



HM Courts &  
Tribunals Service

# HM Courts & Tribunals Service

## Trust Statement 2022-23







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Tribunals Service

# HM Courts & Tribunals Service

## Trust Statement 2022-23

For the period 1 April 2022 to 31 March 2023

HM Courts & Tribunals Service is an executive agency of the Ministry of Justice.

Presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000.

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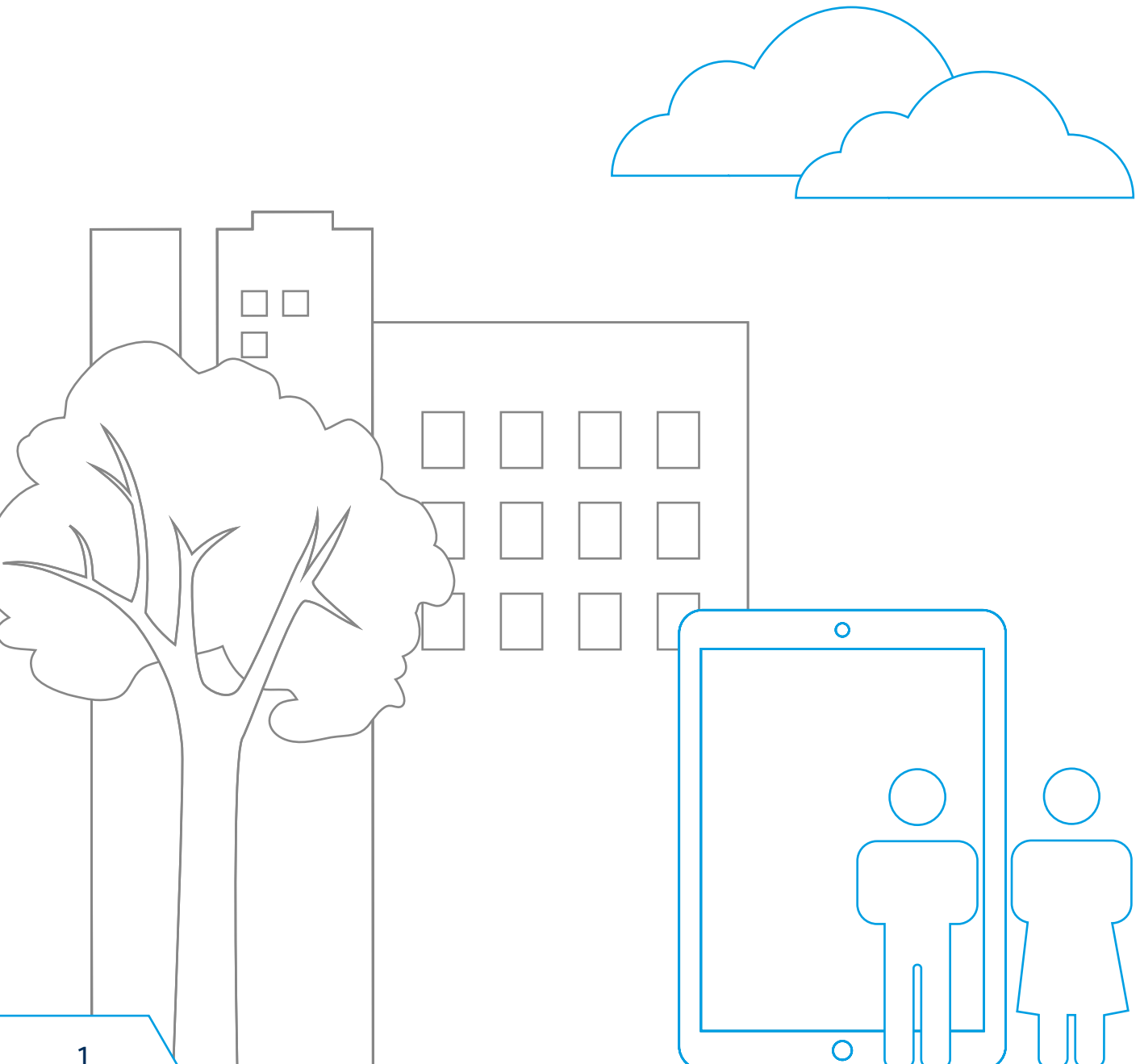
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# Section 1: Introductions



## Accounting Officer's Foreword to the Trust Statement

The Trust Statement reflects the collective efforts of a number of Agencies that work together to collect and enforce payments due from offenders relating to fines, confiscation orders and other financial penalties imposed by the courts and police forces. I am delighted to once again produce a Trust Statement that the Comptroller and Auditor General has been able to provide an unqualified audit opinion on.

During 2022-23 we maintained strong performance in collections with over £844 million collected in the year, across all imposition types. An increase in Victim Surcharge rates introduced in June 2022 will result in additional funds to help support the victims of rape, domestic violence and families bereaved by murder and fatal road traffic crimes, with a proportion of receipts being allocated to Police and Crime Commissioners (PCC's) for innovative local projects to support victims.

Within the £844 million of collections, £178 million relate to confiscation order receipts. Confiscation orders are one of the key mechanisms available to the Government to deprive criminals of the proceeds of their crimes. The value of the order is based on the criminal benefit attributed to the crime and may therefore exceed the value of the assets that are known to the Court at the time of imposition. In addition to confiscating the proceeds of crime and depriving the criminal of their assets, a confiscation order aims to disrupt and deter criminality, reduce harm caused to communities and reassure the public that crime does not pay.

We do everything in our power to trace criminals and their money, including taking deductions from offenders' benefits or earnings and seizing goods and property. We will continue to remain focused on our key aim of ensuring that justice is delivered and that offenders pay what they owe.

**Nick Goodwin**

Chief Executive and Accounting Officer

## Introduction to the Trust Statement

### Introduction

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to the Consolidated Fund<sup>1</sup> where the entity undertaking the collection and subsequent disbursements acts as agent rather than principal. The legislative requirement for the HM Courts & Tribunals Service Trust Statement is set out in section 7 of the Government Resources and Accounts Act 2000.

HM Courts & Tribunals Service (HMCTS) acts as an agent responsible for collecting financial penalties imposed by the judiciary and the police. These impositions comprise court fines, prosecutors' costs, and compensation to victims, fixed penalty notices, confiscation orders and victim surcharge.

The Trust Statement records revenue and expenditure relating to these impositions, the third-party bodies to which the funds are disbursed and the year-end balance owed to the Consolidated Fund.

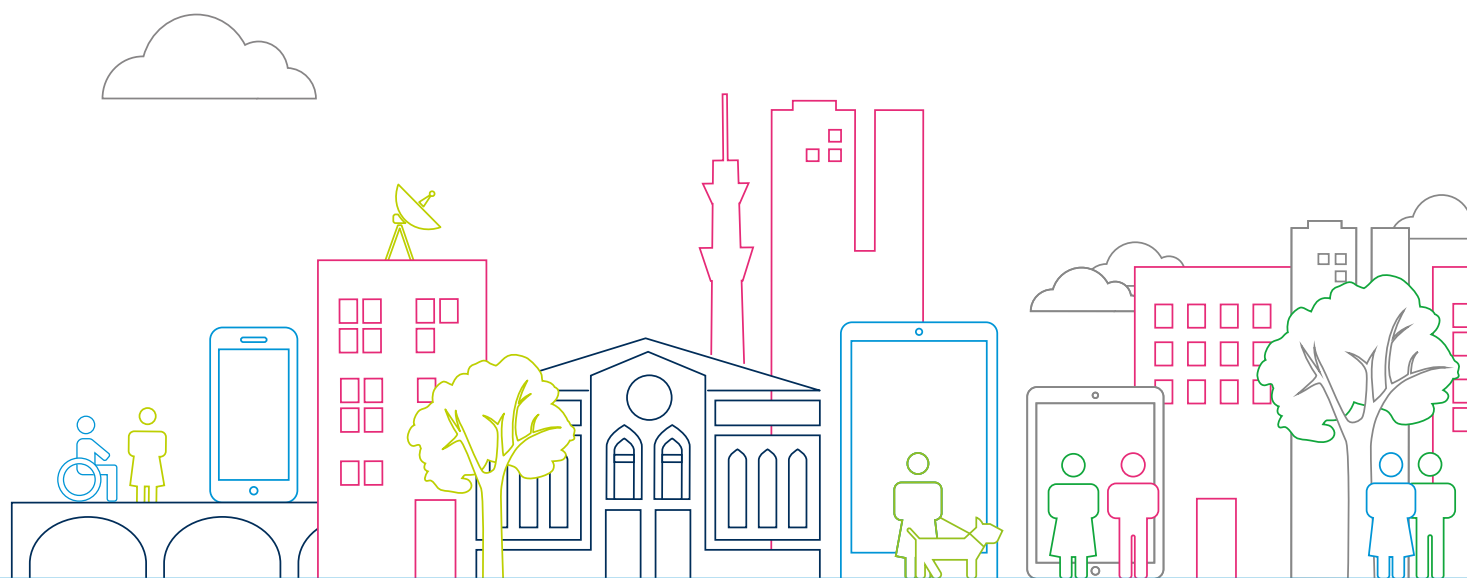
The Trust Statement accounts do not include the costs of HMCTS. These are reported separately in the HM Courts & Tribunals Service Annual Report and Accounts 2022-23 (HC 1541) which also sets out the general direction and priorities for the Agency, details of its management and the Chief Executive's report.

### Scope

HMCTS collects the following principal types of financial imposition as described below.

**Fines, prosecutors' costs and compensation orders** – These elements of an imposition are imposed by both Magistrates' and Crown Courts and are enforced by the Criminal Fines Collection and Enforcement Service, part of HMCTS. Fines, which represent the punitive element of an imposition, collected by HMCTS are surrendered to the Consolidated Fund after any retentions permitted by HM Treasury. Prosecutors' costs awarded by the court, once received from the defendant, are passed to the relevant prosecuting authority. Compensation orders can be awarded to the victim of the crime by the court, this requires the defendant to pay compensation for any personal injury, loss or damage resulting from the offence to HMCTS who pays any receipts received from the defendant in relation to compensation to the victims of the crime committed.

**Victim surcharge** – An additional surcharge added to the financial impositions that are imposed and are enforced as described above. The receipts from the collection of the victim surcharge by HMCTS are passed to the justice reform directorate of the Ministry of Justice (MoJ) to fund victims' services. Its purpose is to ensure that offenders hold some responsibility towards the cost of supporting victims and witnesses, and it is a separate element to that of compensation orders awarded to victims. The surcharge helps to fund grants for Police and Crime Commissioners who commission local support services in their communities and national services like the Court Based Witness Service and Homicide Service.



<sup>1</sup> The Consolidated Fund is the central account administered by HM Treasury which receives government revenues and makes issues to fund expenditure by Government Departments.



**Criminal Court Charge** – The criminal court charge was an additional financial imposition designed to recover a proportion of the costs of the criminal court from those convicted of an offence. On 3 December 2015 the Secretary of State laid a statutory instrument with the effect that from 24 December 2015 the criminal court charge would no longer be imposed. The charges in the 2022-23 accounts relate to remissions and appeals against levies of the criminal court charge raised prior to 24 December 2015. All charges imposed up to that date remain payable. Receipts from the criminal court charge are due to the MoJ and are recorded in the MoJ departmental accounts.

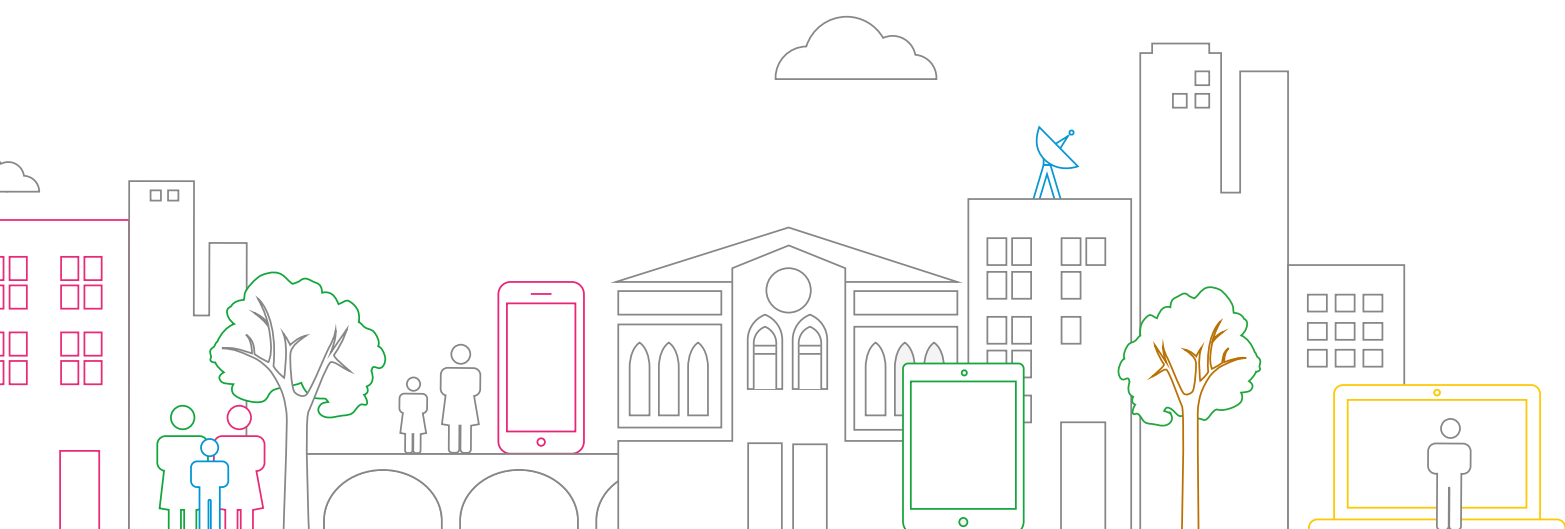
**Confiscation Orders** – Confiscation orders are imposed by the Crown Court. These require the defendant to pay back the proceeds of acquisitive crime. The orders are, principally, made under the Proceeds of Crime Act 2002 and can result in the seizure and sale of assets. 36% of confiscation orders by value are enforced by agencies other than HMCTS, including the Crown Prosecution Service (CPS), Serious Fraud Office (SFO), Department for Work and Pensions and local authorities. The typical composition of confiscation orders is a small volume of high value orders and a larger volume of low value orders. Confiscation order receipts are surrendered to the Home Office, with a portion subsequently returned to the MoJ under the asset recovery incentivisation scheme.

**Fixed penalty notices** – Penalty notices are issued by the police and include both fixed penalty notices (FPNs) for traffic rule violations and penalty notices for disorder (PNDs) for anti-social and nuisance behaviours. Notices that remain unpaid after 28 days are converted into fines and enforced as described above. Receipts from penalty notices and the associated fines are surrendered to the Consolidated Fund after deduction of retentions permitted by HM Treasury.

**Expenditure and disbursements** – Disbursements reflect the components of an imposition issued in the year that are due to third parties and are shown as disbursements in the Statement of Revenue and Expenditure. They are reported net of impairment and write-offs.

The expenditure reported in the HMCTS Trust Statement relates to the administrative write-off of fines and the impairment of debt related to outstanding fines and confiscation orders.

As part of the current Spending Round settlement HM Treasury has permitted the MoJ to retain collections from fines and fixed penalty impositions, the amount permitted to be retained is managed within an overall income settlement for the MoJ set by HM Treasury according to their Consolidated Budgeting Guidance. The total amount retained for 2022-23 and 2021-22 is disclosed under disbursements in the Statement of Revenue and Expenditure as Revenue retained by the MoJ.



## Section 2: Our performance



### Business Overview

#### Financial performance

##### Life cycle of an imposition

Upon conviction of an offence a defendant is sentenced by the Court. This may take the form of a financial penalty referred to as an **Imposition**, the imposition can be made up of various components including

- Compensation – to compensate the victim of the crime
- Victim Surcharge – used to fund victim services
- Costs – these will be the agreed costs incurred by the case prosecutor
- Fine – this is the punitive penalty associated with the crime
- Confiscation Order – principally issued under the Proceeds of Crime Act

Impositions can also take the form of a penalty notice issued by the Police or other sums which are enforced by the magistrates' court as if there has been a conviction.

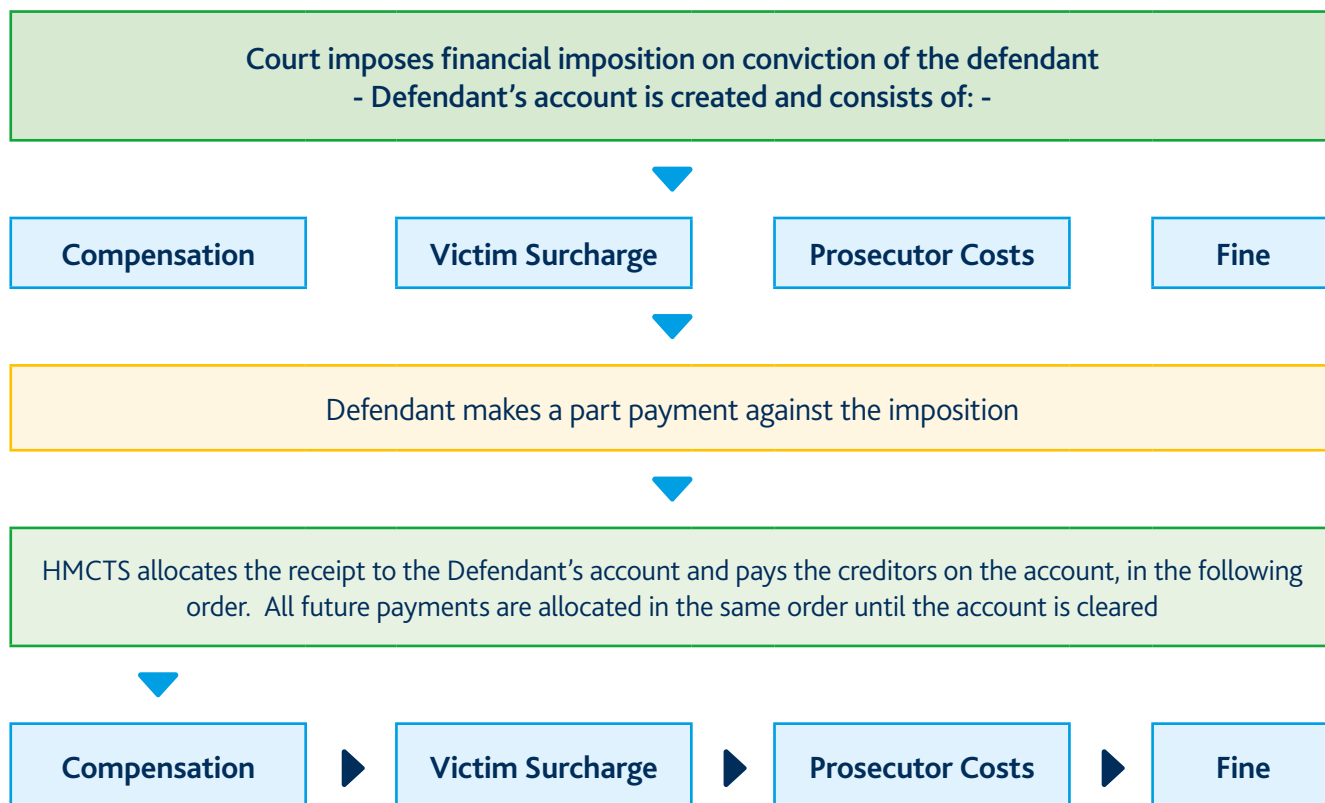
Upon the creation of the imposition, HMCTS will raise a debtor account for the amount that is owed by the defendant and corresponding creditor accounts for the various parties that are owed funds from the defendant because of the imposition. These accounts are created on the accounting segment of the case management system known as Libra. These amounts due to creditors are referred to as **disbursements**.

Courts will often agree for a defendant to pay the imposition over a period of time, meaning that the debtor account will remain open for the length of time taken to pay the imposition.

Note 4 of the accounts reports that £3,817 million was outstanding at the start of the 2022-23 financial year.

As receipts, referred to as **collections**, are received from defendants, funds are dispersed in accordance with a strict disbursement hierarchy which ensures that victims of the crime are reimbursed before any other creditor. No payments can be made to creditors until a receipt has been received from the debtor.

Overview of an imposition



In very limited scenarios HMCTS may decide to administratively write-off the debt, the circumstances in which this can happen are severely restricted and occur only when there is no opportunity for the debt to be collected, for example, when a company has been dissolved with no distributable assets. The debt is **written off** for administrative purposes only, the imposition is still legally enforceable and if in the future it becomes apparent that assets are available to pay the debt then the account is **written back**. There also remain specific and limited situations where the Court can legally cancel any debt.

These adjustments are reported in note 4. During 2022-23 the overall impact of these adjustments shows that HMCTS wrote off £15.8 million.

The **closing debt balance** as shown in note 4 consists of the balance brought forward from last financial year plus new impositions less collections and write-offs.

The amount shown on the Statement of Financial Position as **Receivables** is the closing debt balance as described above less an adjustment referred to as an **Impairment** which reduces the debt balance to the amount that for accounting purposes is deemed to be collectable.

Impositions balance brought forward from prior years	£3,817 million
+	
New Impositions made in year	£1,073 million
-	
Collections	£844 million
-	
Write-offs	£16 million
=	
Gross outstanding	£4,030 million
-	
Impairment charge	£3,467 million
=	
Net closing impositions balance	£563 million

## Financial Analysis 2022-23

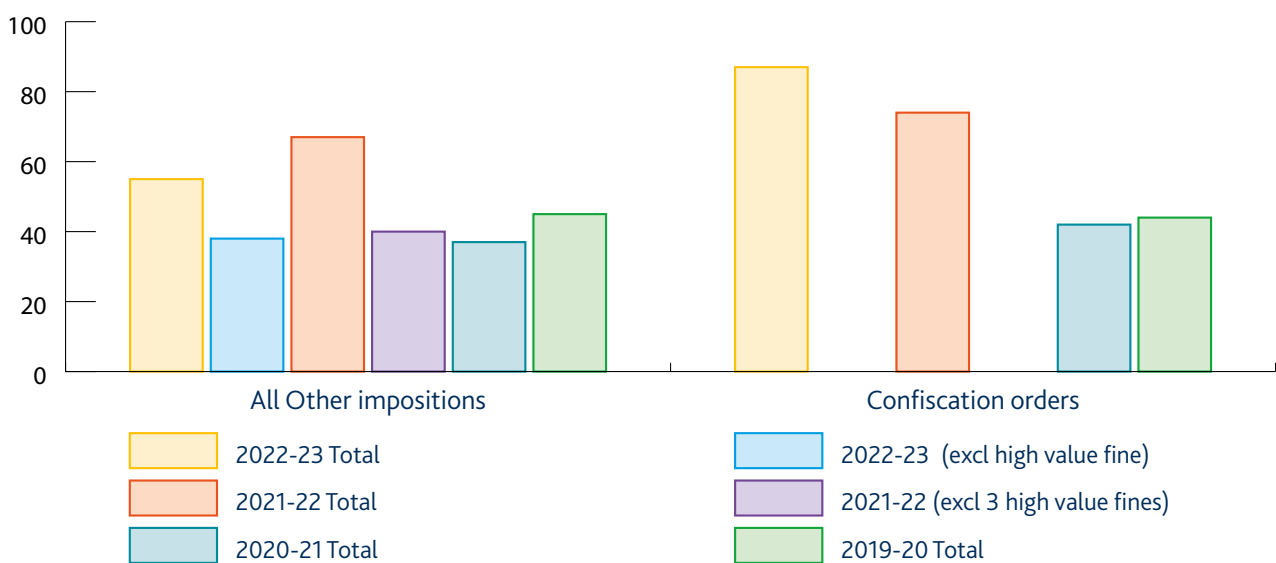
### Impact of external factors on HMCTS

Following the significant impact of the Covid-19 pandemic, HMCTS has continued to employ our recovery plan for the caseload backlog and has continued with all enforcement activities, as a result both impositions and collections during 2022-23 have been very strong.

The impact of the BAR council strikes during 2022 has predominantly affected cases heard in the Crown Court, as the majority of cases, approximately 95% are heard and settled within the Magistrates Court the impact on the Trust Statement has not been material.

In relation to the impositions imposed in 2022-23, Chart 1 below illustrates that of the £867 million issued (excluding confiscation interest and fixed penalty notices) £531 million has already been collected, with 87% of the confiscation orders made in 2022-23 (74% for 2021-22) and 55% of other impositions already collected. The in year collection rate is 38% when 1 exceptionally high value imposition is excluded from the "all other imposition" chart (40% for 2021-22).

**Chart 1: Percentage of impositions, by value, collected in year of issue**



### Impact of external factors on overall collectability

One of the key charges in the Trust Statement is the accounting assessment of the value of outstanding debt that will be recovered in future years (impairment charge in note 4 to the accounts). This estimate is calculated by a model based on a number of factors including the use of historic payment rates to predict future cash flows and individual assessment of high value cases.

HMCTS does not believe that Covid-19, nor the inflation rate and resulting cost of living increases will materially impact on the assessments of the recoverability of outstanding debt as reported in note 4. This is mainly due to the ongoing strong collections throughout 2022-23 and also the enforcement powers that HMCTS has to collect the debt which, for non-confiscation order impositions, include the ability to apply attachment of earnings/ benefits to defendants who do not comply with the court's ruling.

HMCTS models its assessment taking account of changes that impact upon the recoverability of the debt. For example in 2022-23 HMCTS has made an adjustment in the calculation of the impairment charge to take account of the High Court ruling made in January 2021 in relation to deductions of benefits from Universal Credit, that prevented the Department for Work and Pensions from automatically deducting the maximum of 25 percent when calculating deductions, the ruling required that they should apply discretion to the level of deductions made. HMCTS has recognised that the change will impact the length of time taken to collect the imposition as the amount deducted from benefits is less per month and has adjusted the model accordingly.

For confiscation orders the debt is often linked to specific assets that have been identified in the court case and it is the difficulty in tracing these assets that impacts the assessment on collectability.

The models used to calculate the amount of recoverable debt (the impairment models) analyse the collections by financial year.

## Impositions revenue

Total imposition revenue decreased from £1,288 million in 2021-22 to £1,076 million in 2022-23, a decrease of £212 million. This was principally driven by the following factors

- In 2021-22 there were three exceptionally high financial impositions made in the year, totalling £416 million, (£402 million in fines and £14 million in costs). In 2022-23 there has been one exceptionally high imposition made totalling £277 million (£183 million in fines, £4 million in costs and £90 million confiscation order).
- If the high value impositions are excluded the level of impositions issued in 2022-23 is £799 million (£872 million 2021-22)

The decrease has been offset by an increase in the victim surcharge rates for offences committed after June 2022.

Imposition revenue is made up of a number of components one of which is the Criminal Court Charge. In 2022-23 there have continued to be remissions granted for Criminal Court Charges in-line with the legislative provisions, due to the cessation of the charge in December 2015. These remissions appear as a negative imposition in the Statement of Revenue and Expenditure.

## Disbursements and expenditure

Disbursements reflect the components of an imposition issued in the year that are due to third parties. The disbursements are shown net of impairment and write-offs. Note 3 details an analysis of the disbursement charges.

The disbursement charges shown do not reflect the actual receipts received in relation to the impositions. Receipts from confiscation orders, prosecution costs and compensation orders, once received are remitted to appropriate third parties, including government departments and the victims of crime.

Total disbursements and expenditure have increased by £22 million from £910 million in 2021-22 to £932 million in 2022-23.

The increase is linked to the following factors

- An increase in impositions offset by an increase in the impairment charge following the adjustment made for the timing of receipts from attachment of benefit orders and
- The write-off of debts of £15.8 million (£11.7 million written off in 2021-22).
  - Of the administratively cancelled write-offs
    - £9.9 million (£6 million 2021-22) are as a result of the dissolution of companies
    - £6.6 million (£6.48 million 2021-22) are as a result of the death of the defendant
    - £1 million (£3.4 million 2021-22) is due to the write back of accounts previously written off thus allowing active enforcement to recommence.

The net revenue to the consolidated fund reflects the components of the impositions that are, by statute due to the HM Treasury consolidated fund less the change in impairment value and any write-offs that relate to this type of imposition.

Net revenue to the consolidated fund is £144 million, a £234 million decrease from £378 million in 2021-22. This is due to reduction in the number of high value fines imposed in the period. Note 6 provides an analysis of this charge.

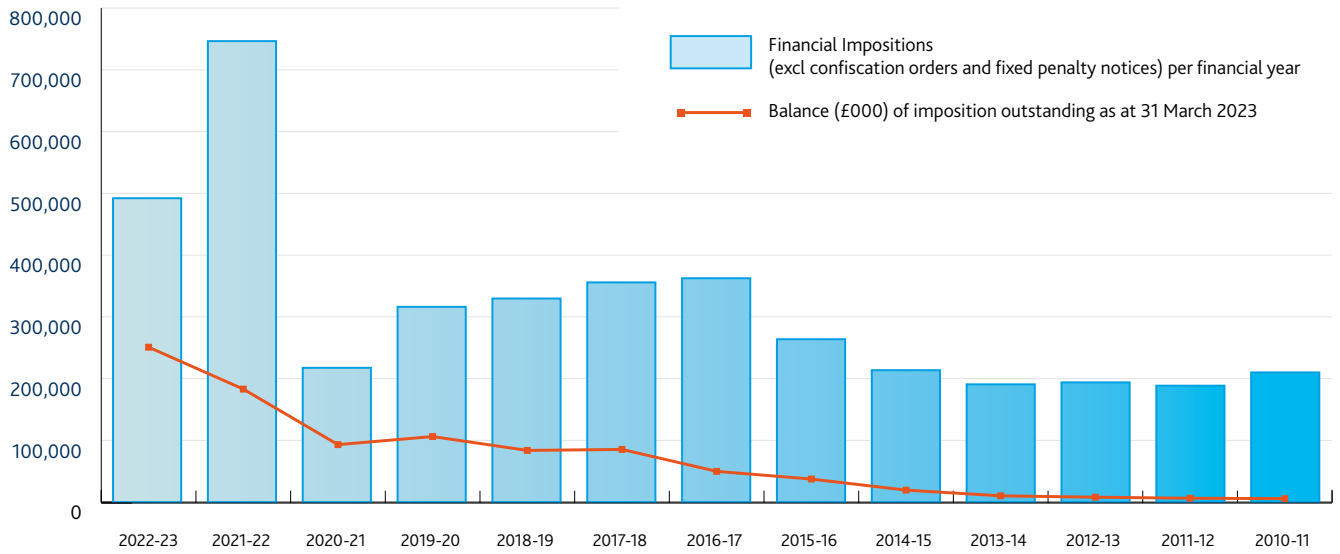
## Collections

Collections relating to both in year impositions and those relating to prior year impositions remain strong.

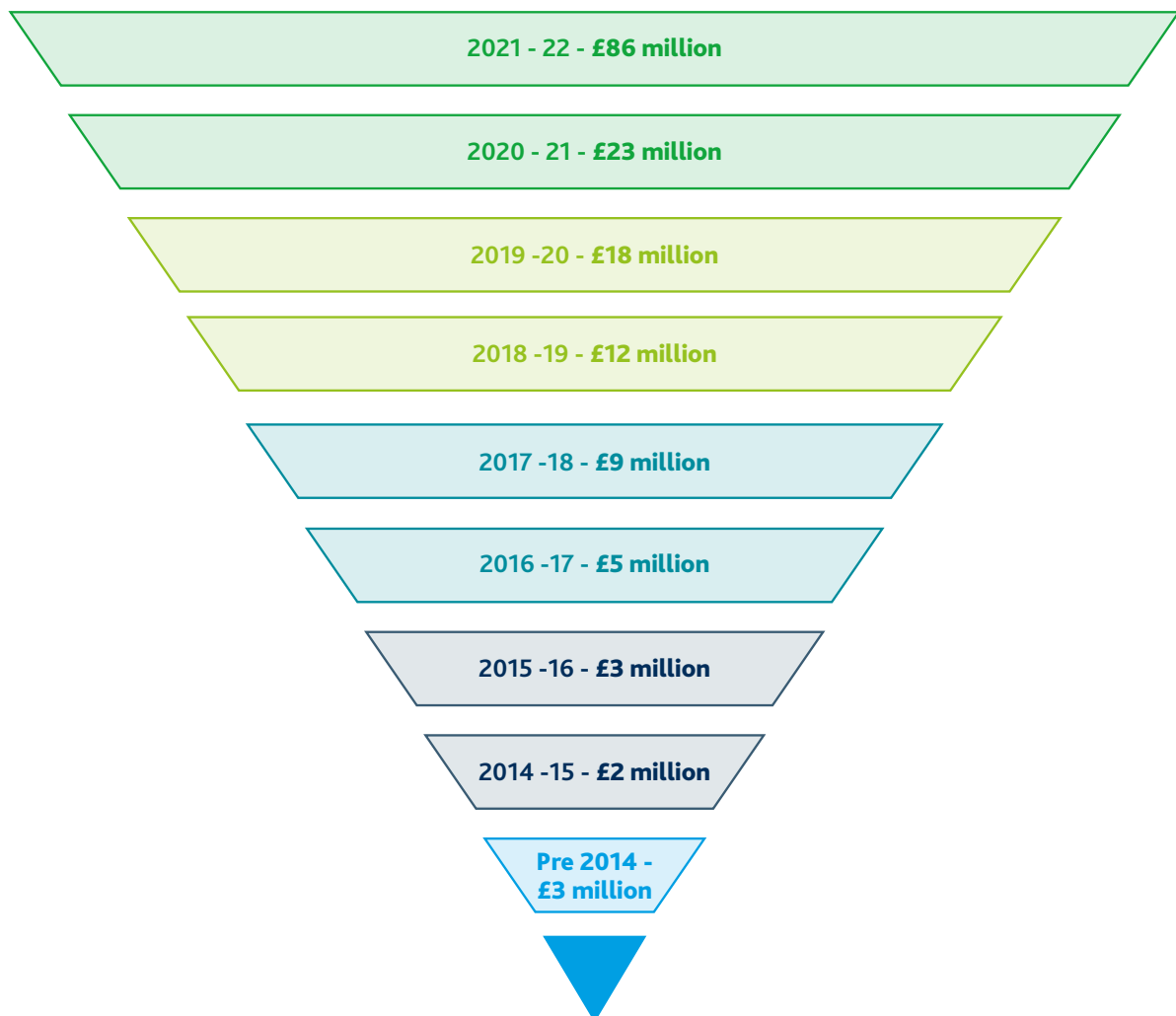
- The single high value imposition was paid in full in the year (£183 million in fines, £4 million in costs and £90 million confiscation order).
- HMCTS has significant powers to enforce debt including the use of attachment of earnings and attachment of benefit orders which have contributed to the strong collection patterns.

As the Court considers the defendant's means when setting the level of impositions, it is often the case that a defendant can be allowed time to pay or will be permitted to pay in instalments. This is especially true for defendants who have multiple impositions, which have often been imposed over a number of years. In these cases the impositions are all consolidated into one account and a payment plan agreed for the account. This can result in an imposition taking a longer period of time to be paid. Chart 2 details the annual amount of impositions imposed (excluding confiscation orders and fixed penalty notices) and the balance of Impositions (excluding confiscation orders) that remain outstanding as at 31 March 2023. On average by the time the imposition is 5 years old 79% of the amounts imposed have been collected. There are a number of reasons why the full amount of an imposition may not have been collected, such as if the defendant is paying multiple impositions or is serving a prison sentence.

Chart 2: Annual amount of Other Impositions imposed and Balance Outstanding as at 31 March 2023

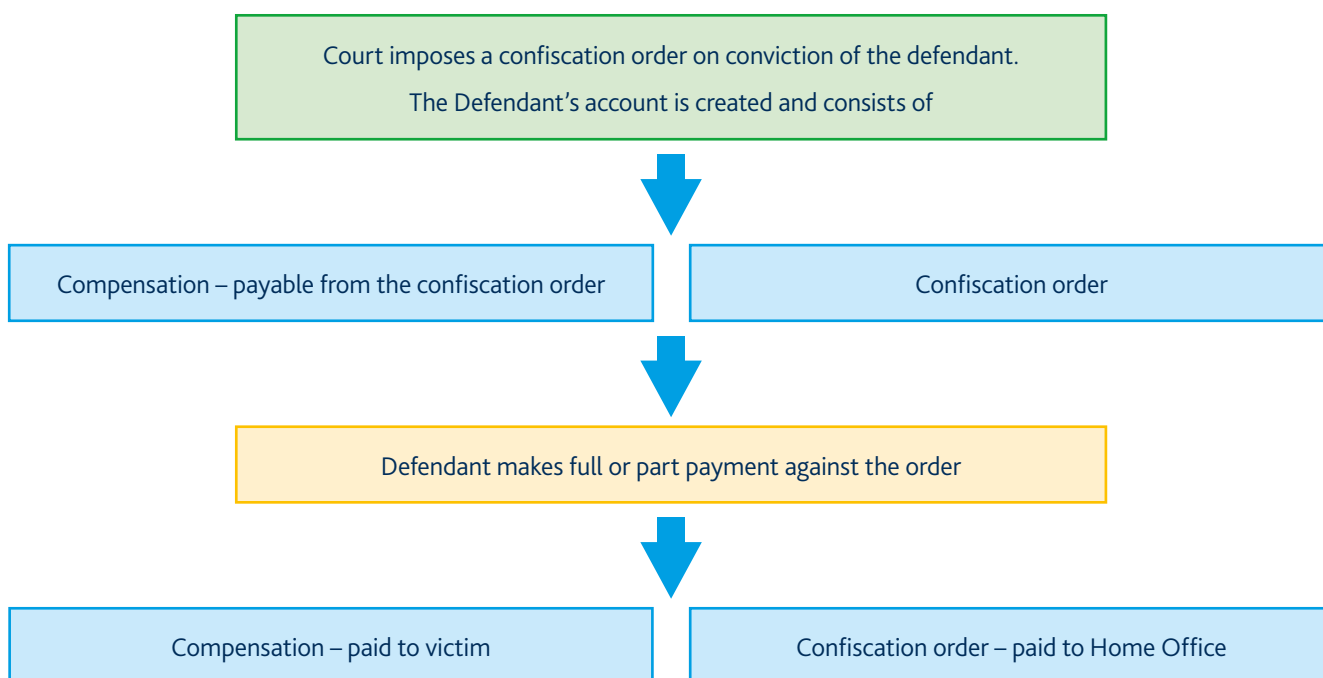


However, as there is no expiration period for court impositions, enforcement continues regardless of the age of the imposition. As an example, £161 million (29%) of the total receipts collected (excluding confiscation orders and fixed penalty notices) in 2022-23 relate to impositions issued in prior years with the following diagram detailing the imposition year to which they relate. As can be seen, HMCTS continues to enforce the debt regardless of the age of the imposition.



### Confiscation orders

#### Overview of a confiscation order

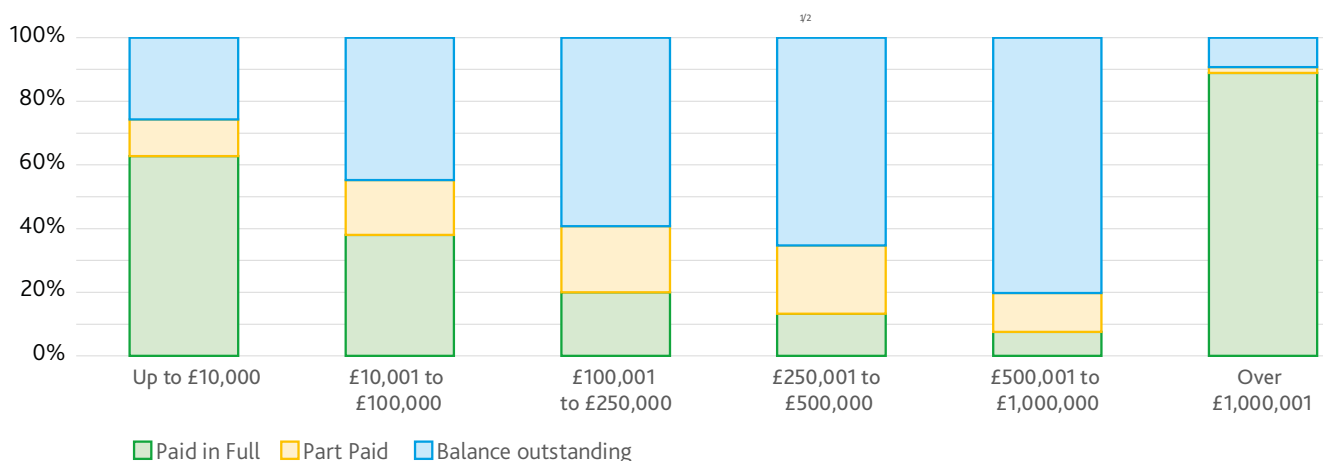


Confiscation orders are the principal means by which the government carries out its policy to deprive criminals of the proceeds of their crime. They are used with the intent to disrupt and deter criminality and are principally issued under the Proceeds of Crime Act 2002.

A confiscation order is issued against an individual after they have been convicted of an offence, ordering them to pay back the amount that the court has determined they had benefited from their crime. The court will determine the amount of the benefit received based upon the relevant criminal conduct and the defendant's available assets. In determining the benefit amount the court can take into consideration all the financial assets of the defendant including gifts, "hidden assets" and the "criminal lifestyle" of the defendant. The burden is on the defendant's defence to prove that such assets do not exist to the satisfaction of the court. By including the value of assets such as those classed as "hidden" or "gifts", the court has effectively deprived the defendant of their use and has thus taken them out of circulation.

Although assets may be listed and named in Court as part of the benefit amount, unlike a forfeiture order, a confiscation order is not directed towards a particular asset. It does, therefore, not deprive the defendant or anyone else of title to any property, although the Court has the power to employ receivers, with the instruction to sell assets in order to settle the order. Once assets have been identified the process of seizing and liquidating assets e.g. houses, cars, jewellery or cash in bank accounts overseas, can be a costly and lengthy process. This results in the order being open and collected over a considerably long period of time, Chart 3 details the status of all the orders accounted for in 2022-23.

**Chart 3: Status of confiscation orders accounted for in 2022-23**



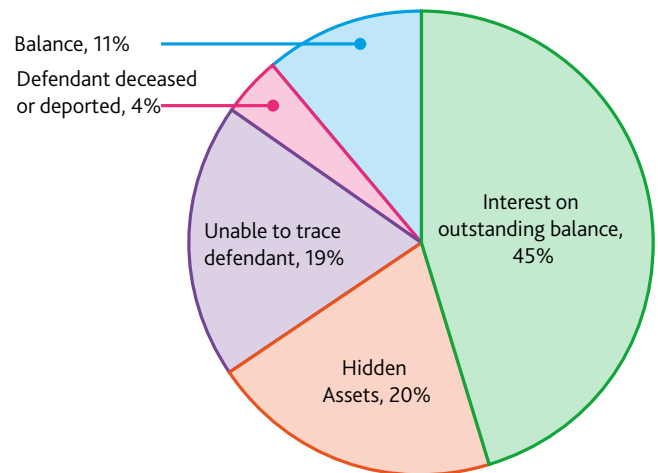


A confiscation order can include a compensation order to compensate the victims of the crime which the court will instruct is to be paid from the proceeds of the confiscation order. In this situation the compensatees are paid from the first available receipts that are received.

The court may also allow a limited period of time for the confiscation order to be paid by the defendant, the maximum permitted time to pay is 6 months. In the event of non-payment the outstanding balance on the order will begin to accrue interest at a rate of 8% per annum, interest continuing to accrue until the order balance is paid in full, as at 31 March 2023 £1,137 million of the outstanding confiscation order balances relate purely to the outstanding interest charges. In addition the defendant will be brought back to Court and the default sentence that was made at the time of the order will be invoked. Serving a prison sentence does not reduce the amount of the confiscation order that is due to be paid, nor does it stop the interest from accruing on the balance.

Chart 4 illustrates that 45% of all outstanding confiscation debt relates to interest that has accrued on the overdue order balances. Of the remaining balance, 43% relates to orders where the enforcement agency have established that there are hidden assets or that the defendant is untraceable, has been deported or is deceased. The remaining 12% may still prove problematic to enforce as they can still contain orders where the assets have been given away or are complicated by complex asset ownership, it is as a result of factors such as these that the balance is impaired to the degree that it is.

**Chart 4: Analysis of outstanding confiscation order balances**



### Impairment of debt

The impairment charge, as reported in notes 2 and 4, is an accounting estimate of the amount of outstanding debt which has been assessed as theoretically unrecoverable. The charge reduces the value of the overall debt to an amount that HMCTS has estimated, for accounting purposes only, to be recoverable and ensures that the Financial Statements do not value the debt at more than is potentially collectable.

The impairment charge and resulting net debt figure are solely accounting estimates and do not reflect the value of the debt that is being enforced by HMCTS. HMCTS continues to enforce the full value of the debt imposed by the Court.

In order to calculate the impairment charge each component of a financial imposition has been separately assessed to calculate the appropriate level of impairment. In calculating the charge various factors are taken into consideration such as the historical payment rates for each of the imposition elements. This ensures that the net debt figure reflects the estimated recoverable amount for each type of imposition.

The largest impairment charge in the Financial Statements relates to the charge on confiscation orders. This reflects the complexity and difficulty in enforcing payment where assets may have been hidden or held overseas, or where a large proportion of the debt is interest. The total value of confiscation debt estimated to be recoverable as at 31 March 2023 is £132 million compared to a gross debt of £2,510 million.

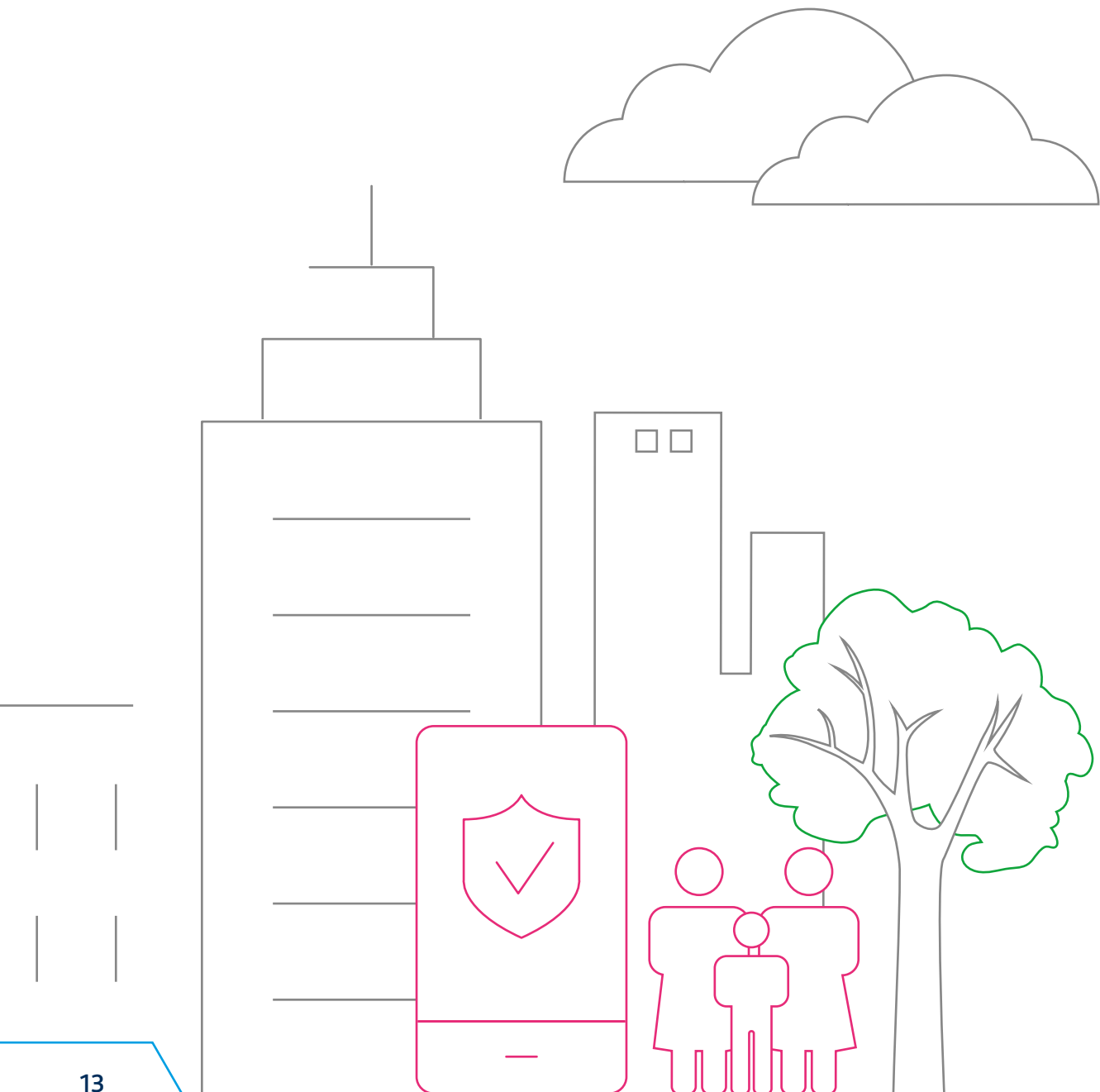
The reasons for the high impairment charge are linked to the nature of the debt and the aim of depriving criminals of their assets. Orders are regularly set at levels which account for assets that the court believe the defendant has hidden, given away or moved overseas. In addition, the application of the interest charge (8% per annum) to an account which is already overdue and unpaid increases the debt balance daily. From an accounting perspective, components of the debt such as interest, hidden assets or orders where the offender has been deported are heavily impaired as the probability of recovery in the short to medium term is low. Furthermore, it is not possible to write-off confiscation order debt, it can only be cancelled by a court. This is called a judicial cancellation and is used in very specific circumstances, such as on the death of a defendant.

### Nick Goodwin

Chief Executive and Accounting Officer

14 July 2023

## Section 3: Our controls and governance



### Accounting Officer's responsibilities

#### Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed HMCTS to prepare a Trust Statement for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the collection of fines, penalties, costs awarded by the courts, compensation ordered by the courts, confiscation orders and the associated revenue, expenditure and cash flows for the financial year.

In preparing the statement, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM 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
- have taken all steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information, and that they are not aware of any relevant audit information of which the entity's auditors are unaware of
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the statement
- prepare the statement on a going concern basis, and
- confirm that the Trust Statement as a whole is fair, balanced and understandable and take personal responsibility for the Trust Statement and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Permanent Secretary of MoJ as Principal Accounting Officer of the Department. The Chief Executive of HMCTS holds the role of Accounting Officer for the purposes of the Trust Statement.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding HMCTS's assets, are set out in Managing Public Money published by the HM Treasury.

#### Auditors

The Trust Statement is audited by the Comptroller and Auditor General under Section 7(4) of the Government Resources and Accounting Act 2000. The C&AG's fee for the audit of the 2022-23 Trust Statement was £113,000 (2021-22: £110,000). This is charged on a notional basis and recognised in the HM Courts & Tribunals Service Annual Report and Accounts 2022-23.

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditor is aware of that information.

# Governance Statement

## Introduction

HMCTS is an executive agency of the MoJ. Our key aim is to run an efficient and effective courts and tribunals system which enables the rule of law to be upheld and provides access to justice for all. The organisation operates in accordance with our published Framework Document which sets out the basis of an operating partnership between the Lord Chancellor (Secretary of State for Justice), the Lord Chief Justice and the Senior President of Tribunals.

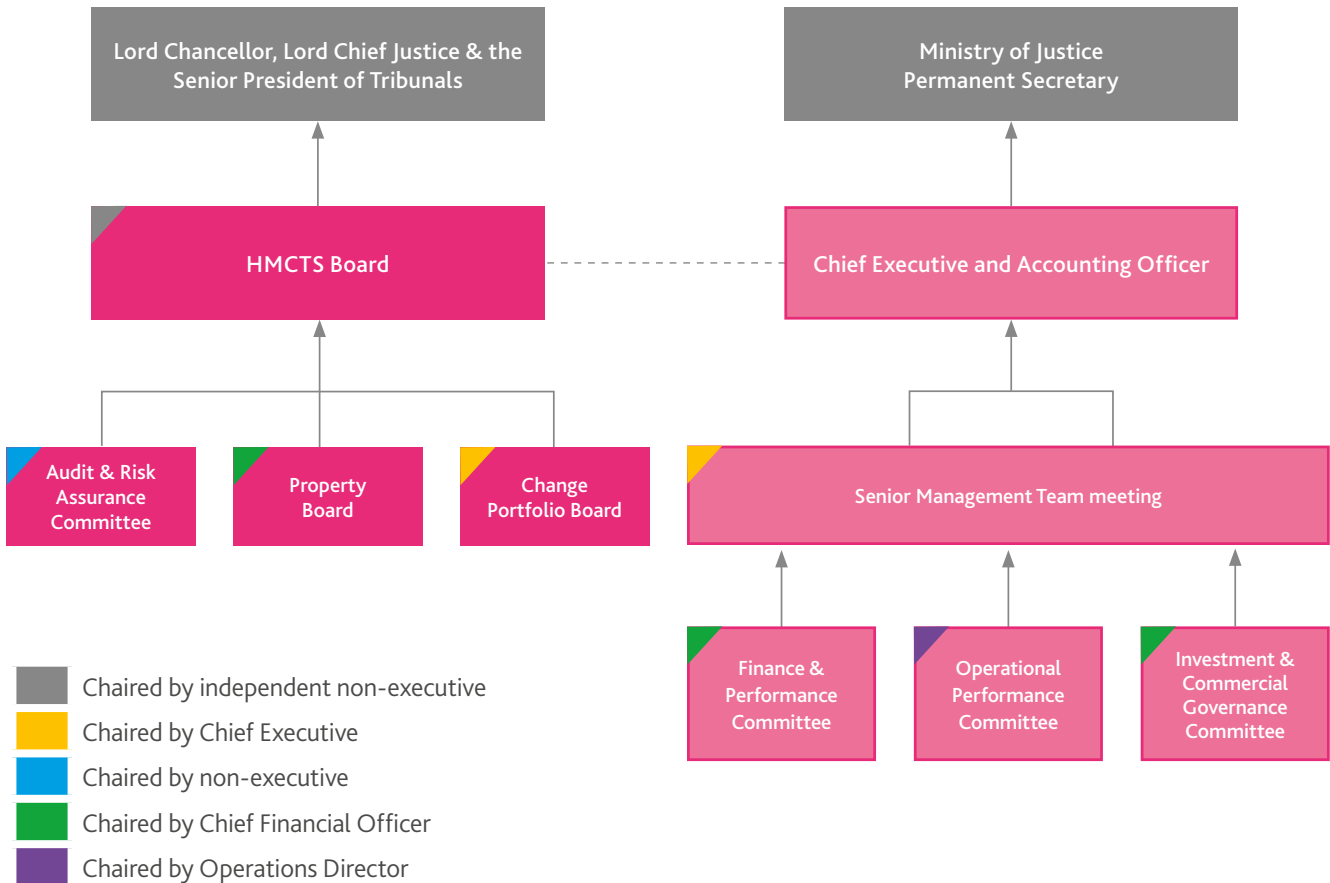
As Chief Executive I am responsible for the day-to-day operations and administration of the agency and leadership of its employees. I work under the general direction of the HMCTS Board. As Chief Executive and Accounting Officer I am accountable to the MoJ Permanent Secretary and Principal Accounting Officer and ultimately to Parliament.

As Accounting Officer, and working together with my directors, I have responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of HMCTS policies, aims and objectives, while safeguarding the public funds and assets for which I am personally accountable. Overall, I am satisfied that HMCTS has had effective governance, risk management and internal controls in place during 2022-23. I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Governance Statement covering the operation of HMCTS including staffing, risk assessment and management, internal audit and National Audit Office reports are reported in the HM Courts and Tribunals Service Annual Reports and Accounts 2022-23 (HC 1541). This report covers areas that are specific to the Trust Statement.

## Governance framework and management structure 2022-23

Our governance is delivered through the HMCTS Board and executive senior management team forum and their sub-committees. The top-level governance structure as at 31 March 2023 is set out below.



### HM Treasury Corporate governance in central government departments – code of good practice

This code applies to MoJ directly and we have adopted key principles as best practice. We remain compliant with material requirements with the exception of the Nominations Committee as reported in previous years.

Governance arrangements for the organisation are overseen by the Audit and Risk Assurance Committee and the HMCTS Board as well as by the executive team on a day-to-day basis.

### Principal systems and controls

There are two main systems used to account for transactions relating to fines, fixed penalties and confiscation orders – LIBRA and Pentip. LIBRA is a case management system which is used to record all transactions except those relating to fixed penalties, which are recorded on Pentip. Pentip is owned and managed by the Home Office (HMCTS is a member of the Pentip executive committee) and used by Police forces in England and Wales to record penalty notices and by HMCTS to record receipt of payments.

Both systems operate under a comprehensive control framework. The main features of the control framework are described below.

- Segregation of duties and controlled system access.
- Standard operating procedures for all key processes.
- Monthly and quarterly verification of all system control totals.
- Verification of cash balances by completion of daily, monthly and quarterly reconciliations.

As reported in the 2021-22 Trust Statement, during that financial year we identified that a number of collection and enforcement of monetary orders had not been entered onto the Libra system and therefore not had any necessary enforcement action taken on them, We have reviewed and taken appropriate action for the majority of orders pre-dating 31 March 2022. During 2022-23 we identified some additional orders which had been impacted and corrective action has been taken on these. As a result of the findings we strengthened existing controls including updating and re-issuing the job card and commissioned a report to identify any unsigned orders promptly. We continue to review the outstanding cases and have introduced a system of identifying and rectifying any such instances.

### Inter-agency accountability

As Accounting Officer for HMCTS I am responsible under the Road Traffic Offenders Act 1988 for the collection of penalty notices and for their subsequent remittance to the Consolidated Fund.

I maintain effective systems of control in the fixed penalty offices which operate as part of my organisation. However, the end-to-end system of controls and reporting for fixed penalties includes areas for which I have no responsibility. For example, roadside penalties are issued and registered by front line police operating within 43 different constabularies.

Although we do not have control over police policy and procedures, we participate in periodic Pentip stakeholder meetings in order to influence system control outcomes.

Similarly, I am responsible under the Proceeds of Crime Act 2002 for the collection of confiscation orders. I maintain effective systems of control in the courts and offices which operate as part of my organisation. However, the end-to-end system of controls and reporting for confiscation orders includes areas for which I have no responsibility. The Home Office bear overall responsibility for policy.

## Risk Management 2022-23

We have a Risk Management Framework that aligns to the main principles in the government publication 'The Orange Book'. It brings together our overarching risk strategy and practical guidance on how risks and issues should be managed at all levels.

Our framework reflects the maturity of risk management in HMCTS and enables us to focus on where there is more to do and to formalise the risk arrangements that would apply in the event of another emergency situation, and activation of our national Gold Command structure.

### Managing the risk of fraud, bribery and corruption

MoJ has zero tolerance on fraud, bribery and corruption, whether involving its own employees or other external individuals or bodies. We have clear policies which set out responsibilities for the prevention, detection and reporting of fraud, bribery and corruption, which applies to all staff within MoJ. HMCTS has a dedicated counter fraud and investigations function who proactively and reactively work with the business to manage the risk of fraud, bribery and corruption.

### Our approach to information security

HMCTS deals with sensitive personal information on behalf of people involved in hearings and we take our responsibility very seriously to ensure this information is appropriately protected. Our policy is to self-refer all significant data incidents to the Information Commissioner's Office (ICO) and we continue to work closely with the ICO and other agencies to further improve our systems and learn lessons. The HMCTS GDPR Team continue to work with Operational, Change and Digital colleagues to achieve full regulatory compliance.

### Our approach to 'whistleblowing'

MoJ's whistleblowing policy encourages employees to raise concerns of wrongdoing, advises on the protection afforded to whistle-blowers and provides reassurance that concerns will be investigated responsibly and professionally.

It is within the terms of reference for the HMCTS Audit and Risk Assurance Committee to oversee and hold HMCTS to account on its effectiveness and adherence to the whistleblowing policy.

### Governance and risk assurance oversight arrangements

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 my executive managers. They have the responsibility for the development, maintenance and reporting of the internal control framework. This, combined with observations and recommendations made by internal and external auditors in their management letters and other reports has shaped the HMCTS approach to governance and assurance.

The organisation has in place control processes to provide executive management with assurance over financial and operational risks. These processes are subject to continuous improvement and review to ensure they remain current, effective and relevant.

Compliance reporting and standard controls operate throughout the organisation, with quarterly assurance reporting arrangements in place to report and escalate significant issues and risks to the next management layer, when appropriate.

In addition, I gain assurance through:

- up-to-date and comprehensive reports on performance and finance at all board meetings by the executive
- financial and administrative procedures which includes delegations of financial authority and segregation of duties on key financial processes
- Audit and Risk Assurance Committee (ARAC) overseeing the adequacy and effectiveness of the risk management processes and the system of internal control for the organisation (the committee regularly reviews governance and assurance reports, the corporate risk register, undertakes deep dives on our key risks and oversees the production of our annual report and accounts, as does the executive and HMCTS Board)
- regular reviews of the risk profile and effectiveness of the systems of internal control through the receipt of minutes from ARAC, through review of performance reports and through direct feedback from the chair of the committee
- internal audit reports (see below)

### Internal audit and annual audit opinion

One of the key sources of independent assurance comes from the activities of the internal audit service provided by the Government Internal Audit Agency. The internal audit programme is closely linked to the key risks for HMCTS and arrangements are in place to ensure that I am made aware of any significant issues which indicate that key risks are not being effectively managed.

The Group Head of Internal Audit provided an annual overall opinion of 'moderate' on the organisation, which means some improvements are required to enhance the adequacy and effectiveness of our framework of governance, risk management and control. There were no specific internal audits completed on this Trust Statement.

### National Audit Office (NAO) reports

There were no HMCTS Trust Statement related NAO reports published in 2022-23

### Conclusion

I am satisfied that we have effective governance, risk management and assurance arrangements in place as set out in this statement and that of the HMCTS Annual Report and Accounts (HC 1541). Arrangements are kept under continuous review to adapt to our changing risk environment.

### Nick Goodwin

Chief Executive and Accounting Officer

14 July 2023

## Section 4: External scrutiny





# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

## Opinion on financial statements

I certify that I have audited the financial statements of HM Courts and Tribunals Service (HMCTS) Trust Statement for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise the HMCTS Trust Statement's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Revenue and Expenditure and Statement of Cash Flows; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the HMCTS Trust Statement's affairs as at 31 March 2023 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

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

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the HMCTS Trust Statement in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the HMCTS Trust Statement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the HMCTS Trust Statement's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the HMCTS Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate and report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the sections titled 'Introduction to the Trust Statement,' 'Our performance,' and 'Our Controls and Governance' for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the HMCTS Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the sections titled 'Introduction to the Trust Statement,' 'Our performance,' and 'Our Controls and Governance'.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the HMCTS Trust Statement or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the “Accounting Officer’s Responsibilities”, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the HMCTS Trust Statement from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable; and
- assessing the HMCTS Trust Statement’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the HMCTS Trust Statement will not continue to be provided in the future.

### Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of HMCTS Trust Statement’s accounting policies;
- inquired of management, HMCTS Trust Statement’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to HMCTS Trust Statement’s policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including HMCTS Trust Statement’s controls relating to HMCTS Trust Statement’s compliance with the Government Resources and Accounts Act (2000), Managing Public Money.
- inquired of management, HMCTS Trust Statement’s head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,

- discussed with the engagement team and the relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the HMCTS Trust Statement for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the HMCTS Trust Statement's framework of authority and other legal and regulatory frameworks in which the HMCTS Trust Statement operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the HMCTS Trust Statement. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Proceeds of Crime Act (2002), Sentencing Act (2020) and Criminal Justice Act (2003).

### **Audit response to identified risk**

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### **Other auditor's responsibilities**

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

**15 July 2023**

**Comptroller and Auditor General**

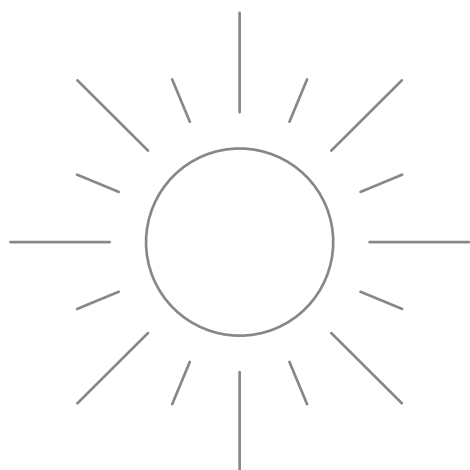
National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP



## Section 5: Financial statements



## Statement of Revenue and Expenditure for the period ended 31 March 2023

	Notes	2022-23 £000	2021-22 £000
<b>Impositions revenue</b>			
<b>Fines and penalties</b>			
Court fines		498,229	746,470
Miscellaneous receipts		2,897	3,832
Criminal court charge (remissions)		(257)	(404)
Fixed penalty notices		115,813	118,247
Crown prosecutors' costs		27,276	29,291
Prosecutors' costs		89,626	87,553
Compensation		26,775	24,240
Confiscation orders		250,373	232,215
Victim surcharge		65,270	46,654
<b>Total impositions revenue</b>		<b>1,076,002</b>	<b>1,288,098</b>
<b>Less expenditure</b>			
Credit losses			
Debts Written off/(back)	2.1	15,834	11,717
Increase/(Decrease) in Impairment Charge	4	221,530	178,658
<b>Total expenditure</b>		<b>237,364</b>	<b>190,375</b>
<b>Less disbursements</b>			
Revenue retained by the Ministry of Justice	3.1	368,453	400,087
Prosecutors' costs for the Crown Prosecution Service	3	23,499	28,627
Prosecutors' costs	3	67,489	76,849
Compensation for other parties	3	20,605	21,911
Confiscation orders for Home Office	3	163,976	150,291
Victim surcharge for the Ministry of Justice	3	50,404	41,800
<b>Total disbursements</b>		<b>694,426</b>	<b>719,565</b>
<b>Total expenditure and disbursements</b>		<b>931,790</b>	<b>909,940</b>
<b>Net revenue for the Consolidated Fund</b>	<b>6.1</b>	<b>144,212</b>	<b>378,158</b>

The notes on pages 29 to 40 form part of this statement.

## Statement of Financial Position as at 31 March 2023

	Notes	2022-23 £000	2021-22 £000
<b>Current assets</b>			
Receivables	4	563,055	571,629
Cash at bank – fines & other impositions		275,423	512,958
Cash at bank – fixed penalties		22,504	19,912
<b>Total assets</b>		<b>860,982</b>	<b>1,104,499</b>
<b>Current liabilities</b>			
Payables	5	421,007	453,963
<b>Total liabilities</b>		<b>421,007</b>	<b>453,963</b>
<b>Total net assets</b>		<b>439,975</b>	<b>650,536</b>
Represented by:			
<b>Balance on Consolidated Fund</b>	6.2	<b>439,975</b>	<b>650,536</b>

### Nick Goodwin

Chief Executive and Accounting Officer

14 July 2023

The notes on pages 29 to 40 form part of this statement.



## Statement of Cash Flows for the period ended 31 March 2023

	Notes	2022-23 £000	2021-22 £000
Net cash inflow / (outflow) from operating activities	7	119,830	417,115
Cash paid to the Consolidated Fund	6.2	(354,773)	-
<b>Increase / (decrease) in cash in the period</b>		<b>(234,943)</b>	<b>417,115</b>

## Analysis of changes in net funds

	2022-23 £000	2021-22 £000
Net funds at beginning of period – 1 April	532,870	115,755
Net funds at end of period – 31 March	297,927	532,870
<b>Increase / (decrease) in cash in the period</b>	<b>(234,943)</b>	<b>417,115</b>

## The following balances as at 31 March were held at:

	2022-23 £000	2021-22 £000
Government Banking Service	297,407	532,052
Commercial banks	520	818
<b>Total cash balances</b>	<b>297,927</b>	<b>532,870</b>

The notes on pages 29 to 40 form part of this statement.

## Notes to the Trust Statement

### 1. Statement of Accounting Policies

The Trust Statement is prepared in accordance with:

- the 2022-23 Financial Reporting Manual (FReM) issued by HM Treasury, in particular Chapter 8.2 which deals with Consolidated Fund revenue and Trust Statements. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as interpreted for the public sector.
- the 2022-23 accounts direction issued by HM Treasury on 15 December 2022 under section 7(2) of the Government Resources and Accounts Act 2000.

The particular policies adopted in the Trust Statement are described below. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1. Basis of preparation

The Trust Statement has been prepared under the historical cost convention modified to account for the valuation of receivables and payables.

The preparation of the accounts in conformity with IFRS requires the use of certain critical accounting estimates (see note 1.9). It also requires management to exercise its judgement in the process of applying the accounting policies.

The income and associated expenditure recognised in these statements reflect those flows of funds which HMCTS receives and surrenders, in its capacity as agent, on behalf of the Consolidated Fund and other entities.

#### 1.2. Changes in accounting policy and disclosures

##### Changes in accounting policies

There have been no changes in accounting policies for the period ended 31 March 2023.

#### 1.3. Revenue recognition

Fines and penalties are measured in accordance with Financial Reporting Manual (FReM), chapter 8.2. As there are no specific performance obligations associated with receiving revenue from fines and penalties, the revenue is considered to be a non-exchange transaction and therefore outside the scope of IFRS 15. They are measured at the fair value of amounts received or receivable, net of judicial cancellations and remissions. Revenue is recognised at the full value of the imposition when a fine or penalty is validly imposed and an obligation to pay arises. Where a penalty is cancelled due to attendance at a training course, as a result of an appeal or for other legal reasons or as a result of settlement by other valid means including imprisonment, revenue is derecognised and the derecognition of revenue is recorded as a reduction against revenue.

#### 1.4. Expenditure

Credit losses (imposition write-offs and the change in the value of impairment for the year) are accounted for on an accruals basis. Debts written off as uncollectable and any change in the value of impairment are shown as expenditure. Underlying legislation precludes the write-off of confiscation order debt and adjustments to reflect recoverability are included in the impairment charge.

#### 1.5. Disbursements

Disbursements are shown net of impairment and write-offs in accordance with the requirements of the FReM and IFRS 9. An accrual for disbursements is made based on the value of impositions payable to parties, including compensates, other than the Consolidated Fund.

##### 1.5.1. MoJ specific disbursements

The MoJ is permitted to retain as income part of the value of fines and fixed penalties collected. Where part of the revenue collected is permitted to be retained, the amount to be retained is required by the FReM to be recorded as an appropriation of net revenue in the Trust Statement. As such, these retentions are disclosed in the Statement of Revenue and Expenditure as a disbursement to the MoJ. The following retentions of revenue by the MoJ are permitted by HM Treasury.

### Revenue retained towards the cost of collection and administration

Retention comprises of the criminal court charge which was an additional financial imposition designed to recover some of the costs of the criminal court from those convicted of an offence and was introduced in the Criminal Justice and Courts Act 2015. On 3 December 2015 the Secretary of State laid a statutory instrument with the effect that from 24 December 2015 the criminal court charge would no longer be imposed. All charges imposed up to that point remain payable and the retention due to the MoJ is based on receipts collected in the period.

The associated revenue from which the above retained amount is derived is recorded within criminal court charge imposition revenue at the gross amount of the imposition.

### Revenue retained for Victims' Services

With the agreement of HM Treasury, MoJ's justice reform unit retains £30 million per annum of additional revenue raised from fixed penalties issued for motoring offences in order to fund services provided to the victims of crime. In respect of penalty notices for disorder (PND), an amount of £10 per penalty notice issued and paid is retained by the justice reform unit of MoJ in order to fund services provided to the victims of crime.

The associated revenue from which the amount retained is derived is recorded within fixed penalty notice imposition revenue at the gross amount of the imposition.

### Revenue retained under Spending Round settlements

As part of the current Spending Round settlement for the financial year ended 2022-23 HM Treasury has permitted the MoJ to retain collections from fines, criminal court charge and fixed penalty impositions. The amount permitted to be retained by MoJ in 2022-23 and 2021-22 is within an overall departmental income cap.

## 1.6. Net revenue for the Consolidated Fund

Net revenue for the Consolidated Fund is the value of impositions for the year from court fines, criminal court charge and fixed penalty notices, net of: impairment, write-offs, revenue retained by the MoJ, either under statute or with permission from HM Treasury, and fixed penalty revenue retained by the MoJ for funding victims' services.

## 1.7. Receivables

Receivables are shown net of impairments in accordance with the requirements of the FReM and IFRS 9. Each class of debt has been assessed separately using performance reports to provide data concerning recoverability and the length of time it takes for debt to be repaid.

The fair value of receivables is determined by making an impairment to reduce the carrying value of receivables to the net present value of the estimated future flow of repayments discounted at HM Treasury's interest rate, currently 1.9% (2021-22: 1.9%).

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on any market. Receivables are derecognised when the rights to receive cash flows from the assets have expired.

## 1.8. Payables

Payables are accounted for on an accruals basis. Because HMCTS is acting as agent in the collection of all financial penalties imposed, the total value of payables, excluding the amount on which cash has been received at year end, is derived from the fair value of receivables net of impairment at the balance sheet date.

## 1.9. Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

When preparing the Trust Statement, HMCTS makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

## Impairment of debt and credit losses

The Trust Statement enforces the full value of impositions ordered by court, writing this debt off only in specific circumstances such as company liquidation. The details of debt write-offs in year are disclosed in Note 2.1. However, the FReM requires the Trust Statement to include an expected credit loss allowance to estimate the value of outstanding impositions uncollectable, which is to be measured in accordance with IFRS 9, as adapted by the FReM. As a result, receivables for fines, penalties and confiscation orders are measured at amortised cost less an expected credit loss allowance. This allowance is calculated as the amount required to reduce the carrying value of receivables to the net present value of the estimated future flow of repayments, discounted at the interest rate set by HM Treasury.

The value of receivables is dependent on ongoing collection rates as well as the discount rate used in the valuation. The current year's impairment has been calculated based on a review of specific high value receivables combined with a collective assessment for all other debt. The collective impairment assessment is based on an analysis of past collection history projected forward to provide a payment stream which is then discounted back at the Treasury rate of 1.9% (2021-22: 1.9%) to calculate the net present value. Due to limitations in the data reports which can be extracted from the Libra system further segmentation of the debt, such as to differentiate between companies and individuals or debtors on payment plans such as attachments of earnings is not currently possible.

HMCTS has considered how the adverse macroeconomic conditions due to the current economic climate may impact collection rates in-line with IFRS 9. However, our current strong collection rates of both historic and in year impositions means that our use of historic collection rates is likely to still represent a suitable factor in estimating future collection. HMCTS accept that, in the current economic climate, there is limited forward-looking data to underpin the assessment. However, HMCTS has considerable enforcement powers including the use of attachment of benefits and earnings and ultimately custodial sentences for non-payment, this linked with the current strong collection rates have resulted in our assessment that the current impairment levels are appropriate.

A sensitivity analysis of the key assumptions of a change in the collection rate (caused by under or over recovery of the predicted rates) used in the impairment calculation is included in note 8 to these Financial Statements.

## 2. Credit losses

	Notes	2022-23 £000	2021-22 £000
Debts written off	2.1	15,834	11,717
Increase / (decrease) for year in impairment of receivables	4	221,530	178,658
<b>Total</b>		<b>237,364</b>	<b>190,375</b>

### 2.1. Debts written off

	2022-23 £000	2021-22 £000
Court fines	12,143	8,480
Criminal court charges	191	195
Crown prosecutors' costs	722	523
Prosecutors' costs	1,640	1,540
Compensation	547	419
Victim surcharge	591	560
<b>Total</b>	<b>15,834</b>	<b>11,717</b>

Debts written off are the amounts reportable to Parliament under rules on disclosure of losses and write-offs in Managing Public Money Annex A.4.10.24. under the category of 'Claims waived or abandoned'. There were 6 individual amounts over £300,000 totalling £3.6 million included in debts written off in 2022-23, all accounts related to dissolved companies (3 in 2021-22).

The details of the amounts written off in excess of £300,000 are as follows:

Reason	Amount in £	Reason	Amount in £
Company dissolved	403,638.04	Company dissolved	500,000.00
Company dissolved	478,328.68	Company dissolved	660,000.00
Company dissolved	1,000,170.00	Company dissolved	540,170.00

There are no other losses or special payments reportable.

### 3. Disbursements

2022-23	Crown Prosecutor costs £000	Prosecutor Costs £000	Compensation £000	Confiscation orders for Home Office £000	Victim Surcharge £000
New Impositions	27,276	89,626	26,775	250,373	65,270
(Increase)/ decrease in impairment charge	(3,055)	(20,497)	(5,623)	(86,397)	(14,275)
(Written off)	(722)	(1,640)	(547)	-	(591)
<b>Total</b>	<b>23,499</b>	<b>67,489</b>	<b>20,605</b>	<b>163,976</b>	<b>50,404</b>

2021-22	Crown Prosecutor costs £000	Prosecutor Costs £000	Compensation £000	Confiscation orders for Home Office £000	Victim Surcharge £000
New Impositions	29,291	87,553	24,240	232,215	46,654
(Increase)/ decrease in impairment charge	(141)	(9,164)	(1,910)	(81,924)	(4,294)
(Written off)	(523)	(1,540)	(419)	-	(560)
<b>Total</b>	<b>28,627</b>	<b>76,849</b>	<b>21,911</b>	<b>150,291</b>	<b>41,800</b>

#### 3.1. Revenue retained by the Ministry of Justice

	2022-23 £000	2021-22 £000
<b>Revenue retained by MoJ towards the cost of collection and administration:</b>		
Criminal court charges	1,046	1,590
	<b>1,046</b>	<b>1,590</b>
<b>Fixed penalty revenue retained by MoJ for Victims' Services:</b>		
Retained from fixed penalties for motor offences	30,000	30,000
Retained from fixed penalties for PNDs	47	77
	<b>30,047</b>	<b>30,077</b>
<b>Revenue retained by MoJ under Spending Round settlements:</b>		
Retained from fine collections	254,255	288,514
Retained from fixed penalty collections	83,105	79,906
	<b>337,360</b>	<b>368,420</b>
<b>Total</b>	<b>368,453</b>	<b>400,087</b>

## 4. Receivables

2022-23	Due to Consolidated Fund and third parties							Due to Home Office	Total
	Compensation £000	Victim surcharge £000	Prosecutors' costs £000	Crown prosecutors' costs £000	Fines £000	Criminal court charges £000	Fixed penalty notices £000	Confiscation orders £000	
<b>Impositions outstanding</b>									
At 1 April 2022	84,743	90,438	186,227	67,956	892,605	19,750	37,152	2,438,105	3,816,976
New impositions	26,775	65,270	89,626	27,276	498,229	(257)	115,813	160,255	982,987
Confiscation order interest								90,118	90,118
Collections	(21,132)	(41,314)	(64,522)	(23,845)	(401,358)	(1,046)	(113,152)	(177,946)	(844,315)
Written back / (written-off)	(547)	(591)	(1,640)	(722)	(12,143)	(191)	-	-	(15,834)
<b>At 31 March 2023</b>	<b>89,839</b>	<b>113,803</b>	<b>209,691</b>	<b>70,665</b>	<b>977,333</b>	<b>18,256</b>	<b>39,813</b>	<b>2,510,532</b>	<b>4,029,932</b>
<b>Impairment</b>									
At 1 April 2022	55,882	63,620	136,150	43,869	635,154	18,590	-	2,292,082	3,245,347
Increase/ (decrease) for the year	5,623	14,275	20,497	3,055	92,658	(975)	-	86,397	221,530
<b>At 31 March 2023</b>	<b>61,505</b>	<b>77,895</b>	<b>156,647</b>	<b>46,924</b>	<b>727,812</b>	<b>17,615</b>	<b>-</b>	<b>2,378,479</b>	<b>3,466,877</b>
<b>Receivables Net Book Value at 31 March 2023</b>	<b>28,334</b>	<b>35,908</b>	<b>53,044</b>	<b>23,741</b>	<b>249,521</b>	<b>641</b>	<b>39,813</b>	<b>132,053</b>	<b>563,055</b>
<b>Receivables Net Book Value at 31 March 2022</b>	<b>28,861</b>	<b>26,818</b>	<b>50,077</b>	<b>24,087</b>	<b>257,451</b>	<b>1,160</b>	<b>37,152</b>	<b>146,023</b>	<b>571,629</b>

## 4.1. Confiscation order debt – value banding by lead agency

	2022-23				2021-22			
	HMCTS £000	SFO £000	CPS £000	Total £000	HMCTS £000	SFO £000	CPS £000	Total £000
<b>Gross debt</b>								
Up to £250,000	275,851	139	41,256	<b>317,246</b>	261,145	98	37,511	<b>298,754</b>
£250,001 – £500,000	160,496	1,313	31,122	<b>192,931</b>	151,530	1,304	32,775	<b>185,609</b>
£500,001 – £1,000,000	212,403	1,639	59,047	<b>273,089</b>	208,257	1,585	55,191	<b>265,033</b>
Over £1,000,000	955,754	177,028	594,484	<b>1,727,266</b>	945,757	172,224	570,728	<b>1,688,709</b>
<b>Total gross debt</b>	<b>1,604,504</b>	<b>180,119</b>	<b>725,909</b>	<b>2,510,532</b>	<b>1,566,689</b>	<b>175,211</b>	<b>696,205</b>	<b>2,438,105</b>
<b>Impairment</b>								
Up to £250,000	256,814	129	29,924	<b>286,867</b>	241,732	87	28,369	<b>270,188</b>
£250,001 – £500,000	152,351	1,229	23,932	<b>177,512</b>	145,776	1,243	28,012	<b>175,031</b>
£500,001 – £1,000,000	208,992	1,633	54,033	<b>264,658</b>	204,240	1,575	49,552	<b>255,367</b>
Over £1,000,000	949,385	167,448	532,609	<b>1,649,442</b>	932,934	161,038	497,524	<b>1,591,496</b>
<b>Total impairment</b>	<b>1,567,542</b>	<b>170,439</b>	<b>640,498</b>	<b>2,378,479</b>	<b>1,524,682</b>	<b>163,943</b>	<b>603,457</b>	<b>2,292,082</b>
<b>Net book value</b>								
Up to £250,000	19,037	10	11,332	<b>30,379</b>	19,413	12	9,142	<b>28,567</b>
£250,001 – £500,000	8,145	84	7,190	<b>15,419</b>	5,754	61	4,763	<b>10,578</b>
£500,001 – £1,000,000	3,411	6	5,014	<b>8,431</b>	4,017	9	5,639	<b>9,665</b>
Over £1,000,000	6,369	9,580	61,875	<b>77,824</b>	12,823	11,186	73,204	<b>97,213</b>
<b>Total net book value</b>	<b>36,962</b>	<b>9,680</b>	<b>85,411</b>	<b>132,053</b>	<b>42,007</b>	<b>11,268</b>	<b>92,748</b>	<b>146,023</b>

The total gross debt is made up of 30,155 cases of which 12,044 have an outstanding order balance. Of the 12,044 cases: 11,093 (92.1%) are of a value up to £250,000; 423 (3.5%) are between £250,001 – £500,000; 279 (2.3%) are between £500,001 – £1,000,000, and; 249 (2.1%) are over £1,000,000.

## 4.1. Confiscation order debt – aged debt profile by lead agency

	2022-23				2021-22			
	HMCTS £000	SFO £000	CPS £000	Total £000	HMCTS £000	SFO £000	CPS £000	Total £000
<b>Gross debt</b>								
0 – 1 year	24,732	-	25,355	<b>50,087</b>	26,959	-	29,168	<b>56,127</b>
1 – 2 years	9,944	-	23,922	<b>33,866</b>	12,130	-	56,387	<b>68,517</b>
2 – 5 years	82,161	6,953	132,392	<b>221,506</b>	96,755	7,684	133,814	<b>238,253</b>
Over 5 years	1,487,667	173,166	544,240	<b>2,205,073</b>	1,430,845	167,527	476,836	<b>2,075,208</b>
<b>Total gross debt</b>	<b>1,604,504</b>	<b>180,119</b>	<b>725,909</b>	<b>2,510,532</b>	<b>1,566,689</b>	<b>175,211</b>	<b>696,205</b>	<b>2,438,105</b>
<b>Impairment</b>								
0 – 1 year	6,912	-	8,650	<b>15,562</b>	13,415	-	13,463	<b>26,878</b>
1 – 2 years	7,114	-	20,404	<b>27,518</b>	9,831	-	48,313	<b>58,144</b>
2 – 5 years	76,278	6,590	94,615	<b>177,483</b>	79,568	7,114	92,546	<b>179,228</b>
Over 5 years	1,477,238	163,849	516,829	<b>2,157,916</b>	1,421,868	156,829	449,135	<b>2,027,832</b>
<b>Total impairment</b>	<b>1,567,542</b>	<b>170,439</b>	<b>640,498</b>	<b>2,378,479</b>	<b>1,524,682</b>	<b>163,943</b>	<b>603,457</b>	<b>2,292,082</b>
<b>Net book value</b>								
0 – 1 year	17,820	-	16,705	<b>34,525</b>	13,545	-	15,705	<b>29,250</b>
1 – 2 years	2,830	-	3,518	<b>6,348</b>	2,299	-	8,074	<b>10,373</b>
2 – 5 years	5,883	363	37,777	<b>44,023</b>	17,186	571	41,268	<b>59,025</b>
Over 5 years	10,429	9,317	27,411	<b>47,157</b>	8,977	10,697	27,701	<b>47,375</b>
<b>Total net book value</b>	<b>36,962</b>	<b>9,680</b>	<b>85,411</b>	<b>132,053</b>	<b>42,007</b>	<b>11,268</b>	<b>92,748</b>	<b>146,023</b>

The total gross debt is made up of 30,155 cases of which 12,044 have an outstanding order balance. Of the 12,044 cases: 1,358 (11.3%) are between 0 – 1 years old; 687 (5.7%) are between 1 – 2 years old; 1,652 (13.7%) are between 2 – 5 years old, and; 8,347 (69.3%) are over 5 years old.



## 5. Payables

	2022-23		Total £000
	On which cash received	On which cash receivable	
	£000	£000	
Confiscation orders (Home Office)	20,925	132,053	152,978
Prosecutors' costs (incl. CPS Costs)	1,615	76,785	78,400
Compensation	15,666	28,334	44,000
Victim surcharge	8,968	35,908	44,876
Fines and fixed penalty receipts payable to MoJ	94,836	-	94,836
Other	5,917	-	5,917
<b>Total</b>	<b>147,927</b>	<b>273,080</b>	<b>421,007</b>

	2021-22		Total £000
	On which cash received	On which cash receivable	
	£000	£000	
Confiscation orders (Home Office)	40,816	146,023	186,839
Prosecutors' costs	8,380	74,164	82,544
Compensation	14,834	28,861	43,695
Victim surcharge	6,297	26,818	33,115
Fines and fixed penalty receipts payable to MoJ	102,755	-	102,755
Other	5,015	-	5,015
<b>Total</b>	<b>178,097</b>	<b>275,866</b>	<b>453,963</b>

## 6. Net Revenue and Balance on the Consolidated Fund account

### 6.1. Net Revenue for the consolidated fund

	2022-23 £000	2021-22 £000
<b>New Impositions: -</b>		
Court fines	498,229	746,470
Miscellaneous receipts	2,897	3,832
Criminal court charge (remissions)	(257)	(404)
Fixed penalty notices	115,813	118,247
<b>Impairment charge (increases)/decreases: -</b>		
Court fines	(92,658)	(82,437)
Criminal court charge	975	1,212
<b>(Written off): -</b>		
Court fines	(12,143)	(8,480)
Criminal court charge	(191)	(195)
<b>Retained by MoJ</b>	<b>(368,453)</b>	<b>(400,087)</b>
<b>Net revenue for the consolidated fund</b>	<b>144,212</b>	<b>378,158</b>

### 6.2. Balance on the consolidated fund

	2022-23 £000	2021-22 £000
Balance on the Consolidated Fund at 1 April	650,536	272,378
Net Revenue for the Consolidated Fund	144,212	378,158
Less: amount paid to the Consolidated Fund	(354,773)	-
Balance on the Consolidated Fund at 31 March	<b>439,975</b>	<b>650,536</b>

### 6.3. The balance on the Consolidated Fund comprises:

	2022-23		Total
	On which cash received £000	On which cash receivable £000	£000
Fines	150,000	249,521	399,521
Criminal Court charge	-	641	641
Fixed penalty notices	-	39,813	39,813
Balance on Consolidated Fund Account as at 31 March	<b>150,000</b>	<b>289,975</b>	<b>439,975</b>

	On which cash received	2021-22 On which cash receivable	Total
	£000	£000	£000
Fines	354,773	257,451	612,224
Criminal Court charge	-	1,160	1,160
Fixed penalty notices	-	37,152	37,152
Balance on Consolidated Fund Account as at 31 March	<b>354,773</b>	<b>295,763</b>	<b>650,536</b>

## 7. Notes to the Statement of Cash Flows

	Notes	2022-23 £000	2021-22 £000
Net cash flow from operating activities is derived as follows:			
Net revenue for the Consolidated Fund	6.1	144,212	378,158
Adjustment for non-cash items:			
Increase / (decrease) in impairment provision	2	221,530	178,658
(Increase) / decrease in gross receivables	4	(212,956)	(213,231)
Increase / (decrease) in payables	5	(32,956)	73,530
<b>Net cash inflow / (outflow) from operating activities</b>		<b>119,830</b>	<b>417,115</b>

## 8. Financial instruments

On behalf of the Consolidated Fund and other parties, HMCTS is party to financial instrument arrangements as part of its normal operations. These financial instruments include bank accounts, receivables and payables.

IFRS 7, 'Financial Instruments: Disclosures', requires disclosure of the role that financial instruments have had during the year in creating or changing risks an entity faces in the course of its operations. As HMCTS is acting as agent on behalf of the Consolidated Fund and other parties in collecting and surrendering financial penalties imposed by the judiciary and the police, it cannot incur losses through the Trust Statement. Write-offs and impairment charges disclosed in the Revenue and Expenditure Statement reflect the non-recoverability of gross debt since its obligation to surrender financial penalties is limited to the amount it is able to collect in revenue. HMCTS, on behalf of the Consolidated Fund and other parties, has no requirement to borrow or invest surplus funds. As such, HMCTS, in its capacity as agent, is not exposed to the degrees of financial or market risk facing a business entity acting as principal.

### a) Carrying amount and fair values

The fair value of cash balances approximates their carrying amount largely owing to the short-term maturity of this financial instrument which is less than three months.

The fair value of receivables is determined by making an impairment to reduce the carrying value of receivables to the net present value of the estimated future flow of repayments discounted at the Treasury rate of 1.9% (2021-22: 1.9%).

The key assumption inherent in the model used to calculate the impairment provision is that the estimated future flow of repayments reflects historical trends and, as such, there is inherent uncertainty in the estimated provision. The future financial impact of the current economic climate is currently unknown; however, HMCTS does not believe that it will materially impact on the assessments of the recoverability of outstanding debt. Given the complex nature of confiscation orders, including high levels of hidden assets and assets being overseas, the impact on the collection rates is inherently more uncertain, as a result the sensitivity analysis for these orders is assessed using a larger percentage change in the assumptions.

The impact of the following reasonable possible alternatives to this assumption is reflected in the table below:

Assumption	Change in assumption *	Increase / (decrease) in net receivables	
		2022-23 £m	2021-22 £m
Projected cash collections – confiscation orders	+25%	9.5	13.1
Projected cash collections – all other impositions	+10%	36.8	38.7
Projected cash collections – confiscation orders	+10%	5.6	5.3
Projected cash collections – all other impositions	+5%	18.4	19.4
Projected cash collections – confiscation orders	-25%	(14.4)	(13.1)
Projected cash collections – all other impositions	-10%	(36.8)	(38.7)
Projected cash collections – confiscation orders	-10%	(5.8)	(5.3)
Projected cash collections – all other impositions	-5%	(18.4)	(19.4)

\* The change in assumption is capped to ensure that the assessment does not predict that more than the original imposition can be collected.

The fair value of payables on which cash is receivable at the balance sheet date is derived from the fair value of the related receivables balance.

**b) Liquidity risk**

Liquidity risk is the risk that HMCTS, on behalf of the Consolidated Fund and other parties, will encounter difficulty raising liquid funds to meet commitments as they fall due. HMCTS is obliged to surrender only those funds that it has collected and banked. As such, HMCTS, in its capacity as agent, does not have significant liquidity risk.

**c) Credit risk**

Credit risk is the risk that a third party will default on its obligation to HMCTS on behalf of the Consolidated Fund and other parties, thereby causing the Consolidated Fund and other parties, for whom HMCTS acts as agent, to incur a loss.

Credit risk arises from deposits with banks and receivables. The maximum exposure to credit risk at the balance sheet date is:

	2022-23	2021-22
	£000	£000
Cash at bank	297,927	532,870
Receivables	563,055	571,629
	<b>860,982</b>	<b>1,104,499</b>

Cash at bank comprises liquid bank balances held with commercial banks, including those administered through the GBS.

The size of the risk inherent within the trade receivables balance (shown net of impairment above) is reflected in the receivables impairment which totals £3,467 million (£3,245 million 2021-22). HMCTS, through the Governance and Risk management structures outlined in the Governance Statement, continues to assess and implement programmes to increase collection of receivables.

**d) Currency risk and interest rate risk**

There is no exposure to currency risk as all financial penalties are imposed, collected and payable in sterling. Whilst interest is charged on unpaid confiscation orders, the interest charged on the outstanding receivable balance is only payable to the Home Office when received from the debtor.

**9. Related Party transactions**

There were no related party transactions in the period.

**10. Events after the reporting period**

In accordance with the requirements of IAS 10, 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

There were no adjusting events.







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