

**LANCASHIRE PROBATION BOARD**

**STATEMENT OF ACCOUNTS**

**2004/05**

## **FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005**

### **Statutory Background**

The National Probation Service for England and Wales was established by the Criminal Justice and Court Services Act 2000. Local probation boards were established in accordance with the police areas to implement the functions conferred on them through the Act. Each Board is a corporate body, which came into existence on 1 April 2001.

### **Accounts**

Each Board is required under Schedule 1, paragraph 16(1) of the Act to make a report to the Secretary of State on the performance of its functions during each financial year, and prepare in respect of each financial year of the board a statement of accounts.

Under Schedule 1, paragraph 16(2) of the Act, the Secretary of State has given direction as to:

- The information to be given in the report and the form in which it is to be given,
- The time by which the report is to be made, and
- The form and manner in which the report is to be published.

### **Principal Activities**

Lancashire Probation Board covers the Lancashire police area, as defined in Schedule 1 of the Police Act 1996, serving a population of almost 1.5m. During the year, the Board employed some 592 full time staff who worked from 22 buildings and 2 hostels across the area.

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

The discharge of policies as established by the National Probation Directorate of the Home Office, are designed to ensure:

- The protection of the public;
- The reduction of re-offending;
- The proper punishment of offenders;
- Ensuring offenders' awareness of the effects of crime on the victims of crime and the public;

- The rehabilitation of offenders.

The Chief Officer (CO) is a statutory office holder appointed by the Secretary of State. The CO is the Accountable Officer for the Board and is accountable to the Director General in his position as the Principal Accountable Officer (PAO) for the National Probation Directorate. The PAO, in turn, is accountable to the Accounting Officer of the Home Office, who is directly accountable to Parliament for safeguarding public funds.

## **Appointments**

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

The Lord Chancellor appointed His Honour A Blake to the Board from among the judges of the Crown Court. The emoluments of this appointee are paid for from the Lord Chancellor's Department.

Employees of the Board are members of the Local Government Pension Scheme. Details of pension arrangements are set out in Note 1 to the Accounts.

## **Public Interest**

The Board operates a policy of equal opportunities, regardless of gender, race, disability or sexuality.

The Board observes the principles of the CBI "Prompt Payment" Code and aims to pay all approved invoices within 30 days. In 2004/05 63% of undisputed invoices were paid within 30 days (2003/04 64%).

## **Management**

The operational management throughout the year was carried out by the Management Board, which consisted of the following members:

Chief Officer-Mr J Crawforth (to 28 February 2005) and Mr R Mathers (from 1 March 2005), Dr A Fowles (Chair) and as members, His Honour A Blake (resigned 31 March 2005), Mrs V Burke, Mrs S Hughes, Mr A Khandelwal, Mrs M Lea, Mr A Nixon, Mr V Patel, Mrs M Riley and new members appointed from 1 April 2004 Mr D Booker, Mr A Harrison, Mrs E Housden, Mr M Kothari and Mr L Sewell.

Remuneration of the Board members is disclosed in Note 2 to the Accounts.

## **Post Balance Sheet Events**

Material events after the balance sheet date are disclosed in Note 25 to the Accounts.

## **External Accountability**

Under paragraphs 16-17 of Schedule 1 of the Criminal Justice and Court Services Act 2000, the Board is required to send to the Secretary of State a report on the discharge of its functions during the year and its audited accounts. The Annual Report and Accounts will comply with the specific accounts directions issued by the Secretary of State with the consent of HM Treasury.

The Audit Commission has appointed the District Auditor as the external auditor for the Lancashire Probation Board. The Auditor's Certificate and report is included at pages 9 and 10.

R MATHERS - CHIEF OFFICER AND  
ACCOUNTABLE OFFICER FOR THE BOARD  
12 JULY 2005

M L MATTINSON -  
TREASURER TO THE BOARD  
12 JULY 2005

## **STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES**

Under Schedule 1, paragraph 17(1)(b) of the Criminal Justice and Court Services Act 2000, local probation boards must prepare a statement of accounts in respect of each financial year, in conformity with an Accounts Direction issued by the Secretary of State, reproduced on page 11.

The accounts are prepared on an accruals basis and must give a true and fair view of the affairs of the Board at the year-end, the net operating costs, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is expected to comply with the National Probation Service Resource Accounting Manual (RAM), which is an adaptation of Treasury guidance, 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 judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the Accounts;
- Prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Probation Board will continue in operation.

The Secretary of State has appointed the Chief Officer as Accountable Officer of the Board. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for the keeping of proper records, and for safeguarding the Board's assets, are set out in the Accountable Officer's Memorandum, issued by the Secretary of State.

## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

### **Scope and responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Home Office policies, aims and objectives, set by the department's Ministers, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Probation Service, Probation Board and departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

### **Capacity to handle risk**

The Board's risk management strategy underpins the risk management arrangements in place to successfully achieve the objectives of the service. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks through the following processes:

- Responsibility for the assessment and management of risk is allocated to members of the senior management team within their individual areas of expertise whilst the overall responsibility for risk management processes has been delegated to the Head of Finance/Treasurer to the Board
- A Risk Management Group meets quarterly to ensure that proper procedures are in place to support the risk management policy and that risks are systematically identified, assessed and acted upon. The Risk Management Group requires regular reports from each manager responsible on the steps that they are taking to identify and minimise risks in their areas of responsibility, including performance and resource risk together with a commentary on the action being taken to minimise the risk further, wherever possible. Each risk is assessed in terms of the likelihood of occurrence, given the controls in place, as well as potential impact. Each risk is colour coded using a traffic-light system and reported to the Audit Committee.

- A methodology for the prioritisation of workload by staff is in place to ensure that the level of risk is minimised in the event of any shortfall in available resources
- The Risk Management Group is continuing to develop the risk management processes, to embed, identify and keep up to date the record of risks facing the organisation and monitor action to minimise and manage these risks. Every team has been asked to include a section on Risk Management in their team plan for 2005/06 considering those risks local/specific to their own area of operation as well as the area wide risks identified on which they impact.
- Training in risk management for the senior management team and middle managers representing all areas of work across the organisation (operational and support services) was held in December 2004. The training considered risk and risk management in the delegate's own working environment as well as those facing the organisation as a whole. This work provided the base for the 2005/06 risk register included in the business plan.
- A new reporting framework was adopted in October 2004 in which all reports presented for consideration and approval at Board, Committee or senior management team meetings systematically consider:
  - Risk implications
  - Financial implications
  - Links to the Business Plan objectives

### **The risk and control framework**

The key elements of the Board's risk and internal control environment include;

- Standing Orders, Terms of Reference for individual Committees and the Scheme of Delegation which establish the overall arrangements for policy setting and decision making and the delegation of powers to Board and officers
- A clear business planning process which sets clear objectives and targets and reconciles policy priorities and targets with financial resources
- A system of regular monitoring and reporting the area's performance against the business plan
- Established budget setting and budgetary management systems, ensuring the economical, effective and efficient use of resources and regular reporting of financial performance to officers and Board
- Financial Regulations and a supporting framework of financial procedures

- A structure of devolved financial management which is centrally monitored and that promotes management of the area's finances at the appropriate organisational level
- The risk management policy sets out the Board's commitment to systematic risk assessment and provides the framework to properly manage and control both business and operational risk
- Codes of conduct for members and officers that set our clear expectations for standards of behaviour
- Arrangements for dealing with complaints and whistle-blowing, and for combating fraud and corruption.

### **Review of effectiveness**

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

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

- Reports received by Audit Committee. The Audit Committee monitors the work of the internal and external auditors and receives their plans, reports and recommendations to ensure a more effective internal control environment.
- The Annual Internal Audit Report. This summarises the work of internal audit within the area during 2004/05 and presents an overall assessment of this. The assessment for 2004/05 was that "Overall the systems reviewed were generally found to be adequately controlled".
- Reviews undertaken by the external auditors, the Audit Commission, which are referred to in the annual management letter. The last letter received in November 2004, referred favourably to the systems of control in place stating, "Overall corporate governance arrangements are satisfactory" and in respect of the systems of internal financial control, "We have not identified any significant weaknesses in the overall control framework".
- Quarterly review of the risk register by the Risk Management Group and the Audit Committee

- Quarterly performance monitoring reports presented to the Board, including the updated risk register
- Monthly performance 'Tracker' reports presented to the senior management team
- The Board has agreed several new strategies and policies, in conjunction with the senior management team, including;
  - Human Resources strategy
  - Information Systems strategy
  - Sickness Absence Policy
  - Health and Safety policy
  - Freedom of Information Act Policy

### **Significant Internal Control issues**

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

As part of my review, I am required to identify and disclose any significant internal control issues; no such significant control issues have been identified.

However the system of internal control must be subject to continuous review and to ensure that it continues to meet the needs of the service and to operate effectively. We have identified a number of areas we wish to develop further, including:

- Review of the Financial Regulations
- Development of a corporate communications strategy
- Review of Risk Management Strategy
- Implementation of a standard project management and policy development framework
- Development of a workforce planning strategy
- Review of strategic management arrangements

R MATHERS  
 CHIEF OFFICER AND ACCOUNTABLE OFFICER FOR THE BOARD  
 12 JULY 2005

## **INDEPENDENT AUDITOR'S REPORT TO THE LANCASHIRE PROBATION BOARD**

I certify that I have audited the financial statements on pages 14 to 34 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 17 to 18.

This report is made solely to Lancashire Probation Board in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of Accountable Officer and Auditor**

As described on page 4, the Accountable Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accountable Officer is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice, and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view of the financial position and result of operations of the Board and are properly prepared in accordance with the Criminal Justice and Court Services Act 2000 and directions made there under by the Secretary of State, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements of material inconsistencies with the financial statements.

I review whether the statement on pages 5 to 8 reflects the Board's compliance with the Treasury's guidance "Risk Management and the SIC" contained in chapter 21 of Government Accounting. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accountable Officer's statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

## **Basis of Opinion**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with the relevant auditing standards issued by the Auditing Practices Board.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conformed to the authorities which govern them. In forming my opinion, I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In my opinion:

The financial statements give a true and fair view of the state of affairs of the Lancashire Probation Board at 31 March 2005 and of the net operating costs, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Criminal Justice and Court Services Act 2000 and directions made there under by the Secretary of State;

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

## **Certificate**

I certify that I have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

## **Signed:**

M HEAP – APPOINTED AUDITOR FOR THE AUDIT COMMISSION  
2<sup>nd</sup> Floor Aspinall House, Aspinall Close, Middlebrook, Bolton.

**Dated:** 28 JULY 2005

## **ACCOUNTS OF LOCAL PROBATION BOARDS IN ENGLAND AND WALES**

### **ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH PARAGRAPHS 16(2) AND 17(1) OF SCHEDULE 1 TO THE CRIMINAL JUSTICE AND COURT SERVICES ACT 2000**

This direction applies to the local probation boards listed in the attached Appendix 1.

Each board shall prepare a statement of accounts for the financial year ended 31 March 2002 and subsequent financial years, in compliance with the accounting principles and disclosure requirements of the Treasury Resource Accounting Manual. In addition Boards are required to comply with the National Probation Service Finance Manual which is in force for the relevant financial year. The statement of accounts shall be published within the report, which the board is required to make to the Secretary of State on the performance of its functions for the relevant financial year.

The statement of accounts shall give a true and fair view of the net operating costs, recognised gains and losses and cash flows for the financial year, and the state of financial affairs at the year-end.

Compliance with the requirements of the Treasury Resource Accounting Manual and the Finance Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. Any material departure from the Treasury Resource Accounting Manual or the Finance Manual should be discussed in the first instance with the National Probation Directorate.

A note setting out the relationship between the National Probation Service Finance Manual and the Treasury Resource Accounting Manual is attached at Appendix 2.

Ray McBurney

On behalf of the Secretary of State for the Home Department

29 May 2002

42 Probation Boards

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

### APPLICATION OF THE TREASURY RESOURCE ACCOUNTING MANUAL TO THE ACCOUNTS OF LOCAL PROBATION BOARDS

The Home Office has issued advice on the preparation of local probation board accounts in a National Probation Service Finance Manual. This provides specific guidance on the application of the principles and disclosure requirements of the Treasury Resource Accounting Manual to the circumstances of local probation boards, including the following agreed interpretations:

1. There is no requirement to prepare Schedule 1. (Schedule 1 is a requirement specific to government departments and certain other public bodies funded by directly voted parliamentary grant.)
2. Monies received as grant in aid should be treated as financing rather than income. (Most bodies covered by RAM do not receive grant in aid, and are financed by voted parliamentary grant. This clarifies the correct treatment for the probation boards. Some public bodies account for grant in aid as income.)
3. There is no requirement to prepare Schedule 5. (This expenditure will however be attributed to departmental aims and objectives in the Home Office resource accounts.)
4. The remuneration of key managers should be appropriately disclosed. (Department Yellow reflects Cabinet Office guidance on the application of the Greenbury code to departmental resource accounts. The example disclosure for departments is not directly applicable to local probation boards. Nevertheless, boards should make disclosures, which meet the spirit of the Greenbury code.)

Items will be added to or deleted from the above list only with the agreement of the Treasury.

**Notes to the Accounts****1 Statement of Accounting Policies**

The financial statements have been prepared in accordance with the 2004-05 Resource Accounting Manual (RAM) issued by the HM Treasury. The accounting policies contained in the RAM follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the RAM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate and gives a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

**1.1 Accounting Convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stocks where material, at their value to the business by reference to their current costs.

**1.1 (i) Going concern**

The balance sheet at 31 March 2005 shows negative Taxpayers Equity. This reflects the inclusion of liabilities falling due in future years which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet Net Cash Requirement of the Home Office of which the NPS is part. Under Government Resources and Accounts Act 2000, no money may be drawn from the fund by the Home Office other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the NPS liabilities is accordingly to be met by future grants of Supply to the Home Office and the application of future income, both to be approved annually by Parliament. [Such approval for amounts required for 2005-06 has already been given and] there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for preparation of these financial statements.

**1.2 Tangible Fixed Assets**

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

**1.3 Depreciation**

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

Asset lives are normally in the following ranges:

- Vehicles - 5 to 7 years;
- Office Machinery, Fixtures and Fittings and IT Equipment - 5 years.

The Revaluation Reserve does not include any values where fixed assets suffer from permanent downward indexation as this is charged to the Operating Cost Statement as impairment.

**1.4 Donated Assets**

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

**1.5 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 Board. It principally comprises of recovery of secondees salaries costs to the Prison Service, National Probation Directorate and other Government Departments. Other Operating Income comprises of grants from other government bodies and EU sources. Fees and charges for services are recovered on a full cost basis in accordance with the Treasury's Fees and Charges guide.

The Probation Board can earn interest from various sources but under the Criminal Justice and Court Services Act 2000, it is not allowed to retain any interest received from the investment of funds received from the National Probation Directorate. This interest is surrendered to HM Treasury via the Home Office who treat this as Consolidated Funds Extra Receipts (CFERs).

**1.6 Administration and Programme Expenditure**

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Probation Board together with associated operating income. Programme costs are defined as one off projects, which are fully or partially funded from outside the Home Office, with a threshold of £10,000 per scheme.

**Notes to the Accounts****1.7 Capital Charge**

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

- a) Tangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:

additions at cost  
disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)  
impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure).

- b) Donated assets, where the charge is nil.

**1.8 Retirement Benefits**

FRS 17, Retirement Benefits requires a liability to be recognised as benefits are earned, not when they are due to be paid. The fact that the employer is funded by a local authority or body acting on behalf of the local authority is not a reason for the employer not to recognise its own liabilities arising under the FRS.

The Local Government Pension Scheme (LGPS) cover present and past employees, which is statutory and is a funded scheme that currently has a shortfall. The Board participates in the Local Government Pension Scheme, administered by the appropriate local authority or body acting on behalf of the local authority. This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirements benefits. Under the Local Government Pension Scheme Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate.

**1.9 Early Departure Costs**

The Probation Board is required to meet the additional costs of benefits beyond the normal pension benefits in respect of employees who retire early. The Probation Board's policy is to provide in full for this cost when the early retirement programme has been announced and is binding on the Probation Board.

**1.10 Leases**

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

**1.11 Private Finance Initiative (PFI) Transactions**

Where the balance of risks and rewards of ownership of the PFI property is borne by the Probation Board, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

There are no PFI transactions at the Balance Sheet date.

**1.12 Grants Receivable**

Monies received as grants (of any nominal type, classification, or attached conditions) is treated as financing rather than income and are recognised in the accounts by directly crediting the General Fund. (Most bodies covered by the Resource Accounting Manual do not receive grants, and are financed by voted parliamentary funding).

**Financing of Training Consortia**

Part of the funding that goes to the local areas is allocated to the Regional Training Consortia. This is for all the costs of the Regional Training Consortia and is approximately ten per cent of the funds that go to the areas for this activity.

**1.13 Provisions**

The Probation Board provide for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

**1.14 Value Added Tax**

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

## Notes to the Accounts

**2 Staff Numbers and Costs**  
**A** Total staff costs consist of:

	2004-2005			2003-2004
	£000	£000	£000	£000
		Permanently -		
	Total	Employed staff	Others	Total
Salaries and Wages	13,673.0	13,647.2	25.8	13,208.5
Social Security Costs	1,045.4	1,045.4	0.0	989.7
Other Pension Costs	1,786.0	1,786.0	0.0	1,939.0
<b>Sub Total</b>	<b>16,504.4</b>	<b>16,478.6</b>	<b>25.8</b>	<b>16,137.2</b>
Inward Secondments	0.0	0.0	0.0	0.0
<b>Total</b>	<b>16,504.4</b>	<b>16,478.6</b>	<b>25.8</b>	<b>16,137.2</b>
Less : Charged as Programme Staff costs	0.0	0.0	0.0	0.0
<b>Total Costs</b>	<b>16,504.4</b>	<b>16,478.6</b>	<b>25.8</b>	<b>16,137.2</b>

In 2004-05, contributions of £1.558m (2003-04 : £1.447m) were paid to the Local Pension Scheme at rates determined by the scheme's Actuary. Employer's contributions is 12.3% of pensionable pay, based on salary bands.

In 2004-05, 4 persons (2003-04: 1 person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2003-04: £nil).

**B** The average number of whole-time equivalent persons employed during the year was as follows.

	2004-2005			2003-2004
	Total	Permanently - Employed staff	Others	Total
	595	592	3	584
	595	592	3	584

**Notes to the Accounts**

**C** The Chief Officer is a statutory office holder as appointed by the Secretary of State.

The following sections provide details of the remuneration and pension interests of the Chief Officer

**(a) Remuneration**

	2004-2005		2003-2004	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
John Crawforth (1)	65-70	None	70-75	None
Bob Mathers (2)	5-10	None	n/a	n/a

1. Figure quoted for 2004-05 is for the period from 1 April 2004 to 28 February 2005. The full year equivalent is £70,000 to £75,000.

2. Figure quoted for 2004-05 is for the period from 1 March 2005 to 31 March 2005. The full year equivalent is £65,000 to £70,000.

**Salary**

Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

**Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

## Notes to the Accounts

## (b) Pension benefits:

	Real increase in pension at age 65	Total accrued pension at aged 65 at 31 March 2005	CETV at 31 March 2005	CETV at 31 March 2004	Real increase in CETV	Employer Contribution to the partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
John Crawforth (1)	0.0-2.5	30.0-35.0	514.0	474.0	40.0	Nil
Bob Mathers (2)	0.0-2.5	0.0-5.0	579.0	482.0	97.0	Nil

**Pension**

Pension benefits are provided through the Local Government Pension Scheme (LGPS). This is a statutory and intended to be a fully funded scheme which provides benefits on a "final salary" basis at a normal retirement age of 65, but an employee is eligible to go at 60 under the 85 year rule with no loss of pension entitlement. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80th of pensionable pay for each year of service is payable on retirement. Members pay contributions of 6.0 per cent of pensionable earnings. Pensions payments are increased in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at the rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension, which depends on length of service. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Columns 3 & 4 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 5 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 common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) 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, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to another pension scheme.

The employer contribution to the partnership pension account takes into consideration a stakeholder's pension arrangement. The employer makes a basic contribution, (this is dependent on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of the pensionable salary (in addition to the employer's basic contribution).

(c) The estimated monetary value of benefits in kind does not form part of "salaries" for disclosure purposes under resource accounting.

**Board Members Remuneration**

There are 14 Board members (named in the foreword to the accounts).

All Home Office appointed Board members receive non pensionable remuneration of £15.40 per hour from 1 April 2004 (2003-04: £14.00 per hour) with the exception of the Chief Officer. Boards at their discretion may pay a travelling allowance and any other relevant expenses incurred.

13	received remuneration under £5,000 during 2004-05; and,
0	received remuneration between £5,001 - £10,000 during 2004-05; and,
0	received remuneration between £10,001 - £15,000 during 2004-05; and,
1	received remuneration between £15,001 - £20,000 during 2004-05.
0	received remuneration of £20,001 or above during 2004-05.

## Notes to the Accounts

**3 Disclosure of Retirement Benefits**

As part of the terms and conditions of employment of its officers and other employees, the Board offers retirement benefits. Although these will not actually be payable until employees retire, the Board has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The provisions of the Local Government Pension Scheme (LGPS) cover present and past employees, which is statutory and fully funded. The Board participates in the Local Government Pension Scheme, administered by Lancashire County Council.

The Local Government Pension Scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Benefits accrue at the rate of one-eightieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three eightieths of final pay of every year of total membership is payable on retirement.

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

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

**A** Under the Local Government Pension Scheme Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. An independent actuarial valuation was carried out at 31 March 2004 by Mercer Human Resource Consulting Limited, with an approximate updating for the subsequent financial years to reflect known changes which have occurred within the period from 31 March 2004 to March 2006.

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

Employer's contributions for 2003-04 were 12.3% of salaries; and,  
Employer's contributions for 2004-05 which will be 12.3% of salaries; and  
Employer's contributions for 2005-06 which will be 13.7% of salaries.

**B The major assumptions used by the actuary were:-**

	31 March 2005	31 March 2004	31 March 2003
	%	%	%
Inflation assumption	2.9%	2.8%	2.5%
Rate of increase in salaries	4.7%	4.3%	4.0%
Rate of increase for pensions in payment and deferred pensions -	2.9%	2.8%	2.5%
Discount rate	6.4%	6.3%	6.0%

**C The assets in the scheme and the expected rate of return were:**

	Long-term rate of return expected at 31 March 2005		Long-term rate of return expected at 31 March 2004		Long-term rate of return expected at 31 March 2003	
	%	Value at 31 March 2005	%	Value at 31 March 2004	%	Value at 31 March 2003
	%	£000	%	£000	%	£000
Equities	7.5%	29,247.0	7.5%	27,440.2	7.5%	20,929.0
Bonds	5.0%	10,800.0	5.1%	8,973.9	5.0%	7,951.7
Property	7.0%	3,600.0	5.2%	3,469.9	5.1%	2,926.3
Cash	4.8%	1,350.0	0.0%	0.0	0.0%	0.0
<b>Total market value of assets</b>		<b>44,997.0</b>		<b>39,884.0</b>		<b>31,807.0</b>
<b>Present value of scheme liabilities</b>		<b>50,820.0</b>		<b>46,859.0</b>		<b>43,039.0</b>
<b>(Shortfall) of the scheme</b>		<b>-5,823.0</b>		<b>-6,975.0</b>		<b>-11,232.0</b>
<b>Net pension (liability)</b>		<b>-5,823.0</b>		<b>-6,975.0</b>		<b>-11,232.0</b>

## Notes to the Accounts

## D Analysis of the amount charged to operations

	2004-2005 £000	2003-2004 £000
Current service cost	1,733.0	1,605.0
Past service cost	53.0	334.0
<b>Total operating charge</b>	<b>1,786.0</b>	<b>1,939.0</b>

## E Analysis of the amount credited to other finance income

	2004-2005 £000	2003-2004 £000
Expected return on pension scheme assets	2,746.0	2,166.0
Interest on pension scheme liabilities	-2,977.0	-2,609.0
<b>Net return</b>	<b>-231.0</b>	<b>-443.0</b>

## F Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2004-2005 £000	2003-2004 £000
Actual return less expected return on pension scheme assets	2,072.0	5,150.0
Experience gains and losses arising on the scheme liabilities	568.0	0.0
Changes in assumptions underlying the present value of the scheme liabilities	-1,082.0	0.0
<b>Actuarial gain/ (loss) recognised in the STRGL</b>	<b>1,558.0</b>	<b>5,150.0</b>

## G Movement in surplus / (shortfall) during the year:

	2004-2005 £000	2003-2004 £000
Surplus / (Shortfall) in scheme in the beginning of the year	-6,975.0	-11,232.0
Movement in year:		
Current service costs	-1,733.0	-1,605.0
Employer contributions	1,611.0	1,489.0
Past service costs	-53.0	-334.0
Other finance income	-231.0	-443.0
Actuarial gain/(loss)	1,558.0	5,150.0
<b>Surplus (Shortfall) in scheme at the end of the year</b>	<b>-5,823.0</b>	<b>-6,975.0</b>

## H History of experience gains and losses

	2004-2005	2003-2004	2002-2003
<b>Difference between the expected and actual return on scheme assets:</b>			
Amount in £000	2,072.0	5,150.0	-10,134.0
Percentage of scheme assets	4.6%	12.9%	(31.9%)
<b>Experience gains and losses on scheme liabilities:</b>			
Amount in £000	568.0	0.0	0.0
Percentage of the present value of the scheme liabilities	1.1%	0.0%	0.0%
<b>Total amount recognised in statement of total recognised gains and losses:</b>			
Amount in £000	1,558.0	5,150.0	-10,134.0
Percentage of the present value of the scheme liabilities	3.1%	11.0%	(23.5%)

## Notes to the Accounts

## 4 Non-staff administration costs

	2004-2005		2003-2004	
	£000	£000	£000	£000
<b>A</b>				
<u>Rentals under Operating Leases</u>				
Expenditure on hire of plant and machinery	0.0		0.0	
Expenditure on other leases	30.5		27.9	
		30.5		27.9
<u>Interest Charges</u>				
Finance leases		0.0		0.0
Interest payable on bank overdrafts		0.0		0.0
Utilities and Premises	58.7		56.4	
Transport Costs	126.0		120.9	
Supplies and Services	754.4		732.1	
Contracted Out Services	2,864.7		2,844.5	
Third Party Payments	770.6		786.0	
Chair's and Member's Expenses	43.5		47.1	
Other Administration Costs	55.1		54.9	
		4,673.0		4,641.9
Auditor's Remuneration				
For audit services	32.6		24.2	
For other non-audit services	0.0		0.0	
		32.6		24.2
		4,736.1		4,694.0
<u>Non-cash costs:</u>				
Depreciation	34.1		62.9	
Impairment of Fixed Assets	0.0		0.0	
Profit on disposal of Fixed Assets	0.0		0.0	
Loss on Disposal of Fixed Assets	0.0		0.0	
Cost of Capital for Fixed Assets	4.7		3.3	
Cost of Capital for Net Assets/(Liabilities) excluding Fixed Assets	-243.3		-347.4	
Movement in Early Retirement and Pension Commitments Provisions	-16.9		91.6	
Movement in Other Provisions	6.0		-40.8	
		-215.4		-230.4
<b>Total-non staff administration costs</b>		<b>4,520.7</b>		<b>4,463.6</b>
<b>B</b>				
<u>Other Administration Costs</u>				
Expenditure on Staff Related and Personnel Activities				
Consultants	22.2		23.4	
Travel, Subsistence and Hospitality	698.0		725.5	
Publicity and Advertising	33.4		87.3	
Other Staff Related Expenditure	202.1		109.8	
<b>Total Other Expenditure</b>		<b>955.7</b>		<b>946.0</b>
<b>Total Administration Costs</b>		<b>5,476.4</b>		<b>5,409.6</b>

## Notes to the Accounts

## 5 Net Programme Costs

Staff costs consist of:	2004-2005			2003-2004
	Total	£000		Total
		£000	£000	
		Permanently - Employed staff	Others	
Salaries and Wages	0	0	0	0
Social Security Costs	0	0	0	0
Other Pension Costs	0	0	0	0
<b>Sub Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Inward Secondments	0	0	0	0
<b>Total Staff costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current Expenditure	0	0	0	0
<b>Total Net Programme Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 6 Administration Income

A Administration Income excluding Operating Income to be Surrendered	2004-2005		2003-2004	
	£000	£000	£000	£000
Rent receivable from minor occupiers of Probation Estate property:				
From within the Departmental Boundary	0.0		0.0	
From Other Government Departments	0.0		0.0	
From Local Authorities	0.0		0.0	
From External Tenants	0.1		0.1	
		0.1		0.1
Secondments to:				
H.M. Prison Service	1,738.7		1,394.4	
National Probation Directorate	19.5		0.0	
Home Office	0.0		0.0	
Other Probation Boards	0.0		0.0	
Other Bodies	0.0		0.0	
		1,758.2		1,394.4
Income from EU Sources: Direct contributions to Board activities		0.0		0.0
Income Receivable: From Other Government Departments		762.5		444.8
Profits on disposal of assets		0.0		0.0
Miscellaneous Income		330.7		146.2
<b>Total Administration Income excluding Operating Income to be surrendered</b>		<b>2,851.5</b>		<b>1,985.5</b>

Costs associated with staff on secondment are recovered on a full-cost basis in accordance with the Treasury's Fees and Charges Guide. For 2004-05 £nil (2003-04 £nil) secondments to other Probation Boards is included to allow NPS on consolidation to separately identify these transactions.

There has been a reclassification of rent receivable between Local Authorities and External Tenants. This is to meet the requirements of Whole of Government Accounting.

## B Operating Income to be Surrendered

Interest received:	2004-2005		2003-2004	
	£000	£000	£000	£000
From Bank	20.5		7.3	
From Car Loans	12.5		20.6	
From Other Sources	0.0		0.0	
<b>Total Operating Income to be surrendered</b>		<b>33.0</b>		<b>27.9</b>
<b>Total Administration Income</b>		<b>2,884.5</b>		<b>2,013.4</b>
Programme income		0.0		0.0
<b>Total Income Operating Cost Statement</b>		<b>2,884.5</b>		<b>2,013.4</b>

## Notes to the Accounts

## 7 Tangible Fixed Assets

	2004-2005		
	Office Machinery, Fixtures and Fittings and IT Equipment £000	Vehicles £000	Total £000
<u>Cost / Valuation</u>			
At 1 April 2004	81.3	280.9	362.2
Additions	15.6	40.9	56.5
Net Transfers In/Out	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Revaluations	0.0	0.0	0.0
Indexation	4.7	2.2	6.9
Impairment	0.0	0.0	0.0
At 31 March 2005	101.6	324.0	425.6
<u>Depreciation</u>			
At 1 April 2004	43.2	207.9	251.1
Charged in year	16.9	17.2	34.1
Net Transfers In/Out	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Revaluations	0.0	0.0	0.0
Indexation	1.6	1.6	3.2
Impairment	0.0	0.0	0.0
At 31 March 2005	61.7	226.7	288.4
<b>Net Book Value at 31 March 2005</b>	<b>39.9</b>	<b>97.3</b>	<b>137.2</b>
<b>Net Book Value at 1 April 2004</b>	<b>38.1</b>	<b>73.0</b>	<b>111.1</b>
<b>Asset Financing:</b>			
Owned	39.9	97.3	137.2
Finance Lease	0.0	0.0	0.0
<b>Net Book Value at 31 March 2005</b>	<b>39.9</b>	<b>97.3</b>	<b>137.2</b>
<u>Revaluation Analysis</u>			
Net change to Revaluation (excluding Impairment)	3.1	0.6	3.7
Impairment	0.0	0.0	0.0
<b>Statement of Recognised Gains and Losses</b>	<b>3.1</b>	<b>0.6</b>	<b>3.7</b>

Notes:

There are no donated assets.

## Notes to the Accounts

## 8 Movements in Working Capital other than Cash

	2004-2005	2003-2004
	£000	£000
Increase / (Decrease) in Debtors	148.7	-158.2
(Increase) / Decrease in Creditors	-142.4	396.4
<b>Net increase/(decrease) in Working Capital other than Cash</b>	<b>6.3</b>	<b>238.2</b>

## 9 Debtors: Amounts falling due within one year.

	31 March 2005	31 March 2004
	£000	£000
Trade Debtors	23.7	7.4
VAT	36.0	28.1
Staff Debtors	65.2	63.2
Debtors due from other Probation Boards (excluding Training Consortia)	0.6	4.8
Debtors due from other Probation Boards for Training Consortia	45.1	29.7
Debtors due from the Prison Service (excluding private Prisons)	153.0	158.2
Debtors due from the National Probation Directorate	80.9	48.4
Debtors due from the Home Office	0.0	5.4
Debtors due from other Government Departments	2.8	0.0
Debtors due from Local Authorities	95.4	28.3
Debtors due from NHS Trusts	1.0	0.0
Other Debtors	1.1	0.9
Prepayments and Accrued Income	37.1	34.8
<b>Total to be used for Movement in working capital</b>	<b>541.9</b>	<b>409.2</b>
Financing due from NPD	0.0	0.0
<b>Total Debtors: Amounts due falling within one year.</b>	<b>541.9</b>	<b>409.2</b>

There is a reclassification of debtors due from Local Authorities and NHS Trusts due to Whole of Government Accounting.

## 10 Debtors: Amounts falling due after more than one year.

	31 March 2005	31 March 2004
	£000	£000
Staff Debtors	133.9	117.9
Other Debtors	0.0	0.0
<b>Total Debtors: Amounts falling due after more than one year.</b>	<b>133.9</b>	<b>117.9</b>

## 11 Cash at Bank and in hand

	31 March 2005	31 March 2004
	£000	£000
Balance at 1 April	241.4	2.6
Net change in cash balances	312.3	238.8
<b>Balance at 31 March</b>	<b>553.7</b>	<b>241.4</b>
<b>The following balances at 31 March are held at:</b>		
Commercial banks and cash in hand	553.7	241.4

## Notes to the Accounts

## 12 Creditors: Amounts falling due within one year.

	31 March 2005	31 March 2004
	£000	£000
Trade Creditors and Accruals	228.6	197.9
VAT	0.0	0.0
Other taxation and social security	336.2	319.0
Bank Overdraft	0.0	0.0
Staff Creditors	11.8	10.0
Creditors due to other Probation Boards (excluding Training Consortia)	3.6	1.6
Creditors due to other Probation Boards for Training Consortia	0.2	0.0
Creditors due to the Prison Service (excluding private prisons)	0.0	0.0
Creditors due to the National Probation Directorate	11.5	84.0
Creditors due to the Home Office	0.0	0.0
Creditors due to other Government Departments	0.0	0.0
Creditors due to Local Authorities	91.2	66.1
Creditors due to NHS Trusts	0.0	0.0
Unpaid pension contributions due to the pension scheme	192.2	182.8
Other Creditors	136.0	7.5
Long Term Liabilities due within one year	0.0	0.0
Current part of finance leases	0.0	0.0
Current part of imputed finance leases	0.0	0.0
<b>Total to be used for Movements in Working Capital</b>	<b>1,011.3</b>	<b>868.9</b>
Financing due to NPD	0.0	0.0
Operating Income to be surrendered (Interest received)	33.0	27.9
Fixed Asset Accruals	0.0	0.0
<b>Total Creditors: Amounts due falling within one year.</b>	<b>1,044.3</b>	<b>896.8</b>

There is a reclassification of creditors due to Local Authorities and NHS Trusts due to Whole of Government Accounting.

## 13 Creditors: Amounts falling due after more than one year.

	31 March 2005	31 March 2004
	£000	£000
Finance Leases	0.0	0.0
Staff Creditors	0.0	0.0
Other Creditors	0.0	0.0
<b>Total Creditors: Amounts falling due after more than one year.</b>	<b>0.0</b>	<b>0.0</b>

## Notes to the Accounts

## 14 Provisions for Liabilities and Charges

	Early Retirement and Pension Commitments	Other Provisions	Total
	Added Years £000	Other Provisions £000	£000
Balance at 1 April 2004	586.0	1.0	587.0
Provided in the year	-16.9	6.0	-10.9
Provisions not required written back	49.5	0.0	49.5
Provisions utilised in year	-49.5	0.0	-49.5
<b>Balance at 31 March 2005</b>	<b>569.1</b>	<b>7.0</b>	<b>576.1</b>

**Early Retirement and Pension Commitments**

The Probation Board meets the additional costs of benefits beyond the normal Local Government Pension Scheme (LGPS) benefits in respect of employees who retire early by paying the required amounts annually to the LGPS over the period between early departure and normal retirement date. The Probation Board provides for this in full when the early retirement programme becomes binding on the Board by establishing a provision for the estimated payments discounted by the HM Treasury (currently 3.5 per cent).

**Other Provisions**

Provisions have been recognised within the accounts where:

- (i) The Board has a present obligation (legal or constructive) as a result of a past event;
- (ii) it is probable that a transfer of economic benefits will be required to settle the obligation;
- (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

## Notes to the Accounts

## 15 Reconciliation of Net Operating Cost to Changes in General Fund

	2004-2005	2003-2004
	£000	£000
Net Operating Cost for the year	-19,327.3	-19,976.4
Operating Income to be surrendered (Interest received)	-33.0	-27.9
Non-cash Charges:		
Cost of Capital for Fixed Assets	4.7	3.3
Cost of Capital for Net Assets/(Liabilities) excluding Fixed Assets	-243.3	-347.4
Transfer from Revaluation and Donated Asset Reserve (From Note 16)	0.0	1,535.9
Transfer of Fixed Assets to Estates	0.0	-2,053.3
Financing activities:		
Net NPD Financing received in year (excluding Training Consortia)	14,913.8	15,318.9
Training Consortia financing received by the Lead Board from NPD	0.0	0.0
Training Consortia financing received by the non-lead Board from NPD	1,366.0	1,476.0
Training Consortia financing received from the boards within their consortia	0.0	0.0
Training Consortia financing transferred from the Lead Board to the boards within their consortia	0.0	0.0
Training Consortia financing received from their Lead Board	338.5	437.2
Training Consortia financing transferred to their Lead Board	0.0	0.0
Training Consortia financing received by the Board from another non-lead board	0.0	0.0
Training Consortia financing transferred from the Board to another non-lead board	0.0	0.0
Recharges by NPD for centrally provided services	2,921.4	2,891.8
Increase / (Decrease) in Financing Debtors (From Note 9)	0.0	-587.0
(Increase) / Decrease in Financing Creditors (From Note 12)	0.0	100.2
Actuarial gain / (loss) recognised in the STRGL	1,558.0	5,150.0
<b>Net Increase / (Decrease) in General Fund</b>	<b>1,498.8</b>	<b>3,921.3</b>
General fund as at 1 April	-7,581.0	-11,502.3
<b>General Fund as at 31 March</b>	<b>-6,082.2</b>	<b>-7,581.0</b>

There has been a change in the way the financing of Local Probation Boards is recorded in the accounts for 2004-05. In previous years, over and underspends against budget allocations have been recorded in the accounts as debtors or creditors. For 2004-05 onwards, a budget adjustment will be made to eliminate any debtors or creditors and therefore any under or overspends will no longer be recorded in the balance sheet.

## 16 Reserves

## A Revaluation Reserve

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

	2004-2005	2003-2004
	£000	£000
Balance at 1 April 2004	1.8	1,535.9
Arising on revaluations during the year (net)	3.7	1.8
Transfer to General Fund	0.0	-1,535.9
<b>Balance at 31 March 2005</b>	<b>5.5</b>	<b>1.8</b>

## B Donated Asset Reserve

	2004-2005	2003-2004
	£000	£000
Balance at 1 April 2004	0	0
Additions during the year	0	0
Release to General Fund	0	0
<b>Balance at 31 March 2005</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

**17 Capital Commitments**

	31 March 2005	31 March 2004
	£000	£000
Capital commitments for which no provision has been made at the balance sheet date in the accounts were as follows:		
Committed	0	0
Authorised but not contracted	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**18 Commitments Under Leases****A Operating Leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in the which the lease expires.

**Obligations under operating leases comprise:**

	2004-2005	2003-2004
	Others £000	Others £000
Expiry within 1 year	5.8	5.8
Expiry after 1 year but not more than 5 years	19.9	22.3
Expiry thereafter	0.0	0.0
<b>Total Commitments Under Operating Leases</b>	<b>25.7</b>	<b>28.1</b>

**B Finance Leases**

The Boards obligations under finance leases are as follows:

	2004-2005		2003-2004	
	£000	£000	£000	£000
Rentals due within 1 year	0		0	
Expiry after 1 year but not more than 5 years	0		0	
Rentals due thereafter	0		0	
		0		0
Less interest element		0		0
<b>Total Commitments Under Finance Leases</b>		<b>0</b>		<b>0</b>

## Notes to the Accounts

## 19 Other Commitments

The Board has not entered into any non-cancellable contracts (which are not operating leases) for building services as at 31 March 2005.

## 20 Contingent Liabilities

A small number of part-time pensions employment cases have been made against the Board. Proceedings in these cases have been slow to develop and are not yet at an advanced stage, so any potential liability cannot be quantified.

## 21 Losses and Special Payments

	2004-2005		2003-2004	
	Number of Cases	Total Value £000	Number of Cases	Total Value £000
<b>Losses Statement</b>				
<u>Details of cases over £2,000</u>				
Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Administrative write-offs	0	0	0	0
Fruitless payments	0	0	0	0
Stores losses	0	0	0	0
Special payments	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Details of cases over £100,000</u>				
Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Administrative write-offs	0	0	0	0
Fruitless payments	0	0	0	0
Stores losses	0	0	0	0
Special payments	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**Notes to the Accounts****22 Related Party Transactions**

The Home Office is regarded as a related party. During the year, the Probation Board had various material transactions with the Home Office. Additionally, the Probation Board had transactions with other Probation Boards, other government bodies and third party organisations.

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

**23 Financial Instruments**

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Probation Board is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 applies. The Probation Board has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Probation Board in undertaking their activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this analysis.

**Liquidity Risk**

The Probation Board's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Probation Board is not therefore exposed to significant liquidity risks.

**Interest Rate Risk**

One hundred per cent of the Probation Board's financial assets and one hundred per cent of its financial liabilities carries nil or fixed rates of interest, and the Probation Board is not therefore exposed to significant interest-rate risk.

**Foreign Currency Risk**

The Probation Board's exposure to foreign currency risk is not significant. Foreign currency income and expenditure is negligible.

**Fair Values**

Set out below is a comparison by category of book values and fair values of the Probation Board's financial assets and liabilities as at 31 March 2005.

	Book Value	Fair Value	Basis of fair
	£000	£000	Valuation
<b>Primary Financial Instruments:</b>			
Financial Assets:			
Cash at Bank	553.7	553.7	
Financial Liabilities:			
Finance Lease Obligations	0.0	0.0	Note a
Provisions	576.1	576.1	Note a

**Notes:**

- <sup>a</sup> Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5 per cent in real terms.

## Notes to the Accounts

## 24 Third-party Assets

The Board held no third party assets at 31 March 2005 (2003-04 £nil).

	31 March 2005	31 March 2004
	£000	£000
Balance at 1 April	0	0
Funds paid in during the year	0	0
Funds paid out during the year	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

## 25 Post Balance Sheet Events

There are no post balance sheet events requiring disclosure.



































