

**Lincolnshire  
Probation Trust**



*Reducing crime by changing lives*

# **Lincolnshire Probation Trust**

**Report and Accounts**

**For the period 1 April to 31 October 2014**

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For the period 1 April to 31 October 2014

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

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## Introduction by Accountable Officer

These accounts cover the final seven month period leading up to the dissolution of Lincolnshire Probation Trust (“the Trust”) on 31 October 2014. The Trust was responsible for delivering Probation services in Lincolnshire in accordance with its contract with the Secretary of State. It ceased operations at the end of 31 May 2014 on the expiry of the contract.

On 1 June, the National Probation Service (NPS), which is a directorate within the National Offender Management Service (NOMS), began delivering probation services in relation to advising courts on sentencing and managing high risk offenders in the community, taking on the staff, operational activities and certain rights and obligations transferred from the Trust to the Secretary of State for Justice.

The Humberside, Lincolnshire and North Yorkshire Community Rehabilitation Company (“the CRC”) is one of 21 new companies set up to deliver rehabilitation services to lower risk offenders in the community in England and Wales. The CRC also commenced operations on 1 June, assuming responsibility for the relevant staff and activities transferred from the Trust. Immediately following the transfer from the Trust, the Secretary of State transferred certain of the Trust’s former rights and obligations to the CRC.

In the rest of this document, transfers of staff, operational activities, rights and obligations from the Trust are referred to as being either to NOMS or to the CRC, to distinguish between those remaining with the Secretary of State and those transferred to the CRC.

From 1 June, support was provided by staff who had transferred to the CRC to finalise the Trust’s Report and Accounts for 2013–14, maintain financial records and prepare a Trust Report and Accounts for the period 1 April to 31 October 2014, and to transfer to NOMS and the CRC all remaining records and residual rights and obligations from the Trust. The Trust’s Chief Executive and Accountable Officer, Martin Davies, continued in post until 31 July 2014. The appointments of the Trust’s Chair and the other Board members expired on 31 July 2014. A new Board, comprising senior NOMS and MoJ staff, was appointed with effect from 1 August 2014. I became the Acting Chief Executive and responsible Accountable Officer for the Trust following the departure of the Trust’s Chief Executive and Accountable Officer, and I take full responsibility for the Report and Accounts for the period to 31 October 2014.

Between 1 June and 31 October, the Trust’s residual unsettled rights and obligations were transferred to the Secretary of State. On 31 October, the 35 Probation Trusts, including the Trust, were dissolved by an Order under section 5(1)(c) of the Offender Management Act 2007. This Order also gave the Secretary of State the responsibility for completing the Trust’s final Report and Accounts. The Report and Accounts were reviewed and approved by the Probation Trusts’ Legacy Governance Group (a sub-Committee of the National Offender Management Service Agency Board) on 19 January 2015 and NOMS Audit Committee on 12 February 2015.

I received assurances from the former Accountable Officer about the controls which she, the officers and Board of the Trust had exercised during their tenure, to ensure compliance with the principles of Managing Public Money and in particular in relation to governance, decision-making and financial management. I am content that these assurances were sufficiently accurate and robust to allow me to place reliance on them in discharge my role as Accountable Officer.

I am very grateful to all the former staff and Board Members of the Trust for their continuing hard work and commitment during April and May 2014. This ensured that the Trust continued to deliver high quality probation services throughout this period, while successfully handing over its responsibilities to the two successor organisations with effect from 1 June 2014. I am also grateful to the CRC, NOMS and MoJ staff who have undertaken the subsequent work to close down the Trust, complete the transfer of residual assets and liabilities, and contribute to this final Report and Accounts.

Mark Taylor  
Accountable Officer  
12 February 2015

# 1. Strategic Report

This is the final Lincolnshire Probation Trust Report and Accounts prior to the Trust being dissolved by Statutory Instrument under section 5(1) (c) of the Offender Management Act 2007.

Lincolnshire Probation Trust's performance targets were agreed by the National Offender Management Service (NOMS) Director of Probation and were fully documented in the Trust's Contract.

The Trust was in operation during April and May of 2014. The table below outlines the operational targets that were set at the beginning of the period and shows the Trust's performance against those targets.

Measure	Actual	Target
OM20 ORDERS/LICENCES TERMINATED SUCCESSFULLY	71.49%	75.00%
INT09 EMPLOYMENT AT TERMINATION	58.73%	48.00%
OM17 ACCOMMODATION AT TERMINATION	86.47%	83.00%
INT02 DV COMPLETIONS	9	4
INT03 OGP COMPLETIONS	16	9
INT05 CP COMPLETIONS	63	56
OM04 RECALLS	95.00%	92.00%
OM39 OASYS TIMELINESS OF TERMINATIONS	92.11%	90.00%

Additional performance data will be published by NOMS at the address given in the Management Commentary section of this report.

Mark Taylor  
Accountable Officer  
12 February 2015

## 2. Management Commentary

### Statutory background

The Probation Trust was established by Order under the Offender Management Act 2007 (OM Act) on 1 April 2010. The Trust was a corporate body under the OM Act and a Non-Departmental Public Body (NDPB) which reported to the National Offender Management Service (NOMS).

The Trust was dissolved on 31 October 2014 by the Offender Management Act 2007 (Dissolution of Probation Trusts) Order 2014.

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

### Going Concern

The publication "Transforming Rehabilitation: A strategy for Reform" dated 9 May 2013 included plans to contract out certain probation services more widely and to dissolve Probation Trusts.

On 31 May 2014 the Probation Trusts ceased operating, and their activities were taken over from 1 June 2014 by the National Probation Service (NPS) and 21 new Community Rehabilitation Companies (CRCs).

The NPS was created as a new directorate within NOMS, to advise courts on sentencing and to manage the highest risk offenders in the community in England and Wales.

The CRCs are currently owned by the Secretary of State for Justice on behalf of the Ministry of Justice (MoJ). CRCs provide rehabilitation and offender management services for lower risk offenders in the community in England and Wales.

Following a tender process for the CRCs, sales and purchase agreements were signed with successful bidders in December 2014, to take ownership of the CRCs with effect from 1 February 2015. Probation services will continue to be commissioned by MoJ/NOMS from the CRCs under this arrangement. The contracts will influence the operations of the CRCs.

In May 2014 the Secretary of State made a Staff Transfer Scheme and a Property Transfer Scheme (the Schemes) under the Offender Management Act 2007. The Schemes came into effect on 1 June 2014, transferring staff from the Trust to the Secretary of State and to the CRC, and transferring assets and liabilities to the Secretary of State.

On 1 June, the NPS began delivering probation services in relation to advising courts on sentencing and managing high risk offenders, taking on the staff, operational activity and certain of the rights and obligations transferred from the Trust to the Secretary of State for Justice.

Immediately following the transfer from the Trust on 1 June, the Secretary of State transferred certain of the rights and obligations to the CRC, which began delivering rehabilitation services to lower risk offenders in the community in England and Wales from 1 June.

The Schemes contained provisions for their modification and for re-allocation of those assets and liabilities that were allocated to a CRC or the Secretary of State up until 31 December 2014.

The physical transfer of residual unsettled assets and liabilities under the Property Transfer Scheme took place between 1 June and the date of dissolution. A final Property Transfer Scheme, made in October 2014, took effect immediately prior to dissolution, transferring any remaining assets and liabilities to the Secretary of State.



In the rest of this document, transfers of staff, operational activities, rights and obligations from the Trust are referred to as being either to NOMS or to the CRC, to distinguish between those remaining with the Secretary of State and those transferred to the CRC.

All 35 Probation Trusts, including Lincolnshire Probation Trust were dissolved on 31 October 2014.

As all of the Trust's operations ceased during the period and prior to the dissolution of the Trust, I have concluded that the Trust was no longer a going concern as at 31 October 2014. These accounts have therefore been prepared on a basis other than that of a going concern.

Further information can be found in **Note 1.3** to the Accounts.

## Principal Activities

**The principal activities of the Trust between 1 April and 31 October 2014 were:**

LPT (Lincolnshire Probation Trust) recognised that their role is to support the National Offender Management service (NOMS) in its aims and intentions and have aligned ourselves to these, and NOMS commissioning priorities. With this in mind, Lincolnshire remained committed to delivering quality services by meeting, and in cases exceeding, NOMS specifications, while recognizing the need to find greater efficiencies.

LPT also aligned the business plan with that of our key partners, such as the Police Crime Commissioner's Plan and the local Community Safety Partnership. LPT have worked with local partners to develop key services around Restorative Justice, Services for Women Offenders and non English speakers.

LPT set strategic objectives which aligned closely with NOMS:

- Reduce Re-offending and Protect the Public
- Improve Efficiency and Effectiveness
- The transfer out of all staff and activities, and most assets, liabilities, rights and obligations, on 31 May 2014; and all residual rights, obligations, assets and liabilities, before dissolution

## Operational Performance

An analysis of operational performance is summarised in the Strategic Report on page 4.

Further operational performance data is published by the National Offender Management Service at: <https://www.gov.uk/government/collections/prison-and-probation-trusts-performance-statistics>

## Results for the period

The Statement of Comprehensive Net Expenditure (SoCNE) for the period is shown on page 21.

The Statement of Changes in Taxpayers' Equity (SoCiTE) is shown on page 24.

## Operating costs

The net operating cost before tax for the period stands at £138k, before the loss on transfer of assets and liabilities to NOMS and the CRC. LPT ceased trading on 31<sup>st</sup> May 2014.

## Statement of Financial Position and Statement of Cash Flows

The Statement of Financial Position (SoFP) and Statement of Cash Flows (SoCF) are on pages 22 and 23.

All assets and liabilities, including cash, were transferred to NOMS and the CRC before the Trust was dissolved.

## Transfers to the NOMS and the CRC

The Probation Trust ceased trading on 31 May 2014. The operations and staff of the Trust were divided between NOMS and a CRC, both public sector bodies.

102.8 FTE employees were transferred to the CRC and 88.9 FTE to NOMS on 1 June 2014.

The assets and liabilities of the Trust have been split between NOMS and the CRC on a practical basis that reflects their future usage, services provided and the allocation of employees. Refer to **Notes 1.3** and **26** to the accounts for further details.

## Treatment of Pension Liabilities

Past employees of the Trust, and employees who transferred from the Trust to NOMS or the CRC, 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.

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

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 relating to staff that transferred to the CRCs.

The responsibility for funding future contributions associated with those original employees who are active members of the LGPS transferred with the employee to the new employer, the CRC or NOMS ensures that the past service liabilities are fully funded on an ongoing basis from the date employees transferred to the CRC.

Any increases in employer contributions, other than those made on a discretionary basis by the CRC are fully funded by NOMS.

The responsibility for funding the past service liabilities associated with the original employees who are deferred or pensioner members of the LGPS transferred to NOMS on behalf of 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 3.0 days (annualised) across the Trust (2013–14: 6.7 days).

## 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, no reportable events had occurred.

## Sustainable development

Under the Government's Greening Commitment, the Trust was exempted from the requirement to produce a sustainability report because it had fallen below the size threshold.

## Audit

The Comptroller and Auditor General is appointed by statute to audit the Trust and reports on the truth and fairness of the 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 £19k and are made up of:

- £19k payable to our external auditor, the National Audit Office (NAO) and
- No fees were payable to our internal auditors, the Ministry of Justice.

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 Trust Board

The governance arrangements within the Trust for the period April 2014 to October 2014 are shown below on pages 14 to 18.

Details of the remuneration of the former Board are set out in the Remuneration Report on pages 10 to 12

Membership of the Board during the period 1 April to 31 July 2014 is set out in the table below:

Position	Name	Date appointment ended
Chair	Chris Cook	31 <sup>st</sup> July 2014
Chief Executive	Martin Davies	31 <sup>st</sup> July 2014
Board Member	Peter Clay	31 <sup>st</sup> July 2014
Board Member	Richard Barker	31 <sup>st</sup> July 2014
Board Member	Sue Burris	31 <sup>st</sup> July 2014
Board Member	Jane Coleman	31 <sup>st</sup> July 2014
Board Member	Fred Mann	31 <sup>st</sup> July 2014
Board Member	Alan Phillips	31 <sup>st</sup> July 2014

My thanks and appreciation is extended to all former members of the Trust Board for their hard work and effort during this final reporting period.

From 1 August, the Board was reconfigured to support the closure of the Trust. From that date and until dissolution on 31 October, a Residuary Board was appointed comprising of staff employed by NOMS and the MoJ.

Following dissolution of the Trust on 31 October 2014, the Residuary Board was reconstituted as the Probation Trusts' Legacy Governance Group, a sub committee of the national Offender Management Service Agency Board to oversee the discharge of the Secretary of State's duty, while my appointment as Accountable Officer was also extended.

Membership of the Residuary Board and Probation Trusts' Legacy Governance Group is set out in the table below:

<b>Position</b>	<b>Name</b>
Chair	Colin Allars
Acting CEO and Accountable Officer	Mark Taylor
Board member	Sian Hibbs
Board member	Amy Rees
Board member*	Christine Straw
Board member**	Sally Wordsworth
Board member***	Ian Baker

- \* Until 3 January 2015
- \*\* Until 9 January 2015
- \*\*\* From 12 January 2015

Mark Taylor  
 Accountable Officer  
 12 February 2015

## 3. Remuneration Report

### Appointments

The former Chair, former Chief Executive, and other former members of the Trust Board were all appointed by the Secretary of State in accordance with the Commissioner for Public Appointments "Guidance on Appointments to Public Bodies". The former Chief Executive was appointed by the Board.

From 1 August, the Board was reconfigured to support the closure of the Trust and new members were appointed by the Secretary of State, with the agreement of the Commissioner for Public Appointments. From then and until dissolution on 31 October, the Board comprised staff remunerated by NOMS and MoJ. Their names are given in the Management Commentary. These staff did not receive additional remuneration for work in relation to the Trust, and their remuneration and pensions are included within the staff costs given in the Report and Accounts of NOMS and MoJ. Colin Allars is a member of NOMS Agency Board, and details of his remuneration and pension are given in the remuneration report within NOMS Annual Report and Accounts.

### A) REMUNERATION – AUDITED

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. former board members) of the Trust.

#### Salary

'Salary' includes the gross salary; overtime; and any other payment to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Trust and thus recorded in these accounts.

#### 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 total value of benefits in kind paid to former directors and former non-executive directors was £0 (2013–14: £0).

#### Bonuses

Chief Executives are entitled to performance related pay under Standing Committee for Chief Officer Grades (SCCOG) up to a maximum of 4% of basic pay. The remuneration Committee were satisfied that the objectives were met.

#### Single total figure of remuneration

	Salary £000		Bonus payments £000		Benefits in kind (to nearest £100)		Pension benefits £000		Total £000	
	Period to 31 October 2014	Year to 31 March 2014	Period to 31 October 2014	Year to 31 March 2014	Period to 31 October 2014	Year to 31 March 2014	Period to 31 October 2014	Year to 31 March 2014	Period to 31 October 2014	Year to 31 March 2014
	<b>Former Officials</b>									
Martin Davies Chief Executive Officer (to 31/7/14)	10–15 (Annualised 70–75)	70–75	-	0–5	-	-	4	39	15–20	110–115
Chris Cook Chair (to 31/7/14)	0–5 (Annualised 15–20)	15–20	-	-	-	-	-	-	0–5	15–20

	Salary £000		Bonus payments £000		Benefits in kind (to nearest £100)		Pension benefits £000		Total £000	
	Period to 31 October 2014	Year to 31 March 2014	Period to 31 October 2014	Year to 31 March 2014	Period to 31 October 2014	Year to 31 March 2014	Period to 31 October 2014	Year to 31 March 2014	Period to 31 October 2014	Year to 31 March 2014
	<b>Former Officials</b>									
<b>Board members</b>										
Peter Clay	0–5 (annualised 0–5)	0–5	-	-	-	-	-	-	0–5	0–5
Sue Burris	0–5 (annualised 0–5)	0–5	-	-	-	-	-	-	0–5	0–5
Alan Phillips	0–5 (annualised 0–5)	0–5	-	-	-	-	-	-	0–5	0–5
Fred Mann	0–5 (annualised 0–5)	0–5	-	-	-	-	-	-	0–5	0–5
Jane Coleman	0–5 (annualised 0–5)	0–5	-	-	-	-	-	-	0–5	0–5
Richard Barker	0–5 (annualised 0–5)	0–5	-	-	-	-	-	-	0–5	5–10

### Compensation for loss of office

There were no directors exit packages during the financial year. No compensation for loss of office was given in the period (2013–14: £nil).

### Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest paid former director in the Trust in the reporting period was £70,000–£75,000 (2013–14: £75,000–£80,000). This was 2.9 times the median remuneration of the workforce (2013–14: 3.0). The median remuneration of the workforce was £25,797 (2013–14: £25,797).

In the period to 31 October 2014, no employee received remuneration in excess of the highest paid former director (2013–14: Nil). Remuneration ranged from £11,808 to £70,000–75,000 full year (2013–14: £16,585 to £75,000–£80,000).

The average number of full time equivalent staff in post during the operational period 1 April to 31 May 2014 was 192 (2013–14: 201). After 1 June, only Board Members were in post.

## B) PENSION BENEFITS – AUDITED

### 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.

	Accrued pension at pension age as at 31 October 2014 & related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV at 31 October 2014	CETV at 31 March 2014	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
<b>Former Officials</b>					
Chief Executive	10–15	0–2.5	145	138	6
	Plus lump sum 20–25	Plus lump sum 0–2.5			

The CETV for the departing Chief Executive has been calculated at the date of their departure from the Trust.

Until the 31 March 2014, the 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.

With effect from 1 April 2014, the scheme provides benefits on a career average revalued earnings (CARE) basis. Benefits accrue at the rate of 1/49th of pensionable salary for each year of service. Members pay contributions of between 5.5% and 12.5% of pensionable earnings.

Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

The opening CETV as at 31 March 2014 has not been recalculated due to the short period of account. The closing CETV as at the Chief Executive's departure has been calculated by our actuary. Due to the change in pension accrual rates in the period, the CETV figures are not directly comparable. The real increase in CETV is based on an assumption of 2% overall growth of the fund in the period.

Mark Taylor  
Accountable Officer  
12 February 2015

## 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 Lincolnshire 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, in the form and on the basis set out in the Accounts Direction. The Accounts Direction for the final accounting period required the statement of accounts to cover the Trust's final accounting period from 1 April to 31 October 2014. 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 period.

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 no longer appropriate to do so.

The NOMS Agency Accounting Officer appointed the Chief Executive as the Trust's Accountable Officer until 31 July 2014 and the NOMS' Deputy Director of Probation Governance and Acting Chief Executive as the Accountable Officer of the Trust from 1 August 2014. 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

### Introduction

I was appointed as Accountable Officer by Michael Spurr, the NOMS Agency Accounting Officer, to oversee the residual responsibilities of the Lincolnshire Trust for the period leading up to dissolution, and to oversee the completion of this final Report and Accounts. In this regard I was supported by a Residuary Board, the NOMS Audit and Risk committee, and NOMS and CRC staff.

This statement sets out a summary of the Trust's governance framework, its risk management strategy and the arrangements in place which assured me of an effectively designed control environment. This allowed the Trust to deliver probation services efficiently and effectively, and to ensure the successful transition of services to the Humberside, Lincolnshire and North Yorkshire Community Rehabilitation Company (CRC) and the National Probation Service (NPS), a directorate of the National Offender Management Service (NOMS).

### Governance Framework

The governance framework comprises the behaviours, values, systems and processes, by which the Probation Trust was directed and controlled and through which it accounted to the Secretary of State and engaged with, and discharged its responsibilities to other elements of the criminal justice system, the public, stakeholders and partners.

A framework for the implementation of good governance allowed the Trust to be clear about its approach to discharging its responsibilities and to promote this internally, to officers and members and externally to partners, stakeholders and residents. The governance framework was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework was 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.

### From 1 April to 31 July 2014

The governance of the Trust was overseen by the Trust Board throughout the period of operation from 1 April 2014 until 31 May 2014. Following the cessation of the Trust's operations on the expiry of the Trust's contract to deliver probation services at the end of 31 May 2014, this governance structure remained in place until 31 July 2014 in order to ensure a safe and well-managed transfer of the Trust's service delivery and employer responsibilities to NOMS and the CRC.

Throughout this period, the Trust Board had seven appointed members, including the Chair, Chris Cook, and two advisors. My predecessor Martin Davies as Chief Executive was also a member of the Trust Board. The Board met quarterly to discuss and oversee all matters of strategic and operational significance as well as ensuring that the Trust's plans and objectives were aligned to Ministerial priorities and that the affairs of the Trust were conducted in accordance with the Code of Practice and Conduct for Probation Trust Chairs and Members, the Probation Trust Governance Handbook, and Managing Public Money.

The Board was supported by the following committees:

- Audit Committee
- Human Resources Committee
- Joint Health and Safety Committee
- Scrutiny Committee
- Joint National Consultative Committee

### **From 1 August to 31 October 2014**

The Secretary of State for Justice appointed a Residuary Board, comprised of senior officials from NOMS and Ministry of Justice, with effect from 1 August 2014. I was appointed as Acting Chief Executive and Accountable Officer. The Residuary Board was charged with overseeing the residual responsibilities of the Trust during the non-operational period from 1 August 2014 until the Trust's dissolution on 31 October 2014. In this task, the Residuary Board and I were supported by the NOMS Audit and Risk Committee.

### **Post-dissolution**

The Order dissolving the Trust gave the Secretary of State the duty to ensure completion of this final Report and Accounts in accordance with the requirements of Managing Public Money. Following dissolution of the Trust, the former Residuary Board was reconstituted as the Probation Trusts' Legacy Governance Group, a sub-committee of the National Offender Management Service Agency Board, to oversee the discharge of the Secretary of State's duty. My appointment as Accountable Officer was also extended. As Accountable Officer, I was supported by the NOMS Audit and Risk Committee.

### **Board Effectiveness**

On the basis of the assurances provided by my predecessor discussed below, I am satisfied that the Trust Board was compliant with the requirements of the Code of Practice and Conduct for Probation Trust Chairs and Members, the Probation Trust Governance Handbook, and Managing Public Money.

At its initial meeting, the Residuary Board agreed rules of procedure which drew on the model standing orders set out in the Probation Trust Governance Handbook and were commensurate with the Board's remit of overseeing the residual responsibilities of the Trust during the non-operational period.

### **Oversight and Assurance Arrangements**

The Trust Board continued to exercise governance oversight until 31 July 2014. The Board's remit was to give direction to, and ensure achievement of the objectives of the Trust operations and major change programmes; ensuring competent and prudent management, sound planning and proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and compliance with legislative and corporate governance requirements. The Board and/or Audit Committee met on three occasions from 1 April to 31 July 2014.

### **Key areas of focus and highlights from Trust Board meetings**

The Board and Audit Committee remained in place until 31 July 2014. An updated April and May 2014 financial and performance position was taken to the 18 June 2014 meeting. The final outturn was updated on 21 July 2014. Key areas of focus for the Board and Audit Committee during this period were:

- Monitoring Financial position
- Monitoring Operational Performance
- Reviewing the Risk register
- Reviewing Serious Further Offences under closed sessions
- Preparing the dissolution of Lincolnshire Probation Trust including approval of final handover letter to the new Accountable Officer

### **Accountable Officer Handover**

In preparation for the transition of the governance arrangements to the Residuary Board, Martin Davies, my predecessor as Accountable Officer wrote to me prior to the end of his term of office to provide assurance over the activities of the Trust in the period until 31 July 2014. Martin Davies confirmed that the Trust's governance and accountabilities remained in place throughout the period, providing evidence that the Trust's overarching governance, risk management and control arrangements remained adequate during the period. The evidence included an internal audit by MoJ Internal Audit of the Trust's control framework in April and May 2014, which drew on their assurances from 2013–14 and gave an overall opinion of "Substantial assurance".

There were three significant issues which Martin Davies wished to draw my attention:

- Lincolnshire Probation Trust had accepted liability for a litigation claim with a potential liability in the region of £750,000.
- On transition Lincolnshire Probation Trust discovered a salary overpayment to an individual with a loss of £15,000 going back to 2007; which has been reported to NOMS.
- The proposed closure of the Boston Office and subsequent relocation to another suitable site. Probation staff are now the only occupier of a multi storey building whose owners have had plans to redevelop since December 2012.

In addition, the Handover letter and supporting documentation referred to the Trust's management of risk during this period including the active monitoring of risks relating to operational performance, the Transforming Rehabilitation reforms and other significant concerns. The risks and concerns included:

- maintenance of appropriate levels of staffing, staff sickness, the loss of senior leadership and the difficulties in recruiting staff;
- ICT plans during the transition to the NPS and CRC; and,
- data availability, requests for data and possible data loss during the transition (although no data losses were identified in the period 1 April to 31 July).

These risks and concerns were addressed through the Trust's Exit Management Planning and milestone reporting to NOMS.

From the 1 August 2014 the Residuary Board continued the governance process through oversight of dissolution of the Trust by:

- Reviewing the 2013–14 Report and Accounts and the handover letter from my predecessor as Accountable Officer;
- Receiving regular financial and other reports on progress of the dissolution of the Trust, reviewing these against progress of the Transforming Rehabilitation Programme and its relevant workstreams; and
- Reviewing the details of key liabilities transferring to NOMS and CRCs to ensure appropriate transfer management.

During this period there were no losses or mitigating actions undertaken on behalf of the Trust by the CRC.

## Risk Management

The Residuary Board was satisfied that the Trust continued to maintain its pre-existing risk management protocols and procedures, and therefore it had satisfactory processes in place for the management of the operational delivery risk during April and May 2014. The Residuary Board was also satisfied that these risks transferred successfully to the CRC and NPS on 1 June 2014.

The Residuary Board recognised there were some risks associated with the transfer process, particularly concerning continuing operational delivery and ensuring transfer was completed in a controlled way.

NOMS (including NPS) and the TR Programme worked closely with the Trust and then with the CRC to manage the risks to business delivery in relation to probation services. An Implementation and Systems Assurance Board chaired by the NOMS CEO was established as a key component of the TR Programme governance to enable NOMS to oversee and manage the operational and delivery risks, ensuring a smooth transition to the new structure. Some members of the Residuary Board, including the Chair, were also members of the Implementation and Systems Assurance Board.

There was no significant diminution of the Trust's core service provision during the period of operation until 31 May 2014. Performance measures agreed with the National Offender Management Service were continued from the previous year and continued to be monitored, showing acceptable performance

broadly consistent with prior levels. An analysis of operational performance is summarised in the Strategic Report.

Non-current assets were transferred from the Trust to NOMS or the CRC at 1 June 2014 in accordance with the Property Transfer Scheme. Assets remained in their pre-existing physical location following transfer.

Cash held at the point of dissolution was returned to NOMS. Cash held at local delivery units and approved premises were returned to the Trust with the exception of £500 that was retained by Wordsworth House, Approved Premise and the balances allocated to NOMS or the CRC as required. Cash relating to the delivery of European Social Fund projects was transferred to the body responsible for future delivery of the project.

The archiving of the Trust's structured and unstructured data is expected to continue until spring 2015, overseen by the TR Programme's Data Archiving Workstream, with support from NOMS and the CRC. The Workstream has properly considered data loss issues following the removal and subsequent movement of data.

## Board Attendance

### In the period 1 April – 31 July 2014

Name	Role	Board 18/6/14	Audit 18/6/14	Audit 21/7/14
Chris Cook	Board Chair	Attended	Attended	Attended
Peter Clay	Audit Chair	Attended	Attended	Attended
Martin Davies	Chief Officer	Attended	Attended	Attended
Alan Phillips	Board Member	Attended	Attended	Attended
Jane Coleman	Board Member	Attended	Attended	Did not attend
Richard Barker	Board Member	Attended	Did not attend	Did not attend
Fred Mann	Board Member	Attended	Did not attend	Did not attend
Sue Burriss	Board Member	Did not attend	Did not attend	Did not attend

The Board above resigned their posts on 31 July 2014.

The Lincolnshire Probation Trust Board's Governance responsibility transferred to the Probation Trusts' Residuary Board on 31 July 2014.

**From 1 August 2014**

<b>Name</b>	<b>Role</b>	<b>Residuary Board to 31 October 2014</b>	<b>Legacy Governance Group from 1 November 2014</b>
Colin Allars	Director of Probation (Chair)	4 of 4	2 of 3
Mark Taylor	Deputy Director of Probation, Acting CEO and Accountable Officer	4 of 4	3 of 3
Sian Hibbs	Deputy Director NOMS in Wales	1 of 4	3 of 3
Amy Rees	MoJ Deputy Director Delivery and Transforming Rehabilitation	3 of 4	3 of 3
Christine Straw*	Deputy Director NOMS HR	4 of 4	1 of 3
Sally Wordsworth**	Finance Business Partner Probation	4 of 4	2 of 2
Ian Baker***	Finance Business Partner Probation	N/A	1 of 1
<i>In attendance:</i>			
Fiona Moore	NOMS Head of CRC Governance (Board Secretary)	4 of 4	3 of 3

\* Until 3 January 2015

\*\* Until 9 January 2015

\*\*\* From 12 January 2015

Mark Taylor  
Accountable Officer  
12 February 2015

## 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 the Lincolnshire Probation Trust for the period ended 31 October 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 Board, Accountable Officer and auditor

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Board and the Accountable Officer are 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 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 Lincolnshire Probation Trust's affairs as at 31 October 2014 and of the net income for the period 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.

### Emphasis of matter – going concern

Without qualifying my opinion, I draw attention to the disclosures in **Note 1.3** to the financial statements in respect of going concern. The Trust was dissolved on 31 October 2014 under the Offender Management Act 2007 (Dissolution of Probation Trusts) Order 2014, with all assets, liabilities and functions having transferred to the Secretary of State for Justice on 1 June 2014. In accordance with the

Government Financial Reporting Manual, the financial statements have been prepared on a basis other than that of a going concern.

### **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 Strategic Report and Management Commentary for the period 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**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**23 February 2015**

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



## 7. Accounts

### Statement of Comprehensive Net Expenditure

For the period ending 31 October 2014

	Notes	Period to	Year to
		31 October 2014	31 March 2014
		£000	£000
<b>Expenditure</b>			
Staff costs	3(a)	1,243	7,259
Other expenditure	6	153	2,108
<b>Total Expenditure</b>		<b>1,396</b>	<b>9,367</b>
Income	7	(1,376)	(9,087)
<b>Net operating costs</b>		<b>20</b>	<b>280</b>
Net interest cost on pension scheme	4(c)	118	641
<b>Net operating costs before taxation</b>		<b>138</b>	<b>921</b>
Taxation	5	0	0
<b>Net operating costs after taxation</b>		<b>138</b>	<b>921</b>
<b><u>Non-operating activities</u></b>			
Net (gain)/loss on absorption*	26	(15,860)	0
<b>Net expenditure/(income)</b>		<b>(15,722)</b>	<b>921</b>

### Other Comprehensive Expenditure

	Notes	Period to	Year to
		31 October 2014	31 March 2014
		£000	£000
<b>Items that will not be reclassified to net operating costs:</b>			
Net (gain)/loss on revaluation of property, plant and equipment	8	0	(2)
Remeasurement of post employment benefits	4(c)	(369)	1,410
<b>Net comprehensive expenditure/(income)</b>		<b>(16,091)</b>	<b>2,329</b>

\* The net (gain)/loss on absorption reflects the carrying value of net assets/liabilities transferred from the Trust to NOMS and the CRC. The Trust ceased operations on 31 May 2014, when activities, staff, most assets and liabilities transferred to NOMS and the CRC.

The notes on pages 25 to 48 form part of these accounts.



## Statement of Financial Position

As at 31 October 2014

		As at 31 October 2014	As at 31 March 2014
	Notes	£000	£000
<b>Non-current assets</b>			
Property, plant and equipment	8	0	27
Intangible assets	9	0	0
<b>Total non-current assets</b>			<b>27</b>
<b>Current assets</b>			
Trade and other receivables	11(a)	0	705
Cash and cash equivalents	12	0	207
<b>Total current assets</b>		<b>0</b>	<b>912</b>
<b>Total assets</b>		<b>0</b>	<b>939</b>
<b>Current liabilities</b>			
Trade and other payables	13(a)	0	(297)
Provisions	14	0	(48)
Taxation payables	13(a)	0	(240)
<b>Total current liabilities</b>		<b>0</b>	<b>(585)</b>
<b>Non-current assets plus/less net current assets/(liabilities)</b>		<b>0</b>	<b>354</b>
<b>Non-current liabilities</b>			
Pension liability	4(c)	0	(16,445)
<b>Total non-current liabilities</b>		<b>0</b>	<b>(16,445)</b>
<b>Assets less liabilities</b>		<b>0</b>	<b>(16,091)</b>
<b>Taxpayers' equity</b>			
General fund	21	0	(16,112)
Revaluation reserve – property, plant and equipment	22(a)	0	19
Revaluation reserve – intangible assets	22(b)	0	2
		<b>0</b>	<b>(16,091)</b>

The Trust ceased operations on 31 May 2014, when most assets and liabilities transferred to NOMS and the CRC. Residual balances transferred to NOMS prior to dissolution of the Trust. See **Note 26**.

The financial statements on pages 21 to 24 were approved and signed by

Mark Taylor  
Accountable Officer  
12 February 2015

The notes on pages 25 to 48 form part of these accounts.

## Statement of Cash Flows

For the period ending 31 October 2014

		Period to 31 October 2014	Year to 31 March 2014
	Notes	£000	£000
<b>Cash flows from operating activities</b>			
Net operating costs	SoCNE	(138)	(921)
Adjustments for non-cash transactions	6	(45)	14
Adjustment for pension cost		146	916
(Increase)/decrease in receivables	11(a)	705	414
Adjustment for receivables transferred to NOMS and CRC	26	(58)	0
Increase/(decrease) in payables	13(a)	(537)	(525)
Adjustment for payables transferred to NOMS and CRC	26	97	0
Utilisation of provisions	14	0	(65)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>170</b>	<b>(167)</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment	8	0	10
<b>Net cash inflow/(outflow) from investing activities</b>		<b>0</b>	<b>10</b>
<b>Cash flows from financing activities</b>			
Net financing received in year	21	0	0
<b>Net financing</b>		<b>0</b>	<b>0</b>
<b>Transfer of cash to NOMS and CRC</b>	26	<b>(377)</b>	<b>0</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>(207)</b>	<b>(157)</b>
Cash and cash equivalents at the beginning of the period	12	207	364
Cash and cash equivalents at the end of the period	12	0	207
<b>Increase/(decrease) in cash</b>		<b>(207)</b>	<b>(157)</b>

The notes on pages 25 to 48 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

For the period ending 31 October 2014

	Notes	General Fund £000	Revaluation Reserve £000	Total £000
<b>Balance as at 1 April 2013</b>		<b>(13,781)</b>	<b>19</b>	<b>(13,762)</b>
Prior period adjustment		0	0	0
<b>As restated at 1 April 2013</b>		<b>(13,781)</b>	<b>19</b>	<b>(13,762)</b>
<b>Changes in taxpayers' equity for 2013–14</b>				
Net expenditure	SoCNE	(921)	0	<b>(921)</b>
Net gain/(loss) on revaluation of property, plant and equipment	22(a)	0	2	<b>2</b>
Transferred from revaluation reserve	21	0	0	<b>0</b>
Remeasurement of post employment benefits	4(c)	(1,410)	0	<b>(1,410)</b>
Net NOMS financing received in year	21	0	0	<b>0</b>
<b>Balance as at 31 March 2014</b>		<b>(16,112)</b>	<b>21</b>	<b>(16,091)</b>
<b>Changes in taxpayers' equity for the period to 31 October 2014</b>				
Net expenditure	SoCNE	15,722	0	<b>15,722</b>
Net gain/(loss) on revaluation of property, plant and equipment	22(a)	0	0	<b>0</b>
Transferred to General Fund from property, plant and equipment revaluation reserve	22(a)	0	(19)	<b>(19)</b>
Net gain/(loss) on revaluation of intangibles	22(b)	0	0	<b>0</b>
Transferred to General Fund from intangibles revaluation reserve	22(b)	0	(2)	<b>(2)</b>
Transferred from revaluation reserve	21	21	0	<b>21</b>
Remeasurement of post employment benefits	4(c)	369	0	<b>369</b>
Net NOMS financing received in period	21	0	0	<b>0</b>
<b>Balance as at 31 October 2014</b>		<b>0</b>	<b>0</b>	<b>0</b>

The notes on pages 25 to 48 form part of these accounts.

## Notes to the accounts

### 1. Statement of accounting policies

#### 1.1 Basis of preparation

These financial statements are for the period from 1 April 2014 to 31 October 2014. The comparative figures are for the year from 1 April 2013 to 31 March 2014.

The financial statements have been prepared in accordance with the 2014–15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM 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 FReM 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 Going concern

The publication "Transforming Rehabilitation: A strategy for Reform" dated 9 May 2013 included plans to contract out certain probation services more widely and to dissolve Probation Trusts.

On 31 May 2014 the Probation Trusts ceased operating, and their activities were taken over from 1 June 2014 by the National Probation Service (NPS) and 21 new Community Rehabilitation Companies (CRCs).

The NPS was created as a new directorate within NOMS, to advise courts on sentencing and to manage the highest risk offenders in the community in England and Wales.

The CRCs are currently owned by the Secretary of State for Justice on behalf of the Ministry of Justice (MoJ). CRCs provide rehabilitation and offender management services for lower risk offenders in the community in England and Wales.

Following a tender process for the CRCs, sale and purchase agreements were signed with the successful bidders in December 2014, to take ownership of the CRCs from 1 February 2015. Probation services will continue to be commissioned by MoJ/NOMS from the CRCs under this arrangement. The contracts will influence the operations of the CRCs. MoJ/NOMS has committed to fund and ensure all current probation services will continue under the new structure, using the same assets and resources, for the foreseeable future.

In May 2014 the Secretary of State made a Staff Transfer Scheme and a Property Transfer Scheme (the Schemes) under the Offender Management Act 2007. The Schemes came into effect on 1 June 2014, transferring staff from the Trust to the Secretary of State and the CRC, and assets and liabilities to the Secretary of State.

On 1 June, the NPS began delivering probation services in relation to advising courts on sentencing and managing high risk offenders, taking on certain of the staff and rights and obligations transferred from the Trust to the Secretary of State for Justice.

Immediately following the transfer from the Trust on 1 June, the Secretary of State transferred certain of the rights and obligations to the CRC, which began delivering rehabilitation services to lower risk offenders in the community from 1 June.

The Schemes contained provisions for their modification and for re-allocation of those assets and liabilities that were allocated to a CRC or the Secretary of State up until 31 December 2014. The physical transfer of residual unsettled assets and liabilities under the Scheme took place between 1 June and the date of dissolution

In the rest of this document, transfers of staff, operational activities, rights and obligations from the Trust are referred to as being either to NOMS or to the CRC, to distinguish between those remaining with the Secretary of State and those transferred to the CRC.

See **Note 26** for details of transferred balances.

All 35 Probation Trusts, including Lincolnshire Probation Trust were dissolved on 31 October 2014.

As all of the Trust's operations ceased during the period and prior to the dissolution of the Trust, the Trust was no longer a going concern as at 31 October 2014, and these accounts have therefore been prepared on a basis other than that of a going concern.

Applying a basis other than that of a going concern has no material impact on the Trust's accounts. All assets and liabilities were transferred out of the Trust at carrying value under absorption accounting before the Trust was dissolved.

#### 1.4 Property, plant and equipment

Property, plant and equipment was transferred as at 1 June 2014 to NOMS or the CRC on the basis of majority use of the asset.

All land and building assets used by the Probation Trust were managed and owned centrally by NOMS and are recorded on their Statement of Financial Position. Recharges from NOMS for IT and Estates costs were not made in the period to 31 October 2014.

#### Revaluation

The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments in non-current assets. Revaluation reserves created while the Trust operated have been transferred to the General Fund as at 31<sup>st</sup> May.

#### 1.5 Depreciation

Non-current assets were 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 were depreciated from the point at which the asset was brought into use.

Asset lives prior to the transfer to NOMS and the CRC 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

#### 1.6 Impairment

Owing to the low value of assets transferred and given the proximity to the 2013–14 year end, an additional impairment review was not considered necessary.

#### 1.7 Intangible non-current assets

Intangible non-current assets have been allocated to the NOMS or the CRC on the basis of majority use of the asset. The Trust recognised intangible non-current assets only if it was probable that future service potential would flow to the Trust and the cost of the asset could be measured reliably. Intangibles comprised internally developed software for internal use, software developed by third parties and licenses for purchased software. Intangible assets were amortised using the straight-line method over their anticipated useful lives. The useful lives of the software range from 3 to 10 years. Licences were amortised over the length of the licence.

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

#### 1.8 Inventories

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

### 1.9 Operating income

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

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

### 1.10 Other Expenditure

All non-staff expenditure is shown as Other Expenditure.

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

### 1.11 Pensions

Past employees, and employees who transferred from the Trust 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 responsibility for funding future contributions associated with those original employees who are active members of the LGPS transferred with the employee to their new employer. NOMS ensures that the past service liabilities are fully funded on an ongoing basis on the date employees transferred. Any increase to employer contribution levels, other than those caused by discretionary actions of the CRC will be funded by NOMS.

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 triennial review was conducted 31 March 2013. The last roll-forward valuation was performed at 31 March 2014 by the Trust's Actuary.

The last roll-forward valuation was performed at 31 March 2014 by the Trust's Actuary.

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

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 in respect of employees 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 NOMS .

Given the proximity to the most recent roll-forward valuation an assumption was made that the make up of current and former employees would not have changed significantly enough to result in a material change in demographic assumptions, nor that there has been any significant change in bond or interest rates over the period that would result in a material gain or loss from the financial assumptions made.

The liability recognised in the SoFP as at 31 March 2014 in respect of defined benefit pension plans at the reporting date was the present value of the defined benefit obligation less the fair value of plan assets. The present value of the defined benefit obligation was 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.

In the final reporting period, the Trust recognised estimates of material movements: current service costs, interest costs, benefits paid and the actual return on plan assets from 1 April to 31 May 2014.

Current service costs and interest costs were estimated using forecasts from the actuarial reports as at 31 March 2014.

Benefits paid for the two months to 31 May 2014 were estimated based on benefits paid in 2013–14.

The actual return on plan assets for the two months to 31 May 2014 was estimated based on



the percentage actual return on assets in the LGPS, on the assumption that most pension funds will have a materially similar risk profile for their investments. The percentage was applied to the Trust's opening plan assets, and the resulting return was adjusted to deduct the net interest on plan assets.

In preparing the Trust accounts an assumption was made that there would have been no significant change to the financial assumptions made in the 31 March 2014 actuarial report. To support this assumption management undertook a sensitivity analysis using data provided in the 31 March 2014 actuarial valuation. The results of the sensitivity analysis were broadly analogous with market movements over the period and suggest that had an actuarial valuation been performed at 31 May 2014 the likely impact would have been an increase in the liability in the order of 2 per cent. Management assessed that this estimated impact is not significant to the £16.2m liability, and have therefore not commissioned an actuarial valuation as at 31 May 2014.

Pension assets and liabilities were transferred to NOMS as at 1 June 2014.

An actuarial valuation of the scheme will be provided in the NOMS 2014–15 Report and Accounts.

### 1.12 Leases

The Trust held no finance leases in either reporting period.

Under operating leases, the lessor effectively retains substantially all of the risks and rewards of ownership. The rentals are charged to the SoCNE on a straight-line basis over the term of the lease. All leases which were current at 1 June 2014 were transferred to the NOMS or the CRC on the basis of majority use.

### 1.13 Provisions

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

Unsettled provisions and contingent liabilities were transferred to NOMS or the CRC prior to dissolution of the Trust.

### 1.14 Value Added Tax

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

Prior to the dissolution of the Trust, final outstanding VAT balances were transferred to NOMS for settlement.

### 1.15 Corporation Tax

The Trust was 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 was 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.

Prior to the dissolution of the Trust, all known or unknown past, present and future balances in respect of corporation tax liabilities were transferred to NOMS for settlement.

### 1.16 Cash and Cash Equivalents

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

Cash balances were transferred to NOMS or the CRC prior to dissolution of the Trust.

### 1.17 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 was exposed to little credit, liquidity or market risk.

### 1.18 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**.

### 1.19 Third party assets

The Trust held, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised on the Statement of Financial Position and are disclosed within **Note 24**. These assets were transferred to NOMS prior to dissolution.

### 1.20 Basis of allocation of balances from 1 June 2014

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

#### Pensions

From 1 June 2014 the Trust's existing pension liabilities and corresponding assets were transferred to NOMS.

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. NOMS ensures that the past service liabilities are fully 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.

The responsibility for funding the past service liabilities associated with the original employees who are deferred or pensioner members of the LGPS transferred to NOMS.

#### Leases and service contracts

Property and IT leases remain within the Ministry of Justice.

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

#### Staff related balances

All staff related balances, not settled by the Trust shortly after 1 June 2014, were allocated to the relevant entity to which each staff member was transferred.

#### All other balances

Existing debtors and creditors that remained within the Trust were settled from existing funds.

All other balances were 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 was utilised by both entities it transferred to NOMS.



## 2. Statement of Operating Costs by Operating Segment

Operational Unit	Period to	Year to
	31 October 2014	31 March 2014
	Net Expenditure	Net Expenditure
	£000	£000
Corporate Service	454	2,285
LDU East	416	3,640
LDU West	544	2,540
Total Net Expenditure	1,414	8,465
<b>Contract Income</b>	<b>(1,277)</b>	<b>(8,460)</b>
<b>Overspend/(Underspend) on contract</b>	<b>137</b>	<b>5</b>
Pension Liabilities	1	916
<b>Overspend/(Underspend)</b>	<b>138</b>	<b>921</b>
<b>Reconciliation to SoCNE for 31 October 2014</b>		
Net (gain)/loss on absorption	(15,860)	
<b>Net expenditure</b>	<b>(15,722)</b>	

### 3. Staff numbers and related costs

#### 3a. Staff costs consist of:

	Period to 31 October 2014			Year to 31 March 2014
	Total	Permanently- employed staff	Others	Total
	£000	£000	£000	£000
Wages and salaries	1,001	946	55	6,007
Social security costs	68	68	0	428
Other pension costs	216	216	0	1,235
<b>Sub-total</b>	<b>1,285</b>	<b>1,230</b>	<b>55</b>	<b>7,670</b>
Less recoveries in respect of outward secondments	(42)	(42)	0	(411)
<b>Total staff costs</b>	<b>1,243</b>	<b>1,188</b>	<b>55</b>	<b>7,259</b>

No staff (2013–14: 0 persons) retired early on ill-health grounds which was not allowed for in the 2013–14 IAS19 assumptions. The total accrued pension liabilities in the year amounted to £nil (2013– 2014: £nil).

#### 3b. Average number of persons employed

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

Period to 31 October 2014			Year to 31 March 2014
Total	Permanently- employed staff	Others	Total
192	187	5	201

103 FTE employees were transferred to the CRC and 89 FTE to NOMS on 1 June 2014.

#### 3c. Reporting of compensation schemes – exit packages

There were no exits within the reporting period (2013–14: Nil).

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

## 4. Pensions costs

Up to 31 March 2014, the Fund was administered in accordance with the Local Government Pension Scheme Regulations 2007/08. It was intended to be a fully funded scheme which provides benefits on a final salary basis at a normal retirement age of 65. Members are eligible to retire earlier; either they meet the 85 year rule or have employer's consent to leave prior to that age. Pensions are paid in line with the CPI index on benefits that have accrued at a rate of 1/60th of pensionable salary for each year of service.

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

The last full actuarial valuation was carried out at 31 March 2013. An updated desktop valuation was provided by the scheme's actuaries at 31 March 2014 and reflected in the Trust's 2013–14 accounts. In line with absorption accounting under the FRM, the pension assets and liabilities were not revalued prior to transfer to NOMS. These accounts reflect the contributions and benefits paid into and out of the scheme during the two months to 31 May, as well as an interest charge on the net liability.

As at 1 June 2014 the Trust's pension liabilities and corresponding assets transferred to NOMS at their carrying value.

### 4a. Pension costs

A full actuarial valuation was carried out at 31 March 2013 by Hymans Robertson. This full scheme valuation is undertaken every 3 years in order to review the employer's contributions. Until 31 March 2014, the contribution rate reflects benefits as they were accrued, not when the costs are actually incurred and they reflect the past experience of the scheme.

Member contributions changed from 1 April 2014 and any benefits accrued from this date are based on a career average revalued earnings (CARE) basis, with various protections in place for those members in the scheme before the changes took effect. The Probation Trust was not required to pay employer contributions for those employees who transferred to NOMS and CRC after it ceased operations on 31 May 2014. Contributions from 1 June 2014 are referred to in **Note 1.11**.

A sensitivity analysis using data provided in the 31 March 2014 actuarial valuation was performed. The results of the sensitivity analysis were broadly analogous with market movements over the period and suggest that had an actuarial valuation been performed at 31 May 2014 the likely impact would have been an increase in the liability in the order of 2 per cent. Management assessed that this estimated impact is not significant to the £16.2m liability, and have therefore not commissioned an actuarial valuation as at 31 May 2014.

Partnership accounts are excluded under IAS19.

The approximate employer's pension contributions for the period to 31 May 2014 were 18% of salaries. Members pay contributions of between 5.5% and 12.5% of pensionable earnings. For the period to 31 October 2014 employer contributions were £183,000 (2013–2014: £1,010,000).

Contributions continued for Chief Executives who remained in post after 31 May until their appointment expired on 31 July 2014.

**4b. The major assumptions used by the actuary at 31 March 2014 were:**

	2013-14
	%
Inflation assumption	2.8%
Rate of increase in salaries	4.1%
Rate of increase for pensions in payment and deferred pensions	2.8%
Discount rate	4.3%

Given the close proximity of the 31 May transfer date to the last roll forward valuation prepared by the Trusts' Actuaries, we have judged the 31 March 2014 assumptions used by the actuary to remain relevant.

These assumptions have been used to estimate the movements for 31 May 2014 roll-forward and are considered to be reasonable.

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

**Mortality Assumptions:**

- Current pensioners – Males = 22.2 years Females = 24.4 years
- Future pensioners – Males 24.5 years Females = 26.8 years

Vita curves with improvements in line with CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised above.

## 4c. Movements in the defined benefit obligation during the period

	Period to 31 October 2014		
	Present value of obligation	Fair value of plan assets	Total
	£000	£000	£000
Plan assets	0	26,529	26,529
Funded liabilities	(42,411)	0	(42,411)
Unfunded liabilities	(563)	0	(563)
<b>Opening balance at 1 April 2013</b>	<b>(42,974)</b>	<b>26,529</b>	<b>(16,445)</b>
Net Interest (cost)/income	(309)	191	(118)
Current service Costs	(216)	0	(216)
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	0	369	369
	<b>0</b>	<b>369</b>	<b>369</b>
Contributions			
Employers	0	183	183
Plan participants	(60)	60	0
Unfunded benefits	0	5	5
Payments from plans			
Benefit payments	195	(201)	(6)
Unfunded benefit payments	6	0	6
	<b>(43,358)</b>	<b>27,136</b>	<b>(16,222)</b>
<b>Transfer to NOMS on 31 May 2014</b>			
Plan assets	0	27,136	27,136
Funded liabilities	(43,358)	0	(43,358)
Unfunded liabilities	0	0	0
<b>Closing balance at 31 October 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>

**4c. Movements in the defined benefit obligation during the period (continued)**

	Year to 31 March 2014		
	Present value of obligation	Fair value of plan assets	Total
	£000	£000	£000
Plan assets	0	25,681	25,681
Funded liabilities	(39,252)	0	(39,252)
Unfunded liabilities	(548)	0	(548)
<b>Opening balance at 1 April 2013</b>	<b>(39,800)</b>	<b>25,681</b>	<b>(14,119)</b>
Current service costs	(1,251)	0	(1,251)
Past service costs (including curtailments)	(34)	0	(34)
Gains and losses on settlements	0	0	0
	<b>(1,285)</b>	<b>0</b>	<b>(1,285)</b>
Net interest (cost)/income	<b>(1,799)</b>	<b>1,158</b>	<b>(641)</b>
Remeasurements			
Returns on plan assets, excluding amounts included in interest expense/(income)	(957)	(453)	(1,410)
	<b>(957)</b>	<b>(453)</b>	<b>(1,410)</b>
Contributions			
Employers	0	1,010	1,010
Plan participants	(339)	339	0
Unfunded benefits	0	0	0
Payments from plans			
Benefit payments	1,170	(1,170)	0
Unfunded benefit payments	36	(36)	0
<b>Closing balance at 31 March 2014</b>	<b>(42,974)</b>	<b>26,529</b>	<b>(16,445)</b>
Plan assets	0	26,529	26,529
Funded liabilities	(42,411)	0	(42,411)
Unfunded liabilities	(563)	0	(563)
<b>Closing balance at 31 March 2014</b>	<b>(42,974)</b>	<b>26,529</b>	<b>(16,445)</b>

## 4d. Plan assets as at 31 March 2014 were comprised as follows

	As at 31 March 2014			
	Quoted	Unquoted	Total	%
	£000	£000	£000	
Equity instruments	14,954	0	14,954	
	<b>14,954</b>	<b>0</b>	<b>14,954</b>	<b>56.4%</b>
Debt instruments	1,631	0	1,631	
	<b>1,631</b>	<b>0</b>	<b>1,631</b>	<b>6.1%</b>
Property				
Property funds	2,896	0	2,896	%
	<b>2,896</b>	<b>0</b>	<b>2,896</b>	<b>10.9%</b>
Derivatives	0	0	0	
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
Cash and cash equivalents	408	0	408	1.5%
Investment funds				
Equities	1,239	0	1,239	4.7%
Bonds	1,673	0	1,673	6.3%
Other	2,274	0	2,274	8.6%
	<b>5,186</b>	<b>0</b>	<b>5,186</b>	<b>19.6%</b>
<b>Other</b>	<b>1,454</b>	<b>0</b>	<b>1,454</b>	<b>5.5%</b>
<b>Total</b>	<b>26,529</b>	<b>0</b>	<b>26,529</b>	<b>100%</b>

All plan assets transferred out of the Trust on 31 May 2014.

Actuarial valuations of the pension liabilities for all 35 PTs were undertaken at the last financial year end, being 31 March 2014. The transfer date of 31 May 2014 includes two months of pension movements after the actuarial valuations were completed. The approach taken by NOMS gives an estimate of the transfer value rather than an actual value. Accordingly a breakdown of plan assets at the transfer date cannot be given.

## 5. Taxation

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 was therefore subject to Corporation Tax on its profits and 'profit' for this purpose means income and chargeable gains.

No Corporation Tax is due in the period (2013–14: £nil).

## 6. Other Expenditure

	Period to 31 October 2014		Year to 31 March 2014	
	£000	£000	£000	£000
Rentals under operating leases	2		8	
Accommodation, maintenance and utilities	3		648	
Travel, subsistence and hospitality	34		209	
Professional services	13		147	
IT services	(11)		354	
Communications, office supplies and services	34		258	
Other staff related	36		177	
Offender costs	20		169	
Other expenditure	51		90	
External Auditors' remuneration – statutory accounts	19		19	
Internal Auditors' remuneration	(3)		15	
		<b>198</b>		<b>2,094</b>
<b>Non-cash items</b>				
Depreciation of tangible non-cash assets	3		24	
Amortisation of intangible non-current assets	0		1	
Other provisions provided in year	(48)		(11)	
Early retirement provisions not required	0		0	
		<b>(45)</b>		<b>14</b>
<b>Total</b>		<b>153</b>		<b>2,108</b>

The prior period comparatives include recharges from MoJ/NOMS for Internal Audit, IT and Estates costs; these recharges were not made in the period to 31 October 2014.



## 7. Income

Income receivable from the sponsoring department – NOMS

EU income from NOMS

Other income received from Probation Trusts

Other income from other government departments

Miscellaneous income

**Total income**

	Period to 31 October 2014		Year to 31 March 2014	
	£000	£000	£000	£000
Income receivable from the sponsoring department – NOMS	1,277		8,461	
		<b>1,277</b>		<b>8,461</b>
EU income from NOMS	0		0	
Other income received from Probation Trusts	0		30	
Other income from other government departments	77		529	
Miscellaneous income	22		67	
		<b>99</b>		<b>626</b>
<b>Total income</b>		<b>1,376</b>		<b>9,087</b>

## 8. Property, plant and equipment

	Period to 31 October 2014				
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
<b>As at 1 April 2014</b>	39	103	32	12	186
Additions					
Disposals	0	0	0	0	0
Transfers to NOMS	(39)	(103)	(32)	(12)	(186)
<b>As at 31 October 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation</b>					
<b>As at 1 April 2014</b>	26	98	31	4	159
Charge in year	2	1	0	0	3
Disposals	0	0	0	0	0
Transfers to NOMS	(28)	(99)	(31)	(4)	(162)
<b>As at 31 October 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying value as at 31 October 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying value as at 31 March 2014</b>	<b>13</b>	<b>5</b>	<b>1</b>	<b>8</b>	<b>27</b>
<b>Asset financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Owned	0	0	0	0	0
<b>Carrying value as at 31 October 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	2013-14				
	Information technology	Plant and machinery	Transport equipment	Furniture, fixtures and fittings	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
<b>As at 1 April 2013</b>	62	111	39	12	224
Additions	0	0	0	0	0
Disposals	(23)	(9)	(8)	0	(40)
Indexation/revaluation	0	1	1	0	2
<b>As at 31 March 2014</b>	<b>39</b>	<b>103</b>	<b>32</b>	<b>12</b>	<b>186</b>
<b>Depreciation</b>					
<b>As at 1 April 2013</b>	26	98	39	2	165
Charge in year	14	8	0	2	24
Disposals	(14)	(8)	(8)	0	(30)
Indexation/revaluation	0	0	0	0	0
<b>As at 31 March 2014</b>	<b>26</b>	<b>98</b>	<b>31</b>	<b>4</b>	<b>159</b>
<b>Carrying value as at 31 March 2014</b>	<b>13</b>	<b>5</b>	<b>1</b>	<b>8</b>	<b>27</b>
<b>Carrying value as at 31 March 2013</b>	<b>36</b>	<b>13</b>	<b>0</b>	<b>10</b>	<b>59</b>
<b>Asset financing</b>					
Owned	13	5	1	8	27
<b>Carrying value as at 31 March 2014</b>	<b>13</b>	<b>5</b>	<b>1</b>	<b>8</b>	<b>27</b>

## 9. Intangible assets

	Period to 31 October 2014	
	Software	Total
	£000	£000
<b>Cost or valuation</b>		
As at 1 April 2014	19	19
Transfers to NOMS	(19)	(19)
<b>As at 31 October 2014</b>	<b>0</b>	<b>0</b>
<b>Amortisation</b>		
As at 1 April 2014	19	19
Transfers to NOMS	(19)	(19)
<b>As at 31 October 2014</b>	<b>0</b>	<b>0</b>
<b>Carrying value as at 31 October 2014</b>	<b>0</b>	<b>0</b>
<b>Carrying value as at 31 March 2014</b>	<b>0</b>	<b>0</b>
<b>Asset financing</b>		
Owned	0	0
<b>Carrying value as at 31 October 2014</b>	<b>0</b>	<b>0</b>

	2013–14	
	Software	Total
	£000	£000
<b>Cost or valuation</b>		
As at 1 April 2013	19	19
<b>As at 31 March 2014</b>	<b>19</b>	<b>19</b>
<b>Amortisation</b>		
As at 1 April 2013	18	18
Charge in year	1	1
<b>As at 31 March 2014</b>	<b>19</b>	<b>19</b>
<b>Carrying value as at 31 March 2014</b>	<b>0</b>	<b>0</b>
<b>Carrying value as at 31 March 2013</b>	<b>1</b>	<b>1</b>
<b>Asset financing</b>		
Owned	0	0
<b>Carrying value as at 31 March 2014</b>	<b>0</b>	<b>0</b>

## 10. Impairments

The Trust recognised impairments of £nil in the period (2013–14: £nil).

## 11. Trade receivables and other current assets

### 11a. Analysis by type

	31 October 2014	31 March 2014
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	0	6
Receivables, Accrued Income and Prepayments due from Probation Trusts	0	21
Receivables, Accrued Income and Prepayments due from NOMS Agency	0	519
Receivables, Accrued Income and Prepayments due from other government departments	0	123
Prepayments	0	12
Accrued income	0	24
	<b>0</b>	<b>705</b>
<b>Amounts falling due after more than one year</b>		
	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>705</b>

### 11b. Intra-Government receivables

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 October 2014	31 March 2014	31 October 2014	31 March 2014
	£000	£000	£000	£000
Balances with other central Government bodies (inc. parent department)	0	541	0	0
Balances with local authorities	0	93	0	0
Balances with NHS bodies	0	29	0	0
	<b>0</b>	<b>663</b>	<b>0</b>	<b>0</b>
Balances with bodies external to Government	0	42	0	0
<b>Total</b>	<b>0</b>	<b>705</b>	<b>0</b>	<b>0</b>

## 12. Cash and cash equivalents

	Period to 31 October 2014	2013–14
	£000	£000
Balance at 1 April	207	364
Transfers to NOMS	(377)	0
Transfers to CRC	0	0
Net change in cash and cash equivalents	170	(157)
<b>Balance at 31 October / 31 March</b>	<b>0</b>	<b>207</b>
The following balances at 31 March are held at:	0	0
Commercial banks and cash in hand	0	207
<b>Balance at 31 October / 31 March</b>	<b>0</b>	<b>207</b>

## 13. Trade payables and other current liabilities

### 13a. Analysis by type

	31 October 2014 £000	31 March 2014 £000
<b>Amounts falling due within one year (excluding taxation)</b>		
Trade payables	0	90
Accruals	0	106
Deferred income	0	18
Staff payables	0	75
Payables, Accruals and Deferred Income due to NOMS Agency	0	5
Payables, Accruals and Deferred Income due to other Government departments	0	3
	<b>0</b>	<b>297</b>
<b>Tax falling due within one year</b>		
VAT	0	110
Other taxation and social security	0	130
	<b>0</b>	<b>240</b>
<b>Total amounts falling due within one year</b>	<b>0</b>	<b>537</b>
<b>Amounts falling due after more than one year</b>		
	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>537</b>

### 13b. Intra-Government payables

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 October 2014 £000	31 March 2014 £000	31 October 2014 £000	31 March 2014 £000
Balances with other central Government bodies (inc. parent department)	0	245	0	0
Balances with local authorities	0	3	0	0
	<b>0</b>	<b>248</b>	<b>0</b>	<b>0</b>
Balances with bodies external to Government	0	289	0	0
<b>Total</b>	<b>0</b>	<b>537</b>	<b>0</b>	<b>0</b>

## 14. Provisions for liabilities and charges

	Period to 31 October 2014		
	Leasehold Property Dilapidations	Other Provisions	Total
	£000	£000	£000
Balance at 1 April	0	48	0
Provisions not required written back	0	(48)	0
Provision utilised in the year	0	0	0
Unwinding of discount	0	0	0
<b>Balance as at 31 October 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>

	2013–14		
	Leasehold Property Dilapidations	Other Provisions	Total
	£000	£000	£000
Balance at 1 April	0	124	124
Provisions not required written back	0	(11)	(11)
Provision utilised in the year	0	(65)	(65)
Unwinding of discount	0	0	0
<b>Balance as at 31 March</b>	<b>0</b>	<b>48</b>	<b>48</b>

	2013–14		
	Leasehold Property Dilapidations	Other Provisions	Total
	£000	£000	£000
<b>Analysis of expected timing of discount flows</b>			
Not later than one year	48	0	48
<b>Current liability</b>	<b>48</b>	<b>0</b>	<b>48</b>
Later than one year and not later than five years	0	0	0
Later than five years	0	0	0
<b>Non-current liability</b>	<b>48</b>	<b>0</b>	<b>48</b>
<b>Balance as at 31 March</b>			

## 15. Capital commitments

The Trust had no capital commitments at the reporting date (2013–14: £nil).

## 16. Commitments under leases

### 16a. 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:

	31 October 2014	31 March 2014
	£000	£000
<b>Other</b>		
Not later than one year	0	4
Later than one year and not later than five years	0	0
Later than five years	0	0
<b>Total</b>	<b>0</b>	<b>4</b>

All leases which were current at 1 June 2014 were transferred to NOMS or the CRC on the basis of majority use.

### 16b. Finance leases

The Trust had not entered into any finance leases as at 31 October 2014 (2013–14: £nil).

## 17. Other financial commitments

The Trust had no other financial commitments at 31 October 2014 (2013–14: £nil).

## 18. Financial instruments

As the cash requirements of the Trust were met through the estimates process, financial instruments played 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 related 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 was exposed to little credit, liquidity or market risk.

## 19. Contingent liabilities

The Trust does not have any contingent liabilities (2013–14: £nil).

## 20. Losses and special payments

	Period to 31 October 2014		Year to 31 March 2014	
	Number of cases	Total value £000	Number of cases	Total value £000
<b>Losses</b>				
Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Administrative write-offs	0	0	6	3
<b>Total losses</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>3</b>
<b>Special payments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

No individual loss or special payment in the period exceeded £300,000 (2013–14: nil).

## 21. General fund

	Period to 31 October 2014	Year to 31 March 2014
	£000	£000
Balance at 1 April	(16,112)	(13,781)
Prior period adjustment	0	0
<b>Balance restated at 1 April</b>	<b>(16,112)</b>	<b>(13,781)</b>
Financing	0	0
Net transfers from Operating/Non Operating Activities:		
Statement of Comprehensive Net Expenditure	15,722	(921)
Transferred from revaluation reserve	21	0
Re-measurement of post employment benefits	369	(1,410)
<b>Balance at 31 October / 31 March</b>	<b>0</b>	<b>(16,112)</b>



## 22. Revaluation reserve

### 22a. Property, plant and equipment

	Period to 31 October 2014	Year to 31 March 2014
	£000	£000
Balance at 1 April	19	17
Prior period adjustment	0	0
<b>Balance restated at 1 April</b>	<b>19</b>	<b>17</b>
Arising on revaluations of PPE during the year (net)	0	2
Transfer to General Fund	(19)	0
<b>Balance at 31 October / 31 March</b>	<b>0</b>	<b>19</b>

The revaluation reserve was transferred to the general fund as part of the absorption accounting transfers to NOMS.

### 22b. Intangibles

	Period to 31 October 2014	Year to 31 March 2014
	£000	£000
Balance at 1 April	2	2
Prior period adjustment	0	0
<b>Balance restated at 1 April</b>	<b>2</b>	<b>2</b>
Arising on revaluations of intangibles during the year (net)	0	0
Transfer to General Fund	(2)	0
<b>Balance at 31 October / 31 March</b>	<b>0</b>	<b>2</b>

The revaluation reserve was transferred to the general fund as part of the absorption accounting transfers to NOMS.

## 23. Related party transactions

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

During the period, no former members of the Management Board, former members of key management staff or other related parties, or their related parties undertook material transactions with the Trust.

### Mutuals

There have been a number of individuals from Humberside, Lincolnshire and York & North Yorkshire Probation Trusts management, staff and Board members who have contributed to the development of a mutual under a joint venture with The GEO Group UK Ltd to bid for the Humberside, Lincolnshire and North Yorkshire CRC. The Mutual has been registered with Companies House as Delta Rehabilitation Limited. The mutual bid was not successful and as a result did not trade. There were no transactions between the mutual and the Trust.

## 24. Third-party assets

These are not Trust's assets and are not included in the accounts. The assets held at the reporting period date comprised bank balances. They are set out in the table below. All residual third party assets were transferred to NOMS or CRC prior to the dissolution of the Trust.

	As at 1 April 2014	Funds paid in	Funds paid out	Transfer to NOMS	Transfer to CRC	As at 31 October 2014
	£000	£000	£000			£000
Hilary Sternfield Account	2	0	(2)	0	0	0
	<b>2</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 25. 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 no reportable events had occurred.

## 26. Transfers under absorption accounting

A disaggregation exercise was carried out on the Trust's SoFP as at 31 May 2014, which assigned the majority of balances to the CRC or NOMS. See **Notes 1.3** and **1.20** for details of the rationale. In accordance with the FReM, such transfers were accounted for using the absorption method.

Certain balances were retained in the Trust to be settled prior to dissolution. Any residual unsettled balances were transferred to NOMS or CRC on prior to dissolution under absorption accounting.

Under absorption accounting, balances are transferred at carrying value on the date of transfer. The total gain or loss on absorption, which reflects the net assets or liabilities being transferred, is recognised as a non-operating cost in the SoCNE.

The total assets and liabilities transferred from the Trust to NOMS and the CRC during the period to 31 October 2014 were:

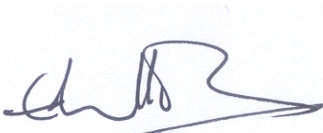
		Transfers to NOMS	Transfers to CRC	Total transfers
	Note	£000	£000	£000
<b>Non-current assets</b>				
Property, plant and equipment	8	(23)	0	(23)
<b>Current assets</b>				
Trade and other receivables		(52)	(6)	(58)
Cash and cash equivalents	12	(378)	0	(378)
<b>Current liabilities</b>				
Trade and other payables		58	39	97
<b>Non-current liabilities</b>				
Pension liability	4	16,222	0	16,222
<b>Total transfers</b>		<b>15,827</b>	<b>33</b>	<b>15,860</b>
<b>Net (gain)/loss on absorption</b>	SoCNE			<b>(15,860)</b>

# Accounts Direction

## ACCOUNTS OF LOCAL PROBATION TRUSTS IN ENGLAND AND WALES ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH PARAGRAPHS 3(1)(a) AND 3(4)(a) OF THE OFFENDER MANAGEMENT ACT 2007 (DISSOLUTION OF PROBATION TRUSTS) ORDER 2014

Please see attached **Appendix 1**.

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 period from 1 April 2014 to 31 October 2014, in compliance with the accounting principles and disclosure requirements of the 2014–15 Government Financial reporting Manual (“the FReM”) issued by HM Treasury.
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 reporting period 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;
  - be on a basis other than that of a going concern.
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 18 February 2014.



Edward Kirby

On behalf of the Secretary of State for the Ministry of Justice  
21 October 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

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