



HM Courts &
Tribunals Service

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Annual Report and Accounts 2022-23





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Tribunals Service

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For the period 1 April 2022 to 31 March 2023

Annual report presented to Parliament pursuant to section 1(4) of the Courts Act 2003 and section 39(3) of the Tribunals, Courts and Enforcement Act 2007.

Accounts presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000 and to the House of Lords by Command of His Majesty.

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Forewords



Sir Richard Broadbent

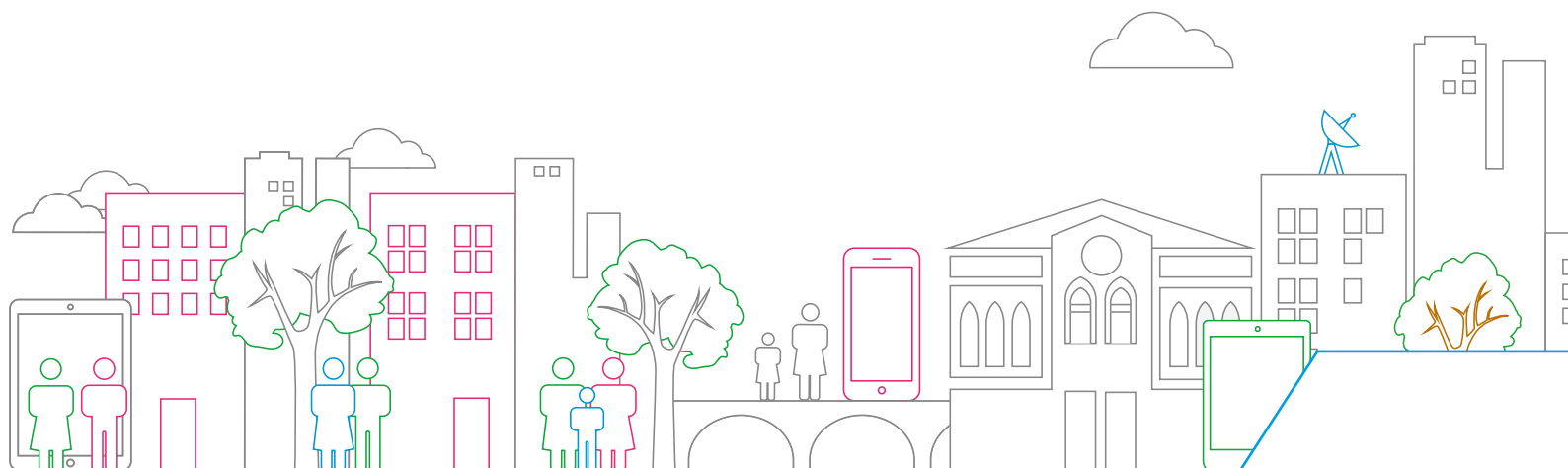
Independent Chair of
HM Courts and Tribunals Service Board

I am delighted to have been invited to take up the post of Chair of the HM Courts and Tribunals Service.

The Service performs an essential but complex role in ensuring justice is administered as efficiently and effectively as possible in this country. It sits at the junction of Government and Judiciary, serving both to the best of its ability.

Like so many other services, the COVID-19 pandemic faced it with unprecedented challenges which continue to resonate even now, and as with almost every other part of the economy it must also address the increasing expectation of low cost, rapid, digitised services. This constitutes an important agenda for the coming years which the Board will seek to progress as expeditiously as possible.

Sir Richard Broadbent
Independent Chair of
HM Courts and Tribunals
Service Board



Nick Goodwin

Chief Executive Officer of
HM Courts and Tribunals Service

During the last financial year, we continued to deliver our services in challenging circumstances. Recovering from the impact of the COVID-19 pandemic remained a central priority, whilst driving forward the latter stages of our Reform Programme of modernisation involved adapting to new ways of working alongside continuing to build resilience.

We have had to innovate and carefully manage budgets to deal with a range of other pressures including inflationary increases, industrial action and adverse weather. It has been a difficult but rewarding year for everyone working in the justice system, each of whom has my utmost admiration and heartfelt thanks.

HMCTS staff, the judiciary, our justice partners, professional court users and many others have continued to go the extra mile, giving everything to meet ongoing demands.

The next financial year will undoubtedly have its own challenges, but we should meet those with confidence knowing what has been delivered by our people and partners over the past 12 months.

The number of trials listed and disposed of in the criminal courts is higher than we have seen for several years, the rate of effective versus ineffective trials continues to improve and sitting day expectations have been surpassed. We began broadcasting the sentencing remarks of judges in some Crown Court cases, starting with the Old Bailey, in a transformational step for open justice. Croydon Crown Court made history when a deaf juror was able to serve in a trial for the first time aided by a British Sign Language interpreter. And while the court estate remains complex, we've made progress in the acquisition and building of new facilities to enhance the resilience of the estate and maintain court capacity

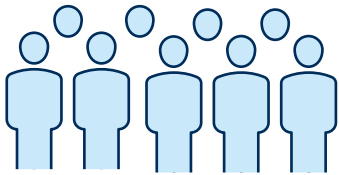
This progress continues to be underpinned by our Reform Programme. Reform is having a significant impact for the public, with digital services used over 2.1 million times so far, making courts and tribunals services easier to use and more efficient to run. We remain committed to fulfilling the vision of Reform, recently adjusting the scope and timeframes of some services. We will now implement remaining civil, family and tribunals services by March 2024, and crime services by March 2025. By listening to feedback and taking these decisions, it will allow more time – particularly in our largest, most challenging reforms – for our staff and partners to develop, adapt to and embed the services.

Finally, I'm delighted to welcome Sir Richard Broadbent to the organisation in his role as chair of the HMCTS Board. Sir Richard follows the tenure of Tim Parker who left in December 2022, and Victoria Cochrane who took up the role in the interim. I'm immensely grateful to both Tim and Victoria for the expertise and direction that they brought to the role and wish Tim the very best for the future.

Nick Goodwin
Chief Executive and
Accounting Officer

Section 1: Performance section

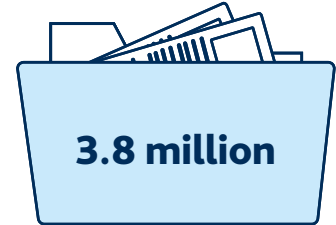
1.1 HMCTS at a glance



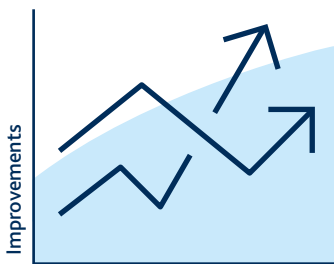
We have around
19,000
members of staff
across HMCTS



We operate from
333 venues,
19 admin sites and
11 Nightingale courts



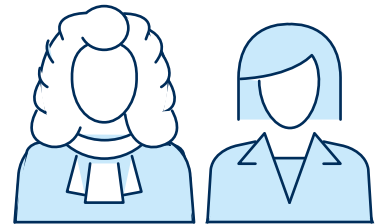
We handled over
3.8
million cases
(of which **36%** were
criminal cases)



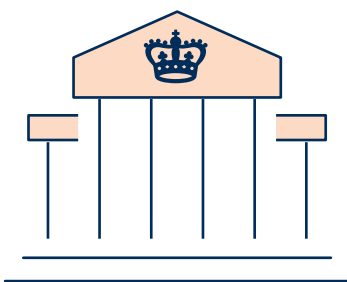
Our net expenditure was
£1.5 billion



Our employee engagement
index was
57%



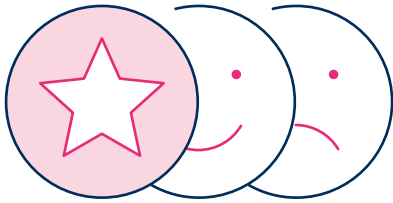
We support over
23,500
judicial office holders,
including over **14,000**
magistrates



We sat over
565,000 days
across our courts and
tribunals of which
100,950 were sat in
the **Crown Court**



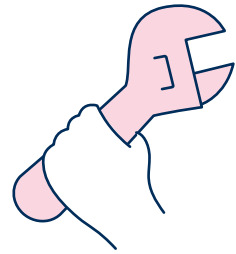
We held over
2 million hearings,
of which 28% primarily
used audio or video
hearings technology,
63% were in part or fully
held face-to-face and
8% were predominantly
paper based



88% of complaints
were resolved at first contact

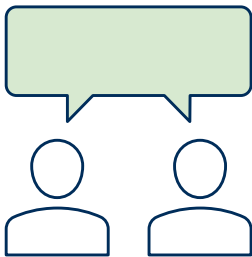


Our Courts and Tribunals Service Centres responded to over **1 million calls**



We invested **£99.7 million** in our estate

We provide services in the criminal, civil and family courts and tribunals. A number of these have been transformed so they are accessible online, including the following, showing the level of user satisfaction.



95% satisfied

Issue and resolve **civil claims**



87% satisfied

Submit an appeal for **social security and child support**



86% satisfied

Single Justice Service



90% satisfied

Help with fees

1.2 Overview

The overview summarises information about our organisation including our purpose, how we're structured, the main risks to the achievement of our objectives, and a summary of how we've performed during the year. You can find more detailed information on our performance from page 10.

1.2.1 About HMCTS

We are an executive agency of the Ministry of Justice (MOJ). Our 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. We're responsible for the administration of criminal, civil and family courts and tribunals in England and Wales, as well as non-devolved tribunals in Scotland and Northern Ireland.

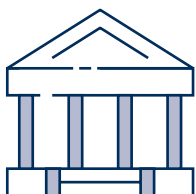
We operate in accordance with our published Framework Document¹ which sets out the basis of an operating partnership between the Lord Chancellor (Secretary of State for Justice), the Lord Chief Justice and the Senior President of Tribunals.

Our role and responsibilities

Our justice system defends the fundamental rights and freedoms of the public. It's a cornerstone of our society and we have a responsibility to administer a justice system that's accessible to everyone and operates efficiently. Those who directly rely on our services include:

- victims and witnesses of crime
- those charged with criminal wrongdoing
- children and other vulnerable people who need protection
- families affected by relationship breakdown
- members of the public challenging decisions of the state
- people and businesses needing to assert their rights in civil or commercial disputes

Together we:



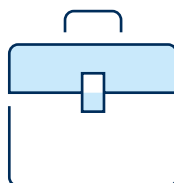
provide the supporting administration for a fair, efficient and accessible courts and tribunals system



collaborate effectively with other justice organisations and agencies, including the legal professions, to improve access to justice



support an independent judiciary in the administration of justice



work with government departments and agencies to improve the quality and timeliness of their decision-making, which will reduce the number of cases coming before courts and tribunals



make improvements across all aspects of the administration of courts and tribunals

You can find out more about our work at www.gov.uk/government/organisations/hm-courts-and-tribunals-service.

¹ www.gov.uk/government/publications/hm-courts-and-tribunals-service-framework-document

Our structure

We have 19,000 members of staff, of which 90% work on the front-line in our courts and tribunals buildings and in our Courts and Tribunals Service Centres (CTSCs). You can find details on the composition of our workforce from page 51.

Our courts and tribunals are geographically spread across England, Scotland and Wales and managed by regional delivery directors. We have 333 venues and 19 admin sites, including 5 CTSCs (the first port of call for members of the public who want more information on their hearing). Details of individual venues can be found at www.find-court-tribunal.service.gov.uk.

The services we provide in our courts and tribunals are supported by a number of headquarters functions, which are represented by members of our senior management team. You can find details of our governance and management structure in the Accountability section from page 31.

We received over 3.8 million cases across the criminal, civil and family courts and tribunals during 2022-23. We disposed of (completed) over 2.3 million cases and the chart below shows the breakdown of disposals across our jurisdictions. In addition, a further 1.2 million cases were settled out of court.



Magistrates
1,284,838



Civil
248,202



All Family Courts
(including Probate and Divorce)
464,997



Crown
96,903



All Tribunals
259,787

Our strategic objectives and priorities

Our vision for 2025 is to play an active part in a justice system that's innovative and proactive, enabling people who use our services to resolve their issues at the earliest possible opportunity. Our focus is on delivering swift access to justice, one of the aims in the MOJ Outcome Delivery Plan. Our Corporate Plan 2022-25 sets out how we will do this through our strategic objectives and main priorities.

Our business plan for 2022-23 outlined the activities we focused on delivering this reporting year around the themes of:

- supporting our people
- recovery and stabilisation of our services
- reform and its transition to core business

Everything we do is underpinned by our values of Purpose, Humanity, Openness and Together.

Courts and tribunals system vision

A courts and tribunals system that is **just, proportionate and accessible**





HMCTS purpose

To run an **efficient and effective** courts and tribunals system, which **supports an independent judiciary** in the administration of justice - enabling the rule of law to be upheld, and providing **access to justice for all**

Our strategic objectives



Making processes straightforward for the public



Dealing with cases as quickly as is reasonable



Ensuring services are accessible and inclusive



Building resilience



Reducing cost

Metrics

How do we know we are delivering against our strategy – set out in the annual Business Plan and Outcome Delivery Plan





Activities

What are we doing to achieve improvement – set out in the annual Business Plan

Our priority areas of focus

People	Insight	Innovation	Resilience	Collaboration
having the right people, in the right place, with the right tools and support	embedding an evidence-based culture that provides the insight about our services and users that we need to make the right lasting decisions	continuously improving so that our services are the best they can be and keep pace with what users need and expect	building capacity and flexibility to ensure we deliver a consistent and reliable service, prepared for the future	working with key partners across the justice system and beyond to deliver the best justice service for all public and professional users

Our values

Purpose

Justice matters. We are proud to make a difference for the public we serve.

Humanity

We treat others as we would like to be treated. We value everyone, supporting and encouraging them to be the best they can be.

Openness

We innovate, share and learn. We are courageous and curious, relentlessly pursuing ideas to improve the services we deliver.

Together

We listen, collaborate and contribute, acting together for our common purpose.

You can read a summary of our performance from page 8 for a more detailed account is in the Performance analysis section.

Our financial spend

The net cost of running our organisation during 2022-23 was £1.7 billion. Within this funding, £1.5 billion was categorised as resource spend and £0.2 billion as capital spend. You can find a more detailed breakdown of our expenditure in the Financial performance review on page 10.

Our main risks

Our Risk Management Framework brings together our risk strategy and practical guidance on how risks and issues should be managed at all levels in our organisation.

Our corporate risk register was regularly reviewed throughout the year and the principal risks we faced were:

- performance recovery and significant service delivery failures
- providing a safe operating environment
- maintaining a positive workplace culture for our people
- communicating and engaging effectively with our stakeholders
- operating within our budget
- IT failure because of using legacy systems and the scale of change to new IT services

You can find further details on our risks and issues, including the controls we put in place to mitigate them, in the Accountability section from page 37.

1.2.2 Performance summary

Our performance is measured against deliverables set by the HMCTS Board at the start of the financial year. The table below sets out the outcomes in our business plan and how they relate to our priorities and corporate risk register. It shows examples of what we've delivered and challenges we faced during the year. You can read more about our performance from page 10. You can find further information on how we managed our risks from page 10.

Link to priorities	People	Insight	Innovation	Resilience	Collaboration
Outcome and status		Examples of progress and challenges faced in 2022-23			
Theme: Supporting our people					
Deliver and embed the strategic outcomes of our People and Culture Strategy Corporate Risk: People		To support the embedding of change in HMCTS, we put a support package together including links to employee assistance and wellbeing tools, and continued regular engagement through weekly 'All Staff' and 'HR' webinars. Our reformed digital services require a different skill set from 'traditional' skills and we developed a suite of learning material to upskill our people to deliver high quality services. Delivering the programme during a period of significant change has proved to be challenging.			
People					
Further details can be found on page 12					
Theme: Recovery and stabilisation of our services					
Enhance organisational capacity and resilience, reducing our open caseloads by as much as possible within our levers of control Corporate risk: Recovery		We focused on making best use of our estate and maximising judicial capacity to increase the number of cases completed. A shortage of salaried judges and legal advisers has been challenging and during 2022-23 we launched recruitment for 950 judicial posts. 78 legal advisers were recruited and took up post. We created the ability for designated judges to hear cases virtually from any geographical region so we could match available judicial resources remotely to outstanding workload.			
Resilience					
Further details can be found on page 14		Industrial action had a significant impact on the number of hearings held in the Crown Court and magistrates' courts. We continued to list cases as directed by the judiciary and worked closely with local partners and stakeholders to minimise disruption wherever possible and make sure judges had the information they needed to work through the disruption.			

Outcome and status

Ensure our estate is as compliant, operational, and sustainable as possible. Supporting operations to deliver as efficiently, effectively and safely as possible with people’s health and wellbeing at the heart.

Corporate risk: Safety and security

Resilience

Collaboration

Further details can be found on page 15

Examples of progress and challenges faced in 2022-23

We completed over £76.7 million of capital works to fix underlying issues with our estate. However, there remains a significant backlog for the maintenance and replacement of equipment in our buildings. Our investment is focussed on areas which would otherwise affect court capacity. Investment is prioritised towards reducing further degradation and supporting building safety and security, meeting statutory requirements and protect continuity of service. During the year, some buildings had to be closed because of maintenance issues.

We have not met our interim Greening Government Commitments; however, we remain committed to reducing the impact on the environment as we deliver court and tribunal services, and have made progress.

Theme: Reform and its transition to core business

Enhance our ability to deliver and sustain excellent digital and technology services

Corporate risks: Legacy systems; New services

Innovation

Resilience

Further details can be found on page 17

We reviewed our in-house digital services team to better manage our digital services and monitor live performance and recruited additional resource. However, there were some occasions where our key systems were unavailable.

We received approval from HM Treasury for our Decommissioning and Legacy Risk Mitigation (DLRM) Programme. This is a major Government programme to reduce the risks associated with our old, legacy software applications, hardware, and hosting services; as well as ensure the right commercial agreements are in place to underpin their replacement and continued support.

As at the end of March 2023, we have made significant progress to upgrade hardware and software to mitigate hosting, hardware and software risks.

Improve the way we gather, hold and curate data. Develop a proactive culture with the right analytical skills to use the information we have to deliver high quality services

Insight

Further details can be found on page 17

We completed development of the Strategic Data Platform on schedule. This gives us modern tools that will help us process data faster through automation, protect our data better, and enable us to find and share the data our users need more quickly.

We plan to deliver essential reporting requirements using this new technology in the next year and will then move into a cycle of continuous improvement. We need to continue to work to ensure that the insight our operational staff need is provided to them.

Modernise the procedures and infrastructure of our courts and tribunals; improve the user experience of the justice system that is fit for the modern era; make the system more resilient; build capacity to manage increased demand (i.e. through online services); and retain our reputation as a justice system leader

Corporate risk and issue: Reform implementation

Innovation

Further details can be found on page 18

Our Reform Programme has continued to deliver new systems to modernise our activities, although we are behind where we planned on some key deliverables.

Given the challenges of such an ambitious and complex programme, we carried out an in-depth review of the remaining reform activity and revised our plans to reflect the changing circumstances and ongoing challenges. We prioritised delivery of work to reduce delays to our users, continuing to secure reform benefits and supporting our people to deliver and embed change. To do this, following ministerial agreement, we took the decision to extend the deadline for completing the bulk of the programme to March 2024; a 3-month extension with an additional year to March 2025 for the final 2 releases and implementation of the Common Platform.

1.3 Performance analysis

This section provides a detailed view of how we performed against our business plan priorities and main performance indicators this reporting year. It also includes our plans for 2023-24.

1.3.1 Our financial performance



“HMCTS has maintained high levels of capital investment in reforming the systems we use to manage our business, including through our Reform Programme. It is great to see that this investment is making a real difference for those who use our services and work in HMCTS.

We will continue to invest in further improvements in the next 12 months as we come to the end of our current Reform Programme”

Andrew Baigent, Chief Financial Officer

How we are financed

We're financed by funds voted by Parliament, through the MOJ. Our funding is proposed by the Lord Chancellor, who aims to seek agreement to the proposal from the Lord Chief Justice and Senior President of Tribunals. We also receive income from fees charged for some courts and tribunals services. Further details are provided in the Financial Statements on pages 65 to 68.

How we spent our money

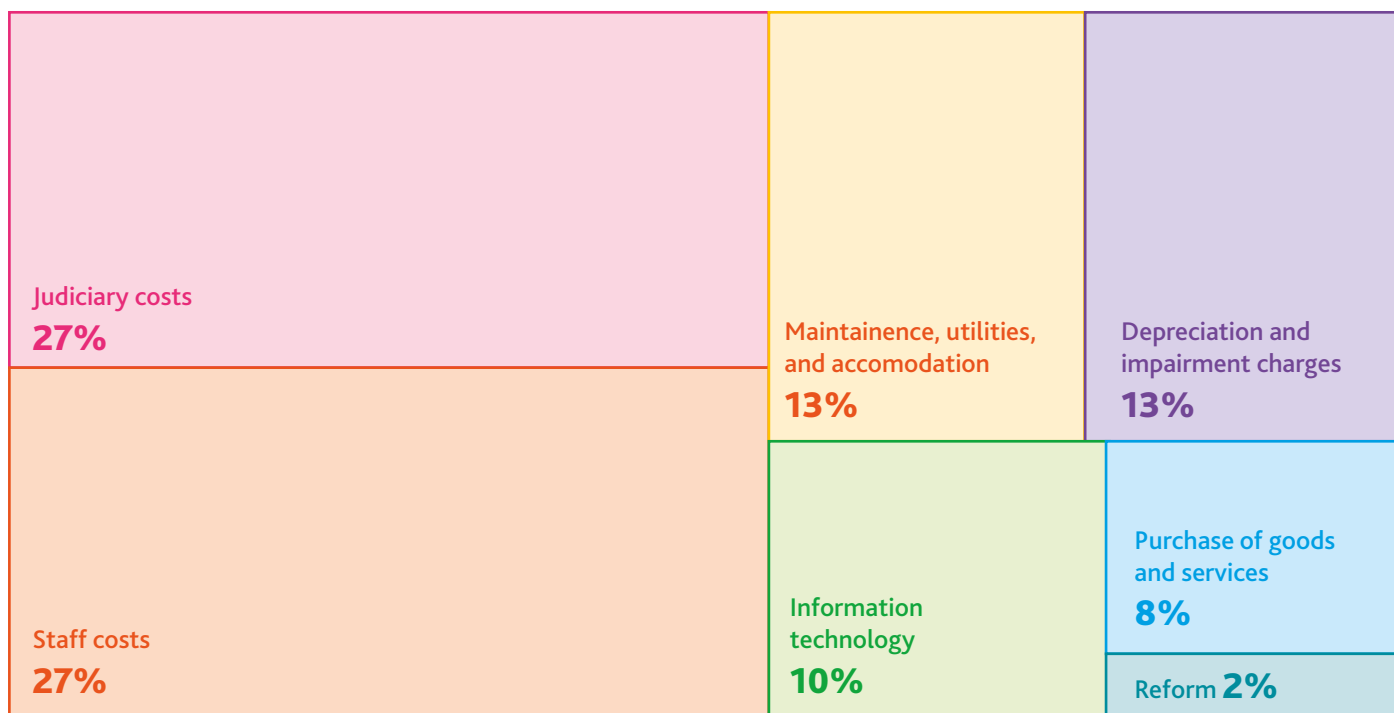
During 2022-23 we had a net expenditure of £1.5 billion, an operating income of £782 million and spent £210 million on capital.

Capital expenditure

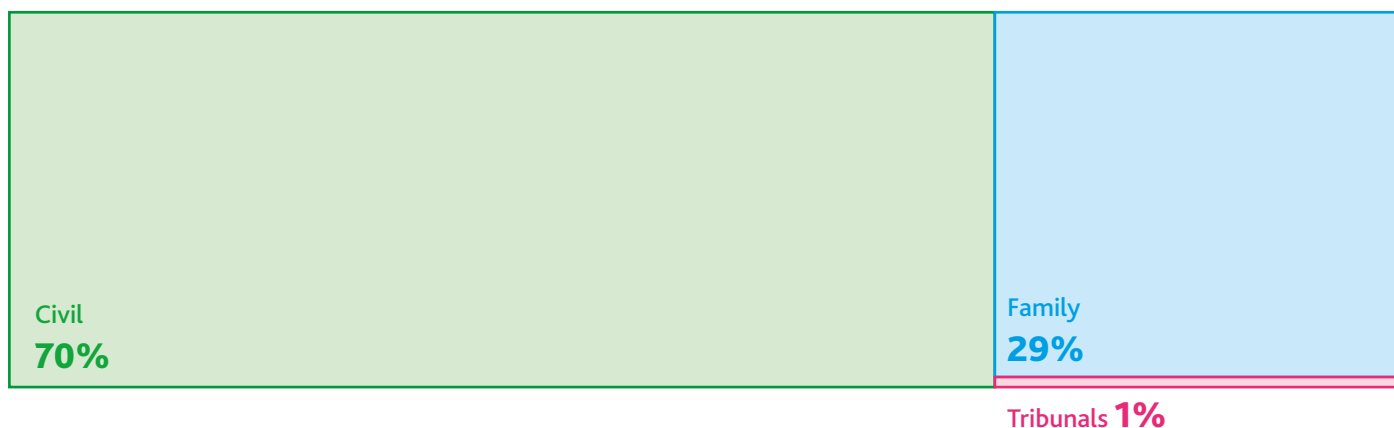
During the year we invested in 3 main areas. We invested £80 million in new IT services, including the new reformed systems set out in this report, as well as IT hardware. In addition to assets under construction we spent £23 million on repairs and enhancements to our estate and £37 million on purchasing new properties and leases.



HMCTS Operating expenditure

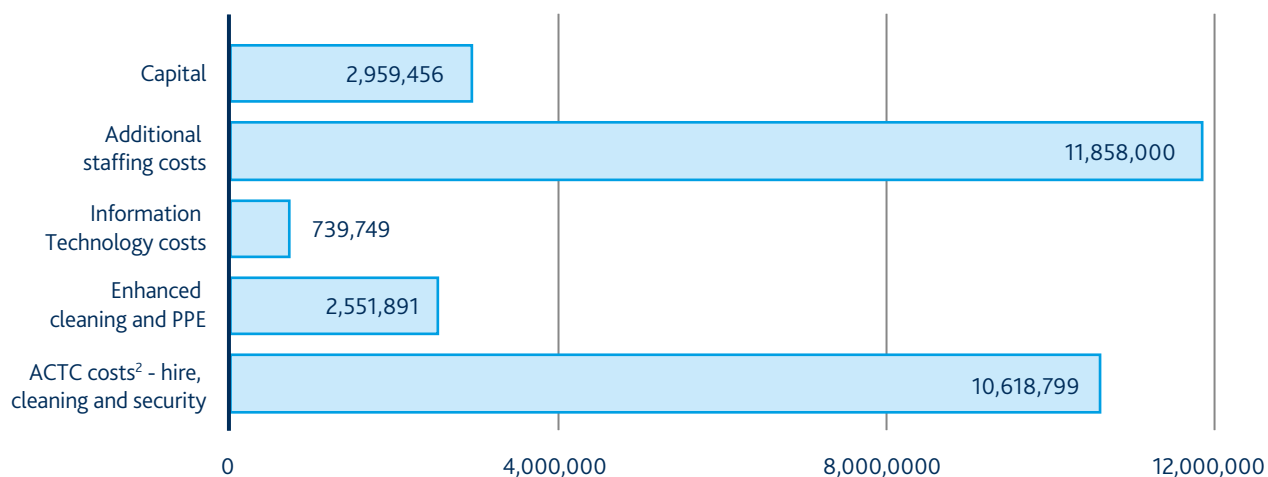


HMCTS Fees income



COVID-19 expenditure

HMCTS COVID-19 expenditure 2022-23



² Additional courts and tribunals capacity

1.3.2 Performance against our business plan priorities

This section has more detailed information on what we've delivered and our main operational performance data.



"Our people are at the heart of HMCTS's success. As we continue to transform our organisation and ways of working, how our people feel at work and about work makes all the difference. We know that commitment, motivation and pride help make HMCTS a truly great place to work for everyone, and this of course ultimately improves performance and productivity too."

Louise Alexander, HR Director

Supporting our people

Our People and Culture Strategy gives a high-level overview of our people priorities for 2021-24. It'll help us deliver organisational change by setting out how we want our organisation to look, feel and act from a people point of view as we implement the final stages of our Reform Programme. Examples of what we delivered this year are in the table below.

We continued to focus on engagement, wellbeing, diversity and inclusion which was even more important this year with increases to the cost of living, the changes in the way we work, and the people impacts expected from implementing reform. We see these themes being raised by staff in our regular all-staff webinars and have dedicated a series of activities to support staff, including a series of webinars run by the Charity for Civil Servants.



Our **PERMA Index score was 72%** taken from 2022 Civil Service People Survey measuring employee wellbeing and happiness

Outcome: Deliver and embed the strategic outcomes of our People and Culture Strategy

Proportion of milestones:

60% Behind schedule

40% On track

Link to priorities:

People

Corporate risk: People

You can find further information on our workforce composition and employee engagement from page 50.

Deliverable

Deliver the agreed strategic outcomes in our People and Culture Strategy to:

- enable an accountable, inclusive, diverse, confident and effective leadership through change
- develop our people, identify, attract, retain, nurture talent and leaders of the future
- enable and support our people to work smarter
- support an agile, flexible, responsive and efficient workforce
- provide a high-quality approach to our people services

Examples of what we progressed during 2022-23

- We designed a National Organisational Design blueprint to describe how we will operate when our Reform Programme finishes.

- We developed a suite of e-learning material to improve our recruitment practices and produced a strategy to recruit the right people, in the right place, at the right time.
- We trained 32 members of staff with an accredited coaching qualification bringing our total to 44.
- We developed a learning programme called data-wise to develop data literacy skills and help our people to understand, use and interpret the data available to them.
- We launched a new Digital-wise toolkit to offer a suite of bitesize learning focused on improving foundation and basic digital skills.
- We're committed to 5% of our workforce being on an apprenticeship by 2025 and as at the end of March 2023, 123 learners had enrolled in 2022-23 bringing our total to 836 enrolments since the programme began in 2018.



“The last 3 years have been hugely challenging for HMCTS but our people have responded brilliantly. Whilst we still have some way to go to fully recover from the impacts of COVID-19, we are now seeing improvement in a number of jurisdictions and this is all down to the hard work and commitment of HMCTS staff and the judges they support.”

Paul Harris, Operations Director

Recovery and stabilisation of our services

We rapidly adapted to living and working with COVID-19 and made progress in recovering our services from the significant impact of the pandemic. We increased the number of courtrooms available for hearings across all jurisdictions. We continued using temporary Nightingale courtrooms to allow more cases to be heard. You can find details on our main operational performance metrics from page 19.

From May 2022 to March 2023, magistrates had their sentencing powers increased from 6 to 12 months for a single offence. This meant more cases could be dealt with by the magistrates’ courts and Crown Courts could focus their resources on getting through more serious, complex cases. This helped us provide swifter justice for victims.

Industrial action by some members of the Criminal Bar Association and separately by the PCS Union caused significant disruption to cases in the Crown Court and magistrates’ courts. When this action took place, we worked closely with local partners and stakeholders to minimise disruption wherever possible and made sure judges had the information they needed to best prioritise listed cases and to continue with work.

Recruiting sufficient salaried judges has been challenging. We worked closely with MOJ, the judiciary and Judicial Appointments Commission to recruit judges in those areas where there is the greatest need. During 2022-23 we launched recruitment for 950 judicial posts. We continue to focus on increasing application numbers for what are now annual District and Circuit Judge recruitment exercises. Whilst we have fallen short of our vacancy level, we have seen year-on-year improvement. 78 legal advisers were recruited and took up post, of which 51 are focused on criminal cases. Another 70 legal advisers completed their training during the year. A virtual region was established in a number of jurisdictions to provide flexibility in using judicial capability to address outstanding workload pressures.

On 28 July 2022, legal history was made when a judge’s sentencing remarks were broadcast for the first time in England and Wales. Since then, over 15 sentences have been broadcast. This gives the public a better understanding of how judges reach their decisions. Sentencing remarks are recorded and hosted by Sky News on a dedicated YouTube channel ³.



Matt Nicholls, Sky News’ Court Video Journalist, said:

“HMCTS staff were instrumental in the success of the first broadcast of judges sentencing remarks and went above and beyond to ensure everything went smoothly. I look forward to working with them as we roll out filming at other Crown Court centres and hope we can continue to demonstrate that this exciting project will not impact on the vital work they do to ensure the wheels of justice keep turning.”

In September 2022 we completed the rollout of technology that spares victims and witnesses of crimes, such as rape and modern slavery, the stress of being cross-examined during a live trial. Subject to a successful application to the court, the video recording takes place as close to the time of the offence as possible, while memories remain fresh.

Our estate

Our estate is both large and complex. We occupy a range of different types of buildings. These range from modern purpose-built courts and tribunals through to older and listed buildings which are not always easy to maintain or use in a modern court setting. Managing them is a challenging task and we are constantly exploring ways to modernise the estate to make it fit for purpose. We know maintenance works are needed across our estate and the 2021 Spending Review provided multi-year funding so we could carry out a medium-term maintenance programme.

³ www.youtube.com/channel/UCF3HqeLrCkZgARQfyqj1m-g

We have a planned pipeline of works prioritised to target the most critical areas for investment across our estate, and this is kept under regular review. We invested £99.7 million in our estate during 2022-23 and our investment was prioritised in making sure that our buildings are safe, secure, meet statutory requirements and protect continuity of service. We'll continue to seek further funding to improve the overall condition of our buildings and reduce the risk of closure.

We're committed to reducing our impact on nature and the environment as we administer our services; however, our estate is challenging to operate with sustainability in mind and has not been designed to withstand the climate of the future. Meeting our sustainability Greening Government Commitments requires significant investment and we have not met our interim carbon and water reduction targets this year. We carried out a deep dive of our sustainability risks, including climate change risks, to inform our future action plans and climate adaptation requirements. Our people are our greatest asset and advocates for sustainability. We expanded our Green Groups to look at ways we can reduce carbon, water and waste whilst operating our buildings and improve employee wellbeing through nature recovery and greening our estate.

We were issued with 2 Enforcement Notices by the Crown Premises Fire Safety Inspectorate (CPFSI), 1 of which was subsequently reduced to a 28-day action plan. Action plans were put in place to address the issues raised. An independent lessons learned investigation was carried out in November 2022, recommendations from which are being considered. Site specific fire risk assessment surveys were completed for all our buildings. We invested £5.7 million in remedial works, which is made up of 32 statutory compliance projects, the majority of which are fire-related.



New London Law Courts in City of London..

The former Secretary of State and Lord Chancellor Brandon Lewis unveiled the foundation stone for the new London Law Courts in October 2022. The 18-courtroom facility will replace the ageing Mayor's and City of London Court and the City of London Magistrates' Court.

Outcome: Enhance organisational capacity and resilience, reducing our open caseloads by as much as possible within our levers of control



Link to priorities: **Resilience**

Corporate risk: Recovery

Deliverables

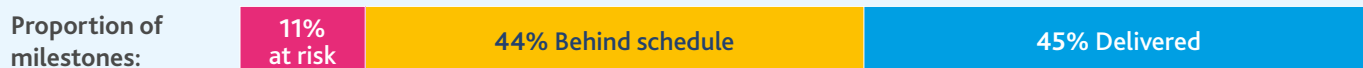
Maximise remote and available physical hearing capacity to deliver allocated sitting days. Effectively manage incoming demand within courts and tribunals by running efficient administrative operations to enable the timely listing/disposal of cases.

Maintain estate capacity by acquiring new premises or investment in existing estate where landlords force our vacation.

Examples of what we progressed during 2022-23

- We spent £23 million on major projects and new properties.
- We continued our development on new courts and tribunals, including the Central London Tribunal Centre, the relocation of court and tribunal operations to new and improved accommodation including in Dundee and Chatham.
- The construction of the new London Law Courts, led by the City of London Corporation, began in October 2022 and the new court complex is scheduled to open in 2026. It will replace the ageing Old Mayors and City of London Court and the City of London Magistrates' Court.
- We opened Newport CTSC on 18 July 2022.

Outcome: Ensure the estate is as compliant, operational and sustainable as possible. Supporting Operations to deliver efficiently, effectively and safely as possible with people’s health and wellbeing at the heart



Link to priorities: **Resilience** **Collaboration** Corporate risk: Safety and security

You can find further information on our environmental sustainability from page 25.

Deliverable

Enables changes that are driven by policy or wider legislative changes such as raising income, fees and sustainable operations.

Examples of what we progressed during 2022-23

- In November 2022 we launched a Winter Energy Saving Campaign in collaboration with our suppliers and operational colleagues to help them actively manage heat loss in buildings through behavioural changes and avoid wasting electricity and gas. Performance against our Greening Government Commitments is on page 26.
- In July 2022 a judge’s sentencing remarks were broadcast for the first time in England and Wales. We worked closely with judicial colleagues, national broadcasters, those representing the family and the City of London Corporation (Central Criminal Court) to make sure the whole process ran smoothly.

Deliverable

Provide a well-functioning, sustainable, physical estate than can be utilised to meet operational/functional needs and achieve compliance with statutory obligations. Within allocated capital funding, fix or replace broken/ageing equipment in courts/tribunals, to meet sustainable, safety and statutory obligations as and when required.

Examples of what we progressed during 2022-23

- In November 2022 we published our Estates Strategy⁴ 2021-31 , setting out our ambitions for the court and tribunal estate over the next 10 years and how we’ll achieve them.
- Equans, our facilities management provider, achieved 90% statutory compliance as at the end of March 2023.
- We spent £5.7 million on 32 capital maintenance projects related to statutory compliance obligations.

Deliverable

Within the allocated capital funding, fix broken equipment in courts/tribunals, as and when required; and have a very small number of planned maintenance projects to maintain usable courtrooms as well as ancillary accommodation.

Examples of what we progressed during 2022-23

- We invested £99.7 million in maintaining our estate, of which £76.7 million was spent on 171 capital maintenance projects to help fix underlying issues with our estate.

4 <http://www.gov.uk/government/publications/hmcts-estates-strategy-2021-to-2031>



"We have one of the most comprehensive and ambitious court and tribunal reform programmes in the world. Our reformed services are essential to providing the best access to justice for every victim, witness, defendant, claimant, business and family that needs to use the courts and tribunals.

I'm incredibly proud and grateful to all those who have played their part in transforming our services so far."

Nick Goodwin, Chief Executive Officer

Reform and its transition to core business

Since 2016 we have been investing £1.3 billion to transform the justice system by modernising how the courts and tribunals work. We're introducing 21st Century technology to provide better, user-friendly digital services that increase access to justice and improve efficiency. It means giving judges and magistrates more time to hear cases by cutting down on unnecessary paperwork and reserving court and tribunal time for the most complex cases. You can find further details on the achievements, challenges and next steps of our Reform Programme at www.gov.uk/guidance/the-hmcts-reform-programme.

We delivered modernised, digital services across several services we provide. During 2022-23 we completed the Financial Remedy, Civil Damages and Social Security and Child Support projects and the Future Operations programme. We focused on embedding new services and new ways of working. Our Reform Programme is a complex portfolio with a diverse range of stakeholders and dependencies. As we worked at full capacity to recover from the impact of the pandemic, there were significant challenges in delivering change into our organisation at the same time. This particularly impacted the implementation of Common Platform, the new digital case management system in the criminal courts. It's an ambitious programme on a large scale and we faced difficulties in developing the technical requirements for a single shared system with the CPS. We changed our approach to design a new system for our organisation that will share information with the CPS and achieve the same outcomes. There were issues and concerns with the new application and we temporarily paused rolling it out further to ease some immediate pressures and give time and space to decide our next steps. We listened to some challenging feedback from our people and took steps to make the rollout smoother and to give greater confidence in the system.

We carried out an in-depth review of the remaining Reform Programme activity and prioritised delivery of work to reduce delays for those who use our services, continuing to secure reform benefits and supporting our people to deliver and embed change. Following ministerial agreement, the decision was taken to extend the completion of the Reform Programme to March 2024, a 3-month extension, with an additional year to March 2025 for the final 2 releases and implementation of the Common Platform. This is to help relieve the pressure on our people and services, and allow more preparation and development time. In February 2023 the National Audit Office (NAO) published a report on Progress on the courts and tribunals reform programme⁵. We published a response welcoming the report and accepting the recommendations, many of which are already in hand. On 30 March 2023, we sat before the Public Accounts Committee (PAC) to review the progress of the Reform Programme since the last PAC hearing in 2019. The Committee published a formal report⁶, including a list of recommendations, on 30 June 2023. We'll publish a response, detailing our progress towards the recommendations.



Paper forms are scanned onto our digital services so users benefit from the automated tasks which provide the same performance for digital and paper applications.

It's now common for all or some participants to not attend their hearing in person. Our new Video Hearings service provides the efficiency, flexibility and formality that's needed for conducting hearings across all our jurisdictions. The technology provides additional functionality for users and improves the security of video hearings. The service is currently live in some tribunals and some civil and family courts, and we'll rollout the service further over the coming months. Attendance by video provides an alternative way for a person to attend a hearing who may find attending in person a significant obstacle and reduce stress for some of our most vulnerable users.

Our digital services are a significant part of making our services modern, reliable, efficient and accessible to all. We have a substantial number of old and legacy software applications across our organisation. Our DLRM Programme is part of the Government's Major Projects and Programmes Portfolio and is aimed at mitigating risks associated with legacy applications, including decommissioning those that no longer provide strategic value to the business. The DLRM Programme Business Case was approved by HM Treasury (HMT) in November 2022 and a new contract has been agreed to extend the service hosting the legacy applications until we can safely migrate or decommission the systems and associated data from end-of-life data centres. The programme is on track to exit the legacy data centres by May 2025.

⁵ www.nao.org.uk/reports/progress-on-the-courts-and-tribunals-reform-programme/#downloads

⁶ committees.parliament.uk/committee/127/public-accounts-committee/news/196036/pac-seriously-concerned-at-court-reform-programmes-multiple-delays-and-revisions/

Outcome: Enhance our ability to deliver and sustain excellent digital and technology services



Link to priorities: Innovation Resilience **Corporate risks:** Legacy systems; New services

Deliverable

Reduce the risk and cost from legacy systems by executing a safe exit from end-of-life data centres

Examples of what we progressed during 2022-23

- A new contract has been agreed to extend the service hosting the legacy applications until the DLRM Programme can safely migrate or decommission the systems and associated data from the end-of-life data centres.
- Procured the Interim Hosting environment, a main enabler to exiting the legacy data centres.
- Of the 37 applications hosted in the legacy data centres, 25 remain live, exceeding the target of 26 live applications by end March 2023. 12 have successfully been migrated or decommissioned.

Deliverable

Digital Technology Services (DTS) take ownership of HMCTS digital services, ensuring they meet the required standards and are actively improved

Examples of what we progressed during 2022-23

- 9 services were reformed and successfully transitioned to our internal DTS team to manage going forward.

Deliverable

Improve the technology estate and bring the risk score to planned levels through secure decommissioning and consolidation and increased supportability

Examples of what we progressed during 2022-23

- The business case for the DLRM Programme was approved by HMT in November 2022. This allows major commercial activity to be completed, including a new hosting contract to be awarded, safeguarding the hosting of legacy applications until the end-of-life data centres can be exited.
- Conducted a Request For Information (RFI) and an Invitation to Tender to secure a supplier to replace the legacy Libra Green on Black (LGoB) system.
- Commenced the Jury Services and Digital Audio Recording and Transcription Service rebuild projects.
- An Archive and Records Management service was procured. This is a critical enabler for managing historic data and decommissioning legacy applications.
- Undertaken market engagement and a RFI with suppliers regarding the Application Maintenance and Support re-procurement.

Outcome: Improve the way we gather, hold and curate data and develop a proactive culture with the right analytical skills to use the information we have to deliver high quality services



Link to priorities: Insight

You can find our Data Strategy at www.gov.uk/government/publications/hmcts-data-strategy-december-2021.

Deliverable

Complete development of our Strategic Data Platform (SDP) populated and sole source of our management information to enable effective access to, and analysis of, data to inform decision making.

Examples of what we progressed during 2022-23

- We consolidated reporting of our performance into a streamlined and more efficient product (SDP) that improves our capability to use data to improve performance.
- The Government Internal Audit Agency reviewed the delivery of our SDP technological build. We received a 'moderate' rating and 4 recommendations. We agreed

timelines for these actions and incorporated them into the prioritisation of our data strategy work for 2023-24.

Deliverable

Complete development of a unit costing methodology for measuring reform benefits delivery within individual services, and for tracking operational efficiency and effectiveness in the longer-term

Examples of what we progressed during 2022-23

- We developed a method for calculating the operational unit cost of delivering our major services. We continue to refine and improve this, and report against it to our Finance and Performance Committee.

Outcome: Modernise the procedures and infrastructure of our courts and tribunals; improve user experience of the justice system fit for the modern era; make the system more resilient; build capacity to manage increased demand (i.e. through online services); and retain our reputation as a justice system leader

Proportion of milestones:

100% At risk⁷

Link to priorities:

Innovation

Corporate risk and issue: Reform implementation

Find more information on our Reform Programme at www.gov.uk/guidance/the-hmcts-reform-programme.

Deliverable

Continue national rollout of Common Platform, including for Single Justice Procedure cases. Deliver the remaining functionality for the Common Platform, including interfacing with the CPS' case management system.

Examples of what we progressed during 2022-23

- Online versions of the Preparation for Effective Trial, Defence Disclosure and Better Case Management forms went live in all magistrates' courts at the end of January 2023.
- An independent technical review of Common Platform provided assurance on the design and meeting industry standards. They identified areas for focus going forward which we're acting upon.
- We continued the rollout of Common Platform and as at the end of March 2023, it was live in 78% of criminal courts.
- We continued to rollout the Single Justice Procedure to resolve low-level criminal cases.

Deliverable

Work towards delivery of new digital services for the remainder of civil case types within the scope of reform including: Online Civil Money Claims (OCMC); damages claims; possession claims; and enforcement work

Examples of what we progressed during 2022-23

- The civil damages claims service went live in January 2023 and is being rolled out nationally.
- OCMC is available online and we're extending the service to remaining case types: 'Damages' for unspecified claims, and civil debt enforcement.
- We paused development of reforming possession claims from the Reform Programme due to upcoming legislative/policy changes which would cause significant re-work of the digital service, and to enable us to focus on successful delivery of the core civil scope for money claims.

Deliverable

Work towards delivery of new digital services for the remainder of family case types within the scope of reform, including: Family private law and adoption

Examples of what we progressed during 2022-23

- Reformed services for divorce, family public law and probate have been delivered.
- Family private law is live in 14 early adopter sites.
- We de-scoped reforming adoption from the programme although the front-end for adoption (digital application submission and payment stage), which is already built and in pilot, will be completed and rolled out.

Deliverable

Work towards delivery of new digital services for the remainder of tribunals within the scope of reform, including: Social Security and Child Support (SSCS); Immigration and Asylum Chamber (IAC); Employment Tribunal; Special Tribunals.

Examples of what we progressed during 2022-23

- In the IAC we enabled solicitor representation to be updated digitally.
- The Nationality and Borders Act (NABA) required us to re-prioritise development and implementation of the IAC digital service to deliver the new appeals from NABA as well. The design and development to support Phase 1 of NABA work is now complete, with Phase 2 to be delivered in 2023-24.
- In the Employment Tribunal the service is being tested in early adopter sites at Leeds, Glasgow, Bristol and Nottingham.
- The first SSCS early adopter went live in Cardiff. The integration with scheduling and listing took place on 6 March 2023.
- We de-scoped Special Tribunals beyond the new service for the Criminal Injuries Compensation Tribunal already underway.

Deliverables

Develop the capability to use Video Hearings service and scheduling and listing solution

Examples of what we progressed during 2022-23

- In view of the change load across HMCTS, we are deferring national rollout of Video Hearings until the new video engine supplier has been mobilised.
- A new contract was secured for the provision of Cloud Video Platform (for both HMCTS and MOJ) and video hearings through to 31 March 2025. This will provide continuity of service until the respective procurements have been delivered, mitigating significant operational disruption and risk.

⁷ The At risk status reflected our position before the decision was taken to extend our Reform Programme

Our main operational performance metrics 2022-23

We continued to focus our efforts on making best use of our resources and increasing the number of cases we dealt with. We measure how well we’re disposing of cases using a range of metrics and data captured throughout the year. This helps us understand the trends, with the aim of driving improvement.

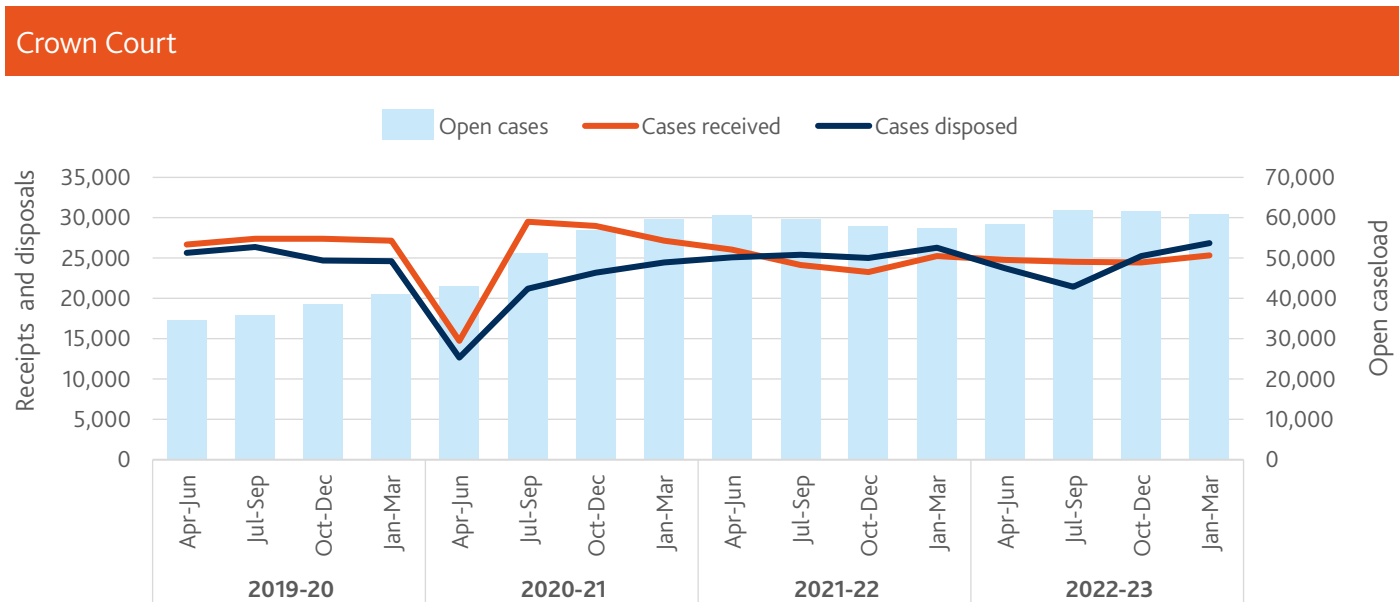
Our main operational performance metrics this year were the disposal of cases and timeliness of disposals in the:

- Crown Court
- criminal cases in the magistrates’ courts
- Family Court applications (public and private law)
- claims in the Employment Tribunal and Immigration and Asylum Chamber (First Tier)

In addition, we had a main metric on the open caseload in the Crown Court.

The following tables show our performance against these metrics, together with data for receipts (cases we received) and open caseload for each, to provide context and transparency. The data is based on our management information extracted in May 2023. We publish a range of monthly management information at www.gov.uk/government/collections/hmcts-management-information. Data is subject to revision after each publication. The revisions are minor and do not usually change the overall picture of performance. We voluntarily apply the Code of Practice for Statistics to our publication of management information.

Performance metrics

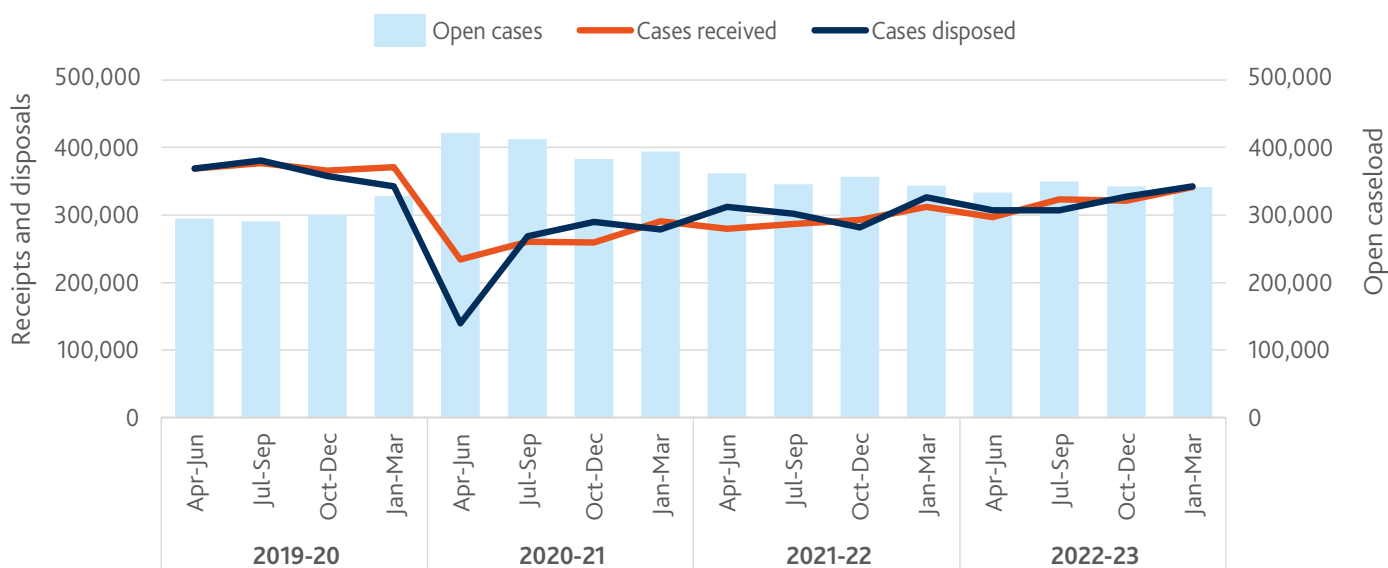


Timeliness: Average time from date case sent to the Crown Court to disposal (weeks):

2019-20 = 19.5 | 2020-21 = 21.4 | 2021-22 = 27.7 | 2022-23 = 29.4

Over the first half of the financial year, there was an increase in the open caseload due in part to the impact of the Criminal Bar Association (CBA) action. Following the end of the CBA action in October 2022, disposal levels returned to those seen pre-pandemic, achieved by maximising judicial and court capacity. While disposal rates have not recovered to levels seen at the beginning of the financial year, there were in total just under 97,000 disposals, and the open caseload rose 7% from 57,252 to 61,180.

Magistrates' courts (criminal cases)

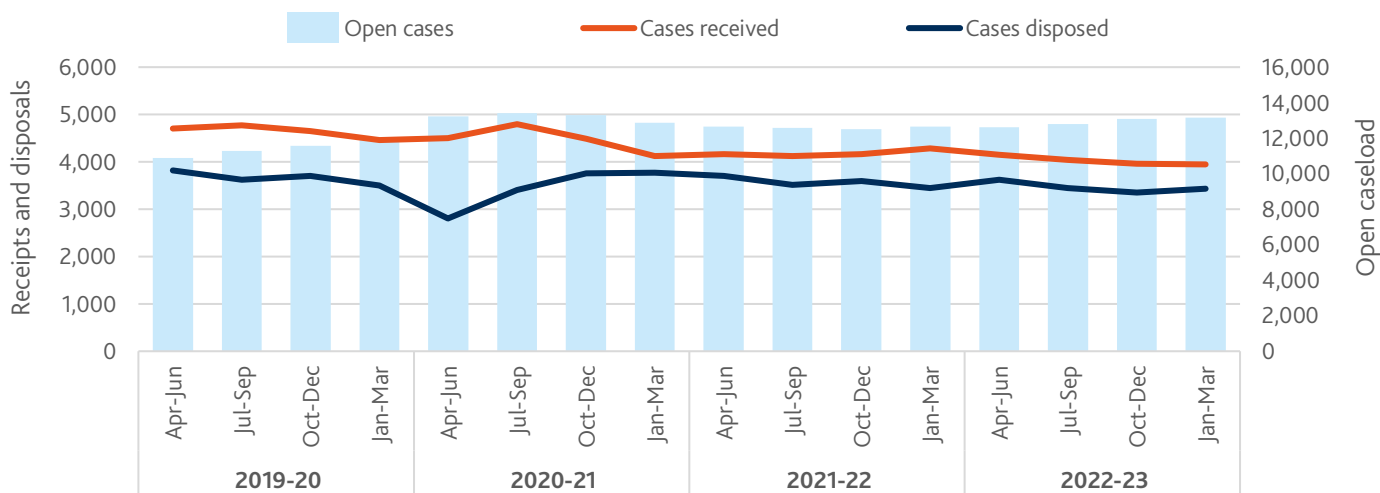


Timeliness: Average time from charge to disposal (weeks):

2019-20 = 7.8 | 2020-21 = 12.6 | 2021-22 = 12.2 | 2022-23 = 9.8

Performance in the magistrates' courts has been generally stable over the financial year, showing a return to business as usual following COVID-19. Following the end of industrial action, receipts and disposal levels have returned closer to, but still below, pre-pandemic levels and the open caseload at the end of the financial year is in line with that of the start of the year. Over the course of the financial year there were over 1.4 million criminal disposals in the magistrates' courts.

Family public law



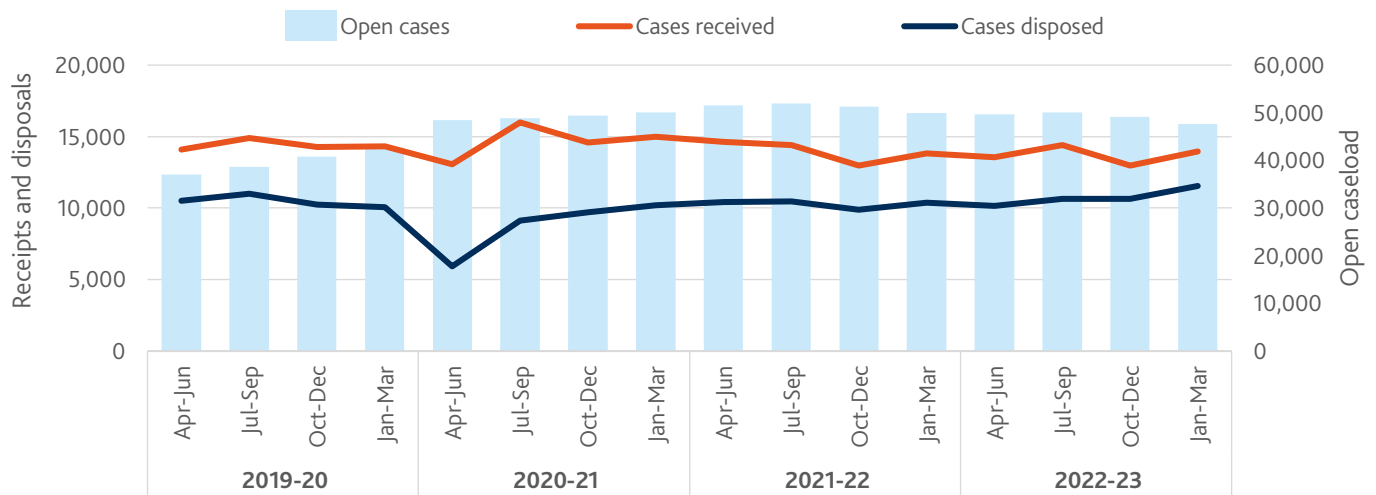
Timeliness: Average time for disposal for all public law case types (weeks):

2019-20 = 29.5 | 2020-21 = 34.6 | 2021-22 = 37.3 | 2022-23 = 39.9

The open caseload increased by 4% during the financial year to 13,146. Receipts fell by 4% and disposals fell by 3% compared to 2021-22. The fall in disposals and increase in open caseload reflects a reduction in sittings from fee paid judiciary following exceptionally high availability during the pandemic. Waiting times remain longer than pre-pandemic, and average timeliness has increased from 37 weeks to 40 weeks in 2022-23.

Note: Changes implemented earlier this year to improve the way we count family case disposals in our management information mean these figures should not be directly compared with those published previously.

Family private law



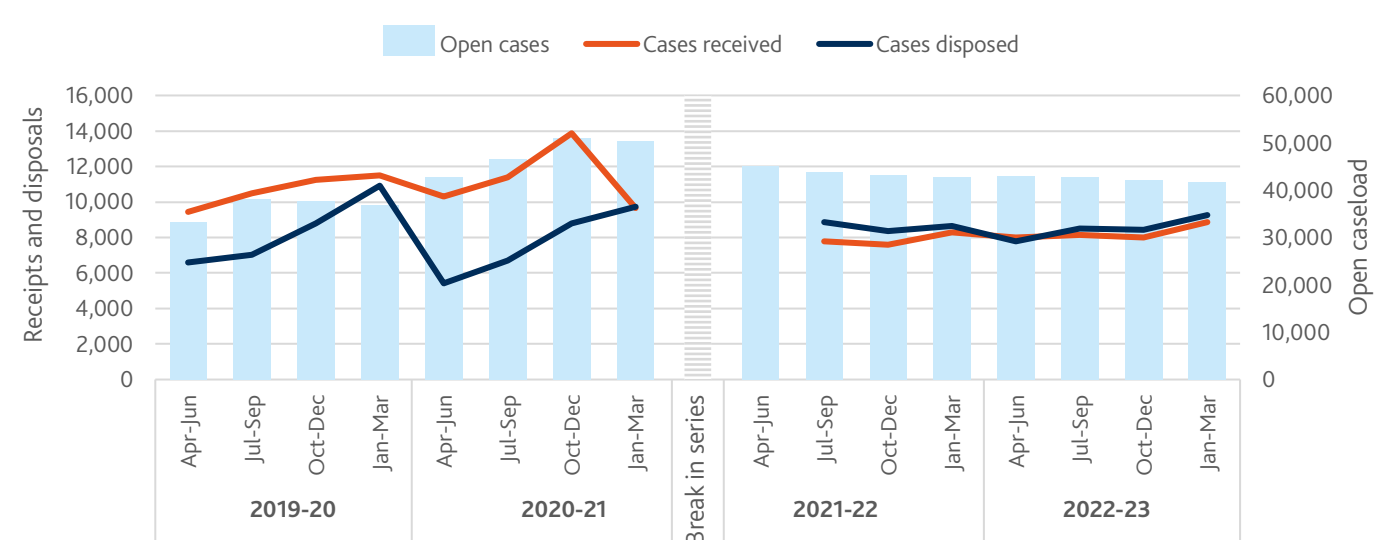
Timeliness: Average time from receipt to final order for all private law case types (weeks):

2019-20 = 28.5 | 2020-21 = 35.1 | 2021-22 = 41.2 | 2022-23 = 44.8

The open caseload decreased by 5% during the financial year to 47,700. There were 2% fewer applications than in 2021-22, due in part to the introduction of the £500 mediation voucher scheme, while the number of cases disposed of increased by 4%. Average timeliness continues to be longer than pre-pandemic, increasing from 41 weeks to 45 weeks in 2022-23.

Note: Changes implemented earlier this year to improve the way we count family case disposals in our management information mean these figures should not be directly compared with those published previously.

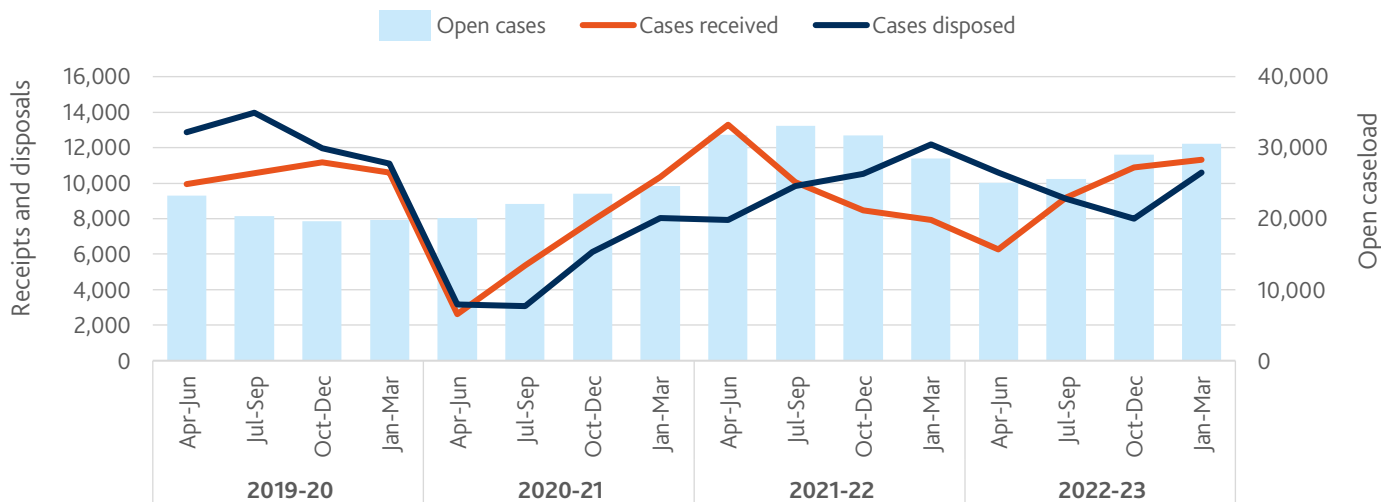
Employment Tribunal



Performance has been steady over the financial year, with receipts and disposals tracking for the majority of the year. Disposals increased towards the end of the year reflecting the additional sitting days allocated to the jurisdiction, and work by operational staff to review and clear cases that had not been fully closed. At the end of March 2023, the open caseload was 3% lower than the previous year and stood at 41,807. With the recruitment of new salaried judges, we hope to continue progress on reducing the open caseload. Higher sitting levels and fully trained judiciary have also seen a slight rise in the disposal rate and this rate is expected to improve further during 2023-24.

Note: The Employment Tribunal transitioned to a new database (Employment Case Management) during March to May 2021. Metrics are not currently available to provide a like-for-like comparison with data from the old database, so results from June 2021 onwards should not be compared to results prior to March 2021. Additionally, ECM is not configured to enable the reporting of timeliness of cases, so this information is currently omitted. We're not able to provide results for the migration period of March to May 2021.

Immigration and Asylum Chamber (First Tier) Tribunal



Timeliness: Average time from receipt to disposal (weeks):

2019-20 = 32.2 | 2020-21 = 42.7 | 2021-22 = 42 | 2022-23 = 43.6

The open caseload increased by 7% during the financial year to 30,543. Over the course of the financial year there were 37,700 receipts and 38,300 disposals, both 5% lower than in 2021-22, although disposals increased towards the end of the financial year following the approval of additional sitting days in November 2022.

Promoting equality in delivering our services

We're committed to meeting our Public Sector Equality Duty. We proactively consider how our policies, services, spending decisions and employment practices affect our diverse users and staff, and make sure we identify and address any negative impacts. We have a Diversity and Inclusion Forum that holds our organisation to account in improving diversity and inclusion.

Our Vulnerability Action Plan⁸ sets out the work we're doing to ensure our vulnerable users are not disadvantaged or discriminated against in accessing the justice system. It's a living document and we published updates in November 2022 and April 2023 on the work we've done. We continue to review any changes we make to our services, to understand what the impacts are on vulnerable users. If we find negative impacts, we'll continue to take steps to fix them and include our work in the plan.

We've partnered with We Are Digital to provide a new digital support service that removes the barriers some users face when accessing our online services. We offer a free national digital support service to help users who cannot get online, including those who cannot access the internet or a computer. The service

can also be used by those who are less confident or less able to access online services. You can find further details published on GOV.UK⁹.

New laws were brought in through the Police, Crime, Sentencing and Courts Act, that allowed British Sign Language (BSL) interpreters into the jury deliberation room to assist a deaf juror with communication. It's expected this will open up jury service to over 80,000 deaf people across England and Wales. At a trial in Croydon Crown Court in July 2022, the first deaf person completed jury service with the aid of BSL interpreters, deliberating over a racially aggravated harassment case. They were chosen by other jury members to act as their spokesperson, responsible for announcing the verdict. A tremendous amount of work went on behind the scenes to prepare for the first day of jury service, to make the experience as smooth as possible. We used feedback from their experience to share learnings and good practice across our courts, as well as using it to shape our guidance. As at 31 March 2023 we have supported 20 jurors with BSL interpreters.



Case study

"I was made to feel included every step of the way"

"My jury experience at Croydon Crown Court went smoothly and exceeded my expectations. I was made to feel included every step of the way. An excellent and amazing opportunity for me and what a great start to leading the way for other deaf jurors in the future, now that we're supported by our government in recognising BSL as an official language."

Karen, first deaf juror to complete jury service

You can read more about how we prepared our courts to support deaf jurors in our blog at insidehmcts.blog.gov.uk/2022/09/28/preparing-our-courts-to-support-deaf-jurors/.

⁸ www.gov.uk/government/publications/hmcts-vulnerability-action-plan?utm_medium=email&utm_source=monthly+bulletin

⁹ www.gov.uk/government/news/helping-our-online-users-with-a-new-national-digital-support-service?utm_medium=email&utm_source=

1.4 Our priorities for the year ahead

Our Corporate Plan 2022-25 sets out how we'll deliver an ambitious programme including reform, recovery and beyond, with a focus on people, insight, innovation, resilience and collaboration. Our strategic objectives are below and contribute to Strengthening the justice system and delivering swift access for justice, one of the aims in the MOJ Outcome Delivery Plan.



Making processes straightforward for the public, which we do by improving user experience through simplifying, automating and joining up processes



Building resilience, which we do through enhancing organisational capacity to deal with political, economic, social, technological, environmental, legal and ethical changes



Dealing with cases as quickly as is reasonable, which we do by optimising timeliness for public users and supporting the judiciary and MOJ in upholding the principle of open justice



Reducing cost, which we do through ensuring efficiency and reducing effort for HMCTS and our users



Ensuring services are accessible and inclusive, which we do through reducing variance of access and outcomes for different user groups

Our Business Plan 2023-24

Key priorities	Activities
People - having the right people, in the right place, with the right tools and support	
 	Support our people through organisational change: provide industry leading career transition support, and access to health and wellbeing initiatives and tools.
 	Ensure our leaders have the right skills to manage, engage and inspire our people: supported by clear talent development and succession planning frameworks.
   	Continue a sustained focus on diversity and inclusion to effectively engage and support colleagues across all protected characteristics, by having a pipeline of diverse future leaders.
Insight – embedding an evidence-based culture that provides the insight we need about services and users	
 	Understanding and supporting vulnerable users: we will improve accessibility and support for our vulnerable users by testing new approaches to support victims of serious sexual offences in the Crown Court.
 	Provide accurate and timely management and accountability information which links performance, finance and other key information and allows for accountability to the HMCTS Board and the Principals.

Key priorities	Activities
Innovation – continuously improving so that our services are the best they can be and keep pace with what users need and expect	
    	Drive modernisation of our systems and processes: complete delivery of new digitised services within the scope of the Reform Programme.
Resilience – building capacity and flexibility to ensure we deliver a consistent and reliable service, prepared for the future	
 	A healthy and safe estate: ensure buildings are safe, secure, and that statutory obligations are met. Reduce the risk of building failure and build resilience through effectively prioritised investment in the estate.
	Enhance our ability to deliver and sustain excellent digital and technology services: through secure decommissioning and risk mitigation activity.
Collaboration – working with key partners across the justice system and beyond to deliver the best justice service for public and professional users	
 	Joined up justice services: we will improve our engagement and develop new mechanisms for sharing data and insights to meet business and operational needs.
  	Anticipating and managing demand: through collaboration with other government departments, we will work with MOJ and the Home Office to deliver the Government’s New Plan for Immigration.

1.5 Environmental sustainability

We’re committed to responding to climate change and adapting the way we work to reduce our impact on nature and the environment. Our sustainability report follows HMT’s Sustainability Reporting Guidance 2022-23¹⁰ on our Greening Government Commitments (GGC)¹¹. As an agency of MOJ, we’re committed to achieving our GGC improvement targets. Progress against our interim measures is in the table overleaf.

We follow MOJ’s Sustainable Operations Strategy and supporting policies and standards¹² for our estate, operations and procurement activity.

UN sustainable development goals

We contribute to the MOJ’s delivery of UN sustainable development goals 5 (gender equality) and 16 (peace, justice and strong institutions) under the priority outcome called Deliver swift access to justice. This is set out in the MOJ Outcome Delivery Plan.

Overall GGC performance

In October 2021, GGC targets were set for 2021-25. The baseline year has been changed from 2009-10 to 2017-18. This was so it more accurately reflected the current government estate and ensure progress already achieved is built upon. We regularly monitor our performance against GGCs, and work to annual interim measures or ‘stepping stone targets’ for priority areas. These are set by the MOJ Senior Sustainability Board to monitor performance towards the confirmed 2021-25 GGCs.

We’re committed to ensuring our data is accurate and reflective of our performance. This year we’ve supported the MOJ Climate Change and Sustainability Unit to carry out a data cleanse exercise, reviewing our 2017-18 baseline and 2021-22 GGC performance data; we identified anomalies within our data which have been presented to the Department for Environment, Food and Rural Affairs (Defra) who have scrutinised and approved the amendments. Whilst our overall position and performance trend has not changed, updated figures are represented in this report.

The table overleaf summarises how we’re progressing against MOJ interim measures, using current data for 2022-23. A detailed breakdown of our data and performance is at Annex B.

¹⁰ www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2022-to-2023

¹¹ www.gov.uk/government/collections/greening-government-commitments

¹² www.gov.uk/guidance/ministry-of-justice-and-the-environment

We've not achieved our interim target for total greenhouse gas emission carbon reduction and we're not on track to achieve our interim target for heat emission reductions. The scale of work required to exchange current fossil fuel heating in our court and tribunal buildings, with low-carbon alternatives, is not yet feasible or affordable. We've not achieved our interim target for water reduction; however, we've continued to invest in automated water-measure infrastructure to enable us to identify and address excessive consumption. Reducing wasted water will be a priority programme of work in 2023-24. We've achieved our overall waste reduction targets and waste to landfill targets but have more to do to increase our recycling. We're currently recycling 64% of our waste and are aiming to achieve our minimum 70% recycling target by 2025. We're currently on track to achieve the remaining GGCs by 2025.

Overall GGC performance against MOJ interim measures for 2022-23

All interim targets are measured against our 2017-18 baseline

Key ● Achieved MOJ interim measure ● Not achieved MOJ interim measure

● Reduce greenhouse gas emissions by 34%

We achieved a 26% reduction in total greenhouse gas emissions and we're generating our own renewable energy through roof-mounted solar panels. We installed roof-mounted solar panels on one additional building this year.

● Reduce heating emissions by 19%

We increased our emissions by 5% as we've not yet replaced fossil fuel heating on a large scale. We've replaced fossil fuel heating at 2 large courts in Leeds this year and have worked with our facilities management provider to align heating/gas consumption to operational hours.

● Reduce water consumption by 7%

We increased our consumption by 6% against our 2017-18 baseline. We've prioritised investment in smart meters to improve the accuracy of our consumption data and we've introduced an alert system enabling us to find and fix water leaks, and reduce water waste.

● Reduce overall waste by 15%

We reduced the amount of waste we generate by 57%. We've replaced general and recycling waste bins across the estate and improved waste segregation communications materials in our buildings.

N/A Remove consumer single use plastics

We successfully trialled use of a safe, multi-use plastic cup (one of the highest volumes of single use plastic in use across our organisation) in a small number of hearing rooms and are extending our pilot testing to all regions in 2023-24.

● Reduce paper use by 50%

We reduced our paper use by 57% through transition to digitised and online processes and services, and local 'no print' campaigns.

● Nature recovery and biodiversity action planning

We established an ecology management plan for Snaresbrook Crown Court, an HMCTS Site of Special Scientific Interest, designed to protect and nurture biodiversity at the site.

● Procuring sustainable products and services

We adhered to MOJ's Sustainable Procurement Policy.

● Adapting to climate change

We took part in an MOJ Climate Change Risk Assessment and identified high level climate risks for our estate and operations. We'll be establishing a Climate Change Adaptation Plan and Steering Group in 2023-24; working in collaboration with the Environment Agency, we've commissioned a programme of flood risk assessments to establish risk and mitigations options at our high-risk sites.

● Rural proofing

We follow Defra rural proofing guidance and conduct proofing tests where appropriate.

● Sustainable construction

We adhere to MOJ's Building Research Establishment Environmental Assessment Method (BREEAM) policy.

● Reducing environmental impacts from ICT and digital

We're unlocking Digital and Technology Services to level-up our sustainable practices by upgrading, recycling and reusing hardware and software, while adhering to the greening government ICT and digital services strategy.

Governance

Our dedicated sustainability team works in partnership with the MOJ Climate Change and Sustainability Unit. They co-ordinate our response to meet UK government environmental ambitions and targets. Our team is guided by our Property Director as the senior responsible officer and progress is reported directly to our Chief Executive and senior management team. Our Sustainability Steering Group is made up of corporate and operational colleagues across the organisation to provide support and challenge.

We're an active member of the MOJ's Senior Sustainability Board. This Board is the internal body accountable for the MOJ Sustainable Operations Strategy which sets out how we embed environmental sustainability throughout our estate, operations and procurement activity.

Nick Goodwin

Chief Executive and Accounting Officer

14 July 2023

Section 2: Accountability report

The section sets out how we meet the main accountability requirements to Parliament. It's made up of:

- our Corporate governance report
- our remuneration and staff report (called Our people)
- our parliamentary accountability and NAO audit report

2.1 Corporate governance report

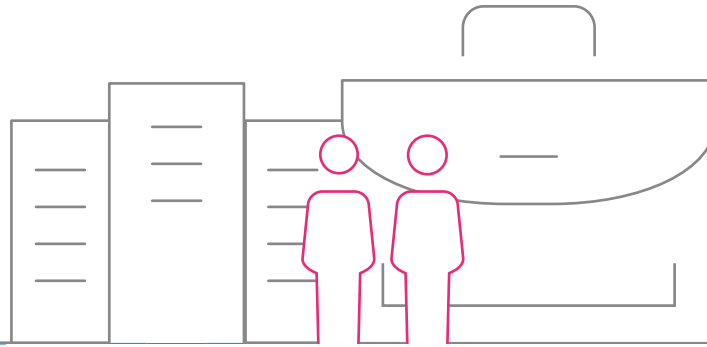
The purpose of the corporate governance report is to explain the composition and organisation of our governance structures, and how these arrangements have supported the achievement of our objectives.

2.1.1 Directors' report

Introduction

As Chief Executive, I'm 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'm accountable to the MOJ Permanent Secretary and Principal Accounting Officer and, ultimately, to Parliament.

As Accounting Officer, and working with my directors, I have responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of our policies, aims and objectives, while safeguarding the public funds and assets for which I'm personally accountable. Overall, I'm satisfied that we have 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.

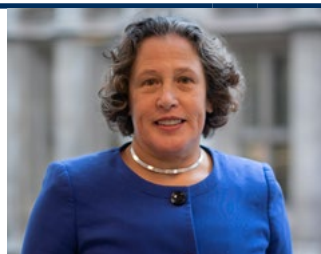


HMCTS Board composition

The role of our Board, its members, and summaries of Board meetings can be found at www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/our-governance. Photos of our Board members as at 31 March 2023 are below. Our new Independent Chair, Sir Richard Broadbent, took up post on 1 May 2023.



Victoria Cochrane C
Non-executive and interim Chair from 1 January 2023 to 1 May 2023



Nicky Wilden B C PB
Non-executive



Lakh Jemmett B AR
Non-executive



Nick Goodwin B C
Chief Executive



Andrew Baigent B CP C
Chief Financial Officer



Paul Harris B CP PB
Operations Director



Gemma Hewison B CP
Strategy and Change Director (left HMCTS on 25 May 2023)



Sir Keith Lindblom B
Senior President of Tribunals



Lord Justice Edis B PB
Senior Presiding Judge



Tim Jenkins B AR CP PB
District Judge



Annabel Burns B
MOJ representative

C HMCTS Board Chair

C Audit and Risk Assurance Committee Chair

C Change Portfolio Board Chair

C Property Board Chair

B HMCTS Board member

AR Audit and Risk Assurance Committee member

CP Change Portfolio Board member

PB Property Board member

Significant interests held by HMCTS Board members

We maintain a register of interests for members of our HMCTS Board, Audit and Risk Assurance Committee (ARAC), Change Portfolio Board, Property Board and our senior management team. All members are asked to review and update their register of interests at least annually. You can find more information on how we manage conflicts of interest and applications under business appointment rules, within the assurance on our system of internal controls, on page 42.

Personal data related incidents

We handled over 3.8 million cases during 2022-23. This included a vast range of sensitive personal information from a variety of sources from people using our services. We take our responsibility 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). We continue to work closely with the ICO and other agencies to learn lessons and continually improve our systems.

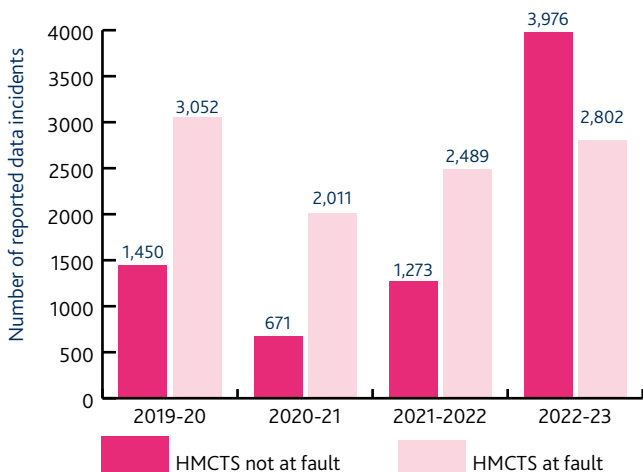
Our annual mandatory information assurance training was rolled out as an e-learning package. As at the end of March 2023, 46% of our people had completed the training.

7,090 data incidents were reported during 2022-23 (2021-22: 3,923). In comparison to the volume of work we processed across the organisation, this equates to a 0.2% incident rate (2021-22: 0.1%). At the end of March 2023, 312 (4%) of the incidents were still open and undergoing investigation. These

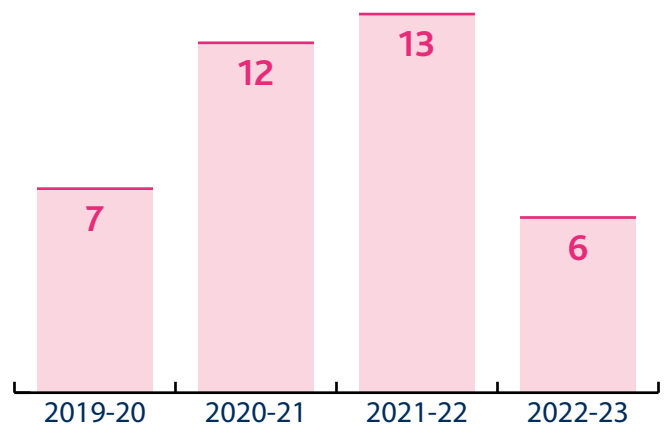
may be ‘not at fault’ incidents or not data incidents at all. Of the closed incidents, 3,976 (56%) were confirmed as ‘not at fault’ incidents but as external events, for example, incorrect information supplied to us. The remaining 2,802 (40%) of closed incidents were ‘at fault’ incidents, caused by internal staff errors, for example, enclosing 2 pieces of data in the wrong envelope or issuing data to the wrong address and checks not being completed. We continue to monitor any errors, identify the root cause and take action to reduce the chance of it happening again.

We’ve had an increase of 81% reported data incidents compared to last year. This was primarily due to authorised third parties uploading information incorrectly onto our system. We’re improving third party training and understanding of how to use our systems, and errors decreased during January to March 2023. Successful engagement with third parties to prevent further incidents has addressed the increase in incidents seen this year. For future prevention we continually review new processes and future technology to consider where data incidents could arise to mitigate risk during the design and development stage. In addition, face to face training workshops led by our data incident team have been delivered to our CTSCs and these will continue throughout the year.

Breakdown of closed data incidents



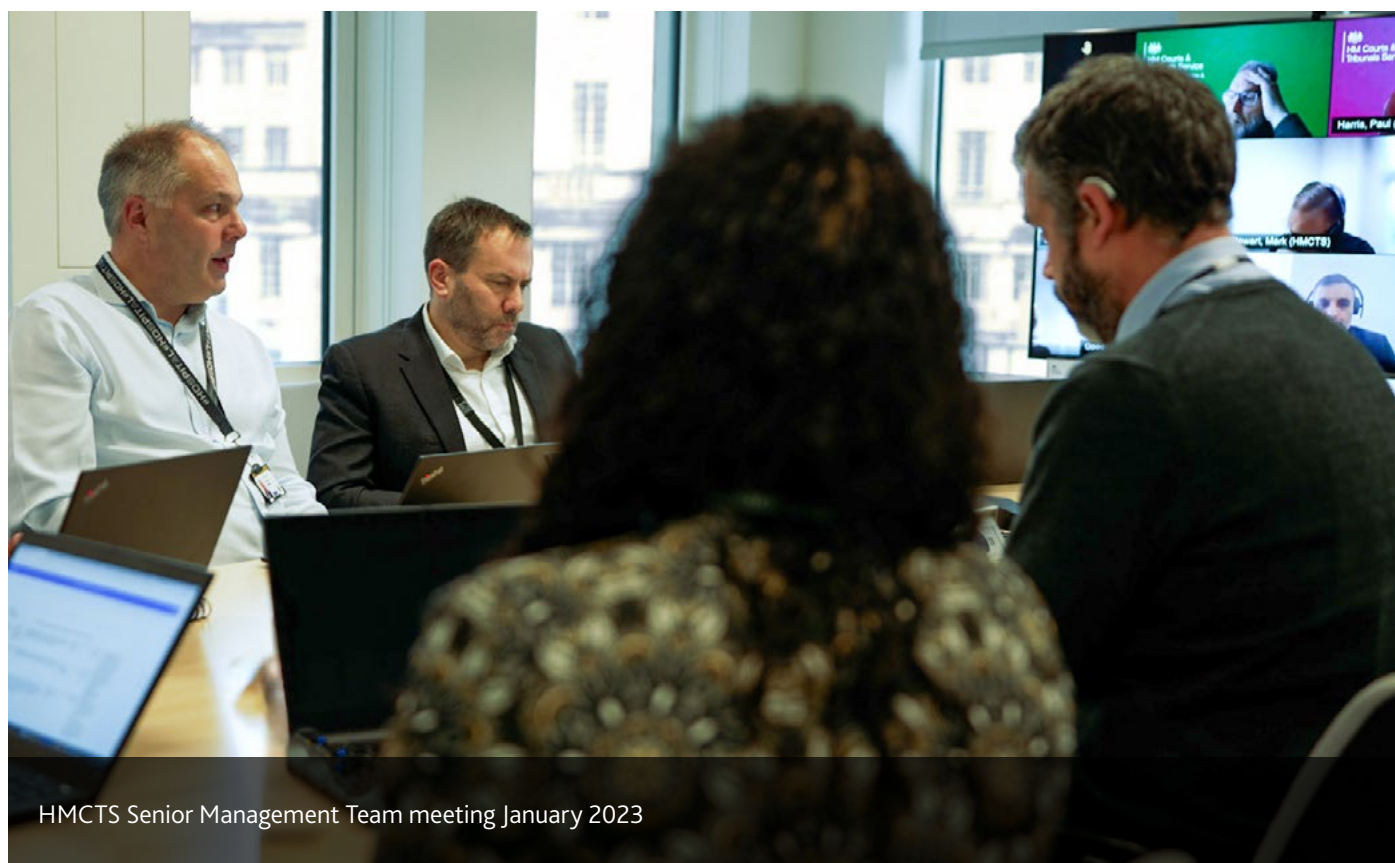
Number of personal data incidents reported to the ICO



Section 2: Accountability report

We're required to report personal data related incidents where they have been reported to the ICO. The following 6 incidents were reported by us through the MOJ Data Protection Officer (DPO), between 1 April 2022 and 31 March 2023. This is a reduction compared to 13 reports to the ICO in 2021-22. The ICO took no action against us and the remaining incidents were considered to be low impact.

Date of incident	Nature of incident	Nature of data involved	Number of people potentially affected	Date MOJ DPO referred to ICO
7 June 2022	Disclosure of confidential address of an appellant to a respondent in a social security child maintenance appeal case	Confidential address	1	8 June 2022
11 July 2022	Disclosure of confidential address of a claimant to the defendant in an online money claim case	Confidential address	1	26 July 2022
14 October 2022	Disclosure of confidential address of adoptive parents to birth mother in an adoption case	Confidential address	3	14 October 2022
18 November 2022	Disclosure of confidential address of a victim to a defendant in a restraining order case	Confidential address	1	21 November 2022
22 November 2022	Disclosure of confidential address of respondent mother to applicant father in a child arrangements case	Confidential address	2	22 November 2022
7 February 2023	Disclosure of personal details when incorrect daily press lists were uploaded for publication	Full names, addresses, dates of birth and plea data	8,622	8 February 2023



HMCTS Senior Management Team meeting January 2023

2.1.2 Statement of Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HMT has directed us to prepare for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction issued by HMT on 15 December 2022. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, and of its net expenditure, financial position and cash flows.

In preparing the accounts, I, as Accounting Officer have complied with the requirements of the Government Financial Reporting Manual (FReM). In particular, I have:

- observed the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- made judgments and estimates on a reasonable basis
- stated whether applicable accounting standards as set out in the FReM have been followed, and disclosed and explained any material departures in the accounts
- taken all steps that ought to have been taken to make myself aware of any relevant audit information, established that our auditors are aware of that information, and that I am not aware of any relevant audit information of which our auditors are unaware of
- prepared the accounts on a going-concern basis
- confirmed that the annual report and accounts as a whole is fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable

The Principal Accounting Officer for MOJ has designated me as Chief Executive, the HMCTS Accounting Officer. The Accounting Officer's Memorandum issued by HMT, and published in Managing Public Money, sets out the responsibilities of an Accounting Officer. These include responsibility for the propriety and regularity of public finances for which I am answerable, keeping proper records, safeguarding our assets, and preparing the accounts.

2.1.3 Governance Statement

This Governance Statement summarises the main features of the governance, risk management and internal control frameworks we operated in 2022-23. It also sets out our most significant challenges and the steps taken to continuously improve.

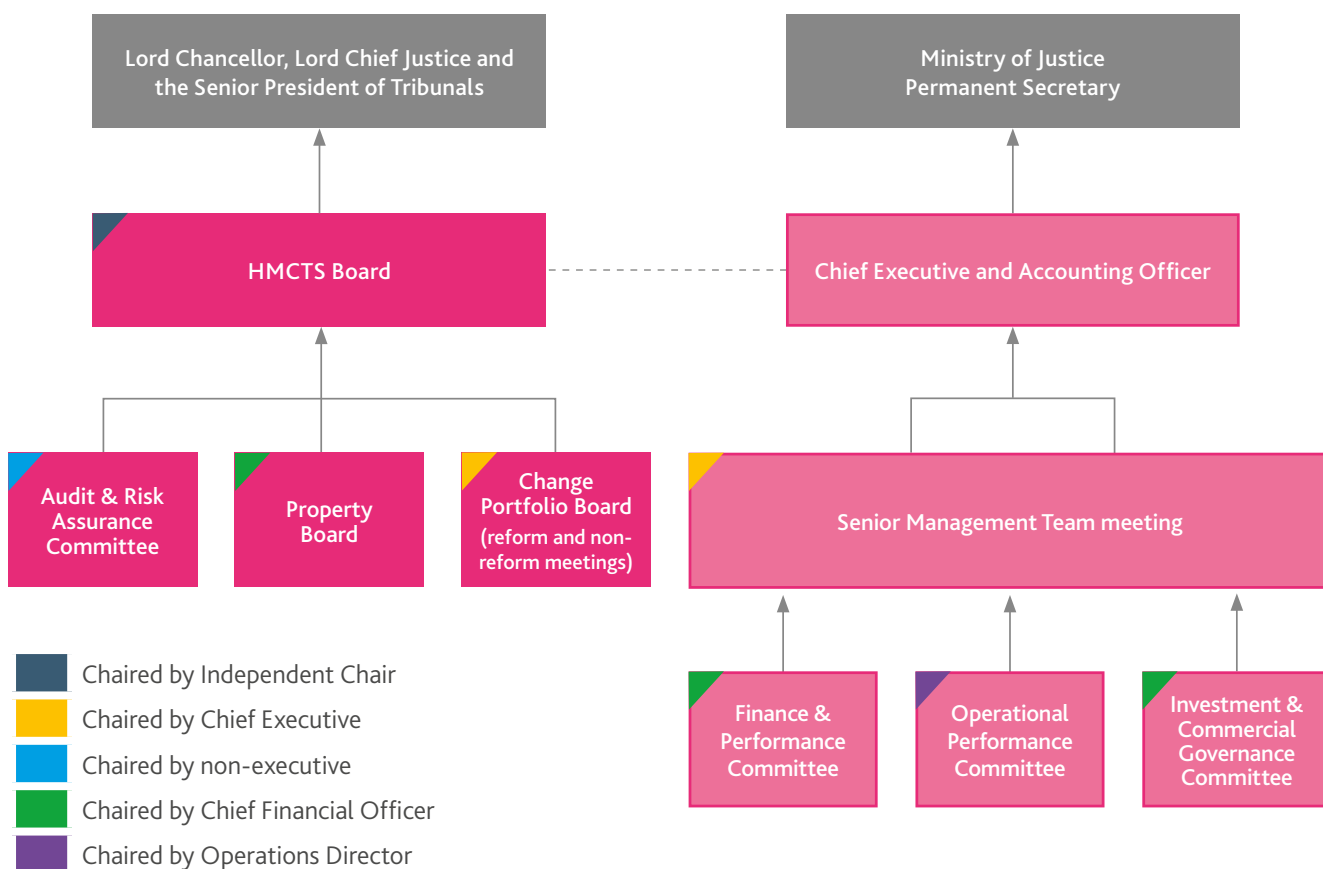
Our governance framework and management structure

We operate as a partnership between the Lord Chancellor, the Lord Chief Justice, and the Senior President of Tribunals. Our Framework Document sets out the remit of our organisation in more detail, including how we are governed and funded.

Our governance is delivered through the HMCTS Board and our senior management team forum and their respective sub-committees, as set out in our Delegations of Authority Policy. This policy is aligned to our Framework Document and HMT guidance for Accounting Officers on Managing Public Money. It's reviewed periodically by the HMCTS Board. The following substantive changes were made to the governance structure this reporting year:

- From May 2022, **Senior Management Team (SMT)** meetings were no longer split between SMT and Change Portfolio SMT. This change was made as the Reform Programme had reached a stage where change and business as usual/operational activities were intrinsically linked. The new approach gives greater flexibility in SMT considering urgent matters at the earliest available meeting regardless of whether they are reform/change focused.
- The **Recovery Board** was dissolved following the establishment of the Operational Performance Committee in July 2022. This means we can combine the efforts on recovering from the impact of the pandemic with a more detailed focus on all elements of operational performance across the organisation.
- The **Response Board** was dissolved in December 2022. Its primary purpose was to coordinate all response activities relating to the pandemic and other matters that could impact on our operational capabilities. As the pandemic eased, there was no longer any benefit for any perceived separation between recovery and operational performance. Governance around operational capabilities are now provided by the new **Operational Performance Committee**.
- From July 2022 the **Service Excellence Committee** stopped being a sub-committee of SMT. With the creation of the Operational Performance Committee, it was more appropriate for the Service Excellence Committee to report into that forum, rather than SMT.
- The **Operational Performance Committee** was established in July 2022 to oversee all operational performance of the courts, tribunals and centralised services and ensure better accountability and decision-making.
- The **Change Portfolio Board** is responsible for governing and holding to account the Reform Programme and overseeing the delivery of the major change portfolio of programmes and projects. It's constituted as one board but has separate reform and non-reform meetings with a slightly different membership to reflect the differing natures and stakeholders of the Reform Programme and the wider change portfolio.

Our top-level governance structure as at 31 March 2023 is set out below. The HMT Code of Practice for Corporate Governance in Central Government Departments applies to MOJ directly, and we've adopted the main principles as best practice. We remain compliant with material requirements with the exception of the Nominations Committee. Instead, the HMCTS Board is annually constituted as our People Committee to consider the performance, talent, development and succession planning of our senior leadership.



HMCTS Board and its sub-committees

See the Director's report on page 28 for membership of our HMCTS Board and its sub-committees.

	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board	Property Board
Terms of reference	Last reviewed and agreed on 1 December 2022	Last reviewed and agreed on 26 September 2022	Last reviewed and agreed on 3 April 2023 (reform meeting) and 23 March 2023 (non-reform meeting)	Last reviewed and agreed on 20 December 2022
Roles and responsibilities	Responsible for overseeing the leadership and direction in delivering our aim and objectives set by the Lord Chancellor, Lord Chief Justice and the Senior President of the Tribunals	This is an advisory body supporting the Chief Executive and Accounting Officer, and the HMCTS Board in its responsibilities for risk management, internal controls and governance, and production of the annual report and accounts	Has delegated authority from the HMCTS Board to govern and hold to account substantial change activities within the Reform Programme and the major change portfolio of priority programmes	Responsible for setting the strategy for our property and estate matters, and to approve property transactions on behalf of the HMCTS Board

	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board	Property Board
Chair	Tim Parker, Independent Chair to 31 December 2022; Victoria Cochrane, Interim Independent Chair from 1 January 2023 to 1 May 2023	Nicky Wilden, Non-executive Director	Nick Goodwin, Chief Executive	Andrew Baigent, Chief Financial Officer
Issues covered	<ul style="list-style-type: none"> endorsed the replanning of HMCTS Reform Programme regularly reviewed operational and recovery performance and demand discussed the monthly financial position and approved the annual budget approved the corporate business plan held a strategy session focused on the estate and the Future of Civil Justice undertook substantive discussion on matters including the HMCTS 2030 Vision and Strategy 	<ul style="list-style-type: none"> regularly discussed corporate risks and the effectiveness of management controls and mitigation discussed management response to issues identified by audit activity, including Internal Audits, the National Audit Office management letter and value for money audits undertook substantive discussions in relation to areas such as: business continuity and resilience; cyber security; safety and security; counter fraud and corruption; and the capacity and capability (resourcing) risk 	<ul style="list-style-type: none"> reviewed reform and provided input on the scenario planning and subsequent replanning of the HMCTS Reform Programme reviewed the portfolio risks, issues and mitigation and considered progress against the portfolio performance plans and the Reform Programme’s financial position discussed regular Change Portfolio reporting endorsed the proposals in relation to the changes arising from the Nationality and Borders Act 2022 undertook regular substantive discussions on projects within the portfolio 	<ul style="list-style-type: none"> regularly reviewed performance and the financial position discussed progress against the portfolio performance plans for the property elements of the HMCTS Reform Programme; endorsed the proposals for 2022-23 capital maintenance programme and considered monthly progress reports discussed the Courts and Tribunals Design Guide approved the HMCTS Estates Strategy, and Sustainability Strategy
Effectiveness reviews	Discussed findings of the annual self-assessment of performance on 5 May 2022. Key improvement activity included increasing the strategic focus of the Board with greater engagement regarding policy solutions	Discussed findings of the annual self-assessment of performance on 10 May 2022. Key improvement activity included a focus on the purpose of papers being presented	Discussed findings of the annual self-assessment of performance on 25 May 2022. Key improvement activity included increasing the assurance on the application of lessons-learned, and taking steps to ensure a greater focus on implementation	Discussed findings of the annual self-assessment of performance on 25 April 2023. Key improvement activity included ensuring the continued focus on the Board making more strategic decisions

Quality of information

During the year professional teams provided specialist information to the HMCTS Board and its sub-committees to facilitate informed decision-making. Members sponsored agenda items and ensured the papers were of sufficient quality and supported focused discussion on key issues. Risks and resource implications were highlighted where required, to ensure there was sufficient engagement and challenge during discussions.

Board papers were of sufficient quality that the strategic direction for the organisation was set. The HMCTS Board and its committees reviewed and obtained reports and assurance from a number of sources to help them perform their duties. The papers included updates in relation to key matters of focus.

Attendance schedule for the HMCTS Board and its sub-committees

Member	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board ¹	Property Board
<i>Attendance at meetings – expressed as number of meetings attended out of number eligible to attend</i>				
Non-executive members				
Independent Chair Tim Parker (<i>until 31 December 2022</i>)	8/9			
Senior independent non-executive	9/9			
Interim Independent Chair (<i>from 1 January 2023 to 1 May 2023</i>) Victoria Cochrane	2/2			
Chair of Audit and Risk Assurance Committee Nicky Wilden	9/11	6/6		11/11
Lakh Jemmett	10/11	5/6		
Jonathan Clear (<i>until 21 July 2022</i>)		1/2		
Sophie Ingram (<i>from 1 September 2022</i>)		2/3		
Critical friend Jan Gower			13/17	
Critical friend Chris Pearson			12/17	
Independent Property Expert Graham Marsden				10/11
Judicial members				
Senior President of Tribunals Sir Keith Lindblom	8/11			
Senior Presiding Judge Sir Charles Anthony Haddon-Cave (<i>until 30 September 2022</i>)	5/5			4/5
Senior Presiding Judge Sir Andrew Edis (<i>from 1 October 2022</i>)	6/6			6/6
District Judge Tim Jenkins	11/11	6/6	17/17	10/11
Judge Siobhan McGrath		6/6		10/11
Mr Justice Peter Fraser (<i>until May 2022</i>)				0/2

¹ The Change Portfolio Board held separate reform and non-reform meetings with the membership of the non-reform meetings evolving throughout the year. This means there were material variations between attendance figures for this year.

Attendance schedule for the HMCTS Board and its sub-committees

Member	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board ¹	Property Board
Mr Justice Akhlaq Choudhury (<i>from June 2022</i>)				6/9
Mr Justice Stephen Cobb			8/9	
Executive members				
Chief Executive Nick Goodwin	11/11	5/5	14/17	
Chief Financial Officer Andrew Baigent	11/11	6/6	12/17	11/11
Operations Director Paul Harris	8/11	4/4	17/17	7/11
Strategy and Change Director Gemma Hewison (<i>until 25 May 2023</i>)	7/11		15/17	
Development Director² Jason Latham				2/3
Courts and Tribunals Director Mark Stewart				5/5
Chief Digital and Information Director John Laverick (interim)			16/17	
Human Resources Director Louise Alexander			17/17	
Property Director Rupert Morgan				11/11
HMCTS Commercial Director Tim Byford			15/17	
Change Portfolio Delivery Deputy Director Joe Gilonis			15/17	
MOJ representative Annabel Burns	9/11			
Representative from Judicial Office			16/17	
Representative from MOJ Property				10/11
Representative from MOJ Policy			5/13	
Representative from MOJ Finance			3/12	
Representative from MOJ Project Delivery			8/16	
Representative from Infrastructure and Projects Authority			5/9	
Representative from HMT			4/9	

1. The Change Portfolio Board held separate reform and non-reform meetings with the membership of the non-reform meetings evolving throughout the year. This means there were material variations between attendance figures for this year.

2. Previously titled Courts and Tribunals Development Director

Our senior management team meetings

The members of our SMT meetings are listed below. It shows which role holders are also executive members of the HMCTS Board. You can find details of our management at www.gov.uk/government/organisations/hm-courts-and-tribunals-service.

Name	Dates in post, if not entire year
Chief Executive and Executive Board member Nick Goodwin	
Chief Financial Officer and Executive Board member Andrew Baigent	
Operations Director and Executive Board member Paul Harris	
Strategy and Change Director and Executive Board member Gemma Hewison	Until 25 May 2023
Human Resources Director Louise Alexander	
Chief Digital and Information Officer John Laverick (interim)	
Criminal Enforcement and Confiscation Director Guy Tompkins	
Communications Director Georgia Jerram	
Courts and Tribunals Director Mark Stewart	From June 2022
Development Director Jason Latham	
National Services Director Una Bennett	From June 2022
Property Director Rupert Morgan	From June 2022

The Commercial Director, Tim Byford, also attended the SMT meetings. Joe Gilonis, Deputy Director, Change Portfolio Delivery, attended Change SMT meetings.

HMCTS SMT and its sub-committees

Details of substantive changes made to the governance structure this reporting year are on page 31. The purpose of SMT and its sub-committees as at the end of March 2023 are below.

Committee: Senior Management Team

Chair: Chief Executive

Purpose: Responsible for supporting the Chief Executive in delivering our day-to-day operations and administration, the leadership of its staff and delivery of their Accounting Officer requirements.

Committee: Finance and Performance Committee

Chair: Chief Financial Officer

Purpose: To oversee main corporate planning and reporting spending reviews and business planning. The committee will set our overall financial plans and performance expectations, including operations, and will monitor and investigate the overall financial and non-financial performance of the agency and the performance of corporate services and shared services provided (apart from commercial performance). Any issues of operational performance will be referred to the Operational Performance Committee.

Committee: Investment and Commercial Governance Committee

Chair: Chief Financial Officer

Purpose: To ensure effective and robust oversight of all investment decisions, and assurance on commercial governance and contract management. Assure the processes put in place to ensure all contracts and services are sufficiently funded, sustainable and deliver value for money.

Committee: Operational Performance Committee

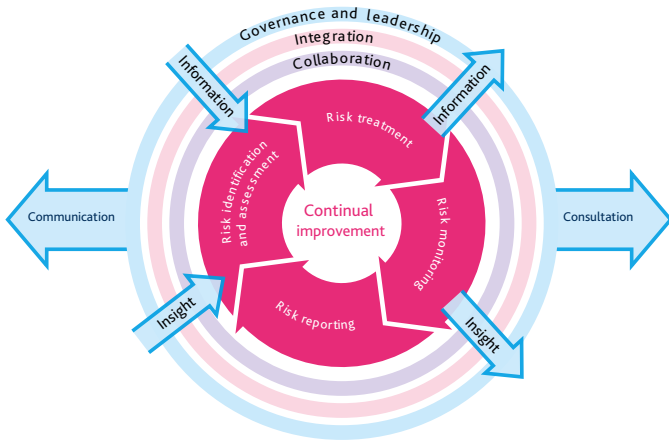
Chair: Operations Director

Purpose: To monitor and review operational performance against measures and financial allocations set by the Finance and Performance Committee, identifying significant issues and making sure remedial action is in place to address under-performance and significant regional variation. To have oversight of both regional and jurisdictional recovery plans.

Risk management

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.

Risk Management Framework



Our corporate risk register

The corporate risk register was regularly reviewed by the senior management team, and deep-dives of the highest scoring risks were held periodically. The HMCTS Board was provided with the risk dashboard each month, which outlined movements and updates. In addition, our ARAC undertook a quarterly challenge and assurance reviews of the risk register. Work commenced during quarter 4 on a comprehensive risk register refresh and work will continue on the new risk register into the new reporting year.

Risk assessment 2022-23

We use a 5x5 scoring methodology to assess the impact and likelihood of risks materialising. This provides very high, high, medium and low risk ratings which makes sure we assess our risks in a consistent way. It also enables us to focus our resources on the most significant risks to the organisation. This methodology is used across all regions and directorates, as well as at a corporate level.

Risk appetite

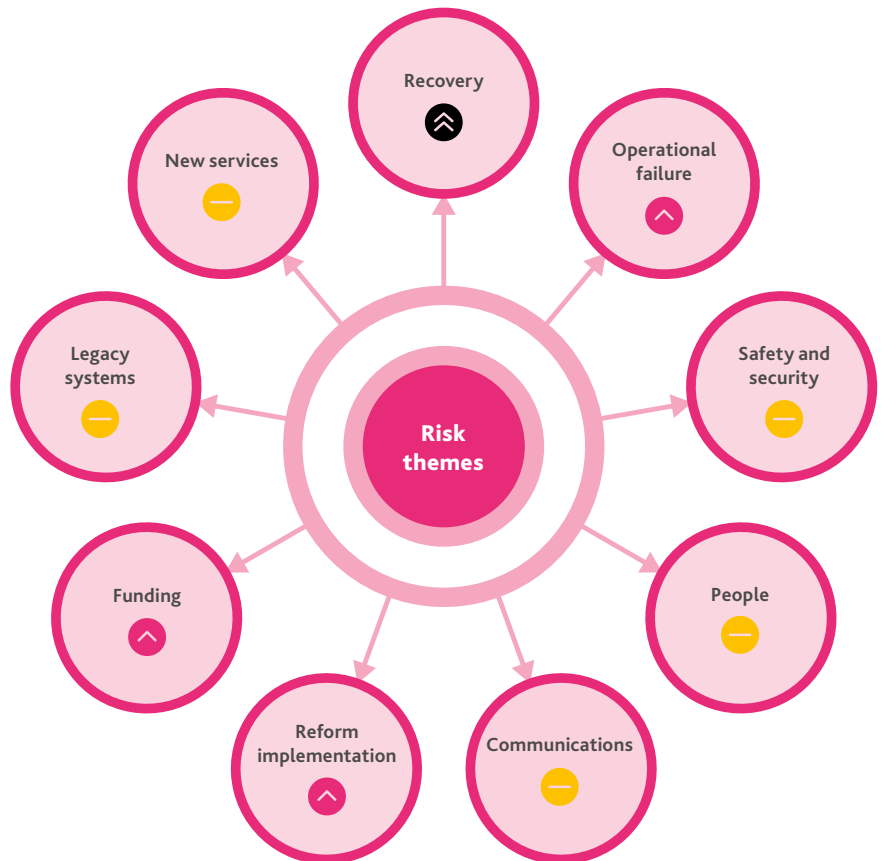
We reviewed our risk appetite during December 2022. Our risk appetite across main functional areas has now been split between business as usual, and change and reform. Our appetite for both is split between 'cautious' and 'open'. We propose reviewing our appetite every 6 months.

Risk themes

The themes of our risks as at the end of March 2023 are outlined below, followed by details of those risks and the issue we managed during 2022-23

Key

Risk assessment as at end March 2023		Very high
		High
		Medium
		Low



Key

Risk assessment as at end March 2023	Very high	High	Medium	Low
Risk movement (from date risk identified to end March 2023)	Risk increase	Risk decrease	No risk movement	At target score
Relation of risk to main priorities	People	Insight	Innovation	
	Resilience	Collaboration		

Risk description	Examples of main controls and activities to manage risks
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<p>Recovery - performance is hindered by capacity and capability levers</p> <p> </p>	<p>A Gold/Silver/Bronze Command/Response Board structure is in place to be stood up as needed, to manage the immediate response to matters impacting recovery. An Operations Performance Committee reviews performance and ensures visibility on recovery plans. Regional 'deep-dives' are regularly undertaken. There is frequent and ongoing liaison between Strategy and Change, Operations and Finance, to ensure Operations are sighted on the development of reformed services and the savings envisaged. Jurisdictional Implementation Steering Groups allow for issues to be raised by Operations, with Strategy and Change, about the impacts of workarounds and delays.</p> <p>To maximise our estate we maintained 30 Nightingale venues through to the end of March 2023 and funding was secured for 24 Nightingale hearing rooms for 2023-24. There were an extra 2,000 sitting days allocated to the Immigration Appeals Chamber in November 2022 to assist with spikes in workload.</p> <p>There was ongoing collaboration between HR and Operations to understand the people picture, including staff absence rates and wellbeing. We continued rolling recruitment in regions/roles with the greatest attrition and/or highest operational impact. In December 2022 it was agreed that a number of staff fixed term contracts could be converted to permanent and the 'flexibility ratio' was reduced to 15% (or 10% in exceptional circumstances) to assist with retention, capability and morale issues.</p> <p>To deal with the impact of industrial action, both internal and external, a national Industrial Action Planning Group was stood up.</p>
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<p>Operational failure – significant delivery failures in operations</p> <p> </p>	<p>The monthly Serious Incident Forum was refreshed to improve methods for identifying serious operational issues and trends that require remedial activity. The most serious incidents are the subject of either national or regionally-led Serious Incident Learning Reviews, processes for which have been embedded. Various national groups (Service Excellence Committee, Innovation and Change Forum, Operational Excellence Working Group and a Frontline Forum) contribute to the sharing of best practice. A quarterly Service Assurance Framework also provides scrutiny of the quality of operational service delivery and improvements.</p> <p>HMCTS Gold Command took part in a cross-MOJ scenario planning event on 19 October 2022 to test our response to a National Power Outage. Winter planning events were rolled out to Operations and headquarters, and a workshop on power outages was held for headquarter teams and Operations. We participated in a cross-Whitehall real-time exercise (Mighty Oak) in March 2023. An energy risk planning template has been published for sites to utilise.</p>
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Risk description	Examples of main controls and activities to manage risks
<p>Safety and security - staff, judiciary, stakeholders and users become gravely ill or die if we fail to provide a safe operating environment</p> <p></p>	<p>We have in place a team of safety and security experts to guide and advise on all aspects of safety and security as well as technical expertise provided by the Property Directorate. We have arrangements to mitigate the risk of fire including a rolling programme of visits by the CPFSI and 3 yearly fire risk assessments across the organisation.</p> <p>We had in place arrangements with our facilities management supplier to raise the level of statutory compliance.</p> <p>A Security, Safety and Fire Information Management System database to be based within our OPTIC system has been developed and piloted for the tracking and monitoring of outcomes of security and safety inspections/fire risk assessments/audits.</p>
<p>People - we do not have the right people in the right place to maintain a positive workplace culture to deliver our objectives</p> <p></p>	<p>As part of the 2022-24 Recruitment Delivery Plan, we're developing an attraction strategy focused on recruiting the right people in the right place at the right time. We continue to hold all staff webinars as a positive engagement tool with our people. We liaise and engage with employee engagement champions across the organisation on local engagement plans in response to the Civil Service People Survey results.</p>
<p>Communications - we fail to communicate and engage effectively with internal and external stakeholders, whose trust and goodwill, co-operation, collaboration, expertise, and professional partnerships we depend upon to effectively deliver our services</p> <p></p>	<p>We've developed a new Communications and Engagement Strategy with clear objectives, messages and evaluation criteria. We have a professional in-house communications team to advise, plan and deliver effective communications plans and strategies to support the business. We've continued to hold all staff webinars as an opportunity for our people to hear from senior leaders across our organisation providing updates and answering questions. We survey our external stakeholders regularly on our engagement activities, gathering feedback on where engagement has influenced the design or delivery of our services. We host regular meetings with our main external stakeholders on main priorities and concerns and explain what action we've taken in response to their feedback.</p>
<p>Funding - we are unable to operate within our budgets</p> <p></p>	<p>There are quarterly performance meetings with budget holders to scrutinise their finances and regular reporting of expenditure against plans to the HMCTS Board. We report the reform benefits achieved through unit costs and benefits reporting to the Finance and Performance Committee. We have regular engagement with MOJ corporate finance to ensure funding pressures are discussed at an early stage to secure resources.</p>
<p>Legacy systems - IT failure as a result of legacy systems</p> <p></p>	<p>The Decommissioning Legacy Risk Mitigation Programme has been established with a total of 11 workstreams. We received senior ministerial approval from the Cabinet Office for the Programme Business Case. We agreed the strategy for the rehosting procurement, and the contract was awarded in November 2022.</p>
<p>New services - scale of change to new services presents a greater risk of IT failure/disruption</p> <p></p>	<p>A number of controls were in place to mitigate the risk including:</p> <ul style="list-style-type: none"> • regular and close collaboration • improved performance monitoring • clear acceptance into service criteria • established technical and service support standards
<p>Reform implementation - implementation and change overload</p> <p></p>	<p>This risk materialised during 2021-22 and became an issue. It was retained as a risk on the risk register during 2022-23. During the year a revised approach to Implementation was agreed by our SMT and the Change Portfolio Board, and work was undertaken to further develop the implementation plan with clearly prioritised activities (known as the Reform Reset).</p> <p>The controls that we had in place includes a Portfolio Implementation Board that was set up to oversee change load and change resources across the organisation. A model court and model office was set up to assist and ensure a consistent way forward by embedding consistent processes and enable us to achieve the full benefits of using services. A Portfolio Implementation Board Benefits sub-group was in place and focussed on any variances in benefits and 'Full Time Equivalent' numbers. A Change Load Heat Map (CLHM) was in place and data was collated from programmes to input into the CLHM to give a holistic view of the overall change load.</p>

Issues

Except for the implementation and change overload risk which materialised in 2021-22 and continued to be managed as an issue though 2022-23, no other issues were reported.

Assurance on our system of internal controls

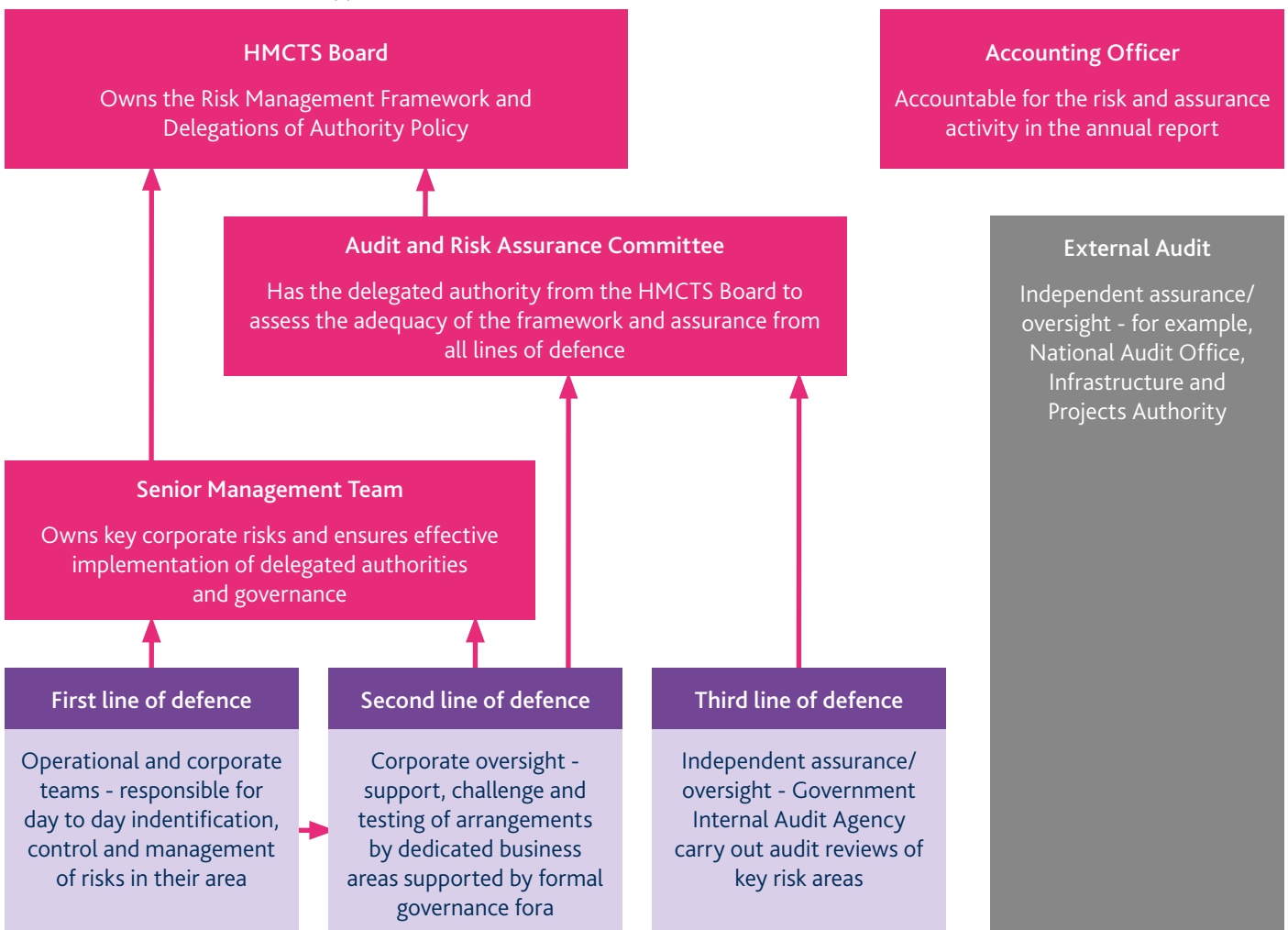
Our Chief Financial Officer issues a formal letter to each director, setting out their delegated accountabilities and authority to commit resources and incur expenditure for the reporting year. Each director provides assurance on the governance and management of risks and internal controls within their business area by signing a quarterly combined risk register and governance statement. The director must be satisfied that the assurance statements in the document have been reviewed and any exceptions, risks and issues are being effectively managed. The information is used to provide an accurate picture of governance, risk management and control across our organisation.

Our Chief Executive, as Accounting Officer, and his senior management team have collective responsibility for monitoring our systems to ensure they are robust for accountability, critical challenge and oversight of risk.

Our assurance framework and examples of sources of assurance are described below.

Our assurance framework

We have a three lines of defence approach to assurance as shown below.



Our ARAC review the comprehensiveness of assurances on governance, risk management, the control environment and the integrity of finance statements. You can find further details on ARAC on page 32.

Our Operational and Corporate Assurance team provide a second line of defence function. The team evaluates first and second line assurance activities to make sure they are appropriate and effective for our operational environment following the implementation of our Reform Programme.

The team carries out assurance visits across the estate to report upon local adherence to policies. They also undertake wider national reviews including a review of fire safety audit checks in collaboration with fire safety experts and operations.

Financial assurance

We have financial assurance processes in place that ensure we have adequate controls across our organisation to help safeguard public money. The necessary controls and assurance around finance and banking requirements are monitored through financial key control checks. These highlight possible control weaknesses which are rectified where possible.

Business continuity

We have a network of business continuity co-ordinators based regionally by business unit. They make sure every site has an up-to-date, fit for purpose and tested business continuity plan. This is co-ordinated centrally by our national business continuity and resilience team so we can continue to operate where possible when faced with issues. We work closely with the MOJ Departmental Operations Centre to assess the impact on the organisation of external risks and national threats, and continue to build our contingency plans around that work.

We ran reasonable worst-case scenario exercises, testing resilience against a number of events. We also put in place contingency plans for a variety of industrial action (internal and external), coordinated through the Industrial Action Planning Group. This made sure that urgent business was dealt with as a priority.

Data security

Our security, data protection and information matters are governed by our Information and Security Risk Board. The Board is chaired by our Chief Financial Officer who's also our senior information risk owner. The purpose of the Board is to monitor cross-cutting security, information and personal data risks across our organisation, and govern mitigating action to reduce those risks. In addition to this Board, the Senior Data Governance Panel was established this year. It provides independent expert advice and guidance to the judiciary, the MOJ and HMCTS in the access to, and use of, justice data. You can find details on personal data related incidents on page 29.

Whistleblowing arrangements

We actively encourage our people to speak out and raise concerns about any allegations of wrongdoing. The MOJ Raising a Concern (including whistleblowing) Policy applies to our staff and is accessible on the intranet. The policy, procedures and supporting toolkits provide advice and guidance on the process for raising concerns so our people feel safe to speak up if they come across something in the course of their work, past, present or imminent that they think raises concerns of wrongdoing. It provides advice on the protection given to whistleblowers and reassurance that their concerns will be investigated promptly and professionally. MOJ completed a review of the internal procedures for whistleblowing in July 2022, using the whistleblowing health check provided by Civil Service HR. As a result, the Raising a Concern Policy was amended to align with the Civil Service employee policy including text relating to the Official Secrets Act.

We continue to promote the guidance in our corporate induction and 'Focus on' line manager workshops. Complaints of harassment, bullying and discrimination are reported separately under the MOJ Grievance Policy.

As at the end of March 2023, there were 9 Nominated Officers across MOJ, all of a senior management grade, that our staff can access. They offer impartial support and advice outside of the line management chain to those who suspect wrongdoing and want to raise a concern. Their role is to ensure individual voices are heard and to help make sure concerns are appropriately addressed. There were no formal whistleblowing cases reported by us during 2022-23 (2021-22: Nil).

Our ARAC is responsible for overseeing the effectiveness of the whistleblowing policy in our organisation.

Health and safety

We're committed to protecting the safety and security of all those in our premises. We apply standards, advice and guidance from the Centre for the Protection of National Infrastructure, the Health and Safety Executive, CPFSI, and public health agencies in all parts of the UK.

Occupational health and safety is central to the delivery of our corporate priorities, and we're focused on meeting our statutory health and safety obligations. Our National Committee for Safety and Security, which also includes a focus on fire safety and physical security, meets quarterly and we provide bi-annual reports on security and safety risk management for scrutiny by our ARAC.

We had a deliverable in our business plan this year to provide a well-functioning estate that achieves compliance with statutory obligations. You can find further information on page 15.

Counter fraud, bribery and corruption

MOJ has a zero tolerance of fraud, bribery and corruption, whether involving its own employees or other external individuals or bodies. There are clear policies which set out responsibilities for the prevention, detection and reporting of fraud, bribery and corruption, which apply to all staff across the MOJ family, including us. We've a dedicated counter fraud and investigations team, and our Counter Fraud Strategy places prevention and awareness of fraud, bribery and corruption at the heart of our people, systems and processes.

We carried out our annual Fraud Risk Assessment and presented the findings to our ARAC. To support this assessment we're also in the process of carrying out a standalone bribery and corruption assessment which will bring a focus to the insider threat faced by our organisation. This will be presented to ARAC in September 2023. We were assessed against the annual Cabinet Office fraud functional standards in 2022 and met all the required elements.

During 2022-23, we received 180 referrals specifically related to fraud. Of these, 21 were internal incidents and 159 were external. 17 referrals were reported to the police and Action Fraud for consideration of criminal charges.

Functional standards

All government departments and agencies are required to embed certain functional standards³. These benchmark corporate delivery in certain main thematic areas including project delivery, HR and finance. The functions support collaboration across organisational boundaries, and efficient and effective delivery of public services. Of the 13 standards, 10 are applicable to us. Our heads of functions provide assurance quarterly by exception on compliance with the standards which feeds into a quarterly report to ARAC. A review of compliance against these standards for 2022-23 was reported to the Finance and Performance Committee for validation during May 2023. The Committee agreed there was good compliance and approved a programme of deep dives going forward.

Managing conflicts of interest

We comply with MOJ procedures for the declaration of interests, gifts and hospitality. A toolkit provided by MOJ sets out the expectations and process for declaring an interest and is accessible to all staff on the intranet. It's the responsibility of the individual to declare all interests (actual, potential or perceived) that could be relevant to their role. This includes submitting a register detailing senior civil servant's declarations of outside interests to the MOJ Transparency Unit. This Unit holds a central log of declarations of interests for all senior civil servants and provides MOJ wider governance, due diligence and organisational oversight.

Business appointment rules

All officials must obtain written permission before undertaking any outside work (paid or unpaid). They must also make an application under the business appointment rules if they intend to move on from the Civil Service so that any risk of conflict can be identified and managed. The process for managing these applications and ensuring appropriate records are maintained is carried out by the MOJ Transparency Unit. This Unit holds a central log and provides MOJ wider governance, due diligence and organisational oversight.

Complaints to the Parliamentary and Health Service Ombudsman

The complaints we receive are dealt with in 3 stages:

- first contact – at the point where the problem happened
- review – by a senior manager who works in the location or service where the complaint happened
- appeal – by our central Customer Investigations Team

Around 96% of the complaints we receive are resolved at levels 1 and 2. Complainants who remain dissatisfied after the appeal stage can take their complaints to the Parliamentary and Health Service Ombudsman (PHSO). The PHSO investigate complaints from individuals who believe they've received poor service from government departments, other public organisations and the NHS in England. They have the power, in law, to investigate and make the final decision on complaints about public services for individuals. The PHSO may also make recommendations on how mistakes can be put right. This can include explanations, apologies and recommendations for the service to learn and improve. They can also ask organisations to produce action plans to show how they will be implemented.

During 2022-23, PHSO investigated 5 complaints against us, which represented less than 0.016% of all complaints we received. The PHSO made 1 recommendation which we complied with.

In September 2022 we introduced 2 new online forms to sit alongside our existing online complaints service. The first one allows our users to give us feedback and tell us how to improve our services. The second form gives our users the opportunity to tell us when we've done well and say thank you. We're currently developing a further online form that will streamline the process for users to send us a query. Currently we receive general enquiries from courts and tribunals users via MOJ. The new form will allow enquiries about the services we provide to be directly received by us. This will be introduced in 2023-24.

	2020-21	2021-22	2022-23
Investigations completed by PHSO	6 (100%)	4 (100%)	5 (100%)
Upheld complaints	2 (33%)	1 (25%)	0 (0%)
Partly upheld complaints	1 (17%)	1 (25%)	1 (20%)
Complaints not upheld	3 (50%)	2 (50%)	4 (80%)

³ www.gov.uk/government/collections/functional-standards

Significant control challenges

Throughout 2022-23, we had appropriate governance in place to mitigate control challenges and issues.

Internal audit and annual audit opinion

One of our main 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 main risks for our organisation and arrangements are in place to make sure our Chief Executive is made aware of any significant issues which indicate that main risks are not being effectively managed.

The Group Head of Internal Audit provided an annual overall opinion of 'moderate', which means some improvements are required to enhance the adequacy and effectiveness of our framework of governance, risk management and control.

National Audit Office and Parliamentary reports

The Justice Select Committee published its report on **Court Capacity**⁴ on 27 April 2022. The report made a number of recommendations including physical, digital, judicial and staff capacities. Our response⁵ was published on 7 July 2022.

The NAO published their report on **Progress on the courts and tribunals reform programme**⁶ on 23 February 2023. This report built on NAO's past work, including early progress in transforming courts and tribunals, and Transforming courts and tribunals: a progress update. We published a response⁷ welcoming the report and we accept all the recommendations, many of which were already in hand.

Conclusion

I'm satisfied that we have effective governance, risk management and assurance arrangements in place as set out in this statement. Arrangements are kept under continuous review to adapt to our changing risk environment.

Nick Goodwin

Chief Executive and Accounting Officer

14 July 2023

⁴ committees.parliament.uk/work/481/court-capacity/news/166066/justice-committee-calls-for-renewed-focus-to-tackle-endemic-capacity-issues-in-courts/

⁵ publications.parliament.uk/pa/cm5803/cmselect/cmjust/548/report.html

⁶ www.nao.org.uk/reports/progress-on-the-courts-and-tribunals-reform-programme

⁷ www.gov.uk/government/news/hmcts-response-to-national-audit-office-report-on-reform#:~:text=We%27re%20grateful%20to%20the,2.1%20million%20times%20so%20far

2.2 Remuneration and staff report

The remuneration and staff report provides information on our people, and sets out our remuneration policy for directors, how that policy has been implemented, and the amounts awarded to directors. It also provides details on remuneration and staff that Parliament and others see as important to accountability.

2.2.1 Remuneration report

The tables in this remuneration report have been subject to audit and are referred to in the Certificate and Report of the Comptroller and Auditor General to the House of Commons, unless otherwise stated.

Board members remuneration report

The remuneration report has been prepared in accordance with the requirements of the Government Financial Reporting Manual (FRM) as issued by HMT. The Prime Minister sets the remuneration policy of senior civil servants following independent advice from the Senior Salaries Review Body. The salaries of HMCTS Board members were set following discussions between the Permanent Secretary of the MOJ and director generals, in accordance with the rules of the Civil Service Management Code. We do not have a remuneration committee. The main functions of this committee are dealt with through the MOJ Workforce Committee. The following sections provide details of the remuneration and pension interests of HMCTS Board members who served during 2022-23.

Table 1 – Remuneration payments to HMCTS Board members during the period 1 April 2022 to 31 March 2023

	2022-23					2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1000)	Total	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1000)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tim Parker Independent Chair (until 31 December 2022) ¹	10-15 (15-20 FYE) ²	Nil	Nil	Nil	10-15	15-20	Nil	Nil	Nil	15-20
Victoria Cochrane Interim Independent Chair (from 1 January 2023) ³ Non-executive Director	15-20	Nil	Nil	Nil	15-20	10-15	0.1 ⁴	Nil	Nil	10-15
Nick Goodwin Chief Executive (from 14 March 2022)	130-135	Nil	Nil	109	240-245	5-10 (120-125 FYE) ²	Nil	Nil	6	10-15
Kevin Sadler Acting Chief Executive (until 25 March 2022) ⁵	Nil	Nil	Nil	Nil	Nil	120-125 (120-125 FYE) ²	Nil	5-10	35	160-165
Andrew Baigent Chief Financial Officer	130-135	Nil	5-10	(19)	115-120	125-130	Nil	10-15	24	160-165
Paul Harris Operations Director	100-105	4.0 ⁴	10-15	5	120-125	95-100	3.0 ⁴	10-15	19	130-135
Gemma Hewison Strategy and Change Director	110-115	Nil	10-15	43	165-170	105-110	2.0 ⁴	20-25 ⁶	42	170-175
Lakh Jemmett Non-executive Director	10-15	Nil	Nil	Nil	10-15	10-15	0.3 ⁴	Nil	Nil	10-15
Nicky Wilden Non-executive Director	10-15	Nil	Nil	Nil	10-15	10-15	Nil	Nil	Nil	10-15
Annabel Burns Non-executive Director ⁷	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

1 Tim Parker stepped down as Independent Chair on 31 December 2022.

2 Full year equivalent

3 Victoria Cochrane became Interim Independent Chair on 1 January 2023, in addition to her role as a Non-executive Director.

4 Comprises of reimbursements for travel expenses to required business meetings.

5 Kevin Sadler retired on 25 March 2022. In April 2023 he received a payment in lieu of annual leave not taken and basic pay arrears (£10,000-£15,000).

6 Gemma Hewison received a Pivotal Role Allowance in 2021-22 for achieving specific milestones in relation to the HMCTS Reform Programme. This was in addition to a bonus based on overall performance.

7 Annabel Burns is the MOJ representative on the HMCTS Board. Annabel is an MOJ employee and receives no remuneration for her role as a Non-executive Director on the HMCTS Board. Her remuneration as an MOJ employee is included in the MOJ annual report and accounts.

The following judicial members of the HMCTS Board are remunerated as judges and received no additional payments as directors.

- Sir Keith Lindblom, Senior President of Tribunals
- Sir Charles Anthony Haddon-Cave, Senior Presiding Judge (until 30 September 2022)
- Sir Andrew Edis, Senior Presiding Judge (from 1 October 2022)
- District Judge Tim Jenkins, judicial representative

Salary

Salary covers both pensionable and non-pensionable amounts and includes, but may not necessarily be confined to, gross salaries; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. The figures shown do not include amounts that are a reimbursement of expenses directly incurred in the performance of an individual's duties. This report is based on accrued payments made by HMCTS and therefore recorded in these accounts.

Bonuses

Bonuses are based on performance levels and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.

Fair pay disclosure

We're required to disclose the relationship between the remuneration of our highest-paid director and the lower quartile, median and upper quartile remuneration of our workforce.

Table 2 - Percentage change from previous year in total salary and bonuses for the highest-paid director and the staff average.

	2022-23		2021-22	
	Total salary	Bonus Payments	Total salary	Bonus Payments
Staff average	2.8%	-2.0%	8.6%	-21.0%
Highest-paid director	2.0%	-54.5%	-	10.0%

Table 3 - Ratio between the highest-paid directors' total remuneration and the pay and benefits of employees in the lower quartile, median and upper quartile

	Lower quartile	Median	Upper quartile
2022-23	6.3:1	5.6:1	4.6:1
2021-22	6.8:1	6.1:1	5.0:1

Table 4 - Lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits

	Lower quartile		Median		Upper Quartile	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Salary	21,775	20,965	21,786	21,488	26,202	25,728
Total pay and benefits	21,775	20,965	24,554	23,360	29,824	28,313

The mid-point of the banded remuneration of our highest-paid director in the financial year 2022-23 was £137,500 (2021-22: £142,500). This was 5.6 times (2021-22: 6.1) the median remuneration of the workforce, which was £24,554 (2021-22: £23,360).

In 2022-23, 10 employees (2021-22: 15) received remuneration in excess of our highest-paid director. No permanent staff received remuneration in excess of the highest-paid director (2021-22: 1).

Remuneration ranged from £15,000-£20,000 to £305,000-£310,000 (2021-22: £15,000-£20,000 to £300,000-£305,000).

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

In 2020-21, following approval from Cabinet Office and HMT, a 3 year pay deal was implemented for MOJ including HMCTS employees. The 3 year pay deal runs from 1 August 2020 until 31 July 2023. Years 1 and 2 were implemented in 2021 (and backdated) with year 3 implemented in August 2022.

The ratio between the highest-paid directors' remuneration and the staff lower quartile, median and upper quartile reduced due to an increase in staff pay following the implementation of year 3 of the pay award and a reduction in the bonuses paid to the highest-paid director.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

The officials covered by this report hold appointments which are open-ended, with the exception of non-executive directors who are appointed for a term of 3 years. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at civilservicecommission.independent.gov.uk.

Table 5 – HMCTS Board members' contracts (not subject to audit)¹

Name	Contract start date	Unexpired term	Notice period
Tim Parker ²	27 April 2018	0 months	1 month
Victoria Cochrane	1 November 2014 (renewed on 17 July 2017 and 25 September 2020)	7 months	1 month
Nick Goodwin	14 March 2022	To retirement	3 months
Andrew Baigent	14 August 2017	To retirement	3 months
Paul Harris	22 August 2020	To retirement	3 months
Gemma Hewison	22 March 2020	To retirement	3 months
Lakh Jemmett	27 July 2018 (renewed on 21 June 2021)	1 year 4 months	1 month
Nicky Wilden	1 November 2020	7 months	1 month
Annabel Burns	19 August 2019	To retirement	3 months

- Judicial members do not operate under contracts
- Tim Parker stepped down as Independent Chair on 31 December 2022. His contract was extended from 30 September 2022 to 31 December 2022 during 2022-23

Pension benefits

Table 6 – HMCTS Board members' pension benefits and the cash equivalent transfer value (CETV) of those benefits during and at the end of the financial year

Name	Accrued pension at pension age as at 31 March 2023 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV ³ at 31 March 2023 £'000	CETV at 31 March 2022 £'000	Real increase in CETV £'000
Victoria Cochrane Interim Independent Chair (from 1 January 2023) Non-executive Director ¹	Nil	Nil	Nil	Nil	Nil
Nick Goodwin Chief Executive	40 - 45 plus a lump sum of 70 - 75	5 - 7.5 plus a lump sum of 7.5 - 10	646	515 ²	71
Andrew Baigent Chief Financial Officer	75 - 80	0	1,202	1,105	-33 ³
Paul Harris Operations Director	55 - 60 plus a lump sum of 115 - 120	0 - 2.5 plus a lump sum of 0	1,096	987	-9 ³
Gemma Hewison Strategy and Change Director	15 - 20	2.5 - 5	168	136	17
Lakh Jemmett Non-executive Director ¹	Nil	Nil	Nil	Nil	Nil
Nicky Wilden Non-executive Director ¹	Nil	Nil	Nil	Nil	Nil
Annabel Burns Non-executive Director ¹	Nil	Nil	Nil	Nil	Nil

Notes:

- 1 No pension contributions are made on behalf of HMCTS Non-executive Board members.
- 2 Nick Goodwin's CETV at 31 March 2022 was recalculated by the Civil Service Pension Scheme
- 3 Taking account of inflation, the CETV funded by the employer has decreased in real terms

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced. The Civil Servants and Others Pension Scheme or alpha, provides benefits on a career average basis with a normal pension age equal to the member's State Pension age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has 4 sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and 1 providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10

years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 February 2022. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it's expected that in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the CETV shown below in this report). All members who switched to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha, as appropriate. Where the individual has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the 2 schemes. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to 3 years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002, calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal and General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% depending on the age of the member. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary. This is in addition to the employer's basic contribution. Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha, as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the 2 schemes, but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at www.civilservicepensionscheme.org.uk.

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HMT published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

2.2.2 Our people

The work we do has a direct impact on people’s everyday lives. It’s important we continue to reform and modernise both our systems and our people’s capability to make it the best it can be. The success of our organisation is highly dependent on the skills and commitment of our people. Our People and Culture Strategy sets out how we want the organisation to look, feel and act from a people point of view as we implement reform. You can find out progress we’ve made this year in delivering the strategy, in the Performance analysis section on page 12.

Engaging with our people

Pulse survey

In May 2022 we held a pulse survey as a helpful mid-year ‘temperature check’ ahead of the annual People Survey in the autumn. 14% of our people completed the survey, providing valuable feedback and insight. The data was analysed, giving us a better understanding of how our people are feeling across different parts of the organisation. It helped us evaluate the initial impact of any actions taken in response to previous survey results, and to further explore certain themes that emerged from them.

Compared to our 2021 pulse survey, there were some positive themes. For example, ‘I am treated with humanity at work’ remains our highest-scoring question (75% positive) and ‘HMCTS is committed to creating a diverse and inclusive workplace’ scored 72% positive, amongst many other high scoring areas. Our lower-scoring themes were Pay, and Leadership and managing change. These themes had already been agreed as some of our main priority areas for action during 2022 following our People Survey 2021 results.

The importance of visible leadership and communication with leaders was a prominent theme and we continued to see positive feedback on our all staff webinars. These weekly webinars provide an opportunity for our people to hear from leaders from across our organisation providing updates and answering questions. Now that we’re moving on from pandemic restrictions, our senior leaders are also trying to make more site visits to offices to help improve visibility, while still balancing this with ‘virtual visits’ and webinars to reach wider audiences.

The results were fed into ongoing local action plans. There is still more to do but the survey results reassured us that we’re focusing on the areas that matter the most to our people.

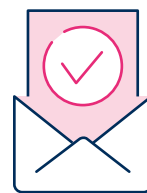
Civil Service People Survey

The annual People Survey was held from 22 September to 31 October 2022. It provided an opportunity for our people to have their say on a variety of topics which affect them.

You can find the mean scores by organisation for each question in the published Annual Civil Service People Survey Benchmark Results at www.gov.uk/government/collections/civil-service-people-surveys.

People Survey results 2022

Due to the rounding of figures, there may be a difference of 1 percentage point when comparing year on year.

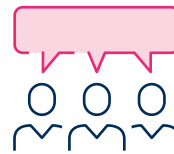


Response rate

60% compared to 53% in 2021

Compared with:

49% in MOJ and 65% across the Civil Service

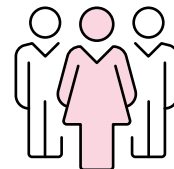


Employee Engagement Index

57% compared to 59% in 2021

Compared with:

60% in MOJ and 65% Civil Service benchmark



Highest score – My team

78% compared to 79% in 2021

Compared with:

78% in MOJ and 84% Civil Service benchmark



Lowest score – Pay and benefits

21% compared to 29% in 2021

Compared with:

25% in MOJ and 28% Civil Service benchmark

Out of the 9 core themes, 'my team' and 'learning and development' stayed the same as in 2021 (78% and 50% respectively). The core themes for 'my work' (70%), 'organisational objectives' (76%), 'inclusion and fair treatment' (75%) and 'my manager' (70%) each decreased by 1 percentage point. 'Resources and workload' (70%) reduced by 2 percentage points, 'leadership and managing change' (43%) decreased by 3 percentage points, and 'pay and benefits' (21%) saw the largest decrease of 9 percentage points.

Although our 2022 results decreased for 7 of the core themes, the scores for 6 of these remained above our scores before the COVID-19 pandemic in 2020, and 2 remained the same. Leadership and managing change continues as our priority theme for action during 2023. Secondary areas for action will be around Pay and benefits, Wellbeing, and Learning and development. The survey data is also being used to inform our review of diversity and inclusion, and bullying and harassment work.

Promoting equality, diversity and inclusion

We're aligned to the Civil Service Diversity and Inclusion Strategy 2022-25. The strategy sets a new standard for diversity and inclusion, championing a diversity of backgrounds and opinions to better promote fairness and performance.

We're accredited as a Disability Confidence Leader. This demonstrates we're an organisation where our staff with a disability or long-term illness have equal opportunity and access to support, including workplace adjustments to make sure they reach their full potential.

Our policies support people with disabilities. Health and safety and risk assessment guidance is in place, under which all employees are required to complete workstation assessments periodically. This ensures they are working in a safe environment and it's reviewed when their personal circumstances change. In October 2022 we piloted a new online display screen equipment training and risk assessment tool called Cardinus Healthy Working system. From November 2022 we started rolling it out across our organisation. Rollout should be completed by the end of March 2024. Support and guidance can be accessed by all employees through the health and wellbeing pages of our intranet, which are regularly updated. The Civil Service Workplace Adjustment Team provide additional support and advice about disability and how to get help, including workplace passports. Our Personal Impact Development scheme also enables us to put tailored interventions in place so that everyone has an opportunity to discuss their unique development, needs and career aspirations.

We have a Diversity and Inclusion Forum, chaired by our Operations Director, that holds our organisation to account in improving diversity and inclusion.

We promote equal opportunities for candidates when applying for jobs. Full information for people covered by the Equality Act can be found at www.hmctsjobs.co.uk/.

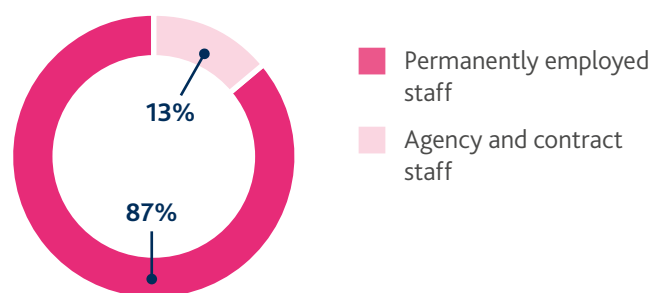
Other employee disclosures

The following sections are included to satisfy Parliamentary reporting and accountability requirements and are subject to audit.

Our employees in numbers

The average number of full time equivalent (FTE) employees paid the during year was 16,767 compared to 17,316 in 2021-22.

During 2022-23, 90% of our workforce were operational frontline staff and the remaining 10% were HQ based.



	2018-19	2019-20	2020-21	2021-22	2022-23
Permanently employed staff	14,177	14,041	14,495	14,935	14,544
Agency and contract staff	2,042	2,223	2,218	2,381	2,223
Total	16,219	16,264	16,713	17,316	16,767

Our employee costs

	2022-23	2021-22
Wages and salaries	418,367	422,171
Social security costs	41,837	40,051
Employer pension contributions	107,806	107,192
Agency staff costs	86,425	88,709
Voluntary early departures	2,052	0
	656,487	658,123
Add: inward secondments	907	502
	657,394	658,625
Less: recoveries in respect of outward secondments	(458)	(91)
Total staff costs	656,936	658,534

Employee diversity

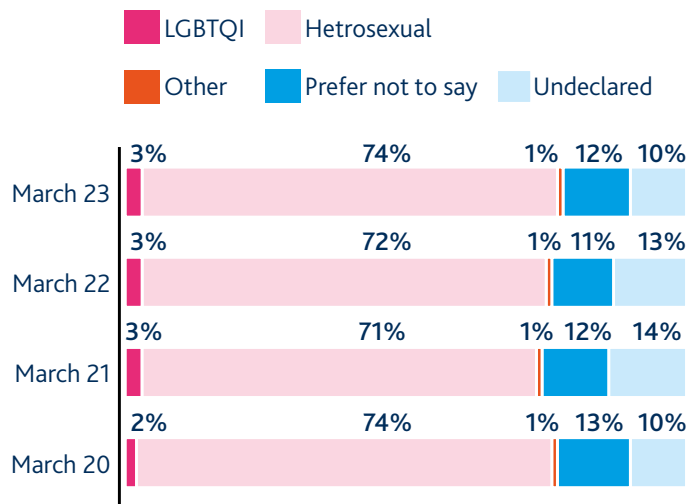
The following statistics provide a snapshot of our workforce. They help us understand how representative we are and where we need to focus our attention, as we continue to work to build a fair and inclusive work environment and a workforce that at every level reflects the diverse communities we serve.

As at 31 March 2023, the breakdown of employees was as follows:

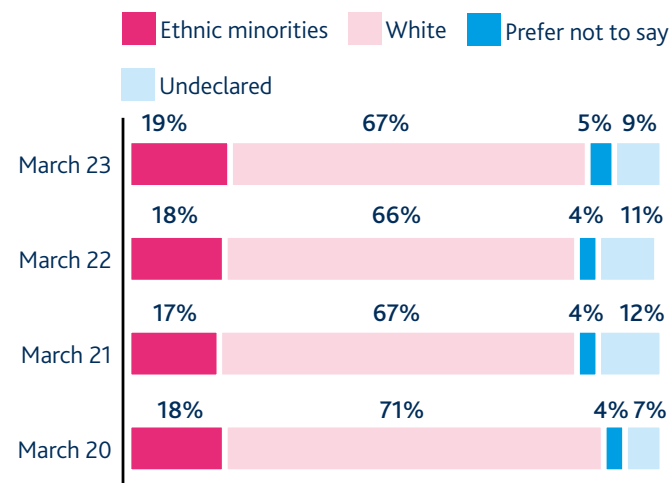
Breakdown of employees by gender

2019-20		2020-21		2021-22		2022-23	
Executive and non-executive Board members							
Male	Female	Male	Female	Male	Female	Male	Female
63%	37%	56%	44%	56%	44%	57%	43%
Senior managers (senior civil servants)							
Male	Female	Male	Female	Male	Female	Male	Female
43%	57%	43%	57%	44%	56%	42%	58%
Other employees (non SCS)							
Male	Female	Male	Female	Male	Female	Male	Female
29%	71%	29%	71%	29%	71%	30%	70%

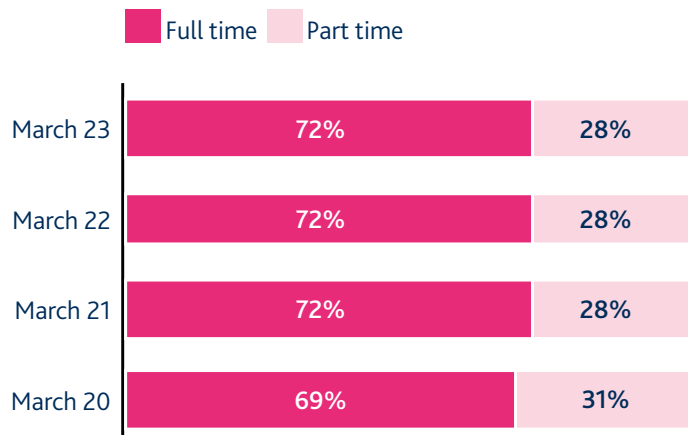
Breakdown of employees by sexual orientation



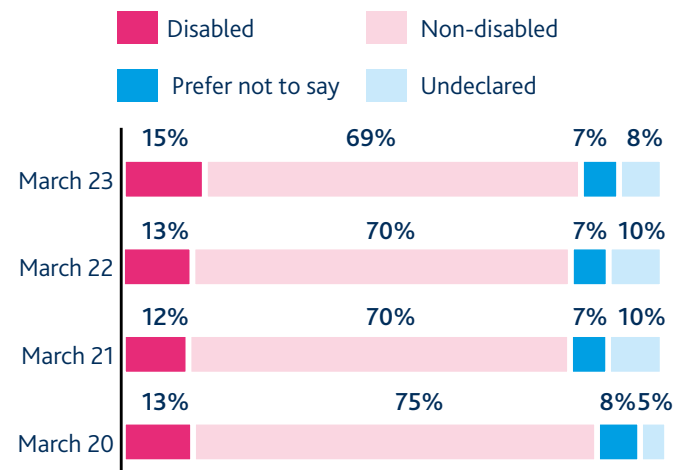
Breakdown of employees by ethnicity



Breakdown of employees by full-time and part-time



Breakdown of employees by disability



Breakdown of employees by religion

	2019-20	2020-21	2021-22	2022-23
Buddhist	0%	0%	0%	0%
Christian	41%	39%	38%	38%
Hindu	2%	2%	2%	2%
Jewish	0%	0%	0%	0%
Muslim	4%	4%	5%	6%
Sikh	1%	1%	1%	2%
Other religion or belief	2%	2%	2%	2%
No religion or belief	22%	22%	23%	25%
Prefer not to say	15%	14%	13%	13%
Not known/undeclared	11%	14%	14%	11%

Note: Numbers have been rounded to nearest percentage point

Number of senior Civil Service employees

Our executive directors are all senior civil servants (SCS). As at 31 March 2023, there were 76 SCS in HMCTS (2022: 75).

	2022-23	2021-22
£60,000 to £69,999	-	-
£70,000 to £79,999	38	42
£80,000 to £89,999	14	10
£90,000 to £99,999	14	15
£100,000 to £109,999	3	2
£110,000 to £119,999	3	2
£120,000 to £129,999	2	3
£130,000 to £139,999	2	-
£140,000 to £149,999	-	1
£150,000 to £159,999	-	-
£160,000 to £169,999	-	-
£170,000 to £179,999	-	-
£180,000 to £189,999	-	-
Total	76	75

Off-payroll engagements

During 2022-23, we reviewed off-payroll engagements where we're required to consider intermediaries (IR35) legislation using HMRC's guidance and online status indicator. We advised our contracting body of the outcome of the status determinations so that, where appropriate, tax deductions are made at the source from payments made in respect of the engagement with us. Further details about off-payroll engagements are shown in the off-payroll tables in the MOJ Annual Report and Accounts 2022-23.

Pension scheme

PCSPS and alpha are unfunded multi-employer defined benefit schemes. We're unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/.

For 2022-23, employer contributions of £107.8 million were payable to PCSPS (2021-22: £107.2 million) at one of the four rates in the range of 26.6% to 30.3% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contributions rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

14 persons (2021-22: 16 persons) retired early on ill health grounds. The total additional accrued pension liabilities in the year amounted to £18,000 (2021-22: £32,000).

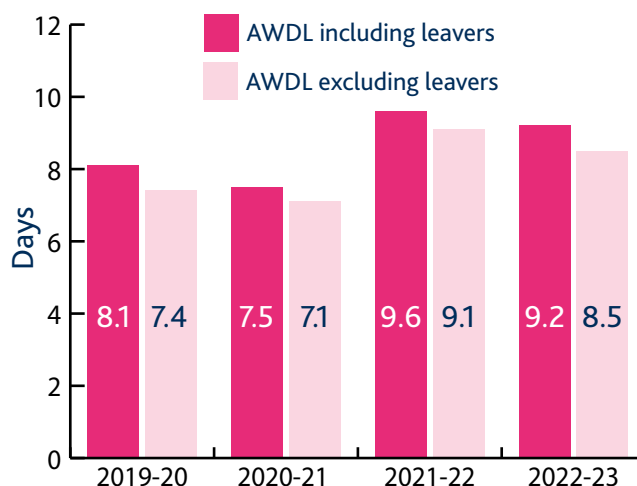
Consultancy costs

Consultancy spend is incurred when we need short-term staffing, or specialists to implement projects. 31 March 2023 figures include spend on the Property Directorate and magistrates training; spend in the year to 31 March 2022 was incurred on the implementation of Common Platform. Expenditure on consultancy in 2022-23 was £0.3 million (2021-22: £0.2 million).

Sick absence

The number of average working days lost (AWDL) due to sickness has decreased this year when compared to the previous year. For the rolling 12 months to the end of March 2023, the AWDL (including those that have left HMCTS) was 9.2 days, a decrease from 9.6 days at the end of 2021-22. The AWDL per person excluding leavers at the end of March 2023 was 8.5 days, also a decrease from 9.1 days at the end of 2021-22. 42% of our workforce had no sick absence during 2022-23.

Sick absence as a four-year trend



Staff turnover

In 2022-23, our staff turnover was 12.7% (2021-22: 12.7%) and department turnover was 15.9% (2021-22: 15.9%). Department turnover includes transfers of staff within the Civil Service. Transfers within the Civil Service are not included in the staff turnover.

We continue to monitor turnover rates and support initiatives to maintain a healthy level of turnover. The annual Civil Service People Survey, coupled with other research, helps us to understand our people's experience of working in HMCTS, and take appropriate action to improve effectiveness, including where turnover becomes problematic.

Reporting of Civil Service and other compensation schemes – exit packages

Subject to audit

Exit package cost	2022-23			2021-22		
	Number of compulsory redundancies	Number of other departures	Total number exit packages	Number of compulsory redundancies	Number of other departures	Total number exit packages
< £10,000	-	12	12	-	5	5
£10,000 - £25,000	1	9	10	-	4	4
£25,001 - £50,000	-	28	28	1	4	5
£50,001 - £100,000	-	23	23	-	2	2
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-
Total number of exit packages by type	1	72	73	1	15	16
Total cost of exit packages by type (£000)	12	2,889	2,901	35	377	412

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year the exit package is confirmed. Where we've agreed early retirements, the additional costs are met by us and not by the PCSPS. Ill health retirement costs are met by the pension scheme and are not included in the table above.

2.3 Parliamentary accountability and audit report

The following sections are included to satisfy Parliamentary reporting and accountability requirements and are subject to audit.

Losses	2022-23		2021-22	
	Number of cases	£000	Number of cases	£000
Cash losses	505	171	743	177
Claims abandoned	1	27	-	-
Administrative write-offs	63	27	15	6
Fruitless payments	5	2	2	2,600
Constructive losses	1	873	1	4,202
Total losses	575	1,100	761	6,985

In 2022-23, there was one loss over £300,000, as follows:

- There was an agreed change of scope in the reformed Adoption project which has resulted in some of the development work on the functionality of the asset no longer being planned for use, leading to £0.9m of spend being a constructive loss.

Special payments	2022-23		2021-22	
	Number of cases	£000	Number of cases	£000
Compensation payment	41	587	64	679
Ex-gratia	10,112	2,229	8,385	2,780
Extra-contractual payments	116	6	347	18
Extra-statutory and extra-regulatory payments	-	-	-	-
Special severance payments	-	-	-	-
Loans	-	-	-	-
Gifts	-	-	-	-
Total special payments	10,269	2,822	8,796	3,477

Charitable donations

We made charitable donations totalling £25,000 in 2022-23 (2021-22: £25,000). These donations were made to an organisation that provides young people with an opportunity to take part in mock trials, to build their confidence, understanding and interest in the law.

Fee income

We're required to disclose performance results for the areas of our activities where fees and charges are made. The analysis is not intended to meet the requirements of IFRS 8 Operating Segments which is not applicable to us under the requirements of the Government Financial Reporting Manual.

We cover the following business areas: civil and family courts, tribunals and criminal courts. We collect and report upon fee charges that have been set up by MOJ policy and which appear in statutory instrument fee orders. Section 180 of the Anti-social Behaviour, Crime and Policing Act 2014 gives the Lord Chancellor, with consent of HMT, the statutory power to set certain court and tribunal fees above cost recovery levels. The income generated must be reinvested back into the courts and tribunals service. Government introduced enhanced fee charging for money claims on 9 March 2015, and further enhanced fees including divorce, civil and some tribunals in March, April and July 2016. The system of 'Help with fees' (fee remissions) exists to ensure that individuals are not denied access to the courts if they genuinely cannot afford the fee. Only the civil and tribunal businesses have systems for charging fees.

We report on both the civil and tribunal fee charging business segments. Civil business contains 2 business streams: family (including probate and court of protection) and civil (including civil business in county courts, higher courts and magistrates' courts). Tribunal business contains 2 business streams:

immigration and asylum, and other fee charging special tribunals (including lands, residential property, gambling and gender recognition). The table overleaf shows the operating expenditure of those jurisdictions which are funded by fee income (after remissions) and the extent to which fee income funds them.

The most current fees orders can be found at Annex A.

On 26 July 2017 the Supreme Court handed down a judgment that quashed the Employment Tribunals and the Employment Appeal Tribunals Fees Order 2013/1893. The Lord Chancellor has committed to refunding the fees taken to those who paid them. To date we have refunded a total of £18.6 million in respect of fees and interest. During 2022-23 £68,352 of fees were refunded including interests and accruals.

In November 2017 MOJ undertook a review of other fees for courts and tribunals proceedings charged by us. MOJ identified that in some cases fees have been incorrectly charged, and that some fees had inadvertently been set above cost without the legal authority to do so. In July 2018 a Written Ministerial Statement announced that a refund scheme will be established to reimburse people the amounts they have been over-charged. Our current estimate of the total value of the refunds likely be claimed is £8.4 million.

The movements in the provisions and refunds are shown separately in the table overleaf. You can find more details about income, provisions and contingent liabilities in Notes 8, 18.3 and 21 to the accounts

Fees and charges

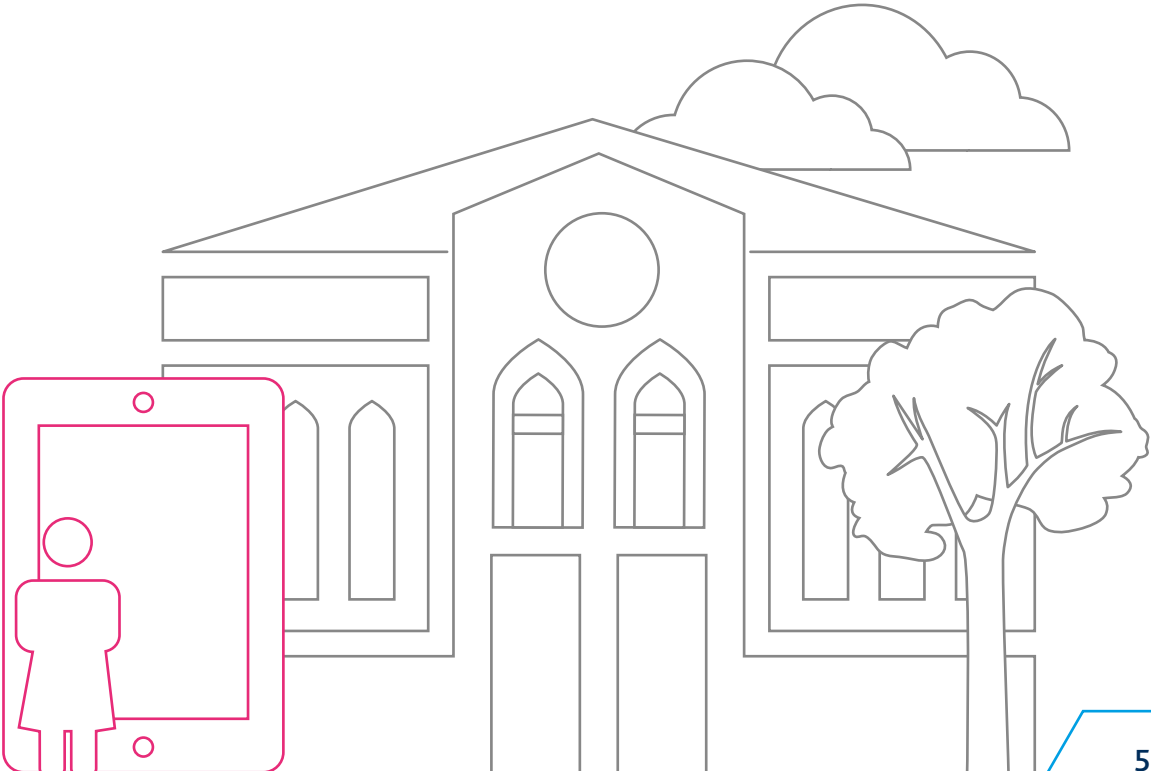
	Value of fee charges	Fees remitted	Income collected	Expenditure	Income charge surplus/ (deficit)
	£000	£000	£000	£000	£000
Civil business					
Family	226,406	(21,422)	204,984	(311,803)	(106,819)
Civil	574,312	(57,781)	516,531	(556,757)	(40,226)
Total civil business	800,718	(79,203)	721,515	(868,560)	(147,045)
Tribunal business					
Immigration and asylum	5,230	(730)	4,500	(102,869)	(98,369)
Other tribunals	1,476	(25)	1,451	(16,757)	(15,306)
Total tribunal business	6,706	(755)	5,951	(119,626)	(113,675)
Family Fee Refunds New Burden Settlement	-	-	(1,577)	-	(1,577)
Employment tribunals refunds	-	-	(68)	-	(68)
CTLO ⁸ fee refunds and interest paid	-	-	(2,066)	-	(2,066)
Other fee refunds	-	-	(1,242)	-	(1,242)
Movement in fee refunds provision	-	-	2,615	-	2,615
2022-23 total HMCTS business	807,424	(79,958)	725,128	(988,186)	(263,058)
2021-22 total HMCTS business	736,073	(80,993)	669,467	(991,462)	(321,995)

Nick Goodwin

Chief Executive and Accounting Officer

14 July 2023

8 Council Tax Liability Order (CTLO)



Section 3: External scrutiny

3.1 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 the HM Courts and Tribunals Service Agency (HMCTS) for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise HMCTS's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; 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 HMCTS's affairs as at 31 March 2023 and its net operating expenditure 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 HMCTS 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 HMCTS'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 HMCTS'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 HMCTS 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, 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports 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 HMCTS and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 HMCTS 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 and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is 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 Statement of Accounting Officer's Responsibilities, the Chief Executive as 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 HMCTS 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, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing HMCTS'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 Chief Executive as Accounting Officer anticipates that the services provided by HMCTS 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's accounting policies.
- inquired of management, HMCTS's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to HMCTS'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's controls relating to HMCTS's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, and the relevant pieces of legislation stipulating Court and Tribunal fees;
- inquired of management, HMCTS'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 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 HMCTS for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, 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 HMCTS's framework of authority and other legal and regulatory frameworks in which HMCTS 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 HMCTS. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, employment law, tax legislation and the relevant pieces of legislation stipulating Court and Tribunal fees.

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, the Audit and Risk Assurance 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;
- 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; and

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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. 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.

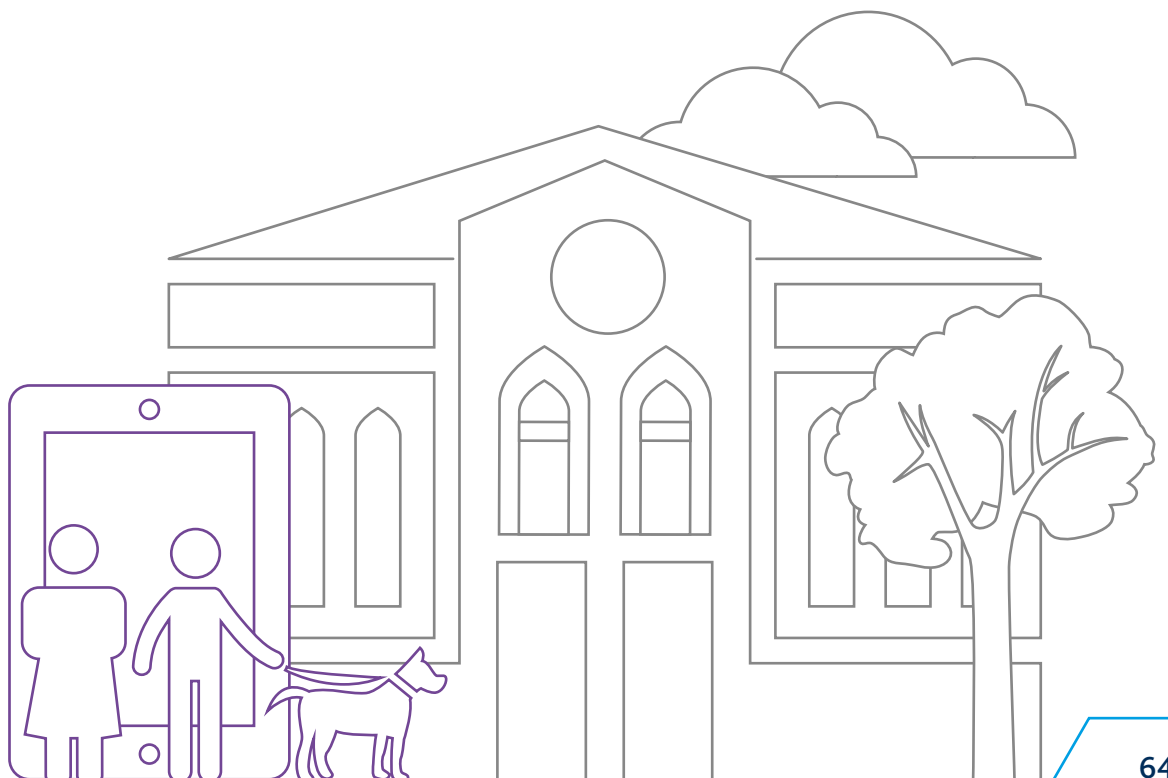
Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

15 July 2023

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP



Section 4: Our expenditure

4.1 Accounts

Statement of comprehensive net expenditure for the period ended 31 March 2023

	Notes	2022-23 £000	2021-22 £000
Operating income	8	(782,685)	(723,298)
Total operating income		(782,685)	(723,298)
Staff costs	3	656,936	658,534
Judiciary costs	3	631,745	603,439
Purchase of goods and services	4	715,767	699,176
Depreciation and impairment charges	5	299,887	329,756
Other non-cash expenditure	6	3,293	136,693
Total operating expenditure		2,307,628	2,427,598
Net operating expenditure		1,524,943	1,704,300
Finance costs	7	16,661	17,025
Net expenditure for the year		1,541,604	1,721,325

Other comprehensive expenditure

	Notes	2022-23 £000	2021-22 £000
Net costs		1,541,604	1,721,325
Net (gain)/loss on revaluation of property and equipment		(237,381)	(161,399)
Net (gain)/loss on revaluation of intangible assets		(7,736)	1,276
Actuarial (gain)/loss on pension scheme liabilities	18.2	(41)	47
Total comprehensive expenditure		1,296,446	1,561,249

The gains and losses on revaluation of property and equipment arises mainly from valuation activity carried out annually by the Valuation Office Agency across our estate, as well as the application of indices and desktop valuations.

The Notes on pages 69 to 98 form part of these accounts.

Statement of financial position as at 31 March 2023

	Notes	2022-23 £000	2021-22 £000
Non-current assets			
Property and equipment	9	3,997,673	3,796,921
Right of use assets	12	1,086,012	1,128,153
Intangible assets	11	525,585	515,827
Trade and other receivables	14	170	170
Total non-current assets		5,609,440	5,441,071
Current assets			
Assets held for sale	10	-	291
Trade and other receivables	14	109,428	143,663
Cash and cash equivalents	15	37,646	28,474
Total current assets		147,074	172,428
Total assets		5,756,514	5,613,499
Current liabilities			
Trade and other payables	16	(293,134)	(361,226)
Financial liabilities	16.1	(9,013)	(9,013)
Lease liabilities	12	(79,242)	(81,065)
Provisions for liabilities and charges	18	(12,839)	(12,815)
Total current liabilities		(394,228)	(464,119)
Total assets less current liabilities		5,362,286	5,149,380
Non-current liabilities			
Trade and other payables	16	(18,898)	(20,252)
Financial liabilities	16.1	(41,904)	(50,831)
Lease liabilities	12	(1,086,611)	(1,131,441)
Provisions for liabilities and charges	18	(98,752)	(185,459)
Total non-current liabilities		(1,245,165)	(1,387,983)
Total assets less total liabilities		4,116,121	3,761,397
Taxpayers' equity			
General fund		2,713,239	2,557,212
Revaluation reserve		1,402,882	1,204,185
Total taxpayers' equity		4,116,121	3,761,397

The Notes on pages 69 to 98 form part of these accounts.

Nick Goodwin

Chief Executive and Accounting Officer

14 July 2023

Statement of cash flows for the period ended 31 March 2023

	Notes	2022-23 £000	2021-22 (Reclassified) £000
Cash flows from operating activities			
Net expenditure for the year		(1,541,604)	(1,721,325)
Adjustments for notional and non-cash costs	17	468,989	607,313
Adjustments for finance costs	7	16,661	17,025
(Increase) in trade and other receivables		(133,337)	(127,364)
Increase/(decrease) in trade and other payables		68,806	16,330
Utilisation of provisions		(8,923)	(38,198)
Net cash outflow from operating activities		(1,129,408)	(1,246,219)
Cash flows from investing activities			
Purchases of property and equipment		(136,580)	(261,154)
Proceeds from disposal of property and equipment and assets held for sale		2,515	3,134
Purchases of intangible assets		(66,941)	(110,333)
Net cash outflow from investing activities		(201,006)	(368,353)
Cash flows from financing activities			
Funding from MOJ		1,448,000	1,689,000
Capital element of Private Finance Initiative (PFI) contracts		(8,927)	(8,926)
Capital element of lease liability		(82,672)	(65,438)
Repayments of local authority loans		(1,354)	(1,322)
Interest paid	7	(15,461)	(15,813)
Net cash inflow from financing activities		1,339,586	1,597,501
Net increase/(decrease) in cash and cash equivalents in the period	15	9,172	(17,071)
Cash and cash equivalents as at the beginning of the period	15	28,474	45,545
Cash and cash equivalents as at the end of the period	15	37,646	28,474

The Notes on pages 69 to 98 form part of these accounts.

Statement of changes in taxpayers' equity for the period ended 31 March 2023

	Notes	General fund £000	Revaluation reserve £000	Total £000
Balance as at 31 March 2021		2,196,678	1,085,654	3,282,332
Cumulative catch-up adjustment on adoption of IFRS 16		68,541	-	68,541
Balance as at 1 April 2021		2,265,219	1,085,654	3,350,873
Funding from MOJ		1,689,000	-	1,689,000
Intercompany settlement with MOJ		33,670	-	33,670
Net operating expenditure		(1,721,325)	-	(1,721,325)
Notional expenditure				
Consolidated fund judicial salaries		155,402	-	155,402
External auditor's remuneration	17	325	-	325
Intra-departmental recharges	17	93,376	-	93,376
Revaluation of property and equipment		-	161,399	161,399
Revaluation of intangible assets		-	(1,276)	(1,276)
Reclassification from revaluation reserve		41,592	(41,592)	-
Actuarial gain/(loss) on pension scheme liabilities	18.2	(47)	-	(47)
Other transfers to reserves		-	-	-
Balance as at 31 March 2022		2,557,212	1,204,185	3,761,397
Funding from MOJ		1,448,000	-	1,448,000
Intercompany settlement with MOJ		(44,861)	-	(44,861)
Net operating expenditure		(1,541,604)	-	(1,541,604)
Notional expenditure				
Consolidated fund judicial salaries		165,062	-	165,062
External auditors' remuneration	17	398	-	398
Intra-departmental recharges	17	84,568	-	84,568
Revaluation of property and equipment		-	237,381	237,381
Revaluation of intangible assets		-	7,736	7,736
Reclassification from revaluation reserve		46,420	(46,420)	-
Actuarial gain/(loss) on pension scheme liabilities	18.2	41	-	41
Other transfers to reserves		(1,997)	-	(1,997)
Balance as at 31 March 2023		2,713,239	1,402,882	4,116,121

The Notes on pages 69 to 98 form part of these accounts.

4.2 Notes to the accounts for period ended 31 March 2023

1. Statement of accounting policies

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2022-23 issued by HMT. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as interpreted for the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to our particular circumstances for the purpose of giving a true and fair view has been selected. The particular policies we adopt are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Basis of preparation

Our accounts have been prepared under the historical cost convention modified to account for the revaluation of property and equipment and intangible assets and certain financial assets and liabilities.

The preparation of the accounts in conformity with IFRS requires the use of certain critical accounting estimates (see Note 1.19). It also requires management to exercise its judgement in the process of applying the accounting policies.

These accounts have been prepared on a going concern basis. The financial reporting framework applicable to Government bodies, derived from the HMT Government Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The HMCTS Board have a reasonable expectation that this will continue to be the case.

1.2 Changes in accounting policy and disclosures

a) Changes in accounting policies and new and amended standards adopted

2022-23 is the second year in which HMCTS has reported in line with IFRS 16. IFRS 16 Leases is due for adoption across government bodies reporting under the FReM from 1 April 2022, however HMT permitted HMCTS to early adopt the standard from 1 April 2021, IFRS 16 was thus implemented in the HMCTS Annual Report and Accounts 2021-22. IFRS 16 introduced a single lease accounting model that requires a lessee to recognise assets and liabilities for all leases, with some exemptions detailed in the leases policy, Note 1.11 This replaced the previous standard, IAS 17 Leases. Further details are disclosed at Notes 1.11 and 12.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2022 and not early adopted.

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. IFRS 17 is to be applied by entities for accounting periods beginning on or after 1 January 2023. The earliest implementation date in central government is 1 April 2025. To assess the impact of the standard, we are reviewing contracts which meet the definition of insurance contracts.

We do not consider that any other new, or revised standard, or interpretation will have a material impact.

1.3 Operating income

HMCTS's operating income is principally comprised of fees. The majority of fees paid to us are for an application to commence the administration of a process. To a lesser extent, fees are received for a court process, or for a particular stage of the administration of the court process. The payment of a fee does not convey the right to a decision, or a particular outcome from the court, nor does it set out the timescale or process which will be followed by the court or tribunal, which is at the discretion of the judge. It is a fundamental principle of an independent judiciary that judges do not hold performance obligations to individuals or organisations in relation to court and tribunal activities.

Our model of income recognition aligns our revenue recognition policy to IFRS 15 which requires that, when applying income recognition policies, legislation and regulations which enable an entity to receive cash or another financial asset from another entity should be assessed for performance obligations to match revenue to the performance obligation.

The power to charge fees is conferred by Section 92 of The Courts Acts 2003, and Section 180 of The Anti-Social Behaviour Crime and Policing Act 2014 for enhanced fees.

This is the legislation against which we assess our performance obligations. This legislation also provides for Statutory Instruments to set out a price list for the fees to be charged, listed in Annex A. These Statutory Instruments, determined in the FReM adaptation as contracts under IFRS 15, are interpreted as the performance obligations on us in respect of the individual fees charged. This does not place a performance obligation on the judiciary.

Therefore, the income policy we adopt recognises that in the administration of the courts system, the Agency, whose role is to support the judiciary in their administration of justice, bears a responsibility to applicants to ensure their application is progressed upon receipt of the correct fee. In recognition of this obligation, we defer most of our revenue until the issue of an application is completed, or any other obligations are completed that are required as part of the Statutory Instrument.

Civil fees (see page 80) make up most of our income and can be disaggregated into broad jurisdictional categories. Within each category there are three significant common performance recognition points: issue, hearing and enforcement.

These performance obligations are set out in the Statutory Instruments as described in Annex A.

1.4 HMCTS Trust Statement

We, as an Executive Agency of the MoJ responsible for collecting fines and financial penalties imposed by the criminal justice system, prepare a separate Trust Statement to be read in conjunction with the HMCTS Annual Report and Accounts.

The Trust Statement accounts for fines and penalties imposed by the criminal justice system as revenue ultimately payable to the Consolidated Fund, on a gross basis. It also accounts for the cash and balances payable to the Consolidated Fund and third parties in relation to the collection of the fines and penalties amounts.

1.5 Notional expenditure

Some items of notional expenditure are included in order to disclose the full cost of activities, although this expenditure is not actually incurred. Notional expenditure is credited directly to the General Fund and comprises the following:

- a) Salaries and social security costs of senior judges funded from the Consolidated Fund
- b) NAO's remuneration for the audits of our accounts and Trust Statement
- c) Our usage of corporate services provided by MoJ

1.6 Operating segments

Under IFRS 8 Operating Segments, operating segments are analysed along with the lines of information presented to the chief operating decision maker who for the purpose of these accounts is determined to be the Board. The standard allows aggregation of segments that have similar economic characteristics and types and class of customer. For HMCTS there are currently two operating segments, these being Business as Usual (BAU) and Reform.

1.7 Property and equipment

Recognition

Property, Plant and Equipment, including subsequent expenditure on existing assets is initially recognised at cost and capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to us
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- it individually has a cost of at least £10,000
- it forms a group of assets – those where significant purchases of individual assets which are separately beneath the capitalisation threshold arise in connection with a single project. Where an item costs less than the prescribed limit but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is capitalised. The capitalisation threshold for grouped assets is £1 million.

All thresholds include irrecoverable VAT.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, e.g., plant and equipment, then these components are treated as separate assets and depreciated over their own useful lives.

All other repairs and maintenance are charged to the SoCNE during the financial year in which they are incurred.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance is charged to the SoCNE in the period in which it is incurred.

Valuation method

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are measured subsequently at valuation.

- Land and Buildings (including dwellings) are recorded at fair value, as interpreted by the FReM.
- Assets which are held for their service potential and are in use (i.e. operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use.
- Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are valued at current value in existing use where there are restrictions which would prevent access to the market at the reporting date. If we can access the market, then the surplus asset is valued at fair value in accordance with IFRS 13. In determining whether an asset which is not in use is surplus, we have assessed whether there is a clear plan to bring the asset back into future use as an operation asset. Where there is a clear plan the asset is not surplus and the current value in existing use is maintained. Otherwise, the asset is assessed as being surplus.

Revaluations of land and buildings (including dwellings) are performed based on professional valuations at least once every five years. In between professional valuations carrying values are adjusted by the application of indices or through desktop valuations. This ensures that carrying values are not materially different from those that would be determined at the end of the reporting period.

Current values in existing use are determined as follows:

- land and non-specialised buildings – existing use or market value where there is an open market valuation for such properties
- specialised buildings – depreciated replacement cost on a modern equivalent asset basis

Within HMCTS criminal courts are mostly classified as specialised buildings which cannot be sold on the open market. For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis in accordance with the FReM and RICS guidance. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and location requirements of the services being provided.

Professional valuations are primarily undertaken by the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) appraisal and valuation manual, known as the 'Red Book'. For the desktop valuations and application of indices, different indices are applied, depending on the assets. For buildings the index applied is the Building Cost Information Service Construction data tender price index that reflects price changes in the construction sector and is a good indicator of price pressure in building contracts in the UK.

Assets are revalued and depreciation commences when the assets are brought into use. IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Fair value hierarchy and inputs

The valuation technique applied to all the Fair Value figures of Surplus properties is the market approach in accordance with IFRS 13; it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

For other property assets in continuing use, fair value is interpreted as market value or 'value in use'. In the Red Book this is defined as 'market value on the assumption that property is sold as part of the continuing enterprise in occupation'. The 'value in use' of a non-cash-generating asset is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Depreciated historical cost is used as a proxy for fair value for those assets with short useful lives or low values, as allowed by the FReM.

Revaluation

Gains arising on revaluation are credited to the revaluation reserve and shown in other comprehensive expenditure, unless they reverse a revaluation decrease on the same asset.

When an asset's carrying value decreases as a result of a permanent diminution in the value of the asset due to a clear consumption of economic benefit or service potential, the decrease is charged directly to operating expenditure in the SoCNE, with any remaining revaluation reserves balance released to the General Fund.

A revaluation decrease, reversal or revaluation increase (other than as a result of a permanent diminution) is reversed against any existing amount held in the revaluation reserve in respect of the same asset, with any residual decrease taken to operating expenditure in the SoCNE.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the SoCNE and depreciation based on the asset's original cost is transferred from the revaluation reserve to the General Fund.

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits

Depreciation is charged on a straight-line basis at rates calculated to write-off the value of assets less estimated residual value over the estimated useful lives. The useful lives of asset categories are reviewed annually. Where a change in asset life is determined, the asset is depreciated on a straight-line basis over its remaining assessed life. Depreciation commences in the month following the acquisition of a non-current asset for land, buildings and dwellings and in-month for all other non-current assets.

If an item of property, plant and equipment comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life.

Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Leasehold land	Remaining lease period
Freehold buildings (including dwellings)	Shorter of remaining life or 60 years
Leasehold buildings (including dwellings)	Shortest of remaining life, remaining lease period or 60 years
Information technology	Shorter of remaining lease period or 7 years
Equipment	Shorter of remaining lease period or 3 to 5 years
Furniture and fittings	Shorter of remaining lease period or 10 to 20 years

Assets under construction

Assets under construction (AUC) are valued at historical cost within property and equipment and intangible assets and are not depreciated or amortised until completed. When an asset is brought into use, its carrying value is transferred to the respective asset category.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition.

Disposals

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised within operating expenditure in the SoCNE.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the General Fund.

1.8 Intangible assets

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the HMCTS business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to us and where the cost of the asset can be measured reliably and is at least £250,000.

Intangible assets are recognised in accordance with IAS 38 'Intangible Assets' as adapted by the FReM.

HMCTS has two principal types of intangible assets.

Software developed internally or by third parties - these are recognised as intangible assets when they meet the criteria specified in the FReM. Other expenditures that do not meet these criteria are recognised as an expense as incurred. Costs previously recognised as an expense are not recognised as an asset in a subsequent period. The useful lives of internally developed software range from 3 to 10 years.

HMCTS utilise an Agile development approach for capitalisation of assets developed by the Reform Programme. For each component, amortisation will begin when the component is brought into its intended use (e.g. when the minimum viable product is launched nationally). However, if a component is entirely dependent on the completion of other elements of functionality, amortisation shall begin when both that component and the other functions upon which it is dependent are ready for their intended use.

Purchased Software licences- Purchased software licenses are recognised as assets when it is probable that future service potential will flow to us and the cost of the license can be measured reliably. Such licenses are initially measured at cost. Purchased software licences are amortised over the licence period.

Where capital budgets are held centrally by MoJ as the parent department, expenditure is first capitalised in the MoJ accounts and transferred to us when the associated project is complete.

Subsequent to initial recognition, intangible assets are measured at fair value. As no active market exists for our intangible assets, fair value is assessed as replacement cost less any accumulated amortisation and impairment losses (i.e. depreciated replacement cost).

Intangible assets in service are re-measured at the end of each reporting period using the producer price index issued by the Office for National Statistics (ONS).

1.9 Impairment

Impairments are recognised in accordance with IAS 36 'Impairment of Assets' as adapted by the FReM.

An impairment reflects a diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential. At each reporting date, we assess all assets for indications of impairment. If any such indication exists, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts. Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of its 'fair value less costs to sell' and 'value in use' (defined under 'Valuation Method'). Any impairment loss is charged directly to operating expenditure in the SoCNE. If the asset has previously been revalued, any balance in the revaluation reserve (up to the level of the impairment loss) is transferred to the General Fund.

At each reporting date we review impairment losses recognised in previous years. Any reversal of an impairment loss is then recognised in the SoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the revaluation reserve.

1.10 Assets held for sale

Non-current assets are classified as assets held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as interpreted by the FReM.

Non-current assets are classified as 'held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable.

Assets held for sale are stated at the lower of their carrying amount immediately prior to classification as 'held for sale' or their fair value less the costs of selling the asset. Any subsequent impairment or reversal of impairment is recognised in the SoCNE. Assets classified as held for sale are not depreciated.

1.11 Leases

Government bodies typically lease properties used for administrative purposes for reasons of efficiency and flexibility. HMCTS also benefits from the lease of land under leases with peppercorn consideration. For other types of asset, HMCTS determines whether to lease or purchase based on value for money considerations, such as whether the underlying asset is required for its entire life or for a more limited period.

At inception of a contract, HMCTS assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time. This includes assets for which there is no consideration. To assess whether a contract conveys the right to control the use of an identified asset, HMCTS assesses whether:

- the contract involves the use of an identified asset
- HMCTS has the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use
- HMCTS has the right to direct the use of the asset

HMCTS defines the lease term as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option

In the event that a lease contract has expired, but HMCTS remains in occupation pending negotiations for a renewed term, the lease term has been measured as the estimated time until the new contract will be agreed.

At inception or on reassessment of a contract that contains a lease component, HMCTS assesses whether it is reasonably certain to exercise break options or extension options at the lease commencement date. HMCTS reassesses this if there are significant events or changes in circumstances that were not anticipated.

When making the above assessments, HMCTS excludes two types of leases:

- those relating to low value items, which it considers as those where the underlying asset would have a cost of less than £10,000 when new, provided those items are not highly dependent on or integrated with other items
- contracts whose term (comprising the non-cancellable period together with any extension options HMCTS is reasonably certain to exercise and any termination options HMCTS is reasonably certain not to exercise) is less than twelve months

HMCTS as lessee

At the commencement of a lease, HMCTS recognises a right-of-use asset and a lease liability.

Right of Use Asset

The right-of-use asset is measured at the value of the lease liability, adjusted for:

- any lease payments made before the commencement date
- any lease incentives received
- any incremental costs of obtaining the lease
- and any costs of removing the asset and restoring the site at the end of the lease

Where the lease requires nil or nominal consideration (usually referred to as a 'peppercorn' lease), the asset is measured at its existing use value, with the difference between the carrying amount of the right-of-use asset and lease liability treated as notional income.

Enhancements to leased assets, such as alterations to a leased building, are not classified within right-of-use assets but remain classified as property, plant and equipment in accordance with the FReM.

After initial recognition, the right-of-use asset is measured using the fair value model. In determining the fair value, HMCTS applies:

- the cost model (measurement by reference to the lease liability) as a reasonable proxy for fair value for non-property leases, and for property leases of less than five years or with regular rent reviews; or
- the revalued amount for other leases

The value of the asset is adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described below. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised in expenditure.

Lease Liability

The Lease Liability is measured at the value of the remaining lease payments discounted over the lease term either by the interest rate implicit in the lease, or where this is not readily determinable, HMCTS's incremental rate of borrowing. This rate is advised annually by HMT (0.95% for those in the calendar year 2022, and 3.51% for leases recognised in 2023).

The measurement of lease payments excludes any VAT payable, and irrecoverable VAT is expensed at the point it falls due in line with IFRIC 21 Levies. If the VAT element cannot be clearly identified from lease invoices, the lease liability and right of use asset are measured using the gross value of invoices for remaining lease payments.

Where a lease includes variable lease payments tied to an inflation index, this is included in the measurement by inflating using HMT CPI inflation rates as published in the Public Expenditure System (PES) Papers for the relevant year. This is the approach set out in the FReM IFRS 16 Application Guidance.

After initial measurement the lease liability is adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments are reappraisals of the probability of the options given by the existing lease contract, for example where HMCTS no longer expects to exercise an option; modifications are changes to the lease contract. Reassessments and modifications are accounted for either by:

- recalculating the lease term under any new contract terms, taking account of the reasonable certainty or otherwise of exercising an option; or
- applying a new discount rate where applicable

Expenditure for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right-of-use asset over the life of the lease, together with any impairment of the right-of-use asset and any change in variable lease payments, that was not included in the measurement of the lease payments during the period in which the triggering event occurred. Rental payments in respect of leases of low value items, or with a term under twelve months, are also expensed.

HMCTS as a lessor

Where HMCTS acts as a lessor, the arrangement is assessed to determine whether it constitutes a finance lease, this being where the risks and rewards incidental to ownership of an underlying asset are substantially transferred to the lessee. For these leases, the asset is derecognised, and a receivable is recognised, with accrued interest being treated as income over its life. All other leases are treated as operating leases and rental income is recognised on a straight-line basis.

Transitional arrangements – applies to 2021-22 only

HMCTS adopted IFRS 16 from 1 April 2021. HMCTS applied a number of options and practical expedients on its initial adoption of IFRS 16, these principally being mandated by the FReM.

- There was no reassessment of existing contracts that HMCTS had previously assessed as containing or not containing a lease.
- For leases previously treated as operating leases, the right-of-use assets were measured at the present value of the remaining lease payments, adjusted for any prepayment or accrual balances in respect of the lease payments. HMCTS used hindsight in determining the remaining term of leases and no adjustment was made for leases whose term ended within twelve months of the date of first adoption.
- For leases previously recognised as finance leases, the carrying amount of the lease liability and the right-of-use asset as at the date of first adoption were recognised at the respective carrying amounts of the lease liability and leased asset as determined immediately before that date, in accordance with IAS 17.
- Where HMCTS subleased a right-of-use asset, the classification of the sublease as a finance or operating lease was reassessed. Where an arrangement previously treated as an operating lease was found to be a finance lease, it was treated as a new lease, commencing on the date of first adoption.
- For leases that were previously onerous and provided for, HMCTS adjusted the right-of-use asset by the amount of that provision. Leased assets that were deemed surplus continue to be treated as such, with no right-of-use asset recognised.

1.12 Service concession arrangements

Service concession arrangements (SCAs), including Private Finance Initiatives (PFI) arrangements, are arrangements whereby private sector operators are contractually obliged to provide services to the public in relation to certain infrastructure assets. We define such arrangements as SCAs if they meet the conditions set out in the FReM and IFRIC 12 Service Concession Arrangements.

The future payment streams of SCAs are assessed to separately identify the infrastructure interest and service components.

We recognise the infrastructure asset at fair value (or the present value of the future minimum infrastructure payments, if lower) as a non-current asset in the SoFP with a corresponding liability for future payments under the agreement.

The interest element of the agreement is charged to the SoCNE over the contract period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The service element of the agreement is charged to the SoCNE in the period in which the services are rendered by the operator.

1.13 Third party assets

We hold a number of different cash balances on behalf of third parties. These are not recognised in the SoFP in line with FReM requirements and a disclosure of these balances is made in Note 23 to the accounts.

These balances do not include amounts held following the collection of fines and penalties on behalf of other bodies; these amounts are reported in a Trust Statement (see Note 1.4).

1.14 Value added tax (VAT)

Most of our activities are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capital purchase cost of property and equipment and intangibles. Where output tax is charged, or input tax is recoverable the amounts are stated net of VAT.

1.15 Provisions and contingent liabilities

Provisions are recognised in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.

Provisions represent liabilities of uncertain timing or amount and are recognised when:

- we have a present legal or constructive obligation as a result of past events
- it is probable that an outflow of resources will be required to settle the obligation
- the amount can be reliably estimated

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Where the effect is material, the estimated cash flows are discounted. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is disclosed when the likelihood of an outflow of resources is less than probable, but more than remote. Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts.

1.16 General fund

Funding received from MoJ is credited to the General Fund within the statement of changes in taxpayers' equity (SoCTE) upon receipt of the funds.

1.17 Employee benefits

Short term benefits such as salaries and wages, pension benefits, post-employment benefits resulting from employment and long-term benefits such as long service awards, including termination benefits (for example early departure costs) are all recognised at the cost of providing the benefit in the period in which it is earned by the employee, rather than when it is paid or becomes payable.

1.18 Pensions

Most past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. We recognise the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, we recognise the contributions payable for the year.

Members of the judiciary are covered by the Judicial Pension Scheme (JPS). Further details of this scheme can be found in Note 3.

1.19 Critical accounting estimates and judgements

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. 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.

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.

Valuation of property and equipment

Land and buildings (including dwellings) comprise mainly court facilities. Land and buildings are shown at current value in existing use, based on professional valuations performed at 31 March each year by the Valuation Office Agency, who are independent of the Department, in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. The value of land and buildings fluctuates with changes in construction costs and the current market conditions.

Most operational buildings are specialised and are therefore valued at DRC to a modern equivalent basis. This modern equivalent is assumed to be in the same location with the same internal area as the existing property. The split of property on 31 March 2023 by value is detailed in Note 9. All other buildings are measured at fair value determined from market-based evidence. All assets other than land and buildings and assets under construction are revalued at each reporting date using the Producer Price Index prepared by the ONS.

Write off

Management use their judgment to decide when to write off revenue or to provide against the probability of not being able to collect debt.

Provisions

The recognition and measurement of provisions rely on the application of professional judgement, historical experience, and other factors expected to influence future events. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised.

The Early Departures provision is the most significant balance within HMCTS provisions and provides for the costs of unfunded early retirement benefits of certain magistrates' court staff (Crombie compensation) and for unfunded early retirement costs of our staff in the PCSPS. In calculating this provision assumptions are made around life expectancy, the percentage of contingent benefits that are payable to spouses on death, and the discount rate and interest rate that are used in the calculation.

Other HMCTS provisions also use estimates or assumptions in their calculation.

Estimates and judgements when accounting for leases

In assessing the lease, HMCTS needs to make estimates and judgments as follows:

- Where a lease is embedded in a contract for services, the amount to be recognised as the right-of-use asset and lease liability should be the stand-alone price of the lease component only. Where this is not readily observable, a determination will be made by reference for other observable data, such as the fair value of similar assets or price of contracts for similar non-lease components.
- The lease term has been determined by assessing the level of certainty as to whether termination or extension options will be exercised. In making these judgements, reliance has been placed on the professional judgement of estates staff, supported by information on corporate asset management plans, other business strategies, investment already made in the underlying asset, ongoing business needs and market conditions.
- The cost model has been determined as a reasonable proxy for fair value in most cases, because the rents payable are aligned to open market rates. In the case of longer leases where there are not regular rent reviews, there is a greater chance of divergence between cost and fair value, hence a professional revaluation is appropriate.
- It has determined that, at the present time, all non-property leases which are not individually low value, are immaterial. Consequently, no non-property leases have been recognised in these accounts. Non-property leases include assets such as vehicles and IT equipment

Recognition and impairment of Intangible assets

Intangible assets include internally generated software and software licences. Internally generated software is initially recognised as assets under construction in the financial statements based on the cost (for example capitalised staff and consultancy costs) of creating that software, which could be a bespoke IT system or a modified existing system. When the system becomes available for use the asset is transferred to Intangible IT and an impairment review is carried out. Subsequently, these assets are revalued using indices as an estimate of the current value of these assets and amortised over the useful life of the asset as estimated by the asset owners.

Deferred Fee Income

Civil, family and hearing fees are received in advance and are deferred until the performance obligation is met to recognise the income. The year end deferred income balance is calculated using performance data from the HMCTS Performance database. In order to calculate the deferred fee income assumptions have been made around the average length of time that it takes to issue cases and orders. For example, in private and public law it takes on average 20 working days to issue a case.

2. Statement of operating costs by operating segments

For financial reporting purposes, the segmental reporting format is determined by the way in which the chief operating decision maker monitors the operating results of segments for the purpose of making decisions and allocating resources. The reporting format for 2022-23 includes the following reportable operating segments:

- Business as usual
- Reform

The operating segment's net expenditure for the year is measured on the same basis as the corresponding amounts reported in the financial statements.

Reform expenditure relates to our Courts and Tribunals Reform Programme.

2.1 Segment results

A description of the services from which the reportable segments derive income is provided in Note 8. There were no inter-segment transactions in the year (2021-22: nil).

The following table presents the net expenditure for the year by reportable operating Segments for the period ended 31 March 2023:

	2022-23			2021-22		
	Business as usual £000	Change and reform £000	Total £000	Business as usual £000	Change and reform £000	Total £000
Operating income	(782,625)	(60)	(782,685)	(723,162)	(136)	(723,298)
Total operating income	(782,625)	(60)	(782,685)	(723,162)	(136)	(723,298)
Staff costs	625,397	31,539	656,936	623,272	35,262	658,534
Judiciary costs	631,745	-	631,745	603,439	-	603,439
Purchase of goods and services	696,234	19,533	715,767	692,190	6,986	699,176
Depreciation and impairment charges	299,887	-	299,887	329,756	-	329,756
Other non-cash expenditure	5,816	(2,523)	3,293	136,735	(42)	136,693
Total operating expenditure	2,259,079	48,549	2,307,628	2,385,392	42,206	2,427,598
Net operating expenditure	1,476,454	48,489	1,524,943	1,662,230	42,070	1,704,300
Finance costs	16,661	-	16,661	17,025	-	17,025
Net expenditure for the year	1,493,115	48,489	1,541,604	1,679,255	42,070	1,721,325

3. Staff and judiciary costs and numbers

Staff costs comprise:

	2022-23	2021-22
	£000	£000
Wages and salaries	418,367	422,171
Social security costs	41,837	40,051
Employer's pension contributions	107,806	107,192
Agency staff costs	86,425	88,709
Voluntary early departures	2,052	-
	656,487	658,123
Add: inward secondments	907	502
	657,394	658,625
Less: recoveries in respect of outward secondments	(458)	(91)
Total staff costs	656,936	658,534

Further information on staff costs and numbers can be found in the "our people" section of the annual report on pages 50 to 54.

3.1 Judiciary costs and numbers

Members of the judiciary are independent of HMCTS. Their payroll costs are met either from the Consolidated Fund in the case of senior judiciary, or directly by us for other judiciary. All costs are included within our accounts to ensure that the full cost of operations is disclosed. Senior judges also receive long service payments under an agreement with the MoJ. There is a provision for these payments within the MoJ accounts.

	2022-23				2021-22			
	Senior judiciary £000	Other judiciary £000	Fee paid £000	Total £000	Senior judiciary £000	Other judiciary £000	Fee paid £000	Total £000
Wages and salaries	145,757	111,357	136,711	393,825	137,958	111,651	132,915	382,524
Social security costs	20,546	15,571	14,885	51,002	18,528	14,825	13,798	47,151
Employer's pensions contribution	74,202	57,297	55,419	186,918	68,704	56,403	48,657	173,764
Total payroll costs of the judiciary	240,505	184,225	207,015	631,745	225,190	182,879	195,370	603,439

3.2 Average number of judiciary

The amounts above include salary costs for an average 942 members (2021-22: 918 members) senior judiciary, 915 (2021-22: 928) judicial officers ("Other Judiciary") and fees for 1,128 full-time equivalent fee paid judiciary (2021-22: 1,113). The salary costs of the senior judiciary were met from the Consolidated Fund (see Note 17).

Judicial Pension Scheme (JPS)

The JPS is an unfunded multi-employer defined benefit scheme which prepares its own Accounts, but for which we are unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. Details can be found in the resource Accounts of the Judicial Pension Scheme at www.official-documents.co.uk.

Under statute, certain judicial office holders' basic pension benefits (but not the annual pension increase) can only be paid out of the Consolidated Fund. For all other JPS members, the pension benefits are paid from JPS Estimates voted by Parliament. Employer pension contributions to the JPS for all JPS members have been made at a rate of 51.35%. The amount of these contributions is included in the table in Note 3.1 shown above.

The benefits payable are governed by the provisions of either the Judicial Pensions Act 1981 for those judicial office holders appointed before 31 March 1995, or the Judicial Pensions and Retirement Act 1993 for those newly appointed or appointed to a different judicial office on or after that date. In addition, the Judicial Pension Scheme Regulations 2015 introduced the career average scheme for new appointees after 1 April 2015 and the Fee-paid Judicial Pension Scheme Regulations 2017 provided pension benefits for fee-paid judiciary from 1 April 2017.

Although the JPS is a defined benefit scheme, in accordance with FReM 6.2, we account for the scheme as a defined contribution scheme and recognise employer contributions payable as an expense in the year they are incurred.

Pension entitlements are provided to salaried judges under the JPS. In September 2005, a retired fee paid judicial office holder brought a claim in the Employment Tribunal seeking retrospective parity of treatment with salaried judicial office holders by claiming pension entitlements under the Part Time Workers Regulations.

A UK Supreme Court hearing on 6 February 2013 ruled that a retired fee paid judicial office holder is entitled to a pension on terms equivalent to those of a salaried judicial office holder. This lead case set the precedent for other stayed cases. Consistent with the accounting for salaried judicial office holders, and in accordance with FReM 6.2, we account for employer contributions payable to the JPS for eligible fee paid judicial office holders as they are incurred but do not recognise a liability in respect of back payments or the pension liability arising pursuant to the claim. Accordingly, provision for the fee paid pension entitlement is recognised in the JPS Accounts.

Provisions have been recognised in the MoJ accounts for both the liability to fee paid judicial office holders in respect of the Judicial Service Award, and the separate element of the pension liability relating to fee paid judges, as neither of these is a liability covered by the JPS and its governing Acts.

4. Purchase of goods and services

	2022-23	2021-22
	£000	£000
Lease / other service concession charges:		
Rental costs	11,832	22,034
PFI service charges	33,495	32,807
Other service concession charges	-	-
Accommodation, maintenance and utilities	308,312	324,081
IT Services	226,790	189,623
Juror costs	31,139	29,024
Communications, office supplies and services	30,512	32,795
Contracted service costs	41,284	38,826
Consultancy costs	273	151
Non-pay staff costs	8,796	8,736
Non-pay judicial costs	8,205	5,972
Magistrates' costs	7,028	5,957
Bank charges	4,140	3,592
Other costs	3,936	5,553
Other grants	25	25
Total purchase of goods and services	715,767	699,176

5. Depreciation and impairment charges

	2022-23	2021-22
	£000	£000
Depreciation of property and equipment	150,399	136,145
Depreciation of right of use assets	88,348	79,029
Amortisation of intangible assets	75,639	47,654
Impairment charge on non-current assets:		
Impairment/ (reversal) of property and equipment	(14,556)	62,745
Impairment of intangible assets	262	3,889
Impairment of assets held for sale	(7)	(94)
Increase/ (decrease) in receivables impairment	(198)	388
Total depreciation and impairment charges	299,887	329,756

6. Other non-cash expenditure

	2022-23	2021-22
	£000	£000
Intra-departmental recharges	84,568	93,376
Increase/ (decrease) in provisions	(79,396)	43,029
Net (gain) on disposal of non-current assets	(2,277)	(37)
External auditors' remuneration	398	325
Total other non-cash expenditure	3,293	136,693

Intra-departmental recharge

The intra-departmental recharge represents the costs of services shared with MoJ including human resources, legal and judicial services, finance and administration. .

External auditors' remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year we did not purchase any non-audit services. The cost comprises £285,000 (2021-22: £215,000) for the audit of the HMCTS Annual Report and Accounts and £113,000 (2021-22: £110,000) for the audit of the HMCTS Trust Statement.

7. Finance costs

	2022-23	2021-22
	£000	£000
Finance charge on pension transfer deficit payable	-	151
Interest on by-analogy pension scheme liability	21	18
Unwinding of discount on provisions	1,179	1,043
Interest on lease liabilities	11,439	10,628
Total non-cash finance costs	12,639	11,840
Local authority loan interest	727	756
Finance charges on PFI and leased assets	3,295	4,429
Total cash finance costs	4,022	5,185
Total finance costs	16,661	17,025

8. Operating income

	2022-23	2021-22
	£000	£000
Gross fee income	725,889	655,080
Movement in provisions for fee refund schemes	2,615	46,611
Refunds and interest paid under refund schemes	(3,376)	(32,224)
Total fee income	725,128	669,467
Recoveries from other government bodies	52,598	51,505
Miscellaneous income	4,959	2,326
Total operating income	782,685	723,298

Information on fee income can be found in the Parliamentary accountability report on page 57.

8.1 Fee refund schemes

The £2.6 million movement in fee refund scheme provisions consists of:

- £2.1 million utilisation of the Council Tax Liability Order provisions
- £1.3 million utilisation of the personal injury claims (Dibbert)
- £0.7 million increase in the personal injury claims (Dibbert) provision
- £0.1 million increase in the Council Tax Liability Order provisions

£3.4 million refunds are in relation to Council Tax Liability Order fees and personal injury claims fees (Dibbert) shown above as utilisation of provisions, as well as a small number of Employment Tribunal fees.

Please see Notes 18.3 and 21 for further details about the provisions and contingent liabilities for fee refund schemes.

8.2 Operating income payables and receivables

	Income	Receivables	Contract assets	Deferred income
	£000	£000	£000	£000
DWP	582	-	-	-
HMRC	38,582	-	-	-

We receive funding from DWP and HMRC in respect of the operations of the First Tier Tribunal (Social Security and Child Support). In 2022-23 we received a budget transfer of £23.5 million from DWP (2021-22: £23.5 million).

8.3 Consolidated Fund income

Total income does not include amounts collected by us where HMCTS was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund can be found in the HMCTS Trust Statement published separately from these financial statements.

9. Property and equipment

	Land excluding dwellings	Buildings excluding dwellings	Dwellings	Information technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2022	710,138	2,797,056	17,872	122,897	76,300	16,243	201,570	3,942,076
Additions	1,200	21,446		(67)	1,518	1	87,507	111,605
Disposals	-	-	-	(501)	(1,034)	(81)	13	(1,603)
Impairment		-	-	-	-	-	-	-
Revaluation	13,523	87,011	(20)	4,114	12,032	1,719	-	118,379
Reclassification	(5,003)	94,904	639	3,262	(618)	-	(90,220)	2,964
Transfers from MoJ	-	-	-	-	-	-	-	-
At 31 March 2023	719,858	3,000,417	18,491	129,705	88,198	17,882	198,870	4,173,421
Depreciation								
At 1 April 2022	-	(10)	1	(68,642)	(61,834)	(14,670)	-	(145,155)
Charged in year	(528)	(131,764)	(348)	(13,690)	(3,821)	(248)	-	(150,399)
Disposals	-	-	-	459	1,017	67	-	1,543
Impairment	-	-	-	-	-	-	-	-
Revaluations	528	131,772	346	(2,525)	(10,273)	(1,585)	-	118,263
Reclassification	1	(1)	-	-	-	-	-	-
Transfers from MoJ	-	-	-	-	-	-	-	-
At 31 March 2023	1	(3)	(1)	(84,398)	(74,911)	(16,436)	-	(175,748)
Carrying amount at 31 March 2023	719,859	3,000,414	18,490	45,307	13,287	1,446	198,870	3,997,673
Carrying amount at 31 March 2022	710,138	2,797,046	17,873	54,255	14,466	1,573	201,570	3,796,921
Asset financing:								
Owned	698,356	2,779,729	18,490	45,307	13,287	1,446	198,870	3,755,485
On-balance sheet PFI contracts	21,503	220,685	-	-	-	-	-	242,188
Carrying amount at 31 March 2023	719,859	3,000,414	18,490	45,307	13,287	1,446	198,870	3,997,673

9. Property and equipment (continued)

	Land excluding dwellings	Buildings excluding dwellings	Dwellings	Information technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2021	625,087	2,644,903	17,724	79,786	59,374	15,150	194,232	3,636,256
Adoption of IFRS 16 - reclassification	(1,200)	(43,788)	(987)	-	-	-	-	(45,975)
Restated balance at 1 April 2021	623,887	2,601,115	16,737	79,786	59,374	15,150	194,232	3,590,281
Additions	56,160	50,442	-	16,189	6,022	(3)	157,035	285,845
Disposals	(1,236)	(1,072)	-	-	(928)	(2)	21	(3,217)
Impairment	-	-	-	-	-	-	-	-
Revaluation	31,474	30,292	611	(1,543)	7,674	1,098	-	69,606
Reclassification	(147)	116,279	524	28,465	4,158	-	(149,718)	(439)
Transfers from MoJ	-	-	-	-	-	-	-	-
At 31 March 2022	710,138	2,797,056	17,872	122,897	76,300	16,243	201,570	3,942,076
Depreciation								
At 1 April 2021	-	(2)	1	(58,844)	(53,482)	(13,339)	-	(125,666)
Charged in year	(583)	(121,427)	(309)	(10,713)	(2,810)	(303)	-	(136,145)
Disposals	-	-	-	-	802	2	-	804
Impairment	-	-	-	-	-	-	-	-
Revaluations	583	121,419	309	915	(6,344)	(1,030)	-	115,852
Reclassification	-	-	-	-	-	-	-	-
Transfers from MoJ	-	-	-	-	-	-	-	-
At 31 March 2022	-	(10)	1	(68,642)	(61,834)	(14,670)	-	(145,155)
Carrying amount at 31 March 2022	710,138	2,797,046	17,873	54,255	14,466	1,573	201,570	3,796,921
Carrying amount at 31 March 2021	625,087	2,644,901	17,725	20,942	5,892	1,811	194,232	3,510,590
Asset financing:								
Owned	689,080	2,586,170	17,873	54,255	14,466	1,573	201,570	3,564,987
On-balance sheet PFI contracts	21,058	210,876	-	-	-	-	-	231,934
Carrying amount at 31 March 2022	710,138	2,797,046	17,873	54,255	14,466	1,573	201,570	3,796,921

Land excluding dwellings and buildings excluding dwellings includes surplus assets with a net book value of £5.8 million (2021-22: £7.0 million).

Per Note 1.19 the split of property value at 31 March 2023, by valuation basis is demonstrated in the below table.

HMCTS property values at 31 March 2023	£000's
Property values at depreciated replacement cost	2,851,590
Property values at existing use value	692,935
Total	3,544,525

The above does not include leasehold improvements as these are not professionally valued by the VoA (£130 million). Also reported here are land assets associated with buildings that are not ready for use. The building elements are reported within AUC, these assets will not be valued until ready to be made live

10. Assets held for sale

	Notes	2022-23 £000	2021-22 £000
As at 1 April 2022		291	606
Assets reclassified to held for sale from Property and equipment	9	-	300
Increase in fair value of assets held for sale	5	7	94
Disposals		(298)	(709)
As at 31 March 2023		-	291

A net profit on disposal of assets held for sale of £24,000 (2021-22: £37,000) is included within the overall net gain on disposal of property and equipment within other non-cash expenditure which is disclosed in Note 6.

11. Intangible assets

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2022	627,556	13,929	135,010	776,495
Additions	3,093	(19)	63,867	66,941
Disposals	-	-	-	-
Impairment	-	-	(262)	(262)
Revaluation	16,461	394	-	16,855
Reclassifications	113,529	109	(113,642)	(4)
Transfers from the MoJ	-	-	10,986	10,986
At 31 March 2023	760,639	14,413	95,959	871,011
Amortisation				
At 1 April 2022	(251,979)	(8,689)	-	(260,668)
Charged in year	(73,070)	(2,569)	-	(75,639)
Disposals	-	-	-	-
Revaluation	(8,802)	(317)	-	(9,119)
Reclassification	-	-	-	-
Transfers from the MoJ	-	-	-	-
At 31 March 2023	(333,851)	(11,575)	-	(345,426)
Carrying amount at 31 March 2023	426,788	2,838	95,959	525,585
Carrying amount at 31 March 2022	375,577	5,240	135,010	515,827

Section 4: Our expenditure

All intangible assets are owned by us. The largest 5 assets under construction added in year Civil Money Claims (£14.5 million), Core Case Data (£28.5 million), User Interface Data (£27.9 million), Reference Data (£7.4 million), Immigration and Asylum Chamber (£9 million).

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2021	335,249	8,321	330,712	674,282
Additions	5,001	5,894	99,438	110,333
Disposals	-	-	-	-
Scrap IA	-	-	25	25
Impairment	-	-	(3,889)	(3,889)
Revaluation	(3,722)	(190)	-	(3,912)
Reclassifications	291,028	(96)	(291,276)	(344)
Transfers from the MoJ	-	-	-	-
At 31 March 2022	627,556	13,929	135,010	776,495
Amortisation				
At 1 April 2021	(208,990)	(6,660)	-	(215,650)
Charged in year	(45,507)	(2,147)	-	(47,654)
Disposals	-	-	-	-
Revaluation	2,518	118	-	2,636
Reclassification	-	-	-	-
Transfers from the MoJ	-	-	-	-
At 31 March 2022	(251,979)	(8,689)	-	(260,668)
Carrying amount at 31 March 2022	375,577	5,240	135,010	515,827
Carrying amount at 31 March 2021	126,259	1,661	330,712	458,632

12. Leases

Our lease contracts comprise of leases of land and buildings. The most significant leases are the Rolls Building (ROU asset value £259 million) and Manchester Civil Justice Centre (ROU asset value £205.5 million) as at 31 March 2023.

Right of use lease assets

	Land and Buildings £000	Total £000
Cost or valuation		
At 1 April 2022	1,207,527	1,207,527
Additions	34,016	34,016
Derecognition	(925)	(925)
Remeasurement	-	-
Revaluations	8,622	8,622
Impairment	-	-
Reclassifications	(2,960)	(2,960)
At 31 March 2023	1,246,280	1,246,280
Depreciation		
At 1 April 2022	(79,374)	(79,374)
Charged in year	(88,348)	(88,348)
Recognition	-	-
Derecognition	781	781
Revaluation	6,673	6,673
Reclassification	-	-
At 31 March 2023	(160,268)	(160,268)
	-	-
Carrying amount at 31 March 2023	1,086,012	1,086,012
Carrying amount at 31 March 2022	1,128,153	1,128,153

Right of use lease assets

	Land and Buildings £000	Total £000
Cost or valuation		
At 1 April 2021	1,199,803	1,199,803
Additions	93,700	93,700
Derecognition	-	-
Remeasurement	-	-
Revaluations	(86,459)	(86,459)
Impairment	-	-
Reclassifications	483	483
At 31 March 2022	1,207,527	1,207,527
Depreciation		
At 1 April 2021	-	-
Charged in year	(79,029)	(79,029)
Recognition	-	-
Derecognition	-	-
Revaluation	(345)	(345)
Reclassification	-	-
At 31 March 2022	(79,374)	(79,374)
	-	-
Carrying amount at 31 March 2022	1,128,153	1,128,153
Carrying amount at 1 April 2021	1,199,803	1,199,803

Right of use (RoU) lease assets comprise:

	£000
Assets valued at net present value of future lease payments	974,267
Assets valued at depreciated replacement cost (DRC)	111,745
Total	1,086,012

The RoU assets valued at DRC or EUV relate primarily to peppercorn leases. Where lease rentals reflect market rates, these are valued using the cost methodology.

Lease liabilities

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented below. The cash flows and balances are presented net of VAT.

Amounts falling due

Not later than one year	90,157
Later than one year and not later than five years	305,103
Later than five years	871,799
Less interest element	(101,206)
Balance as at 31 March 2023	1,165,853

	2022-23	2021-22
	£000	£000
Current	79,242	81,065
Non-current	1,086,611	1,131,441
Total lease liabilities	1,165,853	1,212,506

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2022-23	2021-22
	£000	(Reclassified) £000
Depreciation	88,348	79,029
Interest expense	11,439	11,226
Low value and short term leases	5,885	5,300
Irrecoverable VAT on right of use leases	11,965	13,535
Income from sub-leasing right of use assets	-	-
Expense relating to variable lease payments	-	-
Total	117,637	109,090

Amounts recognised in the Statement of Cash Flows

	2022-23	2021-22
	£000	(Reclassified) £000
Interest expense	11,439	11,226
Repayments of principal on leases	82,672	65,438
Total	94,111	76,664

13. Financial instruments

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 carrying out its business.

As we are funded via the MoJ, we are not exposed to the degrees of financial risk or market risk facing a business entity. Financial instruments also play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 primarily applies. We have no powers to borrow or invest surplus funds. Our financial assets and liabilities arise from day-to-day operational activities and are not held to hedge risks arising from these activities. We enter into lease contracts based on value for money and affordability grounds and as such there is minimal risk of being unable to meet our lease payment obligations in the future. We are therefore not exposed to significant liquidity, interest rate or foreign currency risk.

Credit risks arise from our financial assets, which comprise cash and cash equivalents, trade and other receivables and other financial assets. Our exposure to credit risk arises from potential default of a counterparty on their contractual obligations resulting in financial loss to us.

Credit risk associated with our receivables is minimal as most debtor balances are with other government related bodies. Credit risk in relation to receivables is also monitored by management regularly by reviewing the ageing of receivables. The maximum loss HMCTS is exposed to is the carrying value of its financial assets within the SoFP

Fair values

The fair values of our financial assets and liabilities as at 31 March 2023 and 31 March 2022 approximate their book values.

14. Trade and other receivables

Amounts falling due within one year

	2022-23	2021-22
	£000	£000
Trade receivables	23,354	29,019
Other receivables:		
VAT recoverable	6,474	17,910
Intra-departmental receivables	58,092	77,068
Prepayments and accrued income	15,301	17,583
Other receivables	6,207	2,083
Total amounts falling due within one year	109,428	143,663

Amounts falling due after more than one year

	2022-23	2021-22
	£000	£000
Other receivables	170	170
Prepayments		
Total amounts falling due after more than one year	170	170

15. Cash and cash equivalents

Cash and cash equivalents recorded in the statement of financial position and statement of cash flows include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts .

	2022-23	2021-22
	£000	£000
As of the beginning of the period	28,474	45,545
Net increase/(decrease) in cash balances	9,172	(17,071)
As at the end of the period	37,646	28,474

The following balances as at 31 March held at:

Government Banking Service	37,589	28,411
Cash in hand	55	61
Imprests	2	2
Total cash and cash equivalents	37,646	28,474

16. Trade and other payables

Amounts falling due within one year

	2022-23	2021-22
	£000	£000
Taxation and social security	18,852	19,048
Trade payables	15,752	26,286
Other payables	27,263	27,125
Intra-departmental payables	67,334	96,916
Accruals and deferred income	131,901	157,351
Deferred fee income	32,032	30,281
Cash balances payable to other government departments	-	-
Current part of payable for pension transfer deficit	-	4,219
Total amounts falling due within one year	293,134	361,226

Amounts falling due after more than one year

	2022-23	2021-22
	£000	£000
Local Authority loan balances	18,898	20,252
Payable for pension transfer deficit	-	-
Total amounts falling due after more than one year	18,898	20,252

16.1 Financial liabilities

Amounts falling due within one year

	2022-23	2021-22
	£000	£000
Lease incentive payable	87	87
Current part of finance leases	-	-
Imputed finance lease element of on balance sheet PFI contracts	8,926	8,926
Total amounts falling due within one year	9,013	9,013

Amounts falling due after more than one year

	2022-23	2021-22
	£000	£000
Lease incentive payable	-	-
Finance leases	-	-
Imputed finance lease element of on balance sheet PFI contracts	41,904	50,831
Total amounts falling due after more than one year	41,904	50,831

Following the adoption of IFRS 16 with effect from 1 April 2021, finance leases are recognised on-balance sheet as right-of-use assets and lease liabilities as shown in Notes 12 and 17.

17. Notes to the statement of cash flows

Summary of notional and non-cash costs are as follows

	2022-23	2021-22
	£000	£000
Notional costs		
Consolidated Fund judicial salaries - wages and salaries	144,516	136,776
Consolidated Fund judicial salaries - social security costs	20,546	18,528
External auditor's remuneration	398	325
Departmental recharge	84,568	93,376
Total notional costs	250,028	249,005
Non-cash costs		
(Profit) on disposal of property and equipment	(2,277)	(37)
Reduction in fair value of property and equipment	(14,556)	62,745
Impairment of property and equipment	-	-
Impairment of intangible assets	262	3,889
Reduction in fair value of Assets Held for Sale	(7)	(94)
Straight-lining of operating lease payments	-	-
Movement in provisions	(78,649)	28,589
Movement in receivables impairment	(198)	388
Depreciation	238,747	215,174
Amortisation	75,639	47,654
Total non-cash costs	218,961	358,308
Total notional and non-cash costs	468,989	607,313

17.1 Reconciliation of property and equipment

	2022-23	2021-22 (Reclassified)
	£000	£000
Additions		
Property and equipment	111,605	286,291
Plus:		
Movement in capital accrual	24,975	(25,137)
Total purchases per statement of cash flows	136,580	261,154

17.2 Reconciliation of liabilities arising from financing activities 2022-23

		2021-22	Cash flows 2022-23	IFRS 16 lease adjustments 2022-23	Closing balance 2022-23
	Notes	£000	£000	£000	£000
Repayments of local authority loans	16	20,252	(1,354)	-	18,898
Lease liabilities	12	1,212,506	(94,111)	47,458	1,165,853
PFI liabilities	20.1	59,757	(8,927)	-	50,830
Total amounts falling due		1,292,515	(104,392)	47,458	1,235,581

18. Provision for liabilities and charges

	Early departure costs £000	By-analogy pension scheme £000	Dilapidations £000	Other provisions £000	Fee refunds £000	2022-23 Total £000	2021-22 Total £000
Balance at 1 April 2022	79,557	1,391	26,211	80,121	10,994	198,274	202,856
Provided in the year	-	-	100	1,127	747	1,974	56,768
Provisions not required written back	(18,799)	-	(1,954)	(60,140)	-	(80,893)	(24,260)
Provisions utilised in the year	(4,143)	(163)	(200)	(1,055)	(3,362)	(8,923)	(38,198)
Unwinding of discount	1,179	(20)	-	-	-	1,159	1,108
Balance at 31 March 2023	57,794	1,208	24,157	20,053	8,379	111,591	198,274
Analysis of expected timings of discounted flows							
Not later than one year	4,249	163	2,691	704	5,032	12,839	12,815
Later than one year but not later than five years	15,047	298	6,108	5,737	3,347	30,537	32,541
Later than five years	38,498	747	15,358	13,612	-	68,215	152,918
Balance at 31 March 2023	57,794	1,208	24,157	20,053	8,379	111,591	198,274

18.1 Provision for early departure costs

Provision has been made for the costs of unfunded early retirement benefits of certain magistrates' court staff. The provision represents the present value of the costs of the benefit payable to staff on Crombie and Local Government early retirement terms.

Also included in early departure costs is a provision for unfunded early retirement costs of our staff in the PCSPS.

An interest rate, set by HMT, of 2.40% (2021-22: 2.90%) has been used to assess the interest costs of the scheme liability and future estimated payments have been discounted at a rate of 1.70% (2021-22: -1.30%).

The provision was valued by the Government Actuary's Department (GAD) as at 31st March 2023.

The provision for early departure costs recorded above is separate to the voluntary early departure scheme costs recorded in Note 3.

18.2 By-analogy pension scheme

The by-analogy pension scheme provision relates to three pension schemes for the Criminal Injuries Compensation (CIC) Tribunal, the Immigration and Asylum Chamber (IAC) and the Residential Property Tribunal (RPT). These schemes have one member, nine members and 12 members respectively.

The schemes' liabilities were valued by GAD as at 31 March 2023 and the associated interest and current service costs have been charged to the SoCNE.

The schemes are referred to as 'by-analogy pension schemes' as they are similar to the PCSPS. However, they are funded by provisions from the department's vote and pension payments are administered by the department and made via the payroll system.

The aggregate actuarial gain on the scheme liabilities in 2022-23 was £41,000 (2021-22 was an actuarial loss of £47,000).

18.3 Fee refunds

Throughout the year HMCTS has developed and processed fee refunds for the following fees, the accounting for these fees is detailed in the table below.

Employment tribunals: Further to the July 2017 Supreme Court ruling HMCTS has continued to process these refunds. We identified £32.2 million in fees paid and to date have refunded £18.6 million including interest. We are not able to reliably estimate the probability that the remaining fees will be claimed and refunded, we have not created a provision but have recognised a contingent liability of £14 million.

In July 2018 The Court of Protection, Civil Proceedings and Magistrates Courts Fees (Amendment) Order 2018 became law. The statutory order reduced a small number of fees which were mistakenly set above cost. These changes affect fees charged for certain proceedings in the Court of Protection, particular fees relating to civil proceedings in the magistrates' courts (including Council Tax Liability Orders – CLTOs), fees for general applications in insolvency proceedings and the fees charged for High Court Judges sittings as arbitrators. The refund scheme applicable to these cases was launched by MoJ in January 2020.

The CLTO liability remains as a provision due to uncertainty of timing to discharge the liability to each recipient. In 2022-23 we refunded £2 million (2021-22 we refunded £31 million and recognised an accrual of £0.5 million).

Following an internal review of fees, it was determined that an incorrect fee for low value personal injury claims was charged, the error arose as a result of a single flat fee being charged for cases which should have been treated as money claims and had a sliding fee scale applied. This has resulted in an overcharge of £16.4 million for which a refund scheme was launched in October 2020.

The refund provisions for Personal injury and other claims (COP, Insolvency, RCJ and other fees) at 31 March 2023 were estimated at £4.6 million (2021-22 £5.3 million), and HMCTS continues to accept the liability for all claims until the end of the qualifying period. The value of the provision has been reduced in order to reflect the expected utilisation of the provision. The balance of the liability is shown as a contingent liability as there is significant uncertainty that we would refund this amount.

The above are included in the accounts as follows

Refund scheme	2022-23 Provision £000	2022-23 Contingent Liability £000	Total estimate of refund included in the 2022-23 accounts £000
Employment Tribunal	-	13,817	13,817
The Court of Protection, Civil Proceedings and Magistrates Courts Fees Order 2018:			
CLTOs	3,736	-	3,736
Other (COP, Insolvency, RCJ and other fees)	-	9,296	9,296
Personal injury claims (Dibbert)	4,643	9,775	14,418
Total	8,379	32,888	41,267

18.4 Other provisions

The 'other' category contains provisions totalling £5.5 million for claims against us, and a provision for an onerous lease of undeveloped land of £14.5 million. The decrease of £60 million relates to a change in the discount rate used to calculate the onerous lease provision.

18.5 Dilapidations

Dilapidation costs are an estimate of the expenditure required to return vacated leased buildings to their original condition as at the date of commencement of the lease. The movement in year is as a result of updated information relating to property vacations, new properties leased during the year, and changes in the cost per square metre of the properties leased due to the general market conditions' impact on prices.

19. Capital commitments

Capital commitments at the end of the year not otherwise included in these accounts:

	2022-23	2021-22
	£000	£000
Property developments	33,763	83,138
Intangible assets	11,240	17,091
Total capital commitments	45,003	100,229

20. Private Finance Initiative (PFI)

We entered into eight PFI service concession arrangements. A summary of each PFI contract is set out below:

Project name	Contract start date	Duration (years)	On/off Statement of Financial Position	Initial capital value (£m)	Description
Exeter	November 2002	30	On	20.1	Provision of a courthouse comprising four criminal courts, one civil court and four District Judge hearing rooms. At the end of the contract term the building will revert to us at no cost.
East Anglia	October 2002	25	On	34.5	Provision of Crown Court centres in Ipswich and Cambridge. Ipswich consists of five criminal courtrooms; Cambridge consists of three criminal courtrooms. At the end of the contract term the buildings in Ipswich and Cambridge will revert to us at no cost.
Sheffield	November 2002	25	On	7.7	Provision of a Family Hearing Centre in Sheffield. At the end of the contract term we have the option of acquiring the under lease at the lower of its open market value or £2.0 million.
Derbyshire Magistrates' Courts	August 2001	27	On	29.5	Provision of serviced accommodation for magistrates' courts at New Mills, Chesterfield and Derby. The contract term can be extended (subject to agreement of mutually acceptable terms) by up to five years. At the end of the contract term the buildings shall revert to us at no cost.
Hereford and Worcester Magistrates' Courts	March 2000	25	On	30.6	Provision of serviced accommodation for magistrates' courts at Bromsgrove, Kidderminster, Worcester and Redditch. The contract term can be extended for another 10 years. At the end of the contract term the buildings shall revert to us at no cost.
Manchester Magistrates' Court	March 2001	25	On	32.9	Provision of serviced accommodation at Manchester Magistrates Court at Spinningfields in Manchester. The contract term can be extended by mutual agreement by up to ten years. At the end of the contract term the building shall revert to us at no cost.
Humberstone Magistrates' Court	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, we have the option of taking the assets back for a nominal amount of £3.0 million.
Avon and Somerset Magistrates' Court	August 2004	27	On	46.6	Provision of serviced accommodation at Bristol Magistrates Court, North Somerset Magistrates Court and Avon & Somerset Probation HQ and Training Centre, both at Worle. The contract term can be extended by mutual agreement by up to five years. At the end of the contract term the buildings shall revert to us at no cost.

20.1 On balance sheet contracts

Details of the imputed finance lease charges are given in the table below for each of the following periods:

	2022-23	2021-22
	£000	£000
Rentals due not later than one year	11,685	12,221
Rentals due later than one year and not later than five years	32,129	37,558
Rentals due later than five years	18,903	25,160
Minimum future lease payments	62,717	74,939
Future interest expense	(11,887)	(15,182)
Present value of minimum lease payments	50,830	59,757

Details of the minimum service charge element are given in the table below for each of the following periods:

	2021-22	2020-21
	£000	£000
Service charge due within one year	33,495	32,786
Service charge due later than one year and not later than five years	92,844	106,114
Service charge due later than five years	53,439	69,590
Total	179,778	208,490

20.2 Charge to the statement of comprehensive net expenditure

The total amount charged in the SoCNE in respect of the service element of PFI contracts and other service concession arrangements recognised on the SoFP was £33.5 million (2021-22: £32.8 million).

21. Contingent liabilities**Judicial claims**

Following a legal challenge, the MoJ has conceded that the current policies for sitting in retirement (where a judge may retire and draw a pension from their salaried office, and then sit in a fee-paid office), do not apply equally to fee-paid judges. We intend to consult on changes to rectify this. In the interim, there is potential for affected judges to bring compensation claims in respect of this and in the longer term for pension benefits to become payable earlier, increasing the actuarial value of the pension liability. This effect cannot currently be estimated and, should there be a change to the pattern of retirement, will be reflected in the ongoing regular valuations process.

There are also a number of other legal claims in relation to discrimination between fee-paid and salaried judges, which may give rise to further pension claims. At present we are unable to provide a reliable estimate of the potential liability until the appeals process has been completed.

Fee refunds

Our current estimate of the total value of the refunds to be due is £41.3 million, of which £8.4 million has been provided for, the balance of £32.9 million is held as a contingent liability. Note 18.3 provides an analysis of both the provisions and contingent liability by refund scheme.

Other contingent liabilities

We are involved in several legal cases dealing with ex gratia, compensation and other claims. The estimated cost of settlement for us is £0.8 million (2021-22: £1.4 million).

22. Related party transactions

We are an Executive Agency of the MoJ, which is regarded as a related party. During the year, we have had material transactions with the MoJ and other entities for which the MoJ is regarded as the parent entity. We also had material transactions with a number of other government departments and central government bodies. In accordance with the requirements of the FReM these transactions have not been reported.

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgements on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue recognised from the Registry Trust Limited in the year amounted to £0.6 million (2021-22 £0.6 million) with a total debtor balance due to us as at 31 March 2023 of £0.0 million (2021-22: £0.0 million).

No Board Members or related parties have undertaken any material transactions with us during 2022-23 and 2021-22.

We also have a number of arrangements with the MoJ and its departmental bodies which are classified as intra-departmental recharges. These payments are for the use of assets and other services and are expensed in the SoCNE each year as they are incurred. It is impractical to separate the payments reliably between those relating to assets and those relating to other services. These arrangements contain no defined end date. The payments also include payments for non-lease elements in the arrangements.

23. Third party balances

We hold a number of cash balances on behalf of third parties. These consist of bail monies and monies held on behalf of court users which are received and held while the case progresses. At 31 March 2023 these amounted to £73.4 million (2021-22: £57.5 million) and have not been recognised in the accounts in accordance with FReM requirements.

24. 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 have been no adjustments made to the accounts.

Annex A: Fees and charges legislation

The most current fees orders are listed below and can also be viewed at www.legislation.gov.uk.

- The Civil Proceedings Fees Order 2008 (S.I. 2008/1053) Relevant amendments are S.I. 2014/874, 2014/1834, 2015/576, 2016/402, 2016/434, 2016/807, 2016/1191, 2017/702, 2018/812, 2019/1063, 2020/720, 2021/462, 2021/588 2021/985 and 2022/540
- The Family Proceedings Fees Order 2008 (S.I. 2008/1054) Relevant amendments are S.I. 2011/1045, 2014/877, 2015/576, 2015/687, 2015/1419, 2016/402, 2019/1063, 2021/985, 2020/720, 2022/54 and 2022/540
- The Magistrates' Courts Fees Order 2008 (S.I. 2008/1052) Relevant amendments are S.I. 2010/731, 2014/875, 2016/807, 2018/812, 2019/1063, 2020/720 and 2021/985
- The Court of Protection Fees Order 2007 (S.I. 2007/1745) Amended by S.I. 2009/513, 2018/812, 2019/1063 and 2021/985
- The Gender Recognition (Application Fees) Order 2006 (S.I. 2006/758). Amended by S.I. 2021/462
- The Non-Contentious Probate Fees Order 2004 (S.I. 2004/3120) Amended by Schedule 11(1) paragraph 1(2) of the Constitutional Reform Act 2005 and S.I. 2007/2174, 2011/588, 2014/876, 2019/1063, 2020/720 and 2021/1451
- The Upper Tribunal (Immigration and Asylum Chamber) (Judicial Review) (England and Wales) Fees Order 2011 (S.I. 2011/2344) Relevant amendments are S.I. 2013/2069, 2016/402 and 2016/807
- The Upper Tribunal (Lands Chamber) Fees Order 2009 (S.I. 2009/1114) Relevant amendments are S.I. 2010/2601, 2013/1199 and 2016/434
- The First-tier Tribunal (Gambling) Fees Order 2010 (S.I. 2010/42) Amended by S.I. 2010/633
- The First-tier Tribunal (Property Chamber) Fees Order 2013 (S.I. 2013/1179) Amended by S.I. 2016/807

In addition, the remissions schedule to each of the above fees orders (but not the fees order below) was substituted by The Courts and Tribunals Fee Remissions Order 2013 (S.I. 2013/2302), subsequently amended by S.I. 2014/590, 2016/211, 2017/422 and 2021/985.

- The First-tier Tribunal (Immigration and Asylum Chamber) Fees Order 2011 (S.I. 2011/2841). Relevant amendments are S.I. 2013/534, 2016/928, 2016/1149, 2017/515 and 2018/330. The remissions schedule applicable for in-country applications was inserted by S.I. 2020/314 and subsequently amended by 2021/985.

Annex B: Our Greening Government Commitments

Scope, exclusions and limitations

The tables below showcase our performance for the period January 2022 to December 2022 against a restated 2017-18 baseline (unless otherwise stated). We do not report utility data on shared occupations, including Nightingale courts, due to data limitations. This is consistent with wider government practice and our previous reporting. We do not consider that the exclusion of these areas has a material impact on sustainability reporting.

Our data is gathered and validated by a third party (Rio ESG Limited) employed to manage our Greening Government Commitments (GGC) data returns. Further checks are undertaken by the British Research Establishment on behalf of the Department for Environment, Food and Rural Affairs (Defra). This report is prepared in accordance with guidelines laid down in the HMT's Sustainability Reporting Guidance 2022-23¹.

Mitigating climate change: working towards Net Zero by 2050, 2021-25 GGCs

Greenhouse gases and financial costs

Greenhouse gas (GHG) emissions from buildings and travel		Restated 2017-18 baseline	2019-20	2020-21	Restated for 2021-22	Jan-Dec 2022
Non-financial indicators (tonnes CO₂e)	Total Gross Scope 1 (Direct) GHG emissions	31,161	27,732	29,048	32,234	32,792
	Total Gross Scope 2 (Energy indirect) emissions	39,955	27,182	21,932	21,655	20,804
	Total Gross Scope 3 (Official business travel) emissions	1,379	14,355	11,045	167	167
	Total emissions	72,495	69,269	62,025	54,056	53,763
Non-financial indicators (kWh)	Electricity	113,651,557	106,346,135	94,076,727	100,414,729	104,395,287
	Electricity: renewable	N/A	N/A	N/A	231,697	471,976
	Gas	167,749,210	143,420,580	157,464,078	175,988,625	179,644,603
	Other energy resources	0	0	0	1,955,317	3,607,600
	Total energy consumption	281,400,767	249,766,715	251,540,805	278,590,368	288,119,466
Financial indicators (£m)	Expenditure on energy	24.1	22.9	23.0	25.5	31.2
	Expenditure on official business travel	4.0	4.6	0.2	0.7	1.6
	Total expenditure on energy and business travel	28.1	27.5	23.2	26.2	32.8

Notes:

The renewable energy figure reported is our known renewable energy generation from roof-mounted solar electric panels at 47 sites; we have installed solar generation meters at 5 additional buildings this year to capture their renewable energy generation for future reporting.

HMCTS official business travel emissions have been subject to the data cleanse exercise carried out this year but final figures have not been validated in time to include in this annual report; any amendment to our travel emission performance will be clearly presented in our next annual report.

Any anomalies or incorrect estimates are adjusted after financial year-end and will be reflected in the MOJ annual accounts.

¹ www.gov.uk/government/collections/public-sector-annual-reports-sustainability-reporting-guidance

HMCTS Air travel emissions

Air travel	2017-18	2019-20	2020-21	2021-22	Jan-Dec 2022
Domestic flights (km)	884,485	539,926	13,564	47,645	131,615
Domestic flights emissions (tCO ₂ e)	125	73	2	6	17
	119,572	191,185	61,454	2,665	216,188
International flights (tCO ₂ e)	9	22	5	<1	35

Reducing our water use

Water consumption and financial costs

Water		Restated 2017-18 baseline	2019-20	2020-21	Restated for 2021-22	Jan-Dec 2022
Non-financial indicators (m ³ 000)	Total water consumption	697,255	475,525	453,501	644,175	739,761
Financial indicators (£m)	Total water supply costs	2.8	2.4	2.8	0.9	2.6

We've increased our reported water consumption by 6% compared with the 2017-18 baseline.

During 2021-22 and 2022-23 we installed automated water meter read devices across our estate which has significantly improved the accuracy of our data and replaced high volumes of estimated data in our reporting. To reduce wasted water consumption, we're working in collaboration with our water suppliers to introduce an alert system, enabling us to find and fix water leaks and reduce water waste. We're also working with our facilities management provider to develop new water efficiency strategies, due for implementation early 2023-24.

Minimising waste and promoting resource efficiency

Waste production

Waste		Restated 2017-18 baseline	2019-20	2020-21	Restated for 2021-22	Jan-Dec 2022
Non-financial indicators (tonnes)	Landfill	1,306	477	132	117	110
	Recycled/reused	5,794	5,417	3,868	2,167	2,338
	Composted/food waste from 2022	-	-	-	10	10
	Incinerated with energy recovery	1,352	2,774	826	1,329	1,195
	Incinerated without energy recovery	-	-	-	-	21
	Total waste	8,452	8,668	4,826	3,623	3,674
Financial indicators (£m)	Total disposal cost	3.0	2.8	0.7	0.8	1.0

We've reduced our overall waste by 57% compared with the 2017-18 baseline. We sent 3% of waste to landfill and we're currently recycling 64% of waste. We're working closely with our facilities management provider and colleagues across the business to continually reduce our waste to landfill and reuse or recycle as much as possible; refreshing and delivering against a new waste minimisation plan is priority for the coming year. We have introduced a number of new processes this year to reuse and redistribute IT equipment to reduce ICT waste as described in the table overleaf.

ICT equipment

	Number re-used	Number recycled
Laptop	250	0
Desktop	548	0
Printer	38	121
Legacy printers	0	184
Monitors	125	78
Mobile	11	0
Mainboards	52	0
Mice	71	0
Cables	Unknown	0
Total	1095	383
Combined total		1478

Consumer of single use plastics

As part of MOJ, we're committed to reducing and removing single-use plastic which are avoidable and/or which have viable and sustainable market alternatives. This year, we successfully trialled use of a safe, multi-use plastic cup (one of the highest volumes of single use plastic in use across our organisation) in a small number of hearing rooms and are extending our pilot testing to all regions in 2023-24.

The MOJ single use plastics policy is published at www.gov.uk/government/publications/ministry-of-justice-single-use-plastics-policy.

Paper use

We've reduced paper use by 57% compared with our 2017-18 baseline. We're achieving paper use reductions through our Reform Programme and our transition to digitised and online processes and services. We're also encouraging staff to reduce personal printing through local 'no print' campaigns.

Nature recovery and biodiversity action planning

As part of the MOJ, we're committed to nature recovery and biodiversity; we support delivery of the MOJ Nature Recovery plan and 9 nature recovery principles ranging from themes including increasing areas for pollinators (such as bees), to finding ways to increase connection with nature. The MOJ Senior Sustainability Board will oversee implementation of the plan and evaluate our progress to achieve our nature recovery goals.

At Snaresbrook Crown Court, which borders a Site of Special Scientific Interest, we've established an ecology management plan to outline ways of working to manage the site sensitively to protect and enhance biodiversity and ecology within the grounds.

Procuring sustainable products and services

We adhere to MOJ's Sustainable Procurement Policy to incorporate sustainability into all procurement activities as part of our goal to achieve long-term value for money. MOJ contracts require that suppliers meet the Government Buying Standards. MOJ Commercial and Contract Directorate review sustainability performance indicators in all contracts and the pipeline of upcoming tenders.

Adapting to climate change

We're an active member of the MOJ Climate Resilience and Adaptation Group. This group is responsible for steering work to assess climate risks and establish a Climate Change Adaptation Action Plan for MOJ. This year, we conducted a review of climate change impacts facing HMCTS and identified high level risks for our estate and operations; during 2023-24, we'll be drafting a Climate Change Adaptation Action Plan specifically for HMCTS and establishing a Steering Group to oversee delivery of the plan.

Rural proofing

We remain committed to providing the best possible service to rural users. We follow Defra guidance and conduct rural proofing tests where appropriate. We've continued to build on the lessons learned through the COVID-19 pandemic which demonstrated that greater remote access was possible, and this is particularly beneficial for our users in rural areas, where travel to court can be lengthier. The digital services being delivered by our Reform Programme will continue to enable easier access to services and 70% of our courtrooms allow parties to join remotely when deemed appropriate by the judiciary.

Sustainable construction

We adhere to MOJ's Building Research Establishment Environmental Assessment Method (BREEAM) policy. Applicable major refurbishments and new builds are assessed to a standard of 'very good' for refurbishments and 'excellent' for new builds. We proactively review and apply BREEAM for all our major refurbishment projects wherever viable. No projects, completed during 2022-23 fell in scope for BREEAM assessment.

Reducing environmental impacts from ICT and digital

We're committed to reducing the environmental impact from our ICT and digital services, and adhering to the Greening Government ICT and digital services strategy published at www.gov.uk/government/publications/greening-government-ict-and-digital-services-strategy-2020-2025/greening-government-ict-and-digital-services-strategy-2020-2025.

Annex C: Glossary and notes

You can find further information below on terms, concepts and definitions published in the HMCTS annual report and accounts.

Civil justice and tribunals: www.gov.uk/government/statistics/guide-to-civil-and-administrative-justice-statistics

Family: www.gov.uk/government/publications/a-guide-to-family-court-statistics

Criminal courts: www.gov.uk/government/publications/a-guide-to-criminal-court-statistics

Published management information: www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics

Glossary of terms

ARAC	Audit and Risk Assurance Committee	HMT	His Majesty's Treasury
CETV	Cash equivalent transfer value	HSE	Health and Safety Executive
COVID-19	Coronavirus 2019	ICO	Information Commissioner's Office
CPS	Crown Prosecution Service	MOJ	Ministry of Justice
CPFSI	Crown Premises Fire Safety Inspectorate	NAO	National Audit Office
CTSC	Courts and Tribunals Service Centre	PHSO	Parliamentary and Health Service Ombudsman
Defra	Department for Environment, Food and Rural Affairs	SCS	Senior civil servants
DLRM	Decommissioning and Legacy Risk Mitigation (Programme)	SMT	Senior management team
DPO	Data Protection Officer	SoCNE	Statement of comprehensive net expenditure
FReM	His Majesty's Treasury financial reporting manual	SoFP	Statement of financial position
GGC	Greening Government Commitments	SSCS	Social Security and Child Support (Tribunal)
HMCTS	His Majesty's Courts and Tribunals Service		
HMRC	His Majesty's Revenue and Customs		



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