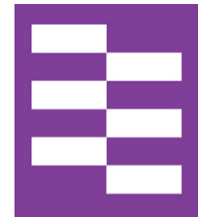


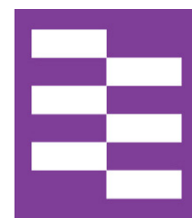
**Northumbria
Probation Trust**



Northumbria Probation Trust

**Annual Report and Accounts
2013–2014**

**Northumbria
Probation Trust**



Northumbria Probation Trust
Annual Report and Accounts
2013–2014

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

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Vision & Values

Our Vision

Communities in which people live free from crime and the fear of crime.

We will deliver our vision by being a forward looking and robust organisation that works with others to reduce reoffending, protect the public and enhance public confidence. This means we will:

- Deliver a sustained and continuous reduction in reoffending
- Assess, monitor, manage and reduce the risks posed to the community by offenders
- Work in partnership to improve outcomes for local communities and enhance public confidence in both probation services and the criminal justice system as a whole
- Ensure that we are a healthy and successful organisation able to deliver value for money in everything we do.

Our priorities to help us deliver on these strategic objectives are to:

- Develop and deliver effective and innovative services to offenders and victims
- Influence and respond to the external environment
- Transform our culture
- Influence and respond to the new commissioning environment
- Enhance partnerships and external relations.

We value:

- excellence in all we do
- learning and continuous improvement as essential to success
- honesty, fairness, transparency and openness.

We believe:

- in treating everyone with respect and dignity
- that working in partnership is more effective than working on our own
- in the capacity of people to change given the opportunity and support.

Foreword

This is the fourth annual report following the move to trust status from Northumbria Probation Board in April 2010. It covers the final full year of operational activity by the Trust prior to the organisational changes, under the Government's Transforming Rehabilitation (TR) programme, which come into effect in 2014/15.

Northumbria Probation Trust delivers services in a challenging, demanding and complex environment. Across the organisation our staff work with difficult, vulnerable and sometimes dangerous people. We also work with the victims of crime. Additional uncertainty and workloads arising from the TR programme, throughout the year, have significantly added to these challenges.

Despite this, 2013/14 has been another successful year, and Northumbria Probation Trust has continued to offer high quality and robust services. The organisational culture that the Trust has developed, with high levels of employee engagement, has played an important part in this success. At the same time we have achieved budget savings in excess of £1.4m.

There were a number of other significant achievements during the year. The result of our most recent inspection by HMIP, published in November 2013 was extremely encouraging. In this themed inspection, focussed on violent offences, the Trust was rated extremely highly in three of the five sections with above average performance in the remaining two. We ranked as one of the top 10 employers of choice amongst 303 public sector organisations surveyed by Capita and also 72 in the Stonewall top 100 employers workplace equality index.

We believe that our work during the year has put our successor organisations, The Northumbria Community Rehabilitation Company and the National Probation Service in the best possible position to continue our commitment to protecting the public and reducing reoffending for the population we serve.

Nick Hall
Chief Executive and Accountable Officer for the Trust
19th June 2014

1. Operational & Performance Review 2013–14

Northumbria Probation Trust is committed to the principles that underpin the EFQM Excellence Model. This is a practical, non prescriptive framework that enables organisations to assess where they are on the path to excellence. During 2012/13 Northumbria Probation Trust achieved EFQM 4* Recognised for Excellence status. Our achievements are presented therefore in a format that reflects that approach.

A. Enablers

This section covers what we do and how we do it. The activities all underpin the five strategic priorities in the Trust's Strategic Plan 2013/14–2015/16. Green indicates activities are on track to be completed within the agreed timescale which extends beyond 2013/14. Amber indicates that there are some concerns, with remedial action required to bring activities back on track. Grey means activities have been completed in year. White indicates activities are on hold. In summary, there is just one enabler with some concerns; all other enablers have been achieved or on track to be achieved.

Strategic Priority 1: Develop and deliver effective and innovative services to offenders and victims

Priority Action	Description	Owned By	Link with Strategic Objective /Organisational Development Themes	Number of Actions	End of Year Performance 2013/14
SA1	Within the offender engagement programme, roll out Skills for Effective Engagement, Development and Supervision part 2 (SEEDS 2).	Deputy Chief Executive	SO1 / ODT6	4	Complete
SA2	Building on progress in 2012–13; continue to develop our victims and new restorative justice work including the introduction of a new victims database.		SO1 / ODT6	4	Complete
SA3	Implement a new structure for managing Serious Further Offence (SFO) review and other processes with due regard for succession planning and cost effectiveness.		SO2 / ODT1, ODT3	3	Complete
SA4	Jointly with West Yorkshire Probation Trust (WYPT), define and implement a new model for quality assurance in offender assessment, risk assessment and offender management using the principle of peer support and scrutiny. This will help to meet the new NOMS quality assurance model that will form part of trust contracts.		SO2 / ODT2	5	Complete
SA5	Embed a new approach to our work with younger offenders through our partnerships with youth offending services (YOS). Our secondees will henceforth work primarily with 16 and 17 year olds in the YOS and have much closer links with our local delivery units.		SO3 / ODT1	2	Complete
SA6	Implement a new model for community hubs to deliver services to women offenders. This will build on a recommissioning by the trust of former NOMS contracts at the end of 2012–13 following the devolution of funding.		SO1 / ODT5	1	Complete

Strategic Priority 2: Influence and respond to the external environment

Priority Action	Description	Owned By	Link with Strategic Objective/Organisational Development Themes	Number of Actions	End of Year Performance 2013/14
SA7	Ensure all staff have the knowledge, skills and confidence to positively influence levels of demand, manage workload and achieve required outcomes.	Chief Executive/ Deputy Chief Executive	SO4 / ODT1, ODT2, OD4, ODT5	3	Complete
SA8	Ensure successful implementation of trust-wide IT projects.		SO4 / ODT1, ODT2, ODT5	1	Complete
SA9	Implement the outcomes of Transforming Rehabilitation.		SO4 / ODT3	1	Complete
SA10	Implement the outcomes of community sentencing reform.		SO4 / ODT1, ODT2, ODT3, ODT6	1	Complete
SA11	Ongoing engagement with the new police & crime commissioner.		SO4 / ODT1, ODT3, ODT6	3	Complete

Strategic Priority 3: Transform our Culture

Priority Action	Description	Owned By	Link with Strategic Objective/Organisational Development Themes	Number of Actions	End of Year Performance 2013/14
SA12	Ensure maximum flexibility in the deployment of the workforce.	Chief Executive / Director of People Management and OD	SO4 / ODT1, ODT3, ODT4, ODT5	7	Complete
SA13	Develop and implement competency based recruitment and performance review systems.		SO4 / ODT2, ODT4, ODT5	5	Complete
SA14	Implement succession planning strategy for all managerial posts.		SO4 / ODT1, ODT4, ODT5	2	Complete
SA15	Embed the Transforming Northumbria action plan, focussing on employee engagement at a time of immense change.		SO4 / ODT5	4	Complete
SA16	Implement the sickness absence management action plan and health & wellbeing initiatives aimed at increasing attendance.		SO4 / ODT1, ODT2, ODT5	5	Complete
SA17	Ensure staff have the right competencies.		SO4 / ODT2, ODT4, ODT5	3	Complete

Strategic Priority 4: Influence and respond to the new commissioning environment

Priority Action	Description	Owned By	Link with Strategic Objective/Organisational Development Themes	Number of Actions	End of Year Performance 2013/14
SA18	Review the trust commissioning strategy in response to national developments.	Director of Performance, ICT and Service Development	SO4 / ODT2, ODT6	1	On hold due to TR agenda
SA19	Identifying and develop business development opportunities and relationships with other providers.		SO4 / ODT1, ODT4, ODT6	2	On hold due to TR agenda
SA21	Become a sub contractor to the successful tenderer for Her Majesty's Prison (HMP) Northumberland contract.		SO3 / ODT1, ODT3	5	Complete

Priority Action	Description	Owned By	Link with Strategic Objective/Organisational Development Themes	Number of Actions	End of Year Performance 2013/14
SA22	Implement the outcomes of a recent review of the delivery of accredited programmes.		SO4 / ODT1, ODT2, ODT3	5	Complete

Strategic Priority 5: Enhance partnerships and external relations

Priority Action	Description	Owned By	Link with Strategic Objective/Organisational Development Themes	Number of Actions	End of Year Performance 2013/14
SA23	Progress our community engagement strategy and communications policies in order to enhance public confidence, media relations and stakeholder engagement.	Chief Executive / Deputy Chief Executive	SO3 / ODT5, ODT6	2	Complete
SA24	Development more sophisticated approaches to evidence based research to demonstrate the value of our work and maximise external funding opportunities. This includes use of daily arrest data now available from Northumbria Police, the use of social return on investment tool developed by the Local Criminal Justice Board (LCJB) and closer links with academic institutions.		SO3 / ODT1, ODT2, ODT6	3	On track
SA25	Establish new arrangements for mental health and learning disability services and take forward partnership work emerging from the regional Big Diversion Project. A key priority for 2013–14 will be the implementation of new personality disorder services with our NHS partner.		SO3 / ODT1, ODT5, ODT6	5	Complete
SA26	Define new strategic approaches to sex offender work including the likely requirement of polygraph testing in high risk cases.		SO3 / ODT1, ODT6	3	On hold. NOMS have moved from an external competition to recruiting their own staff to deliver polygraph testing. This will become the responsibility of NPS.
SA27	Continue to look at cost sharing opportunities with local authorities and other partners. Local delivery unit directors are already involved in local joint commissioning arrangements. Close alignment with troubled families and health & wellbeing agendas will be particularly crucial.		SO4 / ODT1, ODT6	1	Some concerns. Work ongoing but public sector funding cuts have had an impact on the progress we hoped to make. An example is the significant funding reduction for IOM

B. Results

This section describes what we have achieved in 2013/14. All the Customer and Key Performance Results cover targets included in our contract with NOMS. People Results reflect a measure that used to be in the NOMS Performance Framework but we have retained as we believe it is an important indicator linked to use of resources. Society Results covers our key outcome measure. In summary, all but one of the NOMS Contract targets for 2013/14 were achieved, the exception being Community Payback Completions. In relation to our key outcome measure the actual rate of reoffending by offenders under our supervision or on licence during 2013/14 was better (13.85%) than the predicted rate (14.63%).

Customer Results

Ref:	Description of Target	Target	Outcome
OM 17	The % of offenders in settled and suitable accommodation at the end of their order or licence.	85%	87%
OM 29	The % of offenders surveyed who have engaged positive with the offender management process.	70%	79%
OM 32	The % of victims responding to survey who are satisfied or very satisfied with the service received.	90%	100%
INT 8	The number of offenders under supervision who find and sustain employment.	475	497
INT9	The % of offenders in employment at termination of their order or licence.	40%	46%

People Results

Ref:	Description of Target/ Measure	Target	Outcome
IPPF 8	Reduce sickness absence to an average of 10 days per staff member per year.	10.0 days	11.7 days

Society Results

Ref:	Description of Target/ Measure	Target	Outcome
NI 18	Reduce reoffending.	14.63%	13.85%

Key Performance Results

Ref:	Description of target/measure	Target	Outcome
OM 4	The % of licence recall requests to reach NOMS Post Release Section within 24 hours of the decision by the Offender Manager.	90%	99%
OM 5	The % of cases in which initiation of breach proceedings took place within 10 working days of the relevant unacceptable failure to comply.	90%	96%
OM 11	The % of OASys terminations completed within the appropriate timescales for all Tier 2 and 3 offenders.	90%	94%
OM 12	The % of OASys terminations completed within the appropriate timescales for all Tier 4 offenders.	90%	94%
OM 13	The % of OASys terminations completed within the appropriate timescales for all Prolific and other Priority Offenders (PPO) offenders.	90%	90%
OM 20	The % of orders or licences successfully completed.	75%	76%
OM 26	The % of OASys assessments assessed as either 'satisfactory' or 'good' on the OASys Quality Assurance (QA).	90%	96%
OM 27	The % of Indeterminate Sentence Prisoners parole assessment reports completed and returned to prison within 8 weeks of Parole Review Process commencement date.	85%	95%
OM 40	The % of Pre-Sentence Reports (PSRs) completed within the timescales set by the court.	90%	100%
OM41	Multi Agency Public Protection Arrangements (MAPPA) Effectiveness.	86%	100%
INT 1	The number of Sex Offender Programme completions.	52	56
INT 2	The number of accredited Domestic Violence Programme completions.	95	95
INT 3	The number of accredited Offending Behaviour Programme completions (excluding sex offender and domestic violence).	201	201
INT 5	The number of Unpaid Work (Community Payback) completions.	1190	1170

C. Workload and Activity Statistics 2009/10 to 2013/14

This section shows trend data in relation to the type and volume of activity undertaken by the Trust, which has a duty to deliver the order of the court for all offenders subject to the different types of community orders and those released on licence following a prison sentence of 12 months or more.

Commencements by Order Type

Order Type	2009/10	2010/11	2011/12	2012/13	2013/14
Community Order	6,410	6,616	6,476	5,265	4,449
Community Punishment Order (CPO)/Enhanced Community Punishment	31	5	4	1	0
Community Punishment Rehabilitation Order (CPRO) – Punish	44	1	0	0	0
CPRO – Rehab	40	1	0	0	0
Community Rehabilitation Order (CRO)	20	5	0	0	0
Drug Treatment Testing Order (DTTO)	0	0	0	0	0
Other Supervision	8	4	0	0	0
Other	5	0	1	1	7
Pre Release – Custodial	692	684	772	711	647
Post Release – Custodial	441	346	284	192	293
Total	7,691	7,662	7,537	6,170	5,396

Caseload by Order Type as at 31st March

Order Type	2009/10	2010/11	2011/12	2012/13	2013/14
Community Order	5,853	4,990	4,866	4,095	4,112
Community Rehabilitation Order	21	9	2	1	0
CPRO	33	4	0	0	1
Other Supervision	10	3	1	1	1
Community Payback/Unpaid Work	14	6	3	1	0
Pre Release – Custodial	1,726	1,684	1,867	1,646	1,721
Post Release – Custodial	924	900	781	958	1,076
Total	8,581	7,596	7,521	6,702	6,911

Requirement Analysis – number of requirements given at court

Requirements given to offenders in the community (includes offenders on licence)

Requirement Type	2010/11	2011/12	2012/13	2013/14
Supervision	5,100	4,822	4,112	3,945
Unpaid Work	3,038	3,048	2,336	2,061
Curfew	1,483	1,439	1,167	1,078
Accredited Programme	1,058	885	635	829
Drug Rehabilitation	571	549	469	419
Specified Activity	376	421	421	497
Residence	420	388	373	347

Requirement Type	2010/11	2011/12	2012/13	2013/14
Alcohol Treatment	130	168	149	141
Attendance Centre	43	47	13	25
Prohibited Activity	330	429	418	445
Mental Health Treatment	31	11	20	14
Exclusion	180	185	227	260
Total	12,706	12,340	10,340	10,062

Reports by Court Type

There are three types of pre-sentence reports used by sentencers to help inform sentencing decisions in the Magistrates and Crown Court. Standard delivery reports (CJS) are for more serious and complex cases which have to be completed within 15 days of request; short format reports (CJF) are for less serious cases which have to be completed within 5 days of request and on the day reports (CJO) are used when sufficient information is available to allow sentencing to take place immediately following conviction. Over recent years all agencies in the criminal justice system have been aspiring to achieve efficiencies and savings in the process from point of arrest to point of sentence. The Trust's main contribution to this is the reduction over time of the number of standard delivery reports in favour of a proportionately greater use of short format and on the day reports.

		Court Types		
		Crown	Magistrates	Total
2009/10	CJS	2,121	1,615	3,736
	CJF	129	2,582	2,711
	CJO	154	2,673	2,827
2010/11	CJS	2,137	1,429	3,566
	CJF	219	2,250	2,469
	CJO	103	2,647	2,750
2011/12	CJS	2,017	888	2,905
	CJF	463	1,939	2,402
	CJO	90	2,750	2,840
2012/13	CJS	1,323	840	2,163
	CJF	675	1,324	1,999
	CJO	104	1,682	1,786
2013/14	CJS	806	994	1,800
	CJF	560	1,136	1,696
	CJO	55	1,888	1,943

UPW Hours Ordered/Worked

Unpaid Work (UPW) is an order of the court that requires offenders to complete work in the community, under the direction of the probation trust, for the benefit of local communities as a form of reparation for the offences they have committed.

	Orders Made	Hours Ordered	Total Hours Worked
2009/10	2,413	274,642	194,727
2010/11	2,449	284,900	180,772
2011/12	2,412	281,451	192,968
2012/13	1,873	220,811	170,007
2013/14	1,872	190,321	142,178

Victims: Total number contacted within 8 weeks

The Trust is required to contact victims of sexual and physical violence where the offender receives a sentence of more than 12 months imprisonment.

	Potential	Actual	%
2009/10	462	462	100%
2010/11	416	405	97%
2011/12	449	443	99%
2012/13	382	378	99%
2013/14*	307	302	98%

* Provisional up to end January.

Nick Hall

Chief Executive and Accountable Officer for the Trust

19th June 2014

2. Management Commentary

Statutory background

The Probation Trusts were established under the Offender Management Act 2007 (OM Act). Each Trust is a corporate body under the OM Act and a Non-Departmental Public Body (NDPB) which reports to the National Offender Management Service (NOMS). This Trust came into existence on 1 April 2010 (following transition from Northumbria Probation Board which was established in 2001).

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FRm) issued by HM Treasury (HMT) and in accordance with the accounts direction, on page 60, issued by the Secretary of State under the OM Act.

Principal activities

Northumbria Probation Trust covers the Northumbria Police area as defined in Schedule 1 of the Police Act 1996, serving a population of almost 1.5 million people. During the year, the Trust employed some 536 full time equivalent staff that worked from 21 buildings and 2 hostels across the area.

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

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

- The protection of the public;
- The reduction of reoffending;
- The proper punishment of offenders;
- Ensuring offenders' awareness of the effects of crime on the victims of crime and the public; and
- The rehabilitation of offenders.

The Chief Executive (CE) is a statutory office holder appointed by the appointed members. The CE is the Accountable Officer for the Trust and is accountable to the NOMS Accounting Officer.

The PAO, in turn, is accountable to the Accounting Officer of the Ministry of Justice, who is directly accountable to Parliament for safeguarding public funds.

Operational Performance during 2013–14

An analysis of performance outcomes is summarised in the Annual Report on pages 4 to 11.

Results for the year

The Statement of Comprehensive Net Expenditure (SoCNE) for the year is shown on page 27. The Statement of Changes in Taxpayers' Equity is shown on page 30.

Operating costs

The net operating cost before tax for 2013–14 stands at £1.153m compared to £0.440m (restated) for 2012–13. The increase is due to a reduction in contract income and higher current service pension costs.

Statement of Financial Position and Statement of Cash Flows

The Statement of Financial Position and Statement of Cash Flows are on pages 28 and 29.

The net liabilities position has decreased from £45.596m at 31 March 2013 to £32.305m at 31 March 2014. The largest single movement in net liabilities is £13.470m due to the reduction in the pension liability.

Payment of creditors

In the year to 31 March 2014, the Trust paid 4,392 trade invoices with a value of £21,976,588. The percentage of undisputed invoices paid within 30 days by the Trust was 95.30% compared to 95.24% in 2012–13. Target was 95%.

Treatment of Pension Liabilities

Past and present employees of the Trust are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme, and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

On 1 June 2014 the Trust's existing pension liabilities and corresponding assets transferred to the Greater Manchester Pension Fund (GMPF).

The Trust is no longer required to pay employer contributions to the fund.

The responsibility for funding the past service liabilities and all future contributions associated with those original employees who are active members of the LGPS transferred with the employee to the new employer the Community Rehabilitation Company (CRC) or the National Probation Service (NPS). The MoJ ensures that the past service liabilities are 100% funded on an ongoing basis from the date the employees transferred to the CRC.

The Secretary of State for Justice has provided a guarantee to the GMPF in respect of the CRCs' participation in the GMPF for pension liabilities that transfer to the CRCs.

The responsibility for funding the past service liabilities associated with the original employees who are deferred or pensioner members of the LGPS transferred to the NPS under the Secretary of State for Justice.

Further information can be found in **Note 4** to the Accounts.

Sickness absence data

The average levels of absence due to staff sickness were 11.7 days across the Trust (2012–13 10.3 days).

Personal data related incidents

There were no significant personal data related incidents in 2013–14, which were formally reported to the Information Commissioner's Office (ICO).

All staff undertake a compulsory Information Assurance training course when joining the Trust and an annual refresher course.

Events after the reporting period

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

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

Northumbria Probation Trust ceased trading on 1 June 2014. The operations of the Trust have been divided between the National Probation Service and a Community Rehabilitation Company, both public sector bodies. The assets and liabilities of the Trust have been split on a practical basis that reflects the future use of assets, services provided and the allocation of employees. Refer to **Note 27** of the Accounts for further details.

The proportion of staff transferring to the CRC:NPS is approximately 63:37.

Sustainable development

The Trust falls within the scope of reporting under the Greening Government commitment. As such we have produced a separate sustainability report showing performance against sustainability targets for greenhouse gas emissions, waste minimisation and management and the use of finite resources and their related expenditure. The Sustainability Report is shown on pages 62 to 66.

Going Concern

In March 2012 the Secretary of State announced the start of consultation exercises on the future of probation services in England and Wales and on planned reforms to community sentences. The results of these consultations, that ended on 13 February 2013, were published in “Transforming Rehabilitation: A Strategy for Reform”, on 9 May 2013 by the Secretary of State for Justice. This outlined plans to contract out probation services more widely and increase the use of Payment by Results.

As part of the transformation all Probation Trusts ceased trading from 1 June 2014. A Statutory Instrument to dissolve the Probation Trust, under section 5(1) (c) of the Offender Management Act 2007, will be made by the Secretary of State for Justice subject to the negative resolution procedure.

On 1 June 2014, a National Probation Service (NPS) was created to protect the public from the most dangerous offenders and manage the provision of probation services across England and Wales. The NPS remains part of the public sector.

The remaining services are divided in to 21 contract areas, which align closely with local authorities and Police and Crime Commissioner Areas. They are served by 21 new Community Rehabilitation Companies (CRCs). They are fully owned by the Secretary of State for Justice on behalf of the Ministry of Justice.

On 1 June 2014 a Transfer Order effected the transfer of the existing assets, liabilities and staff of the Trust to the NPS and CRC public sector bodies in a practical way that reflects the services that each provides. Some assets and liabilities remained in the Trust, to be settled as soon as practically possible.

MoJ/NOMS has committed to fund and ensure all current services will continue under the new structure, including the CRC in private ownership, using the same assets and resources, for the foreseeable future.

A tender process is currently under way with a successful bidder(s) to take ownership of the CRCs starting from winter 2014–15. As part of the sale, the contracts will influence the operations of the CRCs ensuring continuity of services beyond this date. Services will continue to be commissioned by MoJ/NOMS under this arrangement.

As the functions previously provided by the Trust will continue to be provided by public sector entities and commissioned by the public sector when the CRC is in private ownership, the Accountable Officer with the support of senior management has concluded therefore that within the context of the Financial Reporting Manual (FRM), it is appropriate for the Trust to prepare the 2013–14 Annual Report and Accounts on a going concern basis.

Communications and employee involvement

Northumbria Probation Trust seeks to improve employee engagement through a sustainable culture of openness, inclusivity, partnership, involvement and accountability. We involve our employees and their representatives in the planning, development and delivery of our services thereby ensuring ownership at all levels and we consult with staff on key changes being proposed to the way we deliver our services. This is evidenced through:

- Recognition as one of the top 10 employers out of 303 public sector employers in the employer of choice survey carried out by Capita.
- Ongoing recognition of our investment in our employees through the achievement of Investors in People (IIP) champion status.

Staff diversity

Our single equality scheme (SES) sets out how we ensure that our delivery of services and employment practices is fair, accessible and appropriate for the diverse communities we serve and the people we employ. It outlines how we intend to embed equality and human rights in policy and practice. It builds upon our earlier success as well as accounting for our newly extended public sector equality duties introduced under the Equality Act 2010.

Our achievements during 2013/14 include:

- Achieved a ranking of 72 in Stonewall's top 100 employers workplace equality index for 2014.
- Diversity training for staff within the organisation through a bespoke in-house training package.

Audit

In accordance with the direction given by the Secretary of State, these accounts have been prepared in accordance with the FReM. The Comptroller and Auditor General is appointed by statute to audit the Trust and reports on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The Audit Certificate of the Comptroller and Auditor General is attached to the Accounts on page 25.

Total external audit fees reported in the Accounts are £26,487.

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

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

The Northumbria Probation Trust Management Board

The Chair and other members of the Board were all appointed by the Secretary of State in line with the Commissioner for Public Appointments' guidance on appointments to public bodies. The Chief Executive is appointed by the appointed members of the Board. Emoluments of these persons are paid through Ministry of Justice funds.

The appointment terms of the Chair and 'appointed members' of probation trusts are for the Secretary of State to determine. The Secretary of State may give written notice of termination of service to the Chair and 'appointed members' without a specified notice period. Such members may at any time resign office, giving written notice to the Secretary of State. In this regard there is no provision for compensation for early termination and the trust bears no liability on early termination other than to pay on behalf of the Secretary of State any payments due up to the date of termination.

Details of the remuneration of the Management Board are set out in the Remuneration Report on pages 17 and 18.

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

Position	Name	Date appointment commenced / ended (during 2013–14) where appropriate
Chief Executive	Nick Hall	
Chair	Lesley Bessant	
Board Member	Janet Guy	
Board Member	Norman Gilberg	
Board Member	Julia E A Hickey	
Board Member	Peter Hillman	
Board Member	Marion Talbot	

There are no conflicts of interest for the board members.

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

Nick Hall
Chief Executive and Accountable Officer for the Trust
19th June 2014

3. Remuneration Report

The salary of the Chief Executive and appointed members of Northumbria Probation Trust were as follows:

A) REMUNERATION – AUDITED

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

	Salary (£000)		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits (£000)		Total (£000)	
	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13
Officials										
Chief Executive	90–95	85–90	0–5	-	300	700	35–40	30–35	130–135	120–125
Chair	15–20	15–20	-	-	400	200	-	-	15–20	15–20
Board Members:										
Janet Guy	0–5	0–5	-	-	1,700	500	-	-	0–5	0–5
Norman Gilberg	0–5	0–5	-	-	-	100	-	-	0–5	0–5
Julia E A Hickey	0–5	0–5	-	-	200	400	-	-	0–5	0–5
Peter Hillman	0–5	0–5	-	-	300	300	-	-	0–5	0–5
Marion Talbot	0–5	0–5	-	-	-	-	-	-	0–5	0–5

All appointed Trust Board members receive non-pensionable remuneration of £15.40 per hour, with the exception of the Chief Executive and the Chair. The Trust at its discretion pays a travelling allowance and any other relevant expenses incurred.

The Chair receives remuneration at a level determined by the Secretary of State.

The remuneration of the Chief Executive is for the appointed members to determine in accordance with salary scales approved by the Secretary of State. The pension of the Chief Executive is determined through the Local Government Pension Scheme of which they are a member. The Chief Executive's performance pay is determined by the Chair of the Board against criteria set by the appointed members of the Board. There is no performance element for other board members.

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

	Total Full-time Equivalent Remuneration	
	2013–14	2012–13
Highest paid Director (pay band)	£95,000–£100,000	£85,000–£90,000
Median for other staff	£27,373	£27,102
Pay multiple ratio	3.5:1	3.2:1

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

Salary

'Salary' relates to the gross salary.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits received are in respect of costs for

accommodation, travel and the pecuniary liability in respect of tax paid under the employer PAYE settlement agreement with HM Revenue and Customs.

B) PENSION BENEFITS – AUDITED

The pension entitlements of the Chief Executive are as follows:

	Total accrued pension at pension age as at 31 March 2014 & related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£000s	£000s	£000s	£000s	£000s
Chief Executive	60–65 plus a lump sum of 70–75	0–2.5 plus lump sum of 2.5–5.0	443	390	36

This scheme provides benefits on a ‘final salary’ basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay of every year of total membership is payable on retirement. The scheme permits employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Members pay contributions of between 5.5% and 7.5% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

Cash Equivalent Transfer Value (CETV)

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

Real increase in CETV

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

Nick Hall

Chief Executive and Accountable Officer for the Trust

19th June 2014

4. Statement of Accountable Officer's Responsibilities

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

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain material departures in the financial statements; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

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

5. Governance Statement

Scope of responsibility

As Accountable Officer for Northumbria Probation Trust, I have responsibility for maintaining a system of internal control that supports the achievement of the Trust's policies, aims and objectives whilst safeguarding and properly accounting for the public funds and departmental assets of which I have charge, in accordance with the responsibilities assigned to me in the Probation Trusts' Governance Handbook, Managing Public Money and the Letter of Financial Authority.

In discharging my overall responsibility, I am responsible for putting in place proper arrangements for the governance of the Trust's affairs and facilitating the effective exercise of the Trust's functions, which includes arrangements for the management of risk.

Through the Director of Finance I shall ensure that appropriate financial instructions are in place, that members of the Board, employees and new appointees are notified of their responsibilities and that they are observed throughout the organisation.

In line with its contract with NOMS, the Trust has adopted the Governance Handbook for Probation Trusts, which complies with the Corporate Governance Code and also meets the requirements of the Accounts Directions given by the Secretary of State in accordance with paragraphs 13(1) and 14(2) of Schedule 1 to the Offender Management Act 2007, in relation to the publication of an Annual Governance Statement. A copy of the handbook can be obtained from the Trust Secretary.

The purpose of the governance framework

The governance framework comprises the systems and processes and culture and values by which the Trust is directed and controlled and the activities through which it accounts to and engages with the community. It enables the Trust to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing and embedded process designed to identify and prioritise the risks to the achievement of the Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Some risks cannot be eliminated but our approach provides a reasonable assurance of effectiveness.

The governance framework, described in this statement, was introduced during the year ended 31st March 2011 and is therefore now a firm part of the Trust's activity. It accords with Treasury guidance.

Context

On 9th May 2013, the Coalition Government confirmed its intention to replace Probations Trusts by 31st March 2014 as part of the Transforming Rehabilitation (TR) Programme. The Trust immediately took action and put plans in place to absorb the impact of the Trust's closure, transition and setting up the new organisation whilst ensuring the effective delivery of business as usual. On 17th January 2014 the Government deferred the 'go-live' date by 2 months to 31st May 2014.

Details of the basis of the 2013/14 embedded governance framework follow together with the enhancements introduced in 2013/14. Moving forwards, this is likely to be the last Governance Statement signed off by the Trust.

Impact of transformation on the control environment

The Transforming Rehabilitation programme has resulted in significant additional pressures and risks across the organisation, many of which are outside the Trust's control, which have meant that maintaining a robust control environment has been crucially important. These have included:

- a. Dramatically increased information and data flows to and from government in support of the programme;
- b. Changes in operational practices in preparation for the new arrangements;
- c. Structural and location changes for operational staff;
- c. Changes in priorities and workloads for Business Services staff;
- e. Preparation for hand over and winding up of the Trust's activities in 2014/15.

Key features of the existing control environment, notably arrangements for risk management, have played a major part in maintaining control during these changes, with regular review by the Trust Board and line management. Where additional resources have been required to support the process and maintain controls, these have been sanctioned.

The governance framework

The key policies and procedures that comprise Northumbria Probation Trust's governance framework are detailed in the Trust's Assurance Map, reviewed annually by the Audit Committee. They are:

- Trust Contract with NOMS
- Exit Management Plan
- Governance Handbook
- 'Managing Public Money'
- Standing Orders, Standing Financial Instructions and Scheme of Delegations
- Budget Book
- Treasury's Financial Reporting Manual (FReM)
- Value for Money Strategy
- Anti-Fraud & Corruption Policy and Confidential Reporting Policy
- Complaints Procedure
- HR Framework
- Members and Employees Code of Conduct
- Business Continuity Plan
- Health and Safety Policies.

Trust Board and Committee Structure

The Trust Board meets monthly and is supported by an Audit Committee, a Serious Further Offence Review Committee and a Health and Safety Committee all of which meet quarterly. There is also an Employment Issues Sub-Committee, which meets when required and a Local Joint Committee (LJC), which meets quarterly if required. Attendance at the Board and sub-committees for 2013/14 was as follows:

Member	Board	Audit Committee	SFO Review Committee	Health and Safety Committee	Local Joint Committee
<i>Meetings held</i>	8	5	4	4	2
Lesley Bessant	8		4		2
Norman Gilberg	7	4	3		
Janet Guy	8	5			
Julia Hickey	7	3			
Peter Hillman	7	3		4	2
Marion Talbot	7		3		
Nick Hall	8	4	2		2

Trust Board – responsible for establishing and taking forward the strategic aims & objectives of the Trust. Its work includes approval of the strategic plan, budget strategy, provisional budget paper, monthly and quarterly resource monitoring, annual accounts, quarterly performance reporting, business risk, MAPPA annual report and key policies alongside consideration of the Chief Executive's Update. The other key matter considered by the Board at each of its meetings during 2013/14 was Transforming Rehabilitation.

Audit Committee – maintains an overview of the Trust’s governance framework and the financial and service performance of key functions. The Audit Committee meets at least 4 times per annum with the minutes of these meetings being considered by the full Board. All internal and external audit reports are reviewed by the Committee and any recommendations followed up until resolved. Other standing items reviewed at each meeting are business risk management and the Director of Finance’s update which includes the exit management plan.

The Chair of the Audit Committee produces an annual report detailing the work of the Audit Committee. The Audit Committee reviews its terms of reference annually and ensures that good practice is being followed through the NAO Audit Committee Checklist.

Serious Further Offence Review Committee – provides an oversight of Serious Further Offence Reviews.

Health and Safety Committee – provides an oversight on Health and Safety issues.

Local Joint Committee – the forum for consultation and negotiation with the recognised Trade Unions.

Board effectiveness

The Board is satisfied that it has sound governance in place, and that the Trust is compliant with the Code, where material for an organisation of size and complexity of the Trust.

Oversight and assurance arrangements

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance framework including the system of internal control. My review of effectiveness is informed by the work of the internal auditors and the officers of Northumbria Probation Trust who have responsibility for the development and maintenance of the governance environment, and comments made by the external auditors and other review agencies and inspectorates.

The Good Governance Standard has been adopted by the Trust:

- *Engaging stakeholders and making accountability real.*
During 2013/14 the Trust has continued to engage with its users through the Service User Council and service user suggestion scheme, alongside embedded systems for engagement with statutory partners and sentencers.
- *Performing effectively in clearly defined functions and roles.*
A performance framework is embedded within the Trust led by the Director of Performance, IT and Service Development. The Trusts overall PTRS rating for 2013/14 is level 3 – Good Performance.
- *Promoting values for the whole organisation and demonstrating good governance through behaviour.*
The values and beliefs of the Trust are accepted and promoted through the Strategic Plan, Business Plans and face to face engagement with staff at all levels. Staff engagement events were held during 2013/14. Plaques celebrating these values and beliefs are displayed in each office. Appropriate and robust governance is promoted through the Standing Financial Instructions, Standing Orders, the Code of Conduct and appraisal systems.
- *Developing the capacity and capability of the governing body to be effective.*
The Trust strives for continuous improvement throughout the organisation. Specifically SMT have received training in resilience as the Trust goes through a time of change. Training and development is a key cornerstone of the quarterly Leadership Development Forums and in December 2013 this also included an afternoon session on resilience through major change.
- *Taking informed, transparent decisions and managing risk.*
The process for managing risk is detailed throughout the Governance Statement. Decision making through the Board and Senior Management Team relies on an informed business case process which multi disciplinary involvement. Projects are reviewed and re-engineered if appropriate.

- *Focussing on the organisation's purpose and on outcomes for citizens and service users.*
The Trust's vision and Strategic Priorities put reducing re-offending and protecting the public at the heart of what we do.

The Trust has a continuous process in place for maintaining and reviewing the effectiveness of the policies and procedures underpinning the governance framework, through the following mechanisms:

- Strategic planning
- Business planning
- Monthly and quarterly resource monitoring
- Quarterly performance reporting
- Management accountability reporting
- Delegated budgetary control framework
- Business risk register
- Workload priorities framework
- Specification, Benchmarking and Costing Programme (SBC) and PREview
- National Fraud Initiative
- Losses and special payments register
- Gifts and hospitality register
- OASys audits
- Her Majesty's Inspectorate of Probation (HMIP)
- Security management forum
- Staff survey
- Leadership Development Forum
- Financial Management Maturity Model
- Exit management planning

The Board exercises oversight of the performance of the Trust by:

- Using the quarterly performance report to review the Trust's performance towards PTRS and the contract together with progress against delivery of the Trust's Strategic Plan including strategic objectives, Equality Scheme and Audit Results
- Receiving up to date reports on the in year financial position and during 2013/14 regular updates on the risks, including those of fraud and asset loss, and the financial implications of TR
- Scrutiny of the annual financial accounts.

The Trust also draws assurance on its governance arrangements from independent sources, in particular:

- **Internal Audit** – undertook a risk-based programme of audits during 2013/14 to provide the Trust with assurance and an independent opinion on the adequacy and effectiveness of the system of internal financial control.

In 2013/14 7 audits were undertaken by internal audit; there were no priority 1 (critical) recommendations. The implementation of all other recommendations was monitored quarterly through the Audit Committee. The draft Annual Internal Audit Report for 2013/14 has been received and confirms the opinion of 'reasonable assurance'.

- **External Audit** – the Trust's accounts are subject to audit by the National Audit Office and previously Deloitte. For 2013/14 an unqualified audit opinion on the Trust's financial statements was issued.
- **Inspection** – Inspection of Adult Offending Work (IAOW) in Northumbria: The most recent inspection by HMIP was published in November 2013. The inspection was a thematic one and focussed on violent offences. The Trust received some of the highest results in the cohort in 3 of the 5 sections – assist sentencing, deliver the sentence of the court and reduce the likelihood of reoffending. For the remaining 2 sections the Trust's performance was above average – protect the public and deliver effective work for victims.

Risk management

Northumbria Probation Trust has adopted an organisation-wide approach to business risk management to ensure that it is integrated into routine business practice. The risk register is developed as part of the strategic planning process and reviewed by the Audit Committee and the Board.

The overall responsibility for business risk management rests with the Board and the Chief Executive as Accountable Officer. At Senior Manager level, the Director of Legal Services / Trust Secretary is designated as the officer who leads on Business Risk Management. A dedicated Business Risk Manager is employed and procedures are in place for ensuring that aspects of risk management and internal control are regularly reviewed and reported. Operational Managers have been trained on the process of managing risk and receive regular updates regarding the business risk register.

A risk management workshop is held each January and is normally attended by representatives from senior management, a Board member such as the Chair of the Audit Committee, Staff Side representatives and the Internal Audit and Assurance Manager. The workshop is used to identify the strategic risks associated within the Business Plan objectives, review control strategies for each significant risk and assign risk owners.

The strategic risk register assists the Board in managing risk across the Trust. The process is also used to identify risks associated with the Strategic Plan and to establish which areas of risk will require a form of business continuity planning. Each risk owner is expected to review their planned controls on a quarterly basis using a traffic light system. The operational risk register focuses on operational risks to be managed at Senior and Middle Manager level.

The Audit Committee is responsible for monitoring progress on behalf of the Board in ensuring that the risk owners implement the controls stated on the register with the intention of embedding risk management across the Trust. The Business Risk Management Policy and associated Appendix regarding the embedding of risk management are available to all staff through the Northumbria intranet (NORIS).

The key risks identified and monitored during 2013/14 were:

Risk Title	Original rating
Failure to maintain and improve services as a result of major organisational change	M/H 19
Failure to anticipate and manage the consequences of increasing external challenges to our organisation	M/H 19
IT systems fail to support business needs and adapt to future changes	H/H 22
Failure to achieve a low cost culture during significant change	H/H 22
Failure to ensure the flexibility in the deployment of our workforce whilst maintaining an appropriate balance of skills required for effective service delivery	M/M 14
Lack of control over estate management	H/M 15
Failure to maintain the cultural transformation agenda	M/H 19
Failure to further develop the diversity agenda	L/M 11
Failure to understand and manage the consequences of major change in partner organisations	L/M 11
Increased tensions in employee relations largely due to external drivers	H/H 22

To manage and control information risk, the Trust has in place a Security Management Forum which deals with all aspects of the risks surrounding information management. There were no incidents reported to the Information Commissioner's Office (ICO) during 2013/14.

Significant Issues

Given the controls detailed above and following a review of 2013/14, I have not identified any significant governance or internal control issues.

Nick Hall
Chief Executive and Accountable Officer for the Trust
19th June 2014

6. 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 Northumbria Probation Trust for the year ended 31 March 2014 under the Offender Management Act 2007. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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 Northumbria Probation Trust's affairs as at 31 March 2014 and of the net operating cost after taxation for the year then ended; and
- the financial statements have been properly prepared in accordance with the Offender Management Act 2007 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

Without qualifying my opinion, I draw attention to the disclosures in **Note 1.4** to the financial statements regarding going concern. The Trust closed on 31 May 2014 with its functions, assets and liabilities being transferred to new public sector entities. In accordance with the Government Financial Reporting Manual the financial statements have been prepared on a going concern basis.

Sir Amyas C E Morse
Comptroller and Auditor General

30th June 2014

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

7. Accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2014

		2013–14	2012–13
	Notes	£000	Restated £000
Expenditure			
Staff costs	3(a)	20,796	20,344
Other expenditure	6	5,743	6,804
Total Expenditure		26,539	27,148
Income	7	(27,326)	(28,598)
Net operating costs		(787)	(1,450)
Net interest cost on pension scheme	4(c)	1,940	1,890
Net operating costs before taxation		1,153	440
Taxation	5	0	0
Net operating costs after taxation		1,153	440

Other Comprehensive Expenditure

		2013–14	2012–13
	Notes	£000	Restated £000
Items that will not be reclassified to net operating costs:			
Net (gain)/loss on revaluation of property, plant and equipment	8	(3)	(6)
Net (gain)/loss on revaluation of intangibles	9	0	0
Net (gain)/loss on revaluation of available for sale financial assets		0	0
Remeasurement of post employment benefits	23	(14,440)	4,230
Total comprehensive expenditure for 31 March 2014		(13,290)	4,664

The notes on pages 31 to 59 form part of these accounts.

Statement of Financial Position

As at 31 March 2014

	Notes	2013–14 £000	2012–13 £000
Non-current assets			
Property, plant and equipment	8	68	105
Intangible assets	9	0	0
Deferred tax asset	19	0	0
Trade and other receivables	12(a)	0	0
Total non-current assets		68	105
Current assets			
Trade and other receivables	12(a)	4,318	5,722
Cash and cash equivalents	13	453	376
Total current assets		4,771	6,098
Total assets		4,839	6,203
Current liabilities			
Trade and other payables	14(a)	(1,440)	(2,064)
Provisions	15	0	(381)
Taxation payables	14(a)	(1,518)	(1,697)
Total current liabilities		(2,958)	(4,142)
Non-current assets plus/less net current assets/(liabilities)		1,881	2,061
Non-current liabilities			
Pension liability	4(c)	(34,187)	(47,657)
Total non-current liabilities		(34,187)	(47,657)
Assets less liabilities		(32,306)	(45,596)
Taxpayers' equity			
General fund	23	(32,340)	(45,627)
Revaluation reserve – property, plant and equipment	24(a)	33	30
Revaluation reserve – intangible assets	24(b)	1	1
		(32,306)	(45,596)

The financial statements on pages 27 to 30 were approved by the Board on 19th June 2014 and were signed on its behalf by

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Nick Hall
Chief Executive and Accountable Officer for the Trust
19th June 2014

The notes on pages 31 to 59 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2014

		2013–14	2012–13 Restated
	Notes	£000	£000
Cash flows from operating activities			
Net operating costs	23	(1,153)	(440)
Adjustments for non-cash transactions	6	50	421
Adjustments for pension cost	4(c)	970	400
(Increase)/decrease in receivables	12(a)	1,404	431
Increase/(decrease) in payables	14(a)	(803)	(256)
Utilisation of provisions	15	(391)	(372)
Net cash outflow from operating activities		77	184
Cash flows from investing activities			
Purchase of property, plant and equipment	8	0	(39)
Net cash outflow from investing activities		0	(39)
Cash flows from financing activities			
Net financing received in year	23	0	0
Net financing		0	0
Net increase/(decrease) in cash and cash equivalents in the period		77	145
Cash and cash equivalents at the beginning of the period	13	376	231
Cash and cash equivalents at the end of the period	13	453	376
Increase/(decrease) in cash		77	145

The notes on pages 31 to 59 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

	Notes	General Fund £000	Revaluation Reserve £000	Total £000
Balance as at 1 April 2012		(40,957)	25	(40,932)
Prior period adjustment	23/24	0	0	0
As restated at 1 April 2012		(40,957)	25	(40,932)
Changes in taxpayers' equity for 2012–13 (restated)				
Net operating cost after taxation	SocNE	(440)		(440)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)		6	6
Remeasurement of post employment benefits	23	(4,230)	0	(4,230)
Balance as at 31 March 2013		(45,627)	31	(45,596)
Changes in taxpayers' equity for 2013–14				
Net operating cost after taxation	SocNE	(1,153)		(1,153)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)		3	3
Remeasurement of post employment benefits	23	14,440	0	14,440
Balance as at 31 March 2014		(32,340)	34	(32,306)

The notes on pages 31 to 59 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the 2013–14 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow International Financial Reporting Standards (IFRS) as at the reporting date to the extent that it is meaningful and appropriate to the public sector.

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

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

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

1.2 Accounting convention

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

1.3 Changes in accounting policies and restatement of comparatives

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).

The impact on the Trust is that items presented in Other Comprehensive Expenditure will be grouped on the basis of whether they may subsequently be reclassified to net operating costs.

IAS 19 'Employee Benefits' was revised in June 2011 (effective for accounting periods beginning on or after 1 January 2013).

The changes have been made retrospectively in line with the transitional provisions of IAS 19 (revised 2011) and in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

Those that impact on the Trust are:

- interest cost and expected return on plan assets are replaced with 'net interest', which is calculated by applying the same discount rate to the net defined benefit liability/(asset); and
- amended disclosures including the presentation of defined benefit costs, plan assets and reconciliation of net pension liability/(asset) as presented in **Note 4**.

The changes to IAS 19 apply retrospectively, giving rise to a prior period adjustment to net operating costs and other comprehensive expenditure. Net pension assets and liabilities are unchanged. The effect of the prior period adjustment on each line in the primary statements is set out in **Note 28**.

1.4 Going concern

The Statement of Financial Position at 31 March 2014 shows negative Taxpayers' Equity, which largely reflects the accumulated movement of the pension liability falling due in future years. MoJ/NOMS has committed to funding the pension liabilities transferred to the CRCs, relating to past service, and the future financing of all other liabilities in the NPS and CRCs falling due past 31 March 2014.

On 1 June 2014, the Trust ceased trading.

On this date the operations of the Trust transferred to the Secretary of State for Justice on behalf of the Ministry of Justice. They are administered by a new National Probation Service (NPS) and 21 Community Rehabilitation Companies (CRCs).

The existing assets, liabilities and staff of the Trust were split between these entities in a practical way that reflects the services that each body provides. Some assets and liabilities remained in the Trust to be settled as soon as practically possible.

A Statutory Instrument to dissolve the Probation Trust, under section 5(1)(c) of the Offender

Management Act 2007, will be made by the Secretary of State for Justice subject to the negative resolution procedure.

A tender process is currently under way with a successful bidder(s) to take ownership of the CRCs starting from winter 2014–15. As part of the sale, the contracts will influence the operations of the CRCs ensuring continuity of services beyond this date. Services will continue to be commissioned by MoJ/NOMS under this arrangement.

As the functions previously provided by the Trust will continue to be provided by public sector entities and commissioned by the public sector when the CRC is in private ownership, the Accountable Officer with the support of senior management has concluded therefore that within the context of the Financial Reporting Manual (FRoM), it is appropriate for the Trust to prepare the 2013–14 Annual Report and Accounts on a going concern basis.

1.5 Property, plant and equipment

Property, plant and equipment, including subsequent expenditure on existing assets, is initially recognised at cost and is restated at each Statement of Financial Position date using the Price Index Numbers for Current Cost Accounting (Office for National Statistics). The minimum level for capitalisation of a tangible non-current asset is £5,000, inclusive of any irrecoverable VAT element, where appropriate.

Where significant purchases of individual assets which are separately beneath the capitalisation threshold arise in connection with a single project they are treated as a grouped asset.

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

Revaluation

The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments in non-current assets (excluding donated assets). Gains on revaluation are credited to the revaluation reserve and shown

in other comprehensive expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to net operating costs in the SoCNE to the extent of the amount previously expensed, and any excess is credited to the revaluation reverse.

1.6 Depreciation

Non-current assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives.

Asset lives are currently in the following ranges:

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

1.7 Impairment

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

1.8 Intangible non-current assets

The Trust recognises intangible non-current assets only if it is probable that future service potential will flow to the Trust and the cost of the asset can be measured reliably. Intangibles comprise internally developed software for internal use, software developed by third parties and licenses for purchased software.

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

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

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

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

Intangible assets are amortised using the straight-line method over their anticipated useful lives. The useful lives of the software range from 3 to 10 years. Licences are amortised over the length of the licence.

As there is no active market for these intangible assets, their fair value is assessed at the re-valued amount less any accumulated amortisation and accumulated.

Intangible assets are restated at each Statement of Financial Position date using Services Producer Price Index published by the Office for National Statistics.

1.9 Operating income

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

Operating income is income that relates directly to the operating activities of the Probation Trust. This comprises income under the Trust's contract with NOMS for the provision of Probation Services, rent receivables, income from EU sources, income from other Trusts, from within the MoJ Group,

from other Government Departments and miscellaneous income.

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

1.10 Other Expenditure

In 2012–13 the SoCNE was analysed between administration and programme income and expenditure. The classification of expenditure and income for both Administration and Programme followed the definition set out in the FReM by HM Treasury. Administration costs reflect the costs of running the Probation Trust together with associated operating income. Programme costs are defined as projects which are fully or partially funded from outside the Ministry of Justice. However, Northumbria Probation Trust incurred no programme costs and received no programme income during 2012–13 therefore all expenditure and income was classified as Administration.

On consolidation into NOMS Agency Accounts, all expenditure and income is classified as programme, except the audit fee which is administration expenditure.

1.11 Pensions

Past and present employees are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme. Retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate (Disclosure of Stakeholder Pensions Schemes is not included in these accounts). The last formal actuarial valuation was as at 31 March 2013.

The liability recognised in the SoFP in respect of defined benefit pension plans at the reporting date is the present value of the defined benefit obligation less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates as advised by the scheme actuary.

Remeasurement gains and losses are recognised within Other Comprehensive Expenditure in the period in which they arise.

Where a central government entity has a share of a local government (or other) pension scheme liability on its Statement of Financial Position, then that entity will use a discount rate determined by the appropriate authority (for example CIPFA or a qualified independent actuary) in valuing its share and not the rate advised annually by HM Treasury. The pension fund actuary has used roll forward estimated asset value figures in producing the IAS 19 pension liability and other disclosures.

1.12 Leases

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

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

Finance leases

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

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

Operating leases

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.

1.13 Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when the Probation Trust has a present legal or constructive obligation, as a result of past events, for which it is probable or virtually certain that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury.

1.14 Value Added Tax

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

1.15 Deferred Tax

The Trust does not have any deferred tax.

1.16 Corporation Tax (CT)

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

1.17 Cash and Cash Equivalents

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

1.18 Financial instruments

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

1.19 Segmental analysis of spend as reported to the Management Board

As per **Note 2**, the Trust does not break down expenditure into operating segments when reporting to the Board.

1.20 Third party assets

The Trust holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised on the Statement of Financial Position and are disclosed within **Note 26**.

2. Statement of Operating Costs by Operating Segment

Northumbria Probation Trust does not break down expenditure into operating segments when reporting to the Board. The Board receives a monthly aggregated statement of account showing the breakdown of expenditure against budget by category.

3. Staff numbers and related costs

3a. Staff costs consist of:

	2013–14			2012–13
	Total	Permanently- employed staff	Others	Restated
	£000	£000	£000	£000
Wages and salaries	16,066	15,908	158	16,365
Social security costs	1,202	1,202	0	1,235
Other pension costs	4,200	4,200	0	3,650
Sub-total	21,468	21,310	158	21,250
Less recoveries in respect of outward secondments	(672)	(672)	0	(906)
Total staff costs	20,796	20,638	158	20,344

Restatement of comparatives

The Trust has applied the 2011 amendments to IAS 19 *Employee Benefits* (revised 2011) as detailed in **Note 1.3**. Pension costs have therefore been restated and a prior year comparative showing the impact on Net Comprehensive Expenditure is shown in **Note 28**.

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Probation Trust's share of the underlying assets and liabilities are shown below in **Note 4**. The change in other pension costs relates primarily to actuarial gains due to change in financial assumptions.

2 persons (2012–13: 4 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £14,492 (2012–13: £10,343).

3b. Average number of persons employed

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

2013-14			2012-13
Total	Permanently-employed staff	Others	Total
£000	£000	£000	£000
529	522	7	547
529	522	7	547

3c. Reporting of compensation schemes – exit packages

Exit packages cost band	2013-14			2012-13		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0	0	3	3
£10,000-£25,000	0	0	0	0	15	15
£25,000-£50,000	0	0	0	0	7	7
£50,000-£100,000	0	1	1	0	5	5
£100,000-£150,000	0	0	0	0	0	0
£150,000-£200,000	0	0	0	0	0	0
£200,000+	0	0	0	0	0	0
Total number of exit packages by type	0	1	1	0	30	30
Total resource cost £000	0	52	52	0	866	866

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

4. Pensions costs

As part of the terms and conditions of employment of its officers and other employees, the board offers retirement benefits. Although these will not actually be payable until employees retire, the Trust has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The provisions of the Local Government Pension Scheme (LGPS) cover present and past employees, which is statutory and fully funded.

The Trust participates in the LGPS, administered by the Tyne and Wear Pension Fund. The LGPS provides benefits on a 'final salary' basis at a normal retirement age of 65, but regulations applicable during 2008/09 did mean that some employees may have been eligible to retire at 60 under the 85 year rule with no loss of pension entitlement. For service up to 31st March 2008, benefits accrued at one-eightieth of pensionable salary for each year of service and in addition, a lump sum equivalent to three eighths of final pay of every year of total membership is payable on retirement. For service from 1st April 2008 benefits accrue at one-sixtieth of pensionable salary for each year of service; however there is no lump sum payable on retirement.

Members pay contributions of between 5.5% and 7.5% of pensionable earnings, dependent on their annual salary.

Employers pay the balance of the cost of providing benefits, after taking into account investment returns. This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits. The period end when the closing liability for 31st March 2014 was calculated was on 31st March 2014.

Northumbria Probation Trust employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31st March 2014.

4a. Pension costs

A full actuarial valuation was carried out at 31st March 2013 by Aon Hewitt. For 2013/14, employers' contributions of £4,660,000 were payable to the LGPS (2012/13 £4,620,000). This is made up of basic employers' contributions of £2,110,000 at a rate of 15.2% on salary costs and £2.55m past service deficit costs. In addition, during 2013/14 there were strain on the fund payments of £340,000 (2012/13 £350,000).

The scheme's Actuary reviews employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. The contributions shown in **Note 3** are based on the actuarial assessment.

Partnership accounts are excluded under IAS19.

The approximate employer's contributions for the 3 years from:

Employer's contributions for 2013/14 were 15.2% of salaries plus a lump sum payment of £2,550,000; and,

Employer's contributions for 2014/15 (April and May only) were 15.2% of salaries plus a lump sum payment of £448,000; and.

On 1 June 2014 the Trust's existing pension liabilities and corresponding assets transferred to the Greater Manchester Pension Fund (GMPF). Employer contributions from 1 June 2014 will not be

required to be paid by the Trust as it will have ceased trading. Future contributions are referred to in **Note 27**.

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

	2013–14	2012–13
	%	%
Inflation assumption	2.3%	2.7%
Rate of increase in salaries	3.8%	4.6%
Rate of increase for pensions in payment and deferred pensions	2.3%	2.7%
Discount rate	4.3%	4.3%

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

The Year of birth base table used is: Standard SAPS Normal Health All Amounts

The Scaling to above base table rates is: 120% for men and 115% for women

The Improvements to base table rates used is: CMI_2012 with a long term rate of improvement of 1.5% p.a.

Future lifetime assumptions from age 65 (aged 65 at accounting date): men 23.0yrs and women 24.6yrs.

Future lifetime assumptions from age 65 (aged 45 at accounting date): men 25.0yrs and women 26.9yrs.

4c. Movements in the defined benefit obligation during the year

	2013–14		Total £000
	Present value of obligation £000	Fair value of plan assets £000	
Plan assets	0	99,227	99,227
Funded liabilities	(144,570)	0	(144,570)
Unfunded liabilities	(2,314)	0	(2,314)
Opening balance at 1 April (restated)	(146,884)	99,227	(47,657)
Current service costs	(3,850)	0	(3,850)
Past service costs (including curtailments)	(350)	0	(350)
Gains and losses on settlements	0	0	0
	(4,200)	0	(4,200)
Net Interest (cost)/income	(6,240)	4,300	(1,940)
Remeasurements			
Returns on plan assets, excluding amounts included in interest cost/(income)	0	(1,650)	(1,650)
Gain/(loss) from change in demographic assumptions	170	0	170
Gain/(loss) from change in financial assumptions	14,210	0	14,210
Experience gains/(losses)	1,710	0	1,710
Change in asset ceiling, excluding amounts included in interest cost	0	0	0
	16,090	(1,650)	14,440
Foreign exchange differences	0	0	0
Effect of business combinations on disposals	0	0	0
Contributions			
Employers	0	5,000	5,000
Plan participants	(920)	920	0
Unfunded benefits	0	170	170
Payments from plans			
Benefit payments	4,180	(4,180)	0
Unfunded benefit payments	170	(170)	0
Closing balance at 31 March	(137,804)	103,617	(34,187)
Plan assets	0	103,617	103,617
Funded liabilities	(135,620)	0	(135,620)
Unfunded liabilities	(2,184)	0	(2,184)
Closing balance at 31 March	(137,804)	103,617	(34,187)

	2012–13 (restated)		Total £000
	Present value of obligation £000	Fair value of plan assets £000	
Plan assets	0	87,457	87,457
Funded liabilities	(128,300)	0	(128,300)
Unfunded liabilities	(2,184)	0	(2,184)
Opening balance at 1 April	(130,484)	87,457	(43,027)
Current service costs	(3,300)	0	(3,300)
Past service costs (including curtailments)	(350)	0	(350)
Gains and losses on settlements	0	0	0
	(3,650)	0	(3,650)
Net interest (cost)/income	(6,030)	4,140	(1,890)
Remeasurements			
Returns on plan assets, excluding amounts included in interest cost	0	6,450	6,450
Gain/(loss) from change in demographic assumptions	0	0	0
Gain/(loss) from change in financial assumptions	(10,760)	0	(10,760)
Experience gains/(losses)	80	0	80
Change in asset ceiling, excluding amounts included in interest cost	0	0	0
	(10,680)	6,450	(4,230)
Foreign exchange differences	0	0	0
Effect of business combinations on disposals	0	0	0
Contributions			
Employers	0	4,970	4,970
Plan participants	(960)	960	0
Unfunded benefits	0	170	170
Payments from plans			
Benefit payments	4,750	(4,750)	0
Unfunded benefit payments	170	(170)	0
Closing balance at 31 March	(146,884)	99,227	(47,657)
Plan assets	0	99,227	99,227
Funded liabilities	(144,570)	0	(144,570)
Unfunded liabilities	(2,314)	0	(2,314)
Closing balance at 31 March	(146,884)	99,227	(47,657)

4d. Plan assets are comprised as follows

	2013-14				2012-13			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
	£000	£000	£000		£000	£000	£000	
Equities	60,201	9,015	69,216	67%	57,651	9,823	67,474	68%
Government bonds	3,627	0	3,627	3%	0	6,945	6,945	7%
Other bonds	11,916	0	11,916	12%	10,916	0	10,916	11%
Property	0	8,807	8,807	8%	0	8,930	8,930	9%
Cash and cash equivalents	3,005	0	3,005	3%	1,588	0	1,588	2%
Other	4,248	2,798	7,046	7%	1,786	1,588	3,374	3%
Total	82,997	20,620	103,617	100%	71,941	27,286	99,227	100%

4e. Sensitivity analysis

	+0.1% £000	0% £000	-0.1% £000
Adjustment to discount rate			
Present value of total obligation	133.31	135.62	138.03
	+1yr £000	None £000	-1yr £000
Adjustment to mortality age rate assumption			
Present value of total obligation	138.8	135.62	132.42
	+0.1% £000	0% £000	-0.1% £000
Adjustment to pension inflation			
Present value of total obligation	136.31	135.62	134.93

The sensitivity analysis above has been determined based on a method that extrapolates the impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2014.

In each case, only the assumption mentioned is altered while holding all other assumptions constant. In practice this is unlikely to occur and change in some assumptions may be correlated.

Sensitivity of unfunded benefits has not been included on materiality grounds.

5. Taxation

	2013–14	2012–13
	£000	£000
UK corporation tax	0	0
Total	0	0

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

6. Other Expenditure

	2013-14		2012-13	
	£000	£000	£000	£000
Rentals under operating leases	57		59	
Interest charges	0		0	
Accommodation, maintenance and utilities	2,143		2,266	
Travel, subsistence and hospitality	437		453	
Professional services	71		68	
IT services	1,222		1,450	
Communications, office supplies and services	351		407	
Other staff related	39		408	
Offender costs	864		856	
Other expenditure	458		348	
External Auditors' remuneration – statutory accounts	26		42	
External Auditors' remuneration – other	0		0	
Internal Auditors' remuneration	25		26	
		5,693		6,383
Non-cash items				
Depreciation of tangible non-cash assets	40		57	
Amortisation of intangible non-cash assets	0		1	
Impairment of non-current assets	0		0	
Profit/(loss) on disposal of tangible non-cash assets	0		0	
Profit/(loss) on disposal of intangible non-cash assets	0		0	
Other provisions provided for in year	10		363	
Early retirement provisions not required	0		0	
		50		421
Total		5,743		6,804

7. Income

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

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

Interest received:

 From bank
 From car loans
 From other sources

Total interest received

Total income

	2013-14		2012-13	
	£000	£000	£000	£000
	26,088		27,302	
	0		0	
	0		0	
	0		0	
		26,088		27,302
		0		0
		0		0
		0		0
		84		51
		99		442
		4		5
		847		590
		198		201
		27,320		28,591
	6		7	
	0		0	
	0		0	
		6		7
		27,326		28,598

8. Property, plant and equipment

	2013–14					
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2013	74	145	219	0	0	438
Additions	0	0	0	0	0	0
Disposals	(74)	(36)	0	0	0	(110)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	1	2	0	0	3
As at 31 March 2014	0	110	221	0	0	331
Depreciation						
As at 1 April 2013	72	132	129	0	0	333
Charge in year	1	12	27	0	0	40
Disposals	(73)	(37)	0	0	0	(110)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	0	0	0	0	0
As at 31 March 2014	0	107	156	0	0	263
Carrying value as at 31 March 2014	0	3	65	0	0	68
Carrying value as at 31 March 2013	2	13	90	0	0	105
Asset financing						
Owned	0	3	65	0	0	68
Finance leased	0	0	0	0	0	0
Carrying value as at 31 March 2014	0	3	65	0	0	68

8. (Continued)

	2012-13					
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2012	67	191	167	25	0	450
Additions	0	0	39	0	0	39
Disposals	0	(50)	0	(25)	0	(75)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	7	4	13	0	0	24
As at 31 March 2013	74	145	219	0	0	438
Depreciation						
As at 1 April 2012	50	161	97	25	0	333
Charge in year	14	18	25	0	0	57
Disposals	0	(50)	0	(25)	0	(75)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	8	3	7	0	0	18
As at 31 March 2013	72	132	129	0	0	333
Carrying value as at 31 March 2013	2	13	90	0	0	105
Carrying value as at 31 March 2012	17	30	70	0	0	117
Asset financing						
Owned	2	13	90	0	0	105
Finance leased	0	0	0	0	0	0
Carrying value as at 31 March 2013	2	13	90	0	0	105

9. Intangible assets

	2013–14				
	Development	Software	Licences	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 April 2013	0	38	0	0	38
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Indexation/revaluation	0	1	0	0	1
Transfers	0	0	0	0	0
Impairments	0	0	0	0	0
As at 31 March 2014	0	39	0	0	39
Amortisation					
As at 1 April 2013	0	38	0	0	38
Charge in year	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Indexation/revaluation	0	1	0	0	1
Transfers	0	0	0	0	0
Impairments	0	0	0	0	0
As at 31 March 2014	0	39	0	0	39
Carrying value as at 31 March 2014	0	0	0	0	0
Carrying value as at 31 March 2013	0	0	0	0	0
Asset financing					
Owned	0	0	0	0	0
Finance leased	0	0	0	0	0
Carrying value as at 31 March 2014	0	0	0	0	0

9. (Continued)

	2012-13				
	Development	Software	Licences	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 April 2012	0	38	0	0	38
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Indexation/revaluation	0	0	0	0	0
Transfers	0	0	0	0	0
Impairments	0	0	0	0	0
As at 31 March 2013	0	38	0	0	38
Amortisation					
As at 1 April 2012	0	37	0	0	37
Charge in year	0	1	0	0	1
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Indexation/revaluation	0	0	0	0	0
Transfers	0	0	0	0	0
Impairments	0	0	0	0	0
As at 31 March 2013	0	38	0	0	38
Carrying value as at 31 March 2013	0	0	0	0	0
Carrying value as at 31 March 2012	0	1	0	0	1
Asset financing					
Owned	0	0	0	0	0
Finance leased	0	0	0	0	0
Carrying value as at 31 March 2013	0	0	0	0	0

10. Impairments

There were no impairments in the year (2012–13 – nil).

11. Assets held for sale

There were no assets held for sale at the reporting date (2012–13 – nil).

12. Trade receivables and other current assets

12a. Analysis by type

	2013–14	2012–13
	£000	£000
Amounts falling due within one year		
Trade receivables	285	150
Receivables due from Trusts	46	11
Receivables, Accrued Income and Prepayments due from NOMS Agency	3,836	5,305
Receivables, Accrued Income and Prepayments due from MoJ Group	0	0
Receivables, Accrued Income and Prepayments due from other Government departments	70	136
Other receivables	30	0
Prepayments	24	120
Accrued income	27	0
	4,318	5,722
Amounts falling due after more than one year	0	0
Total	4,318	5,722

12b. Intra-Government receivables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013–14	2012–13	2013–14	2012–13
	£000	£000	£000	£000
Balances with other central Government bodies (inc. parent department)	3,910	5,317	0	0
Balances with local authorities	29	72	0	0
Balances with NHS bodies	13	69	0	0
Balances with public corporations and trading funds	0	0	0	0
	3,952	5,458	0	0
Balances with bodies external to Government	366	264	0	0
Total	4,318	5,722	0	0

13. Cash and cash equivalents

	2013–14	2012–13
	£000	£000
Balance at 1 April	376	231
Net change in cash and cash equivalents	77	145
Balance at 31 March	453	376
The following balances at 31 March are held at:		
Government Banking Service	0	0
Commercial banks and cash in hand	453	376
Balance at 31 March	453	376

14. Trade payables and other current liabilities

14a. Analysis by type

	2013–14	2012–13
	£000	£000
Amounts falling due within one year (excluding taxation)		
Trade payables	107	214
Other payables	0	30
Accruals	314	1,115
Deferred income	8	296
Staff payables	51	70
Payables, Accruals and Deferred Income due to MoJ Group	38	0
Payables, Accruals and Deferred Income due to other Government departments	186	67
Unpaid pensions contributions due to the pensions scheme	736	272
	1,440	2,064
Tax falling due within one year		
VAT	1,032	1,307
Other taxation and social security	486	390
	1,518	1,697
Total amounts falling due within one year	2,958	3,761
Amounts falling due after more than one year	0	0
Total	2,958	3,761

14b. Intra-Government payables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013–14	2012–13	2013–14	2012–13
	£000	£000	£000	£000
Balances with other central Government bodies (inc. parent department)	1,564	1,895	0	0
Balances with local authorities	891	310	0	0
Balances with NHS bodies	23	82	0	0
Balances with public corporations and trading funds	0	0	0	0
	2,478	2,287	0	0
Balances with bodies external to Government	480	1,474	0	0
Total	2,958	3,761	0	0

15. Provisions for liabilities and charges

	2013–14				
	Early retirements costs £000	Leasehold Property Dilapidations £000	Other Provisions £000	Voluntary Early Departure £000	Total £000
Balance at 1 April	0	0	0	381	381
Provided in year	0	0	0	26	26
Provisions not required written back	0	0	0	(16)	(16)
Provision utilised in the year	0	0	0	(391)	(391)
Balance as at 31 March	0	0	0	0	0

	2013–14				
	Early retirements costs £000	Leasehold Property Dilapidations £000	Other Provisions £000	Voluntary Early Departure £000	Total £000
Analysis of expected timing of discount flows					
Not later than one year	0	0	0	0	0
Current liability	0	0	0	0	0
Later than one year and not later than five years	0	0	0	0	0
Later than five years	0	0	0	0	0
Non-current liability	0	0	0	0	0
Balance as at 31 March	0	0	0	0	0

	2012–13				
	Early retirements costs £000	Leasehold Property Dilapidations £000	Other Provisions £000	Voluntary Early Departure £000	Total £000
Balance at 1 April	0	0	30	360	390
Provided in year	0	0	0	381	381
Provisions not required written back	0	0	(10)	(8)	(18)
Provision utilised in the year	0	0	(20)	(352)	(372)
Balance as at 31 March	0	0	0	381	381

	2012–13				
	Early retirements costs £000	Leasehold Property Dilapidations £000	Other Provisions £000	Voluntary Early Departure £000	Total £000
Analysis of expected timing of discount flows					
Not later than one year	0	0	0	381	381
Current liability	0	0	0	381	381
Later than one year and not later than five years	0	0	0	0	0
Later than five years	0	0	0	0	0
Non-current liability	0	0	0	0	0
Balance as at 31 March	0	0	0	381	381

Provisions have been recognised within the accounts where:

- (i) the trust has a present obligation (legal or constructive) as a result of a past event;
- (ii) it is probable that a transfer of economic benefits will be required to settle the obligation;
- (iii) a reliable estimate can be made of the amount of the obligation

There were no provisions at the reporting date (2012–13 – £381,000).

16. Capital commitments

There were no capital commitments at the reporting date (2012/13 – nil).

17. Commitments under leases

17a. Operating leases

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

Obligations under operating leases for the following periods comprise:

	2013–14	2012–13
	£000	£000
Other		
Not later than one year	64	57
Later than one year and not later than five years	32	77
Later than five years	0	0
Total	96	134

The operating leases held by the trust are for franking machines and multi function devices (for example photocopiers).

17b. Finance leases

There are no finance leases (2012–13 – nil).

18. Other financial commitments

The Trust has entered into no non-cancellable contracts which are not leases. The Trust has no other financial commitments (2012–13 – nil).

19. Deferred tax asset

There are no deferred tax assets (2012–13 – nil).

20. Financial instruments

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

The Trust does provide a payroll and IT service for 2 organisations, St Vincent de Paul Society (SVP) and Haven. Both organisations operate in the probation and restorative justice sector. The salaries are paid from the Trust and recovered on a monthly or quarterly basis along with a small admin fee. The balance outstanding as at 31st March 2014 was £115,396 which represents the arrears of the latest period.

21. Contingent liabilities

There are no contingent liabilities at the reporting date (2012–13 – nil).

22. Losses and special payments

22a. Losses statement

	2013–14		2012–13	
	Number of cases	Total value £000	Number of cases	Total value £000
Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Administrative write-offs	8	8	12	23
Fruitless payments	0	0	0	0
Store losses	3	11	0	0
Total	11	19	12	23

There are no losses over £300k (2012/13 – nil).

22b. Special payments schedule

	2013–14		2012–13	
	Number of cases	Total value £000	Number of cases	Total value £000
Special payments	0	0	10	1
Total	0	0	10	1

There are no special payments over £300k (2012/13 – nil).

23. General fund

	2013–14 £000	2012–13 Restated £000
Balance at 1 April	(45,627)	(40,957)
Financing	0	0
Net transfers from Operating Activities:		
Statement of Comprehensive Net Expenditure	(1,153)	(440)
Movement in donated assets	0	0
Transferred from revaluation reserve	0	0
Remeasurement of post employment benefits	14,440	(4,230)
Balance at 31 March	(32,340)	(45,627)

24. Revaluation reserve

24a. Property, plant and equipment

	2013–14 £000	2012–13 £000
Balance at 1 April	30	24
Arising on revaluations of PPE during the year (net)	3	6
Transferred to General Fund	0	0
Balance at 31 March	33	30

24b. Intangibles

	2013–14 £000	2012–13 £000
Balance at 1 April	1	1
Arising on revaluations of intangibles during the year (net)	0	0
Transferred to General Fund	0	0
Balance at 31 March	1	1

25. Related party transactions

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

The Trust provides a payroll and IT service for 2 organisations, St Vincent de Paul Society (SVP) and Haven. Both organisations operate in the probation and restorative justice sector. The salaries are paid from the Trust and recovered on a monthly or quarterly basis along with a small admin fee. The balance outstanding as at 31st March 2014 was £115,396 which represents the arrears of the latest period.

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

26. Third-party assets

The following amounts are held by the Trust in respect of the following third parties; Greggs Trust, North Eastern Prison Aftercare Society (NEPACS), Police Court Mission Fund and Ramsey Fund.

	31 March 2013	Funds paid in during the year	Funds paid out during the year	31 March 2014
	£000	£000	£000	£000
Greggs Trust	2	23	(19)	6
NEPACS	8	5	(6)	7
Police Court Mission Fund	0	13	(12)	1
Ramsey Fund	1	1	(2)	0
	11	42	(39)	14

27. Events occurring after the reporting period

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

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

Dissolution of the Trust

The Trust ceased trading on 1 June 2014. A Statutory Instrument to dissolve the Trust, under section 5(1) (c) of the Offender Management Act 2007, will be made by the Secretary of State for Justice subject to the negative resolution procedure.

The operations of the Trust have been divided between the National Probation Service and a Community Rehabilitation Company, both public sector entities. MoJ/NOMS has committed to ensuring all services will continue under the new structure, using the same assets and resources, for the foreseeable future.

On 1 June 2014 a Transfer Order effected the transfer of existing assets, liabilities and staff of the Trust to the NPS and CRC public sector bodies in a practical way that reflects the services that each provides. Some assets and liabilities remained in the Trust to be settled as soon as practically possible.

A tender process is currently under way with a successful bidder to take ownership of the CRC in winter 2014–15.

The Accountable Officer with the support of senior management has concluded that there is no further impact on the financial statements other than those referred to in **Note 1.4**.

Basis of allocation of balances after the Trust ceased trading on 1 June 2014

On 1 June 2014, the assets and liabilities of the Probation Trust were allocated between the NPS and CRC as follows:

Pensions

On 1 June 2014 the Trust's existing pension liabilities and corresponding assets were transferred to the Greater Manchester Pension Fund (GMPF).

The Trust is no longer required to pay employer contributions to the fund.

The responsibility for funding the past service liabilities and all future contributions associated with those original employees who are active members of the LGPS have transferred with the employee to the new employer (the CRC or the NPS) as referred to in **Note 1.4**. The MoJ ensures that the past service liabilities are 100% funded on an ongoing basis from the date the employees transferred to the CRC.

The Secretary of State for Justice has provided a guarantee to the GMPF in respect of the CRCs' participation in the GMPF for pension liabilities that transfer to the CRCs.

The responsibility for funding the past service liabilities associated with the original employees who are deferred or pensioner members of the LGPS have transferred to the NPS under the Secretary of State for Justice.

Leases and service contracts

Property and IT leases remain within the Ministry of Justice.

All other service contracts have been novated to the relevant entity based on where the services of that contract will be provided. Where the services are shared by both entities, the contract will in most cases be novated to the majority user.

Staff related balances

All staff related balances, not settled by the Trust shortly after 1 June 2014, have been allocated to the relevant entity each member is transferred to.

All other balances

Existing debtors and creditors that remain within the Trust are to be settled from existing funds.

All other balances have been allocated on a practical basis taking in to account future use, staff member allocation and services provided by that entity.

Where an asset, liability or service is utilised by both entities it will likely remain within the NPS/NOMS.

The finalisation of the split of assets and liabilities has not been completed as at the date of this report. Therefore financial information is not available.

28. Prior period adjustments

IAS 19 *Employee Benefits* (Revised 2011)

In the current year, the Trust has applied the 2011 amendments to IAS 19 *Employee Benefits* (revised 2011), which are mandatory for accounting periods beginning on or after 1 January 2013. The standard requires retrospective application, which has resulted in a prior period adjustment. The prior period comparatives have been restated accordingly.

The amendments relevant to the Trust are:

The interest cost and expected return on plan assets are replaced with 'net interest', which is calculated by applying the same discount rate to the net defined benefit liability/(asset). Retrospective application has had an impact on the amounts recognised in profit or loss and other comprehensive income in 2012–13. The net assets and liabilities are unchanged.

Specific transitional provisions are applied to first time application of IAS 19 (revised 2011). The Trust has applied the relevant transitional provisions and restated the comparative figures.

Impact on total comprehensive expenditure for the year of application of IAS 19 Extract from the Statement of Comprehensive Net Expenditure

	2012–13
Extract from the 2012–13 accounts before restatement:	£000
Net operating expenditure after taxation	(1,640)
Other comprehensive expenditure	6,304
Total comprehensive expenditure	4,664
Restatement:	
Increase in admin expenditure (interest costs)	2,080
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	(2,080)
	0
Extract from the 2012–13 accounts after restatement:	
Net operating expenditure after taxation	440
Other comprehensive expenditure	4,224
Total comprehensive expenditure	4,664

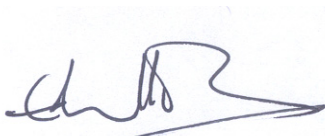
Extract from the Statement of Changes in Taxpayers' Equity

	2012–13
Extract from the 2012–13 accounts before restatement:	£000
General fund balance as at 31 March 2013	45,627
Restatement:	
Increase in net operating expenditure	2,080
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	(2,080)
General fund balance as at 31 March 2013 after restatement	45,627

Accounts Direction

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

1. This direction applies to the Local Probation Trusts (the Trusts) listed in the attached Appendix 1.
2. Each Trust shall prepare a statement of accounts for the financial year ended 31 March 2014 and subsequent financial years, in compliance with the accounting principles and disclosure requirements of the Government Financial reporting Manual (“the FReM”) issued by HM Treasury and which is in force for the relevant financial year.
3. The accounts shall be prepared so as to:
 - give a true and fair view of the state of affairs of the Trust as at the financial year-end and of the comprehensive net expenditure, changes in taxpayers’ equity and cash flows for the financial year and have been properly prepared in accordance with the Offender Management Act 2007;
 - provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with NOMS Agency finance team and HM Treasury.
5. Additionally the Trusts shall be required to comply with all Probation Communication Notices to the extent that they build on the requirement of the FReM subject to the directions in paragraph 4.
6. This direction supersedes that provided by the Secretary of State to Probation Trusts dated 6 March 2013.



Edward Kirby

On behalf of the Secretary of State for the Ministry of Justice
18 February 2014

Appendix 1

35 Probation Trusts:

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

8. Sustainability Report

(Not subject to audit)

Introduction

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

This report covers 21 buildings, a reduction in 8 buildings from 2009/10.

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

Governance, responsibilities and internal assurance

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

Greening Government Commitments

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

Climate change adaption and mitigation

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

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

Carbon Reduction Commitment (CRC)

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

Carbon Management Plan (CMP)

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

deliver a single cohesive approach with costed projects for each unit to provide an overarching framework to tackle climate change.

Our vision is to:

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

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

Environmental Management System (EMS)

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

Sustainable procurement

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

Travel

Northumbria Probation trust has implemented a series of measures aimed at reducing the cost and the environmental impact of greenhouse emissions from travel including,

- a bike to work scheme,
- a Trust supported public transport scheme; and
- car sharing incentives and forum to facilitate shared journeys.

These, coupled with the overall reduction in employees, have resulted in a reduction in business miles since 2009/10 of 34%.

The Trust has also moved away from bottled water to piped water coolers.

Digitalisation

During 2013/14 the trust has continued to make progress with its programme of digitising its own records the longer term impact of which will be reductions in the use of paper, printing, energy and more effective space utilisation.

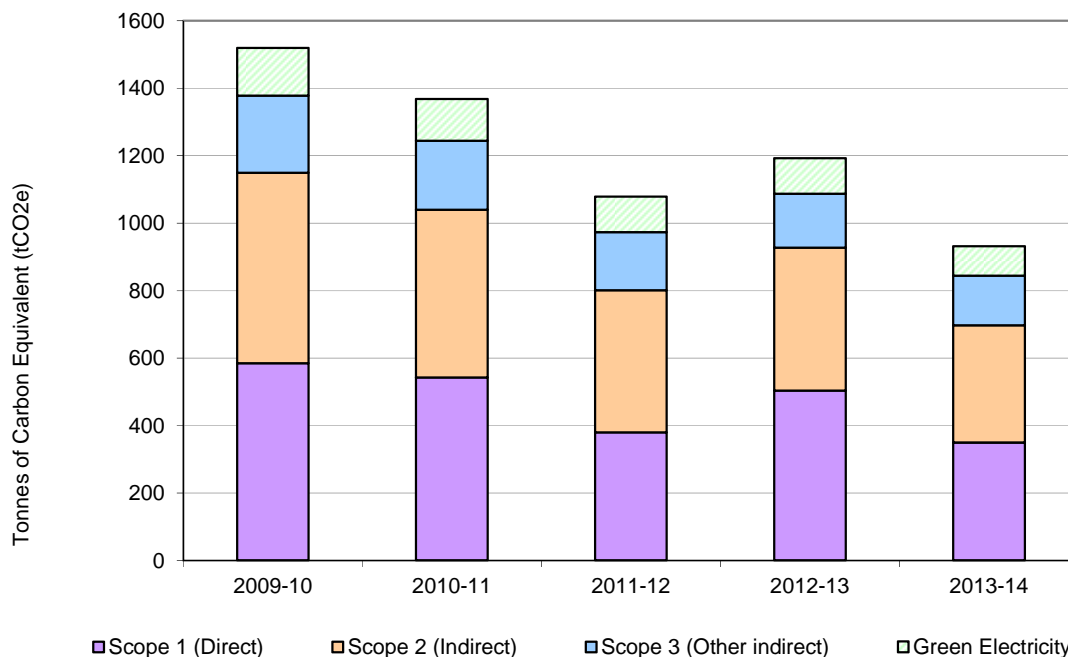
In terms of paper we have reduced the amount used between 2011/12 and 2013/14 by 2.3 reams per employee per annum. This represents a 17% reduction and has been enabled through the use of Multi Function Devices across the Trust.

Performance summary

Greenhouse gas (GHG) emissions

		2009–10	2010–11	2011–12	2012–13	2013–14
Non-financial indicators (tCO2e)	Scope 1 (direct): Site-based emissions & owned transport	584.6	541.9	379.0	503.2	349.5
	Scope 2 (indirect): Supplied energy (electricity and heat)	564.3	496.9	421.2	423.2	347.3
	Scope 3 (other indirect): Business travel & transmission losses from supplied energy	228.5	204.4	172.3	160.0	147.2
	Total gross GHG emissions	1,377.3	1,243.2	972.6	1,086.4	844.1
	Electricity: green/renewable	141.1	124.2	105.3	105.8	86.8
	Total net GHG emissions	1,236.3	1,118.9	867.3	980.6	757.2
Non-financial indicators (kWh)	Electricity: Grid, CHP & non-renewable	857,019	836,527	709,201	712,555	584,766
	Electricity: renewable	285,673	278,842	236,400	237,518	194,922
	Gas	2,575,178	2,419,938	1,618,892	2,515,153	1,654,635
	Other energy sources	0				
	Total energy	3,717,870	3,535,307	2,564,493	3,465,226	2,434,323
Financial indicators	Expenditure on energy (£)	£248,320	£184,040	£166,739	£185,946	£174,887
	Expenditure on official business travel (£)	£582,906	£559,072	£317,517	£315,485	£286,784

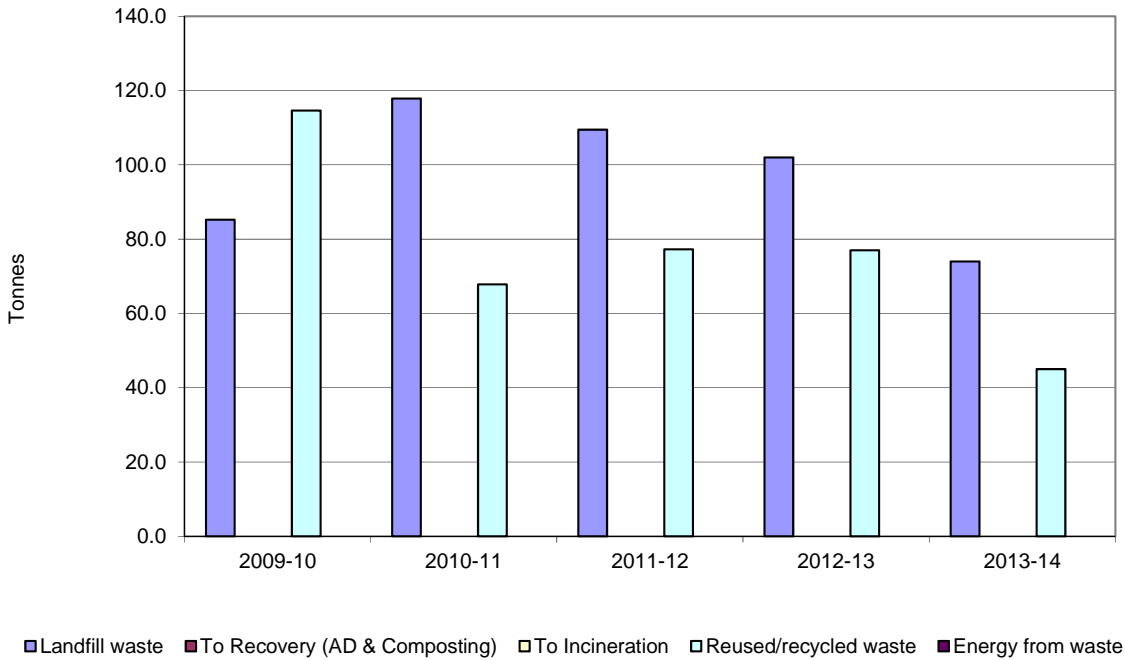
Greenhouse Gas Emission by source



Waste

			2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill waste	85.2	117.9	109.5	102.0	74.0
		To recovery (AD & composting)	0.0	0.0	0.0	0.0	0.0
		To incineration	0.0	0.0	0.0	0.0	0.0
		Reused/recycled waste	114.7	67.8	77.2	77.0	45.0
		Energy from waste	0.0	0.0	0.0	0.0	0.0
		Total waste arising	199.9	185.7	186.7	179.0	119.0
Financial indicators	Non-hazardous waste	Landfill waste	0	0	0	0	0
		To recovery (AD & composting)	0	0	0	0	0
		To incineration	0	0	0	0	0
		Reused/recycled waste	0	0	0	0	0
		Energy from waste	0	0	0	0	0
		Total waste costs (£)	£0	£0	£0	£0	£0

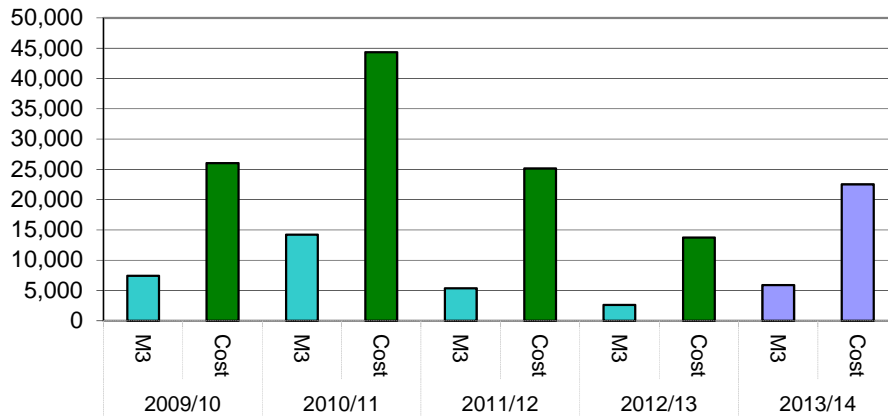
Waste by final disposal



Water

		2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial indicators	Total water consumption (cubic metres: m³)	7,436	14,212	5,357	2,598	5,789
Financial indicators	Total water supply costs (£)	£26,030	£44,361	£25,120	£13,726	£22,511

Water (consumption and costs).



Paper

	2009-10	2010-11	2011-12	2012-13	2013-14
Cost (excluding VAT)	18,174	£19,670	£15,238	£13,611	£14,378

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