

CRIME AND DISORDER ACT 1998

Account, prepared pursuant to Schedule 2, paragraph 9 (4) of the Crime and Disorder Act 1998, of the Youth Justice Board for England and Wales for the year ended 31 March 2004, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 33 of 2003-2004)

Presented pursuant to Crime and Disorder Act 1998, c.44, para 9(8)

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# Youth Justice Board for England and Wales Account 2003-2004

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# Foreword to the Accounts

## 1 Introduction

This statement of accounts reports the results of the Youth Justice Board for England and Wales (the Board) for the year to 31 March 2004, prepared in accordance with accounts direction given by the Secretary of State for the Home Office, with consent of Treasury.

## 2 History

The Board was established on 30 September 1998 as an Executive Non-Departmental Public Body under the Crime and Disorder Act 1998. It is financed by grant-in-aid from the Home Office. The Secretary of State is answerable to Parliament for the Board and is responsible for making financial provision for its needs.

## 3 Results for the year

The Board received £370.374m (grant-in-aid) from the Home Office, £0.330m from the New Opportunities Fund, £0.200m from the Welsh Assembly and £0.175m from the Arts Council.

The Board incurred expenditure of £241.956m on the purchase of secure accommodation, £90.156m on grants for community based activities, £20.276m on other programmes in the Youth Justice System and £11.301m on running costs (excluding depreciation).

The reported £1.136m deficit arose due to a provision of £2.195m being made to reflect an anticipated decrease in unexpended grant balances held by recipients between the opening and closing balance sheet dates. This charge was made due to the Board's requirement to account for grant expenditure on an accruals basis, whilst grant income is received on a cash basis. The year end cash balance was £7.206m.

## 4 Principal activities

The Board's role is to provide national leadership for the youth justice system.

The Board is required to

- advise the Secretary of State on the operation of the youth justice system, in delivering its aim of preventing offending by children and young people and on changes that may be needed;
- monitor the operation and performance of the youth justice system, including the youth court, the work of the youth offending teams and the delivery of secure accommodation;
- identify and disseminate good practice; including commissioning research and providing grants for developing good practice;
- advise on national standards for the work of youth offending teams and the juvenile secure estate, monitor performance standards and publish results; and
- commission and purchase secure facilities for juveniles on remand and under sentence from April 2000.

## 5 Board Members and Senior Management

The Act provides that the Board shall have between 10 and 12 members, appointed by the Secretary of State. Board members are appointed for periods of between three and five years. The members who served during the year were as follows

### Board Members

Lord Norman Warner	Chairman (until 16 June 2003)
Sir Charles Pollard	Acting Chairman (from 23 June 2003)
Mr Rob Allen	Re-appointed in June 2003
Mr Chris Holmes*	
Mr Cedric Fullwood CBE*	
Ms Joyce Moseley	
Dr Theodore Mutale	Re-appointed in June 2003
Mrs Annabella Scott JP*	
Ms Jackie Ballard	
Ms Lorna Whyte	
Mr Charles Wilson	
Mr Howard Williamson	

\* Member of the Audit Committee

The members of the Board have corporate responsibility for ensuring that the Board properly discharges its statutory functions and complies with statutory and administrative requirements for the use of public funds. Members of the Board appoint the Chief Executive although they may not give instructions that conflict with the Chief Executive's duties as the Board's Accounting Officer.

Chairman Norman Warner resigned from the Board on 16 June 2003. Sir Charles Pollard was appointed acting Chairman on 23 June 2003 for the remainder of the financial year. Rod Morgan was appointed Chairman on 1 April 2004.

The Board's and Chief Executive's responsibilities are stated on page 8.

The Audit Committee reviews the Board's internal control arrangements, the operation of the internal audit service, and the management of risks.

### Senior management team

The senior management team consisted of the Chief Executive, the Director of Practice and Performance, the Director of Service Delivery, the Director of Finance, the Director of Policy, the Director of Communications, and the General Manager.

Mark Perfect	Chief Executive
Chris Hume	Director of Practice and Performance
Paul Bowers	Director of Service Delivery
Matthew Guntrip	Director of Finance
Ruth Allan	Director of Policy (until 23 January 2004)
Brendan Finegan	Director of Policy (from 16 February 2004)
Rachel Pitkeathley	Director of Communications
Malcolm Fuller	General Manager

Ellie Roy succeeded Mark Perfect as Chief Executive on 1 July 2004.

The Chief Executive as Accounting Officer ensures that all public funds made available to the Board are used for the purposes intended by Parliament, that adequate internal controls are maintained, and that proper accounts are prepared. Further details of the responsibilities of the Board and the Chief Executive are given in the Statement on page 8.

## 6 Code of Practice

The Board adopted a Code of Practice for Members at its first meeting on 16 October 1998. The Board's Code of Practice includes a register of Members' interests, which is available for inspection at the Board's offices by arrangement.

## 7 Business review

The Board succeeded in delivering the target to ensure the average time from arrest to sentence was maintained below 71 days per the 1997 Government pledge to halve the time from arrest to sentence for persistent young offenders from 142 days. The average for the year was 65 days. The Board contributed £1.754m for special measures video equipment in youth courts to encourage witnesses to give evidence in a secure environment; with the aim of reducing delays.

The Board continued to provide assistance to the 155 multi-agency Youth Offending Teams (Yots) and the 54 providers of secure facilities to drive up performance in the Youth Justice System.

Funding of Yots was conditional on the achievement of, or progress towards 13 performance targets. Major developments in the year included the national roll out of Intensive Supervision and Surveillance Programme (ISSP). ISSP has been well received by the courts and is the toughest non-custodial option available to them. It combines significant levels of supervised activity with electronic tagging.

To support the strategy to drive up standards in the youth justice system the Board has developed a youth justice system qualification framework, approved by the national curriculum authority. The target to get 1,000 members of the workforce enrolled onto the Professional Certificate course was achieved. The Board established an enhanced regional monitoring structure, which included improved monitoring of the secure estate.

In addition the Board conducted the first three quality reviews of its published effective practice notes in Yots. These notes are based on findings from research and evaluation on 'what works'. The reviews were completed on; *Final Warnings and Interventions; Assessment, Planning Interventions and Supervision; and, Education, Training and Employment*. The Board published a further five effective practice notes during 2003-2004.

YJB invested in education and training programmes in secure facilities to ensure at least 15 hours education and training and 30 hours a week purposeful activity, and commissioned capital projects of £4.220m to improve regimes within the Prison Service.

A new contract was signed on 22 May 2003 with STC Milton Keynes Ltd, (Securicor) to build an 80 bed Secure Training Centre. The STC became operational on 19 August 2004. As a result there is now a total of 274 beds available for vulnerable young people in Secure Training Centres.

During the year the Board conducted a major tender exercise to improve terms in the contracts with Local Authority Children's Homes and contracted with the Prison Service for 2,965 beds in Young Offender Institutes.

Youth Inclusion Programmes (YIPs) and Splash schemes in Wales continued to form the backbone of the Board's prevention strategy during 2003-2004.

70 YIPs operate in the most deprived neighbourhoods in England and Wales targeting the 50 most 'at risk' 13 to 16 year-olds to engage them in activities that will prevent them from offending, throughout the year. The Board continued to fund 13 Splash schemes in Wales, whereas the funding in England ended in the spring of 2003 with 150 Easter Splash schemes. In England the Board no longer receives funding for Splash, now that it has been replaced by the Positive Activities for Young People Fund administered by the Department for Culture Media and Sport.

Over 6,900 young people were sentenced to secure accommodation in 2003-2004, which was broadly consistent with the previous year, although the population levels within the estate were much lower than 2002-2003 where the population peaked due to the Street Crime Initiative.

During the year the Youth Justice Board was subject to two value for money audits which resulted in reports being published in January 2004. The first study on the Board and the wider youth justice system, was reported in '*Youth Offending: The delivery of community and custodial sentences*' Report by the Comptroller and Auditor General, HC 190 Session 2003-2004, 21 January 2004. This resulted in a hearing of the Public Accounts Committee on 2 February 2004. The Board will respond to the Public Accounts Committee report in 2004-2005. The second report, *Youth Justice 2004 A review of the reformed youth justice system* [Published by the Audit Commission January 2004] covered the community youth justice system. The Board has established arrangements to monitor the 105 recommendations to the youth justice system, and to respond to the 13 recommendations directly relating to the Youth Justice Board.

## 8 Statement of accounts

The financial statements are set out on pages 14 to 16 and the notes on pages 17 to 30 form part of them.

## 9 Audit

National Audit Office (NAO) carried out the 2003-2004 statutory audit at a cost of £0.044m (2002-2003: £0.035m).

## 10 Fixed assets

In line with Treasury requirements, all fixed assets are included in the balance sheet at current replacement cost. Freehold land and buildings at the three existing STC sites (Medway, Rainsbrook and Hassockfield) and land at Milton Keynes were revalued on 31 March 2004 using published price indices at £54.041m (current replacement cost). The next RICS revaluation is scheduled for 31 March 2006.

## 11 Research and development

The Board commissioned £1.432m of research into youth justice for a number of areas including analysis of the factors that put young people at risk of offending, the reasons young people engage in street robbery and a national survey of young people and their offending.

## 12 Equal opportunities

YJB has an equal employment policy that states: The YJB is committed to ensuring that all eligible persons shall have equality of opportunity for employment and advancement on the basis of their ability, qualifications and suitability for the work. The YJB aims to set an example of best practice among equal opportunities employers and consequently the current equal opportunities policy goes beyond the legislative framework within which all United Kingdom employers must operate. The policy states there must be no discrimination, directly or indirectly, against any eligible person on grounds of race, colour, nationality, gender, disability, sexual orientation, religion, or any other irrelevant factor, whether in recruitment, training, promotion or in any other way.

It is the policy of YJB to follow the codes of practice issued by Commission for Racial Equality. The General Manager has overall responsibility for ensuring that the policy operates effectively for employment issues.

### 13 Employee relations

The Board aims to follow best practice in the management of staff, including giving proper attention to communication, consultation, and motivation of staff, seeking to create an environment in which all employees contribute their best to their own and the Board's success. Regular meetings are held in order that information flow, both upwards and downwards, is maintained. Senior Staff have regular meetings with their line managers. All staff are invited to attend briefings on draft Board Papers prior to their submission in order that all may have the opportunity to comment.

### 14 Disabled persons

At 31 March 2004 the number of registered disabled people employed was nil (2003: nil). When advertising posts the YJB specifically welcomes applications from disabled persons. It also operates a scheme whereby disabled persons who meet the criteria for a post are guaranteed an interview. In accordance with the principles set out in the YJB's recruitment, selection and induction policy and procedure, the YJB acknowledges that it has a duty under the Disability Discrimination Act 1995 to make reasonable adjustments to the working environment or conditions of appointment which would enable a disabled person to compete for and carry out a job on an equal basis.

### 15 The Environment

The Board is fully committed to playing its part both in the preservation of natural resources and the prevention of environmental pollution. The principal elements of this policy are

- improving the efficiency of energy usage;
- reducing wastage in the use of goods and products and increasing the recycling of waste materials; and
- reducing the use and release of pollutant substances.

### 16 Better Payment Practice Code

YJB standard terms are to make payments in respect of goods/services within 30 days of receipt of a valid invoice. The target under the Better Payment Practice Code is to pay 95% of the invoices within the agreed terms. A review of invoices paid in the year showed that 91% (2003: 92%) were paid in accordance with that policy.

In November 1998, the Late Payment of Commercial Debt (Interest) Act came into force, providing small businesses (and all public sector bodies) with the opportunity to claim interest on payments that are more than 30 days overdue. Amended legislation (the Late Payment of Commercial Debts Regulations 2002) came into force on 7 August 2002 providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No such claims were received during the reporting year by YJB.

### 17 Future developments

The Board's plans are published annually in the Corporate and Business Plan, which is approved by the Home Office. This document sets out how the Board plans to deliver its key targets set by Ministers.

To prevent offending by children and young people the Board will ensure that Youth Offending Teams (Yots) have in place evidence-based programmes such as Youth Inclusion and Support Panels that reduce the likelihood of young people, targeted by the programmes, committing offences or anti-social behaviour, as measured by arrest rates.



The Board plans to reduce offending by young offenders by a further 5% by March 2006 compared with the 2000 baseline.

The Board plans to expand the Intensive Supervision and Surveillance Programme as an effective alternative to custody so that at least 4,000 young offenders each year are intensively supervised in the community by March 2005.

The Board plans to focus support on criminal justice areas, which have not yet reduced the average time from arrest to sentence for persistent young offenders to 71 days or under. Another key target for the Board is to help 80% of youth justice practitioners to gain the Professional Certificate in Effective Practice (Youth Justice) by March 2006.

The Board will continue to monitor the youth justice system, ensuring that all Yots and secure facilities achieve improvements in practice.

Signed on behalf of the Youth Justice Board

*Ellie Roy*  
Chief Executive and Accounting Officer

10 September 2004

# Statement of the Board's and Chief Executive's responsibilities

## The Board's responsibilities

Under Section 41 of, and Schedule 2 to, the Crime and Disorder Act 1998, the Youth Justice Board for England and Wales is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Home Office, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Youth Justice Board is required to

- observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, 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 financial statements; and
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Youth Justice Board will continue in operation.

## The Chief Executives' responsibilities

The Accounting Officer of the Home Office has designated the Chief Executive of the Youth Justice Board as the Accounting Officer for the Board. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

# Statement on Internal Control

## Scope of responsibility

- 1 As Accounting Officer, I have responsibility for ensuring that the Youth Justice Board operates and develops an effective system of internal controls. Our system of internal controls supports the achievement of the Youth Justice Board's aims, objectives and targets set by Ministers in the Home Office, whilst safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting.
- 2 As part of the risk management procedures, I report to the Home Office at agreed intervals on the progress of the Board towards achieving the targets. These progress reports include an assessment of risk on each target. In addition, the main risk register is reported to the Home Office.
- 3 The Youth Justice Board is a Non-Departmental Public Body of the Home Office which was established under the 1998 Crime and Disorder Act. Board members are appointed by the Secretary of State for the Home Office in accordance with the Act to monitor the Youth Justice System and to provide advice on the Youth Justice System. The Chief Executive is appointed by the Accounting Officer of the Home Office. Day to day operations are managed by the Chief Executive and the Senior Management Team.

## The purpose of the system of internal control

- 4 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve aims, objectives and targets. 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 policies, aims and targets, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place for the year ended 31 March 2004 and up to the date of the approval of the accounts and accords with Treasury guidance.

## Capacity to handle risk

- 5 Leadership is given to the risk management process by the work of the senior management team who, with my support regularly review risks. Risks and risk countermeasures are reported to the Audit Committee. In addition, the Senior Management Team ensure that risk is addressed on all major projects and risk assessments are included in the performance reports to the Home Office on the Board's targets.
- 6 Staff receive risk training primarily through attendance on the Home Office risk management training programme and through project management training programmes which address project risk. Further guidance is obtained from the exchange of ideas available through the risk improvement forum. This forum includes staff from other Non Departmental Public Bodies, the Home Office and an observer from the National Audit Office.

## The risk and control framework

- 7 The risk management strategy document is reviewed by the Board, along with a risk policy document. The Chief Executive has overall responsibility for risk management in the Youth Justice Board. Risk is identified firstly by a quarterly review of the main risk register which contains strategic level risks to the organisation and to the delivery of targets. This review includes assessment of impact and likelihood within the context of the countermeasures available. This review is conducted by the Senior Management Team. Appetite for risk includes an assessment of the impact of an outcome in order to determine whether the risk falls within the tolerance set by the Board.

8 Key risks identified by the Board include

- lack of beds available in the juvenile estate;
- failure of duty of care of juveniles; and
- failure to access mainstream services for young people at risk of offending.

The Board monitors progress on a range of countermeasures against these top risks and other strategic risks. The Board has commissioned work with a number of partner organisations in the youth justice system to evaluate and to manage the risks relating to the failure of duty of care in relation to serious incidents. These reviews also bring in relevant medical operational experts.

9 Risk management is embedded at an operational level. More detailed risks are identified in the reports on progress against targets, which are presented to the Home Office periodically and at least quarterly. In addition, operational level risks are identified and managed on all major projects and IT projects are conducted in accordance with Prince 2 methodology.

10 The Corporate and Business Plan sets out plans and budgets agreed with Board and the Home Office for delivering our key targets. During the year the Board members hold at least one discussion of the strategy for delivering each target to inform our work and improve our planning.

11 The Board has established a system of internal control designed to identify and prioritise the risks to the achievement of the YJB's policies, aims and objectives; it's main elements are

- i The principal risks to the achievement of the Youth Justice Board's aims, objectives and targets, are identified and action planned to manage them economically, efficiently and effectively. Risk management is embedded in all the Board's activities. The Board has established a committee structure to address each of the main risks: in addition to the main Board there are separate committees for Audit, Human Resources, Communications, Prevention, Practice and Performance, Service Delivery, and Youth Court Issues. During 2003-2004 further work was undertaken to promote better understanding of risk management which included YJB attendance at Home Office risk management courses and attendance at the Risk Leadership Forum chaired by the Permanent Secretary, Home Office. The Risk Register is reviewed by the Senior Management Team quarterly and by the Audit Committee at least twice a year.
- ii Lead responsibility for delivering each target is allocated to a Head of Unit and quarterly progress reports prepared for review by the Senior Management Team to inform Board members and the Home Office.
- iii Budgets are delegated to Heads of Unit and monthly profiles of spend prepared. Monthly monitoring reports against those profiles are also prepared so any variance from budget can be quickly identified and all available resources used to promote the Board's objectives.
- iv All serious incidents involving the death of a child or young person placed by the Board are investigated to ensure any lessons can be learned and systems for vulnerable young people sentenced to secure facilities by the courts improved. During 2003-2004 there were two such reviews.

12 The Board maintains systems for purchasing, grant administration, pay and personnel to promote effective practice. Each system is overseen by a manager who prepares and maintains a manual for delegated budget holders to use, who advises colleagues on the required procedures and provides help and support where necessary. Resources are delegated to senior managers and Heads of Unit on condition they implement these corporate systems.

13 During 2003-2004 a system of spot checking controls and reporting the findings in quarterly certificates, to confirm that managers had understood and followed these procedures was operated. The certificates provided me with evidence that independent checks were completed on the systems of control and ensured that the procedures necessary to implement the Treasury guidance for the 2003-2004 financial year were in place. I get reassurance both from those certificates and from the good relations between the experts responsible for each of the systems and the delegated budget owners.

- 14 The Youth Justice Board has established procurement systems covering all procurement activities within the Board. Strategies for procurement on individual projects are well embedded and, following a re-structuring of purchasing and project management activities, an overarching procurement strategy for the YJB is being developed. Existing procurement strategies are set out in the Corporate Plan and are linked to our targets which are approved by Ministers in the Home Office. Home Office officials from the Commercial and Procurement Unit (CAPU) sit on the major project boards. Private Finance Initiative procurement activity is subject to regular Gateway reviews by the Office of Government Commerce. In addition, the Youth Justice Board seek advice and guidance on procurement policy, procurement systems and delegations from CAPU. We have requested a procurement practice review be carried out by CAPU to inform our developing strategy.

## Review of effectiveness

- 15 As Accounting Officer I 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 senior managers within the YJB who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters 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 and the Audit Committee and plan to address weaknesses to ensure continuous improvement of the system is in place.
- 16 The Youth Justice Board has an Internal Audit Unit that operates to the standards defined in the Government Internal Audit Manual. The work of the Unit is informed by the analysis of the risk to which the body is exposed, and the internal audit plans are endorsed by the Youth Justice Board's Audit Committee and approved by me. During 2003-2004, Internal Audit completed 10 audits including: a review of corporate governance issues; risk management; Personnel, and Procurement, along with audits examining performance within the wider Youth Justice System. The report on risk management confirmed that procedures to embed risk management were adequate. At least annually, Internal Audit provides me with a report on the Internal Audit activity in the Youth Justice Board. The report includes Internal Audit's independent opinion on the adequacy and effectiveness of the Youth Justice Board's system of internal controls together with recommendations for improvement.
- 17 The Audit Committee review reports from senior managers, internal and external auditors and management's response to audit reports, which ensure that follow-up action is implemented. The Audit Committee also oversees the serious incident reports in the same way.
- 18 During 2003-2004 the Youth Justice Board was subject to value for money (VFM) examination by the Audit Commission in a report 'Youth Justice 2004: A review of the reformed youth justice system' and the National Audit Office 'Youth Offending: The delivery of community and custodial sentences' (Report by the Comptroller and Auditor General, HC 190 Session 2003-2004: 21 January 2004). The report from the Audit Commission included 105 recommendations of which 13 related to the Youth Justice Board, the remainder relating to the wider Youth Justice System. The National Audit Office report, which contained 14 recommendations relating to the Youth Justice Board resulted in a Public Accounts Committee hearing on 2 February, which the former Chief Executive attended, along with my Director of Secure Services. The Public Accounts Committee will produce a report and recommendations in due course. The recommendations in the report of the Public Accounts Committee will be reviewed by the Home Office and the Youth Justice Board and I have initiated plans to assess and respond to the recommendations from these reports.

*Ellie Roy*  
Chief Executive and Accounting Officer

10 September 2004

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 14 to 30 under the Crime and Disorder Act 1998. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 17 and 18.

## Respective responsibilities of the Youth Justice Board, the Chief Executive and Auditor

As described on page 8 the Board and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Crime and Disorder Act 1998 and directions made thereunder by the Secretary of State with the consent of Treasury and for ensuring the regularity of financial transactions. The Board and the Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Crime and Disorder Act 1998 and directions made there under by the Secretary of State, with the consent of the Treasury, and whether, in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 9 to 11 reflects the Board's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk control procedures.

## Basis of opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, 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 and the Chief Executive 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 income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform 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 Youth Justice Board at 31 March 2004 and of the deficit, total recognised gains and losses, and cash flows for the year then ended and have been properly prepared in accordance with the Crime and Disorder Act 1998 and the directions made thereunder by the Secretary of State, with the consent of the Treasury; and
- in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

6 October 2004

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## Income and Expenditure Account for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
<b>Income</b>			
Grant income	2	<b>365,193</b>	354,947
<b>Expenditure</b>			
Staff costs	3	<b>(6,844)</b>	(5,521)
Other operating charges	4	<b>(5,683)</b>	(4,782)
Youth Justice programme expenditure	5	<b>(352,388)</b>	(347,429)
Impairment loss on revaluation of fixed assets	6	<b>(6)</b>	(41)
Reversal of impairment loss on fixed assets	6	<b>33</b>	1,245
Interest payable on PFI debt	9	<b>(1,441)</b>	(1,522)
Cost of capital	1(i)	<b>(1,347)</b>	(1,305)
Total operating expenditure		<b>(367,676)</b>	(359,355)
<b>Operating deficit</b>		<b>(2,483)</b>	(4,408)
Interest received	7	<b>1,018</b>	850
Interest payable to Home Office	8	<b>(1,018)</b>	(850)
Cost of capital reversal	1(i)	<b>1,347</b>	1,305
<b>Retained deficit for the year</b>		<b>(1,136)</b>	(3,103)

All results arise from continuing activities

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Retained deficit for the year		<b>(1,136)</b>	(3,103)
Surplus on revaluation of fixed assets	15	<b>1,342</b>	8,012
Impairment on revaluation of fixed assets	15	<b>(33)</b>	(1,260)
Total recognised gains and losses relating to the year		<b>173</b>	3,649

The notes on pages 17 to 30 form part of these accounts.



## Balance Sheet as at 31 March 2004

	Notes	<b>2004</b> <b>£000</b>	2003 £000
<b>Fixed assets</b>			
Tangible assets	6	<b>54,687</b>	54,354
<b>Current assets</b>			
Debtors and prepayments	10	<b>8,439</b>	14,628
Cash at bank and in hand	11	<b>7,206</b>	1,010
<b>Current liabilities</b>			
Creditors falling due within one year	12a	<b>(13,179)</b>	(17,508)
<b>Net current assets/(liabilities)</b>			
		<b>2,466</b>	(1,870)
<b>Total assets less current liabilities</b>			
		<b>57,153</b>	52,484
<b>Long term liabilities</b>			
Creditors falling due after more than one year	12b	<b>(15,729)</b>	(16,911)
<b>Total assets less liabilities</b>			
		<b>41,424</b>	35,573
<i>Capital and reserves</i>			
Deferred government grant	13	<b>23,063</b>	16,762
Income and expenditure reserve	14	<b>7,081</b>	8,217
Revaluation reserve	15a	<b>11,280</b>	10,594
<b>Government funds</b>			
	15b	<b>41,424</b>	35,573

Ellie Roy  
Chief Executive and Accounting Officer

10 September 2004

*The notes on pages 17 to 30 form part of these accounts*

## Cash Flow Statement for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
<b>Operating activities</b>			
Net cash inflow/(outflow) from operating activities		<b>6,158</b>	(3,768)
<b>Returns on investments and servicing of finance</b>			
Interest received	7	<b>1,018</b>	850
Interest paid	8	<b>(980)</b>	(843)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		<b>(6,540)</b>	(16,705)
<b>Net cash outflow before financing</b>		<b>(344)</b>	(20,466)
<b>Financing</b>			
Grant-in-Aid for capital expenditure	2	<b>6,540</b>	16,705
Increase/(decrease) in cash	16	<b>6,196</b>	(3,761)

## Reconciliation of Operating Deficit to Net Cash Inflow from Operating Activities

	Notes	2004 £000	2003 £000
Operating deficit		<b>(2,483)</b>	(4,408)
Depreciation	4	<b>1,234</b>	864
Cost of capital		<b>1,347</b>	1,305
Profit on disposal of fixed assets	4	<b>(8)</b>	-
Decrease in debtors		<b>6,189</b>	2,741
Increase/(decrease) in creditors excluding fixed asset creditors		<b>560</b>	(2,763)
Transfer from reserves	2	<b>(654)</b>	(303)
Impairment loss on revaluation of fixed assets	6	<b>6</b>	41
Reversal of impairment loss on fixed assets	6	<b>(33)</b>	(1,245)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>6,158</b>	(3,768)

*The notes on pages 17 to 30 form part of these accounts*

# Notes to the Accounts

## 1 Basis of accounts

These financial statements are drawn up in accordance with the Treasury's Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance and applicable accounting standards. They are in a form as directed by the Secretary of State with the approval of Treasury and in accordance with section 41 of, and schedule 2 to, the Crime and Disorder Act 1998.

The following principal accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### *Principal accounting policies*

The accounts are prepared under the historical cost convention, modified to include fixed assets at their value to the business by reference to current costs. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are relevant. The accounts are also consistent, where appropriate, with generally accepted accounting practice in the United Kingdom (UK GAAP).

### *Turnover*

Turnover is wholly attributable to the YJB's goal of providing leadership in the youth justice system. For this reason, it is not deemed necessary to disclose results by segment. There is no turnover relating to geographical areas outside the United Kingdom.

### *Grant-in-Aid*

The Board is principally funded by Grant-in-Aid received from the Home Office which is accounted for when received.

### *Deferred Government Grants*

Grant-in-Aid for capital expenditure is credited to a Deferred Government Grant Reserve. Each year an amount equal to the depreciation charge on the Fixed Assets acquired through Grant-in-Aid is released from the Reserve to the Income and Expenditure Account.

### *Grant expenditure*

Grants payable in respect of YJB expenditure are accounted for on an accruals basis. A liability is deemed to arise when the grant recipient carries out the specific activity, which forms the basis for entitlement. Funds provided, which have not been fully utilised by the grantee, are disclosed as a prepayment in the balance sheet.

### *Value Added Tax*

The Board is not eligible to recover VAT incurred and all costs are shown inclusive of any VAT charged.

### *Fixed assets*

Assets are capitalised if they are intended for use on a continuous basis for more than one year and their original cost, on an individual or grouped basis, is £1,000 or more.

Professional valuations of freehold land and buildings are obtained approximately every three years and modified in the intervening years by use of appropriate indices. Buildings are valued on an Existing Use basis. The valuations are in accordance with RICS Guidance. A surplus is taken to the Revaluation Reserve. A deficit is taken to the Revaluation Reserve only to the extent that a surplus for that particular asset exists within the Revaluation Reserve, any further deficit is taken to the Income and Expenditure Account. Increased depreciation charges arising from the revaluation are matched by transfers from the Revaluation Reserve to the Income and Expenditure Account.

Other Fixed Assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office for National Statistics, except in the year of acquisition when their current and historical cost will not be materially different, or in subsequent years when the difference is immaterial.

#### *Depreciation*

Depreciation is provided on all fixed assets, except land, on a straight-line basis to write off the cost or valuation (less any estimated residual value) evenly over the asset's anticipated life as follows:

Buildings core	forty years for Hassockfield STC fifty years for Medway and Rainsbrook STC
Buildings machine and electrical	twenty five years
Computer equipment	three years
Office equipment	five years
Leasehold improvements	ten years

#### *Cost of capital charge*

In accordance with Treasury's 'Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance' a notional charge for the cost of capital employed in the year is included in the Income and Expenditure Account in arriving at the operating surplus or deficit along with an equivalent reversing entry. The charge for the year is calculated using the Treasury's discount rate of 3.5% applied to the mean value of capital employed during the year. The value of capital employed excludes the value of assets donated to the Board.

#### *Research*

Research expenditure into the evaluation of good practice within the Youth Justice System is written off fully in the period incurred.

#### *Pensions*

The Board's pension contributions to the Principal Civil Service Pension Scheme (PCSPS) are accounted for as payment in respect of a defined contribution scheme in accordance with guidance issued by the Treasury. The amount charged represents the contributions payable for the year.

#### *Operating leases*

Operating lease expenditure is written off in the year in which it is incurred.

#### *Private Finance Initiative (PFI) transactions*

PFI transactions are accounted for in accordance with Treasury Taskforce Guidance Technical Note 1 (Revised), entitled *How to Account for PFI Transactions* as required by the RAM. Where the balance of the risks and rewards of ownership of the PFI property are borne by the 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. The Board has not entered into any off balance sheet PFI contracts.

**2 Government grants**

	<b>2004</b>	2003
	<b>£000</b>	£000
Grant-in-Aid from Home Office	<b>370,374</b>	362,684
Grant from New Opportunities Fund	<b>330</b>	8,665
Grant from Welsh Assembly	<b>200</b>	0
Grant from Arts Council	<b>175</b>	0
Transfers to deferred government reserve in respect of fixed asset additions	<b>(6,540)</b>	(16,705)
Transfer from deferred government reserve in respect of depreciation charged on fixed assets	<b>654</b>	303
	<b><u>365,193</u></b>	<u>354,947</u>

**3 Staff costs**

## a Analysis of total staff costs

	<b>2004</b>	2003
	<b>£000</b>	£000
<b>Board Members</b>		
Salaries and emoluments	<b>158</b>	160
Social security contributions	<b>14</b>	10
Pension contributions	<b>2</b>	9
	<b><u>174</u></b>	<u>179</u>
<b>Staff</b>		
Salaries and emoluments	<b>4,688</b>	3,902
Social security contributions	<b>404</b>	300
Pension contributions	<b>614</b>	508
	<b><u>5,706</u></b>	<u>4,710</u>
<b>Total employment costs</b>		
Salaries and emoluments	<b>4,846</b>	4,062
Social security contributions	<b>418</b>	310
Pension contributions	<b>616</b>	517
Other (including agency) staff costs	<b>964</b>	632
	<b><u>6,844</u></b>	<u>5,521</u>

- b Chairman Norman Warner resigned on 16 June 2003. Lord Warner received emoluments of £14,816 (2003: £68,440) for the year to 31 March 2004, including contributions to his personal pension scheme. The Chairman's personal pension scheme provides benefits analagous with the Principal Civil Service Pension Scheme (PCSPS). Sir Charles Pollard was appointed acting Chairman on 23 June 2003 and, for the year to 31 March 2004, received emoluments of £61,458.

In the year ended 31 March 2004 the Board Members, excluding the Chairman and the acting Chairman, received fees in the following bands based on the number of days worked.

	<b>2004</b>	2003
	<b>£000</b>	£000
Cedric Fullwood	15-19.999	15-19.999
Joyce Moseley	5-9.999	5-9.999
Rob Allen	5-9.999	5-9.999
Dr Theodore Mutale	5-9.999	5-9.999
Annabella Scott	5-9.999	5-9.999
Lorna Whyte	5-9.999	5-9.999
Charles Wilson	5-9.999	5-9.999
Howard Williamson	5-9.999	5-9.999
Jackie Ballard	5-9.999	0-4.999
Chris Holmes	5-9.999	0-4.999

c The salary and pension entitlements of Senior Management were as follows

	2004 salary	2004 Real increase in pension at 60	Total accrued pension at 60 at 31 March 2004	2003 Salary	2003 Real increase in pension at 60	Total accrued pension at 60 at 31 March 2003
	£000	£000	£000	£000	£000	£000
<b>Mark Perfect</b> Chief Executive	100-105	0-2.5	30-35	95-100	0-2.5	30-35
<b>Chris Hume</b> Director of Practice and Performance	90-95	0-2.5	0-5	85-90	0-2.5	0-5
<b>Paul Bowers</b> Director of Service Delivery	90-95	0-2.5	0-5	85-90	0-2.5	0-5
<b>Ruth Allan</b> Director of Policy ( to 23 January 2004)	55-60	0-2.5	0-5	50-55	0-2.5	0-5
<b>Brendan Finegan</b> Director of Policy (from 16 February 2004)	50-55	0-2.5	0-5	50-55	0-2.5	0-5
<b>Matthew Guntrip</b> Finance Director	50-55	-	-	50-55	-	-
<b>Rachel Pitkeathley</b> Director of Communications	50-55	0-2.5	0-5	50-55	0-2.5	0-5
<b>Malcolm Fuller</b> General Manager	50-55	0-2.5	0-5	50-55	0-2.5	0-5

Matthew Guntrip is on secondment from the Department for Constitutional Affairs

Other pension details (as required by EPN 92) relating to senior management are as follows

Senior Manager	2004 CETV @ 31 March 2004 £000	2004 Real Inc in CETV £000	2003 CETV @ 31 March 2003 £000	2004 Lump sum @ 31 March 2004 £000	2004 Real Inc in lump sum £000	2003 Lump sum @ 31 March 2003 £000
Mark Perfect	479	35	444	100	0	100
Chris Hume	279	0	279	6	3	3
Paul Bowers	20	15	5	0	0	0
Ruth Allan	60	15	45	10	2	8
Brendan Finegan	177	31	146	40	5	35
Rachel Pitkeathley	38	10	28	10	2	8
Malcolm Fuller	35	13	22	6	2	4

The Chief Executive's remuneration for the year was £121,231, including employers pension contributions of £17,949. The Chief Executive is an ordinary member of the PCSPS and is engaged by the Board under a three year fixed term contract ending June 2004.

The Senior Managers are ordinary members of the PCSPS and are employed by the Board under permanent contracts except for the Finance Director who is on secondment to 19 May 2006.

Permission to disclose the ages of senior staff has been withheld.

The average number of full time equivalent employees employed by the Board was as follows

	2004 Staff	2004 Secondees and temporaries	2004 Total	2003 Staff	2003 Secondees and temporaries	2003 Total
Administration	23	4	27	23	4	27
Programme	97	28	125	82	16	98
Total	120	32	152	105	20	125

The increase over prior year is mainly due to implementation of the regional monitoring team.

#### *Pension contributions*

The PCSPS is an unfunded multi-employer defined scheme where the YJB is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2003-2004, employers' contributions of £0.614m were payable to PCSPS (2002-2003: £0.508m) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the future provision of lump sum benefits on death in service and ill health retirement of these employees.

**4 Other operating charges**

	<b>2004</b>	2003
	<b>£000</b>	£000
Accommodation costs	<b>1,029</b>	928
Audit fee-external	<b>44</b>	35
Audit fee-internal	<b>59</b>	44
Board meetings	<b>30</b>	34
Communications	<b>833</b>	543
Conferences	<b>234</b>	174
Consultancy	<b>167</b>	359
Depreciation	<b>1,234</b>	864
General administration	<b>370</b>	243
IT costs	<b>795</b>	788
Legal costs	<b>42</b>	41
Personnel costs	<b>439</b>	377
Professional fees	<b>11</b>	51
Profit on disposal of fixed assets	<b>(8)</b>	0
Travel and subsistence	<b>404</b>	298
YOT database	<b>0</b>	3
Total	<b>5,683</b>	4,782

The depreciation charge for the year portion of £1.375m (see note 6) is offset by releasing £0.141m (see note 15) from the revaluation reserve in respect of depreciation related to the revaluation portion of the fixed asset cost.

*Notional costs*

Notional costs of Home Office services provided to YJB in the year to 31 March 2004 are not reflected in these accounts. These costs are included in Other Administration Costs in the resource accounts of the Home Office and are not significant within overall sums.

**5 Youth Justice Programme Expenditure**

69 per cent of programme expenditure (£241.956m) was incurred on the purchase of secure accommodation; £156.663m on the provision of places and regime enhancements in the Prison Service juvenile estate; £54.851m on the purchase of accommodation in Local Authority Secure Children's Homes; and £30.442m on placements to Secure Training Centres.

Youth Offending Teams (YOTs) received £45.162m in direct funding from the Board, which was conditional on the achievement of or progress towards performance targets. The Board incurred expenditure of £26.522m on the continued implementation of the Intensive Supervision and Surveillance Programme (ISSP), which provides a tough non-custodial option to the courts.

As part of its prevention strategy the Board spent £8.471m on Youth Inclusion Programmes (YIPs) and Holiday Splash schemes and paid £10.002m in grants to other community intervention schemes.

The Board spent £6.048m on education and training, (including the development of a programme for practitioners working in the youth justice system) and £2.578m on the 'tackling delays' project.

Research and evaluation projects costing £1.432m were commissioned in year.

Other expenditure of £10.217m was incurred mainly on National Implementer schemes, Youth Justice Information Technology projects, and substance misuse programmes.



Expenditure was allocated to programmes as shown below

	<b>2004</b>	2003
	<b>£000</b>	£000
<b>Purchase of secure accommodation</b>		
HM Prison Service (including 'Private Prisons Group')	<b>156,663</b>	153,602
Local Authority Secure Childrens' Homes	<b>54,851</b>	48,855
Secure Training Centres	<b>30,442</b>	26,636
<b>Sub total</b>	<b>241,956</b>	229,093
Direct YOT funding	<b>45,162</b>	49,481
Intensive Supervision and Surveillance Programme	<b>26,522</b>	26,136
Youth Inclusion Programmes and Holiday Splash Schemes	<b>8,471</b>	17,754
Other grants for intervention projects	<b>10,002</b>	10,579
Education and training	<b>6,048</b>	5,299
Tackling delays	<b>2,578</b>	1,724
Research into Youth Justice System	<b>1,432</b>	1,974
Other programme expenditure	<b>10,217</b>	5,389
<b>Total</b>	<b>352,388</b>	347,429

## 6 Tangible fixed assets

	Land and buildings £000	Computer equipment £000	Office equipment £000	Leasehold improvements £000	<b>Total</b> <b>£000</b>
Cost/valuation at 1 April 2003	58,748	275	76	413	<b>59,512</b>
Additions	0	192	9	259	<b>460</b>
Disposals	0	(5)	0	(22)	<b>(27)</b>
Indexation	1,342	(30)	(9)	6	<b>1,309</b>
Cost/valuation at 31 March 2004	60,090	432	76	656	<b>61,254</b>
Depreciation at 1 April 2003	4,776	215	44	123	<b>5,158</b>
Charge for the year	1,206	89	15	66	<b>1,376</b>
Disposals	0	(5)	0	(4)	<b>(9)</b>
Indexation	67	(22)	(5)	2	<b>42</b>
Depreciation at 31 March 2004	6,049	277	54	187	<b>6,567</b>
Net book value at 31 March 2004	54,041	155	22	469	<b>54,687</b>
Net book value at 31 March 2003	53,972	60	32	290	54,354

The in year upward revaluation in respect of Rainsbrook STC buildings led to a £0.033m credit to the Income and Expenditure Account (as a diminution of £0.033m had been recognised in the Income and Expenditure Account in 2003).

	Fixed asset indexation movement	Revaluation reserve movement (refer Note 15)	Income and expenditure account movement	Backlog depreciation
	£000	£000	£000	£000
Medway Buildings upward revaluation	449	449	0	29
Rainsbrook Buildings upward revaluation	356	323	33	22
Hassockfield Buildings upward revaluation	229	229	0	16
Land upward indexation	308	308	0	
Other assets downward revaluation	(33)	0	(6)	(25)
Release equivalent to depreciation on revaluation portion of fixed asset value	0	(141)	141	0
<b>Total</b>	<b>1,309</b>	<b>1,168</b>	<b>168</b>	<b>42</b>

The in year depreciation charge for buildings (£1.206m) is offset by release from the revaluation reserve of £0.141m in respect of depreciation related to the revaluation portion of the fixed asset cost.

The land and buildings were upwardly revalued at 31 March 2004 to a gross current replacement cost of £60.090m using appropriate price indices published by the Office for National Statistics.

The next independent professional revaluation of land and buildings according to RICS guidance is due in March 2006.

In year changes to current replacement cost of land are as follows

	Medway	Rainsbrook	Hassockfield	Milton Keynes	<b>Total</b>
	£000	£000	£000	£000	<b>£000</b>
1 April 2003	6,900	600	780	4,762	13,042
Revaluation	164	14	18	112	308
<b>31 March 2004</b>	<b>7,064</b>	<b>614</b>	<b>798</b>	<b>4,874</b>	<b>13,350</b>

## 7 Income and interest received

The Board earned interest of £1.018m (2003: £0.850m) on funds deposited at the Bank.

## 8 Interest payable

The interest earned during the year of £1.018m (2003: £0.850m) is repayable to the Home Office under the terms of the Board's Financial Memorandum. Interest actually repaid to the Home Office during the year amounted to £0.980m (2003: £0.844m).

## 9 PFI transactions

Responsibility for management of contracts with private sector companies for the running of the following Secure Training Centres (STCs) rests with the Board. These contracts are as follows

STC	Contractor	Term
Medway	ECD (Cookham Wood) Ltd	15 years to April 2013
Rainsbrook	ECD (Onley) Ltd	15 years to May 2014
Hassockfield	Medomsley Training Services	15 years to September 2014

The Board holds a reversionary interest in the STC buildings at the end of the contract term. STC buildings have been capitalised as fixed assets and depreciated accordingly in the financial statements. The original fair capital value has been established by external valuers as noted above (see note 6) and a corresponding notional debt to the contractor established based on a 15 year mortgage at 8 per cent on the value. This debt and the imputed interest on it is repaid from part of the total amount paid to the contractors each year. The balance of the amount paid is treated as a service element, i.e. the cost of operating the centre each year, and this and the imputed interest are taken separately to the Income and Expenditure Account.

The following disclosures are made in respect of PFI transactions

	Medway £000	Rainsbrook £000	Hassockfield £000	<b>Total £000</b>
<b>Income and Expenditure Account</b>				
<i>Youth Justice Programme Expenditure</i>				
Service element to contractors	12,113	9,906	5,197	<b>27,216</b>
Imputed debt interest 8 per cent	456	452	533	<b>1,441</b>
<b>Balance sheet</b>				
<i>Fixed assets - buildings</i>				
Replacement cost 1 April 2003	19,025	15,066	11,615	<b>45,706</b>
Indexation	449	356	229	<b>1,034</b>
Depreciation 1 April 2003	(1,225)	(936)	(2,615)	<b>(4,776)</b>
Depreciation charge	(508)	(420)	(278)	<b>(1,206)</b>
Backlog depreciation	(29)	(22)	(16)	<b>(67)</b>
Net book value 31 March 2004	17,712	14,044	8,935	<b>40,691</b>
Creditors due within one year – PFI debt	421	357	404	<b>1,182</b>
Creditors due after more than one year - PFI debt	4,891	4,959	5,879	<b>15,729</b>
Debt repayment in year	389	332	374	<b>1,095</b>
Debt repayable one to two years	453	387	437	<b>1,277</b>
Debt repayable two to five years	1,589	1,357	1,531	<b>4,477</b>
Debt repayable five to ten years	2,849	3,089	3,485	<b>9,423</b>
Debt Repayable 10-15 years	0	126	426	<b>552</b>

As at 31 March 2004 the Board has contracted for the provision of a secure training centre at Milton Keynes. The facility became operational on 19 August 2004 and will lead to the recognition of an on-balance sheet PFI transaction in 2004-2005. The capital value of the facility to be recognised on the Board's balance sheet is £25.4m.

## 10 Debtors

	<b>2004 £000</b>	2003 £000
Other debtors	<b>1,558</b>	3,911
Prepayments	<b>220</b>	1,861
Grant prepayments	<b>6,661</b>	8,856
	<b>8,439</b>	14,628

**11 Cash**

	<b>2004</b>	2003
	<b>£000</b>	£000
Cash at bank	<b>7,206</b>	840
Short term deposits	<b>0</b>	170
	<b>7,206</b>	1,010

**12 Creditors***a Creditors falling due within one year*

	<b>2004</b>	2003
	<b>£000</b>	£000
Trade creditors	<b>6,622</b>	9,566
Interest payable to the Home Office	<b>105</b>	69
Accruals and deferred revenue	<b>5,270</b>	6,778
PFI (STC contract) creditors (see note 9)	<b>1,182</b>	1,095
	<b>13,179</b>	17,508

*b Creditors falling due after more than one year*

	<b>2004</b>	2003
	<b>£000</b>	£000
PFI (STC contract) creditors (see note 9)	<b>15,729</b>	16,911

**13 Deferred government grant reserve**

	<b>2004</b>	2003
	<b>£000</b>	£000
Balance at 1 April	<b>16,762</b>	360
Capital grant for the year	<b>6,540</b>	16,705
Revaluation surplus transferred from revaluation reserve	<b>415</b>	0
Depreciation transferred to Income and Expenditure Account	<b>(654)</b>	(303)
Balance at 31 March	<b>23,063</b>	16,762

**14 Income and Expenditure Account**

	<b>2004</b>	2003
	<b>£000</b>	£000
Balance at 1 April	<b>8,217</b>	11,320
Retained deficit	<b>(1,136)</b>	(3,103)
Balance at 31 March	<b>7,081</b>	8,217

**15 Reserves***a Revaluation reserve (see note 6)*

	<b>2004</b>	2003
	<b>£000</b>	£000
Balance at 1 April	<b>10,594</b>	3,941
Surplus on revaluation of fixed assets	<b>1,342</b>	8,012
Revaluation Surplus transferred to deferred government grant reserve	<b>(415)</b>	0
Reversal of prior period impairment loss	<b>(33)</b>	(1,260)
Backlog depreciation on revaluation of fixed assets	<b>(67)</b>	0
Release equivalent to depreciation on revalued portion of fixed assets	<b>(141)</b>	(99)
Balance at 31 March	<b><u>11,280</u></b>	<u>10,594</u>

Surplus on revaluation of fixed assets is made up as follows

Upward revaluation of STC land	<b>308</b>
Upward revaluation of STC buildings	<b><u>1,034</u></b>
Total	<b><u>1,342</u></b>

The release from the reserve is a reversal of a prior period diminution previously recognised in the Income and Expenditure Account relating to Rainsbrook STC.

*b Reconciliation of movements in government funds*

	<b>2004</b>	2003
	<b>£000</b>	£000
Deficit for the year	<b>(1,136)</b>	(3,103)
Net surplus on revaluation of fixed assets	<b>1,309</b>	6,752
Other transfers	<b>(208)</b>	(99)
Increase in deferred government grant reserve	<b>5,886</b>	16,402
Movement in government funds during the year	<b><u>5,851</u></b>	<u>19,952</u>
Government funds at 1 April	<b>35,573</b>	15,621
Government funds at 31 March	<b><u>41,424</u></b>	<u>35,573</u>

**16 Analysis of changes in cash**

	<b>2004</b>	2003
	<b>£000</b>	£000
Balance at 1 April 2003	<b>1,010</b>	4,771
Increase/(decrease) in cash	<b>6,196</b>	(3,761)
Balance at 31 March 2004	<b><u>7,206</u></b>	<u>1,010</u>

## 17 Related party transactions

YJB is an executive Non-Departmental Public Body that during the 2003-2004 financial year was sponsored by the Home Office. The Home Office is therefore regarded as a related party. During 2003-2004, YJB had material transactions with the Home Office, primarily being the £370.374m (2002-2003: £362.684m) grant-in-aid income received.

During the year YJB also incurred costs of £156.663m (2002-2003: £153.602m) with HM Prison Service (HMPS), which is a part of the Home Office. These transactions relate to the purchase of secure accommodation for young offenders at prison facilities and to capital grants from the Board for regime enhancements within the juvenile estate.

Board members are required under the Code of Best Practice to declare any personal, financial and business interests which may conflict with their duties on the Board. Members may not participate in Board discussions or decisions on financial matters where a conflict of interest arises.

During the year the Board entered into a number of transactions with organisations with which Board members were related parties. These transactions are detailed below.

A register of Board Members' interests is maintained and is available for inspection at the Board's offices.

### Youth Justice Board Members and related parties

Member	Company/Partnership/ Trust/Organisation etc	Role in/Relationship with Organisation	Transactions	£
Rob Allen	NACRO	Patron	Programme expenditure	785,383
Joyce Moseley	RPS Rainer	Chief Executive	Contributions to Bail Support and Remand Management Scheme	265,958
Annabella Scott	Howard League for Penal Reform	Member	Grants and services towards the cost of running programmes	130
	Children Law UK	Member		130
	Magistrates' Association	Member		750
Howard Williamson	NACRO Cymru	Member of Advisory Council	Grants towards the cost of running programmes	14,463
	Duke of Edinburgh Award Trust	Member of Council		15,543
	Prince's Trust Cymru	Member of Council		39,080

## 18 Commitments under operating leases

At 31 March 2004 the Board had annual commitments under operating leases as set out below.

	HM Prison Service	STC Contracts	Buildings	Local Authority Secure Childrens Homes	Youth Programme Expenditure	<b>Total</b>
	£000	£000	£000	£000	£000	<b>£000</b>
One year	125,909	0	0	51,110	82,183	<b>259,202</b>
Two to five years	0	0	884	0	0	<b>884</b>
After five years	0	30,514	0	0	0	<b>30,514</b>
<b>Total</b>	<b>125,909</b>	<b>30,514</b>	<b>884</b>	<b>51,110</b>	<b>82,183</b>	<b>290,600</b>

Operating leases which expire

Operating lease commitments under STC contracts relate to the basic annual payments due to operators for running the centres (see note 9).

## 19 Post balance sheet events

Milton Keynes STC became operational on 19 August 2004. The 80 bed unit is managed by a private contractor under a PFI agreement with the Board (see note 9).

Two significant personnel changes occurred following the year end. Rod Morgan succeeded Lord Warner as Chairman on 1 April 2004. Ellie Roy succeeded Mark Perfect as Chief Executive Officer on 1 July 2004.

No other events have occurred in the period between the balance sheet date and the date on which these financial statements have been approved by the Chief Executive, which would require disclosure to give a proper understanding of the financial position.

## 20 Contingent liabilities

As at 31 March 2004 there were no Contingent Liabilities (2003: £nil).

## 21 Financial instruments

Financial Reporting Standard (FRS) 13, Derivatives and Other Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. At the year-end there were funds on short term deposit but short term assets and liabilities are excluded from FRS 13. Because of the largely non-trading nature of its activities and the way in which non-departmental public bodies are financed, the Youth Justice 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 mainly applies. The Youth Justice Board has no powers to borrow or purchase foreign currency with Grant-in-Aid. Surplus grant may be held on deposit but interest must be repaid to the Home Office. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the Youth Justice Board in undertaking its activities.

### *Liquidity risk*

The Board's net revenue resource requirements are financed by submitting plans to the Home Office annually, as is its capital expenditure. The Youth Justice Board is therefore not exposed to significant liquidity risks.

*Interest rate risk*

The Youth Justice Board has no long term interest bearing deposits and any interest earned on short term deposits is paid to the Home Office. There is an imputed interest cost for the PFI creditor calculated at 8 per cent. As this is a fixed rate for the term of the contract, the Youth Justice Board does not face an interest rate risk.

*Interest rate profile*

The following table shows the interest rate and currency profiles of the Board's financial liabilities.

At 31 March 2004	Total	Fixed rate financial liabilities	Fixed rate %	Weighted average period until maturity Years
	£000	£000		
Sterling - Medway STC	5,312	5,312	8	9 years, 1 month
Sterling - Rainsbrook STC	5,316	5,316	8	10 years, 2 months
Sterling - Hassockfield STC	6,283	6,283	8	10 years, 6 months
<b>Total</b>	<b><u>16,911</u></b>	<b><u>16,911</u></b>		

The financial liabilities included above all relate to PFI projects.

*Foreign currency risk*

All material assets and liabilities are denominated in sterling, so the Youth Justice Board is not exposed to currency risk.

*Fair value*

The book values and fair values of the financial liabilities differ due to discounting of the long term creditors at 3.5 per cent per annum to determine their fair value while cash flows include imputed interest calculated at 8 per cent per cent. The rate of 3.5 per annum has been used as this is the notional cost of capital adopted by the Youth Justice Board in compliance with the Treasury Guidance for Non-Departmental Public Bodies.

	Book value as at 31 March 2004 £000	Fair value as at 31 March 2004 £000	Notional discount rate %
Financial liabilities			
Sterling - Medway STC	5,312	4,402	3.5
Sterling - Rainsbrook STC	5,316	4,311	3.5
Sterling - Hassockfield STC	6,283	5,058	3.5
<b>Total</b>	<b><u>16,911</u></b>	<b><u>13,771</u></b>	



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