



NATIONAL PROBATION SERVICE  
for England and Wales  
*Lancashire*

CRIME REDUCTION

REHABILITATION

PUBLIC PROTECTION

ENFORCEMENT



ANNUAL ACCOUNTS  
2003-2004

**LANCASHIRE PROBATION BOARD**

**STATEMENT OF ACCOUNTS**

**2003/04**

## **FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

### **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 584 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 2003/04 64% of undisputed invoices were paid within 30 days (2002/03 63%).

## **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), Dr A Fowles ( Chair) and as members Mrs C Broad (resigned 31 March 2004), His Honour A Blake, Mrs V Burke, Mr A Caddick (resigned 20 June 2003), Mr S Chapman (resigned 31 March 2004), Mrs S Hughes, Mr A Khandelwal, Mrs M Lea, Mr A Nixon, Mr V Patel, Mrs M Riley and Mr P Upadhyay (resigned 31 March 2004).

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 8 and 9.

J D CRAWFORTH - CHIEF OFFICER AND  
ACCOUNTABLE OFFICER FOR THE BOARD  
30 SEPTEMBER 2004

M L MATTINSON -  
TREASURER TO THE BOARD  
30 SEPTEMBER 2004

## **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 10.

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**

### **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 2004 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, business planning and control 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. Risks are 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
- During 2004/05 the Risk Management Group will continue 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.
- Training for all middle managers in Risk management has been scheduled for later in 2004/05

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

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. The key elements of this framework are:

- The adoption of the National Directorate scheme for identifying the top ten business risks facing the area which is then used to inform the annual business planning process
- Identification of key performance indicators, with quarterly reporting to Senior Management and the Board.
- Maintenance of a risk register which is regularly reviewed, updated and presented to Board and Audit Committee.

### **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.

The processes which support my review of the effectiveness are:

- Receipt of periodic reports at the Audit Committee concerning issues of internal control raised by the Board's internal auditors.

- Receipt of regular reports from 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.
- Inclusion of the updated risk register within the quarterly performance monitoring reports presented to the full Probation Board.
- Inclusion of risk management as a standing item on the audit committee agenda

JOHN CRAWFORTH  
CHIEF OFFICER AND ACCOUNTABLE OFFICER FOR THE BOARD  
30 SEPTEMBER 2004

## **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 13 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 16 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 7 reflects the Board's compliance with the Treasury's guidance on the Statement of Internal Control. I am not required to consider whether the Chief Officer's statement on internal financial control covers all risks and controls, or form an opinion on the effectiveness of the Board's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose. 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.

## **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 2004 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:** 5 OCTOBER 2004

## **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

### 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.

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

The financial statements have been prepared in accordance with the 2003-04 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. There have been no significant changes to NPS's accounting policies other than those required by FRS 17 - Retirement Benefits, the impact of which is summarised in Notes 4 and 29.

**1.1 (i) Going concern**

The balance sheet at 31 March 2004 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 2004-05 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**

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 up to the 1 April 2003. On the 1 April 2003, the responsibility for the management of the estate, transferred from the local probation board to the National Probation Directorate. From 1 April 2003 therefore, in accordance with FRS 5, the estate properties will not be accounted for in the local probation board. 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 and buildings) transferred to the Secretary of State on 1st April 2003. The revaluation Reserve reflects the indexation applied to fixed assets since the last revaluation which was undertaken in either May 1999 or November 2001. 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.

**Notes to the Accounts**

Operating income is income that relates directly to the operating activities of the 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 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 HM 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 real rate set by HM Treasury. A new discount rate of 3.5 per cent has been introduced for 2003-04, a reduction from 6 per cent 2002-03 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 Retirement Benefits**

FRS 17, Retirement Benefits, supersedes Statement of Standard Accounting Practice (SSAP) 24, Accounting for Pension Costs. The FRS 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. Gains and losses arising on the initial recognition of items in the primary statements should be dealt with as a prior-period adjustment.

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.

**1.12 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**

For 2003-04, the negotiation of future contracts with universities was carried out centrally by NPD, this in turn resulted in the NPD meeting the cost of the university contracts direct from NPD funds without going through the Regional Training Consortia. This was also to ensure that university contracts were standardised and costs pooled. Therefore the split of funding between individual areas and RTS's changed in 2003-04 to reflect the fact that RTCs no longer paid the university contracts. As a consequence, the contribution paid to lead areas on behalf of the RTCs was reduced to about 10 per cent.

**Notes to the Accounts**

In 2002-03, the full costs of the Probation Officer's Training Scheme were met by locally by individual areas and by the lead areas on behalf of the Regional Training Consortia from grants provided by the National Probation Directorate. The Regional Training Consortia which received approximately 20 per cent of funding, paid the university contracts and administered the Scheme, including recruitment trainees. The individual areas received the balance of 80 per cent and this funded the trainees salaries, national insurance and pension costs, and the costs of the Programme Development Assessors and the associated travel and subsistence costs.

**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 real rate set by HM Treasury. A new discount rate of 3.5 per cent has been introduced for 2003-04, a reduction from 6 per cent 2002-03.

**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**

With effect from 2002-03 accounts the following material changes in estimating techniques have been introduced in order to meet the needs of in-year expenditure control:

**2.1 Valuation of tangible and intangible fixed assets**

Balance sheet values for tangible and, where revalued, intangible fixed assets are based on a review of values as at the balance sheet date. Previously, for tangible fixed assets and development costs, the review of values was carried out prior to the 30 September during the year.

**2.2 Depreciation and amortisation**

Depreciation of tangible fixed assets and amortisation of, where revalued, intangible fixed assets are both based on opening balance sheet values. Previously they were based on closing balance sheet values.

## Notes to the Accounts

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

|  | 2003-2004       |                 | 2002-2003 (Restated) |                 |
|--|-----------------|-----------------|----------------------|-----------------|
|  | £000            | £000            | £000                 | £000            |
| Salaries and Wages                                 | 13,208.5        |                 | 11,978.6             |                 |
| Social Security Costs                              | 989.7           |                 | 774.1                |                 |
| Other Pension Costs                                | 1,939.0         |                 | 1,629.0              |                 |
| <b>Sub Total</b>                                   | <b>16,137.2</b> |                 | <b>14,381.7</b>      |                 |
| Inward Secondments                                 | 0.0             |                 | 0.0                  |                 |
| <b>Total</b>                                       |                 | <b>16,137.2</b> |                      | <b>14,381.7</b> |
| Less: recoveries in respect of outward secondments |                 | 0.0             |                      | 0.0             |
| Total Net Costs                                    |                 | <b>16,137.2</b> |                      | <b>14,381.7</b> |
| Less : Charged as Programme Staff costs            |                 | 0.0             |                      | 0.0             |
| <b>Total Costs</b>                                 |                 | <b>16,137.2</b> |                      | <b>14,381.7</b> |

In 2003-04, contributions of £1,446,684 (2002-03 : £1,305,820) 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 was as follows.

| 2003-2004 |               |                   |       |                            |                                      | 2002-2003 |  |
|-----------|---------------|-------------------|-------|----------------------------|--------------------------------------|-----------|--|
| Total     | Chief Officer | Senior Management | Staff | Staff on inward secondment | Agency, temporary and contract staff | Total     |  |
| 584.0     | 1.0           | 7.0               | 576.0 | 0.0                        | 0.0                                  | 529.0     |  |
| 584.0     | 1.0           | 7.0               | 576.0 | 0.0                        | 0.0                                  | 529.0     |  |

## Notes to the Accounts

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:

2003-04

|               | Age at 31<br>March 2004 | (a)<br>Salary *<br>including<br>performance<br>pay at 31 March<br>2004 | (b)<br>Real increase<br>in pension at<br>age 60 | (b)<br>Total accrued<br>pension at age<br>60 at 31 March<br>2004 | (c) *<br>Benefits in<br>Kind<br><br>(Round to the<br>nearest £100) |
|---------------|-------------------------|--|---|--|--|
|               | Years                   | £000   | £000  | £000   |  |
| John Crawford | 53                      | 70-75  | 0.0-2.5   | 25.0-30.0  | None   |

2002-03

|               | Age at 31<br>March 2003 | (a)<br>Salary *<br>including<br>performance<br>pay at 31 March<br>2003 | (b)<br>Real increase<br>in pension at<br>age 60 | (b)<br>Total accrued<br>pension at age<br>60 at 31 March<br>2003 | (c) *<br>Benefits in<br>Kind<br><br>(Round to the<br>nearest £100) |
|---------------|-------------------------|--|---|--|--|
|               | Years                   | £000   | £000  | £000   |  |
| 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 13 Board members (named in the foreword to the accounts).

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 2003/04; and,              |
| 0  | received remuneration between £5,001 - £10,000 during 2003/04; and,  |
| 0  | received remuneration between £10,001 - £15,000 during 2003/04; and, |
| 1  | received remuneration between £15,001 - £20,000 during 2003/04.      |
| 0  | received remuneration of £20,001 or above during 2003/04.            |

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 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.

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

## Notes to the Accounts

## 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.

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 2001 by William M Mercer, with an approximate updating for the subsequent financial years to reflect known changes which have occurred within the period from 31 March 2001 to March 2003.

The approximate 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 2004 | 31 March 2003 | 31 March 2002 |
|--|---------------|---------------|---------------|
|  | %             | %             | %             |
| Inflation assumption   | 2.8%          | 2.5%          | 2.5%          |
| Rate of increase in salaries                                     | 4.3%          | 4.0%          | 4.0%          |
| Rate of increase for pensions in payment and deferred pensions - | 2.8%          | 2.5%          | 2.5%          |
| Discount rate  | 6.3%          | 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 2004 |                  | Long-term rate of return expected at 31 March 2003 |                   | Long-term rate of return expected at 31 March 2002 |                  |
|--|--|------------------|--|-------------------|--|------------------|
|  | %  | £000             | %  | £000              | %  | £000             |
| Equities                                   | 7.5%   | 27,440.2         | 7.5%   | 20,929.0          | 8.0%   | 28,185.6         |
| Bonds                                      | 5.1%   | 8,973.9          | 5.0%   | 7,951.7           | 6.0%   | 5,952.0          |
| Property                                   | 5.2%   | 3,469.9          | 5.1%   | 2,926.3           | 6.0%   | 4,262.4          |
| Cash                                       | 0.0%   | 0.0              | 0.0%   | 0.0               | 0.0%   | 0.0              |
| <b>Total market value of assets</b>        |  | <b>39,884.0</b>  |  | <b>31,807.0</b>   |  | <b>38,400.0</b>  |
| <b>Present value of scheme liabilities</b> |  | <b>46,859.0</b>  |  | <b>43,039.0</b>   |  | <b>39,700.0</b>  |
| <b>(Shortfall) of the scheme</b>           |  | <b>(6,975.0)</b> |  | <b>(11,232.0)</b> |  | <b>(1,300.0)</b> |
| <b>Net pension asset / (liability)</b>     |  | <b>(6,975.0)</b> |  | <b>(11,232.0)</b> |  | <b>(1,300.0)</b> |

## Notes to the Accounts

| D Analysis of the amount charged to operating profit                                      |   | 2003-2004        | 2002-2003         |           |
|---|---|------------------|-------------------|-----------|
|   |   | £000             | £000              |           |
|   | Current service cost  | 1,605.0          | 1,612.0           |           |
|   | Past service cost   | 334.0            | 17.0              |           |
|   | <b>Total operating charge</b>   | <b>1,939.0</b>   | <b>1,629.0</b>    |           |
| E Analysis of the amount credited to other finance income                                 |   | 2003-2004        | 2002-2003         |           |
|   |   | £000             | £000              |           |
|   | Expected return on pension scheme assets                                      | 2,166.0          | 2,892.0           |           |
|   | Interest on pension scheme liabilities  | (2,609.0)        | (2,409.0)         |           |
|   | <b>Net return</b>   | <b>(443.0)</b>   | <b>483.0</b>      |           |
| F Analysis of amount recognised in statement of total recognised gains and losses (STRGL) |   | 2003-2004        | 2002-2003         |           |
|   |   | £000             | £000              |           |
|   | Actual return less expected return on pension scheme assets                   | 5,150.0          | (10,134.0)        |           |
|   | Experience gains and losses arising on the scheme liabilities                 | 0.0              | 0.0               |           |
|   | Changes in assumptions underlying the present value of the scheme liabilities | 0.0              | 0.0               |           |
|   | <b>Actuarial gain / (loss) recognised in the STRGL</b>                        | <b>5,150.0</b>   | <b>(10,134.0)</b> |           |
| G Movement in (shortfall) during the year:  |   | 2003-2004        | 2002-2003         |           |
|   |   | £000             | £000              |           |
|   | (Shortfall) in scheme in the beginning of the year                            | (11,232.0)       | (1,300.0)         |           |
|   | Movement in year:   |                  |                   |           |
|   | Current service costs   | (1,605.0)        | (1,612.0)         |           |
|   | Employer contributions  | 1,489.0          | 1,348.0           |           |
|   | Past service costs  | (334.0)          | (17.0)            |           |
|   | Other finance income  | (443.0)          | 483.0             |           |
|   | Actuarial gain  | 5,150.0          | (10,134.0)        |           |
|   | <b>(Shortfall) in scheme at the end of the year</b>                           | <b>(6,975.0)</b> | <b>(11,232.0)</b> |           |
| H History of experience gains and losses  |   | 2003-2004        | 2002-2003         | 2001-2002 |
| <b>Difference between the expected and actual return on scheme assets:</b>                |   |                  |                   |           |
|   | Amount in £000  | 5,150.0          | (10,134.0)        | 0.0       |
|   | Percentage of scheme assets   | 12.9%            | -31.9%            | 0.0%      |
| <b>Experience gains and losses on scheme liabilities:</b>                                 |   |                  |                   |           |
|   | Amount in £000  | 0.0              | 0.0               | 0.0       |
|   | Percentage of the present value of the scheme liabilities                     | 0.0%             | 0.0%              | 0.0%      |
| <b>Total amount recognised in statement of total recognised gains and losses:</b>         |   |                  |                   |           |
|   | Amount in £000  | 5,150.0          | (10,134.0)        | 0.0       |
|   | Percentage of the present value of the scheme liabilities                     | 11.0%            | -23.5%            | 0.0%      |

## Notes to the Accounts

## 5 Non-staff administration costs

|   | 2003-2004 |                | 2002-2003 |                |
|---|-----------|----------------|-----------|----------------|
|   | £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   | 27.9      |                | 102.1     |                |
|   |           | 27.9           |           | 102.1          |
| <u>Interest Charges</u>   |           |                |           |                |
| Finance leases  |           | 0.0            |           | 0.0            |
| Interest payable on bank overdrafts                                 |           | 0.0            |           | 0.0            |
|   |           |                |           |                |
| Utilities and Premises  | 56.4      |                | 458.4     |                |
| Transport Costs   | 120.9     |                | 122.9     |                |
| Supplies and Services   | 732.1     |                | 1,154.7   |                |
| Contracted Out Services   | 2,844.5   |                | 831.2     |                |
| Third Party Payments  | 597.7     |                | 990.0     |                |
| Chair's and Member's Expenses                                       | 47.1      |                | 49.4      |                |
| Other Administration Costs  | 54.9      |                | 56.8      |                |
|   |           | 4,453.6        |           | 3,663.4        |
| Auditor's Remuneration  |           |                |           |                |
| For audit services  | 24.2      |                | 23.6      |                |
| For other non-audit services  | 0.0       |                | 0.0       |                |
|   |           | 24.2           |           | 23.6           |
|   |           | 4,505.7        |           | 3,789.1        |
| <u>Non-cash costs:</u>  |           |                |           |                |
| Depreciation  | 62.9      |                | 187.2     |                |
| Impairment of Fixed Assets  | 0.0       |                | 8.1       |                |
| Profit on disposal of Fixed Assets                                  | 0.0       |                | 0.0       |                |
| Loss on Disposal of Fixed Assets                                    | 0.0       |                | 47.8      |                |
| Amortisation of Intangible Fixed Assets                             | 0.0       |                | 0.0       |                |
| Cost of Capital for Fixed Assets                                    | 3.3       |                | 136.8     |                |
| Cost of Capital for Net Assets/(Liabilities) excluding Fixed Assets | (347.4)   |                | (385.7)   |                |
| Movement in Early Retirement and Pension Commitments Provisions     | 91.6      |                | (16.1)    |                |
| Movement in Other Provisions  | (40.8)    |                | 17.4      |                |
|   |           | (230.4)        |           | (4.5)          |
| <b>Total-non staff administration costs</b>                         |           | <b>4,275.3</b> |           | <b>3,784.6</b> |
| <b>B</b>  |           |                |           |                |
| <u>Other Administration Costs</u>                                   |           |                |           |                |
| Expenditure on Staff Related and Personnel Activities               |           |                |           |                |
| Consultants   | 23.4      |                | 22.8      |                |
| Travel, Subsistence and Hospitality                                 | 725.5     |                | 751.0     |                |
| Publicity and Advertising   | 87.3      |                | 84.3      |                |
| Other Staff Related Expenditure                                     | 109.8     |                | 105.8     |                |
| <b>Total Other Expenditure</b>                                      |           | <b>946.0</b>   |           | <b>963.9</b>   |

## Notes to the Accounts

## 6 Net Programme Costs

## Staff costs consist of:

|  | 2003-2004  |            | 2002-2003  |            |
|--|------------|------------|------------|------------|
|  | £000       | £000       | £000       | £000       |
| 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>0.0</b> |            | <b>0.0</b> |            |
| Inward Secondments                                 | 0.0        |            | 0.0        |            |
| <b>Total</b>                                       |            | <b>0.0</b> |            | <b>0.0</b> |
| Less: recoveries in respect of outward secondments |            | 0.0        |            | 0.0        |
| <b>Total Staff costs</b>                           |            | <b>0.0</b> |            | <b>0.0</b> |
| Current Expenditure                                | 0.0        |            | 0.0        |            |
|  |            | 0.0        |            | 0.0        |
| <b>Total Net Programme Costs</b>                   |            | <b>0.0</b> |            | <b>0.0</b> |

## 7 Administration Income

## A Administration Income excluding Operating Income to be Surrendered

|   | 2003-2004 |                | 2002-2003 |                |
|---|-----------|----------------|-----------|----------------|
|   | £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 External Tenants (including Local Authorities)                             | 0.1       |                | 0.1       |                |
|   |           | 0.1            |           | 0.1            |
| Secondments to:   |           |                |           |                |
| Prison Service  | 1,336.2   |                | 1,125.9   |                |
| National Probation Directorate  | 0.0       |                | 0.0       |                |
| Home Office   | 0.0       |                | 0.0       |                |
| Other Probation Boards  | 0.0       |                | 0.0       |                |
| Other Bodies  | 127.1     |                | 119.5     |                |
|   |           | 1,463.3        |           | 1,245.4        |
| Income from EU Sources: Direct contributions to Board activities                |           | 0.0            |           | 0.0            |
| Income Receivable: From Other Government Departments                            |           | 0.0            |           | 0.0            |
| Profits on disposal of assets   |           | 0.0            |           | 0.0            |
| Miscellaneous Income  |           | 333.8          |           | 503.8          |
| <b>Total Administration Income excluding Operating Income to be surrendered</b> |           | <b>1,797.2</b> |           | <b>1,749.3</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 2003-04 secondments to other Probation Boards is included to allow NPS on consolidation to separately identify these transactions.

## B Operating Income to be Surrendered

|   | 2003-2004 |                | 2002-2003 (Restated) |                |
|---|-----------|----------------|----------------------|----------------|
|   | £000      | £000           | £000                 | £000           |
| Interest received:                              |           |                |                      |                |
| From Bank                                       | 7.3       |                | 14.1                 |                |
| From Car Loans                                  | 20.6      |                | 20.2                 |                |
| From Other Sources                              | 0.0       |                | 0.0                  |                |
| <b>Total Operating Income to be surrendered</b> |           | <b>27.9</b>    |                      | <b>34.3</b>    |
| <b>Total Administration Income</b>              |           | <b>1,825.1</b> |                      | <b>1,783.6</b> |
| Programme income                                |           | 0.0            |                      | 0.0            |
| <b>Total Income Operating Cost Statement</b>    |           | <b>1,825.1</b> |                      | <b>1,783.6</b> |

## Notes to the Accounts

## 8 Tangible Fixed Assets

|   | 2003-2004                              |   |  |   |                  |  | Total<br>£000  |
|---|--|---|--|---|------------------|--|----------------|
|   | Freehold Land<br>and Buildings<br>£000 | Long-leasehold<br>Land and<br>Buildings<br>£000 | Short-<br>leasehold<br>Land and<br>Buildings<br>£000 | Office<br>Machinery,<br>Fixtures and<br>IT<br>Equipment<br>£000 | Vehicles<br>£000 | Payments on<br>Account and<br>Assets under<br>Construction<br>£000 |                |
| <u>Cost / Valuation</u>                             |  |   |  |   |                  |  |                |
| At 1 April 2003                                     | 2,414.4                                | 0.0   | 0.0  | 211.3   | 263.4            | 16.2   | 2,905.3        |
| Transfer to NPD Estates                             | (2,414.4)                              | 0.0   | 0.0  | 0.0   | 0.0              | (0.1)  | (2,414.5)      |
| Restated as at 1 April 2003                         | 0.0                                    | 0.0   | 0.0  | 211.3   | 263.4            | 16.1   | 490.8          |
| Additions   | 0.0                                    | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | 0.0            |
| Net Transfers In/Out                                | 0.0                                    | 0.0   | 0.0  | 0.0   | 16.1             | (16.1)   | 0.0            |
| Disposals   | 0.0                                    | 0.0   | 0.0  | (181.5)   | 0.0              | 0.0  | (181.5)        |
| Revaluations  | 0.0                                    | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | 0.0            |
| Indexation  | 0.0                                    | 0.0   | 0.0  | 51.5  | 1.4              | 0.0  | 52.9           |
| Impairment  | 0.0                                    | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | 0.0            |
| At 31 March 2004                                    | 0.0                                    | 0.0   | 0.0  | 81.3  | 280.9            | 0.0  | 362.2          |
| <u>Depreciation</u>                                 |  |   |  |   |                  |  |                |
| At 1 April 2003                                     | 361.2                                  | 0.0   | 0.0  | 149.7   | 168.9            | 0.0  | 679.8          |
| Transfer to NPD Estates                             | (361.2)                                | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | (361.2)        |
| Restated as at 1 April 2003                         | 0.0                                    | 0.0   | 0.0  | 149.7   | 168.9            | 0.0  | 318.6          |
| Charged in year                                     | 0.0                                    | 0.0   | 0.0  | 24.7  | 38.2             | 0.0  | 62.9           |
| Net Transfers In/Out                                | 0.0                                    | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | 0.0            |
| Disposals   | 0.0                                    | 0.0   | 0.0  | (181.5)   | 0.0              | 0.0  | (181.5)        |
| Revaluations  | 0.0                                    | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | 0.0            |
| Indexation  | 0.0                                    | 0.0   | 0.0  | 50.3  | 0.8              | 0.0  | 51.1           |
| Impairment  | 0.0                                    | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | 0.0            |
| At 31 March 2004                                    | 0.0                                    | 0.0   | 0.0  | 43.2  | 207.9            | 0.0  | 251.1          |
| <b>Net Book Value at 31 March 2004</b>              | <b>0.0</b>                             | <b>0.0</b>                                      | <b>0.0</b>   | <b>38.1</b>   | <b>73.0</b>      | <b>0.0</b>   | <b>111.1</b>   |
| <b>Net Book Value at 1 April 2003</b>               | <b>2,053.2</b>                         | <b>0.0</b>                                      | <b>0.0</b>   | <b>61.6</b>   | <b>94.5</b>      | <b>16.2</b>  | <b>2,225.5</b> |
| <u>Asset Financing:</u>                             |  |   |  |   |                  |  |                |
| Owned   | 0.0                                    | 0.0   | 0.0  | 38.1  | 73.0             | 0.0  | 111.1          |
| Finance Lease                                       | 0.0                                    | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | 0.0            |
| <b>Net Book Value at 31 March 2004</b>              | <b>0.0</b>                             | <b>0.0</b>                                      | <b>0.0</b>   | <b>38.1</b>   | <b>73.0</b>      | <b>0.0</b>   | <b>111.1</b>   |
| <u>Revaluation Analysis</u>                         |  |   |  |   |                  |  |                |
| Net change to Revaluation (excluding<br>Impairment) | 0.0                                    | 0.0   | 0.0  | 1.2   | 0.6              | 0.0  | 1.8            |
| Impairment  | 0.0                                    | 0.0   | 0.0  | 0.0   | 0.0              | 0.0  | 0.0            |
| <b>Statement of Recognised Gains and<br/>Losses</b> | <b>0.0</b>                             | <b>0.0</b>                                      | <b>0.0</b>   | <b>1.2</b>  | <b>0.6</b>       | <b>0.0</b>   | <b>1.8</b>     |

Notes:

a There are no donated assets.

b 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.

c On 1 April 2003 the responsibility for the management of the NPD estate transferred from the Board to the National Probation Directorate. As a result, the risks and rewards of ownership have transferred to the National Probation Directorate. From 1 April 2003 therefore, in accordance with FRS5, the estate properties will not be accounted for in the accounts of the Board. The effect of the transfer will be to reduce the Board's tangible fixed assets balance by £2.0532m.

## Notes to the Accounts

## 9 Intangible Fixed Assets

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

|  | Purchased<br>software<br>licences<br>£000 |
|--|---|
| <b>Cost or valuation:</b>              |   |
| At 1 April 2003                        | 0.0                                       |
| Additions                              | 0.0                                       |
| Donations                              | 0.0                                       |
| Disposals                              | 0.0                                       |
| Revaluations                           | 0.0                                       |
| <b>At 31 March 2004</b>                | <b>0.0</b>                                |
| <b>Amortisation</b>                    |   |
| At 1 April 2003                        | 0.0                                       |
| Charged in year                        | 0.0                                       |
| Disposals                              | 0.0                                       |
| Revaluations                           | 0.0                                       |
| <b>At 31 March 2004</b>                | <b>0.0</b>                                |
| <b>Net book value at 31 March 2004</b> | <b>0.0</b>                                |
| <b>Net book value at 31 March 2003</b> | <b>0.0</b>                                |

## 10 Movements in Working Capital other than Cash

|   | 2003-2004<br>£000 | 2002-2003<br>£000 |
|---|-------------------|-------------------|
| Increase / (Decrease) in Stock                                    | 0.0               | 0.0               |
| Increase / (Decrease) in Debtors                                  | (158.2)           | (29.8)            |
| (Increase) / Decrease in Creditors                                | 396.4             | 119.9             |
| <b>Net increase/(decrease) in Working Capital other than Cash</b> | <b>238.2</b>      | <b>90.1</b>       |

## 11 Stock

|                           | 31 March 2004<br>£000 | 31 March 2003<br>£000 |
|---------------------------|-----------------------|-----------------------|
| Finished goods for resale | 0.0                   | 0.0                   |
| <b>Total Stocks</b>       | <b>0.0</b>            | <b>0.0</b>            |

## Notes to the Accounts

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

|  | 31 March 2004 | 31 March 2003  |
|--|---------------|----------------|
|  | £000          | £000           |
| Trade Debtors  | 35.7          | 105.4          |
| Staff Debtors  | 63.2          | 80.7           |
| Debtors due from other Probation Boards (excluding Training Consortia) | 4.8           | 0.0            |
| Debtors due from other Probation Boards for Training Consortia         | 29.7          | 7.1            |
| Debtors due from the Prison Service (excluding private Prisons)        | 158.2         | 153.4          |
| Debtors due from the National Probation Directorate                    | 57.5          | 99.6           |
| Debtors due from the Home Office                                       | 5.4           | 26.9           |
| Debtors due from other Government Departments                          | 0.0           | 0.0            |
| Other Debtors  | 0.9           | 41.4           |
| Prepayments and Accrued Income   | 34.8          | 28.7           |
| Prepayment of Pension Fund Contributions                               | 0.0           | 0.0            |
| <b>Total to be used for Movement in working capital</b>                | <b>390.2</b>  | <b>543.2</b>   |
| Financing due from Home Office   | 19.0          | 606.0          |
| <b>Total Debtors: Amounts due falling within one year.</b>             | <b>409.2</b>  | <b>1,149.2</b> |

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

|   | 31 March 2004 | 31 March 2003 |
|---|---------------|---------------|
|   | £000          | £000          |
| Staff Debtors   | 117.9         | 123.1         |
| Other Debtors   | 0.0           | 0.0           |
| <b>Total Debtors: Amounts falling due after more than one year.</b> | <b>117.9</b>  | <b>123.1</b>  |

## 14 Cash at Bank and in hand

|  | 31 March 2004 | 31 March 2003 |
|--|---------------|---------------|
|  | £000          | £000          |
| Balance at 1 April                                     | 2.6           | 596.6         |
| Net change in cash balances                            | 238.8         | (594.0)       |
| <b>Balance at 31 March</b>                             | <b>241.4</b>  | <b>2.6</b>    |
| <b>The following balances at 31 March are held at:</b> |               |               |
| Commercial banks and cash in hand                      | 241.4         | 2.6           |

## Notes to the Accounts

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

|  | 31 March 2004 | 31 March 2003  |
|--|---------------|----------------|
|  | £000          | £000           |
| Trade Creditors and Accruals   | 228.8         | 720.9          |
| VAT  | 0.0           | 0.0            |
| Other taxation and social security                                     | 319.0         | 272.8          |
| Bank Overdraft   | 0.0           | 298.8          |
| Staff Creditors  | 227.8         | 59.1           |
| Creditors due to other Probation Boards (excluding Training Consortia) | 1.6           | 5.0            |
| Creditors due to other Probation Boards for Training Consortia         | 0.0           | 0.0            |
| Creditors due to the Prison Service (excluding private prisons)        | 0.0           | 0.0            |
| Creditors due to the National Probation Directorate                    | 84.0          | 203.5          |
| Creditors due to the Home Office                                       | 0.0           | 0.0            |
| Creditors due to other Government Departments                          | 0.0           | 0.0            |
| Unpaid pension contributions due to the pension scheme                 | 0.0           | 0.0            |
| Other Creditors  | 7.7           | 4.0            |
| 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>868.9</b>  | <b>1,564.1</b> |
| Financing due to Home Office   | 0.0           | 100.2          |
| Operating Income to be surrendered (Interest received)                 | 27.9          | 34.3           |
| Fixed Asset Accruals   | 0.0           | 0.0            |
| <b>Total Creditors: Amounts due falling within one year.</b>           | <b>896.8</b>  | <b>1,698.6</b> |

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

|   | 31 March 2004 | 31 March 2003 |
|---|---------------|---------------|
|   | £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

## 17 Provisions for Liabilities and Charges

|                                      | Early Retirement and Pension Commitments |            | Other Provisions |                  | Total        |
|--------------------------------------|--|------------|------------------|------------------|--------------|
|                                      | Added Years                              | Smoothing  | Dilapidations    | Other Provisions |              |
|                                      | £000                                     | £000       | £000             | £000             | £000         |
| Balance at 1 April 2003              | 494.4                                    | 0.0        | 31.8             | 10.0             | 536.2        |
| Prior Period Adjustment              | 0.0                                      | 0.0        | 0.0              | 0.0              | 0.0          |
| Restated Balance as at 1 April 2003  | 494.4                                    | 0.0        | 31.8             | 10.0             | 536.2        |
| Provided in the year                 | 139.8                                    | 0.0        | 0.0              | 0.0              | 139.8        |
| Provisions not required written back | 0.0                                      | 0.0        | (31.8)           | (9.0)            | (40.8)       |
| Provisions utilised in year          | (48.2)                                   | 0.0        | 0.0              | 0.0              | (48.2)       |
| <b>Balance at 31 March 2004</b>      | <b>586.0</b>                             | <b>0.0</b> | <b>0.0</b>       | <b>1.0</b>       | <b>587.0</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. A new discount rate of 3.5 per cent has been introduced for 2003-04, a reduction from 6 per cent 2002-03.

The adoption of FRS 17 in 2003-04 has resulted in a change in accounting policy, the smoothing provision is no longer required. As at 1 April 2003 the balance has been applied to form part of the Prior Period Adjustment.

From 1 April 2003, the estate properties are no longer accounted for in the Boards accounts, the dilapidations provision has now been transferred to NPD estates and has been released to the Operating Cost Statement.

**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 one non-motor insurance claim at £1,000, being the Board's estimated liability in respect of this claim.

## Notes to the Accounts

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

|   | 2003-2004        | 2002-2003<br>(Restated) |
|---|------------------|-------------------------|
|   | £000             | £000                    |
| Net Operating Cost for the year   | (19,976.4)       | (16,863.6)              |
| Operating Income to be surrendered (Interest received)  | (27.9)           | (34.3)                  |
| Non-cash Charges:   |                  |                         |
| Cost of Capital for Fixed Assets  | 3.3              | 136.8                   |
| Cost of Capital for Net Assets/(Liabilities) excluding Fixed Assets                               | (347.4)          | (385.7)                 |
| Transfer from Revaluation and Donated Asset Reserve (From Note 19)                                | 1,535.9          | 0.0                     |
| Transfer of Fixed Assets to Estates   | (2,053.3)        | 0.0                     |
| Financing activities:   |                  |                         |
| Net Home Office Grant received in year (excluding Training Consortia)                             | 15,318.9         | 14,109.0                |
| 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                              | 1,476.0          | 1,394.0                 |
| 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                                       | 437.2            | 175.2                   |
| 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                     |
| Chiefs and Chairs (paid by the Home Office)   | 85.2             | 95.1                    |
| Recharges by NPD for centrally provided services  | 2,806.6          | 579.5                   |
| Increase / (Decrease) in Financing Debtors (From Note 12)   | (587.0)          | 594.0                   |
| (Increase) / Decrease in Financing Creditors (From Note 15)                                       | 100.2            | (100.2)                 |
| Actuarial gain / (loss) recognised in the STRGL   | 5,150.0          | (10,134.0)              |
| Net (Decrease) in General Fund  | 3,921.3          | (10,434.2)              |
| General Fund as at 1 April as previously reported   | (11,502.3)       | 231.9                   |
| Prior-period Adjustments  | 0.0              | (1,300.0)               |
| General fund as restated 1 April  | (11,502.3)       | (1,068.1)               |
| <b>General Fund as at 31 March</b>  | <b>(7,581.0)</b> | <b>(11,502.3)</b>       |

## 19 Reserves

## A Revaluation Reserve

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

|   | 2003-2004  | 2002-2003      |
|---|------------|----------------|
|   | £000       | £000           |
| Balance at 1 April 2003                       | 1,535.9    | 1,550.8        |
| Arising on revaluations during the year (net) | 1.8        | (14.9)         |
| Transfer to General Fund                      | (1,535.9)  | 0.0            |
| <b>Balance at 31 March 2004</b>               | <b>1.8</b> | <b>1,535.9</b> |

## B Donated Asset Reserve

|                                 | 2003-2004  | 2002-2003  |
|---------------------------------|------------|------------|
|                                 | £000       | £000       |
| Balance at 1 April 2003         | 0.0        | 0.0        |
| Additions during the year       | 0.0        | 0.0        |
| Release to General Fund         | 0.0        | 0.0        |
| <b>Balance at 31 March 2004</b> | <b>0.0</b> | <b>0.0</b> |

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

## Notes to the Accounts

## 20 Capital Commitments

Capital commitments for which no provision has been made in the accounts were as follows:

|                               | 31 March 2004 | 31 March 2003 |
|-------------------------------|---------------|---------------|
|                               | £000          | £000          |
| Committed                     | 0.0           | 0.0           |
| Authorised but not contracted | 0.0           | 0.0           |
| <b>Total</b>                  | <b>0.0</b>    | <b>0.0</b>    |

## 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:

|   | 2003-2004                  |                | 2002-2003                  |                |
|---|----------------------------|----------------|----------------------------|----------------|
|   | Land and Buildings<br>£000 | Others<br>£000 | Land and Buildings<br>£000 | Others<br>£000 |
| Expiry within 1 year                            | 0.0                        | 5.8            | 30.5                       | 5.1            |
| Expiry after 1 year but not more than 5 years   | 0.0                        | 22.3           | 50.8                       | 27.6           |
| Expiry thereafter                               | 0.0                        | 0.0            | 0.0                        | 0.0            |
| <b>Total Commitments Under Operating Leases</b> | <b>0.0</b>                 | <b>28.1</b>    | <b>81.3</b>                | <b>32.7</b>    |

## B Finance Leases

The Boards obligations under finance leases are as follows:

|   | 2003-2004 |            | 2002-2003 |            |
|---|-----------|------------|-----------|------------|
|   | £000      | £000       | £000      | £000       |
| Rentals due within 1 year                     | 0.0       |            | 0.0       |            |
| Expiry after 1 year but not more than 5 years | 0.0       |            | 0.0       |            |
| Rentals due thereafter                        | 0.0       |            | 0.0       |            |
|   |           | 0.0        |           | 0.0        |
| Less interest element                         |           | 0.0        |           | 0.0        |
| <b>Total Commitments Under Finance Leases</b> |           | <b>0.0</b> |           | <b>0.0</b> |

## 22 Other Commitments

The Board has not entered into any non-cancellable contracts (which are not operating leases) for building services as at 31 March 2004.

## 23 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.

## Notes to the Accounts

## 24 Losses and Special Payments

| Losses Statement                      | 2003-2004       |                  | 2002-2003       |                  |
|---------------------------------------|-----------------|------------------|-----------------|------------------|
|                                       | Number of Cases | Total Value £000 | Number of Cases | Total Value £000 |
| <u>Details of cases over £2,000</u>   |                 |                  |                 |                  |
| Cash losses                           | 0               | 0.0              | 0               | 0.0              |
| Claims abandoned                      | 0               | 0.0              | 0               | 0.0              |
| Administrative write-offs             | 0               | 0.0              | 0               | 0.0              |
| Fruitless payments                    | 0               | 0.0              | 0               | 0.0              |
| Stores losses                         | 0               | 0.0              | 0               | 0.0              |
| Special payments                      | 0               | 0.0              | 1               | 42.0             |
|                                       | 0               | 0.0              | 1               | 42.0             |
| <u>Details of cases over £100,000</u> |                 |                  |                 |                  |
| Cash losses                           | 0               | 0.0              | 0               | 0.0              |
| Claims abandoned                      | 0               | 0.0              | 0               | 0.0              |
| Administrative write-offs             | 0               | 0.0              | 0               | 0.0              |
| Fruitless payments                    | 0               | 0.0              | 0               | 0.0              |
| Stores losses                         | 0               | 0.0              | 0               | 0.0              |
| Special payments                      | 0               | 0.0              | 0               | 0.0              |
|                                       | 0               | 0.0              | 0               | 0.0              |

## 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 Tower Project 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 former Board Treasurer, who was in office throughout the year, 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.

Other than disclosed above, 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.

## Notes to the Accounts

## 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 2004.

|                                       | Book Value | Fair Value | Basis of fair<br>Valuation |
|---------------------------------------|------------|------------|----------------------------|
|                                       | £000       | £000       |                            |
| <b>Primary Financial Instruments:</b> |            |            |                            |
| Financial Assets:                     |            |            |                            |
| Cash at Bank                          | 241.4      | 241.4      |                            |
| Financial Liabilities:                |            |            |                            |
| Finance Lease Obligations             | 0.0        | 0.0        | Note a                     |
| Provisions                            | 587.0      | 587.0      | 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 3.5 per cent in real terms.

## 27 Third-party Assets

No third party assets were held by the Board at 31 March 2004.

|                                 |            |
|---------------------------------|------------|
|                                 | £000       |
| Balance at 1 April 2003         | 0.0        |
| Funds paid in during the year   | 0.0        |
| Funds paid out during the year  | 0.0        |
| <b>Balance at 31 March 2004</b> | <b>0.0</b> |

## 28 Post Balance Sheet Events

On 8th January 2004 the Home Secretary announced the creation of the new National Offender Management Service (NOMS). The exact timing of the implementation of this revised structure is not yet certain. However a new National Offender Manager has been appointed and ten Regional Offender Managers are in the process of being recruited, who will be responsible for managing and driving performance of the probation areas in their region. In due course the Regional Offender Managers will provide the budgets to each of their probation areas. Currently the financial implications of this change are unknown.

## Notes to the Accounts

**29 Prior Period Adjustment**

FRS 17, Retirement Benefits has been fully implemented for 2003-04. As a result, the Operating Cost Statement now recognises the movements in the scheme liability (other than those arising from actuarial gains and losses) analysed between current service cost, past service cost (if relevant) and the interest on the scheme liabilities. Hitherto, the Operating Cost Statement recognises the pensions payable in the year. The results for 2002-03 have been restated to reflect the new accounting policies.

The net effect of the adjustment on the financial statements is as follows:

|  | 2002-2003<br>£000 |
|--|-------------------|
| Adjustment to opening reserves                                       |                   |
| Finance Leases   |                   |
| Add back operating lease rental and deduct depreciation and interest | 0.0               |
| Retirement Benefits  | (1,300.0)         |
| Change in net resource outturn from prior period adjustment          |                   |
| Finance Leases   | 0.0               |
| Prior period adjustment for Statement of Recognised Gains and Losses | <u>(1,300.0)</u>  |

**A** The effect of the change in accounting policy on the results for both 2003-04 and 2003-02 is to increase/(decrease) net outgoings for each year by some £893,000 and £(202,000) respectively.

**B** As a result of recognising the scheme liabilities there has been a movement in the reserves as at 31 March 2003 of £(11,232,000). This has been noted in the reserves as follows:

**(i)** A prior year adjustment to the opening balance of £(1,300,000)

**(ii)** The effects on the Operating Cost Statement are the finance income/(charge) that is now recognised £483,000 and the additional pension cost of £281,000. The total net effect on the Operating Cost Statement is to decrease costs by £202,000

**(iii)** The actuarial loss of £(10,134,000).

**C** The impact of FRS 17 is a reduction in net assets of £11,232,000 as previously reported.