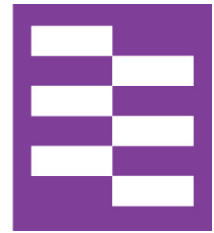


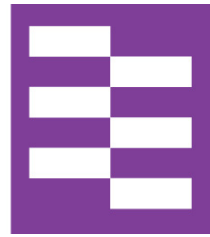
**Cheshire
Probation**



Cheshire Probation Trust

**Annual Report and Accounts
2013–2014**

**Cheshire
Probation**



Cheshire Probation Trust
Annual Report and Accounts
2013–2014

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

Ordered by the House of Commons to be printed 15 July 2014

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This publication is available at **www.gov.uk/government/organisations/national-probation-service**

Print ISBN 9781474103954

Web ISBN 9781474103961

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID 14051436 07/14

Printed on paper containing 75% recycled fibre content minimum.

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Cheshire Probation Trust Vision, Mission & Values

Our mission is to stop offenders re-offending

Our vision is to be an excellent organisation inspiring confidence in our ability to rehabilitate offenders and reducing the number of victims of crime

Our strategic priorities are:

Delivering the right outcomes	Developing capacity	Demonstrating efficiency
--------------------------------------	----------------------------	---------------------------------

Our strategic objectives are:

Customer				
Deliver Contracts	Reduce re-offending	Engage communities	Influence commissioners	Deliver the sentence
Resources				
Understand Costs	Demonstrate Value for Money	Access new resources	Align resources with need	Operate as an ethical business
Business Process				
Re-design Services	Implement what works	Strengthen Local Delivery Units	Manage demand	Operate efficiently
Learning & Growth				
Nurture a learning organisation	Harness knowledge	Build alliances	Empower & Engage with staff	Scan the environment

Foreword

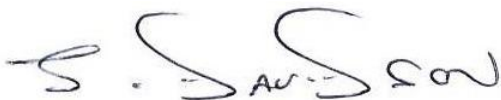
I have pleasure in presenting this Annual Report for Cheshire Probation Trust.

The year has again been dominated by “**Transforming Rehabilitation**”, the Government’s proposals for the future of probation services. A considerable amount of work has been done, at both a national and local level, to prepare for the implementation of the new Community Rehabilitation Company (CRC) and National Probation Service (NPS) organisations. As part of the transition, the Trust Board agreed to release the former Chief Executive to undertake work linked to the development of the National Probation Service and this took effect from 1 February 2014. This has been an unsettling period for Probation staff and it is testament to their professionalism and dedication that performance has remained strong throughout the year. Cheshire Probation Trust (CPT) has met all the targets set by the Ministry of Justice and has delivered value for public money as is evidenced by the Auditors’ reports contained within this Report.

A key part of CPT’s transition work this year has been to identify and designate partnership responsibilities to either the NPS or CRC as we recognise the value of effective local partnership engagement in reducing reoffending and protecting the public. We would wish to record our appreciation for the continuing support we get from the four local authorities; the Constabulary; the local NHS; housing authorities within Cheshire and other agencies, including many in the voluntary sectors, who assist us in managing adult offenders in order to keep our local communities safe.

We have welcomed the establishment of the Cheshire Police and Crime Commissioner (PCC) role and having contributed to the development of the Crime and Policing Plan will ensure the future CRC and NPS organisations are also fully committed to working constructively with the PCC in the future.

Innovation and initiative has remained an important element in our work and we are proud of the ongoing success the local Navigate schemes are having in reducing reoffending. The MAPPA and MARC arrangements continue to provide a robust multi agency structure for the management of dangerous offenders and these structures have been enhanced by innovation through Circles of Support to manage high risk sex offenders, the introduction of psychologists to assist in the management of dangerous offenders with personality disorders. It is hoped that these structures and innovations will be built upon and developed as both the new CRC and NPS organisations move forward into the future.



John Davidson

Acting Chief Executive

Cheshire Probation Trust
April 2014

1. Operational & Performance Review 2013–14

The following table represents the contract delivery requirements that the Trust is measured against. The requirements are negotiated in advance with NOMS. These requirements cover measures relating to public protection and rehabilitative interventions and form the core of the Business Plan. Cheshire Probation Trust (CPT) exceeded on all but three of the requirements. The three requirements not met relate to the delivery of accredited programmes and Community Payback. These fell short of the required number of completions predominantly due to Court demand reductions and changes in offender or caseload profiles.

Description	Target 2013–14	Achieved 2013–14	Target For 2014–15*
x% of orders of the Court and Releases from Custody on Licence are successfully completed	75%	81.7%	75%
x% of Pre-Sentence Reports (PSRs) are completed within timescales set by the court (inc Remands In Custody)	90%	98.8%	90%
x% of cases in which initiation of breach proceedings took place within 10 working days of the relevant unacceptable failure to comply	90%	96.1%	90%
x% of licence recall requests to reach NOMS Post Release Section within 24 hrs of the decision of the Offender Manager	90%	99.2%	90%
To achieve a rating of level 3 or better for creating appropriate records on ViSOR (OM046) and attendance at both SMB (OM041A) meetings and MAPPAs meetings for Level 2 and 3 cases (OM041B)	86%	100%	86%
x% of offenders surveyed who have engaged positively with the offender management process	70%	74.3%	70%
At least x% of OASys final reviews (terminations) are completed or updated within the appropriate timescales for all Tier 2 (where appropriate), Tier 3, Tier 4 offenders and Prolific and Priority Offenders	90%	95%	90%
x% of OASys assessments are assessed as either "Satisfactory" or "Good" on the OASys Quality Assurance	90%	95.8%	90%
x% of Indeterminate Sentence Prisoner (IPP and Lifer) assessment reports are completed by target deadline of date set	90%	96.7%	90%
The number of offenders on an order or licence who find and sustain employment to be at least x	180	189	27
Percentage of offenders in employment at termination of their order or licence to be at least x%	50%	53.8%	50%
Percentage of offenders in settled and suitable accommodation at the end of their order or licence to be at least x%	85%	87.9%	85%
The number of Accredited Offending Behaviour Programme completions (excluding Sex Offender programmes and Domestic Violence programmes) to be at least x	80	70	4
The number of Sex Offender Programme completions to be at least x	22	23	0
The number of Domestic Violence Programme completions to be at least x	107	103	23
The number of Community Payback completions to be at least x	950	923	126
x% of victims responding to NOMS Victim Survey are satisfied or very satisfied with service received	90%	96.3%	90%

* 14/15 Trust targets are interim only to end of May 14.



Acting Chief Executive

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 Cheshire Probation Board which was established in 2001). During the period 2013–14 Cheshire Probation Trust was contracted to deliver these services on behalf of the Secretary of State.

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

Cheshire Probation Trust covers the Cheshire Police area, as defined in Schedule 1 of the Police Act 1996, serving a population of approximately one million. During the year the Trust employed some 300 full and part time staff who worked from 9 buildings, 2 Approved Premises and 3 Prisons across Cheshire. The average numbers of FTEs employed during the year was 246.

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 activities undertaken included these statutory requirements as required under the OM Act 2007.

During the year Cheshire Probation Trust supervised at any one time approximately 3,500 offenders subject to community sentences, custody and post release licences and delivered over 125,000 hours of Community Payback. Additionally some 3,000 reports were produced for the Magistrates' and Crown Courts.

Operational Performance during 2013–14

An analysis of performance outcomes is summarised in the Annual Report on page 4.

Results for the year

The Statement of Comprehensive Net Expenditure (SoCNE) for the year is shown on page 19. The Statement of Changes in Taxpayers' Equity is shown on page 22.

Operating costs

The net operating cost before tax for 2013–14 stands at £529,000 compared to £201,000 for 2012–13. The reason for the increase is due to a fall in income of 10% owing to the reduction in the contract income received from NOMS, and an increase of 21% in the interest cost on the pension scheme.

Statement of Financial Position and Statement of Cash Flows

The Statement of Financial Position and Statement of Cash Flows are on pages 20 and 21.

The net liabilities position has decreased from £17,692,000 at 31 March 2013 to £14,935,000 at 31 March 2014. The largest single movement in net liabilities is £2,458,000 due to the reduction in the pension liability in the period.

Payment of creditors

In the year to 31 March 2014, the Trust paid 2,670 trade invoices with a value of £3,937,931. The percentage of undisputed invoices paid within 30 days by the Trust was 99.52% compared to 99.5% 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 9.2 days across the Trust (2012–13 10.95 days).

Personal data related incidents

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

All staff undertake Information Assurance awareness briefing 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 27** of the Accounts for further details.

The proportion of staff who transferred to the CRC/NPS at the 1st June 2014 is approximately 52%:48%.

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 55.

Future developments

The Trust is contracted to delivery services on behalf of the Secretary of State for the period 1st April – 31st May 2014. During this period the Trust will be working with the Chief Executive and Deputy Director designate of the Cheshire and Greater Manchester Community Rehabilitation Company (CRC) and National Probation Service (NPS) respectively to ensure a smooth transition into the new working arrangements from 1st June 2014.

Mutuals

Trust staff members are contributing to the development of a bid for the Cheshire and Greater Manchester CRC, as part of a Mutual Development Team with staff members from Greater Manchester Probation Trust. The Mutual Development Team is bidding as GMC Sodexo in partnership with Sodexo and NACRO, and has been shortlisted for the Cheshire and Greater Manchester Contract Package Area. One of the Trust's Assistant Chief Executives is deployed full time to the Mutual Development Team as its Operational Lead, and other staff members at lower grades spend a couple of days per month working with the Mutual Development Team.

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, NPS was created to protect the public from the most dangerous offenders and manage the provision of probation services across England and Wales. The NPS remains part of the public sector.

The remaining services are divided in to 21 contract areas, which align closely with local authorities and Police and Crime Commissioner Areas. They are served by 21 new 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 (FReM), it is appropriate for the Trust to prepare the 2013–14 Annual Report and Accounts on a going concern basis.

Communications and employee involvement

CPT engages with staff directly via weekly electronic bulletins and during the developments linked to delivery of the Transforming Rehabilitation (TR) reforms has also developed a specific TR weekly bulletin in order to ensure staff are kept fully informed of the developments. CPT also engages more formally with staff through a Joint Negotiating and Consultative Committee (JNCC) with the recognised Trade Unions.

Staff diversity

CPT is committed to equal opportunities in both employment practice and service delivery. In accordance with the requirements of the Equality Act 2010 CPT has published equality data on the website and developed a suite of equality objectives which are driven and monitored throughout the organisation.

Audit

In accordance with the direction given by the Secretary of State, these accounts have been prepared in accordance with the FReM. The Comptroller and Auditor General is appointed by statute to audit the Trust and reports on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The Audit Certificate of the Comptroller and Auditor General is attached to the Accounts on page 17.

Total audit fees reported in the Accounts are £39,000. The audit fees for 2013–14 are made up of:

- £22,000 external audit fees and
- £17,000 internal audit fees

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 Cheshire Probation Trust Management Board

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

- Trust Board which met in public on seven occasions during the year
- Audit Committee including Member and Auditor representation
- Health and Safety Panel including Member, Union and Staff representation
- Joint Negotiation and Consultation Committee including Member and Union representation

The Chair and other members of the Board were all appointed by the Secretary of State.

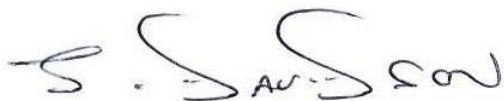
Details of the remuneration of the Management Board are set out in the Remuneration Report on pages 10 to 11.

All Members of the Board, excepting the Chief Executive, served throughout 2013–14. Membership of the Board is set out in the table below:

Position	Name	Date appointment commenced / ended (during 2013–14) where appropriate
Chief Executive	Angela Cossins	To 31 January 2014
Chief Executive	John Davidson	From 1 February 2014
Chair	Leslie Robinson	
Chair Audit Committee	Ron Howarth	
Member	Andrew Backhouse	
Member	Michael Darby	
Member	John Eccles	
Member	Yvonne McLean	
Member	Mary Roberts	

No members of the Management Board had any conflicting interests in the year.

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.



John Davidson
Accountable Officer

3. Remuneration Report

Appointments

The Chair and other members of the Trust Board are all appointed by the Secretary of State in line with the Commissioner for Public Appointments “Guidance on Appointments to Public Bodies”. The Chief Executive is appointed by the Trust.

The salary and pension entitlements of the senior managers and non-executive directors of the Cheshire 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										
Angela Cossins	70-75	75-80	0	5	0	0	37	34	115-120	115-120
John Davidson	70-75	60-65	0	0	0	0	38	19	105-110	75-80
Leslie Robinson	20-25	15-20	0	0	6	8	0	0	20-25	15-20
Andrew Backhouse	0-5	0-5	0	0	0	0	0	0	0-5	0-5
Michael Darby	0-5	0-5	0	0	1	1	0	0	0-5	0-5
John Eccles	0-5	0-5	0	0	1	1	0	0	0-5	0-5
Ron Howarth	0-5	0-5	0	0	1	2	0	0	0-5	0-5
Yvonne McLean	0-5	0-5	0	0	0	2	0	0	0-5	0-5
Mary Roberts	0-5	0-5	0	0	2	2	0	0	0-5	0-5

All appointed Trust Board members receive non-pensionable remuneration of £15.40 per hour, with the exception of the Chief Executive and the Chair. The Trust at its discretion may pay a travelling allowance and any other relevant expenses incurred. John Davidson became Acting Chief Executive in 2014.

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)	£80,000-£85,000	£75,000-£80,000
Median for other staff	£26,052	£25,298
Pay multiple ratio	3.09:1	3.12:1

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 any overtime paid by the Trust.

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.

Mutuals

One of the Trust's Assistant Chief Executives is deployed full time to the Mutual Development Team as its Operational Lead.

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
Angela Cossins (CEO to 31 January 2014)	Pension = 23 Lump sum = 45	Pension = N/A Lump sum = 2	368	332	36
John Davidson (CEO from 1 February 2014)	Pension = 40 Lump sum = 59	N/A	470	N/A	N/A

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.



John Davidson
Accountable Officer

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 Cheshire Probation Trust to prepare for each financial year, a statement of accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Trust during the year. The accounts are prepared on an accrual basis and must give a true and fair view of the state of affairs of the Trust and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

5. Governance Statement

Scope of Responsibility

Cheshire Probation Trust was formed in April 2010 as successor body to the former Cheshire Probation Board. As Accountable Officer for Cheshire Probation Trust it is my responsibility to ensure completion of the final accounts for the period 2013–14.

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Cheshire 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 Probation Finance and Governance Handbook and the Letter of Delegated Authority issued under the Trust contract.

I am held accountable by Cheshire Probation Trust Board for the administration of finances and for the overall performance of the Trust. The Cheshire Probation Trust Board ensures that the public funds for which I have responsibility are allocated in accordance with Standing Orders and the financial memorandum and regulations. The Trust also ensures that organisational risks are identified and managed in accordance with the policy and structures agreed with Cheshire Probation Trust Board and has monitoring arrangements in place through the Audit Committee. There are also regular reports to the nominated senior representative of the National Offender Management Service (NOMS) in respect of performance against the requirements set out in the contract.

The governance structures are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. The governance structures are based on an ongoing process designed to identify and prioritise risks to the achievement of departmental policies, aims and objectives and to manage them efficiently, effectively and economically. The governance structures have been in place for the year ended 31 March 2014 and up to the date of approval of the accounts, and accord with Treasury guidance.

The Governance Framework of the Trust

Cheshire Probation Trust Board must ensure, through the Chief Executive, that arrangements are in place to meet its accountabilities to the NOMS Agency and through the Agency to Parliament. These include:

- Agreeing and delivering the contract with NOMS for the provision of probation services in the Trust area.
- Preparing annual plans for service provision, including an assessment of risks associated and ensuring these are commensurate with the Agency's aims and objectives.
- Ensuring the annual accounts and associated reports are prepared and presented in accordance with the Government Financial Reporting Manual and ensuring appropriate records are held.
- Holding the Chief Executive accountable for the operational performance of the Trust.

The Chief Executive who exited the Trust on 31st January 2014 has provided to the incoming Chief Executive in transferring her duties as Accountable Officer a Letter of Assurance. This provides confirmation that the responsibilities of the Accountable Officer have been appropriately discharged and that systems of internal control were in place up to the point of leaving the Trust. In providing this assurance the letter states:

"I can confirm that, to the best of our available knowledge, and having made all reasonable enquiries, up to and including close of play on 31 January 2014, The Board, Audit Committee, Treasurer and I, as Accountable Officer, are not aware of any issues of a material financial, operational or other nature which can be expected to impair the efficient operation of the business of the Cheshire Probation Trust."

The Trust Board met in public meeting on seven occasions during 2013–14 and was quorate for each meeting ensuring the work of the Board progressed in a timely manner. In order to further discharge these responsibilities the Trust Board has put supporting structures in place. These include the identification of a lead Board member in respect of specific activities and the establishment of a Committee structure. The Committee structure supports formal employee consultation and negotiation through the Joint Negotiation and Consultative Committee (JNCC), Health and Safety through a Panel meeting including staff and union representation and an established Audit Committee.

The Audit Committee operates under the remit given by the Trust Board as defined by the Terms of Reference for the Committee which are reviewed, revised as required and adopted by the Trust Board annually. These draw fully on the guidance provided in the 'Audit Committee Handbook' issued by Treasury which defines the policy principles for Audit Committees operating within the public sector. In order to ensure continued effectiveness the Audit Committee has reviewed their performance annually against the 2009 effectiveness checklist issued by the National Audit Office and in the current year against a broader range of criteria which was intended to confirm understanding of what the Committee has done well in context of discharging its duties per the Board approved "Terms of Reference", where it makes a constructive contribution / impact, and, what it might have done differently to achieve a better outcome. The most recent such assessment took place in February 2013 and indicated that the Audit Committee was operating within its terms of reference in an effective and efficient manner. The Committee met on four occasions during the year, all members met the attendance requirements set out in the Terms of Reference and all meetings were quorate.

A primary purpose of the Trust's Audit Committee is to provide advice and support to the Accountable Officer in the effective discharge of their responsibilities for Governance, Risk Management and Internal Control. In the discharge of its responsibilities, the Audit Committee reviews and scrutinises:

- Internal Financial Control Matters including maintenance of proper accounting records and reliability of financial information.
- Risks regarding disclosure statements including the Annual Governance Statement supported by the Head of Internal Audit Opinion and other opinions.
- The primary risks underlying the achievements of the Trust's strategic objectives, together with the underlying assurances provided by way of mitigation.
- Adequacy of relevant policies and procedures, related legal issues and codes of conduct.
- Specific procedures relating to anti fraud and corruption.

Within the Audit Committee Annual Report to the Board the Trust Audit Committee Chair presented the work of the Audit Committee undertaken in the review and assessment of regular audit reports on internal controls and risk management activity. The report also took due notice of other sources of information relevant to the management and governance of the Trust. Based on these assurances it was considered that the Committee could provide the Board and the Accountable Officer with positive assurance as to the continued effectiveness of the Trust's overall systems of internal control for the year ending March 2014.

Risk Assessment

Detailed below are the main processes which are in place for the identification and management of risk. These also provide an indication of how management of risk is led by the Chief Executive and the Senior Management Team (SMT) and is embedded in policy making, planning and delivery:

- SMT takes a lead to ensure that approaches for the development and management of risk are being deployed and implemented.
- A Trust-wide risk register is maintained and there are processes in place to ensure ongoing review of the risks identified on the register, agree actions and monitor progress. Scrutiny and validation is undertaken at all Audit Committee meetings and access to the register for Committee members will be extended to include real time access. The risk register clearly links to the achievement of the Trust aims and objectives with clear links in place. A risk register specifically considering the risks

associated with the implementation of the TR changes has also been maintained during this period with risks reviewed at Trust Board level.

- Processes are in place to identify new risks and ensure, where appropriate, that these are placed on the risk register. The identification and management of risks associated with projects is an integral part of the processes deployed within the Trust. A risk owner is identified for all risks included on the register. They have the responsibility for ensuring appropriate controls are in place to manage the risk.
- Internal Audit who are in the position to advise on good practice, as part of their plan of work review areas of risk and provide independent feedback to the Audit Committee on the management of risk within the organisation.
- The Audit Committee reviews the risk register at each meeting, the risk management processes and the decisions about risk exposure. No areas of weakness identified during 2013–14 are deemed sufficiently serious to warrant inclusion in this statement.

The Risk and Control Framework

The Trust has established a Business Risk Management Policy and Guidelines. These were initially developed in consultation with Internal Audit. Audit Committee agreed the documentation which was first endorsed by the Probation Board in 2003. This policy and guidelines have been reviewed on a regular basis, informed by Internal Audit. The final policy and guidelines have been endorsed by Audit Committee and the Trust Board. The document details the Trust's approach in relation to risk assessment, identification, analysis and categorisation. It also summarises the management approach to monitoring and review.

The risk register is reviewed on a regular basis by SMT; outcomes from reviews have been considered in depth by Audit Committee and where appropriate Health and Safety Panel and have been reported to the Probation Trust Board.

The Trust continues to ensure systems are in place for secure data handling. The Trust has maintained GSI accreditation. Regular information in respect of information security is provided to Audit Committee. A full review of controls was undertaken by an external information security specialist during 2012–13 and an action plan put in place to drive information security throughout the organisation. An internal audit has subsequently taken place to further test current procedures to ensure data security is maintained. All actions identified have been completed during the year 2013–14.

Review of Effectiveness

As Accountable Officer, I 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 internal auditors and the executive managers within Cheshire Probation Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditor in their management letter and other reports. Ongoing review has indicated that internal controls have been exercised to ensure compliance with the principles of Managing Public Money Safely and that systems are in place to identify and correct any potential weaknesses. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust Board, Audit Committee and a plan to address weaknesses and ensure continuous improvement is in place.

The Board has established the following processes:

- In order to ensure the Audit Committee operates in line with best practice an Annual Self Assessment against Audit Commission guidelines has previously been undertaken with the final review in February 2012. A broader review was undertaken in February 2014 with particular emphasis on a review of effectiveness during 2013–14.
- The Audit Committee Chair reports regularly to the Board concerning internal controls.
- The Audit Committee's primary purpose is to provide support and advice to the Board and to me in my role as Accountable Officer, in the effective discharge of my responsibilities for Governance, Risk Management and Internal Control.

- The Audit Committee Report 2013–14 prepared by the Chair reports on the work of the Committee over the year.
- Regular reports by Internal Audit include an independent opinion on the adequacy and effectiveness of internal controls, together with recommendations for improvements.
- Progress on the implementation of internal audit recommendations is reviewed regularly by Audit Committee.
- Risk owners are required to implement any actions identified as part of the review processes which are necessary to ensure adequate systems of control are in place.

The Annual Internal Audit Report 2013–14 states that Internal Audit were able to give reasonable assurance on the adequacy and effectiveness of the system of governance, risk management and internal control. The review of Financial Control completed by Internal Audit in year found the Trust to be Green with no significant areas of risk identified. No risks emerged during the year sufficiently substantial to amend the Internal Audit Plan.

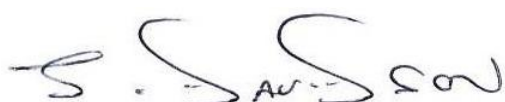
Mutuals

The Trust established ethical walls on 6th August 2013 to ensure that appropriate safeguards were in place to maintain the integrity of the TR Competition. All staff involved in the Mutual Development Team were required to sign Ethical Walls Declaration B, to restrict their access to competition sensitive information and ensure that they did not share bid sensitive information inappropriately. All staff involved in work supporting the TR Competition from the commissioner side were required to sign Ethical Walls Declaration A, to ensure that they did not share competition sensitive information inappropriately. Staff were fully briefed on the implications of the Ethical Walls and of signing the Declaration, and a register is kept of all staff who have signed the Declaration. The register has been shared with Greater Manchester Probation Trust and a Joint Protocol has been agreed for the operation of Ethical Walls across the Cheshire and Greater Manchester Contract Package Area.

The Trust's Ethical Walls arrangements are managed by the Board Secretary and kept under regular review. The Trust Senior Manager leading the Mutual Development Team is deployed on a full time basis and therefore has no involvement in the management of the Trust, meaning that the governance of the Trust and of the Mutual are kept entirely separate. The Mutual Lead reports to the Chief Executive on non-bid sensitive issues to ensure that Trust resources provided to the Mutual Development Team are being used appropriately.

Board Attendance

Name	Role	Meetings Held / Meetings Attended
Angela Cossins	Chief Executive (to 31 January 2014)	6/6
John Davidson	Acting Chief Executive (from 1 February 2014)	1/1
Leslie Robinson	Chair	7/7
Andrew Backhouse	Board member	7/7
Michael Darby	Board member	7/7
John Eccles	Board member	7/6
Ron Howarth	Board member	7/6
Yvonne McLean	Board member	7/6
Mary Roberts	Board member	7/7



John Davidson
Accountable Officer

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion: adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or

I have not received all of the information and explanations I require for my audit; or

the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

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

Sir Amyas C E Morse **2 July 2014**
Comptroller and Auditor General

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

7. Accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2014

		2013–14	2012–13
	Notes	£000	Restated £000
Expenditure			
Staff costs	3(a)	10,214	10,665
Other expenditure	6	3,297	3,734
Total Expenditure		13,511	14,399
Income	7	(13,840)	(14,906)
Net operating costs		(329)	(507)
Net interest cost on pension scheme	4(c)	858	708
Net operating costs before taxation		529	201
Taxation	5	57	(32)
Net operating costs after taxation		586	169

Other Comprehensive Expenditure

		2013–14	2012–13
	Notes	£000	Restated £000
Items that will not be reclassified to net operating costs:			
Net (gain)/loss of revaluation of property, plant and equipment	24	0	(5)
Remeasurement of post employment benefits	23	(3,342)	3,981
Total comprehensive expenditure for 31 March 2014		(2,756)	4,145


The notes on pages 23 to 48 form part of these accounts.

Statement of Financial Position

As at 31 March 2014

	Notes	2013–14 £000	2012–13 £000
Non-current assets			
Property, plant and equipment	8	55	86
Deferred tax asset	19	0	0
Total non-current assets		55	86
Current assets			
Deferred tax asset	19	0	0
Trade and other receivables	12(a)	2,506	2,513
Cash and cash equivalents	13	182	453
Total current assets		2,688	2,966
Total assets		2,743	3,052
Current liabilities			
Trade and other payables	14(a)	(292)	(952)
Provisions	15	0	0
Taxation payables	14(a)	(742)	(689)
Total current liabilities		(1,034)	(1,641)
Non-current assets plus/less net current assets/(liabilities)		1,709	1,411
Non-current liabilities			
Pension liability	4(c)	(16,645)	(19,103)
Total non-current liabilities		(16,645)	(19,103)
Assets less liabilities		(14,936)	(17,692)
Taxpayers' equity			
General fund	23	(14,948)	(17,704)
Revaluation reserve – property, plant and equipment	24(a)	12	12
		(14,936)	(17,692)

The financial statements on pages 19 to 22 were approved by the Board on 11 June 2014 and were signed on its behalf by



Accountable Officer

11 June 2014

The notes on pages 23 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	23	(586)	(169)
Adjustments for non-cash transactions	6	30	25
Adjustments for pension cost	4(c)	884	216
(Increase)/decrease in receivables	12(a)	7	(1,019)
Increase/(decrease) in payables	14(a)	(607)	(17)
Utilisation of provisions	15	0	(149)
Less movements in property, plant and equipment payable	14(a)	0	0
Net cash outflow from operating activities		(272)	(1,113)
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	8	1	0
Net cash outflow from investing activities		1	0
Cash flows from financing activities			
Net financing received in year	23	0	0
Net financing		0	0
Net increase/(decrease) in cash and cash equivalents in the period		(271)	(1,113)
Cash and cash equivalents at the beginning of the period	13	453	1,566
Cash and cash equivalents at the end of the period	13	182	453
Increase/(decrease) in cash		(271)	(1,113)

The notes on pages 23 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		(13,554)	7	(13,547)
Prior period adjustment	23/24	0	0	0
As restated at 1 April 2012		(13,554)	7	(13,547)
Changes in taxpayers' equity for 2012–13 (restated)				
Net operating cost after taxation	SocNE	(169)		(169)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)		5	5
Transferred to General Fund from property, plant and equipment revaluation reserve	24(a)			
Transferred from revaluation reserve	23	0	0	0
Remeasurement of post employment benefits	23	(3,981)	0	(3,981)
Net NOMS financing received in year	23	0	0	0
Balance as at 31 March 2013		(17,704)	12	(17,692)
Changes in taxpayers' equity for 2013–14				
Net operating cost after taxation	SocNE	(586)		(586)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)		0	0
Transferred to General Fund from property, plant and equipment revaluation reserve	24(a)			
Transferred from revaluation reserve	23	0	0	0
Remeasurement of post employment benefits	23	3,342	0	3,342
Net NOMS financing received in year	23	0	0	0
Balance as at 31 March 2014		(14,948)	12	(14,936)

The notes on pages 23 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/(asset); and
- amended disclosures including the presentation of defined benefit costs, plan assets and reconciliation of net pension liability/(asset) as presented in **Note 4**.

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

1.4 Going concern

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

On 1 June 2014, the Trust ceased trading.

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

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

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

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

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

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

1.5 Property, plant and equipment

Property, plant and equipment, including subsequent expenditure on existing assets, is initially recognised at cost and is restated at each Statement of Financial Position date using the Price Index Numbers for Current Cost Accounting (Office for National Statistics). The minimum level for capitalisation of a tangible non-current asset is £10,000, 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 reserve.

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.

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

In 2012–13 the SoCNE was analysed between administration and programme income and expenditure. The classification of expenditure and income for both Administration and Programme followed the definition set out in the FReM by HM Treasury. Administration costs reflect the costs of running the Probation Trust together with associated operating income. Programme costs are defined as projects which are fully or partially funded from outside the Ministry of Justice. However for 2013–14 all programme expenditure for both prior and current year is shown as Other Expenditures. All programme income for both prior and current year is shown within one classification. This change has been made for fairer presentation of the accounts. Further details are shown in **Note 3, Note 6, Note 7 and Note 28.**

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

1.11 Pensions

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

The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate (Disclosure of Stakeholder Pensions Schemes is not included in

these accounts). The last formal actuarial valuation was as at 31 March 2013.

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

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

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

1.12 Leases

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

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

Finance leases

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

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

Operating leases

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

1.13 Provisions

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

1.14 Value Added Tax

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

1.15 Deferred Tax

It is the Probation Trust's policy to recognise deferred tax assets on losses to the extent that it is considered more likely than not that future suitable profits will arise against which losses can be utilised.

1.16 Corporation Tax

The Trust is a "corporate body" in accordance with the Offender Management Act 2007 supplying court work and offender management services to NOMS and the Ministry of Justice, and as a result, HMRC has confirmed that it is subject to corporation tax. 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.

1.17 Cash and Cash Equivalents

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

1.18 Financial instruments

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

1.19 Segmental analysis of spend as reported to the Management Board

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

1.20 Third party assets

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

2. Statement of Operating Costs by Operating Segment

The Trust reports results to the Board as a single segment, and there is therefore no requirement to publish segmented data.

3. Staff numbers and related costs

3a. Staff costs consist of:

	2013–14			2012–13
	Total	Permanently- employed staff	Others	Restated
	£000	£000	£000	£000
Wages and salaries	8,360	8,076	284	9,082
Social security costs	657	657	0	718
Other pension costs	1,932	1,932	0	1,688
Sub-total	10,949	10,665	284	11,488
Less recoveries in respect of outward secondments	(735)	(735)	0	(823)
Total staff costs	10,214	9,930	284	10,665

Restatement of comparatives

In the prior year costs were split between administration and programme related costs. For 2013–14 all staff costs have been aggregated in to one classification. This has no impact on total staff costs. See also **Note 1.12**.

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**. Pension costs are lifted from the IAS 19 report, and are primarily the present value of pensions that are likely to be paid, in the future, as a result of the Trust's employees' service during the period.

0 persons (2012–13: 1 person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £Nil (2012–13: £Nil).

3b. Average number of persons employed

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

2013-14			2012-13
Total	Permanently-employed staff	Others	Total
256	246	10	269
256	246	10	269

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	7	7	0	24	24
£10,000-£25,000	0	5	5	0	10	10
£25,000-£50,000	0	0	0	0	1	1
£50,000-£100,000	0	0	0	0	2	2
£100,000-£150,000	0	0	0	0	0	0
£150,000-£200,000	0	0	0	0	0	0
£200,000+	0	0	0	0	0	0
Total number of exit packages by type	0	12	12	0	37	37
Total resource cost £000	0	121	121	0	518	518

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

4. Pensions costs

The Trust participates in the Local Government Pension Scheme, administered by Cheshire West and Chester Council. The provisions of the Local Government Pension Scheme (LGPS) 2008 cover present and past employees, which is statutory and fully funded. The Local Government Pension Scheme provides benefits on a 'final salary' basis. Benefits accrue at the rate of one-sixtieth of pensionable salary for each year of service. In addition, employees can convert part of their pension into a lump sum.

The pension scheme from 1 April 2014 will change to Local Government Pension Scheme (LGPS) 2014, which replaces the 2008 scheme. Under this scheme the pension added for each member, each year, is based on 1/49th of their earnings (1/98th if opted to be a member of the 50/50 section of the scheme). The individual pension accounts will then be increased each year by the Consumer Price Index up to retirement. Repeating this calculation for each year of membership provides what is known as a Career Average Revalued Earnings (CARE) Pension. This will be a move away from the current 'final salary' basis, described above.

4a Pension costs

A full actuarial valuation was carried out at 31 March 2013 by Hymans Robertson LLP. For 2013–14, employers' contributions of £1,906,000 were payable to the LGPS (2012–13 £2,180,000) at a rate of 26.2%. The schemes' Actuary reviews employer contributions every three years following a full scheme valuation, incorporated under IAS19. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The employer's contribution rate for the year ended 31 March 2014 was 26.2%. The employer's contribution rate for next year would have been 27.8%.

Partnership accounts are excluded under IAS19.

Employer contributions from 1 June 2014 will not be required to be paid by the Probation Trust as they have ceased trading.

Employer's contributions for 2013–14 were 26.2% of salaries; and, Employer's contributions for 2014–15 will be 27.8% of salaries; and The Trust will not exist in 2015–16; the rate would have been 27.8%.

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

	2013–14	2012–13
	%	%
Inflation assumption	2.8%	2.8%
Rate of increase in salaries	3.6%	5.1%
Rate of increase for pensions in payment and deferred pensions	2.8%	4.5%
Discount rate	4.3%	4.5%

Mortality assumptions

The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 years	24.4 years
Future pensioners *	24.1 years	26.7 years

* Figures assume members aged 45 as at the last formal valuation date.

Life expectancies for the prior period end are based on self administered pension schemes tables available to the actuaries. The allowance for future life expectancies are shown below:

	Prospective pensioners	Pensioners
31 March 2013	Year of birth, medium cohort and 1 % p.a. minimum improvements from 2007	Year of birth, medium cohort and 1 % p.a. minimum improvements from 2007

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

	2013–14		Total
	Present value of obligation	Fair value of plan assets	
	£000	£000	£000
Plan assets	0	45,183	45,183
Funded liabilities	(64,286)	0	(64,286)
Unfunded liabilities	0	0	0
Opening balance at 1 April (restated)	(64,286)	45,183	(19,103)
Current service costs	(1,757)	0	(1,757)
Past service costs (including curtailments)	(175)	0	(175)
Gains and losses on settlements	0	0	0
	(1,932)	0	(1,932)
Net Interest (cost)/income	(2,903)	2,045	(858)
Remeasurements			
Returns on plan assets, excluding amounts included in interest cost/(income)	0	2,655	2,655
Gain/(loss) from change in demographic assumptions	1,331	0	1,331
Gain/(loss) from change in financial assumptions	3,140	0	3,140
Experience gains/(losses)	(3,784)	0	(3,784)
Change in asset ceiling, excluding amounts included in interest cost	0	0	0
	687	2,655	3,342
Foreign exchange differences	0	0	0
Effect of business combinations on disposals	0	0	0
Contributions			
Employers	0	1,906	1,906
Plan participants	(468)	468	0
Unfunded benefits	0	0	0
Payments from plans			
Benefit payments	1,866	(1,866)	0
Unfunded benefit payments	0	0	0
Closing balance at 31 March	(67,036)	50,391	(16,645)
Plan assets	0	50,391	50,391
Funded liabilities	(67,036)	0	(67,036)
Unfunded liabilities	0	0	0
Closing balance at 31 March	(67,036)	50,391	(16,645)

	2012–13 (restated)		Total £000
	Present value of obligation £000	Fair value of plan assets £000	
Plan assets	0	38,951	38,951
Funded liabilities	(53,857)	0	(53,857)
Unfunded liabilities	0	0	0
Opening balance at 1 April	(53,857)	38,951	(14,906)
Current service costs	(1,497)	0	(1,497)
Past service costs (including curtailments)	(191)	0	(191)
Gains and losses on settlements	0	0	0
	(1,688)	0	(1,688)
Net interest (cost)/income	(2,599)	1,891	(708)
Remeasurements			
Returns on plan assets, excluding amounts included in interest cost	(7,244)	0	(7,244)
Gain/(loss) from change in demographic assumptions	0	3,263	3,263
Gain/(loss) from change in financial assumptions	0	0	0
Experience gains/(losses)	0	0	0
Change in asset ceiling, excluding amounts included in interest cost	0	0	0
	(7,244)	3,263	(3,981)
Foreign exchange differences	0	0	0
Effect of business combinations on disposals	0	0	0
Contributions			
Employers	0	2,180	2,180
Plan participants	(504)	504	0
Unfunded benefits	0	0	0
Payments from plans			
Benefit payments	1,606	(1,606)	0
Unfunded benefit payments	0	0	0
Closing balance at 31 March	(64,286)	45,183	(19,103)
Plan assets	0	45,183	45,183
Funded liabilities	(64,286)	0	(64,286)
Unfunded liabilities	0	0	0
Closing balance at 31 March	(64,286)	45,183	(19,103)

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								
Consumer	6,631	0	6,631		5,712	0	5,712	
Energy and utilities	1,381	0	1,381		1,019	0	1,019	
Financial institutions	2,524	0	2,524		1,775	0	1,775	
Health and care	614	0	614		594	0	594	
Information technology	1,968	0	1,968		1,494	0	1,494	
Manufacturing	2,302	0	2,302		2,316	0	2,316	
Other	1,557	2,740	4,297		1,498	2,864	4,362	
	16,977	2,740	19,717	39%	14,408	2,864	17,272	38%
Debt instruments								
UK Government	0	0	0		0	0	0	
Corporate bonds (investment grade)	0	0	0		0	0	0	
Corporate bonds (non-investment grade)	0	0	0		0	0	0	
Other	0	3,002	3,002		0	2,603	2,603	
	0	3,002	3,002	6%	0	2,603	2,603	6%
Property								
UK	0	3,179	3,179		0	2,633	2,633	
Overseas	0	174	174		0	182	182	
Property funds	0	0	0		0	0	0	
	0	3,353	3,353	7%	0	2,815	2,815	6%
Cash and cash equivalents	0	199	199	0%	0	204	204	0%
Investment funds								
Equities	8,249	0	8,249		9,559	0	9,559	
Bonds	8,798	0	8,798		6,288	0	6,288	
Hedge funds	0	7,073	7,073		0	6,442	6,442	
Commodities	0	0	0		0	0	0	
Infrastructure	0	0	0		0	0	0	
Other	0	0	0		0	0	0	
	17,047	7,073	24,120	48%	15,847	6,442	22,289	49%
Other	0	0	0	0%	0	0	0	0%
Total	34,024	16,367	50,391	100%	30,255	14,928	45,183	100%

4e. Sensitivity analysis

	+0.1% £000	0% £000	-0.1% £000
Adjustment to discount rate			
Present value of total obligation	65,679	67,036	68,383
Projected service cost	1,538	1,594	1,650
	+1yr £000	none £000	-1yr £000
Adjustment to mortality age rate assumption			
Present value of total obligation	65,025	67,036	69,047
Projected service cost	1,532	1,594	1,656
	+0.1% £000	0% £000	-0.1% £000
Adjustment to inflation			
Present value of total obligation	68,393	67,036	65,679
Projected service cost	1,650	1,594	1,538

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	86	0
Prior year overprovision	(29)	(32)
Total	57	(32)

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

6. Other Expenditure

	2013–14		2012–13 <i>Restated</i>	
	£000	£000	£000	£000
Rentals under operating leases	0		0	
Interest charges	0		0	
Accommodation, maintenance and utilities	1,364		1,359	
Travel, subsistence and hospitality	218		292	
Professional services	171		83	
IT services	436		513	
Communications, office supplies and services	140		226	
Other staff related	90		88	
Offender costs	309		336	
Other expenditure	500		778	
External Auditors' remuneration – statutory accounts	22		22	
External Auditors' remuneration – other	0		0	
Internal Auditors' remuneration	17		12	
		3,267		3,709
Non-cash items				
Depreciation of tangible non-cash assets	26		29	
(Profit)/loss on disposal of tangible non-cash assets	4		0	
Other provisions provided for in year	0		(4)	
Early retirement provisions not required	0		0	
		30		25
Total		3,297		3,734

Restatement of comparatives

In the prior year costs were split between administration and programme related costs. For 2013–14 all costs have been aggregated into one classification. This has no impact on total costs. See also **Note 1.10**.

7. Income

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

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

Interest received

Total income

	2013-14		2012-13	
	£000	£000	£000	£000
	12,883		14,037	
	0		0	
		12,883		14,037
		0		0
		0		0
		386		401
		84		114
		25		18
		0		0
		354		184
		108		152
		13,840		14,906
Interest received		0		0
Total income		13,840		14,906

8. Property, plant and equipment

	2013-14					
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2013	0	140	266	0	0	406
Additions	0	0	0	0	0	0
Disposals	0	(21)	(110)	0	0	(131)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	1	1	0	0	2
As at 31 March 2014	0	120	157	0	0	277
Depreciation						
As at 1 April 2013	0	136	184	0	0	320
Charge in year	0	3	23	0	0	26
Disposals	0	(21)	(105)	0	0	(126)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	1	1	0	0	2
As at 31 March 2014	0	119	103	0	0	222
Carrying value as at 31 March 2014	0	1	54	0	0	55
Carrying value as at 31 March 2013	0	4	82	0	0	86
Asset financing						
Owned	0	1	54	0	0	55
Finance leased	0	0	0	0	0	0
Carrying value as at 31 March 2014	0	1	54	0	0	55

8. (Continued)

	2012-13					
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2012	0	188	251	0	0	439
Additions	0	0	0	0	0	0
Disposals	0	(54)	0	0	0	(54)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	6	15	0	0	21
As at 31 March 2013	0	140	266	0	0	406
Depreciation						
As at 1 April 2012	0	179	150	0	0	329
Charge in year	0	6	23	0	0	29
Disposals	0	(54)	0	0	0	(54)
Transfers	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Indexation/revaluation	0	5	11	0	0	16
As at 31 March 2013	0	136	184	0	0	320
Carrying value as at 31 March 2013	0	4	82	0	0	86
Carrying value as at 31 March 2012	0	9	101	0	0	110
Asset financing						
Owned	0	4	82	0	0	86
Finance leased	0	0	0	0	0	0
Carrying value as at 31 March 2013	0	4	82	0	0	86

9. Intangible assets

The Trust had no intangible assets at the reporting date (2012–13 £Nil).

10. Impairments

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

11. Assets held for sale

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

12. Trade receivables and other current assets

12a. Analysis by type

	2013–14 £000	2012–13 £000
Amounts falling due within one year		
Trade receivables	2	17
VAT	0	0
Deposits and advances	4	0
Receivables due from Trusts	47	10
Receivables, Accrued Income and Prepayments due from NOMS Agency	2,287	2,404
Receivables, Accrued Income and Prepayments due from MoJ Group	0	0
Receivables, Accrued Income and Prepayments due from other Government departments	148	62
Other receivables	0	0
Prepayments	18	19
Accrued income	0	1
	2,506	2,513
Amounts falling due after more than one year		
Trade receivables		
Deposits and advances	0	0
Other receivables	0	0
Prepayments and accrued income	0	0
	0	0
Total	2,506	2,513

12b. Intra-Government receivables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013–14 £000	2012–13 £000	2013–14 £000	2012–13 £000
Balances with other central Government bodies (inc. parent department)	2,382	2,414	0	0
Balances with local authorities	100	63	0	0
Balances with NHS bodies	0	0	0	0
Balances with public corporations and trading funds	0	5	0	0
	2,482	2,482	0	0
Balances with bodies external to Government	24	31	0	0
Total	2,506	2,513	0	0

13. Cash and cash equivalents

	2013–14	2012–13
	£000	£000
Balance at 1 April	453	1,566
Net change in cash and cash equivalents	(271)	(1,113)
Balance at 31 March	182	453
The following balances at 31 March are held at:		
Government Banking Service	0	0
Commercial banks and cash in hand	182	453
Balance at 31 March	182	453

14. Trade payables and other current liabilities

14a. Analysis by type

	2013–14	2012–13
	£000	£000
Amounts falling due within one year (excluding taxation)		
Trade payables	89	102
Other payables	0	0
Accruals	47	744
Deferred income	0	40
Staff payables	0	0
Bank overdraft	0	0
Payables due to Probation Trusts	0	22
Payables, Accruals and Deferred Income due to NOMS Agency	42	41
Payables, Accruals and Deferred Income due to MoJ Group	0	0
Payables, Accruals and Deferred Income due to other Government departments	114	3
	292	952
Tax falling due within one year		
VAT	483	484
Corporation tax	86	0
Other taxation and social security	173	205
	742	689
Total amounts falling due within one year	1,034	1,641
Amounts falling due after more than one year		
Staff payables	0	0
Other payables	0	0
	0	0
Total	1,034	1,641

14b. Intra-Government payables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013–14	2012–13	2013–14	2012–13
	£000	£000	£000	£000
Balances with other central Government bodies (inc. parent department)	784	914	0	0
Balances with local authorities	114	7	0	0
Balances with NHS bodies	0	1	0	0
Balances with public corporations and trading funds	0	13	0	0
	898	935	0	0
Balances with bodies external to Government	136	706	0	0
Total	1,034	1,641	0	0

15. Provisions for liabilities and charges

There were no provisions at the reporting date (2012–13 – £Nil).

16. Capital commitments

There were no capital commitments at the reporting date (2012–13 – £Nil).

17. Commitments under leases

The Trust has no operating or finance leases (2012–13 – £Nil).

18. Other financial commitments

The Trust has no financial commitments (2012–13 – £Nil).

19. Deferred tax asset

There are no deferred tax assets (2012–13 – unrecognised deferred tax asset arising on tax losses of £94,000).

20. Financial instruments

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

21. Contingent liabilities

The Trust has no contingent liabilities (2012–13 – £Nil).

22. Losses and special payments

22a. Losses statement

	2013–14		2012–13	
	Number of cases	Total value £000	Number of cases	Total value £000
Cash losses	0	0	2	0
Total	0	0	2	0

There were no losses (2012–13 – two losses of less than £50 each).

22b. Special payments schedule

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

There were no Special Payments in the year (2012–13 – one payment of £100).

23. General fund

	2013–14 £000	2012–13 £000
Balance at 1 April	(17,704)	(13,554)
Prior period adjustment (Note 28)	0	0
Balance restated at 1 April	(17,704)	(13,554)
Financing	0	0
Net transfers from Operating Activities:		
Statement of Comprehensive Net Expenditure	(586)	(169)
Movement in donated assets	0	0
Transferred from revaluation reserve	0	0
Remeasurement of post employment benefits	3,342	(3,981)
Balance at 31 March	(14,948)	(17,704)

24. Revaluation reserve

Property, plant and equipment

	2013–14	2012–13
	£000	£000
Balance at 1 April	12	7
Arising on revaluations of PPE during the year (net)	0	5
Transferred to General Fund	0	0
Balance at 31 March	12	12

25. Related party transactions

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

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

Mutuals

Trust staff members are contributing to the development of a bid for the Cheshire and Greater Manchester CRC, as part of a Mutual Development Team with staff members from Greater Manchester Probation Trust. The Mutual Development Team is bidding as GMC Sodexo in partnership with Sodexo and NACRO, and has been shortlisted for the Cheshire and Greater Manchester Contract Package Area. One of the Trust's Assistant Chief Executives is deployed full time to the Mutual Development Team as its Operational Lead, and other staff members at lower grades spend a couple of days per month working with the Mutual Development Team.

26. Third-party assets

These are not Trust's assets and are not included in the accounts. The sole asset in this category held at the reporting date comprised a bank balance for the Chief Officer's Fund. The money is used to assist offenders who have demonstrated a strong willingness to make a positive change in their lifestyle, to the benefit of themselves and the community they live in. Money from the Fund is paid out at the discretion of the Chief Executive, following requests made by operational Probation staff. The Fund is topped up from time to time by charitable donations. Movements in the Fund are set out in the table immediately below.

	31 March 2013	Funds paid in during the year	Funds paid out during the year	31 March 2014
	£000	£000	£000	£000
Chief Officer's Fund	2	0	(1)	1
	2	0	(1)	1

27. Events occurring after the reporting period

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

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

Dissolution of the Trust

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

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

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

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

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

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

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

Pensions

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

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

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

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

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

Leases and service contracts

Property and IT leases remain within the Ministry of Justice.

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

Staff related balances

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

All other balances

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

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

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

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

28. Prior period adjustments

IAS 19 *Employee Benefits* (Revised 2011)

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

The amendments relevant to the Trust are:

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

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

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

	2012–13
Extract from the 2012–13 accounts before restatement:	£000
Net operating expenditure after taxation	(107)
Other comprehensive expenditure	4,252
Total comprehensive expenditure	4,145
Restatement:	
Increase in expenditure (interest costs)	276
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	(276)
	0
Extract from the 2012–13 accounts after restatement:	
Net operating expenditure after taxation	169
Other comprehensive expenditure	3,976
Total comprehensive expenditure	4,145

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	(17,704)
Restatement:	
Increase in net operating expenditure	276
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	(276)
General fund balance as at 31 March 2013 after restatement	(17,704)

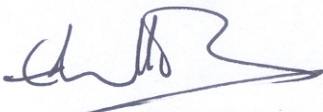
Administration and programme income and expenditure

In 2012–13 the SoCNE was analysed between administration and programme income and expenditure. The classification of expenditure and income for both Administration and Programme followed the definition set out in the FReM by HM Treasury. Administration costs reflect the costs of running the Probation Trust together with associated operating income. Programme costs are defined as projects which are fully or partially funded from outside the Ministry of Justice. However for 2013–14 all programme expenditure for both prior and current year is shown as Travel, Subsistence and Hospitality. All programme income for both prior and current year is shown within one classification. This change has been made for fairer presentation of the accounts. Further details are shown in **Note 3** and **Note 6**.

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 second Sustainability Report for Cheshire 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 11 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.

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.

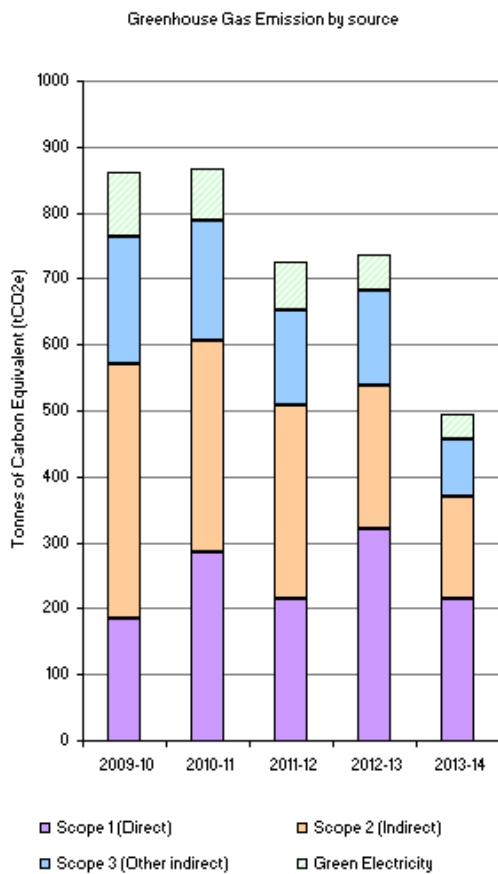
Sustainable procurement

Cheshire 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 (tCO ₂ e)	Scope 1 (direct): Site-based emissions & owned transport	184.2	285.9	215.1	321.8	214.0
	Scope 2 (indirect): Supplied energy (electricity and heat)	386.6	318.8	292.7	217.4	155.2
	Scope 3 (other indirect): Business travel & transmission losses from supplied energy	193.6	182.2	145.4	142.7	87.7
	Total gross GHG emissions	764.4	786.8	653.2	681.9	456.9
	Electricity: green/renewable	96.7	79.7	73.2	54.4	38.8
	Total net GHG emissions	667.7	707.1	580.0	627.6	418.1
Non-financial (kWh)	Electricity: Grid, CHP & non-renewable	587195	536648	492711	366056	261278
	Electricity: renewable	195732	178883	164237	122019	87093
	Gas	799587	1352473	933752	1531388	767444
	Other energy sources	0	0	0	0	0
	Total energy	1582514	2068004	1590700	2019463	1115815
Financial indicators	Expenditure on energy (£)	119357	101019	97439	110659	79812
	Expenditure on official business travel (£)	423529	423529	341722	309735	209544



Performance commentary (including targets)

Reported carbon dioxide emissions from our buildings have fallen from the 2009–10 baseline, and from the figures reported for 2012–13. These figures have been provided to the Trust, who cannot undertake any verification work given no data is held and controlled locally. Gas statements have not been located for all properties. Travel emissions have reduced owing to a fall in employee numbers and an increased number of pool cars being made available.

Controllable impacts commentary

74% of our reported carbon dioxide emissions are from electricity and gas use in buildings.

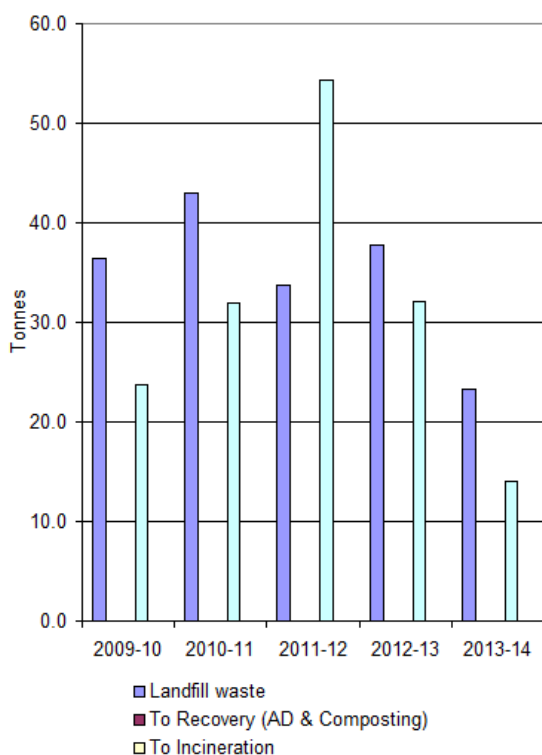
Overview of influenced impacts

We only report energy use in buildings where we are directly billed and responsible for payment. Travel data includes travel by all of our staff, regardless of their location. Travel data for 2009–10 is not available, and the figures shown above are taken from the records for 2010–11. We do not have any data on fugitive emissions.

Waste

			2009–10	2010–11	2011–12	2012–13	2013–14
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill waste	36.4	43.0	33.8	37.7	23.3
		To recovery (AD & composting)	0	0	0	0	0
		To incineration	0	0	0	0	0
		Reused/recycled waste	23.8	32.0	54.3	32.1	14.1
		Energy from waste	0	0	0	0	0
Total waste arising			60.2	75.0	88.1	69.8	37.4
Financial indicators	Non-hazardous waste	Landfill waste	0	0	0	0	0
		To recovery (AD & composting)	0	0	0	0	0
		To incineration	0	0	0	0	0
		Reused/recycled waste	0	0	0	0	0
		Energy from waste	0	0	0	0	0
Total waste costs (£)			0	0	0	0	0

Waste by final disposal



Performance commentary (including targets)

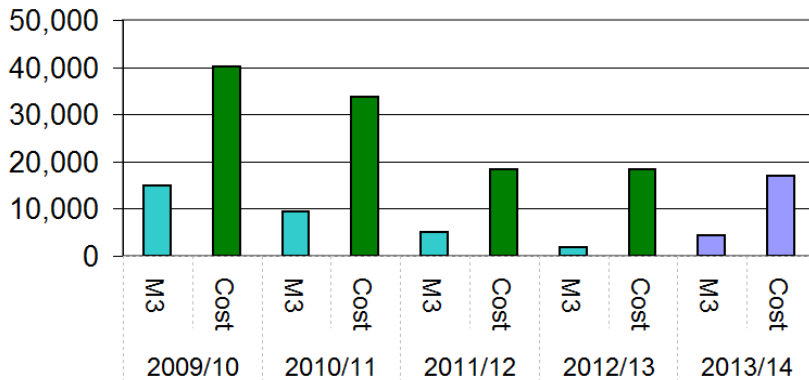
Waste disposed of has fallen against the 2009–10 baseline, with a fall in the percentage sent to recycling. However, only figures for Q1 2013–14 have been made available, and it is therefore possible that the actual figures differ from the above estimate.

Water

Non-financial indicators **Total water consumption (cubic metres: m³)**
 Financial indicators **Total water supply costs (£)**

2009–10	2010–11	2011–12	2012–13	2013–14
14,833	9,443	4,978	1,730	4,440
40,244	33,744	18,297	18,304	16,907

Water (consumption and costs).



Performance commentary (including targets)

The figures above show water consumption falling significantly from the 2009–10 baseline but rising against 2012–13. Difficulties remain over obtaining reliable information regarding water use from Interserve. Based on the figures shown, consumption stands at 17.9 m3 per FTE.

Controllable impacts commentary

Water use is almost exclusively from washrooms and drinking.

Paper

Cost (excluding VAT)

2009–10	2010–11	2011–12	2012–13	2013–14
0	0	9,631	8,319	5,631

ISBN 978-1-4741-0395-4



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