

LANCASHIRE PROBATION BOARD

STATEMENT OF ACCOUNTS

2002/03

FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

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 529 full time staff who worked from 18 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 her 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 ordinary 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 2002/03 63% of undisputed invoices were paid within 30 days.

Management

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

Mr J Crawforth (Chief Officer), Mr L Robinson (Chair) (resigned 15 July 2002), Dr A Fowles (Acting Chair) and as members Mrs C Broad, His Honour A Blake, Mrs V Burke, Mr A Caddick, Mr S Chapman, Mrs S Hughes, Mr A Khandelwal, Mrs M Lea, Mr A Nixon, Mr V Patel, Mrs M Riley and Mr P Upadhyay.

Remuneration of the Board members is disclosed in Note 3 to the Accounts.

Post Balance Sheet Events

Material events after the balance sheet date are disclosed in Note 28 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 7 and 8.

J D CRAWFORTH - CHIEF OFFICER AND
ACCOUNTABLE OFFICER FOR THE BOARD
29 AUGUST 2003

G KILPATRICK - TREASURER
TO THE BOARD
29 AUGUST 2003

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 9.

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 Probation Service Resource Accounting Manual, 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

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 Government Accounting.

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

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The Board has established the following processes:

- Taken part in a regional risk management workshop, organised by District Audit, during which we identified the Board's objectives and key business risks and determined a control strategy for each of the significant risks.
- Adopted a risk management policy setting out the Board's commitment to systematic risk assessment and to its proper management and control
- Adopted the National Directorate scheme for identifying the top ten business risks facing the area and used this to inform annual planning for 2003-2004
- Allocated senior management responsibilities for the assessment and management of individual risks and overall delegated responsibility for risk management processes to the Senior Finance and Resources Manager
- Established in June 2003 a Risk Management Group that meets quarterly to ensure that proper procedures are in place to support the Risk Management Policy and to ensure that risks are systematically identified, assessed and acted upon. The Risk Management Group requires regular reports from managers on the steps that they are taking to identify and minimise risks in their areas of responsibility including performance and resource risk. Risk management will be incorporated more fully into the corporate planning and decision making processes of the Board
- Received periodic reports from the Chairman of the audit committee concerning issues of internal control raised by the Board's internal auditors.
- Received regular reports by internal audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement.
- Agreed a workload prioritisation methodology for staff to ensure that the level of risk to the Board is minimised in the event of any shortfall in available resources

- Identified key performance indicators, with quarterly reporting to Senior Management and the Board.
- Established and maintained a risk register.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have the procedures in place necessary to implement Treasury guidance during 2003/04. This takes account of the time needed to fully embed the processes that the Board has agreed should be established and improve their robustness.

During the current operating year there will be further development of processes, led by the Risk Management Group, to embed identify and keep up to date the record of risks facing the organisation and monitor action to minimise and manage these risks.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executives within the Board 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.

JOHN CRAWFORTH
CHIEF OFFICER AND ACCOUNTABLE OFFICER FOR THE BOARD
29 AUGUST 2003

CERTIFICATE AND REPORT OF THE APPOINTED EXTERNAL AUDITOR

Auditor's Report to the Lancashire Probation Board

I certify that I have audited the financial statements on pages 12 to 28 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 15 to 17.

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. 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 review whether the statement on pages 5 to 6 reflects the Board's compliance with Treasury's guidance *Corporate Governance: Statement on Internal Control*. I report if it does not meet the requirements specified by 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 whether the Accountable Officer's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Board's system of internal control. 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 2003 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:

Michael Thomas – Appointed Auditor for the Audit Commission

Dated: 26 SEPTEMBER 2003

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 National Probation Service Resource Accounting Manual ('the Resource Accounting 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 Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the National Probation Directorate.

A note setting out the relationship between the National Probation Service Resource Accounting 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

Appendix 2

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 Resource Accounting 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.

OPERATING COST STATEMENT

Lancashire Probation Board

Financial Statements 2002-2003

Operating Cost Statement for the year ended 31 March 2003

	Notes	2002-2003		2001-2002	
		£000	£000	£000	£000
Administration Costs:					
Staff Costs	3 A	14,058.5		12,014.4	
Other Administration Costs	5	5,127.7		4,873.4	
Gross Administration Costs		19,186.2		16,887.8	
Less: Operating Income	7	(1,783.6)		(2,117.8)	
Net Administration Costs			17,402.6		14,770.0
Programme Costs:					
Expenditure	6	0.0		0.0	
Less: Income	6	0.0		0.0	
Net Programme Costs			0.0		0.0
Net Operating Costs			17,402.6		14,770.0
Operating Income to be surrendered (Interest received)	7 B		34.3		48.8
Net Resource Outturn			17,436.9		14,818.8

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses for the year ended 31 March 2003

	Notes	2002-2003		2001-2002	
		£000	£000	£000	£000
Net Realised Gain / (Loss) on revaluation of Land and Buildings	8	-14.9		30.7	
Net Realised Gain / (Loss) on Other Assets	8	(8.1)		(23.3)	
Receipt of Donated Assets	19 B	0.0		0.0	
Net Realised Gain / (Loss) on Intangible Fixed Assets	9	0.0		0.0	
Total recognised gains and losses for the financial year			(23.0)		7.4

The notes on pages 15 to 28 form part of these accounts

BALANCE SHEET

Lancashire Probation Board

Financial Statements 2002-2003

Balance Sheet as at 31
March 2003

		31 March 2003	31 March 2002		
	Notes	£000	£000	£000	£000
Fixed Assets					
Tangible assets	8		2,225.5		2,446.9
Intangible assets	9		0.0		0.0
Debtors falling due after more than one year	13		123.1		113.4
Current Assets:					
Stocks	11	0.0		0.0	
Debtors	12	1,149.2		594.7	
Cash at bank and in hand	14	2.6		596.6	
		1,151.8		1,191.3	
Creditors (amounts falling due within one year)	15	(1,698.6)		(1,434.0)	
Net current assets / (liabilities)			(546.8)		(242.7)
Total assets less current liabilities			1,801.8		2,317.6
Creditors (amounts falling due after more than one year)	16	0.0		0.0	
Provisions for liabilities and charges	17	(536.2)		(534.9)	
			(536.2)		(534.9)
			1,265.6		1,782.7
Taxpayers' equity					
General fund	18		(270.3)		231.9
Revaluation reserve	19 A		1,535.9		1,550.8
Donated asset reserve	19 B		0.0		0.0
			1,265.6		1,782.7

Signed: John Crawforth (Accounting Officer)

Date: 29th August 2003

Signed: G. Kilpatrick (Treasurer)

Date: 29th August 2003

The notes on pages 15 to 28 form part of these accounts.

CASH FLOW STATEMENT

Lancashire Probation Board

Financial Statements 2002-2003

Cash Flow Statement for the year ended 31 March 2003

	2002-2003		2001-2002	
	£000	£000	£000	£000
Net cash outflow from operating activities (a)		(16,861.4)		(13,757.4)
Capital Expenditure and Financial Investment				
Purchase of Fixed and Intangible Assets (from Notes 8 and 9)	(36.6)		(36.0)	
Plus Opening Balance for Fixed Asset Accruals (from Note 15)	0.0		0.0	
Minus Closing Balance for Fixed Asset Accruals (from Note 15)	0.0		0.0	
Minus Proceeds of Disposal of Fixed Assets	0.0		0.0	
Net cash outflow from Investing Activities		(36.6)		(36.0)
Financing				
Net Home Office Grant received in year (excluding Training Consortia)	14,109.0		14,286.0	
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	1,394.0		0.0	
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	175.2		0.0	
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	
Chiefs and Chairs (Paid by Home Office)	95.1		104.0	
Recharges	579.5		0.0	
Consolidated Fund Extra Receipts received in prior year paid over (Interest Received)	(48.8)		0.0	
Net Financing		16,304.0		14,390.0
Increase / (Decrease) in Cash		(594.0)		596.6
(a) Reconciliation of Operating Cost to Operating Cash Flows				
Net Operating Cost (From Operating Cost Statement)	17,402.6		14,770.0	
Adjustments for non-cash transactions (From Note 5)	(332.5)		(323.5)	
Adjustments for movements in working capital other than cash (From Note 10)	(208.7)		(689.1)	
Net Cash Outflow from Operating Activities		16,861.4		13,757.4

The notes on pages 15 to 28 form part of these accounts

NOTES

Lancashire Probation Board

Financial Statements 2002-2003

Notes to the Accounts

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2002-03 National Probation Service Resource Accounting Manual (NPS RAM) issued by National Probation Directorate (NPD), which is an adaptation of guidance issued by the HM Treasury. The accounting policies contained in the NPS RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the NPS 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.

1.2 Tangible Fixed Assets

Title to the freehold land and buildings shown in the accounts is part of the Departmental Estate held in the name of the Secretary of State. The minimum level for capitalisation of a tangible fixed asset is £5,000, inclusive of any irrecoverable VAT element, where appropriate.

All tangible fixed assets are restated to current value each year. Freehold land and buildings have been restated at current cost using professional valuations in accordance with FRS 15 every five years, and in intervening years by the use of published indices appropriate to the type of land or building. Other 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. No depreciation is provided on freehold land.

Asset lives are normally in the following ranges:

- Freehold & long leasehold buildings - up to 50 years;
- Short leasehold buildings - over the term of the lease;
- Vehicles - 5 to 7 years;
- Equipment and Computers - 5 years.

The fixed assets (land, buildings and IT equipment) transferred to the Secretary of State on 1st April 2001. The Revaluation Reserve reflects the indexation applied to fixed assets since the date of purchase. This 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 Intangible Fixed Assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. All software licences will be amortised on a straight line basis over five years in line with the depreciation policy.

1.6 Stocks

Expenditure on consumables and stationery is written off as incurred. Balances of finished goods for resale are valued at cost, or where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used.

1.7 Research and Development

Expenditure on research and development is not capitalised and is treated as an operating cost in the year in which it is incurred.

1.8 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 Board. It principally comprises of recovery of seconded salaries costs to the Prison Service, National Probation Directorate and other Government Departments. Other Operating Income comprises of rents receivable from minor occupiers of Probation Estates property, 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 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 Treasury via the Home Office who treat this as Consolidated Funds Extra Receipts (CFERs).

1.9 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the 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.

1.10 Capital Charge

A charge, reflecting the cost of capital utilised by the department, is included in operating costs. The charge is calculated at the government's standard rate of 6 per cent in real terms on the average carrying amount of all assets less liabilities except for..

a) Tangible and intangible 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)
depreciation of tangible and amortisation of intangible fixed assets.

b) Donated assets, where the charge is nil.

1.11 Pensions Costs

The provisions of the Local Government Pension Scheme (LGPS) cover present and past employees, which is statutory and should be fully funded. 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.

1.12 Early Departure Costs

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

1.13 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.

1.14 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.

1.15 Grants Payable

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

In 2001-2002, NPD financed each training consortia through the Lead Board who were responsible for transferring funds to other Boards. Only the payment from NPD to the Lead Board was shown as financing, all transfers between the Lead Board and other Boards were shown as Administration Income and Other Administration Costs.

In 2002-2003 NPD has paid approximately 20 per cent of the Training Consortia funding to the Lead Board to cover course fees and other running costs of the consortia. The remaining funding has been paid directly to individual Boards to cover the costs of probation trainees. Boards manage any transfers between themselves. All these payments and transfers are now shown as financing.

Financing of NPD Secondments

During 2002-2003 a change was made to the method of reimbursing Boards for staff seconded to NPD. Originally, Boards invoiced NPD for secondees and NPD reimbursed through the Accounts Payable system. This was changed to an adjustment to the Boards financing payment, so is now recorded as a financing adjustment.

1.16 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 Treasury discount rate of 6 per cent in real terms.

1.17 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.

2 Change to Estimation Technique

Fixed Assets

With the effect from the 2002-03 accounts the following material changes in estimating techniques have been introduced.

The cost of capital charge in respect of tangible and, where revalued intangible fixed assets is based on opening balance sheet values adjusted pro rata as follows:

opening balance sheet values (net book value)
 plus: additional assets purchased in year
 plus or minus: transfers in or out
 less:
 disposals in
 year
 less: impairment charged in year
 less: depreciation charged in year
 plus or minus: transfers in or out
 less: depreciation impairment charged in year

The sum of the above is then multiplied by 6 per cent in real terms to provide the cost of capital charge for Fixed Assets.

The impact of this change in estimating is not material to the accounts.

Other Assets and Liabilities

For other assets and liabilities (excluding Fixed Assets) a further charge is included under operating costs. The charge is calculated at the government's standard rate of 6 per cent in real terms on the average of the opening and closing values as shown in the Balance Sheet.

3 Staff Numbers and Costs

A Total staff costs are analysed as follows:

	2002-2003		2001-2002	
	£000	£000	£000	£000
Salaries and Wages	11,978.6		10,155.6	
Social Security Costs	774.1		717.8	
Other Pension Costs	1,305.8		1,141.0	
Sub Total	14,058.5		12,014.4	
Inward Secondments	0.0		0.0	
Total		14,058.5		12,014.4
Less: recoveries in respect of outward secondments		0.0		0.0
Total Net Costs		14,058.5		12,014.4

Prior year values do not include Agency staff costs as they were included in Note 5 "Other Administration Costs".

In 2002-03, contributions of £1,305,820 (2001-02 : £1,141,009) were paid to the Local Pension Scheme at rates determined by the scheme's Actuary. Employer's contributions were 12.3% of pensionable pay.

B The average number of whole-time equivalent persons employed during the year contributing to departmental aims and objectives are: 529

This includes the Chief Officer, senior management, staff on secondment or on loan to the Board and agency/temporary staff.

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

The gross salary (excluding pension contributions) and pension entitlements of the Chief Officer are as follows:

	Age at 31 March 2003	(a) Salary * including performance pay at 31 March 2003	(b) Real increase in pension at age 60	(b) Total accrued pension at age 60 at 31 March 2003	(c) * Benefits in Kind
	Years	£000	£000	£000	(Round to the nearest £100)
John Crawford	52	65-70	0.0-2.5	25.0-30.0	None

* EXAMPLE ONLY
Taxable value of living accommodation provided at public expense

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

All Home Office appointed Board members receive non pensionable remuneration of £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.

12 received remuneration under £5,000 during 2002/03; and,
2 received remuneration between £5,001 - £10,000 during 2002/03; and,
0 received remuneration between £10,001 - £15,000 during 2002/03; and,
0 received remuneration between £15,001 - £20,000 during 2002/03.
0 received remuneration of £20,001 or above during 2002/03.

- a * 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.
- b 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 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension 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. The enhancement depends on length of service and cannot exceed 10 years. 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 serv
- c The estimated monetary value of benefits in kind does not form part of "salaries" for disclosure purposes under resource accounting.

4 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.

An additional amount of £0 was paid into the Fund within 2002-03 which has been treated as a prepayment against future liabilities.

- 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. Independent actuarial valuations were carried out as at 31 March 2001, on each of the funds which determined the amended employer's pension contributions from 2002-2003 to 2004-05. The amended contributions were designed to be such that the regular pension cost is a substantially regular amount based on the average remaining service lives of current employees in the scheme. The policy is to bring the fund value and its corresponding liabilities into balance within that period.

An independent actuarial valuation was carried out by William M Mercer, as at 31 March 2001 to establish the amended employer's pension contributions for the three years from:

Employer's contributions for 2002-03 which will be 12.3% of salaries; and,
Employer's contributions for 2003-04 which will be 12.3% of salaries; and
Employer's contributions for 2004-05 which will be 12.3% of salaries.

B The major assumptions used by the actuary were:-

	31 March 2003	31 March 2002
	%	%
Inflation assumption -	2.5%	2.5%
Rate of increase in salaries -	4.0%	4.0%
Rate of increase for pensions in payment -	2.5%	2.5%
Rate used to discount the scheme liabilities -	6.0%	6.0%

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

	Long-term rate of return expected at 31 March 2003 %	Value at 31 March 2003 £000	Long-term rate of return expected at 31 March 2002 %	Value at 31 March 2002 £000
Equities	7.5%	20,929.0	8.0%	28,185.6
Bonds	4.5% and 5.4%	7,951.7	6.0%	5,952.0
Property	6.5% and 3.75%	2,926.3	6.0%	4,262.4
Cash	0.0%	0.0	0.0%	0.0
Total market value of assets		31,807.0		38,400.0
Present value of scheme liabilities		43,039.0		39,700.0
Surplus/ (Shortfall) of the scheme		(11,232.0)		(1,300.0)
Net pension asset / (liability)		(11,232.0)		(1,300.0)

D Analysis of the amount charged to operating profit

	2002-2003 £000
Current service cost	1,612.0
Past service cost	17.0
Total operating charge	1,629.0

E Analysis of the amount credited to other finance income

	2002-2003 £000
Expected return on pension scheme assets	2,892.0
Interest on pension scheme liabilities	-2,409.0
Net return	483.0

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

	2002-2003 £000
Actual return less expected return on pension scheme assets	-10,134.0
Experience gains and losses arising on the scheme liabilities	0.0
Changes in assumptions underlying the present value of the scheme liabilities	0.0
Actuarial gain / (loss) recognised in STRGL	(10,134.0)

G Movement in surplus / (shortfall) during the year

	2002-2003 £000
Surplus / (Shortfall) in scheme in the beginning of the year	(1,300.0)
Movement in year:	
Current service costs	(1,612.0)
Employer Contributions	1,348.0
Past service costs	(17.0)
Other finance income	483.0
Actuarial gain	(10,134.0)
Surplus (Shortfall) in scheme at the end of the year	(11,232.0)

H History of experience gains and losses

	2002-2003
Difference between the expected and actual return on scheme assets:	
Amount in £000	10,134.0
Percentage of scheme assets	31.9%
Experience gains and losses on scheme liabilities:	
Amount in £000	0.0
Percentage of the present value of the scheme liabilities	0.0%
Total amount recognised in statement of total recognised gains and losses:	
Amount in £000	10,134.0
Percentage of the present value of the scheme liabilities	23.5%

5 Other Administration Costs

	2002-2003		2001-2002	
	£000	£000	£000	£000
<u>Rentals under Operating Leases</u>				
Expenditure on leased accommodation	76.3		44.3	
Expenditure on other leases	25.8		0.4	
		102.1		44.7
<u>Interest Charges</u>				
Finance leases		0.0		0.0
Expenditure on Staff Related and Personnel Activities				
Consultants	22.8		334.3	
Travel, Subsistence and Hospitality	751.0		681.6	
Publicity and Advertising	84.3		75.2	
Other Staff Related Expenditure	148.0		237.9	
		1,006.1		1,329.0
Utilities and Premises	458.4		481.9	
Transport Costs	122.9		105.5	
Supplies and Services	1,154.7		1,345.7	
Contracted Out Services	831.2		252.3	
Third Party Payments	990.0		844.3	
Chair's and Member's Expenses				
Other Administration Costs (Refer to Accounting Policy Note 1.15.)		56.8		97.1
		3,663.4		3,153.6
Auditor's Remuneration				
For audit services	23.6		22.6	
For other non-audit services	0.0		0.0	
		23.6		22.6
		4,795.2		4,549.9
<u>Non-cash costs:</u>				
Depreciation	187.2		186.3	
Impairment of Fixed Assets	8.1		23.3	
(Profit) / Loss on Disposal of Fixed Assets	47.8		0.0	
Amortisation of Intangible Fixed Assets	0.0		0.0	
Cost of Capital for Fixed Assets	136.8		117.1	
Cost of Capital for Net Assets/(Liabilities) excluding Fixed Assets	-48.7		0.0	
Movement in Early Retirement and Pension Commitments Provisions	(16.1)		0.0	
Movement in Other Provisions	17.4		-3.2	
		332.5		323.5
Total Other Administration Costs		5,127.7		4,873.4

6 Net Programme Costs

	2002-2003		2001-2002	
	£000	£000	£000	£000
Current Expenditure	0.0		0.0	
Less: programme income	0.0		0.0	
Total Net Programme Costs		0.0		0.0

7 Administration Income

The treatment of Training Consortia financing has changed from 1st April 2002. Refer to Accounting Policy Note 1.15.

	2002-2003		2001-2002	
	£000	£000	£000	£000
A Administration Income excluding Operating Income to be Surrendered				
Rent receivable from minor occupiers of Probation Estate property:				
From within the Departmental Boundary	0.0		0.0	
From Other Government Departments	0.0		13.9	
From External Tenants (including Local Authorities)	0.1		0.2	
		0.1		14.1
Secondments to:				
Prison Service	1,125.9		1,069.9	
National Probation Directorate	0.0		0.0	
Home Office	0.0		0.0	
Other Bodies	119.5		765.5	
		1,245.4		1,835.4
Income from EU Sources: Direct contributions to Board activities		0.0		0.0
Grants Receivable: From Other Government Departments		0.0		0.0
Miscellaneous Income		503.8		219.5
Total Administration Income excluding Operating Income to be surrendered		1,749.3		2,069.0

Costs associated with staff on secondment are recovered on a full-cost basis in accordance with the Treasury's Fees and Charges Guide.

B Operating Income to be Surrendered

	2002-2003		2001-2002	
	£000	£000	£000	£000
Interest received:				
From Bank	14.1		40.9	
From Car Loans	20.2		7.9	
From Other Sources	0.0		0.0	
Total Operating Income to be surrendered		34.3		48.8
Total Administration Income		1,783.6		2,117.8

8 Tangible Fixed Assets

	2002-2003						
	Freehold Land and Buildings	Long-leasehold Land and Buildings	Short-leasehold Land and Buildings	Office Machinery, Fixtures and Fittings	Vehicles	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
<u>Cost / Valuation</u>							
At 1 April 2002	2,466.6	0.0	0.0	229.9	263.4	18.4	2,978.3
Additions	0.0	0.0	0.0	20.4	0.0	16.2	36.6
Net Transfers In / Out	18.4	0.0	0.0	0.0	0.0	(18.4)	0.0
Disposals	(53.6)	0.0	0.0	0.0	0.0	0.0	(53.6)
Revaluations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indexation	(17.0)	0.0	0.0	0.0	0.0	0.0	(17.0)
Impairment	0.0	0.0	0.0	(39.0)	0.0	0.0	(39.0)
At 31 March 2003	2,414.4	0.0	0.0	211.3	263.4	16.2	2,905.3
<u>Depreciation</u>							
At 1 April 2002	259.7	0.0	0.0	141.2	130.5	0.0	531.4
Charged in year	109.4	0.0	0.0	39.4	38.4	0.0	187.2
Net Transfers In / Out	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	(5.8)	0.0	0.0	0.0	0.0	0.0	(5.8)
Revaluations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indexation	(2.1)	0.0	0.0	0.0	0.0	0.0	(2.1)
Impairment	0.0	0.0	0.0	(30.9)	0.0	0.0	(30.9)

At 31 March 2003	361.2	0.0	0.0	149.7	168.9	0.0	679.8
Net Book Value at 31 March 2003	2,053.2	0.0	0.0	61.6	94.5	16.2	2,225.5
Net Book Value at 1 April 2002	2,206.9	0.0	0.0	88.7	132.9	18.4	2,446.9
Asset Financing:							
Owned	2053.2	0.0	0.0	61.6	94.5	16.2	2,225.5
Finance Lease	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Book Value at 31 March 2003	2053.2	0.0	0.0	61.6	94.5	16.2	2225.5
<u>Revaluation Analysis</u>							
Net change to Revaluation (excluding Impairment)	(14.9)	0.0	0.0	0.0	0.0	0.0	(14.9)
Impairment	0.0	0.0	0.0	(8.1)	0.0	0.0	(8.1)
Statement of Recognised Gains and Losses	(14.9)	0.0	0.0	(8.1)	0.0	0.0	(23.0)

Notes:

- There are no donated assets.
- The last professional valuation for land and buildings (excluding hostels) was conducted in May 1999 by Donaldsons. The hostels were last professionally valued by Lambert Smith Hampton in November 2001. Both were undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) guidance and were revalued by the use of Office of National Statistics (ONS) indices to their replacement cost as at 31 March 2003.

9 Intangible Fixed Assets

The Board's intangible fixed assets comprise purchased software licences.

	Purchased software licences
	£000
Cost or valuation:	
At 1 April 2002	0.0
Additions	0.0
Donations	0.0
Disposals	0.0
Revaluations	0.0
At 31 March 2003	0.0
Amortisation:	
At 1 April 2002	0.0
Charged in year	0.0
Disposals	0.0
Revaluations	0.0
At 31 March 2003	0.0
Net book value at 31 March 2003	0.0
Net book value at 31 March 2002	0.0

10 Movements in Working Capital other than Cash

	2002-2003	2001-2002
	£000	£000
Increase / (Decrease) in Stock	0.0	0.0
Increase / (Decrease) in Debtors	(29.8)	614.7
(Increase) / Decrease in Creditors	(178.9)	(1,303.8)
Net increase / (decrease) in Working Capital other than Cash	(208.7)	(689.1)

11 Stock

	31 March 2003	31 March 2002
	£000	£000
Finished goods for resale	0.0	0.0
Total Stocks	0.0	0.0

12 Debtors: Amounts due falling within one year

	31 March 2003	31 March 2002
	£000	£000
Trade Debtors	105.4	82.0
Staff Debtors	80.7	87.0
Debtors due from other Probation Boards (excluding Training Consortia)	0.0	74.7
Debtors due from other Probation Boards for Training Consortia	7.1	0.0
Debtors due from the Prison Service	153.4	193.1
Debtors due from the National Probation Directorate	99.6	87.2
Debtors due from the Home Office	26.9	0.0
Other Debtors	41.4	3.5
Prepayments and Accrued Income	28.7	55.2
Prepayment of Pension Fund Contributions	0.0	0.0
Total to be used for Movement in working capital	543.2	582.7
Financing due from Home Office	606.0	12.0
Total Debtors: Amounts due falling within one year	1,149.2	594.7

13 Debtors: Amounts falling due after more than one year

	31 March 2003	31 March 2002
	£000	£000
Staff Debtors	123.1	113.4
Other Debtors	0.0	0.0
Total Debtors: Amounts falling due after more than one year	123.1	113.4

14 Cash at Bank and in hand

	31 March 2003	31 March 2002
	£000	£000
Balance at 1 April	596.6	0.0
Net cash inflow / (outflow)	-594.0	596.6
Balance at 31 March	2.6	596.6
The following balances at 31 March are held at:		
Commercial banks and cash in hand	2.6	596.6

15 Creditors: Amounts due falling within one year

	31 March 2003	31 March 2002
	£000	£000
Trade Creditors and Accruals	720.9	993.0
HM Government Creditors	272.8	243.6
Bank Overdraft	298.8	0.0
Staff Creditors	59.1	47.2
Creditors due to other Probation Boards (excluding Training Consortia)	5.0	16.4
Creditors due to other Probation Boards for Training Consortia	0.0	0.0
Creditors due to the Prison Service	0.0	0.0
Creditors due to the National Probation Directorate	203.5	48.7
Creditors due to the Home Office	0.0	0.0
Other Creditors	4.0	36.3
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
Total to be used for Movements in Working Capital	1,564.1	1,385.2
Financing due to Home Office	100.2	0.0
Operating Income to be surrendered (Interest received)	34.3	48.8
Fixed Asset Accruals	0.0	0.0
Total Creditors: Amounts due falling within one year	1,698.6	1,434.0

16 Creditors: Amounts falling due after more than one year

	31 March 2003	31 March 2002
	£000	£000
Finance Leases	0.0	0.0
Staff Creditors	0.0	0.0
Other Creditors	0.0	0.0
Total Creditors: Amounts falling due after more than one year	0.0	0.0

17 Provisions for Liabilities and Charges

	Early Retirement and Pension Commitments			Other Provisions		Total
	Added	Strain	Smoothing	Dilapidations	Other	
	Years	Payments			Provisions	
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2002	510.5	0.0	0.0	24.4	0.0	534.9
Provided in the year	33.8	0.0	0.0	7.4	10.0	51.2
Provisions not required written back	0.0	0.0	0.0	0.0	0.0	0.0
Provisions utilised in year	(49.9)	0.0	0.0	0.0	0.0	(49.9)
Balance at 31 March 2003	494.4	0.0	0.0	31.8	10.0	536.2

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 Treasury discount rate of 6 per cent in real terms.

The Board receives lump sums from the National Probation Directorate to be paid into the pension fund which were used to reduce future employers contribution rates. This sum as been treated as a prepayment. The effect of smoothing under SSAP24 has been including in the above provision.

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. Provision has been made for two non-motor insurance claims at £5,000 each, being the Board's liability in respect of these claims.

18 Reconciliation of Net Operating Cost to Changes in General Fund

	2002-2003	2001-2002
	£000	£000
Net Operating Cost for the year	(17,402.6)	(14,770.0)
Operating Income to be surrendered (Interest received)	(34.3)	(48.8)
Non-cash Charges:		
Cost of Capital for Fixed Assets	136.8	151.1
Cost of Capital for Net Assets/(Liabilities) excluding Fixed Assets	(48.7)	(34.0)
Transfer from Revaluation and Donated Asset Reserve (From Note 19)	0.0	0.0
Transfer of Fixed Assets	0.0	0.0
Financing activities:		
Net Home Office Grant received in year (excluding Training Consortia)	14,109.0	14,286.0
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	1,394.0	0.0
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	175.2	0.0
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
Chiefs and Chairs (paid by the Home Office)	95.1	104.0
Recharges by NPD for centrally provided services	579.5	0.0
Increase / (Decrease) in Financing Debtors (From Note 12)	594.0	(58.0)
(Increase) / Decrease in Financing Creditors (From Note 15)	(100.2)	0.0
Prior-period Adjustments	0.0	0.0
Net Increase / (Decrease) in General Fund	(502.2)	(369.7)
General Fund as at 1 April	231.9	601.6
General Fund as at 31 March	(270.3)	231.9

19 Reserves

A Revaluation Reserve

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

	2002-2003	2001-2002
	£000	£000
Balance at 1 April 2002	1,550.8	1,520.1
Arising on revaluations during the year (net)	-14.9	30.7
Transfer to General Fund	0.0	0.0
Balance at 31 March 2003	1,535.9	1,550.8

B Donated Asset Reserve

	2002-2003	2001-2002
	£000	£000
Balance at 1 April 2002	0.0	0.0
Additions during the year	0.0	0.0
Release to General Fund	0.0	0.0
Balance at 31 March 2003	0.0	0.0

The donated asset reserve reflects the net book value of assets donated to the Probation Board.

20 Capital Commitments

	31 March 2003	31 March 2002
	£000	£000
Capital commitments for which no provision has been made in the accounts were as follows:		
Committed	0.0	0.0
Authorised but not contracted	0.0	0.0
Total	0.0	0.0

21 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:

	2002-2003		2001-2002	
	Land and Buildings	Others	Land and Buildings	Others
	£000	£000	£000	£000
Expiry within 1 year	30.5	5.1	44.3	0.4
Expiry between 2-5 years	50.8	27.6	0.0	0.0
Expiry over 5 years	0.0	0.0	0.0	0.0
Total Commitments Under Operating Leases	81.3	32.7	44.3	0.4

B Finance Leases

The Boards obligations under finance leases are as follows:

	2002-2003		2001-2002	
	£000	£000	£000	£000
Rentals due within 1 year	0.0		0.0	
Rentals between 2-5 years	0.0		0.0	
Rentals over 5 years	0.0		0.0	
		0.0		0.0
Less interest element		0.0		0.0
Total Commitments Under Finance Leases		0.0		0.0

22 Other Commitments

The Board has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2003.

23 Contingent Liabilities

Claims for injury to staff and offenders amounting to £18,000 have been indicated to the Probation Board. A provision of £10,000, which is estimated to cover the payments that will be made by the Board in respect of these claims, has been included in the accounts. A small number of part-time pensions employment cases have been made against the Board. Proceedings in these cases are at an early stage. The liability cannot, therefore, be quantified but, if the cases are successful it could be significant.

24 Losses and Special Payments

Losses Statement	Number of Cases	Total Value £000
<u>Details of cases over £2,000</u>		
Cash losses	0	0.0
Claims abandoned	0	0.0
Administrative write-offs	0	0.0
Fruitless payments	0	0.0
Stores losses	0	0.0
Special payments	1	42.0
	1	42.0
<u>Details of cases over £100,000</u>		
Cash losses	0	0.0
Claims abandoned	0	0.0
Administrative write-offs	0	0.0
Fruitless payments	0	0.0
Stores losses	0	0.0
Special payments	0	0.0
	0	0.0

Prior year comparatives are not available.

25 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. The main transactions relate to the provision of staff for long term secondment within the Prison Service

During the year, the Board seconded a member of staff to the Dovetail Programme in Preston. The finances of this scheme are jointly handled by Lancashire Constabulary and Preston City Council. A Board member declared an interest as being the Council employee responsible for oversight of this project and its finances. The Board Treasurer is employed as Accountancy Manager for Lancashire County Council, who provide treasurer and other services to the Board through a service level agreement. In this capacity, it is her responsibility to set the level of charges to the Board for this service.

26 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 the currency profile.

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 2003.

	Book	Fair Value	Basis of fair Valuation
	£000	£000	
Primary Financial Instruments:			
Financial Assets:			
Cash at Bank	2.6	2.6	
Financial Liabilities:			
Finance Lease Obligations	0.0	0.0	Note a
Provisions	536.2	536.2	Note a

Notes:

- a 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 6 per cent in real terms.

27 Third-party Assets

No third party assets were held by the Board at 31 March 2003.

	£000
Balance at 1 April 2002	0.0
Funds paid in during the year	0.0
Funds paid out during the year	0.0
Balance at 31 March 2003	0.0

28 Post Balance Sheet Events

On 1 April 2003 the responsibility for the management of the NPD estate transferred from the local probation board to the National Probation Directorate. As a result, the risks and rewards of ownership have transferred to the National Probation Board. From 1 April 2003 therefore, in accordance with FRS5, the estate properties will not be accounted for in local accounts of the local probation board. The effect of this Post Balance Sheet Event will be to reduce the local probation board's tangible fixed assets balance by £2.0532m. At the same date, dilapidation provisions of £0.0318m will also transfer to the National Probation Directorate.