



Ministry of  
**JUSTICE**

National Offender  
Management Service

# **National Probation Service**

## Consolidated Accounts of the Local Probation Boards 2009–2010

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### **Consolidated Accounts of the Local Probation Boards 2009–2010**

Presented to the House of Commons pursuant to Schedule 1,  
para 17(5) of the Criminal Justice and Court Services Act 2000

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## **Foreword to the Consolidated Accounts for the year ended 31 March 2010**

### **Statutory Background**

The National Probation Service for England and Wales (NPS) was established by the Criminal Justice and Court Services Act 2000 (CJCS Act) and came into existence on 1 April 2001. Part 1 of the Offender Management Act 2007 (OM Act) enabled the Secretary of State to make contractual or other arrangements with providers of probation services for the provision of probation services and replaces the arrangements in respect of the NPS in the CJCS Act.

The arrangements under Part 1 of the OM Act were brought into force in phases. The final phase, in which the 34 remaining Local Probation Boards in England and Wales were replaced by arrangements with providers of probation services in accordance with Part 1 of the OM Act was brought into force on 1 April 2010, so these are the final consolidated accounts of the Local Probation Boards.

The 34 Local Probation Boards (listed in Annex A to the Foreword) produce their own accounts, which are consolidated to produce the consolidated accounts of the Local Probation Boards. These in turn, together with the accounts for the eight Probation Trusts, are consolidated into the National Offender Management Service (NOMS) Agency accounts, the responsibilities of the NPS having been transferred to NOMS, an Executive Agency of the Ministry of Justice (MoJ), in April 2008.

These accounts are a consolidation of the results of the 34 Local Probation Boards and have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by the Treasury, and in accordance with a direction given by the Treasury in pursuance of Schedule 1 paragraph 17 (4) of the Criminal Justice and Courts Services Act 2000. The direction is reproduced on page 58.

### **Statement of Purpose**

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

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

## **National Offender Management Service (NOMS)**

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

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

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

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

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

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

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

Providers deliver services under contract or Service Level Agreements to:

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

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

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

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

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

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

For 2010–11 and beyond the MoJ has set out five departmental priorities in its Structural Reform Plan, which will underpin the work and organisation of NOMS in the coming period.



## **Offender Management Act 2007**

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

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

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

The first six Probation Trusts were created in April 2008. These are Dyfed Powys, South Wales, West Mercia, Merseyside, Leicestershire and Rutland and Humberside Probation Trusts. These were followed by Greater Manchester and Lancashire in April 2009. The accounts of these eight Probation Trusts are not consolidated into the accounts of the National Probation Service.

## **Criminal Justice Act 2003**

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

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

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

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

## NPS Results for the Year

The 2009–10 Net Operating Costs for the 34 Boards is £702.8m (2008–09 £713.5m), which mainly consist of staff costs of £523.5m (2008–09 £541.8m).

The Statement of Financial Position shows a net liability of £1,134.4m (2008–09 £597m), which is mainly due to the pension liability of £1,123.2m (2008–09 £572.7m). The increase in pension liability is mainly due to the flattening out of the projected yields from corporate bonds and an expected decrease in the post-retirement mortality rate.

## Payment of Creditors

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

RANGE	No. of Boards within range	
	2009–2010	2008–2009
95% to 100%	16	15
90% to 94.9%	8	9
85% to 89.9%	5	8
80% to 84.9%	4	0
75% to 79.9%	1	2
70% to 74.9%	0	0
<b>Boards reported =</b>	<b>34</b>	<b>34</b>

## Personal data related incidents

The following gives a summary report of significant personal data related incidents in 2009–10, which were formally reported to the Information Commissioner’s Office.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
October	Break-in at local probation office	Offender file stolen from locked cabinet	Offender plus named individuals where contact details recorded	Action taken against facilities management contractor for failure to properly set burglar alarm
November	Offender file transported by courier lost and subsequently found by member of the public	Offender File	Offender plus named individuals where contact details recorded	Formal investigation held, including contractor performance, procedures reviewed and standards re-stated.

In the above cases, a risk assessment was carried out to assess who, if anyone, should be notified and to ensure measures were in place to mitigate risk to individuals and prevent re-occurrence of the incident.

### **Remuneration**

The post of Director of Probation ceased on 31 March 2009 and the role was subsumed into the NOMS Chief Operating Officer post. All central staff with Probation responsibilities are NOMS staff and are therefore employed by NOMS. All the employee costs associated with this are accounted for in the NOMS accounts.

All the 34 Local Probation Boards have their own separate Board. The remuneration of Local Probation Board members is disclosed in each Local Probation Board's published accounts.

### **Going Concern**

The Statement of Financial Position at 31 March 2010 shows net liabilities of £1,134.4m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from other sources of income, may only be met by future grants or grants in aid from NOMS. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

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

### **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 Certificate and Report of the Comptroller and Auditor General.

With effect from 1 April 2010 the remaining 34 Probation Boards achieved Trusts status. Taking five mergers into account, from the 1 April 2010 there will be 35 Probation Trusts delivering the work of the previous 8 Trusts and 34 Boards.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) instead of the Retail Price Index (RPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Probation Trusts provide to employees.

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

The Spending Review 2010 settlement to the Ministry of Justice requires NOMS to further reduce costs over the next four years. The full extent of this is yet to be determined.

### **Pensions Liabilities**

See Notes 1.14 and Note 3 to the Accounts for further information.

### **Communications and Employee Involvement**

During 2009–10, the number of full time equivalent employees across England and Wales was 15,475 (2008–09 16,108).

NOMS corporate communications team and MoJ press office continued to provide support for local and national communications activity in Probation Boards, including sharing best practice through the probation communications network and working together to achieve efficient communication activity where-ever possible. Last year this included the provision of a standardised logo format for new Probation Trusts and associated brand guidance. At national level a variety of channels are used to support local communications, including the probation intranet EPIC, publications, events and a cascade message system.

### **Equality**

NOMS is committed to ensuring fair treatment for offenders from all groups. All Boards have published Single Equality Schemes, describing how they meet their legal duties and including Action Plans setting out how they are working to address risks and issues around unequal treatment.

There is currently inconsistent and limited monitoring data on outcomes for different groups of offenders. Equalities Group at NOMS HQ is working with the Probation Chiefs Association and Probation Trust Leads to devise a system for collecting comprehensive monitoring data and will coordinate work to address any disproportionality in outcomes that is identified in this data.

### **Audit**

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

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

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

Total audit fees reported in the Accounts include the following:

- Actual fees of £1.279m (£1.261m in 2008–09) paid or payable to the Audit Commission's and Wales Audit Office's appointed auditors of the individual Probation Boards, excluding a cost of £25,000 for a separate assurance engagement undertaken in relation to the Boards' recharged costs;
- The notional cost for the National Audit Office's audit of the consolidated Probation Service Accounts of £69,000 (£69,000 in 2008–09);
- The notional cost of the National Audit Office's audit of Trigger Point 4 conversion to International Financial Reporting Standards of £10,000 (£4,000 for Trigger Point 2 in 2008–09).

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

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

*Michael Spurr*  
NOMS Chief Executive Officer and Accountable Officer

18 January 2011

## **Annex A**

### **34 Local Probation Boards**

Avon & Somerset

Bedfordshire

Cambridgeshire

Cheshire

Cumbria

Derbyshire

Devon & Cornwall

Dorset

Durham

Essex

Gloucestershire

Gwent

Hampshire

Hertfordshire

Kent

Lincolnshire

London

Norfolk

Northamptonshire

Northumbria

North Wales

North Yorkshire

Nottinghamshire

South Yorkshire

Staffordshire

Suffolk

Surrey

Sussex

Teesside

Thames Valley

Warwickshire

West Midlands

West Yorkshire

Wiltshire

## Statement of National Accountable Officer's Responsibilities

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

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

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

The Accounting Officer of the Ministry of Justice has designated the Chief Executive Officer of the National Offender Management Service (NOMS) as the Agency Accounting Officer of NOMS. Under the requirements of the NOMS Agency Framework Document the CEO of NOMS will appoint a National Accountable Officer for the National Probation Service. For 2008–09 and subsequent years, the NOMS CEO has personally retained the National Accountable Officer's role. The responsibilities of the National Accountable Officer, including the responsibility for the propriety and regularity of the public finances for which he/she is answerable, for keeping proper records and for safeguarding the National Probation Service's assets, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Managing Public Money*.

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

## **Probation Service Statement on Internal Control**

### **1. Scope of Responsibility**

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

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

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

### **2. Purpose of the System of Internal Control**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Probation Service policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Probation Service for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### **3. Capacity to handle risk**

Each Probation Board completed a self assessment against the risk capability and maturity model and the average overall assessment was at level 4, indicating that integrated approaches to managing risk are implemented across boundaries. Risks are reviewed, at least quarterly, by Probation Boards and the process is overseen by their Audit Committees who, in some cases, review risks on behalf of Boards. There is a process in place whereby Probation Boards can escalate risks through Directors of Offender Management to the NOMS Agency Board. The risk management process within the Probation Service is consistent with HM Treasury guidelines and with the NOMS and Ministry of Justice guidance.



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

#### **4. The Risk and Control Framework**

As Accountable Officer for the Probation Service, I lead the risk management process, although Probation Board risks are identified and managed primarily at Board level.

The key elements of the risk management strategy operating across Probation Boards include:

- agreed criteria for assessing likelihood and impact;
- risk owners identified at senior level for key risks responsible for reporting back to Boards on what is in place to manage the risk and how well those systems and processes are working;
- risk owners assess how well the risk is being managed overall and, on the basis of actions proposed to improve risk management, forecast any change to impact and likelihood by the end of the next quarter;
- assessments reviewed by Boards at least quarterly at a detailed level and agreed (or changed) following discussion and challenge;
- process for escalating and down-rating risks;
- regular consideration of new risks that may be emerging.

Although operational risk management is well understood in Probation, there are a number of ways in which business risk management is being embedded in the organisation:

- the requirement to identify, assess and evaluate key risks built into the planning guidance;
- facilitated workshops to identify and keep up to date the record of key risks facing the organisation; and
- NOMS Internal Audit provide advice and guidance on the development and maintenance of risk registers as part of their audit activity.

#### **5. Review of effectiveness**

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, and the executive managers who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review and

the effectiveness of the system of internal control by the Agency Board, the Agency Audit Committee, which includes four independent members (one of whom chairs it), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I have established the following processes to maintain and review the effectiveness of the system of internal control and risk management across the Agency overall and specifically within Probation:

- an Executive Management Committee which meets weekly to discuss and consider current business issues;
- an Agency Board which meets monthly to consider the plans and strategic direction of the Agency and, each quarter, to review performance and key risks. During 2009–10 the Board comprised the Director General, the Chief Operating Officer, the Directors of HR, Finance, IT, Capacity and Operational Policy & Commissioning, representatives from the Ministry of Justice and the three non-executive directors;
- annual assurance statements from each of my Directors covering the key systems for which they are responsible;
- reports from independent bodies which include HM Inspector of Probation and Audit Commission;
- regular reports by Internal Audit, which meet the Government Internal Audit Standards, which include the Head of Audit & Corporate Assurance's independent opinion on the adequacy and effectiveness of risk, control and governance arrangements in Probation Boards, together with recommendations for improvement;
- bi-lateral meetings with the Head of Audit & Corporate Assurance to discuss emerging issues in Probation Boards;
- a self assessment process for Probation Boards, which requires staff to assess the quality of a sample of their casework;
- implementation of a robust prioritisation methodology for actions based on risk ranking and cost-benefit analysis;
- establishment of key performance indicators and regular review of performance against them;
- an annual report from the Agency Chair of the Audit Committee concerning risk management and internal control; and
- attending the Agency Audit Committee meetings.

## **6. Information Assurance**

I have appointed a Senior Information Risk Officer to advise me on the effectiveness with which we manage the risks associated with information. He is informed by the work of an Information Assurance Team and by the work of Internal Audit. Each of the Agency's Probation Boards has a detailed information asset register. We have established a small team to deal with all aspects of non-IT related risk management. Part of its role is to provide an

advice service for all business units across NOMS and a data incident reporting service. Information Assurance is explicitly covered in each of the Probation Boards Statements on Internal Control and no significant incidents have been reported. Two instances of data loss have been reported to the Information Commissioner's Office.

## 7. Significant Control Issues

During 2009–10 audit activity within Probation Boards was focused not only on topics that were considered important locally, but also on 4 core areas that I consider to be a high risk to the Agency, as well as to local Accounting Officers: Information Assurance, Risk Management, Performance Management Information and the Financial Control Framework. Internal Audit reported that of the total 233 systems reviewed (both local and core), 191 were adequately controlled or better. On the basis of work conducted during 2009–10, the Head of Audit & Corporate Assurance was able to give a reasonable level of assurance that risk management, control and governance processes were adequate to achieve the Probation Service objectives in all but 2 of the 34 Boards, where the assurance was limited.

NOMS Internal Audit have been consulted about the following significant potential control issue identified by management for inclusion in this statement, and confirm that from the evidence of their work there are no other key issues to be included of which they are aware.

### Impact of Sonnex

The Sonnex Case posed a significant control issue with considerable reputational and resource impact for both NOMS and London Probation. Following publication of the NOMS case review and before the outcome of the trial the Agency and London Probation had put into place various counter-measures to maintain public confidence and manage risk. These included placing the Area on Directed Improvement and commissioning an independent review of Risk of Harm management by HMIP. They have implemented the findings of the various reviews. The findings from the HMIP report confirmed that London Probation needed to further improve the quality of Risk of Harm assessment and management work, and an action plan to do this is in place. HMIP carried out their follow up inspection of London Probation in July 2010. The report was published formally on 25 October 2010. The report records significant improvement in London's performance in risk of harm practice, with risk of harm work carried out satisfactorily in 74% of cases, up from 54% on the previous inspection. Further work has been completed nationally with improved mechanisms to monitor arrangements for supervising higher risk offenders.

*Michael Spurr*

NOMS Chief Executive Officer and Accountable Officer

18 January 2011

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

I certify that I have audited the financial statements of the Consolidated Accounts of the Local Probation Boards for the year ended 31 March 2010 under the Criminal Justice and Court Services Act 2000. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Chief Executive/Accounting Officer and auditor**

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the Foreword and the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 Consolidated Accounts of the Local Probation Boards and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Offender Management Service; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Consolidated Account of the Local Probation Boards' affairs as at 31 March 2010, and of its net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Criminal Justice and Court Services Act 2000.

### **Opinion on other matters**

In my opinion:

- the information given in the Foreword 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 are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General  
National Audit Office  
157–197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP  
24 January 2011

## Operating Cost Statement for the year ended 31 March 2010

	Notes	2009–2010		Restated 2008–2009	
		£000	£000	£000	£000
<b>Administration Costs:</b>					
Staff costs	2(a)	520,071		539,098	
Other administration costs	4	208,589		201,179	
Income	6(a)	<u>(25,776)</u>		<u>(26,606)</u>	
<b>Net Administration Costs</b>		<b>702,884</b>		<b>713,671</b>	
 <b>Programme Costs:</b>					
Staff costs	5(a)	3,444		2,665	
Programme costs	5(b)	5,033		3,479	
Income	6(b)	<u>(8,547)</u>		<u>(6,299)</u>	
<b>Net Programme Costs</b>		<b>(70)</b>		<b>(155)</b>	
 <b>Net Operating Costs</b>			<u><b>702,814</b></u>		<u><b>713,516</b></u>

All income and expenditure is derived from continuing operations.

The Notes on pages 24 to 57 form part of these accounts.

## Statement of Financial Position as at 31 March 2010

		2009–2010	Restated 2008–2009	Restated 2007–2008
	Notes	£000	£000	£000
<b>Non-current assets</b>				
Property, plant and equipment	7	6,558	6,856	6,153
Intangible assets	7(a)	2,465	222	181
Other receivables > 1 year	8(a)	457	220	368
<b>Total non-current assets</b>		<b>9,480</b>	<b>7,298</b>	<b>6,702</b>
<b>Current assets</b>				
Assets classified as held for sale	8(c)	0	0	0
Trade and other receivables	8(a)	16,958	18,691	20,370
Cash and cash equivalents	9	57,342	36,252	27,559
<b>Total current assets</b>		<b>74,300</b>	<b>54,943</b>	<b>47,929</b>
<b>Total assets</b>		<b>83,780</b>	<b>62,241</b>	<b>54,631</b>
<b>Current (liabilities)</b>				
Trade and other payables	10(a)	(58,168)	(50,667)	(43,924)
<b>Non current assets plus/less net current assets/(liabilities)</b>		<b>25,612</b>	<b>11,574</b>	<b>10,707</b>
<b>Non-current (liabilities)</b>				
Other payables > 1 year	10(b)	(26)	(33)	(33)
Provisions for liabilities and charges	11	(36,808)	(35,924)	(31,446)
Pension Liability	3(c)	(1,123,206)	(572,658)	(402,758)
<b>Total non-current (liabilities)</b>		<b>(1,160,040)</b>	<b>(608,615)</b>	<b>(434,237)</b>
<b>Assets less liabilities</b>		<b>(1,134,428)</b>	<b>(597,041)</b>	<b>(423,530)</b>
<b>Taxpayers' equity:</b>				
General fund	12	(1,135,190)	(597,533)	(423,743)
Revaluation reserve	13(a)	738	464	201
Donated asset reserve	13(b)	24	28	12
		<b>(1,134,428)</b>	<b>(597,041)</b>	<b>(423,530)</b>

Michael Spurr  
NOMS Chief Executive Officer & Accountable Officer

18 January 2011

The Notes on pages 24 to 57 form part of these accounts.

## Statement of Changes In Taxpayers' Equity

	Notes	General Fund	Revaluation Reserve	Donated Asset Reserve	Total
		£000	£000	£000	£000
Balance under UK GAAP at 31 March 2008		(420,325)	201	12	(420,112)
First time adoption of IFRS		(3,418)	0	0	(3,418)
<b>1 April 2008</b>		<b>(423,743)</b>	<b>201</b>	<b>12</b>	<b>(423,530)</b>
<b>Changes in taxpayers' equity for 2008–09</b>					
Net operating cost for the year		(713,516)			(713,516)
Operating income to be surrendered (interest received)	12	(1,268)			(1,268)
Net gain/(loss) on revaluation of property, plant and equipment	13a		263		263
Donated Assets Reserve	13b			16	16
Notional Items					
Cost of capital charge	12	(15,809)			(15,809)
Auditor's remuneration	12	73			73
Net asset transfers in/(out)	12	(6)			(6)
Transferred from revaluation reserve	12	23			23
Net NOMS Financing received in year	12	705,893			705,893
Pension Actuarial (Loss)/Gain	12	(149,215)			(149,215)
Income not appropriated in aid paid to Consolidated Fund		0			0
Machinery Of Government Changes		35			35
<b>Balance as at 31 March 2009</b>		<b>(597,533)</b>	<b>464</b>	<b>28</b>	<b>(597,041)</b>

The Notes on pages 24 to 57 form part of these accounts.



		General Fund	Revaluation Reserve	Donated Asset Reserve	Total
Notes	£000	£000	£000	£000	£000
<b>Changes in taxpayers' equity for 2009–10</b>					
		(702,814)			(702,814)
		(117)			(117)
			274		274
				(4)	(4)
		(27,410)			(27,410)
		79			79
		2			2
		48			48
		719,396			719,396
		(526,841)			(526,841)
		0			0
		0			0
		(1,135,190)	738	24	(1,134,428)

The Notes on pages 24 to 57 form part of these accounts

## Cash Flow Statement for the period ended 31 March 2010

	<u>Notes</u>	<b>2009–2010</b> <u>£000</u>	<b>Restated</b> <b>2008–2009</b> <u>£000</u>
Net cash outflow from operating activities	14(a)	(693,054)	(692,920)
Capital expenditure and financial investment	14(b)	(3,984)	(2,198)
Financing	14(c)	718,128	703,789
<b>Increase / (decrease) in cash in the period</b>		<b><u>21,090</u></b>	<b><u>8,671</u></b>

The Notes on pages 24 to 57 form part of these accounts.

## Notes to the Accounts

### 1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2009–10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate and gives a true and fair view has been selected. The Probation Area's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting Convention

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

#### 1.2 First-time adoption of IFRS

The Accounts have been prepared under the International Financial Reporting Standards (IFRS), which have been adopted for the first time in 2009–10.

The financial impact of adopting IFRS is disclosed in Note 25.

Adjustments to the accounts in relation to the adoption of IFRS can be summarised as:

- Recognition of a liability for outstanding annual leave;
- Prior year comparatives have been restated in respect of the above changes.

#### 1.3 Comparatives

With effect from 1 April 2009, two former Probation Boards were dissolved and established as Probation Trusts under the Offender Management Act 2007. The comparatives have therefore been restated on the basis of consolidating the remaining 34 Boards.

#### 1.4 Going concern

The Statement of Financial Position at 31 March 2010 shows negative Taxpayers' Equity. This reflects the inclusion of liabilities falling due in future years which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet Net Cash Requirement of the Ministry of Justice of which the NPS is part. Under Government Resources and Accounts Act 2000, no

money may be drawn from the fund by the Ministry of Justice other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the NPS liabilities is accordingly to be met by future grants of Supply to the Ministry of Justice and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2010–11 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for preparation of these financial statements.

### **1.5 Tangible Non-Current Assets**

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

All land and building assets used by Probation Areas 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 4 (a), other administration costs under “accommodation, maintenance & utilities”. The charge to the Probation Area does not represent the full cost incurred by NOMS. Recharges are calculated using national rates agreed at the start of the financial year and are based on bed space for Approved Premises and by gross internal area for the Commercial Estate.

### **1.6 Depreciation**

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

Asset lives are normally in the following ranges:

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

### **1.7 Impairment**

All 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. Any reversal of an impairment charge is recognised in the Operating Cost

Statement to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in the Operating Cost Statement. The remaining amount is recognised in the Revaluation Surplus.

### **1.8 Intangible Non-Current Assets**

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

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

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

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

The intangible assets are amortised using the straight-line method over its anticipated useful life. The useful lives of the software range from 3 to 10 years.

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

### **1.9 Donated Assets**

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

### **1.10 Inventories**

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

### **1.11 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 Area. This comprises rent receivables, income from EU sources, income from other Government Departments and miscellaneous income. Fees and charges for services are recovered on a full cost basis in accordance with the Treasury's Fees and Charges guide.

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

### **1.12 Administration and Programme Expenditure**

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in the Spending Review by HM Treasury.

### **1.13 Capital Charge**

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

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

## **1.14 Pensions**

Past and present employees are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits. Under the LGPS Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. 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. Where the actual asset values at 31 March 2010 are materially different to those estimates and the impact on the Probation Area's share of the asset values are material, a disclosure within the Local Notes which discloses more information in the notes to their individual accounts is made.

## **1.15 Early Departure Costs**

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

## **1.16 Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, 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 Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

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 be extrapolated from the lease.

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

### **Operating Leases**

Trusts have entered into a number of operating lease arrangements. Rentals under operating leases are charged to the Operating Cost Statement on a straight-line basis.

### **Operating Leases – Incentives**

Lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) are treated as an integral part of the consideration for the use of the leased asset. The incentives are accounted as an integral part of the net consideration agreed for the use of the leased asset over the lease term, with each party (the lessor and lessee) using a single amortisation method applied to the net consideration.

### **IFRIC 4 Determining Whether an Arrangement Contains a Lease**

In determining whether the Board holds a lease, contracts that use assets are assessed to determine whether the substance of the arrangements contain a lease. The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The arrangement is then assessed under IAS 17 to determine whether it should be accounted for as a finance or operating lease.

## **1.17 Grants Receivable**

Monies received as grants (of any nominal type, classification, or attached conditions) are treated as financing rather than income and are recognised in the accounts by directly crediting the General Fund and are also reflected elsewhere in the statements for example in the Cash Flow statement.

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



### **1.18 Provisions**

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

### **1.19 Value Added Tax**

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

### **1.20 IFRS 8 – Segmental Reporting**

The 34 local Probation Boards each report their financial information to their own Management Board, based on their own individual structures, under IFRS 8 Segmental Reporting. However, NOMS reports to the NOMS Management Board on the combined financial information of the whole Agency (including Prisons, Probation Boards and Trusts), rather than the Boards alone. Therefore, there is no separate management information just for the Boards to report here.

### **1.21 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.

## 2 Staff numbers and related costs

2(a) Total staff costs comprise:

	2009–2010			Restated 2008–2009
	£000	£000	£000	£000
	<b>Permanently -employed</b>			
	<b>Total</b>	<b>staff</b>	<b>Others</b>	<b>Total</b>
Wages and salaries	471,391	453,418	17,973	473,323
Social security costs	34,401	34,339	62	34,364
Other pension costs	51,639	51,616	23	70,256
<b>Sub Total</b>	<b>557,431</b>	<b>539,373</b>	<b>18,058</b>	<b>577,943</b>
Less recoveries in respect of outward secondments	(37,360)	(37,360)	0	(38,845)
<b>Total net admin costs</b>	<b>520,071</b>	<b>502,013</b>	<b>18,058</b>	<b>539,098</b>
Net programme costs	3,444	2,606	838	2,665
<b>Total Staff Costs</b>	<b>523,515</b>	<b>504,619</b>	<b>18,896</b>	<b>541,763</b>

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

41 persons (2008–09: 36 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £685,331 (2008–09: £1,514,674).

2(b) Average number of persons employed

2009–2010			Restated 2008–2009
<b>Permanently -employed</b>			
<b>Total</b>	<b>staff</b>	<b>Others</b>	<b>Total</b>
15,475	15,007	468	16,108
<b>15,475</b>	<b>15,007</b>	<b>468</b>	<b>16,108</b>

### 3 Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the 34 Probation Boards offer retirement benefits. Although these will not actually be payable until employees retire, the Boards have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The provisions of the Local Government Pension Scheme (LGPS), which are statutory and fully funded, cover present and past employees. The 34 Probation Boards participate in the Local Government Pension Scheme administered by various bodies.

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

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

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

**3(a)** A full actuarial valuation was carried out by various actuaries. For 2009–10, employer’s contributions of £75,865,221 were payable to the LGPS (2008–09 £71,042,138) in a range from 13.50% to 26.4%. The scheme’s Actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Partnership accounts are excluded under IAS 19.

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

- Employer’s contributions for 2009–10 were 18.01% of salaries; and,
- Employer’s contributions for 2010–11 will be 17.95% of salaries; and,
- Employer’s contributions for 2011–12 will be 18.20% of salaries.

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

	2009–2010	Restated 2008–2009
	%	%
Inflation assumption	3.7%	3.2%
Rate of increase in salaries	5.3%	4.7%
Rate of increase for pensions in payment and deferred pensions	4.3%	3.8%
Discount rate	5.5%	6.9%

**Mortality Assumptions**

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

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

	Expected long-term rate of return at 2009–2010	Value at 2009–2010	Expected long-term rate of return Restated 2008–2009	Restated Value at 2008–2009	Expected long-term rate of return Restated 2007–2008	Restated Value at 2007–2008
	%	£000	%	£000	%	£000
Equities	7.7%	1,099,907	7.2%	731,679	7.6%	952,637
Government Bonds	3.8%	170,622	3.5%	144,252	4.2%	182,436
Other Bonds	4.4%	141,060	4.9%	134,522	4.8%	133,047
Property	6.1%	111,334	5.5%	97,493	5.9%	109,913
Other	4.3%	83,399	3.4%	71,362	5.2%	68,264
<b>Total</b>	<b>4.1%</b>	<b>1,606,322</b>	<b>3.4%</b>	<b>1,179,308</b>	<b>3.8%</b>	<b>1,446,297</b>

**(Present value of scheme liabilities)**

(2,729,528)

(1,751,966)

(1,849,055)

**Surplus/ (Deficit) of the scheme**

(1,123,206)

(572,658)

(402,758)

**Net Pension Asset / (Liability)**

(1,123,206)

(572,658)

(402,758)

**3(d) Pension Cost**

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
Current service cost	45,845	59,489
Past service cost	2,447	9,358
Effect of Curtailment or Settlement	3,620	1,675
<b>Total operating charge</b>	<b>51,912</b>	<b>70,522</b>

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

	<b>2009–2010</b>	<b>Restated 2008–2009</b>	<b>Restated 2007–2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets	(74,990)	(100,516)	(80,911)
Interest on pension scheme liabilities	121,276	122,340	81,175
<b>Net return</b>	<b>46,286</b>	<b>21,824</b>	<b>264</b>

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

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
<b>Opening present value of liabilities</b>	<b>1,751,969</b>	1,850,253
Current service cost	45,845	59,489
Interest cost	121,276	122,340
Contributions by Members	26,525	25,983
Actuarial (gains)/losses on liabilities *	852,416	(255,534)
Benefits paid	(74,562)	(61,595)
Past service costs	2,447	9,358
Curtailments/Settlements	3,620	1,675
<b>Closing present value of liabilities</b>	<b>2,729,536</b>	<b>1,751,969</b>

\* Includes changes to actuarial assumptions

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

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of assets</b>	<b>1,179,311</b>	1,447,482
Expected return on assets	74,990	100,516
Actuarial gains/(losses) on assets	325,023	(404,765)
Contributions by the Employer	74,417	71,663
Contributions by Members	26,525	25,983
Benefits paid	(74,562)	(61,568)
Settlements	127	0
<b>Closing fair value of assets</b>	<b>1,605,831</b>	<b>1,179,311</b>

**3(h) Actual return on assets**

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
Expected return on assets	74,990	100,516
Actuarial gains/(losses) on assets	325,023	(404,765)
<b>Actual return on assets</b>	<b>400,013</b>	<b>(304,249)</b>

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

	<b>2009–2010</b>	<b>Restated 2008–2009</b>	<b>Restated 2007–2008</b>	<b>Restated 2006–2007</b>	<b>Restated 2005–2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value of assets	1,605,831	1,179,311	1,447,480	1,504,489	1,358,851
Present value of liabilities	2,729,536	1,751,969	1,850,251	1,956,394	1,556,243
<b>Surplus / (Deficit)</b>	<b>(1,123,705)</b>	<b>(572,658)</b>	<b>(402,771)</b>	<b>(451,905)</b>	<b>(197,392)</b>
Experience gains / (losses) on scheme assets:	307,376	(354,149)	(182,071)	2,737	166,358
Experience gains / (losses) on scheme liabilities:	40,704	(23,094)	93,313	(1,996)	(13,846)

#### 4 Other Administration Costs

	2009–2010		Restated 2008–2009	
	£000	£000	£000	£000
Rentals under operating leases	1,197		1,092	
Interest charges	2		1	
Finance charges/(income) – pension costs	46,286		21,824	
Accommodation, maintenance and utilities	61,673		62,730	
Travel, subsistence and hospitality	16,564		18,835	
Professional services	10,157		10,280	
IT services	15,682		17,564	
Communications, office supplies and services	16,527		16,449	
Other staff related	14,909		13,345	
Offender costs	26,116		28,702	
Other expenditure	16,012		16,278	
Auditors' remuneration and expenses	1,304		1,286	
		226,429		208,386
Non-cash items				
Notional Audit fee for the consolidated accounts	79		73	
Depreciation of tangible non-current assets	1,997		1,831	
Amortisation of intangible non-current assets	42		14	
Impairment of non-current assets	2		6	
Profit on disposal of fixed assets	0		0	
Loss on disposal of fixed assets	49		50	
Cost of capital charges	(27,410)		(15,806)	
Early retirement provision provided for in year (net)	1,347		2,101	
Other provisions provided for in year (net)	6,054		4,524	
		(17,840)		(7,207)
<b>Total</b>		<b>208,589</b>		<b>201,179</b>

Included within staff costs and other admin costs above, the National Probation Service incurred expenditure of £3,112,317 in preparing for the move to Trust Status from 1 April 2010. These costs are split as follows: staff costs £1,327,317 and other costs £1,785,000.

## 5 Programme Costs

### 5(a) Staff Costs

	2009–2010			Restated 2008–2009
	£000	£000	£000	£000
	<b>Permanently -employed</b>			
	<b>Total</b>	<b>staff</b>	<b>Others</b>	<b>Total</b>
Wages and salaries	3,034	2,196	838	2,286
Social security costs	137	137	0	138
Other pension costs	273	273	0	266
<b>Sub total</b>	<b>3,444</b>	<b>2,606</b>	<b>838</b>	<b>2,690</b>
Less recoveries in respect of outward secondments	0	0	0	25
<b>Net programme staff costs</b>	<b>3,444</b>	<b>2,606</b>	<b>838</b>	<b>2,665</b>

### 5(b) Other Programme Costs

Current expenditure	5,033	3,479
<b>Total Programme Costs</b>	<b>8,477</b>	<b>6,144</b>



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

	<b>2009–2010</b>		<b>Restated 2008–2009</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income received from the Sponsoring Department	0		0	
Rent receivable from minor occupiers of Probation Estate property:				
From within the departmental boundary	73		96	
From other government bodies	0		0	
From external tenants	5		5	
		<b>78</b>		<b>101</b>
EU funding: direct contributions to Areas' activities		7		168
Income received: from other government bodies		14,257		12,032
Miscellaneous Income		11,317		13,037
		<b>25,659</b>		<b>25,338</b>
<b>Operating Income to be Surrendered</b>				
Interest received:				
From bank	84		1,209	
From car loans	32		44	
From other sources	1		15	
Total operating income to be surrendered		117		1,268
<b>Total Administration Income</b>		<b>25,776</b>		<b>26,606</b>

**6(b) Programme Income**

EU funding	5,857		3,323	
Other programme income	2,690		2,976	
<b>Total Programme Income</b>		<b>8,547</b>		<b>6,299</b>
<b>Total Operating Income</b>		<b>34,323</b>		<b>32,905</b>

## 7 Property, plant and equipment

	2009–2010				
	Information Technology £000	Plant & Equipment £000	Furniture & Fittings £000	Vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2009	525	5,568	982	7,787	14,862
Additions	120	274	0	1,069	1,463
Donations	0	0	0	0	0
Net Transfers In/Out	0	(35)	0	0	(35)
Disposals	(51)	(233)	(30)	(743)	(1,057)
Revaluations	0	(45)	0	14	(31)
Indexation	(26)	259	29	312	574
Impairment	0	(2)	0	0	(2)
<b>At 31 March 2010</b>	<b>568</b>	<b>5,786</b>	<b>981</b>	<b>8,439</b>	<b>15,774</b>
<b>Depreciation</b>					
At 1 April 2009	219	2,532	708	4,547	8,006
Charged in year	88	917	138	854	1,997
Net Transfers In/Out	(1)	(33)	0	1	(33)
Disposals	(51)	(221)	(30)	(672)	(974)
Revaluations	0	(41)	0	3	(38)
Indexation	(10)	102	18	148	258
Impairment	0	0	0	0	0
<b>At 31 March 2010</b>	<b>245</b>	<b>3,256</b>	<b>834</b>	<b>4,881</b>	<b>9,216</b>
<b>Net Book Value at 31 March 2010</b>	<b>323</b>	<b>2,530</b>	<b>147</b>	<b>3,558</b>	<b>6,558</b>
<b>Net Book Value at 31 March 2009</b>	<b>306</b>	<b>3,036</b>	<b>274</b>	<b>3,240</b>	<b>6,856</b>
<b>Asset Financing:</b>					
Owned	323	2,530	147	3,558	6,558
Finance Lease	0	0	0	0	0
<b>Net Book Value at 31 March 2010</b>	<b>323</b>	<b>2,530</b>	<b>147</b>	<b>3,558</b>	<b>6,558</b>

	<b>Restated 2008–2009</b>				
	<b>Information Technology £000</b>	<b>Plant &amp; Equipment £000</b>	<b>Furniture &amp; Fittings £000</b>	<b>Vehicles £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 April 2008	351	4,735	1,021	6,852	<b>12,959</b>
Additions	207	1,114	0	1,004	<b>2,325</b>
Donations	0	0	0	16	<b>16</b>
Net Transfers In/Out	(20)	14	0	0	<b>(6)</b>
Disposals	(1)	(384)	0	(557)	<b>(942)</b>
Revaluations	0	(5)	0	0	<b>(5)</b>
Indexation	(12)	94	(33)	472	<b>521</b>
Impairment	0	0	(6)	0	<b>(6)</b>
<b>At 31 March 2009</b>	<b>525</b>	<b>5,568</b>	<b>982</b>	<b>7,787</b>	<b>14,862</b>
<b>Depreciation</b>					
At 1 April 2008	184	2,050	563	4,009	<b>6,806</b>
Charged in year	49	759	163	825	<b>1,796</b>
Net Transfers In/Out	(4)	4	0	0	<b>0</b>
Disposals	(1)	(307)	0	(518)	<b>(826)</b>
Revaluations	0	(6)	0	0	<b>(6)</b>
Indexation	(9)	31	(18)	226	<b>230</b>
Impairment	0	1	0	5	<b>6</b>
<b>At 31 March 2009</b>	<b>219</b>	<b>2,532</b>	<b>708</b>	<b>4,547</b>	<b>8,006</b>
<b>Net Book Value at 31 March 2009</b>	<b>306</b>	<b>3,036</b>	<b>274</b>	<b>3,240</b>	<b>6,856</b>
<b>Net Book Value at 31 March 2008</b>	<b>167</b>	<b>2,685</b>	<b>458</b>	<b>2,843</b>	<b>6,153</b>
<b>Asset Financing:</b>					
Owned	306	3,036	274	3,240	<b>6,856</b>
Finance Lease	0	0	0	0	<b>0</b>
<b>Net Book Value at 31 March 2009</b>	<b>306</b>	<b>3,036</b>	<b>274</b>	<b>3,240</b>	<b>6,856</b>

## 7(a) Intangible assets

	2009–2010				Total £000
	IT & Software £000	£000	£000	£000	
<b>Cost or valuation</b>					
At 1 April 2009	288	-	-	-	288
Additions	2,352	-	-	-	2,352
Donations	0	-	-	-	0
Net Transfers In/Out	0	-	-	-	0
Disposals	(84)	-	-	-	(84)
Revaluations	0	-	-	-	0
Indexation	(6)	-	-	-	(6)
Impairment	0	-	-	-	0
<b>At 31 March 2010</b>	<b>2,550</b>	-	-	-	<b>2,550</b>
<b>Amortisation</b>					
At 1 April 2009	66	-	-	-	66
Charged in year	42	-	-	-	42
Net Transfers In/Out	0	-	-	-	0
Disposals	(18)	-	-	-	(18)
Revaluations	0	-	-	-	0
Indexation	(5)	-	-	-	(5)
Impairment	0	-	-	-	0
<b>At 31 March 2010</b>	<b>85</b>	-	-	-	<b>85</b>
<b>Net Book Value at 31 March 2010</b>	<b>2,465</b>	-	-	-	<b>2,465</b>
<b>Net Book Value at 31 March 2009</b>	<b>222</b>	-	-	-	<b>222</b>
<b>Asset Financing:</b>					
Owned	2,465	-	-	-	2,465
Finance Lease	0	-	-	-	0
<b>Net Book Value at 31 March 2010</b>	<b>2,465</b>	-	-	-	<b>2,465</b>

	Restated 2008–2009				
	IT & Software £000				Total £000
<b>Cost or valuation</b>					
At 1 April 2008	205	-	-	-	205
Additions	91	-	-	-	91
Donations	0	-	-	-	0
Net Transfers In/Out	0	-	-	-	0
Disposals	0	-	-	-	0
Revaluations	0	-	-	-	0
Indexation	(8)	-	-	-	(8)
Impairment	0	-	-	-	0
<b>At 31 March 2009</b>	<b>288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>288</b>
<b>Amortisation</b>					
At 1 April 2008	24	-	-	-	24
Charged in year	42	-	-	-	42
Net Transfers In/Out	0	-	-	-	0
Disposals	0	-	-	-	0
Revaluations	0	-	-	-	0
Indexation	0	-	-	-	0
Impairment	0	-	-	-	0
<b>At 31 March 2009</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66</b>
<b>Net Book Value at 31 March 2009</b>	<b>222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222</b>
<b>Net Book Value at 31 March 2008</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181</b>
<b>Asset Financing:</b>					
Owned	222	-	-	-	222
Finance Lease	0	-	-	-	0
<b>Net Book Value at 31 March 2009</b>	<b>222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222</b>

## 8 Trade receivables and other current assets

### 8(a) Analysis by type

	<b>31 March 2010</b>	<b>Restated 31 March 2009</b>	<b>Restated 31 March 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one Year:</b>			
Trade receivables	4,068	4,493	3,141
VAT	1,398	979	824
Deposits and advances	593	298	529
Receivables due from Probation Trusts	200	60	10
Receivables due from NOMS Agency	4,801	5,257	7,382
Receivables due from the Ministry of Justice – HQ	220	187	510
Receivables due from HM Courts Service (HMCS)	4	5	52
Receivables due from the Tribunals Service (TS)	9	0	0
Receivables due from the Office of Public Guardian (OPG)	0	0	0
Other receivables	3,188	2,613	4,109
Prepayments and accrued income	2,477	4,799	3,813
	<b>16,958</b>	<b>18,691</b>	<b>20,370</b>
<b>Amounts falling due after more than one Year:</b>			
Trade receivables	0	0	0
Deposits and advances	100	195	341
Other receivables	7	25	27
Prepayments and accrued Income	350	0	0
	<b>457</b>	<b>220</b>	<b>368</b>
<b>Total at 31 March</b>	<b>17,415</b>	<b>18,911</b>	<b>20,738</b>

**8(b) Intra-Government Balances**

	Amounts falling due within one Year:		Amounts falling due after more than one Year:	
	31 March 2010 £000	Restated 31 March 2009 £000	31 March 2010 £000	Restated 31 March 2009 £000
Balances with other central government bodies (inc parent dept)	8,469	7,570	0	0
Balances with local authorities	3,168	2,200	0	0
Balances with NHS Trusts	196	344	0	0
Balances with public corporations and trading funds	8	15	0	0
<b>Subtotal: intra-government balances</b>	<b>11,841</b>	<b>10,129</b>	<b>0</b>	<b>0</b>
Balances with bodies external to government	5,117	8,562	457	220
<b>Total at 31 March</b>	<b>16,958</b>	<b>18,691</b>	<b>457</b>	<b>220</b>

**8(c) Assets held for resale**

As at 31 March 2010 there are no assets held for resale.

**9 Cash at Bank and in hand**

	31 March 2010 £000	Restated 31 March 2009 £000	Restated 31 March 2008 £000
Balance at 1 April	36,252	27,559	29,705
Net change in cash balances	21,090	8,693	(2,146)
<b>Balance at 31 March</b>	<b>57,342</b>	<b>36,252</b>	<b>27,559</b>
The following balances at 31 March are held at:			
Office of HM Paymaster General	0	0	0
Commercial banks and cash in hand	57,342	36,252	27,559
<b>Balance at 31 March</b>	<b>57,342</b>	<b>36,252</b>	<b>27,559</b>

**10 Trade payables and other current liabilities****10(a) Analysis by type**

	<b>31 March 2010</b>	<b>Restated 31 March 2009</b>	<b>Restated 31 March 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one Year:</b>			
VAT	144	147	190
Other taxation and social security	9,082	6,870	6,096
Trade payables	9,568	10,620	9,351
Other payables	3,355	3,814	3,813
Accruals and deferred income	20,551	16,989	13,105
Staff payables	6,221	6,823	5,173
Bank overdraft	112	0	0
Payables due to Probation Trusts	240	154	148
Payables due to NOMS Agency	3,096	278	309
Payables due to the Ministry of Justice – HQ	48	63	4
Payables due to HM Courts Service (HMCS)	39	11	10
Payables due to the Tribunals Service (TS)	0	0	0
Payables due to the Office of Public Guardian (OPG)	1	0	0
Unpaid pension contributions due to the pension scheme	5,496	3,336	3,531
Long Term Liabilities due within one year	0	0	0
Operating Income to be surrendered (Interest received)	117	1,268	2,052
Fixed asset accruals	98	294	142
	<b>58,168</b>	<b>50,667</b>	<b>43,924</b>
<b>Amounts falling due after more than one Year:</b>			
Staff Payables	0	0	0
Other Payables	26	33	33
	<b>26</b>	<b>33</b>	<b>33</b>
<b>Total at 31 March</b>	<b>58,194</b>	<b>50,700</b>	<b>43,957</b>



## 10(b) Intra-Government Balances

	Amounts falling due within one Year:		Amounts falling due after more than one Year:	
	31 March 2010 £000	Restated 31 March 2009 £000	31 March 2010 £000	Restated 31 March 2009 £000
Balances with other central government bodies (inc parent dept)	4,743	1,330	26	26
Balances with local authorities	2,112	2,883	0	0
Balances with NHS Trusts	157	242	0	0
Balances with public corporations and trading funds	91	126	0	0
Subtotal: intra-government balances	7,103	4,581	26	26
Balances with bodies external to government	51,065	46,086	0	7
<b>Total at 31 March</b>	<b>58,168</b>	<b>50,667</b>	<b>26</b>	<b>33</b>

## 11 Provisions for Liabilities and Charges

	2009–2010		
	Early Retirement and Pension Commitments Added Years £000	Other Provisions £000	Total £000
Balance at 1 April 2009	30,415	5,509	35,924
Provided in the year	1,424	6,358	7,782
Provisions not required written back	(77)	(304)	(381)
Provisions utilised in the year	(2,082)	(4,435)	(6,517)
<b>Balance at 31 March 2010</b>	<b>29,680</b>	<b>7,128</b>	<b>36,808</b>
	Restated 2008–2009		
	Early Retirement and Pension Commitments Added Years £000	Other Provisions £000	Total £000
Balance at 1 April 2008	30,122	1,324	31,446
Provided in the year	2,108	4,632	6,740
Provisions not required written back	(7)	(107)	(114)
Provisions utilised in the year	(1,808)	(340)	(2,148)
<b>Balance at 31 March 2009</b>	<b>30,415</b>	<b>5,509</b>	<b>35,924</b>
	Restated 2007–2008		
	Early Retirement and Pension Commitments Added Years £000	Other Provisions £000	Total £000
Balance at 1 April 2007	29,774	873	30,647
Provided in the year	2,121	988	3,109
Provisions not required written back	(32)	(386)	(418)
Provisions utilised in the year	(1,741)	(151)	(1,892)
<b>Balance at 31 March 2008</b>	<b>30,122</b>	<b>1,324</b>	<b>31,446</b>

### Early Retirement and Pension Commitments

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

### Other

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

## 12 General Fund

	<b>2009–2010</b>	<b>Restated 2008–2009</b>	<b>Restated 2007–2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	(597,533)	(423,743)	(456,026)
Financing activities:			
Net NOMS Financing received in year (excluding Training Consortia)	628,439	598,307	550,296
Training Consortia financing received from NOMS in the capacity as Lead Area	10,366	16,730	17,400
Training Consortia financing from NOMS received by the Area	10,340	16,427	17,247
Training Consortia financing received from the Areas within their consortia	291	0	0
Training Consortia financing transferred from the Lead Area to the Areas within their consortia	(390)	(503)	(170)
Training Consortia financing received from their Lead Area	518	864	389
Training Consortia financing transferred to their Lead Area	(113)	(61)	(56)
Training Consortia financing received by the Area from another non-lead Area	0	0	0
Training Consortia financing transferred from the Area to another non-lead Area	0	0	0
Recharges by NOMS for centrally provided services	69,945	74,129	79,340
Net transfers from Operating Activities:			
Net operating cost for the year	(702,814)	(713,516)	(668,213)
Operating income to be surrendered (Interest received)	(117)	(1,268)	(2,052)
Non-Cash Charges:			
Cost of capital charge	(27,410)	(15,809)	(10,681)
Auditors' remuneration	79	73	(28)
Net asset transfers in/(out)	2	(6)	115
Transferred from revaluation reserve	48	23	8
Actuarial gains and losses	(526,841)	(149,215)	49,295
Changes in Accounting policy	0	(35)	(607)
<b>Balance at 31 March</b>	<b>(1,135,190)</b>	<b>(597,533)</b>	<b>(423,743)</b>

## 13 Reserves

### 13(a) Revaluation Reserve

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

	<b>2009–2010</b>	<b>Restated 2008–2009</b>	<b>Restated 2007–2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	464	201	201
Arising on revaluations of PPE + Intangibles during the year (net)	322	285	8
Transferred to General Fund	(48)	(23)	(8)
Changes in Accounting policy	0	1	0
<b>Balance at 31 March</b>	<b>738</b>	<b>464</b>	<b>201</b>

### 13(b) Donated Asset Reserve

	<b>2009–2010</b>	<b>Restated 2008–2009</b>	<b>Restated 2007–2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	28	12	12
Additions during the year	0	16	0
Revaluations	(1)	0	0
Release to the Operating Cost Statement	(3)	0	0
<b>Balance at 31 March</b>	<b>24</b>	<b>28</b>	<b>12</b>

There are no additions of donated assets in year. Gloucestershire Probation Board and Gwent Probation Board have a donated asset reserve.

## 14 Notes to the Cash Flow Statement

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

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
Net operating cost	(702,814)	(713,516)
Adjustments for non-cash transactions	(17,840)	(7,207)
(Increase)/Decrease in receivables	1,496	1,924
Increase/(Decrease) in payables	7,494	6,934
less movements in payables relating to items not passing through the OCS	1,347	410
Adjustments for pension funding	23,781	20,683
Use of provisions	(6,517)	(2,148)
<b>Net cash outflow from operating activities</b>	<b>(693,054)</b>	<b>(692,920)</b>

### 14(b) Analysis of capital expenditure and financial investment

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
Non-current asset additions	(3,806)	(2,415)
Minus opening balance for non-current asset accruals	(233)	(142)
Plus closing balance for non-current asset accruals	36	294
Plus proceeds of disposal of non-current assets	19	65
<b>Net cash outflow from investing activities</b>	<b>(3,984)</b>	<b>(2,198)</b>

### 14(c) Analysis of financing

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
Net NOMS Financing received in year (excluding Training Consortia)	628,439	598,307
Training Consortia financing received by the Lead Area from NOMS	10,366	16,730
Training Consortia financing received by the non-lead Area from NOMS	10,340	16,427
Training Consortia financing received from the area within their consortia	291	0
Training Consortia financing transferred from the Lead Area to the area within their consortia	(390)	(503)
Training Consortia financing received from their Lead Area	518	864
Training Consortia financing transferred to their Lead Area	(113)	(61)
Training Consortia financing received by the Area from another non-lead area	0	0
Training Consortia financing transferred from the Area to another non-lead area	0	0
Recharges by NOMS for centrally provided services	69,945	74,077
Consolidated Fund Extra Receipts received in prior year surrendered (Interest Received)	(1,268)	(2,052)
<b>Net financing</b>	<b>718,128</b>	<b>703,789</b>

## 15 Capital Commitments

Capital commitments at 31 March for which no provision has been made:

Committed
Authorised but not contracted
<b>Total</b>

	2009–2010	Restated 2008–2009
	£000	£000
	25	7
	0	0
<b>Total</b>	<b>25</b>	<b>7</b>

## 16 Commitments Under Leases

### 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 comprise:**

Other:
Expiry within 1 year
Expiry after 1 year but not more than 5 years
Expiry thereafter
<b>Total</b>

	2009–2010	Restated 2008–2009
	£000	£000
	470	600
	608	780
	0	0
<b>Total</b>	<b>1,078</b>	<b>1,380</b>

### Finance Leases

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

**Obligations under operating leases comprise:**

Other:
Expiry within 1 year
Expiry after 1 year but not more than 5 years
Expiry thereafter
<b>Total</b>

	2009–2010	Restated 2008–2009
	£000	£000
	25	0
	0	24
	0	0
<b>Total</b>	<b>25</b>	<b>24</b>

## 17 Other financial commitments

Avon & Somerset Probation Board has entered into non-cancellable contracts (which are not operating leases) for payroll services, occupational health for staff and drug and alcohol treatment services for offender's outsourced service provision.

Cumbria Probation Board is contracted with NOMS Property Services for the provision for accommodation. Staffordshire Probation Board entered into non-cancellable contracts (which are not leases) for outsourced services to the Area.

The payments to which these Boards are committed during 2009–10, analysed by the period during which the commitment expires are as follows:

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
Expiry within 1 year	668	1,193
Expiry within 2 to 5 years	170	319
Expiry thereafter	925	899
<b>Total</b>	<b>1,763</b>	<b>2,411</b>

## 18 Financial Instruments

As the cash requirements of the Area 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 Area's expected purchase and usage requirements as well as cash, receivables and payables, although it is felt that the Area is exposed to little credit, liquidity or market risk.

## 19 Contingent Liabilities

At the reporting period date, four Probation Boards had contingent liabilities. They are Nottinghamshire Probation Board, Sussex Probation Board, Avon & Somerset Probation Board and Hertfordshire Probation Board.

**Nottinghamshire:** There was one staff grievance procedure at 31 March 2010 which has not been upheld which is proceeding to a Board appeal.

**Sussex:** Following the amalgamation of West Sussex Probation Committee and East Sussex Probation Committee on 31 March 2001 to form Sussex Probation Board, a possible obligation exists in relation to the active and deferred pension benefits of the pensioner members that remained with the Fund at West Sussex County Council.

**Avon & Somerset:** The Board is aware of the assertion of a liability by Bath and North East Somerset Council in respect of the local government pension fund dating back to 2001. The Board has received no evidence to substantiate this assertion and has formally stated that it accepts no liability.

**Hertfordshire:** The Board is aware of outstanding employee claims which may result in a financial commitment although the amount is unknown and cannot be estimated.

## 20 Contingent Liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes

There are no contingent liabilities that are not required to be disclosed under IAS37 to be included in this note for parliamentary reporting and accountability purposes.



## 21 Losses and Special Payments

Losses Statement	2009–2010		Restated 2008–2009	
	Number of Cases	Total Value £000	Number of Cases	Total Value £000
Cash losses	24	3	7	0
Claims abandoned	0	0	0	0
Administrative write-offs	47	87	19	14
Fruitless payments	31	2	45	6
Stores losses	7	2	0	0
Special payments	168	3,119	334	1,375
<b>Total</b>	<b>277</b>	<b>3,213</b>	<b>405</b>	<b>1,395</b>

### Details of cases over £100,000

Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Administrative write-offs	0	0	0	0
Fruitless payments	0	0	0	0
Stores losses	0	0	0	0
Special payments	4	848	0	0
<b>Total</b>	<b>4</b>	<b>848</b>	<b>0</b>	<b>0</b>

London Probation: Losses and Special Payments over £100,000 relate to severance costs as a result of organisation restructuring as follows: 4 cases – £848,000.

## 22 Related party transactions

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

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

### 23 Third-party assets

These are not Probation Boards' assets and as such are not included within the accounts. The assets held at the balance sheet date comprised of monetary assets, such as bank balances and monies on deposit, listed securities, trust funds and an amenity fund.

Cheshire Probation Board administers a Chief Officer's fund.

The following Boards administer an amenity fund: Kent Probation Board and Staffordshire Probation Board.

Northumbria Probation Board accounts include amounts for Hadrian/Barbour/Greggs, Borough Trust, North Eastern Prison Aftercare Society and Police Court Mission Fund. Northumbria Probation Board also administers a Ramsay Fund.

North Wales administers Annie C Williams Trust Fund.

The combined value of these third-party assets is set out in the table below:

	<b>2009–2010</b>	<b>Restated 2008–2009</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	94	94
Funds paid in during the year	4	6
Funds paid out during the year	(3)	(6)
<b>Balance at 31 March</b>	<b>95</b>	<b>94</b>

## **24 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 Certificate and Report of the Comptroller and Auditor General.

With effect from 1 April 2010 the remaining 34 Probation Boards achieved Trusts status. Taking five mergers into account, from 1 April 2010 there will be 35 Probation Trusts delivering the work of the previous eight Trusts and 34 Boards. As a result of gaining Trust status, this will be the final consolidated Accounts for the NPS Boards. The Accounts of all 35 Trusts will be consolidated into the NOMS Agency Accounts.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) instead of the Retail Price Index (RPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Probation Trusts provide to employees.

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

The Spending Review 2010 settlement to the Ministry of Justice requires NOMS to further reduce costs over the next four years. The full extent of this is yet to be determined.

## 25 Transition to IFRS

	<b>General fund</b>	<b>Revaluation reserve</b>	<b>Donated asset reserve</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Taxpayers' equity at 31 March 2009 under UK GAAP:</b>	(591,708)	464	28	<b>(591,216)</b>
Adjustments for IFRS changes:				
Leases	(585)	0	0	<b>(585)</b>
Others e.g. employee benefits	(5,241)	0	0	<b>(5,241)</b>
Adjustments for:				
Impairments recognised on transition	0	0	0	<b>0</b>
UK GAAP errors	0	0	0	<b>0</b>
<b>Taxpayers' equity at 1 April 2009 under IFRS:</b>	<b>(597,534)</b>	<b>464</b>	<b>28</b>	<b>(597,042)</b>
	<b>£000</b>			
<b>Net Operating Cost for 2008/09 under UK GAAP</b>	710,812			
Adjustments for:				
Private finance initiative				
Leases	0			
Leave	0			
Accrual	2,704			
<b>Net Operating Cost for 2008/09 under IFRS</b>	<b>713,516</b>			

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

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

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

The consolidated accounts shall be prepared so as:

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

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

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

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

This accounts direction supersedes all previous issues.

David Watkins  
Head, Financial Reporting Policy, HM Treasury  
19 May 2008

## **Annex A**

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

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



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