

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

These financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FRoM 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 Probation Board 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.

1.2 Going concern

The balance sheet at 31 March 2006 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 2006-07 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.

1.3 Tangible Fixed Assets

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

1.4 Depreciation

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

Asset lives are normally in the following ranges:

- Vehicles - 5 to 7 years;
- Office Machinery, Fixtures and Fittings and IT Equipment - 3 to 5 years.

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

1.5 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.

1.6 Operating Income

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

Operating income is income that relates directly to the operating activities of the Probation Board. It comprises of rent receivables, income from EU sources, income from other Government Departments and miscellaneous income. Fees and charges for services are recovered on a full cost basis in accordance with the Treasury's Fees and Charges guide.

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

1.7 Administration and Programme Expenditure

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

Notes to the Accounts**1.8 Capital Charge**

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

- a) Provisions for Liabilities and Charges, which are discounted at 2.2%
- b) Pension Scheme Liability, which is discounted at 2.8%
- c) Tangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:

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

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

1.9 Pensions

Past and present employees are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirements benefits. Under the LGPS Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. (Disclosure of Stakeholder Pensions Schemes is not included in these accounts)

1.10 Early Departure Costs

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

1.11 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.

1.12 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.

PFI schemes will be disclosed as a note to the accounts.

1.13 Grants Receivable

Monies received as grants (of any nominal type, classification, or attached conditions) are treated as financing rather than income and are recognised in the accounts by directly crediting the General Fund and are also reflected elsewhere in the statements for example in the Cash Flow statement. (Most bodies covered by the Financial Reporting Manual do not receive grants, and are financed by voted parliamentary funding).

Financing of Training Consortia

Part of the funding that goes to the Probation Boards is allocated to the 10 Regional Training Consortia. This is for all the costs of the Regional Training Consortia and is split as a percentage to the 9 Lead Areas who co ordinate the Training funds and a percentage to the remaining Probation Boards.

1.14 Provisions

The Probation Board provides 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 2.2 per cent has been introduced with effect from 1 April 2005, a reduction from 3.5 per cent.

1.15 Value Added Tax

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

Notes to the Accounts

2 Staff numbers and related costs

2(a) Total staff costs comprise:

	2005-2006			2004-2005
	£000	£000	£000	(Restated) £000
	Total	Permanently - employed staff	Others	Total
Wages and salaries	8,572	8,451	121	8,148
Social security costs	652	652	0	641
Other pension costs	674	674	0	960
Sub Total	9,898	9,777	121	9,749
Inward Secondments	138	0	138	0
Total	10,036	9,777	259	9,749
Less recoveries in respect of outward secondments	1,291	1,291	0	1,143
Total net admin costs	8,745	8,486	259	8,606
Net Programme Costs	909	555	354	694
Total Staff Costs	9,654	9,041	613	9,300

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Probations' Board share of the underlying assets and liabilities are shown below in Note 3.

7 persons (2004-05: 1 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £12,251 (2004-05: £2,377).

2(b) Average number of persons employed

	2005-2006			2004-2005
	Total	Permanently - Employed staff	Others	Total
	375	370	5	359
	375	370	5	359

Notes to the Accounts

3 Pension costs

Pension benefits are provided through the Local Government Pension Scheme (LGPS). This is a statutory requirement and intended to be a fully funded scheme which provides benefits on a 'final salary' basis at a normal retirement age of 65. 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% of pensionable earnings. Pension payments are increased in line with the Retail Price 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.

- 3(a) A full actuarial valuation was carried out at 31 March 2004 by Mercer Human Resources Consultancy Ltd. For 2005-06, employers' contributions of £1,366,383.93 were payable to the LGPS (2004-05 £997,000) and were 17.6% on pensionable pay. The scheme's Actuary reviews employer contributions every three years following a full scheme valuation. The salary bands were revised for 2005-06 and will remain unchanged until 2007-08. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Changes to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6th April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Probation Board's pension liabilities by £0.471 million and this has been included as a past Service Cost in Note 3(d).

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

Employer's contributions for 2005-06 were 17.6% of salaries; and,
Employer's contributions for 2006-07 will be 17.6% of salaries; and
Employer's contributions for 2007-08 will be 17.6% of salaries.

- 3(b) The major assumptions used by the actuary were:

	31 March 2006	31 March 2005	31 March 2004
	%	%	%
Inflation assumption	2.9%	2.9%	2.8%
Rate of increase in salaries	4.4%	4.3%	4.1%
Rate of increase for pensions in payment and deferred pensions -	2.9%	2.9%	2.8%
Discount rate	5.7%	6.3%	6.3%

- 3(c) The assets in the scheme and the expected rate of return were:

	Long-term rate	Value at	Long-term rate	Value at	Long-term rate	Value at
	31 March 2006	31 March 2006	31 March 2005	31 March 2005	31 March 2004	31 March 2004
	%	£000	%	£000	%	£000
Equities	7.0%	22,985	7.5%	17,622	7.5%	16,272
Bonds	4.5%	3,489	5.0%	4,130	5.1%	2,957
Property	6.0%	1,238	6.5%	0	6.5%	184
Cash	4.5%	422	4.7%	331	4.0%	978
Total market value of assets		28,134		22,083		20,391
Present value of scheme liabilities		35,578		29,380		25,182
Surplus/ (Shortfall) of the scheme		(7,444)		(7,297)		(4,791)
Net pension asset / (liability)		(7,444)		(7,297)		(4,791)

- 3(d) Pension Cost

	2005-2006	2004-2005
	£000	£000
Current service cost	1,205	960
Past service cost	(471)	0
Total operating charge	734	960

- 3(e) Analysis of amount credited to other finance income or debited to other finance charge

	2005-2006	2004-2005
	£000	£000
Expected return on pension scheme assets	1,476	1,439
Interest on pension scheme liabilities	(1,889)	(1,655)
Net return	(413)	(216)

- 3(f) Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2005-2006	2004-2005
	£000	£000
Actual return less expected return on pension scheme assets	4,183	(2,334)
Experience gains and losses arising on the scheme liabilities	(907)	0
Changes in assumptions underlying the present value of the scheme liabilities	(3,665)	0
Actuarial gain/ (loss) recognised in the STRGL	(389)	(2,334)

In 2005/06 the loss of £3,665,000 shown under changes in assumptions relate to a change from 3.5% to 2.8% in the discount rate determined by HM Treasury for the valuation of liabilities.

Notes to the Accounts

3(g) Movement in surplus/(shortfall) during the year:

	2005-2006 £000	2004-2005 £000
Surplus/ (shortfall) in scheme in the beginning of the year	(7,297)	(4,791)
Current service costs	(1,205)	(960)
Employer Contributions	1,389	1,004
Past service costs	471	0
Other finance income	(413)	(216)
Actuarial gain/ (loss)	(389)	(2,334)
Surplus/ (shortfall) in scheme at the end of the year	(7,444)	(7,297)

3(h) History of experience gains and losses

	2005-2006	2004-2005	2003-2004	2002-2003
Difference between the expected and actual return on scheme assets:				
Amount in £000	4,183	(2,334)	2,915	(5,070)
Percentage of scheme assets	14.9%	(10.6%)	14.3%	(32.2%)
Experience gains and losses on scheme liabilities:				
Amount in £000	(907)	0	0	0
Percentage of the present value of the scheme liabilities	(2.5%)	0.0%	0.0%	0.0%
Total amount recognised in statement of total recognised gains and losses:				
Amount in £000	(389)	(2,334)	2,915	5,070
Percentage of the present value of the scheme liabilities	(1.1%)	(7.9%)	11.6%	21.9%

Notes to the Accounts

4 Other Administration Costs

	2005-2006		2004-2005 (Restated)	
	£000	£000	£000	£000
Rentals under operating leases	106		87	
Interest Charges	0		0	
Utilities and Premises	49		20	
Transport Costs	42		48	
Supplies and Services	407		441	
Contracted Out Services	1,920		1,822	
Third Party Payments	1,416		1,005	
Chair's and Member's Expenses	81		86	
Other Administration Costs	738		732	
Auditors' remuneration and expenses	36		21	
		4,795		4,262
Non-cash items				
Depreciation	10		4	
Impairment of Fixed Assets	0		0	
Profit on disposal of Fixed Assets	0		0	
Loss on Disposal of Fixed Assets	0		0	
Cost of Capital Charges	(239)		(256)	
Movement in Early Retirement Pension Commitments provided for in-year	219		(32)	
Movement in Other Provisions	0		0	
		(10)		(284)
Total		4,785		3,978

5 Programme Costs

	2005-2006			2004-2005 (Restated)	
	£000	£000		£000	
		Permanently -			
	Total	Employed staff	Others	Total	
Wages and salaries	812	458	354	637	
Social Security Costs	37	37	0	22	
Other Pension Costs	60	60	0	35	
Sub total	909	555	354	694	
Inward secondments	0	0	0	0	
Total	909	555	354	694	
Less recoveries in respect of outward secondments	0	0	0	0	
Total	909	555	354	694	
Current Expenditure	425	425	0	598	
Total net costs	1,334	980	354	1,292	

6(a) Administration Income excluding Operating Income to be Surrendered

	2005-2006		2004-2005 (Restated)	
	£000	£000	£000	£000
Rent receivable from minor occupiers of Probation Estate property:				
From within the Departmental Boundary	0		0	
From Other Government Departments	0		0	
From Local Authorities	0		0	
From External Tenants	0		0	
		0		0
Income from EU Sources: Direct contributions to Board activities		0		0
Income Receivable: From Other Government Departments		252		153
Miscellaneous Income		672		862
Total Administration Income excluding Operating Income to be surrendered		924		1,015

6(b) Operating Income to be Surrendered

	2005-2006		2004-2005	
	£000	£000	£000	£000
Interest received:				
From Bank	34		30	
From Car Loans	0		1	
From Other Sources	0		0	
Total Operating Income to be surrendered		34		31
Total Administration Income		958		1,046
Programme income		1,334		1,292
Total Income Operating Cost Statement		2,292		2,338

Notes to the Accounts

7 Tangible Fixed Assets

	2005-2006		
	Office Machinery, Fixtures and Fittings and IT		
	Equipment £000	Vehicles £000	Total £000
Cost or valuation			
At 1 April 2005	47	6	53
Additions	38	0	38
Net Transfers In/Out	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Indexation	(2)	0	(2)
Impairment	0	0	0
At 31 March 2006	83	6	89
Depreciation			
At 1 April 2005	8	4	12
Charged in year	9	1	10
Net Transfers In/Out	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Indexation	0	0	0
Impairment	0	0	0
At 31 March 2006	17	5	22
Net Book Value at 31 March 2006	66	1	67
Net Book Value at 1 April 2005	39	2	41
Asset Financing:			
Owned	66	1	67
Finance Lease	0	0	0
Net Book Value at 31 March 2006	66	1	67
Revaluation analysis			
Net change to Revaluation (excluding Impairment)	(2)	0	(2)
Statement of Recognised Gains	(2)	0	(2)

Notes:

There are no donated assets.

	2004-2005		
	Office Machinery, Fixtures and Fittings and IT		
	Equipment £000	Vehicles £000	Total £000
Cost or valuation			
At 1 April 2004	12	6	18
Additions	34	0	34
Net Transfers In/Out	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Indexation	1	0	1
Impairment	0	0	0
At 31 March 2005	47	6	53
Depreciation			
At 1 April 2004	5	3	8
Charged in year	3	1	4
Net Transfers In/Out	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Indexation	0	0	0
Impairment	0	0	0
At 31 March 2005	8	4	12
Net Book Value at 31 March 2005	39	2	41
Net Book Value at 1 April 2004	7	3	10
Asset Financing:			
Owned	39	2	41
Finance Lease	0	0	0
Net Book Value at 31 March 2005	39	2	41
Revaluation analysis			
Net change to Revaluation (excluding Impairment)	1	0	1
Statement of Recognised Gains	1	0	1

Notes:

There are no donated assets.

Notes to the Accounts

8 Debtors

8(a) Analysis by type

	31 March 2006	31 March 2005
	(Restated)	
	£000	£000
Amounts falling due within one year:		
Trade debtors	69	50
VAT	62	56
Staff Debtors	0	0
Debtors due from other Probation Boards (excluding Training Consortia)	53	0
Debtors due from other Probation Boards for Training Consortia	11	16
Debtors due from the Prison Service (excluding private Prisons)	190	106
Debtors due from the National Probation Directorate	15	4
Debtors due from the Home Office	0	0
Debtors due from National Offenders Management	0	0
Other Debtors	0	331
Prepayments and accrued income	45	39
Financing due from NPD	0	0
	445	602

	31 March 2006	31 March 2005
	£000	£000
Amounts falling due after more than one year:		
Trade debtors	0	0
Staff debtors	0	6
Other debtors	0	0
Prepayments and accrued Income	0	0
	0	6

	31 March 2006	31 March 2005
	£000	£000
8(b) Intra-Government Balances		
Balances with other central government bodies	0	83
Balances with local authorities	0	0
Balances with NHS Trusts	13	0
Balances with public corporations and trading funds	0	0
Subtotal: intra-government balances	13	83
Balances with bodies external to government	0	0
Total Debtors at 31 March	458	691

9 Cash at Bank and in hand

	31 March 2006	31 March 2005
	£000	£000
Balance at 1 April	789	435
Net change in cash balances	(406)	354
Balance at 31 March	383	789
The following balances at 31 March are held at:		
Office of HM Paymaster General	0	0
Commercial banks and cash in hand	383	789
Balance at 31 March	383	789

Notes to the Accounts

10 Creditors

10(a) Analysis by type

Amounts falling due within one year:

VAT	
Other taxation and social security	
Trade creditors	
Other creditors	
Staff creditors	
Bank Overdraft	
Creditors due to other Probation Boards (excluding Training Consortia)	
Creditors due to other Probation Boards for Training Consortia	
Creditors due to the Prison Service (excluding private prisons)	
Creditors due to the National Probation Directorate	
Creditors due to the Home Office	
Creditors due to National Offenders Management	
Unpaid pension contributions due to the pension scheme	
Long Term Liabilities due within one year	
Operating Income to be surrendered (Interest received)	
Fixed asset accruals	
Financing due to NPD	

	31 March 2006	31 March 2005
	£000	£000
	0	0
	222	212
	477	450
	189	0
	0	0
	0	0
	42	4
	0	0
	0	2
	0	897
	0	0
	0	0
	156	125
	0	0
	34	31
	0	0
	0	0
	1,120	1,721

Amounts falling due after more than one year.

Staff creditors	
Other creditors	

	31 March 2006	31 March 2005
	£000	£000
	0	0
	0	0
	0	0

10(b) Intra-Government Balances

Balances with other central government bodies	
Balances with local authorities	
Balances with NHS Trusts	
Balances with public corporations and trading funds	
Subtotal: intra-government balances	
Balances with bodies external to government	
Total Creditors at 31 March	

	31 March 2006	31 March 2005
	£000	£000
	4	0
	2	0
	0	0
	0	0
	6	0
	0	0
	0	0
	1,126	1,721

Notes to the Accounts

11 Provisions for Liabilities and Charges

31 March 2006

	Early Retirement and Pension Commitments	Other	Total
	Added Years	Other Provisions	
	£000	£000	£000
Balance at 1 April 2005	1,078	0	1,078
Provided in the year	71	0	71
Provisions not required written back	0	0	0
Provisions utilised in year	(100)	0	(100)
2005/06 impact of change in discount rate from 3.5% to 2.2%	248	0	248
Balance at 31 March 2006	1,297	0	1,297

31 March 2005

	Early Retirement and Pension Commitments	Other	Total
	Added Years	Other Provisions	
	£000	£000	£000
Balance at 1 April 2004	1,110	0	1,110
Provided in the year	65	0	65
Provisions not required written back	0	0	0
Provisions utilised in year	(97)	0	(97)
Balance at 31 March 2005	1,078	0	1,078

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. The Probation Board provides for this in full when the early retirement programme becomes binding on the Board by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms.

Other

There are no other provisions with in the accounts

Notes to the Accounts

12 General Fund

	2005-2006	2004-2005
	£000	£000
Balance at 1 April	(8,576)	(6,044)
Financing activities:		
Net NPD Financing received in year (excluding Training Consortia)	10,635	8,901
Training Consortia financing received by the Lead Board from NPD	0	0
Training Consortia financing received by the non-lead Board from NPD	681	1,022
Training Consortia financing received from the boards within their consortia	0	0
Training Consortia financing transferred from the Lead Board to the boards within their consortia	0	0
Training Consortia financing received from their Lead Board	0	0
Training Consortia financing transferred to their Lead Board	(2)	0
Training Consortia financing received by the Board from another non-lead board	0	0
Training Consortia financing transferred from the Board to another non-lead board	0	0
Recharges by NPD for centrally provided services	1,951	1,885
Increase/(decrease) in Financing Debtors	0	(99)
(Increase)/decrease in Financing Creditors	0	134
Net Transfers from Operating Activities		
Net Operating Cost for the year	(12,985)	(11,754)
Operating Income to be surrendered (Interest received)	(34)	(31)
Non-cash Charges:		
Cost of Capital	(239)	(256)
Transfer from Revaluation and Donated Asset Reserve (From Note 13b)	0	0
Actuarial gains and losses (STRGL)	(389)	(2,334)
Balance at 31 March	(8,958)	(8,576)

13 Reserves

13(a) Revaluation Reserve

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

	2005-2006	2004-2005
	£000	£000
Balance at 1 April	1	0
Arising on revaluations during the year (net)	(2)	1
Transfer to General Fund	0	0
Balance at 31 March	(1)	1

13(b) Donated Asset Reserve

	2005-2006	2004-2005
	£000	£000
Balance at 1 April	0	0
Additions during the year	0	0
Release to General Fund	0	0
Balance at 31 March	0	0

There are no donated assets.

Notes to the Accounts

14 Notes to the Cash Flow Statement

14(a) Reconciliation of operating cost to operating cash flows

	2005-2006	2004-2005
	£000	£000
Net operating cost	12,985	11,754
Adjustments for non-cash transactions	10	284
Increase/(Decrease) in Debtors	(233)	(192)
(Increase)/Decrease in Creditors	598	(262)
Adjustments for pension funding	242	(172)
	13,602	11,412

14(b) Analysis of capital expenditure and financial investment

	2005-2006	2004-2005
	£000	£000
Tangible fixed assets additions	(38)	(34)
Plus Opening Balance for Fixed Asset Accruals	0	0
Minus Closing Balance for Fixed Asset Accruals	0	0
Minus Proceeds of Disposal of Fixed Assets	0	0
	(38)	(34)

14(c) Analysis of financing

	2005-2006	2004-2005
	£000	£000
Net NPD Financing received in year (excluding Training Consortia)	10,635	8,901
Training Consortia financing received by the Lead Board from NPD	0	0
Training Consortia financing received by the non-lead Board from NPD	681	1,022
Training Consortia financing received from the boards within their consortia	0	0
Training Consortia financing transferred from the Lead Board to the boards within their consortia	0	0
Training Consortia financing received from their Lead Board	0	0
Training Consortia financing transferred to their Lead Board	(2)	0
Training Consortia financing received by the Board from another non-lead board	0	0
Training Consortia financing transferred from the Board to another non-lead board	0	0
Recharges by NPD for centrally provided services	1,951	1,885
Consolidated Fund Extra Receipts received in prior year surrendered (Interest Received)	(31)	(8)
	13,234	11,800

Notes to the Accounts

15 Capital Commitments

	31 March 2006	31 March 2005
	£000	£000
Capital commitments at 31 March for which no provision has been made		
Committed	0	0
Authorised but not contracted	0	0
Total	0	0

16 Commitments Under Leases
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:

	2005-2006	2004-2005
	Other	Other
	£000	£000
Expiry within 1 year	29	0
Expiry after 1 year but not more than 5 years	22	50
Expiry thereafter	15	15
	66	65

17 Other financial commitments

The Board does not have commitments which fall under this category

	2005-2006	2004-2005
	Other	Other
	£000	£000
Expiry within 1 year	0	0
Expiry within 2 to 5 years	0	0
Expiry thereafter	0	0
	0	0

18 Financial Instruments

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

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

19 Contingent Liabilities

The Board does not have any contingent liabilities

20 Contingent Liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

There are no contingent liabilities

	1 April 2005	Increase in Year	Liabilities crystallised in year	Obligation expired in year	31 March 2006	Amount to be reported to Parliament by departmental Minute
	£000	£000	£000	£000	£000	
Guarantees (listed)						
Indemnities (listed)						
Letter of comfort (listed)						

Notes to the Accounts

21 Losses and Special Payments

Losses Statement	2005-2006		2004-2005	
	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
Claims abandoned	0	0	0	0
Administrative write-offs	0	0	0	0
Fruitless payments	0	0	0	0
Stores losses	0	0	0	0
Special payments	1	20	0	0
	<u>1</u>	<u>20</u>	<u>0</u>	<u>0</u>
<u>Details of cases over £100,000</u>				
Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Administrative write-offs	0	0	0	0
Fruitless payments	0	0	0	0
Stores losses	0	0	0	0
Special payments	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

22 Related party transactions

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

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

23 Third-party assets

Previously this Board held two Probation Trust Funds, one for Worcestershire and one for Shropshire, these two funds have now been closed. Funds held in the original trusts have now been transferred into the West Mercia Care Trust. The purpose of this new trust is to provide assistance, education and training to enable people under supervision of the Probation Service to take a responsible place in society. During 2005/06 the major activity of the Trust was in sponsoring the Growing out of Crime project.

	31 March 2006	31 March 2005
	£000	£000
Balance at 1 April	52	49
Funds paid in during the year	76	3
Funds paid out during the year	(54)	0
Balance at 31 March	74	52

24 Post balance sheet events

There are no post balance sheet events requiring disclosure in the accounts