was agreed as other financial commitments until March 2015.

12.3 Other commitments

There were no capital commitments at the reporting date. Commitments under finance leases related entirely to existing PFI contracts which are disclosed in Note 13.

Other commitments consist of grant payments to external organisations amounting to £92.1m, which are due in 2014/15. These payments are contingent on the organisations meeting certain conditions throughout the year.

13. Commitments under PFI contracts

On-balance sheet

The YJB holds a reversionary interest in the STC buildings at the end of the contract term. Under IFRIC 12 Service Concession Arrangements, STC buildings have been capitalised as non-current assets and depreciated accordingly in the financial statements. The original fair capital value has been established by external independent surveyors, and a corresponding notional debt to the contractor established based on a mortgage over the contract term. This debt, and the imputed interest on it, is repaid from part of the total amount paid to the contractors each year. The balance of the amount paid is treated as a service element, i.e. the cost of operating the centre each year, and this and the imputed interest are taken separately to the net expenditure account.

Obligations under on-balance sheet PFI contracts recognised in SoFP

| | Oakhill £'000 | Rainsbrook* £'000 | Hassockfield* £'000 | Total 2013/14 £'000 |
|---|------------------|----------------------|------------------------|------------------------|
| Imputed minimum lease payment due | | | | |
| Not later than one year | 1,711 | 136 | 460 | 2,307 |
| Later than one year and not later than five years | 6,846 | - | - | 6,846 |
| Later than five years | 17,828 | - | - | 17,828 |
| Total | 26,385 | 136 | 460 | 26,981 |
| Less interest element | (8,894) | (10) | (34) | (8,938) |
| PFI liability recognised in SoFP | 17,491 | 126 | 426 | 18,043 |

| | |
|---------------------------|---------------|
| Of which: | £'000 |
| Current PFI liability | 1,301 |
| Non-current PFI liability | 16,742 |
| Total | 18,043 |

* During the 2012/13 year, the administrative functions for Rainsbrook and Hassockfield were transferred from the YJB to the MoJ. Invoices are received and settled directly by the MoJ with the PFI contractors. The YJB continued to bear the 'risks and rewards' of the contract and therefore continued to recognise the PFI asset and liability.

The total amount charged to the SoCNE in respect of on-balance sheet PFI transactions was £42.623m (2012/13: £56.038m). Of this total, the service element was £41.450m (2012/13: £54.653m) and the interest charges £1.173m (2012/13: £1.385m). The comparatives have been re-presented as remand income is no longer netted off STC expenditure. See Note 1.4d.

Payments in respect of PFI contracts to which the YJB is committed are as follows.

Total minimum lease payments including service and imputed interest element for on-balance sheet PFI contracts

| | 2013/14 £'000 | 2012/13 £'000 |
|--|------------------|------------------|
| Service charge due within one year | 26,600 | 44,529 |
| Service charge due later than one year and not later than five years | 81,835 | 85,861 |
| Service charge due later than five years | 207,999 | 221,085 |
| Total | 316,434 | 351,475 |

Remaining terms for on-balance sheet PFI contracts

| | Length of term | Contract end date |
|--------------|----------------|-------------------|
| Rainsbrook | 15 years | May 2014* |
| Hassockfield | 15 years | Sep 2014 |
| Oakhill | 25 years | May 2029 |

* An extension of 18 months has been agreed (as other financial commitments). See Note 16.

Off-balance sheet

The YJB is not party to any off-balance sheet PFI contracts.

14. Contingent liabilities disclosed under IAS 37

The YJB has been named as a defendant in protective claims for damages from nine individuals who believe they were subject to unlawful restraint in STCs prior to 2008, when the High Court ruled definitively that restraints that had taken place in STCs for the purpose of 'maintaining good order and discipline' before that date had been unlawful. The amount of the present obligation cannot be measured reliably and therefore no provision has been made in the annual accounts.

15. Related party transactions

The YJB is an executive non-departmental public body that, during the 2013/14 financial year, was solely sponsored by the MoJ. The MoJ provides services and facilities to and makes some payments on behalf of the YJB. These are recharged notionally by the MoJ and are included in Note 3.1.

In addition, the YJB has had a number of transactions with NOMS (an executive agency of the MoJ) as well as with local authorities, whose balances combined are material.

No Board member, EMG member or other related party has undertaken any material transactions with the YJB during the year.

Board members are required under the Code of Conduct for YJB Board Members to declare any personal, financial and business interests which may conflict with their duties on the Board. Members may not participate in Board discussions or decisions on financial matters where a conflict of interest arises.

A register of Board members' interests is maintained and is available at www.justice.gov.uk/downloads/about/yjb/register-members-interests.pdf.

16. Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue (3 July 2014) by the Accounting Officer. This is interpreted as the date of the certificate and report of the Comptroller and Auditor General. As disclosed in Note 13, the PFI contract for Rainsbrook STC ended in May 2014. An extension of 18 months has been agreed (as other financial commitments) and the contract was signed on 3 April 2014. The future commitment is estimated to be £19.25m. There are no other relevant issues that require disclosure.

17. Losses and special payments

During 2012/13, there was one case of extra-contractual special payments identified, totalling £34,165. This case related to the remuneration of a senior manager, which resulted in certain payments (disclosed as 'benefits in kind' in the remuneration report) being made in addition to those stipulated within the senior manager's contract. These payments were not properly authorised and while retrospective approval from our sponsor department, the Ministry of Justice (MoJ), was requested, this request was subsequently rejected. As the approval was rejected by the MoJ, no further approval was sought from HM Treasury. During 2013/14 the YJB has taken the necessary action to stop these payments.

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