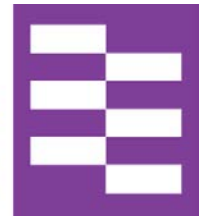


**Lancashire
Probation Trust**



Lancashire Probation Trust

**Annual Report and Accounts
2013–2014**

**Lancashire
Probation Trust**



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Annual Report and Accounts
2013–2014

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Vision, Mission & Values

Purpose

The purpose of the Trust is that of managing risk, changing lives and improving communities.

Vision

Lancashire Probation Trust is a 21st century organisation providing 21st century services, making Lancashire a safer place to live by:

- Working with partners and individuals to reduce reoffending,
- Working to prevent the next victim,
- Enabling offenders to fulfil their potential to be a responsible member of the community.

Beliefs and Values

The Trust has as its beliefs and values:

- Respect,
- Integrity,
- Innovation,
- Empowering,
- Inspiring,
- Challenging.

Foreword

Lancashire Probation Trust (LPT) delivers effective rehabilitation services to manage risk, change lives and improve communities in a complex, demanding and challenging environment. We are a statutory criminal justice service working with other voluntary and statutory criminal justice services to make Lancashire a safer place.

We work to:

- Protect the public
- Reduce crime
- Enforce punishment of offenders
- Rehabilitate offenders to lead law abiding lives
- Uphold the victims of crime

We deliver services in the courts, the community and custodial settings and staff work on a daily basis with difficult, vulnerable and sometimes dangerous adults.

Over the past 12 months we have supervised around 8,000 offenders and tackled many of their complex issues, such as behaviours relating to alcohol, drug and substance misuse, homelessness, training and employment to help reduce reoffending rates across Lancashire.

This year has been a challenging one for the Trust as it has worked to meet the changes being driven by the Government's Transforming Rehabilitation programme. Despite this, the Trust has continued to deliver and improve its services to offenders and victims, with it being the highest performing Trusts in the country for the offender satisfaction survey and operationally being rated as "good".

The Trust made significant improvements this year in the delivery of its programmes to offenders, which helps them transform their behaviour and make real sustained changes to their lives, achieving 98% of the maximum score in the National Offender Management Quality Assurance Audit, which is a 21% improvement on our previous audit.

We constantly engage with the communities where we work and with our partners and this year we carried out a Sentencers Survey to look at our work in both the magistrates and crown courts, with 96% of Sentences reporting they were satisfied or extremely satisfied with the work of probation overall.

Another success for the Trust was the launch of a brand new service for vulnerable women to help stop re-offending across Lancashire. Women's centres across the county now provide a one-stop-shop for women offenders who can see their probation officer, deal with any health issues, learn about finance, benefits and debt, address substance misuse, have access to mental health services, receive help with employment and training and receive mentoring from qualified professionals.

Finally, as the Government's Transforming Rehabilitation programme gains momentum, we will see all Trusts across the country close in 2014. To ensure the probation staff of the future understand the work and history of their predecessors, the Trust has taken the opportunity to record and archive many of our stories and projects from past years. The legacy project has seen contributions from retired members, past and present employees, partners, offenders and the community. It will ensure future generations have a strong record and history to build on and it helps them shape the probation service of the future, to ensure we continue to Manage Risk, Change Lives and Improve the Communities.

Kevin Robinson
Chief Executive
 24 June 2014

1. Operational & Performance Review 2013–14

Lancashire Probation Trust's annual contract sets the goals and targets it is required to achieve. The Trust strives to exceed performance in all areas in its commitment to 'manage risk, change lives, improve communities'.

Outcome to be achieved	Target	Outcome	% of target
Victims are satisfied with the service they receive for Victim liaison	90%	100%	111%
Victims contacted within 56 days and offered a service	90%	98%	109%
Attendance by the appropriate grade from the Probation Service at each level 2 and 3 Multi Agency Public Protection Meeting	90%	99.6%	110.6%
Reduce the rate of proven re-offending whilst under the supervision of probation	10.1%	10.2%	1.66%
Offenders who are in employment at termination of their order or licence	42%	55%	131%
Offenders in settled accommodation at termination of their order or licence	80%	89%	111%
The number of sexual Offender programme completions	50	70	140%
The number of Domestic Violence completions	50	43	86%
The number of Offending Behaviour completions	140	107	76%
The number of Community Payback completions	1,260	1,321	105%
Number of orders and licences that terminate successfully	70%	77%	110%
Cases where initiation of breach proceedings took place within 10 working days of the relevant unacceptable failure to comply	95%	100%	105%
Staff sickness	10.5 days	7.3 days	3.2 days better than target

Accredited Programmes Completion

This year changes have been made to our Accredited Programmes, which has had an impact upon completions and referrals. Building Better Relationships programme replaced the Domestic Abuse programme which refocused the target group to ensure effective use of the programme. The general offending behaviour programme changed from CALM to Resolve, which resulted in a slower take up on the new requirements. This new programme includes instrumental violence which has presented different challenges, which are actively being addressed by the Programme Manager.

Staff Sickness

The Trust has achieved an outcome which is well below the target for staff sickness. The target is five to ten days, with an outcome of 7.3 days.

Reducing Reoffending

The Trust has actively worked over the year to manage reoffending and has been successful in seeing a significant reduction from the outcome in 2012–13.

Chief Executive Officer
24 June 2014

2. Management Commentary

Statutory background

The Probation Trusts were established under the Offender Management Act 2007 (OM Act). Each Trust is a corporate body under the OM Act and a Non-Departmental Public Body (NDPB) which reports to the National Offender Management Service (NOMS). This Trust came into existence on 1 April 2009 (following transition from Lancashire Probation Board which was established in 2001).

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FRoM) issued by HM Treasury (HMT) and in accordance with the accounts direction, on page 53, issued by the Secretary of State under the OM Act.

Principal activities

Lancashire Probation Trust covers the Lancashire police area, as defined in Schedule 1 of the Police Act 1996, serving a population of almost 1.5m.

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

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

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 21. The Statement of Changes in Taxpayers' Equity is shown on page 24.

Operating costs

The net operating cost before tax for 2013–14 stands at £2.069m compared to £1.388m for 2012–13 which is after pension scheme interest costs of £1.554m (2012–13 £1.454m).

Statement of Financial Position and Statement of Cash Flows

The Statement of Financial Position and Statement of Cash Flows are on pages 22 and 23.

The net liabilities position has decreased from £37.611m at 31 March 2013 to £26.751m at 31 March 2014. The largest single movement is the decrease in pension liabilities from £38.306m in 2012–13 to £27.542m in 2013–14.

Payment of creditors

In the year to 31 March 2014, the Trust paid 4,315 trade invoices with a value of £15,371,946. The percentage of undisputed invoices paid within 30 days by the Trust was 86.74% compared to 87.5% in 2012–13. Target was 95%.

Treatment of Pension Liabilities

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

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

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

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

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

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

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

Sickness absence data

The average levels of absence due to staff sickness were 7.3 days across the Trust (2012–13 8.3 days).

Personal data related incidents

There were no significant personal data related incidents in 2013–14.

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.

This year Lancashire Probation Trust has worked to identify and separate its workforce into two streams, in readiness for the Trust to transfer half its workforce into the Government's newly established National Probation Service and the other half – around 300 people, into the newly established Cumbria and Lancashire Community Rehabilitation Company.

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 55 to 59.

Mutuals

Lancashire Probation Trust, in partnership with Merseyside Probation Trust and Cumbria Probation Trust, have set-up Innovo CML Ltd – a staff mutual bidding to run and operate Community Rehabilitation Companies within the Government’s Transforming Rehabilitation Programme.

Going Concern

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

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

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

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

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

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

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

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

Communications and employee involvement

The Trust attaches great importance to engaging and communicating with its staff, particularly in this time of significant change. Staff are kept up to date with developments through the Trust’s intranet, staff roadshows and email communications.

Staff diversity

Lancashire Probation Trust is committed to equal opportunities in both employment practice and service delivery. In accordance with the requirements of the Equality Act 2010 the Trust has published equality information on its 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 19.

Total audit fees reported in the Accounts are £26,000.

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

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

The Lancashire Probation Trust Management Board

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

- Annual plans for service provision
- Agreeing and delivering the contract with NOMS
- A range of sub-committees reporting to the Board.

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 9 and 10.

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

Position	Name
Chief Executive	Mr K Robinson
Chair	Mr R Male
Board member	Mr D Booker
Board member	Mrs C Ainscough
Board member	Mrs C Threlfall
Board member	Mr L Sewell

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.

K Robinson
Accountable Officer
24 June 2014

3. Remuneration Report

Appointments

The Chair, the Chief Executive, and other members of the Trust Board are all appointed by the Secretary of State. The terms of employment of the appointed members are for the Secretary of State to determine, though the terms of employment of the Chief Executive are for the appointed members to determine, with the approval of the Secretary of State.

The salary and pension entitlements of the senior managers and non-executive directors of the Lancashire 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										
Mr K Robinson	80–85	75–80	-	-	200	500	45	41	125–130	115–120
Mr R Male	15–20	15–20	-	-	500	500	0	0	15–20	15–20
Mr D Booker	0–5	0–5	-	-	800	700	0	0	0–5	0–5
Mrs C Ainscough	0–5	0–5	-	-	100	0	0	0	0–5	0–5
Mrs C Threlfall	0–5	0–5	-	-	100	100	0	0	0–5	0–5
Mr L Sewell	0–5	0–5	-	-	100	100	0	0	0–5	0–5

All appointed Trust Board members receive non-pensionable remuneration of £15.40 per hour from 1 April 2008, with the exception of the Chief Executive and the Chair. The Trust at its discretion may pay a travelling allowance and any other relevant expenses incurred.

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

	Total Full-time Equivalent Remuneration	
	2013–14	2012–13
Highest paid Director (pay band)	£80,000–£85,000	£75,000–£80,000
Median for other staff	£27,373	£23,274
Pay multiple ratio	3.1:1	3.4:1

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' is the gross salary.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits received are in respect of costs for accommodation, travel and the pecuniary liability in respect of tax paid under the employer PAYE settlement agreement with HM Revenue and Customs.

Mutuals

During the year, one of the members of the Senior Management Team (one of the Assistant Chief Executives) has been involved in establishing a staff mutual in collaboration with colleagues in two other Probation Trusts.

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
Mr K Robinson	45 plus lump sum 66	5 plus lump sum 3	577	515	49

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.

K Robinson
Accountable Officer
24 June 2014

4. Statement of Accountable Officer's Responsibilities

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

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

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

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

5. Governance Statement

Scope of responsibility

As Chief Executive and Accountable Officer for Lancashire Probation Trust I have responsibility for maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible in accordance with responsibilities assigned to me in "Managing Public Money" and Governance manual issued by NOMS.

I am held accountable by Lancashire Probation Trust Board for the administration of finances and for the overall performance of the Trust:

- The Trust's Business Plan sets out the aims, objectives and budget for the Lancashire Probation Trust
- Financial out-turn and performance against contracted targets and objectives are regularly monitored through my regular Contract Monitoring meetings with the nominated senior representative of the National Offender Management Service (NOMS)
- I ensure on behalf of the Trust Board that the public funds, for which I have responsibility, are allocated in accordance with the Trust's Standing Orders and financial regulations.
- I ensure that Lancashire Probation Trust staff work within the framework of policies and financial regulations approved by the Trust Board.
- I also ensure that organisational risks are identified and managed in accordance with the policy and structures agreed by the Board and that monitoring arrangements in place for this through the Audit Committee.

As Chief Executive, I am involved in a number of significant inter-agency activities. These include the Criminal Justice Board and partnerships with the Police and others on the management of dangerous offenders through the multi-agency public protection (MAPPA) arrangements, partnerships with the Prison Service in the resettlement of offenders and a series of inter-agency partnerships involving Criminal Justice agencies, the National Health Service and local authority services in relation to child protection, drug misuse, the administration of justice and the resettlement of offenders.

The governance framework of the Trust

The governance framework comprises the systems, processes, culture and values, by which the Trust Board directs and controls its activities and through which it accounts to the Secretary of State and the community. The framework enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The Trust Board must ensure, through myself as Chief Executive and Accountable Officer, 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 Lancashire
- 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 (FRM) and ensuring appropriate records are held

Central to the governance framework is the Trust Board who met in public meeting on 8 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 Board has put in place a supporting structure comprising 4 Committees:

- Audit Committee
- Health and Safety Committee

- Joint Negotiating Consultative Committee (JNCC)
- Partnerships and Commissioning Board

The table below shows the membership of the Trust Board and sub – committees and the attendance records of members at meetings during the period 1st April 2013 – 31st March 2014.

Name	Role	Trust Board	Audit Committee	Health and Safety Committee	JNCC	Partnerships and Commissioning Board
		No.	No.	No.	No.	No.
Mr K Robinson	Chief Executive	8/8	3/4	1/3	3/4	5/5
Mr R Male	Chair	8/8	3/4			
Mr D Booker	Board Member	6/8	4/4			5/5
Mrs C Ainscough	Board Member	7/8	3/4			
Mrs C Threlfall	Board Member	7/8	3/4	2/3 (As deputy)	2/4	
Mr L Sewell	Board Member	7/8	4/4	2/3	3/4	4/5

Due to the Trust closure it has not been deemed necessary for the Board to undertake a self-assessment exercise for this year.

The system of internal control is a significant part of the governance framework and is 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 system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Trust's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework, including the system of internal control, has been in place in the Lancashire Probation Trust for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Risk Assessment

The Audit Committee is responsible for reviewing the risk and control framework of Lancashire Probation Trust operating within their agreed Terms of Reference. These draw fully on the guidance provided in the 'Audit Committee Handbook' issued by H.M. Treasury which defines the policy principles of Audit Committees operating within the public sector. The Committee met on 4 occasions during the year and all meetings were quorate.

The purpose of the Audit Committee is to provide advice and support to myself as Accountable Officer in the effective discharge of my responsibilities for Governance, Risk Management and Internal Control. In the discharge of these duties the Audit Committee reviews and scrutinises:

- Internal Financial Control matters including maintenance of proper accounting records and the reliability of financial information
- Risks regarding disclosure statements, including the Annual Governance Statement
- The Trust's Risk Register containing those risks that underlie the achievement of the Trust's strategic objectives, together with the underlying assurances provided by way of mitigation
- Specific procedures relating to anti fraud and corruption, and
- Regular audit reports from the Internal Auditors (the Ministry of Justice Audit and Assurance Unit (AAU)) on internal controls and risk management activity

The Trust's risk management strategy underpins the risk management arrangements in place to successfully achieve the objectives of the Trust. The overarching Risk Management Policy continues to support the governance framework and associated processes. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks through the following processes:

- As part of the business planning process the Senior Leaders Forum consider the current risk register detailing the existing critical risks that face the organisation and identify those emerging from the new business plan objectives and priorities for the coming year. A summary risk register is compiled from this review and is included within the business plan itself.
- Responsibility for the ongoing assessment and management of risk is allocated to individual members of the senior management team (the Risk Owners) within their individual areas of expertise. The overall responsibility for risk management processes has been delegated to the Treasurer to the Trust Board
- The Senior Leaders Forum formally reviews the risk register on a quarterly basis as part of the performance review cycle. The group ensures that those risks already identified are being well managed and also identifies and considers any emerging risks. In assessing risk, consideration is given to both the probability of occurrence and the potential impact on the Lancashire Probation Trust given the controls in place. The Senior Leaders Forum receives individual reports from each of the Risk Owners, each quarter, on the steps being taken to manage the risks assigned to them together with a commentary on the action to be taken to minimise the risk further wherever possible. A colour coded, traffic-light system is used to focus attention on the key risk areas.

The risk register is reviewed at each Audit Committee meeting. The key business risks identified and monitored during the year were:

- Contract management and delivery against performance targets
- Public protection
- Employee relations
- Financial planning
- Statutory compliance with regard to the Lancashire estate and the Ministry of Justice's facilities management contract
- Retention of business following the impending outcome of the Ministry of Justice's Transforming Rehabilitation Consultation
- Information systems
- Staff recruitment and retention
- Delivering reductions in reoffending

The risks have been well managed during the year however, as reported in last year's Governance Statement, a consequence of persistent failings in the service provision of the facilities management contract, the Audit Committee and the Trust Board have deemed the position sufficiently serious to continue to escalate this to the Ministry of Justice through the Trust contract dispute procedure.

- The organisation continues to embed the risk management process across all aspects of work. Every team, both operational and support service, is required to include a Risk Register in their team plan for the year, considering the risks specific to their own area of operation as well as those which link with, and impact on, the key organisational risks identified in the Business Plan.
- The Audit Committee receives regular reports from the Internal Auditors which provide an independent opinion on the adequacy and effectiveness of the Trust's system of internal control, together with recommendations for improvement. The Audit Committee reviews progress against the recommendations made at each meeting.
- A methodology for the prioritisation of workload by staff is in place to ensure that the level of risk is minimised in the event of any shortfall in available resources.
- The reporting framework in place across the organisation ensures that all reports presented for consideration and approval at the Trust Board, Audit Committee or Senior Leaders Forum meetings systematically consider:
 - Risk implications
 - Financial implications
 - Staffing implications
 - Health and Safety implications
 - Links to the Business Plan objectives

The risk and control framework

The key elements of the Trust's risk and internal control environment include:

- Standing Orders, Terms of Reference for individual Committees and a Scheme of Delegation which establishes the overall arrangements for policy setting and decision making and the delegation of powers to the Trust Board and officers
- A clear business planning process which sets clear objectives and targets and reconciles policy priorities and targets with financial resources
- A system of regular monitoring and reporting of the Trust's performance against the business plan
- Established budget setting and budgetary management systems, ensuring the economical, effective and efficient use of resources and regular reporting of financial performance to officers and to the Trust Board
- Financial Regulations and a supporting framework of financial procedures
- A structure of centrally monitored, devolved financial management that promotes management of the Trust's finances at the appropriate organisational level
- A risk management policy that sets out the Trust's commitment to systematic risk assessment and provides the framework to properly manage and control both business and operational risk
- A Code of Conduct for Trust Board Members and a Code of Professional Standards for Trust officers that set out clear expectations for standards of behaviour
- Arrangements for dealing with complaints and whistle-blowing and for combating fraud and corruption.
- To ensure the smooth transition to the new organisational structures to be created by the MoJ's Transforming Rehabilitation Programme, the Trust has established its own Transforming Rehabilitation Programme, working in conjunction with colleagues in Cumbria Probation Trust who will join staff in Lancashire Probation Trust to form the Cumbria and Lancashire Community Rehabilitation Company.

The Programme has established a Management Board comprising of members of the Trust Board and both Senior and Middle Managers from across a wide range of disciplines to provide oversight and to ensure effective delivery.

The intended outcomes of the Programme are:

- A positive transition from the current state in to the two new organisations (NPS and CRC) with minimal disruption
- A robust exit strategy that meets the needs of the organisation
- Maintenance of a quality service delivery through the transition period and into the future months
- An improved operational service delivery model which is embedded throughout the organisation

The Programme Board met on 8 occasions since its inception in August 2013

A comprehensive Risk Register has been compiled and is regularly reviewed by lead officers across both operations and support services teams and this is reviewed at each Audit Committee meeting with a regular report provided to them by the Deputy Chief Executive or the Trust's Business Change Manager as necessary.

Mutuals

Lancashire Probation Trust in partnership with Merseyside Probation Trust and Cumbria Probation Trust have set up a company, Innovo CLM Ltd. This is a staff mutual bidding to win and operate 2 of the Community Rehabilitation Companies (CRCs) within the Government's Transforming Rehabilitation Programme.

To effectively progress the development of the mutual whilst managing the potential risks associated with such a new venture the Trust has developed a Governance Structure, which clearly identifies how the Trust and those staff working to develop a mutual will operate. In conjunction with its two partner Trusts, senior management resource has been identified to support the development.

To ensure that individuals developing the mutual do not have access to information associated with the Transforming Rehabilitation Programme they:

- have been removed from e-mail groupings
- they no longer have access to the Trust’s staff intranet
- they do not have access to other senior managers diaries
- nor do they attend Trust meetings, such as Senior Leaders meetings and Extended Leaders meetings
- separate office accommodation has been provided for them as required for day to day working and for mutual related meetings
- they will no longer receive information from the Trust regarding Trust developments which may be commercially sensitive.

The Governance Structure document sets out the process for providing assurance to the Trust Board and the Chief Executive of the mutual’s actions without compromising competition integrity. In brief there is a Governance Board chaired by the Chief Executive, with a representative from each of the three Trust Boards. Its purpose is to monitor that the Mutual’s development is within the parameters set. It is clear that at the Board meeting there will be no sharing of confidential material relating to the actual development of the mutual, nor of any commercially sensitive information from the three trusts.

The Trust follows the guidance issued by NOMS and the MoJ and is able to consult the Ethical Walls team for guidance regarding what may be commercially sensitive should there be any uncertainty regarding whether information can or cannot be shared. As part of the communication briefings with staff, and information via the intranet, it is made clear that all requests for information must be passed to the nominated Single Point of Contact. This has been reiterated to staff on a regular basis.

Staff working on the mutual are required to sign an undertaking which articulates the implications of their work which places them behind an ethical wall and it clearly outlines the consequences of any breach. Where there are any concerns regarding whether they are able to comply they will not be allocated to the piece of work.

Corporate Governance

The HM Treasury Code of Corporate Governance: Code of Good Practice (July 2011) covers six key areas on which accountable officers need to be in a position where they can either confirm compliance or explain alternative governance measures that are in place i.e. the “comply or explain mechanism”. It is my view that the Trust has complied in all material aspects with the Code relative to the size and complexity of its activities.

The checklist developed by the National Audit Office offers a template with which to measure compliance. Although some of the principles in the Code are not directly applicable to Probation Trusts, the checklist does give the opportunity to demonstrate where assurances of compliance are in place:

Principle	Assessment
Parliamentary Accountability	Not currently applicable, but as far as possible the role of the Accountable Officer with regard to internal control (set out above) would suggest compliance.
The role of the Board	Compliant. See sections: Governance Framework Review of effectiveness
Board Composition	Compliant. See sections: Governance Framework Review of effectiveness
Board effectiveness	Compliant. See sections: Governance Framework Review of effectiveness
Risk management	Compliant. See sections: Risk and control framework
Arms Length Bodies	Not currently applicable.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance framework and system of internal control. My review of effectiveness is informed by the work of the internal auditors and the senior managers within Lancashire Probation Trust who have responsibility for the development and maintenance of the internal control framework, and the comments made by the external auditors in their management letter issued to the Trust Board during the year.

Advice has been provided by the Trust Board, the Audit Committee and the Senior Leaders Forum on the implications arising from the results of my review, the development and implementation of plans to address weaknesses identified and to ensure a system of continuous improvement is in place.

In maintaining and reviewing the effectiveness of the Trust's internal control environment, the following have been considered:

- Reports received by Audit Committee.

The Audit Committee receives and discusses the plans, reports and recommendations of both the Internal and External auditors to ensure development of the internal control environment. During the year the Internal Auditor carried out 5 audits covering topics within the areas of financial systems, service delivery and national standards and support services. Progress on the implementation of internal audit recommendations is reviewed at each Audit Committee meeting

- The Annual Internal Audit Assurance Report.

Regular reports by the Trust's Internal Auditors include an independent opinion on the adequacy and effectiveness of internal controls, together with recommendations for improvement. Their annual report is based primarily on the work conducted during the year but also takes into account their observations during attendance at Audit Committee meetings. It also takes into account their confidence in the extent to which agreed actions to remedy weaknesses are implemented by due dates.

Their assessment of the Trust in their report for 2013/14 stated that although they had highlighted some areas of weakness in their reports, their work had identified moderate/significant rated findings that were isolated to specific systems and processes and, when taken in aggregate, they believed that these were not pervasive to the system of internal control as a whole. Consequently they were able to give reasonable assurance on the adequacy and effectiveness of the system of governance, risk management and internal control.

- Quarterly reviews of the risk register by the Senior Leaders Forum and the Audit Committee
- Quarterly performance monitoring reports presented to the Trust Board
- Monthly performance 'Tracker' reports presented to and scrutinised by the Senior Leaders Forum
- The thematic reviews and audits of practice undertaken by the Trust's Performance, Quality and Standards Unit
- Serious Further Offence Reviews carried out by senior management and action learning points disseminated to staff
- The Trust's Resource Allocation model and financial planning model
- Monthly sickness absence monitoring reports
- A Corporate Governance and Financial Management Manual that consolidates the key documents in both these areas, issued to all Board Members and managers.

- The Trust Board has agreed several new policies and revised and updated existing ones, in conjunction with the senior management team, including;
 - Corporate Social Responsibility Policy
 - Safeguarding Children Procedures
 - Contracting and Procurement Procedures

Significant Governance and Internal Control issues

On the basis of the review of the sources of assurance set out in this statement, I am satisfied that Lancashire Probation Trust has in place a satisfactory system of governance and internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

As part of my review, I am required to identify and disclose any significant internal control issues; no such significant control issues have been identified either within the Trust by management or staff or by the Internal or External Auditors.

However, the governance framework and system of internal control must be subject to continuous review and to ensure that it continues to meet the needs of the service and to operate effectively we have identified the following work:

- Continuous development and review of the processes and procedures required to manage the exit of the Trust to the new CR through the Transforming Rehabilitation Board and the critical interface with the newly formed National Probation Service
- Continuous monitoring of the development of the staff mutual to ensure the integrity of the Transforming Rehabilitation competition is maintained

K Robinson
Chief Executive and Accountable Officer for the Trust Board
24 June 2014

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

I certify that I have audited the financial statements of Lancashire 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 Lancashire 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
Comptroller and Auditor General

Date 2nd July 2014

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

7. Accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2014

		2013–14	2012–13
	Notes	£000	<i>Restated</i> £000
Expenditure			
Staff costs	3(a)	18,615	18,062
Other expenditure	6	6,614	6,359
Total Expenditure		25,229	24,421
Income	7	(24,714)	(24,487)
Net operating costs		515	(66)
Net interest cost on pension scheme	4(c)	1,554	1,454
Net operating costs before taxation		2,069	1,388
Taxation	5	39	132
Net operating costs after taxation		2,108	1,520

Other Comprehensive Expenditure

		2013–14	2012–13
	Notes	£000	<i>Restated</i> £000
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment	8	(3)	(26)
Net (gain)/loss on revaluation of intangibles	9	0	(1)
Remeasurement of post employment benefits	23	(12,965)	5,608
Total comprehensive expenditure for 31 March 2014		(10,860)	7,101

The notes on pages 25 to 52 form part of these accounts.

Statement of Financial Position

As at 31 March 2014

		2013–14	2012–13
	Notes	£000	£000
Non-current assets			
Property, plant and equipment	8	324	349
Intangible assets	9	57	67
Total non-current assets		381	416
Current assets			
Trade and other receivables	12(a)	2,659	1,972
Cash and cash equivalents	13	732	877
Total current assets		3,391	2,849
Total assets		3,772	3,265
Current liabilities			
Trade and other payables	14(a)	(1,826)	(1,558)
Taxation payables	14(a)	(1,155)	(1,012)
Total current liabilities		(2,981)	(2,570)
Non-current assets plus/less net current assets/(liabilities)		791	695
Non-current liabilities			
Pension liability	4(c)	(27,542)	(38,306)
Total non-current liabilities		(27,542)	(38,306)
Assets less liabilities		(26,751)	(37,611)
Taxpayers' equity			
General fund	23	(26,858)	(37,715)
Revaluation reserve – property, plant and equipment	24(a)	111	108
Revaluation reserve – intangible assets	24(b)	(4)	(4)
		(26,751)	(37,611)

The financial statements on pages 21 to 24 were approved by the Board on 24 June 2014 and were signed on its behalf by

..... Accountable Officer

24 June 2014

The notes on pages 25 to 52 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	(2,108)	(1,520)
Adjustments for non-cash transactions	6	128	112
Adjustments for pension cost	4(c)	2,201	1,717
(Increase)/decrease in receivables	12(a)	(687)	(123)
Increase/(decrease) in payables	14(a)	411	(1,097)
Net cash outflow from operating activities		(55)	(911)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(90)	(143)
Purchase of intangibles	9	0	(65)
Proceeds on disposal of property, plant and equipment	8	0	5
Net cash outflow from investing activities		(90)	(203)
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		(145)	(1,114)
Cash and cash equivalents at the beginning of the period	13	877	1,991
Cash and cash equivalents at the end of the period	13	732	877
Increase/(decrease) in cash		(145)	(1,114)

The notes on pages 25 to 52 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		(30,587)	77	(30,510)
Prior period adjustment	23/24	0	0	0
As restated at 1 April 2012		(30,587)	77	(30,510)
Changes in taxpayers' equity for 2012–13 (restated)				
Net operating cost after taxation	SocNE	(1,520)	0	(1,520)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)	0	26	26
Net gain/(loss) on revaluation of intangibles	24(b)	0	1	1
Transferred to General Fund from tangibles revaluation reserve	24(b)			
Remeasurement of post employment benefits	23	(5,608)	0	(5,608)
Balance as at 31 March 2013		(37,715)	104	(37,611)
Changes in taxpayers' equity for 2013–14				
Net operating cost after taxation	SocNE	(2,108)	0	(2,108)
Net gain/(loss) on revaluation of property, plant and equipment	24(a)	0	3	3
Remeasurement of post employment benefits	23	12,965	0	12,965
Balance as at 31 March 2014		(26,858)	107	(26,751)

The notes on pages 25 to 52 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 (FRM), it is appropriate for the Trust to prepare the 2013–14 Annual Report and Accounts on a going concern basis.

1.5 Property, plant and equipment

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

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

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

Revaluation

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

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

1.6 Depreciation

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

Asset lives are currently in the following ranges:

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

1.7 Impairment

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

1.8 Intangible non-current assets

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

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

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

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

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

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

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

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

1.9 Non-current assets held for sale

The Trust does not have any non-current assets held for sale.

1.10 Inventories

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

1.11 Operating income

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

Operating income is income that relates directly to the operating activities of the Probation 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.

1.12 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.

1.13 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.

1.14 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.

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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 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**.

1.21 Third party assets

The Trust does not hold any third party assets.

2. Statement of Operating Costs by Operating Segment

Operational Unit	2013–14	2012–13
	Over / (underspend)	Over / (underspend)
	£000	£000
Offender Management	119	(329)
Victims	(8)	(8)
Approved Premises	46	31
Community Payback Programmes	(73)	44
Area Resources	14	31
Mgmt Support & Secondments	48	(138)
Revenue to Capital Transfer	(56)	172
	(90)	208
Net Overspend/(Underspend)	0	11

Reconciliation of net spend to net operating cost

	2013–14
	£000
Total for reportable segments (as above)	0
Add back:	
Corporation tax charged in the above	(39)
Revenue to capital transfer	(90)
	(129)
Accounting adjustments for year end accounts:	
IAS 19 – retirement benefits	644
Net operating costs per accounts	(515)

3. Staff numbers and related costs

3a. Staff costs consist of:

	2013–14			2012–13
	Total	Permanently- employed staff	Others	Total
	£000	£000	£000	£000
Wages and salaries	15,734	15,227	507	15,612
Social security costs	1,149	1,149	0	1,148
Other pension costs	3,271	3,271	0	2,828
Sub-total	20,154	19,647	507	19,588
Less recoveries in respect of outward secondments	(1,539)	(1,539)	0	(1,526)
Total staff costs	18,615	18,108	507	18,062

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**.

One person (2012–13: 1 person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,530 (2012–13: £7,518).

3b. Average number of persons employed

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

	2013–14			2012–13
	Total	Permanently- employed staff	Others	Total
	£000	£000	£000	£000
	497	478	19	498
	497	478	19	498

32 **3c. Reporting of compensation schemes – exit packages**

	2013–14			2012–13		
Exit packages cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0	0	0	0
£10,000–£25,000	0	0	0	0	0	0
£25,000–£50,000	0	0	0	0	0	0
£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	0	0	0	2	2
Total resource cost £000	0	0	0	0	144	144

There were no exit packages in 2013/14.

4. Pensions costs

As part of the terms and conditions of employment of its officers and employees, the Trust offers retirement benefits. Although these will not actually be payable until employees retire, the Trust has a commitment to make the payments that need to be disclosed at the time employees earn their future entitlement. The Trust is a member of the Local Government Pension Scheme, which is statutory and fully funded, and the provisions cover present and past employees. The scheme is administered locally by Lancashire County Council. The Local Government Pension Scheme provides benefit on a “final salary” basis at normal retirement age. Benefits are payable based on members’ final salary and the number of years membership of the fund. Members paid contributions of between 5.5–7.5% of pensionable earnings during the year. Employers pay the balance of the cost of providing benefits, after taking account of investment returns. The expected rate of return of Fund assets is the assumed return the assets of the fund will achieve over the entire life of the related obligation based on market expectations at the beginning of the period. This assumption is used to determine the expected return on assets for the pension expense.

4a. Pension costs

A full actuarial valuation was carried out at 31 March 2013 by Mercer Limited. For 2013–14, employers’ contributions of £2.559m were payable to the LGPS (2012–13 £2.459m) at a rate of 19.1% of pensionable pay. The schemes’ Actuary reviews employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. 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. Future contributions are referred to in **Note 27**.

Partnership accounts are excluded under IAS19.

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

- Employers Contributions for 2012–13 were 19.1% of salaries; and
- Employer’s contributions for 2013–14 were 19.1% of salaries; and,
- Employer’s contributions for 2014–15 will be 19.1% of salaries.

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

	2013–14	2012–13
	%	%
Inflation assumption	2.4%	2.4%
Rate of increase in salaries	3.9%	4.4%
Rate of increase for pensions in payment and deferred pensions	2.4%	2.4%
Discount rate	4.5%	4.2%

Mortality Assumptions

Non-retired and retired members – S1PA CMI_2012_1.5%Tables

The assumed life expectations from age 65 are:

- Retiring today Males 22.8 years Females 25.3 years
- Retiring in 20 years Males 25 years Females 27.7 years

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

	2013–14		Total £000
	Present value of obligation £000	Fair value of plan assets £000	
Plan assets	0	80,373	80,373
Funded liabilities	(117,875)	0	(117,875)
Unfunded liabilities	(804)	0	(804)
Opening balance at 1 April (restated)	(118,679)	80,373	(38,306)
Current service costs	(3,204)	0	(3,204)
Past service costs (including curtailments)	(54)	0	(54)
	(3,258)	0	(3,258)
Net Interest (cost)/income	(4,922)	3,368	(1,554)
Remeasurements			
Returns on plan assets, excluding amounts included in interest cost/(income)	0	790	790
Gain/(loss) from change in demographic assumptions	(517)	0	(517)
Gain/(loss) from change in financial assumptions	12,381	0	12,381
Experience gains/(losses)	311	0	311
	12,175	790	12,965
Contributions			
Employers	0	2,611	2,611
Plan participants	(871)	871	0
Payments from plans			
Benefit payments	3,808	(3,808)	0
Unfunded benefit payments	62	(62)	0
Closing balance at 31 March	(111,685)	84,143	(27,542)
Plan assets	0	84,143	84,143
Funded liabilities	(110,915)	0	(110,915)
Unfunded liabilities	(770)	0	(770)
Closing balance at 31 March	(111,685)	84,143	(27,542)

	2012–13 (restated)		Total £000
	Present value of obligation £000	Fair value of plan assets £000	
Plan assets	0	70,023	70,023
Funded liabilities	(100,235)	0	(100,235)
Unfunded liabilities	(769)	0	(769)
Opening balance at 1 April	(101,004)	70,023	(30,981)
Current service costs	(2,479)	(51)	(2,530)
Past service costs (including curtailments)	(291)	0	(291)
	(2,770)	(51)	(2,821)
Net interest (cost)/income	(4,879)	3,425	(1,454)
Gain/(loss) from change in demographic assumptions	(1,126)	0	(1,126)
Gain/(loss) from change in financial assumptions	(11,711)	0	(11,711)
Experience gains/(losses)	0	7,229	7,229
	(12,837)	7,229	(5,608)
Contributions			
Employers	0	2,558	2,558
Plan participants	(855)	855	0
Payments from plans			
Benefit payments	3,607	(3,607)	0
Unfunded benefit payments	59	(59)	0
Closing balance at 31 March	(118,679)	80,373	(38,306)
Plan assets	0	80,373	80,373
Funded liabilities	(117,875)	0	(117,875)
Unfunded liabilities	(804)	0	(804)
Closing balance at 31 March	(118,679)	80,373	(38,306)

4d. Plan assets are comprised as follows

	2013–14				2012–13			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
	£000	£000	£000		£000	£000	£000	
Equities	36,739	0	36,739	44	28,304	0	28,304	35
Other bonds	10,327	0	10,327	12	16,317	0	16,317	20
Property	0	6,879	6,879	8	0	7,037	7,037	9
Cash and cash equivalents	0	1,461	1,461	2	0	2,807	2,807	3
Other	0	28,737	28,737	34	0	25,908	25,908	32
Total	47,066	37,077	84,143	100.00	44,621	35,752	80,373	100.00

4e. Sensitivity analysis

	£000	Sensitivity 1 +0.1% p.a. discount rate £000	Sensitivity 2 +0.1% p.a. inflation £000	Sensitivity 3 1 year increase in life expectancy £000
Liabilities	111,685	109,644	113,763	112,246
Assets	(84,143)	(84,143)	(84,143)	(84,143)
Deficit/(surplus)	27,542	25,501	29,620	28,103
Projected service cost for next year	2,496	2,410	2,585	2,496
Projected interest cost for next year	1,181	1,114	1,276	1,208

The sensitivity analysis above are the results of the calculations to changes in the actuarial assumptions used, including the projected income and expenditure figures for the following year. It should be noted that:

- The figures provided are approximate only, and different results would be produced if the figures were to be fully recalculated.
- The details are based on CIPFA's current guidance on Local Authority Accounting Practice.
- The figures shown should not be taken as giving any information about figures for subsequent years.

5. Taxation

	2013–14	2012–13
	£000	£000
UK corporation tax	39	132
Total	39	132

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	8		29	
Accommodation, maintenance and utilities	2,136		2,248	
Travel, subsistence and hospitality	471		434	
Professional services	220		251	
IT services	936		895	
Communications, office supplies and services	372		379	
Other staff related	302		504	
Offender costs	1,771		1,274	
Other expenditure	231		190	
External Auditors' remuneration – statutory accounts	26		26	
Internal Auditors' remuneration	14		17	
		6,486		6,247
Non-cash items				
Depreciation of tangible non-cash assets	118		109	
Amortisation of intangible non-cash assets	10		1	
Profit/(loss) on disposal of tangible non-cash assets	0		2	
		128		112
Total		6,614		6,359

Restatement of comparatives

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

7. Income

	2013–14		2012–13 <i>Restated</i>	
	£000	£000	£000	£000
Income receivable from the sponsoring department – NOMS	23,725		23,659	
		23,725		23,659
Other EU income		350		362
Other income received from Probation Trusts		111		49
Other income from NOMS		83		62
Other income from other Government departments		323		168
Miscellaneous income		114		177
		24,706		24,477
Interest received:				
From bank	8		10	
Total interest received		8		10
Total income		24,714		24,487

Restatement of comparatives

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

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	161	405	413	0	0	979
Additions	0	0	90	0	0	90
Indexation/revaluation	0	5	2	0	0	7
As at 31 March 2014	161	410	505	0	0	1,076
Depreciation						
As at 1 April 2013	0	330	300	0	0	630
Charge in year	32	41	45	0	0	118
Indexation/revaluation	0	3	1	0	0	4
As at 31 March 2014	32	374	346	0	0	752
Carrying value as at 31 March 2014	129	36	159	0	0	324
Carrying value as at 31 March 2013	161	75	113	0	0	349
Asset financing						
Owned	129	36	159	0	0	324
Carrying value as at 31 March 2014	129	36	159	0	0	324

8. (Continued)

	2012-13					Total £000
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	
	£000	£000	£000	£000	£000	
Cost or valuation						
As at 1 April 2012	0	392	466	0	0	858
Additions	143	0	0	0	0	143
Disposals	0	0	(76)	0	0	(76)
Impairments	0	0	0	0	0	0
Indexation/revaluation	18	13	23	0	0	54
As at 31 March 2013	161	405	413	0	0	979
Depreciation						
As at 1 April 2012	0	263	299	0	0	562
Charge in year	0	56	53	0	0	109
Disposals	0	0	(69)	0	0	(69)
Indexation/revaluation	0	11	17	0	0	28
As at 31 March 2013	0	330	300	0	0	630
Carrying value as at 31 March 2013	161	75	113	0	0	349
Carrying value as at 31 March 2012	0	129	167	0	0	296
Asset financing						
Owned	161	75	113	0	0	349
Carrying value as at 31 March 2013	161	75	113	0	0	349

9. Intangible assets

	2013–14				
	Development	Software	Licences	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 April 2013	0	120	0	0	120
As at 31 March 2014	0	120	0	0	120
Amortisation					
As at 1 April 2013	0	53	0	0	53
Charge in year	0	10	0	0	10
As at 31 March 2014	0	63	0	0	63
Carrying value as at 31 March 2014	0	57	0	0	57
Carrying value as at 31 March 2013	0	67	0	0	67
Asset financing					
Owned	0	57	0	0	57
Carrying value as at 31 March 2014	0	57	0	0	57

9. (Continued)

	2012-13				
	Development	Software	Licences	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 April 2012	0	54	0	0	54
Additions	0	65	0	0	65
Indexation/revaluation	0	1	0	0	1
As at 31 March 2013	0	120	0	0	120
Amortisation					
As at 1 April 2012	0	52	0	0	52
Charge in year	0	1	0	0	1
As at 31 March 2013	0	53	0	0	53
Carrying value as at 31 March 2013	0	67	0	0	67
Carrying value as at 31 March 2012	0	2	0	0	2
Asset financing					
Owned	0	67	0	0	67
Carrying value as at 31 March 2013	0	67	0	0	67

10. Impairments

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

11. Assets held for sale

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

12. Trade receivables and other current assets

12a. Analysis by type

	2013–14	2012–13
	£000	£000
Amounts falling due within one year		
Trade receivables	2	11
Receivables due from Trusts	2	32
Receivables, Accrued Income and Prepayments due from NOMS Agency	2,511	1,672
Receivables, Accrued Income and Prepayments due from MoJ Group	0	0
Receivables, Accrued Income and Prepayments due from other Government departments	96	139
Other receivables	17	0
Prepayments	31	96
Accrued income	0	22
	2,659	1,972
Amounts falling due after more than one year	0	0
Total	2,659	1,972

12b. Intra-Government receivables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013–14	2012–13	2013–14	2012–13
	£000	£000	£000	£000
Balances with other central Government bodies (inc. parent department)	2,513	1,706	0	0
Balances with local authorities	96	137	0	0
	2,609	1,843	0	0
Balances with bodies external to Government	50	129	0	0
Total	2,659	1,972	0	0

13. Cash and cash equivalents

	2013–14	2012–13
	£000	£000
Balance at 1 April	877	1,991
Net change in cash and cash equivalents	(145)	(1,114)
Balance at 31 March	732	877
The following balances at 31 March are held at:		
Commercial banks and cash in hand	732	877
Balance at 31 March	732	877

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	493	352
Other payables	0	0
Accruals	923	886
Deferred income	0	34
Staff payables	26	4
Payables due to Probation Trusts	0	2
Payables, Accruals and Deferred Income due to MoJ Group	66	0
Payables, Accruals and Deferred Income due to other Government departments	21	2
Unpaid pensions contributions due to the pensions scheme	297	278
	1,826	1,558
Tax falling due within one year		
VAT	769	569
Corporation tax	39	89
Other taxation and social security	347	354
	1,155	1,012
Total amounts falling due within one year	2,981	2,570
Amounts falling due after more than one year	0	0
Total	2,981	2,570

14b. Intra-Government payables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013–14	2012–13	2013–14	2012–13
	£000	£000	£000	£000
Balances with other central Government bodies (inc. parent department)	1,221	1,214	0	0
Balances with local authorities	6	2	0	0
Balances with NHS bodies	15	0	0	0
	1,242	1,216	0	0
Balances with bodies external to Government	1,739	1,354	0	0
Total	2,981	2,570	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

17a. Operating leases

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

Obligations under operating leases for the following periods comprise:

	2013–14	2012–13
	£000	£000
Other		
Not later than one year	7	13
Later than one year and not later than five years	5	12
Later than five years	0	0
Total	12	25

17b. Finance leases

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

18. Other financial commitments

There are no financial commitments (2012–13 – £NIL).

19. Deferred tax asset

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

20. Financial instruments

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

21. Contingent liabilities

There are currently two employment tribunal cases pending for 2014/15 with trial dates set for September 2014 and January 2015. It is not possible to assess at this juncture whether the Trust will be held liable, or to estimate the quantum of any settlement, if appropriate.

22. Losses and special payments

22a. Losses statement

There were no losses (2012/13 £0).

22b. Special payments schedule

	2013–14		2012–13	
	Number of cases	Total value £000	Number of cases	Total value £000
Special payments	11	25	4	17
Total	11	25	4	17
Details of cases over £300,000				
Special payments	0	0	0	0
Total	0	0	0	0

23. General fund

	2013–14	2012–13
	£000	£000
Balance at 1 April	(37,715)	(30,587)
Balance restated at 1 April	(37,715)	(30,587)
Net transfers from Operating Activities:		
Statement of Comprehensive Net Expenditure	(2,108)	(1,520)
Remeasurement of post employment benefits	12,965	(5,608)
Balance at 31 March	(26,858)	(37,715)

24. Revaluation reserve

24a. Property, plant and equipment

	2013–14	2012–13
	£000	£000
Balance at 1 April	108	82
Balance restated at 1 April	108	82
Arising on revaluations of PPE during the year (net)	3	26
Balance at 31 March	111	108

24b. Intangibles

	2013–14	2012–13
	£000	£000
Balance at 1 April	(4)	(5)
Balance restated at 1 April	(4)	(5)
Arising on revaluations of intangibles during the year (net)	0	1
Balance at 31 March	(4)	(4)

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

Lancashire Probation Trust, in partnership with Merseyside Probation Trust and Cumbria Probation Trust, have set-up Innovo CML Ltd – a staff mutual bidding to run and operate Community Rehabilitation Companies within the Government's Transforming Rehabilitation Programme. One of the Trust's Assistant Chief Executives is deployed full time to develop the Mutual.

26. Third-party assets

There are no third-party assets (2012–13 £NIL).

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	920
Other comprehensive expenditure	6,181
Total comprehensive expenditure	7,101
Restatement:	
Increase in expenditure (interest costs)	600
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	(600)
	0
Extract from the 2012–13 accounts after restatement:	
Net operating expenditure after taxation	1,520
Other comprehensive expenditure	5,581
Total comprehensive expenditure	7,101

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	37,715
Restatement:	0
Increase in net operating expenditure	600
Decrease in remeasurement of defined benefit obligation (previously actuarial loss)	(600)
General fund balance as at 31 March 2013 after restatement	37,715

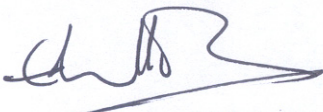
Administration and programme income and expenditure

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 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** and **Note 7**.

Accounts Direction

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

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



Edward Kirby

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

Appendix 1

35 Probation Trusts:

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

8. Sustainability Report

(Not subject to audit)

Introduction

This is the third Sustainability Report for Lancashire 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 18 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

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

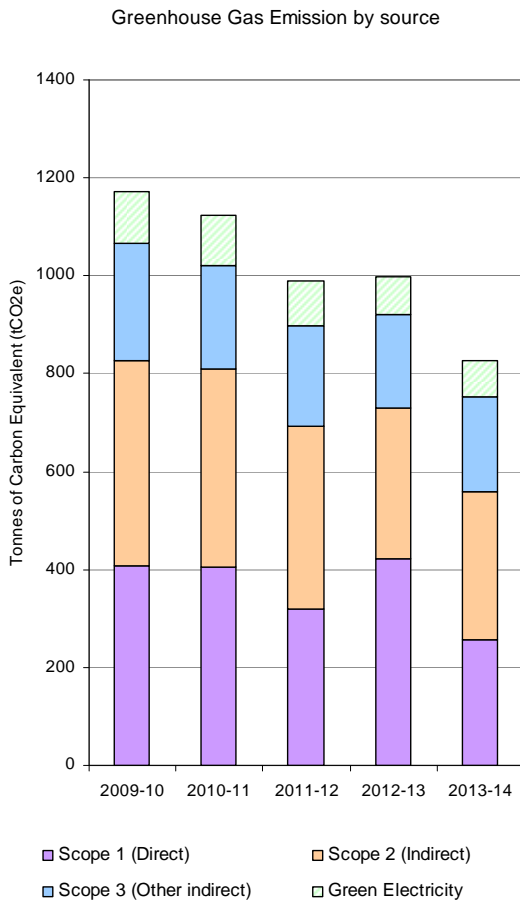
Social and environmental awareness

The MoJ SDT has drafted a statement for social and community partnership, which also encourages external partnerships to promote learning and skills training in all areas of sustainable development.

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	407.0	404.9	320.7	423.1	256.7
	Scope 2 (indirect): Supplied energy (electricity and heat)	419.5	404.1	373.1	306.	303.4
	Scope 3 (other indirect): Business travel & transmission losses from supplied energy	240.3	213.1	203.2	191.8	191.4
	Total gross GHG emissions	1066.8	1022.1	897.0	920.9	751.5
	Electricity: green/renewable	104.9	101.0	93.3	76.5	75.9
	Total net GHG emissions	961.9	921.1	803.7	844.4	675.7
Non-financial indicators (kWh)	Electricity: Grid, CHP & non-renewable	637,201	680,289	628,172	515,254	510,879
	Electricity: renewable	212,400	226,763	209,391	171,751	170,293
	Gas	1,893,830	1,971,973	1,441,410	1,803,090	1,120,866
	Other energy sources	0	0	0	0	0
	Total energy	2,743,431	2,879,025	2,278,973	2,490,095	1,802,038
Financial indicators	Expenditure on energy (£)	167,188	151,931	158,516	172,973	144,530
	Expenditure on official business travel (£)	438,796	391,384	404,290	416,313	436,108



Performance commentary (including targets)

NOMS is committed to achieving the Greening Government Commitments by 2014–15 (based on a 2009–10 baseline). The above figures show a 7% reduction in scope 1 and 2 carbon emissions over the four year period, whilst gross carbon emissions have fallen by 10% over the same period. Energy usage shows a 9% reduction from the 2009–10 baseline.

Controllable impacts commentary

Delivering cost and carbon savings remain a priority of NOMS. Most of the Trust’s reported carbon dioxide emissions are from electricity and gas use in our buildings.

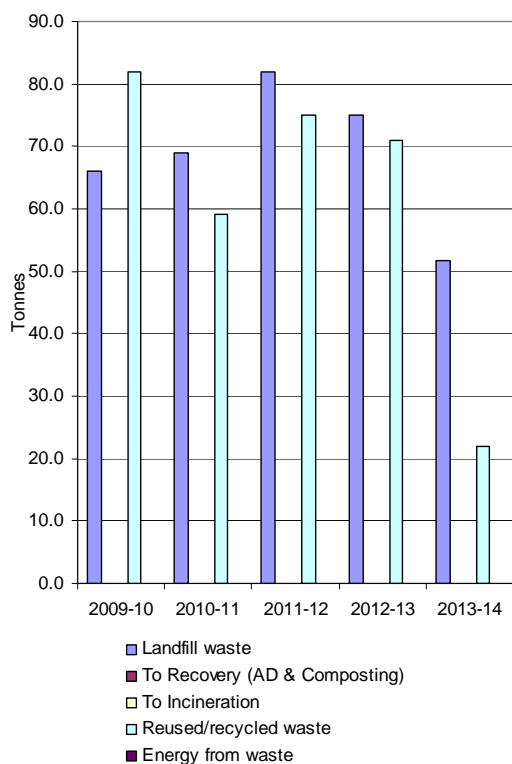
Overview of influenced impacts

NOMS Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the NOMS Procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Waste

			2009–10	2010–11	2011–12	2012–13	2013–14
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill waste	66.0	69.0	82.0	75.0	51.8
		To recovery (AD & composting)	0.0	0.0	0.0	0.0	0.0
		To incineration	0.0	0.0	0.0	0.0	0.0
		Reused/recycled waste	82.0	59.0	75.0	71.0	22.0
		Energy from waste	0.0	0.0	0.0	0	0.0
Total waste arising			148.0	128.0	157.0	146.0	73.8
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 (£)			Not available	Not available	Not available	Not available	Not available

Waste by final disposal



Performance commentary (including targets)

NOMS waste targets are led by the Government’s Greening Government Commitments which require a 25% reduction in waste arising by 2014–15 based on 2009–10. Although the above figures show waste arising at a similar level to 2009–10, we only report our waste in buildings where we receive data from our waste management company, which have been incomplete.

Controllable impacts commentary

NOMS are currently working with management companies to improve the speed and coverage of data gathering provided.

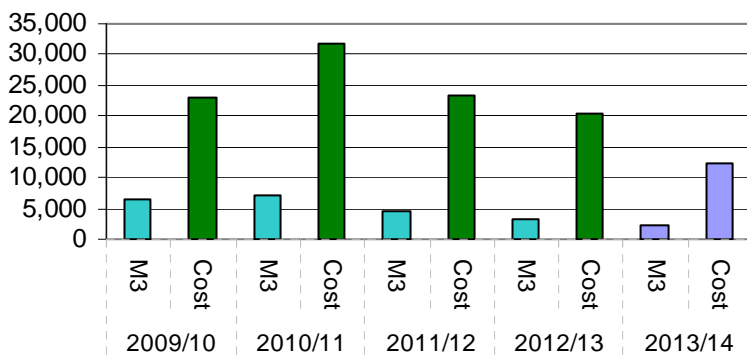
Overview of influenced impacts

NOMS Procurement liaise with suppliers to reduce the environmental impact of our operations. Where possible the procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Water

		2009–10	2010–11	2011–12	2012–13	2013–14
Non-financial indicators	Total water consumption (cubic metres: m³)	6,465	7,049	4,571	3,344	2,415
Financial indicators	Total water supply costs (£)	22,856	31,643	23,414	20,443	12,314

Water (consumption and costs).



Performance commentary (including targets)

NOMS targets are led by the Government’s Greening Government Commitments which require benchmark performance to be established by 2014–15. The target is to reduce water consumption from a 2009–10 baseline, and report on office water use against best practice benchmarks. Water use is almost exclusively from washrooms and kitchen facilities.

Controllable impacts commentary

Again data is reported as supplied to us, which in the past has been incomplete. Reducing water is a priority, and the issue of monitoring is being addressed by NOMS by the roll out of smart water meters that will allow for accurate monitoring and targeting in line with the above reporting requirements.

Overview of influenced impacts

NOMS Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the NOMS procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Paper

	2009–10	2010–11	2011–12	2012–13	2013–14
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