



Staffordshire and West Midlands Probation Trust

**Annual Report and Accounts
2013–2014**



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2013–2014

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

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Vision, Mission & Values

Our vision

To create safer communities by changing and controlling the behaviour of offenders

Our mission

- To work together as one team that is accountable for the delivery of excellent performance, through a focus on innovation and continuous improvement
- To work actively with partners and stakeholders to achieve shared solutions
- To empower our staff to continue to contribute to the organisation and the service as it develops
- To close the Trust and make the transition to the new arrangements professionally and with sensitivity and dignity

Our values

- We are public servants serving in the best interests of the public
- We display professionalism and seek excellence in service delivery
- We respond positively to the beliefs and opinions of others
- We value and respect diversity in our communities and workplace
- We ensure the best use of public money

Behaviours and expectations

- Focus on the needs and expectations of our stakeholders, including victims and offenders, recognising their right to speak about what we do
- Aim to do the right thing first time
- Show courtesy, respect and fairness
- Show integrity, honesty and confidentiality
- Promote equal opportunities
- Encourage innovation and improvement
- Listen to feedback, learn from others and adopt new ideas quickly
- Develop staff and recognise achievement
- Promote open communication and enjoyment

Foreword

This, my first full year as Chief Executive of the Staffordshire and West Midlands Probation Trust, has been one of unprecedented changes that have presented significant challenges for the Trust, its staff, and leaders. Despite the Transforming Rehabilitation changes, which will bring about the closure of the Trust, and the inevitable impact that has had on individuals, it is a tribute to the calibre of our staff, and their professionalism, that our key work in protecting the public and rehabilitating offenders has continued to develop, and in many areas, improve. This report is a testimony to their hard work and commitment. Without their dedication in serving their communities, these achievements would not have been possible.

In addition to the formal performance ratings, and some of the best reducing re-offending rates in the country, recognition of the quality of the Trust as an organisation came in July 2013, with the award of four stars under the European Foundation for Quality Management assessment (EFQM). This was an independent recognition of the quality of the Trust, its staff, and its leadership, at a time of uncertainty and change. The quality of the Trust, and the value of its work, is also evidenced by the high esteem, in which it is held by local partners and stakeholders, and is a legacy I am proud to pass on to the successor organisations which will have responsibility for the delivery of probation services after June 2014.

Catherine Holland

Chief Executive Officer
10 June 2014

1. Operational & Performance Review 2013–14

A. Enablers

The Trust adopted the following key priorities in its Business Plan for 2013/14:

1. To maintain and improve delivery of our core objectives – protecting the public, reducing reoffending and rehabilitating offenders.
2. To continue to reduce expenditure and promote efficiencies in the delivery of services.
3. To develop the Trust's capability to respond to the changing environmental in which it is working.
4. To prepare staff for the changes that lie ahead.
5. To respond to and where appropriate and possible, drive change in technological frameworks which support our work to deliver improvements and efficiencies.

Leadership

The principal issue facing the Trust in 2013/14 was the initial uncertainty concerning its future; and then, with the publication of the Governments Transforming Rehabilitation (TR) plans in May 2013, and the start of the NOMS TR project, the work required to respond to the TR Programme requirements; whilst at the same time continuing to deliver high quality performance. It is a tribute to the commitment and professionalism of all staff and managers, that despite the unprecedented uncertainty and change which they have faced, performance has remained high and, in some cases improved. The quality of work has also improved. A re-score of the OMI (Offender Management Inspection) 2 Risk of Harm score in February 2014 found that our work to manage Risk of Harm satisfactorily had improved from 78% (in OMI 2 February 2012) to 81%, using the same Probation Inspectorate measures. This evidences delivery of the Trust's priority to maintain public protection.

The Trust has sought to deliver excellence in its work and recognition of this came in July 2013 when an external EFQM (European Foundation for Quality Management) assessment awarded the Trust 4 stars. This validated the work of many years to ensure the Trust delivered first class services to its communities, whilst improving the experience for its staff working for the organisation. At a time of unprecedented change and uncertainty it was a welcome validation of the Trust's work and that of its staff.

With the acceleration through 2013 of the TR Programme, the Trust's response has come to dominate its life. Notice was issued to terminate the Trust contract, initially planned for 31st March 2014, but later extended to 31st May 2014. This has required significant change for staff – the assignment of staff between the new NPS (National Probation Service) and CRC (Community Rehabilitation Company); new operational structure and processes; and a range of fundamental changes to associated governance, finance, HR, IT, contracts and other corporate functions. The Trust has sought to engage constructively with the TR Programme and has delivered on the programmes milestones, whilst at the same time highlighting to the programme the risks to business as usual inherent in the extremely rapid pace of change required. This process has been overseen by the Executive Team acting as the local Project Board, with regular Board oversight through standing items at Board Meetings supplemented by 'Task and Finish' Groups where required.

Throughout all this, through the devolved model of leadership within the Trust local Heads of Probation have continued to represent the Trust well in local partnerships and the feedback from local partners has been unusually positive about the Trust's contribution. With the advent of the Police and Crime Commissioners (PCCs), The Trust has responded by seconding staff to the offices of both the West Midlands and Staffordshire PCCs to support their work and represent the Trust and its work.

Policy and Strategy

There has been a continuing focus on the delivery of the Effective Practice Strategy in the past year including

- developing the use of volunteers (as evidenced in a national conference the Trust organised in May 2013)
- the continued delivery of the SEEDS programme and Senior Probation Officer observation of practice
- a continued focus on offender engagement, which culminated in a range of activities in all Local Delivery Units (LDUs) held around December–January 2013/4.

The innovations budget for the year was £903,463. This was used to support innovative practice, including development of mentoring services, services for women offenders and employment and training opportunities.

People Management

The most significant issue in people management in the year was the work to assign current staff to the new NPS and CRC organisation to be created as part of the TR Programme. Substantial work was involved to ensure all roles were fully understood, that staff were automatically assigned to the NPS or CRC where their work was wholly destined to transfer to these organisations: and to undertake a process requesting expressions of interest, and then using caseload data to assign, other (principally offender management) staff. This was a lengthy, detailed and complex operation, which required considerable resources in both HR, and Performance Information to ensure that the process was compliant with TR Staff Transfer framework. It inevitably led to concern and, anxiety on the part of staff and a large number of appeals and grievances were lodged which indicated levels of staff opposition to the changes. Nevertheless the process was completed by early March 2014. That the work had been compliant with the TR Programme requirements and national agreements was confirmed by an internal audit of this work in March 2014.

The latter part of the year saw extensive local planning to ensure the creation and moves to the new CRC and NPS structures from 1st April; and at the centre extensive preparations and data submissions to pave the way for the large staff transfer programme to take place in June.

A key element of the Trust's approach has been to ensure good communication about the changes to its staff. Chief Executive and Director Briefings took place during the year and there have also been more informal opportunities for staff to engage with the Chief Executive. Weekly '10@10' briefings have been instituted throughout the Trust to ensure key messages are transmitted to staff as quickly and consistently as possible. A TR Mailbox was created to deal with general and specific queries, a dedicated site on the trust 'Signpost Guide' was populated with all necessary documentation, and regular consultations have taken place with unions to ensure all staff had the fullest possible information about the changes as they emerged.

To support staff through this change management programme, training was delivered on interview skills, CV writing and resiliency. The Contract Manager from Care First, the Trust's EAP (Employee Assistance Programme) provider, delivered an input at the Leadership Development Forum on managing the emotional impact of change and supporting staff through the change curve. The Contract Manager also provided a demonstration of Care First's web portal and its functionality.

The Leadership Academy was launched with the first cohort of staff commencing the programme in December 2013. The Academy consists of three training programmes; Aspiring Managers, Talent Management and Coaching Programme

The Learning & Development (L&D) department achieved City and Guilds, Approved Status for the Level 3 Award in Education and Training. This means that the Trust can run courses for staff and external people and award certification to successful candidates.

Sickness levels continue to be a concern. HR staff have focussed on auditing the completion of paperwork and ensuring managers are applying the policy correctly and in a timely manner. Workshops have been designed and delivered to line managers to support this.

Partnership and Resources

Following the 2013/14 commissioning round, the Trust faced a slightly reduced budget compared with the previous year. Through a process of effective budget management, the Trust was also able to absorb various inflationary pressures during the year and successfully deliver its performance targets.

As noted above the Trust has continued to play an important and influential role in local partnerships including Community Safety Partnerships, MAPPA, Child Safeguarding Boards amongst others. The Trust's work on IOM (Integrated Offender Management) has developed and become increasingly influential locally, and there has been growth in the number of IOM staff co-located with police and other staff in integrated teams.

The Trust has continued to contract with a range of organisations to deliver services for offenders. Major developments in the year included:

- Development of a range of services for Personality Disordered offenders, delivered under contract to the NHS, and through partnership with local Health Trusts.
- The re-tendering of all hitherto annually reviewed contracts, which in many cases has resulted in improved value for the Trust.
- An increase in the number of women's projects developed across the Trust area providing necessary and distinct services to meet the needs of women offenders.

Processes

The major changes in the year were twofold. Firstly in April (OASys-R) and March–May (nDelius) there were major migrations to national IT systems affecting most of the Trust's core work. The planning and preparation for these was extensive and a range of issues were reported following implementation including increased time/process steps required to achieve standard tasks on the system. The implementation took a long period to become embedded, and the interface with IAPS (Programmes Database) was not implemented until late in July 2013. Major work was required to replace the previous Management Information System (MIS) which ceased to operate on the migration. Alongside these changes to operation, the new HR, Payroll and Finance system became fully operational during the year.

Operationally, the major change in process has been the preparation for the implementation of new operational TR processes (particularly Case Allocation, Enforcement, Reports and Assessments, and Risk Escalation) in April 2014 to pave the way for the new probation environment to commence in June 2014. This required extensive planning during the latter part of the year and in March delivery of training in the new case allocation process to court staff as a preliminary to 'go live' in April.

B. Results: 2013–14

The targets comprise 3 groups.

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

Target identifier	Description	Annual Target	Performance (with Red, Amber, Green rating)
Probation Trust Rating System (PTRS)			
	Overall Trust PTRS Rating	-	
Public Protection Domain			
OM32	Victim Feedback	90%	98%
OM26	OASys (Offender Assessment System) Quality	90%	95%
OM36	MAPPA Effectiveness	90%	99%
Reduce Re-Offending Domain			
OM21	Re-Offending Rate		-13.9%
INT9	Employment at Termination	50%	49%
OM17	Accommodation at Termination	87%	89%
OM26	OASys Quality	90%	95%
OM29	Offender Feedback	67%	75%
Sentence Delivery Domain			
OM20	Orders and Licences Successfully Completed	74%	77%
OM29	Offender Feedback	67%	75%
Nationally Set Trust Contract Measures			
INT06	Number of Offenders sustaining employment	1600	1237
OM19	Number of referrals in education provision		1232
INT01	Sex Offender Treatment Programme (SOTP) Completions	145	168
INT02	Domestic Violence Programme Completions	120	121
INT03	Offending Behaviour Programme Completions	960	902
INT06	Drug Rehabilitation Requirement Completions	547	756
INT07	Alcohol Treatment Requirement Completions	204	302
OM40	Court report Timeliness	90%	98.3%
OM04	Licence Recall Requests within 24 hours	90%	91.4%
OM05	Enforcement	90%	86.7%
OM39	OASys Tier 2, 3, 4 and PPO Final reviews	90%	85.3%
OM27	Generic Parole Process	90%	
INT05	Community Payback Completions	4000	3841

Target identifier	Description	Annual Target	Performance (with Red, Amber, Green rating)
Locally Negotiated Trust Contract Measures			
INT20	Referrals resulting in an award	40%	47.2%
INT13	Sex Offender Treatment Programme Completion rate	75%	86.1%
INT14	Domestic Violence Programme Completion rate	70%	73.9%
INT15	Offending Behaviour Programme Completion rate	65%	74.7%
-	Structures Intervention to Address Domestic Abuse Completions	400	488
INT17	Drug Rehabilitation Requirement Completion rate	55%	56.3%
INT16	Alcohol Treatment Requirement Completion rate	55%	70.2%
INT18	Community Payback Completion rate	75%	77.1%
INT11	Unpaid Work days lost to Stand Downs	1%	0.42%
Management Information			
INT10	Education starts		645
OM7	Victim contact		96.9%
IPPF8	Staff sickness	10.5	11.1
IPPF14	Staff Diversity		27.4%
National Standards (locally set)			
Q15	Tier 4 cases (High RoH) – Home Visit takes place		64%
Q32	Did Programme commence within 6 weeks of start?		67.6%
Q48	Community Payback – minimum of 6 hours work per week		71.5%

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

Workload and activity type	2010–2011	2011–2012	2012–2013	2013–2014
Pre-Criminal Justice Act 2003 Community Orders	72	7	5	2
CJA Community Sentences	10,073	9,284	8,887	8,260
Youth Rehabilitation Orders	199	230	188	114
Total Pre & Post CJA Orders	10,344	9,599	9,080	8,376
CJA Supervision Requirement	11,276	11,197	10,381	8,772
CJA Unpaid Work Requirement	7,741	7,151	5,920	5,634
CJA Drug Rehabilitation Requirement	1,293	1,257	1,323	1,275
CJA Programme Requirement	3,111	3,074	2,698	2,175
CJA Suspended Sentence	4,964	4,614	4,449	4,654
Total Custodial Sentences	9,194	8,592	8,521	7,915*
Total Post-Release Licences	3,847	3,899	4,077	3,737
Total Pre-Sentence Reports	16,941	17,119	13,935	12,539
Total Magistrates' Courts Reports	10,923	10,658	8,821	9,115
Total Crown Courts Reports	6,018	6,461	4,872	3,424
Percentage as Fast Delivery Reports	43%	42%	49%	54%
Community Punishment/Unpaid Work Hours Ordered	876,364	868,897	718,178	639,067
Community Punishment/Unpaid Work Hours Worked	676,646	654,382	584,480	496,727
Numbers of victims contacted	1,268	1,350	1,405	1,310

Requirements also reflect requirements added to Suspended Sentences and Youth Rehabilitation Orders.

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

Unpaid Work is taken from Community Payback Dashtop.

* Total custodial sentences include Automatic Unconditional Release (AUR). AUR sentences total 4,293.

Post-release licences exclude AUR.

Victim contact figures are for a calendar year.

Catherine Holland
Chief Executive Officer
10 June 2014

2. Management Commentary

Statutory background

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

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FRoM) issued by HM Treasury (HMT) and in accordance with the accounts direction, on page 49, issued by the Secretary of State under the OM Act.

Principal activities

Staffordshire and West Midlands Probation Trust covers the Staffordshire and West Midlands Police areas, as defined in Schedule 1 of the Police Act 1996, serving a population of approximately 3.7 million. During the year, the Trust employed some 1,484 full time equivalents, who worked from 34 Probation buildings as well as having staff based in crown courts and magistrates courts. The Trust also operates 10 approved premises across the area.

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

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

Operational Performance during 2013–14

An analysis of performance outcomes is summarised in the Annual Report on pages 4 to 9.

Results for the year

The Statement of Comprehensive Net Expenditure (SoCNE) for the year is shown on page 23. The Statement of Changes in Taxpayers' Equity is shown on page 26.

Operating costs

The net operating cost before tax for 2013–14 stands at £6,238,000 compared to £5,078,000 for 2012–13. The reason for the increase is due to the reduction in income from the Training Consortium and the introduction of IAS 19 which includes increased expenditure to staffing costs.

Statement of Financial Position and Statement of Cash Flows

The Statement of Financial Position and Statement of Cash Flows are on pages 24 and 25.

The net liabilities position has decreased from £129,584,000 at 31 March 2013 to £118,279,000 at 31 March 2014. The largest single movement in net liabilities is £10,961,000 due to the reduction in pension liabilities.

Payment of creditors

In the year to 31 March 2014, the Trust paid 13,227 trade invoices. The percentage of undisputed invoices paid within 30 days by the Trust was 75.03% compared to 79.61% in 2012–13.

Treatment of Pension Liabilities

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

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

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

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

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

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

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

Sickness absence data

The average levels of absence due to staff sickness were 11.13 days across the Trust (2012–13 11.7 days).

Personal data related incidents

There have been no significant personal data related incidents in 2013–14, which were formally reported to the Information Commissioner's Office (ICO) (2012–13 0).

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

Events after the reporting period

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

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

The Probation Trust ceased trading on 1 June 2014. The operations of the Trust have been divided between the National Probation Service and a Community Rehabilitation Company, both public sector bodies. The assets and liabilities of the Trust have been split on a practical basis that reflects the future use of assets, services provided and the allocation of employees. Refer to **Note 17** of the Accounts for further details. The proportion of staff transferring to the CRC/NPS is approximately 51%:49%.

Sustainable development

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

Future developments

The Business Plan for April to May 2014 of the Trust includes the following objectives

- To ensure a continuing focus on the delivery of excellent practice to achieve our core objectives – protection of the public, reductions in reoffending and rehabilitation of offenders.
- To implement safely the Transforming Rehabilitation changes.
- To support staff through the Transforming Rehabilitation changes.
- To create the Staffordshire and West Midlands Community Rehabilitation Company as a quality organisation.

Going Concern

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

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

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

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

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

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

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

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

Audit

In accordance with the direction given by the Secretary of State, these accounts have been prepared in accordance with the FRoM. The Comptroller and Auditor General is appointed by statute to audit the Trust and reports on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The Audit Certificate of the Comptroller and Auditor General is attached to the Accounts on page 21.

- Total audit fees reported in the Accounts are £45,000.

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

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

The Staffordshire and West Midlands Probation Trust Management Board

The governance arrangements within the Trust for the period April 2013 to March 2014 included the following:

- Trust Board
- Audit Committee

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

Details of the remuneration of the Management Board are set out in the Remuneration Report on pages 14 and 15.

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

Position	Name	Date appointment commenced / ended (during 2013–14) where appropriate
Chief Executive	Ms Catherine Holland	1 June 2013
Chair	Dr Alan Harrison	
Board Member	Mr Ken James	
Board Member	Mr Tony Johnson	
Board Member	Professor Hazel Kemshall	
Board Member	Mr John Ryan	
Board Member	Mr Rashpal Singh	
Board Member	Ms Merisha Stevenson	
Board Member	Mrs Brenda Thomas	

There are no conflicting interests for individuals who are members of the Board.

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

Catherine Holland
Accountable Officer
10 June 2014

3. Remuneration Report

Appointments

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

The salary and pension entitlements of the senior managers and non-executive directors of the Staffordshire and West Midlands Probation Trust were as follows:

A) REMUNERATION – AUDITED

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

	Salary (£000)		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits (£000)		Total (£000)	
	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13
Officials										
Chief Executive	70–75	N/A	0	N/A	0	N/A	19	N/A	90–95	N/A
Officer (appointed on 1 June 2013)*										
Dr Alan Harrison	25–30	25–30	0	0	0	0	0	0	25–30	25–30
Mr Ken James	0–5	0–5	0	0	0	0	0	0	0–5	0–5
Mr Tony Johnson	0–5	0–5	0	0	0	0	0	0	0–5	0–5
Professor Hazel Kemshall	0–5	0–5	0	0	0	0	0	0	0–5	0–5
Mr John Ryan	0–5	0–5	0	0	0	0	0	0	0–5	0–5
Mr Rashpal Singh	5–10	0–5	0	0	0	0	0	0	5–10	0–5
Ms Merisha Stevenson	0–5	0–5	0	0	0	0	0	0	0–5	0–5
Mrs Brenda Thomas	0–5	0–5	0	0	0	0	0	0	0–5	0–5

All appointed Trust Board members receive non-pensionable remuneration of £15.40 per hour from 1 April 2013, with the exception of the Chief Executive and the Chair. The Trust at its discretion may pay a travelling allowance and any other relevant expenses incurred.

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

	Total Full-time Equivalent Remuneration	
	2013–14	2012–13
Highest paid Director (pay band)	£85,000–£90,000	£100,000–£105,000
Median for other staff	£20,000–£25,000	£30,000–£35,000
Pay multiple ratio	3.5:1	3:1

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

Salary

'Salary' includes the gross salary and overtime. * The figure quoted for the Chief Executive is for the period 1 June 2013 to 31 March 2014. The full year equivalent is £87,336.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits received are in respect of costs for accommodation, travel and the pecuniary liability in respect of tax paid under the employer PAYE settlement agreement with HM Revenue and Customs. There are no benefits kind payable in 2013–14 (2012–13 £0).

B) PENSION BENEFITS – AUDITED

	Total accrued pension at pension age as at 31 March 2014 & related lump sum £000s	Real increase/ (decrease) in pension and related lump sum at pension age £000s	CETV at 31 March 2014 £000s	CETV at 31 March 2013 £000s	Real increase/ (decrease) in CETV after adjustment for inflation and changes in market investment factors £000s
Catherine Holland	32	3	545	483	62

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

Cash Equivalent Transfer Value (CETV)

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

Real increase in CETV

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

Catherine Holland
Accountable Officer
10 June 2014

4. Statement of Accountable Officer's Responsibilities

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

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

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

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

5. Governance Statement

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

Introduction

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

There was a change of Accountable Officer during the year, with Catherine Holland the Trust's new Chief Executive taking over from Mike Maiden (the former Accountable Officer) on 1st June 2013.

Governance Framework

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

The Trust has complied in all material aspects with the HM Treasury code of corporate governance relative with the size and complexity of its activities.

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

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

The Trust Board and its committees are a key element in the corporate governance structure of the Trust. The Board is made up of a balanced mix of both commercial and public sector members who bring a wealth of experience and skills to the Trust. The Board has not carried out an assessment of its own effectiveness due to the transfer of services to the new probation organisations. To maintain a high level of corporate governance, the Board has established the following processes:

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

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

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

1 April 2013 – 31 March 2014

Name	Invited to attend	Attended
Harrison Dr A	22	21
Burbidge HH Judge J (Advisor)	10	0
Holland C	14	13
James Mr K W	19	18
Johnson Mr T	18	11
Kemshall Professor H	26	9
Maiden Mr M	4	2
Ryan Mr J	26	22
Singh Mr R	26	25
Stevenson Ms M	18	17
Thomas Mrs B	21	18

This Schedule includes the following meetings:

- Trust Board – 10 meetings
- Audit Committee – 4 meetings
- Health and Safety Committee – 5 meetings
- Joint Negotiating Council Committee – 3 meetings
- SFO Panel – 7 meetings
- Task and Finish Groups – 5 meetings

Risk Management

The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of National Offender Management Service, Probation Trust and departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. I am satisfied with the overall effectiveness of the internal control structure. The system of internal control has been in place in Staffordshire and West Midlands Probation Trust for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

The process for the identification and monitoring risk is well established both strategically and operationally. The Strategic Business Risk Register is defined as the risk log for the Business Plan Project. In addition, the Strategic Business Risks relate directly to the delivery of the Business Plan objectives. The Trust's Audit Committee agreed the strategic business risks for 2013–14 on the basis of detailed work by the Executive Team. Each deliverable in the Business Plan has an action to "review the risk control report" with a requirement for a quarterly review. The Executive Team review Strategic Risks on a quarterly basis. Risk owners review strategic risks and business plan impact via PAM (computerised system). The availability of the Strategic Risk Register and Risk and Control Reports within this software, to all managers through any web enabled computer at any time, allows documentation to be updated at any time, ensuring that the Risks to the organisation, and control measures in place, are up to date. Progress on the Business Plan, including the review of Strategic Business Risks, is reported to the Board quarterly.

The Audit Committee and the Board agreed the internal and external audit plans for 2013–14. Senior management staff have received training in Risk Management and Heads of Service engage teams in Risk Management within Delivery Unit planning. The Risk Manager regularly attends Association of Local Authority Risk Managers (ALARM) meetings, this is a national risk group with officers of other Trusts to learn and share best practice. The Strategic Business Risk Register is reviewed quarterly, at the Audit Committee meetings, and at every Board meeting.

Review of Effectiveness

As Accountable Officer I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Staffordshire and West Midlands Probation Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

During 2013–14 the Audit Committee received the following reports for audits carried out by Internal Audit:

Audit Report	Rating
OaSys Standards	Green
Transforming Rehabilitation Staffing Decisions	Green
Wolverhampton LDU Office	Amber / Green
Coventry LDU Office	Amber / Green
Sycamore House – Approved Premises	Amber / Green
Financial Control Framework	Amber / Green
Welford House – Approved Premises	Amber / Green
Training Strategy	Amber / Green
Exit Management	Amber / Green
PCMS Revised Business Processes	Amber / Green
Sickness Absence	Amber / Red

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

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

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

Information Assurance

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

In 2013–14 there were two single incidents resulting in minor data losses. All incidents were reported in line with our policy and reported to the National Offender Management Service. There were no significant data losses during the year.

Catherine Holland

Chief Executive and Accountable Officer

10 June 2014

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

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

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Staffordshire and West Midlands Probation Trust's affairs as at 31 March 2014 and of the net operating cost after taxation for the year then ended; and
- the financial statements have been properly prepared in accordance with the Offender Management Act 2007 and Secretary of State directions issued thereunder.

7. Accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2014

		2013–14	2012–13
	Notes	£000	<i>Restated</i> £000
Expenditure			
Staff costs	3(a)	53,395	54,437
Other expenditure	6	17,095	17,578
Total Expenditure		70,490	72,015
Income	7	(69,544)	(71,826)
Net operating costs		946	189
Net interest cost on pension scheme	4(c)	5,292	4,889
Net operating costs before taxation		6,238	5,078
Taxation	5	582	19
Net operating costs after taxation		6,820	5,097

Other Comprehensive Expenditure

		2013–14	2012–13
	Notes	£000	<i>Restated</i> £000
Items that will not be reclassified to net operating costs:			
Net (gain)/loss on revaluation of property, plant and equipment	8	21	64
Remeasurement of post employment benefits	14	(18,120)	23,760
Total comprehensive expenditure for 31 March 2014		(11,279)	28,921

The notes on pages 27 to 48 form part of these accounts.

Statement of Financial Position

As at 31 March 2014

		2013–14	2012–13
	Notes	£000	£000
Non-current assets			
Property, plant and equipment	8	367	548
Total non-current assets		367	548
Current assets			
Trade and other receivables	9(a)	7,448	8,157
Cash and cash equivalents	10	610	1,350
Total current assets		8,058	9,507
Total assets		8,425	10,055
Current liabilities			
Trade and other payables	12(a)	(3,284)	(5,702)
Provisions	13	(270)	(445)
Taxation payables	12(a)	(4,666)	(4,047)
Total current liabilities		(8,220)	(10,194)
Non-current assets plus/less net current assets/(liabilities)		205	(139)
Non-current liabilities			
Pension liability	4(c)	(118,484)	(129,445)
Total non-current liabilities		(118,484)	(129,445)
Assets less liabilities		(118,279)	(129,584)
Taxpayers' equity			
General fund	14	(118,325)	(129,651)
Revaluation reserve – property, plant and equipment	15(a)	46	67
		(118,279)	(129,584)

The financial statements on pages 23 to 26 were approved by the Board on 10 June 2014 and were signed on its behalf by

Catherine Holland
Accountable Officer
10 June 2014

The notes on pages 27 to 48 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2014

		2013–14	2012–13
	Notes	£000	£000
Cash flows from operating activities			
Net operating costs	14	(6,820)	(5,097)
Adjustments for non-cash transactions	6	216	(125)
Adjustments for pension cost	4(c)	7,159	5,364
(Increase)/decrease in receivables	9(a)	709	1,161
Increase/(decrease) in payables	12(a)	(1,799)	373
Utilisation of provisions	13	(205)	(663)
Net cash outflow from operating activities		(740)	1,013
Net increase/(decrease) in cash and cash equivalents in the period			
		(740)	1,013
Cash and cash equivalents at the beginning of the period	10	1,350	337
Cash and cash equivalents at the end of the period	10	610	1,350
Increase/(decrease) in cash		(740)	1,013

The notes on pages 27 to 48 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

	Notes	General Fund £000	Revaluation Reserve £000	Total £000
Balance as at 1 April 2012		(100,894)	131	(100,763)
Changes in taxpayers' equity for 2012–13 (restated)				
Net operating cost after taxation	SocNE	(5,097)	0	(5,097)
Net gain/(loss) on revaluation of property, plant and equipment	15(a)	0	36	36
Transferred to General Fund from property, plant and equipment revaluation reserve		0	(100)	(100)
Transferred from revaluation reserve	14	100	0	100
Remeasurement of post employment benefits	14	(23,760)	0	(23,760)
Balance as at 31 March 2013		(129,651)	67	(129,584)
Changes in taxpayers' equity for 2013–14				
Net operating cost after taxation	SocNE	(6,820)	0	(6,820)
Net gain/(loss) on revaluation of property, plant and equipment	15(a)	0	5	5
Transferred to General Fund from property, plant and equipment revaluation reserve		0	(26)	(26)
Transferred from revaluation reserve	14	26	0	26
Remeasurement of post employment benefits	14	18,120	0	18,120
Balance as at 31 March 2014		(118,325)	46	(118,279)

The notes on pages 27 to 48 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

1.1 Basis of preparation

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

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

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

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

1.2 Accounting convention

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

1.3 Changes in accounting policies and restatement of comparatives

New and amended standards adopted
IAS 1 'Presentation of Financial Statements – Other Comprehensive Income' (effective for accounting periods beginning on or after 1 July 2012).

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

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

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

Those that impact on the Trust are:

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

The changes to IAS 19 apply retrospectively, giving rise to a prior period adjustment to net operating costs and other comprehensive expenditure. Net pension assets and liabilities are unchanged. The effect of the prior period adjustment on each line in the primary statements is set out in **Note 18**.

1.4 Going concern

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

On 1 June 2014, the Trust ceased trading.

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

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

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

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

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

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

1.5 Property, plant and equipment

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

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

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

Revaluation

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

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

1.6 Depreciation

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

Asset lives are currently in the following ranges:

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

1.7 Impairment

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

1.8 Inventories

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

1.9 Operating income

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

Operating income is income that relates directly to the operating activities of the Probation Trust. This comprises income under the Trust's contract with NOMS for the provision of Probation Services, rent receivables, income from EU sources, income from other Trusts, from within the MoJ Group, from other Government Departments and miscellaneous income. Fees and charges for services are recovered on a full cost basis in accordance with the Treasury's Fees and Charges guide.

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

1.10 Other Expenditure

The classification of expenditure and income for both Administration follows the definition set out in the FReM by HM Treasury. Administration costs reflect the costs of running the Probation Trust together with associated operating income.

1.11 Pensions

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

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

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

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

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

1.12 Leases

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

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

Leases other than finance leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the SoCNE on a straight-line basis.

1.13 Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when the Probation Trust has a present legal or constructive obligation, as a result of past events, for which it is probable or virtually certain that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of

money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury.

1.14 Value Added Tax

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

1.15 Corporation Tax

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

1.16 Cash and Cash Equivalents

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

1.17 Segmental analysis of spend as reported to the Management Board

The segmental analysis presents the financial information based on the structure reported to the Trust’s Management Board. The segments reflect the Trust’s own individual structure allowing the Board to have a clear view on the costs of front-line operations. This is in accordance with IFRS 8 Segmental Reporting. Further detail is shown in **Note 2**.

1.18 Financial instruments

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

2. Statement of Operating Costs by Operating Segment

Operational Unit	2013-14	2012-13 <i>Restated</i>
	Net Expenditure	Net Expenditure
	£000	£000
Offender Management Interventions	33,526	32,625
Corporate and Management Costs	17,135	17,908
	23,239	22,619
Total Net Expenditure	73,900	73,152
Contract Income	(67,080)	(68,055)
Overspend/(Underspend)	6,820	5,097

3. Staff numbers and related costs

3a. Staff costs consist of:

	2013-14			2012-13 <i>Restated</i>
	Total	Permanently-employed staff	Others	Total
	£000	£000	£000	£000
Wages and salaries	43,656	43,656	0	45,223
Social security costs	3,233	3,233	0	3,345
Other pension costs	8,616	8,616	0	7,888
Sub-total	55,505	55,505	0	56,456
Less recoveries in respect of outward secondments	(2,110)	(2,110)	0	(2,019)
Total staff costs	53,395	53,395	0	54,437

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Probation Trust's share of the underlying assets and liabilities are shown below in **Note 4**. The change in other pension costs relates primarily to a reduction in the adjustment to bring the actual payments to the pension fund to agree to the charges included by the actuary in their calculations of the pension liability.

No persons (2012-13: 0 persons) retired early on ill-health grounds; and there was no additional accrued pension liabilities in the year (2012-13: £0).

3b. Average number of persons employed

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

2013–14			2012–13
Total	Permanently-employed staff	Others	Total
£000	£000	£000	£000
1,484	1,484	0	1,561
1,484	1,484	0	1,561

3c. Reporting of compensation schemes – exit packages

Exit packages cost band	2013–14			2012–13		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0	1	6	7
£10,000–£25,000	0	0	0	3	8	11
£25,000–£50,000	0	0	0	2	5	7
£50,000–£100,000	0	0	0	0	1	1
£100,000–£150,000	0	0	0	0	1	1
£150,000–£200,000	0	0	0	0	0	0
£200,000+	0	0	0	0	0	0
Total number of exit packages by type	0	0	0	6	21	27
Total resource cost £000	0	0	0	125	541	666

There were no exit packages given during 2013–14. Redundancy and other departure costs are paid in accordance with the Trust compensation scheme. The additional costs of any early retirements are met from the Trust and are included in the above figures. Ill health retirement costs are met from the pension scheme and are excluded from the above table.

4. Pensions costs

Pension benefits are provided through the Local Government Pension Scheme (LGPS). This is a statutory and intended fully funded scheme which provides benefits on a “final salary” basis at a normal retirement age of 65, with employees eligible to go at 60. Changes were made to the scheme from 1st April 2008 with employee benefits now accruing at the rate of 1/60th of pensionable salary for each year of service. Members pay contributions as a percentage of pensionable earnings in a range of 5.8 to 7.2%. On death pensions are payable to the surviving spouse at the rate of half the members pension. Staffordshire and West Midlands Probation Trust is a member of the West Midlands Pension Scheme administered by Wolverhampton City Council. For the 2013–14 calculations the actuary has based the calculations on market conditions as at 31st March 2013.

4a. Pension costs

A full actuarial valuation was carried out at 31 March 2013 by Mercer Ltd. For 2013–14, employers’ contributions of £6,505,000 were payable to the LGPS (2012–13 £6,583,000) at a rate of 11.9%. The schemes’ Actuary reviews employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employer contributions from 1 June 2014 will not be required to be paid by the Probation Trust as they have ceased trading. Future contributions are referred to in **Note 17** Events occurring after the reporting period.

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

	2013–14	2012–13
	%	%
Inflation assumption	2.4%	2.4%
Rate of increase in salaries	4.2%	4.2%
Rate of increase for pensions in payment and deferred pensions	2.4%	2.4%
Discount rate	4.4%	4.2%

Mortality Assumptions:

Life Expectancy of a male (female)

Future pensioner aged 65 25.1 (27.8) years

Current pensioner aged 65 in 20 years time 22.9 (25.5) years

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

	2013–14		
	Present value of obligation	Fair value of plan assets	Total
	£000	£000	£000
Plan assets	0	228,581	228,581
Funded liabilities	(351,174)	0	(351,174)
Unfunded liabilities	(6,852)	0	(6,852)
Opening balance at 1 April (restated)	(358,026)	228,581	(129,445)
Current service costs	(8,463)	(107)	(8,570)
Past service costs (including curtailments)	(198)	0	(198)
	(8,661)	(107)	(8,768)
Net Interest (cost)/income	(14,829)	9,537	(5,292)
Remeasurements			
Returns on plan assets, excluding amounts included in interest cost/(income)	0	(5,241)	(5,241)
Gain/(loss) from change in demographic assumptions	(2,092)	0	(2,092)
Gain/(loss) from change in financial assumptions	22,678	0	22,678
Experience gains/(losses)	2,775	0	2,775
	23,361	(5,241)	18,120
Contributions			
Employers	0	6,505	6,505
Plan participants	(2,506)	2,506	0
Unfunded benefits	0	396	396
Payments from plans			
Benefit payments	12,012	(12,012)	0
Unfunded benefit payments	396	(396)	0
Closing balance at 31 March	(348,253)	229,769	(118,484)
Plan assets	0	229,769	229,769
Funded liabilities	(343,109)	0	(343,109)
Unfunded liabilities	(5,144)	0	(5,144)
Closing balance at 31 March	(348,253)	229,769	(118,484)

	2012–13 (restated)		Total £000
	Present value of obligation £000	Fair value of plan assets £000	
Plan assets	0	201,330	201,330
Funded liabilities	(295,178)	0	(295,178)
Unfunded liabilities	(6,473)	0	(6,473)
Opening balance at 1 April	(301,651)	201,330	(100,321)
Current service costs	(7,275)	(116)	(7,391)
Past service costs (including curtailments)	(91)	0	(91)
	(7,366)	(116)	(7,482)
Net interest (cost)/income	(15,116)	10,227	(4,889)
Remeasurements			
Returns on plan assets, excluding amounts included in interest cost	(38,548)	0	(38,548)
Gain/(loss) from change in demographic assumptions	0	14,788	14,788
	(38,548)	14,788	(23,760)
Contributions			
Employers	0	6,583	6,583
Plan participants	(2,532)	2,532	0
Unfunded benefits	0	424	424
Payments from plans			
Benefit payments	6,763	(6,763)	0
Unfunded benefit payments	424	(424)	0
Closing balance at 31 March	(358,026)	228,581	(129,445)
Plan assets	0	228,581	228,581
Funded liabilities	(351,174)	0	(351,174)
Unfunded liabilities	(6,852)	0	(6,852)
Closing balance at 31 March	(358,026)	228,581	(129,445)

4d. Plan assets are comprised as follows

	2013-14				2012-13			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
	£000	£000	£000		£000	£000	£000	
Equity instruments								
UK	23,898	4,389	28,287		22,583	434	23,017	
Global	12,086	23,804	35,890		11,498	28,275	39,773	
Europe	15,417	0	15,417		13,418	0	13,418	
Japan	4,251	0	4,251		4,389	0	4,389	
Pacific Basin	9,237	0	9,237		9,898	0	9,898	
North America	22,104	0	22,104		21,967	0	21,967	
Emerging Markets	18,588	0	18,588		14,218	0	14,218	
	105,581	28,193	133,774	58%	97,971	28,709	126,680	55%
Bonds								
UK Government Fixed	4,435	0	4,435		4,572	0	4,572	
UK Government Indexed	14,475	0	14,475		15,452	0	15,452	
UK Other	11,052	0	11,052		11,018	0	11,018	
Overseas Other	5,974	0	5,974		7,589	0	7,589	
Other	7,628	0	7,628		7,497	0	7,497	
	43,564	0	43,564	19%	46,128	0	46,128	20%
Property								
UK	13,625	0	13,625		14,103	0	14,103	
Overseas	505	0	505		754	0	754	
Property funds	6,571	0	6,571		4,663	0	4,663	
	20,701	0	20,701	9%	19,520	0	19,520	9%
Cash and cash equivalents	6,203	0	6,203	3%	7,566	0	0	3%
Other								
Commodities	4,343	0	4,343		4,823	0	4,823	
Infrastructure	6,548	0	6,548		7,612	0	7,612	
Absolute Return	14,636	0	14,636		16,252	0	16,252	
	25,527	0	25,527	11%	28,687	0	28,687	13%
Total	201,576	28,193	229,769	100%	199,872	28,709	228,581	100%

4e. Sensitivity analysis

	+0.1% £000	0% £000
Adjustment to discount rate		
Present value of total obligation	342,279	348,253
Projected service cost	7,247	7,446

	+1yr £000	none £000
Adjustment to mortality age rate assumption		
Present value of total obligation	354,916	348,253
Projected service cost	7,611	7,446

	+0.1% £000	0% £000
Adjustment to inflation		
Present value of total obligation	354,332	348,253
Projected service cost	7,652	7,446

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of changes in key assumptions occurring at the end of the reporting period.

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

5. Taxation

	2013–14 £000	2012–13 £000
UK corporation tax	582	19
Total	582	19

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

6. Other Expenditure

Accommodation, maintenance and utilities
Travel, subsistence and hospitality
Professional services
IT services
Communications, office supplies and services
Other staff related
Offender costs
Other expenditure
External Auditors' remuneration – statutory accounts
Internal Auditors' remuneration

Non-cash items

Depreciation of tangible non-cash assets
Other provisions provided for in year

Total

	2013–14		2012–13	
	£000	£000	£000	£000
	5,960		6,288	
	651		721	
	647		667	
	2,412		2,758	
	2,038		2,122	
	1,287		1,060	
	857		661	
	2,933		3,325	
	45		45	
	49		56	
		16,879		17,703
	186		215	
	30		(340)	
		216		(125)
		17,095		17,578

7. Income

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

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

Interest received:
 From bank

Total interest received

Total income

	2013-14		2012-13	
	£000	£000	£000	£000
Income receivable from the sponsoring department – NOMS	67,080		68,055	
Rent receivable from minor occupiers of Probation estate property: From within the departmental boundary	0		1	
		67,080		68,056
Other income received from Probation Trusts		597		1,185
Other income from NOMS		152		493
Other income from rest of MoJ Group		54		6
Other income from other Government departments		712		888
Miscellaneous income		938		1,184
		69,533		71,812
Interest received: From bank	11		14	
Total interest received		11		14
Total income		69,544		71,826

8. Property, plant and equipment

	2013–14				
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 April 2013	61	776	1,235	137	2,209
Indexation/revaluation	0	11	5	2	18
As at 31 March 2014	61	787	1,240	139	2,227
Depreciation					
As at 1 April 2013	45	594	886	136	1,661
Charge in year	9	81	95	1	186
Indexation/revaluation	0	7	4	2	13
As at 31 March 2014	54	682	985	139	1,860
Carrying value as at 31 March 2014	7	105	255	0	367
Carrying value as at 31 March 2013	16	182	349	1	548

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

9. Trade receivables and other current assets

9a. Analysis by type

	2013–14	2012–13
	£000	£000
Amounts falling due within one year		
Trade receivables	108	246
Receivables due from Trusts	60	251
Receivables, Accrued Income and Prepayments due from NOMS Agency	6,640	6,678
Receivables, Accrued Income and Prepayments due from MoJ Group	34	0
Receivables, Accrued Income and Prepayments due from other Government departments	293	538
Other receivables	105	173
Prepayments	191	126
Accrued income	17	145
	7,448	8,157
Amounts falling due after more than one year	0	0
Total	7,448	8,157

9b. Intra-Government receivables

	Amounts falling due within one year	
	2013–14	2012–13
	£000	£000
Balances with other central Government bodies (inc. parent department)	6,735	6,840
Balances with local authorities	272	357
Balances with NHS bodies	2	170
Balances with public corporations and trading funds	18	20
	7,027	7,387
Balances with bodies external to Government	421	770
Total	7,448	8,157

10. Cash and cash equivalents

	2013–14	2012–13
	£000	£000
Balance at 1 April	1,350	337
Net change in cash and cash equivalents	(740)	1,013
Balance at 31 March	610	1,350
The following balances at 31 March are held at:		
Commercial banks and cash in hand	610	1,350
Balance at 31 March	610	1,350

11. Commitments under leases

11a. Operating leases

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

Obligations under operating leases for the following periods comprise:

	2013–14	2012–13
	£000	£000
Other		
Not later than one year	2	2
Later than one year and not later than five years	0	1
Later than five years	0	0
Total	2	3

11b. Finance leases

There are no finance leases (2012–13 – £0).

12. Trade payables and other current liabilities

12a. Analysis by type

	2013–14	2012–13
	£000	£000
Amounts falling due within one year (excluding taxation)		
Trade payables	158	348
Other payables	169	212
Accruals	995	1,258
Deferred income	80	165
Staff payables	885	930
Payables due to Probation Trusts	15	310
Payables, Accruals and Deferred Income due to NOMS Agency	210	1,250
Payables, Accruals and Deferred Income due to other Government departments	191	642
Unpaid pensions contributions due to the pensions scheme	581	587
	3,284	5,702
Tax falling due within one year		
VAT	3,155	3,046
Corporation tax	582	0
Other taxation and social security	929	1,001
	4,666	4,047
Total amounts falling due within one year	7,950	9,749
Amounts falling due after more than one year	0	0
Total	7,950	9,749

12b. Intra-Government payables

	Amounts falling due within one year	
	2013–14	2012–13
	£000	£000
Balances with other central Government bodies (inc. parent department)	4,893	5,042
Balances with local authorities	188	570
Balances with NHS bodies	1	32
Balances with public corporations and trading funds	0	14
	5,082	5,658
Balances with bodies external to Government	2,868	4,091
Total	7,950	9,749

13. Provisions for liabilities and charges

	2013–14				
	Early retirements costs £000	Leasehold Property Dilapidations £000	Other Provisions £000	Voluntary Early Departure £000	Total £000
Balance at 1 April	0	64	381	0	445
Provided in year	0	0	220	0	220
Provisions not required written back	0	0	(190)	0	(190)
Provision utilised in the year	0	(64)	(141)	0	(205)
Balance as at 31 March	0	0	270	0	270

	2013–14				
Analysis of expected timing of discount flows	Early retirements costs £000	Leasehold Property Dilapidations £000	Other Provisions £000	Voluntary Early Departure £000	Total £000
Not later than one year	0	0	270	0	270
Current liability	0	0	270	0	270
Balance as at 31 March	0	0	270	0	270

	2012–13				
	Early retirements costs £000	Leasehold Property Dilapidations £000	Other Provisions £000	Voluntary Early Departure £000	Total £000
Balance at 1 April	11	325	536	576	1,448
Provided in year	0	64	259	0	323
Provisions not required written back	(1)	(325)	(77)	(260)	(663)
Provision utilised in the year	(10)	0	(337)	(316)	(663)
Balance as at 31 March	0	64	381	0	445

	2012–13				
Analysis of expected timing of discount flows	Early retirements costs £000	Leasehold Property Dilapidations £000	Other Provisions £000	Voluntary Early Departure £000	Total £000
Not later than one year		64	381	0	445
Current liability	0	64	381	0	445
Balance as at 31 March	0	64	381	0	445

The Trust has created provisions for potential charges arising from cases which have been lodged with employment tribunals and for organisational restructuring. These have been partly utilised during 2013–14 and have been reassessed at 31st March 2014 where some previous provisions were not required during the year and subsequently released without being utilised.

14. General fund

	2013–14	2012–13
	£000	£000
Balance at 1 April	(129,651)	(100,894)
Net transfers from Operating Activities:		
Statement of Comprehensive Net Expenditure	(6,820)	(5,097)
Movement in donated assets	0	0
Transferred from revaluation reserve	26	100
Remeasurement of post employment benefits	18,120	(23,760)
Balance at 31 March	(118,325)	(129,651)

2012–13 figures are restated as per **Note 18**.

15. Revaluation reserve

15a. Property, plant and equipment

	2013–14	2012–13
	£000	£000
Balance at 1 April	67	131
Balance restated at 1 April	67	0
Arising on revaluations of PPE during the year (net)	5	36
Transferred to General Fund	(26)	(100)
Balance at 31 March	46	67

16. Related party transactions

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

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

17. Events occurring after the reporting period

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

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

Dissolution of the Trust

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

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

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

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

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

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

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

Pensions

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

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

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

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

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

Leases and service contracts

Property and IT leases remain within the Ministry of Justice.

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

Staff related balances

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

All other balances

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

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

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

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

18. Prior period adjustments

IAS 19 *Employee Benefits* (Revised 2011)

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

The amendments relevant to the Trust are:

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

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

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

	2012–13
Extract from the 2012–13 accounts before restatement:	£000
Net operating expenditure after taxation	2,642
Other comprehensive expenditure	26,279
Total comprehensive expenditure	28,921
Restatement:	
Increase in programme expenditure (interest costs)	2,455
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	(2,455)
	0
Extract from the 2012–13 accounts after restatement:	
Net operating expenditure after taxation	5,097
Other comprehensive expenditure	23,824
Total comprehensive expenditure	28,921

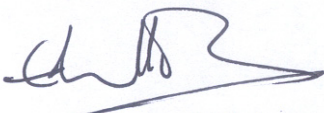
Extract from the Statement of Changes in Taxpayers' Equity

	2012–13
Extract from the 2012–13 accounts before restatement:	£000
General fund balance as at 31 March 2013	(129,651)
Restatement:	
Increase in net operating expenditure	2,455
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	(2,455)
General fund balance as at 31 March 2013 after restatement	(129,651)

Accounts Direction

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

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



Edward Kirby

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

Appendix 1

35 Probation Trusts:

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

8. Sustainability Report

(Not subject to audit)

Introduction

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

This report covers 34 buildings.

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

Waste cost data is not available at this stage.

Governance, responsibilities and internal assurance

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

Greening Government Commitments

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

Climate change adaption and mitigation

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

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

Carbon Reduction Commitment (CRC)

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

Carbon Management Plan (CMP)

A CMP is a systematic approach to reducing greenhouse gas emissions; integrating technical, financial, corporate governance and communications within an overarching strategy. A CMP covers the entire probation estate across 35 Trusts and was developed in partnership with the Carbon Trust. MoJ SDT is

working to consolidate all CMPs, including those in place in the Prison Service and Courts & Tribunals to deliver a single cohesive approach with costed projects for each unit to provide an overarching framework to tackle climate change.

Our vision is to:

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

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

Environmental Management System (EMS)

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

Sustainable procurement

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

Performance summary

Greenhouse gas (GHG) emissions

		2009–10	2010–11	2011–12	2012–13	2013–14
Non-financial indicators (tCO2e)	Scope 1 (direct): Site-based emissions & owned transport	1,455.3	1,561.3	1,697.3	1,421.1	1,456.3
	Scope 2 (indirect): Supplied energy (electricity and heat)	1,638.7	1,243.6	1,372.9	1,086.6	877.9
	Scope 3 (other indirect): Business travel & transmission losses from supplied energy	129.7	106.3	349.2	283.7	261.7
	Total gross GHG emissions	3,223.7	2,911.2	3,419.3	2,791.5	2,595.8
	Electricity: green/renewable	409.7	310.9	343.2	271.7	219.5
	Total net GHG emissions	2,814.1	2,600.3	3,076.1	2,519.8	2,376.3
Non-financial (kWh)	Electricity: Grid, CHP & non-renewable	2,488,787	2,093,691	2,311,351	1,829,375	1,477,945
	Electricity: renewable	829,596	697,897	770,450	609,792	492,648
	Gas	7,911,050	8,483,243	8,913,753	7,539,076	7,693,803
	Other energy sources	0	0	0	0	0
	Total energy	11,229,432	11,274,831	11,995,554	9,978,243	9,664,396
Financial indicators	Expenditure on energy (£)	644,148	531,092	754,466	509,535	471,674
	Expenditure on official business travel (£)	£0	£0	£599,558	£468,828	£503,357

Performance commentary (including targets)

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

Controllable impacts commentary

The main direct impacts are in the consumption of electricity and gas through the 34 properties within the trust.

Overview of influenced impacts

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

Waste

			2009–10	2010–11	2011–12	2012–13	2013–14
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill waste	265.0	224.0	272.0	148.0	130.0
		To recovery (AD & composting)	0.0	0.0	0.0	0.0	0.0
		To incineration	0.0	0.0	0.0	0.0	0.0
		Reused/recycled waste	289.0	223.0	213.0	188.0	84.0
		Energy from waste	0.0	0.0	0.0	0.0	0.0
		Total waste arising	554.0	447.0	485.0	336.0	214.0
Financial indicators	Non-hazardous waste	Landfill waste	21,214	17,912	21,752	0	0
		To recovery (AD & composting)	0	0	0	0	0
		To incineration	0	0	0	0	0
		Reused/recycled waste	43,902	32,328	25,528	0	0
		Energy from waste	0	0	0	0	0
		Total waste costs (£)	£65,116	£50,240	£47,280	£0	£0

Performance commentary (including targets)

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

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

Controllable impacts commentary

Office Waste makes up the majority of reported waste.

Overview of influenced impacts

We only report our waste in buildings where we receive data from our waste management company.

We have only received quarters 1 and 2 data for waste and have therefore estimated the last 2 quarters based on the first quarter and the 2012/13 data received.

Waste costs for 2012/13 and 2013/14 are not available.

Water

		2009–10	2010–11	2011–12	2012–13	2013–14
Non-financial indicators	Total water consumption (cubic metres: m³)	29,531	27,676	21,656	18,086	17,441
Financial indicators	Total water supply costs (£)	£93,565	£90,030	£63,165	£52,752	£50,872

Performance commentary (including targets)

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

Controllable impacts commentary

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

Overview of influenced impacts

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

Paper

	2009–10	2010–11	2011–12	2012–13	2013–14
Cost (excluding VAT)	£0	£0	£46,683	£48,546	£54,204

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

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