



**HM Courts
& Tribunals
Service**

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Annual Report and Accounts

2011-12



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Annual Report and Accounts 2011-12

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1 Introduction

We are pleased to introduce the 2011–12 first Annual Report for HM Courts & Tribunals Service.


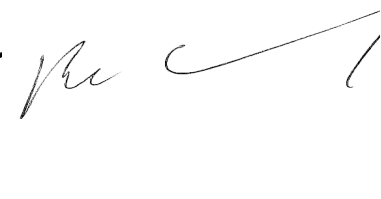
Courts and tribunals are an indispensable part of the justice system - one that the public relies on in order to be able to enforce their rights and to uphold the rule of law.

Since its formation as a new Executive Agency within the Ministry of Justice on 1 April 2011, HM Courts & Tribunals Service has made significant progress realising the opportunities created by the integration of HM Courts Service with the Tribunals Service.

We are pleased to report that, in a challenging environment, HM Courts & Tribunals Service has made considerable movement towards unifying the administrative support to our courts and tribunals, whilst also seeking to reduce its costs.



The Rt. Hon.
Kenneth Clarke QC
Lord Chancellor and
Secretary of State for Justice

The Rt. Hon.
The Lord Judge
Lord Chief Justice of
England and Wales

The Rt Hon
Sir Robert Carnwath CVO
Senior President of
Tribunals

2 Foreword from the Chairman

On 1 April 2011, in a constitutional development of great importance but some novelty, the management and administration of all the courts and tribunals of England and Wales and the 'reserved' tribunals in Scotland and Northern Ireland were, for the first time, brought together under HM Courts & Tribunals Service. An agency of the Ministry of Justice, HM Courts & Tribunals Service had delegated to it functions which previously were the responsibility of the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals. The terms of this delegation are set out in the Framework Document dated April 2011 (Cm 8043). The Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals effectively passed responsibility for executive management of HM Courts & Tribunals Service to its Chief Executive and agreed that they would "not intervene (whether directly or indirectly) in the day to day operations of (the agency)". At the same time they placed the responsibility for overseeing the leadership and direction of HM Courts & Tribunals Service in the hands of its Board.

The Framework Document set the 'Aim' of HM Courts & Tribunals Service; '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.'

Throughout the year of this report, the Board has comprised Lord Justice Goldring (Senior Presiding Judge), Lord Justice Carnwath (then Senior President of Tribunals), Judge Michael Walker (a District Judge), Peter Handcock (Chief Executive of HM Courts & Tribunals Service), Francis Dobbyn (an independent Board member and chairman of the Audit Committee), Alison White (an independent Board member), Steven Gillespie (Director, Finance and Governance), Kevin Sadler (Director, Civil Family and Tribunals), Shaun McNally (Director, Crime) and myself as independent chairman.

At its first meeting the Board members agreed to act collegiately, and not in representative capacities, and to observe current best corporate practice and where appropriate draw on the work of the Financial Reporting Council. The Board agreed to meet at least 10 times each year, to establish and monitor clear performance objectives and to set the strategic direction of the Service.

In addition to its regular scheduled meetings all members of the Board, in their various capacities, have visited court and tribunal centres around England and Wales and met staff and managers on many separate occasions and Peter Handcock and I have established a practice of meeting routinely at least once every month and more frequently when necessary.

I have reported in person to the Lord Chancellor and the Lord Chief Justice four times each during the year.

I am glad to say that the first year of this constitutional innovation has been a success. A complex integration of the two separate organisations (HM Courts Service and the Tribunals Service) has been achieved in England and Wales, at the same time we have introduced a management structure with far fewer reporting levels and managers. Many underused courts have been closed and the Service has operated within the demanding budget which had been set. But at the same time the service to the public has been improved. The details of all this will be found in this our first Annual Report.

There is however much to do and much further change to bring about if we are to have a courts and tribunals service which is fit for the 21st century and which achieves the Aim set for us by the Lord Chancellor and Lord Chief Justice.

None of what has been done so far, however, would have been achieved without the professionalism and commitment of Peter Handcock and all his colleagues, to whom I pay tribute, nor of my colleagues who serve on the Board with me. I would like to thank them all for their service.

Just at the end of the year, Sir Robert Carnwath was appointed to the higher calling of the Supreme Court. May I particularly thank him for his support and guidance in helping to establish HM Courts & Tribunals Service as this new part of the ever evolving British Constitution.

A handwritten signature in black ink, appearing to read 'Robert Ayling'.

Robert Ayling
Chairman

3 Foreword from the Chief Executive

I am proud to present the first Annual Report for HM Courts & Tribunals Service.

HM Courts & Tribunals Service was launched with the specific aim, set by the Lord Chancellor and Lord Chief Justice, of running an efficient and effective courts and tribunals system which enables the rule of law to be upheld and provides access to justice for all.

I believe this report demonstrates that we have delivered this. We have seen performance improve across a range of areas, at the same time as we implemented new ways of working throughout the business. In the Social Security and Child Support jurisdiction we have sustained our response to the continuing challenge of dealing with a high workload, and this year we disposed of 46% more cases than the year previously. Similarly in magistrates' courts, we were swifter by 55% in recording the results of cases than we were three years ago. This has all been achieved against a backdrop of major structural change, financial constraint and reducing resources.

Crucial to the success of this year has been the working relationships which exist at all levels with the judiciary. The launch of HM Courts & Tribunals Service has brought a renewed focus on partnership working, with roles and responsibilities becoming more clearly defined. Collectively the Board has provided strong strategic direction and ensured that we operate within an appropriate governance framework. It has provided support and challenge to me and my executive team and through its oversight has ensured HM Courts & Tribunals Service successfully delivered its objectives.

The creation of HM Courts & Tribunals Service has seen a significant reduction of management tiers with the focus instead being put on the frontline. HM Courts & Tribunals Service is now a more streamlined organisation with senior managers working closer to the point of service delivery, supporting our understanding of customer needs and driving continuous improvement. This is underpinned by our commitment to Lean ways of working which ensures we continue to embed a culture of continuous improvement across the organisation.

Over the past year, we have worked hard to improve our services; we have identified and implemented better ways of working through streamlined processing; we have found ways of reducing our costs; and we have better aligned our activities towards the achievement of our future strategy, which will further transform the way in which we operate.

We have also been working with colleagues across the Ministry of Justice to deliver our part of the Transforming Justice programme. The launch of HM Courts & Tribunals Service was a major component of the programme, but other significant Transforming Justice projects have seen the opening of a new national centre for the handling of money claims in Salford, the concentration of customer telephony in our call centres in Loughborough and Northampton, and the start of our plan to rationalise our estate to deliver a modern, efficient justice system with victims and witnesses at its centre. We contributed to the development of the Ministry's shared services, and now receive our HR, procurement, estates and IT services from the Ministry, reducing both duplication and cost.

Throughout these challenging times our staff continue to be our strongest asset. It is the dedication and commitment they show every day which ensures we are able to deliver a service of which we can be proud. No more was this seen than during last

summer's civil unrest. Those unprecedented events showed the resilience of our organisation and confirmed what I have always known; we have exceptional public servants working within HM Courts & Tribunals Service. Magistrates, judiciary and staff up and down the country worked around the clock to provide extended court sittings.

This year has shown what we can achieve and I am confident that we will be able to build on our success as we move forward in the coming year.

A handwritten signature in black ink, appearing to read 'Peter Handcock'.

Peter Handcock CBE
Chief Executive

4 Workload and Performance Summary

2011-12 has been a demanding year for HM Courts & Tribunals Service, balancing the changes taking place within the agency whilst also ensuring that the quality of the service we provide to users remains of a consistently high standard. Our staff have responded magnificently to this challenge working with the judiciary to maintain a professional service while dealing with the pressure of adjusting to major organisational changes, and at the same time using continuous improvement schemes to find innovative ways of making the most effective use of reduced resources to improve performance and the service we provide to users.

Throughout this period workloads have fluctuated. Crown Court receipts have dropped slightly after rising progressively over the last five years. Trial receipts in 2011-12 were 14% higher than in 2006-07, but despite this the number of outstanding cases has fallen in 2011-12 as more cases have been disposed of than received during this period. Numbers of criminal cases in the magistrates' courts have fallen again this year following a trend over several years. Staff efforts can be seen in the significant improvement in the average number of days taken to inform the police of magistrates' court results from 2.4 working days in 2010-11 to 1.9 working days in 2011-12. The payment rate for financial penalties has also improved since 2010-11, from 93% to 106%.¹

Work in the civil courts has been on a downward trend. Nevertheless, in 2011-12 there were still 1,133,900 new money claims issued. The family courts have continued to deal with a high number of care cases since the death of baby Peter Connolly with 137,400 cases brought before the courts involving children and 128,900 divorce petitions issued.

The total number of receipts in tribunals in 2011-12 fell in comparison to 2010-11, with falls in three of the four main tribunal jurisdictions (Social Security and Child Support; Employment; Immigration and Asylum). In the Social Security and Child Support and Immigration and Asylum jurisdictions we disposed of more cases than we received in 2011-12 and so reduced the number of outstanding cases. As we have begun to clear older cases, average waiting times (to disposal) have risen somewhat, but these will improve once the older work clears through the system. The introduction of new jurisdictions into the First-tier Tribunal has resulted in a rise in receipts in this area, but the benefits of being able to cross ticket judiciary (using individuals across a number of jurisdictions where they have relevant knowledge and expertise) within the unified tribunal structure, will allow us to deal with the additional workload.

¹ The payment rate is an HM Courts & Tribunals Service performance indicator for the monitoring of the collection of financial penalties and is calculated as the value of financial penalties collected in year as a percentage of the value of financial impositions made in the same year. The monies collected may relate to financial penalties imposed in that or earlier years.

HM Courts & Tribunals Service 2011-12 Workloads, Resources and Indicators

Workload Forecast	Input Indicators ^{2 3}	Impact Indicators
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Crown Court

Forecast receipts 2011-12 – all cases: 151,800 Receipts during 2011-12 - all cases ⁴ : 144,800 Receipts during 2010-11 - all cases: 152,000	Average staff and judicial cost per sitting day in the Crown Court: Judicial cost: £992 Staff cost: £665	The average number of weeks it takes to commence ⁵ trial cases from receipt in the Crown Court – 2011-12: 15.8 weeks 2010-11: 15.6 weeks
Forecast receipts 2011-12 – trial cases: 99,500 Receipts during 2011-12 – trial cases: 89,500 Receipts during 2010-11 – trial cases: 96,100		

Magistrates' Court

Forecast completed criminal proceedings 2011-12: 1,744,500 Completed criminal proceedings during 2011-12: 1,586,200 Completed criminal proceedings during 2010-11: 1,670,700	Average staff and judicial cost per sitting day in magistrates' courts: Judicial cost: £110 Staff cost: £1,094	The average number of weeks it takes to complete ⁶ all cases from first listing – 2011-12: 3.3 weeks 2010-11: 3.5 weeks
Forecast indictable completed proceedings 2011-12: 517,100 Indictable proceedings completed in 2011-12: 432,600 Indictable proceedings completed in 2010-11: 470,700		The average number of working days it takes to result court registers – 2011-12: 1.9 days 2010-11: 2.4 days

² Staff and judicial expenditure is based on jurisdictional analysis. Expenditure includes apportioned costs from regional and central teams. Judicial costs met centrally through the consolidated fund are apportioned based on sitting days. Costs are divided by the actual days sat in each jurisdiction to derive a cost per sitting day.

³ The methodology for producing these input indicators will be reviewed. These figures should be treated as provisional and the results for different jurisdictions are not comparable. Many cases are completed otherwise than by a hearing, particularly in the civil courts. The costs associated with these cases remain in the overall staff and judicial cost shown. As the proportion of non-hearing related work will vary the costs shown are not comparable. Updated figures will be published as part of the Ministry of Justice Business Plan Quarterly Data Summary from quarter 2 2012/13.

⁴ All workload totals are rounded to the nearest 100.

⁵ A case commences at the start of the first main Crown Court hearing. A main hearing is one where the defendant enters a plea to all charges or the jury is sworn in.

⁶ A case is completed in the magistrates' courts either when it is disposed of or it is transferred to the Crown Court.

Workload Forecast	Input Indicators^{2 3}	Impact Indicators
Forecast summary completed proceedings 2011-12: 1,227,400 Summary proceedings completed in 2011-12: 1,153,600 Summary proceedings completed in 2010-11: 1,200,000		The payment rate for financial penalties – 2011-12: 106% 2010-11: 93%

Tribunals

All tribunals: Forecast receipts 2011-12: 832,500 Cases received in 2011-12: 739,600 Cases received in 2010-11: 831,000	Average staff and judicial cost per sitting day in tribunals: Judicial cost: £790 Staff cost: £385	
Social Security and Child Support: Forecast receipts 2011-12: 421,600 Cases received in 2011-12: 370,800 Cases received in 2010-11: 418,500		The number of weeks it takes to dispose of cases across the Social Security and Child Support Tribunal – 25% were disposed of within 9 weeks 50% were disposed of within 19 weeks 75% were disposed of within 33 weeks
Employment: Forecast receipts 2011-12: 214,500 Cases received in 2011-12: 186,300 Cases received in 2010-11: 218,100		The number of weeks it takes to dispose of cases across the Employment Tribunal – 25% were disposed of within 16 weeks 50% were disposed of within 33 weeks 75% were disposed of in between 1 and 2 years
Immigration and Asylum: Forecast receipts 2011-12: 140,700 Cases received in 2011-12: 112,500 Cases received in 2010-11: 136,800		The number of weeks it takes to dispose of cases across the Immigration and Asylum Tribunal – 25% were disposed of within 7 weeks 50% were disposed of within 14 weeks 75% were disposed of within 23 weeks

Workload Forecast	Input Indicators^{2 3}	Impact Indicators
<p>Mental Health:</p> <p>Forecast receipts 2011-12: 25,000</p> <p>Cases received in 2011-12: 29,600</p> <p>Cases received in 2010-11: 25,900</p>		<p>The number of weeks it takes to dispose of cases across the Mental Health Tribunal –</p> <p>25% were disposed of within 1 week</p> <p>50% were disposed of in between 1 and 2 weeks</p> <p>75% were disposed of in between 1 and 2 weeks</p>
<p>Other:</p> <p>Forecast receipts 2011-12: 30,700</p> <p>Cases received in 2011-12: 40,300⁷</p> <p>Cases received in 2010-11: 31,700</p>		

Civil and Family Justice

<p>Civil courts –</p> <p>Small track hearings:</p> <p>2011-12 forecast: 48,500</p> <p>2011-12 actual: 36,300</p> <p>2010-11 actual: 40,500</p> <p>Trials:</p> <p>2011-12 forecast: 19,300</p> <p>2011-12 actual: 15,000</p> <p>2010-11 actual: 17,700</p>	<p>Average staff and judicial cost per sitting day in county courts:</p> <p>Judicial cost: £765</p> <p>Staff cost: £853</p>	<p>Civil – The average number of weeks it takes to hear cases from when the claim was received at court –</p> <p>Small claims:</p> <p>2011-12: 30 weeks</p> <p>2010-11: 30 weeks</p> <p>Trials:</p> <p>2011-12: 58 weeks</p> <p>2010-11: 54 weeks</p>
<p>Family courts –</p> <p>All cases:</p> <p>2011-12 forecast: 309,800</p> <p>2011-12 actual: 366,900</p> <p>2010-11 actual: 391,700</p>		<p>Family⁸ – The average number of weeks it takes to achieve a final outcome for the child in care and supervision cases –</p> <p>2011-12: 54 weeks</p> <p>2010-11: 53 weeks</p>
<p>Care and supervision:</p> <p>2011-12 forecast: 16,500</p> <p>2011-12 actual: 21,000</p> <p>2010-11 actual: 19,500</p>		

⁷ The Agricultural lands, Alternative business structures, Gangmasters licencing and Residential properties tribunals joined HM Courts & Tribunals Service during 2011-12 contributing to the increased receipts.

⁸ These measures, along with measures from the Legal Services Commission and CAFCASS, form part of a cross system measurement framework

Workload Forecast	Input Indicators ^{2 3}	Impact Indicators
Contact and residence: 2011-12 forecast: 90,200 2011-12 actual: 71,800 2010-11 actual: 86,800		
Dissolution, nullity and judicial separation: 2011-12 forecast: 125,400 2011-12 actual: 128,900 2010-11 actual: 134,200		
Ancillary relief: 2011-12 forecast: 54,200 2011-12 actual: 80,100 2010-11 actual: 83,400		
Domestic violence: 2011-12 forecast: 23,500 2011-12 actual: 20,500 2010-11 actual: 23,200		

Corporate and other financial indicators

<ul style="list-style-type: none"> The number of complaints recorded by HM Courts & Tribunals Service October 2011-March 2012⁹: 7,700
<ul style="list-style-type: none"> The percentage of complaints concluded by the first tier in HM Courts & Tribunals Service: 96%
<ul style="list-style-type: none"> The average number of days it takes to finalise the answering of complaints: 8.1 working days
<ul style="list-style-type: none"> All spending and contracts over £25,000: Details of all spending and contracts over £25,000 for HM Courts & Tribunals Service and across the Ministry of Justice are published monthly at: http://www.justice.gov.uk/information-access-rights/transparency-data/spend-over-25000

⁹HM Courts & Tribunals Service operated separate legacy HM Courts Service and Tribunals Service customer complaints handling procedures between April and September 2011. The most effective elements of both processes were incorporated into a unified administrative complaints procedure for HM Courts & Tribunals Service and introduced in October 2011. 9,800 complaints were recorded under the legacy procedures between April and September.

Our aim is to resolve any dissatisfaction quickly and effectively when the customer first contacts the court or tribunal which the complaint relates to (first tier). However, there is a two stage escalation process for customers to follow if they are not satisfied with how their complaint was resolved. The first stage is a review by the local manager but if the complainant is still unhappy they can appeal to the Complaints, Correspondence and Litigation Team in HM Courts & Tribunals Service headquarters.

We have developed a complaints handling improvement plan to ensure that the unified process is being operated effectively throughout our organisation and systems are in place to learn from customer feedback to improve our future service delivery.

5 Business Overview

About HM Courts & Tribunals Service

HM Courts & Tribunals Service was created on 1 April 2011 as an executive agency of the Ministry of Justice (MoJ). It brought together HM Courts Service and the Tribunals Service into one integrated agency providing support for the administration of justice in courts and tribunals.

The agency operates as a partnership between the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals as set out in our Framework Document.

HM Courts & Tribunals Service is responsible for the administration of the criminal, civil and family courts and tribunals in England and Wales and non-devolved tribunals in Scotland and Northern Ireland. It supports a fair, efficient and effective justice system delivered by an independent judiciary.

Aim

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.

Our objectives and our business priorities for the four year period covered by the Government's 2010 Spending Review were published in the HM Courts & Tribunals Service Business Plan 2011-15 and are as follows:

Objectives

- Provide the supporting administration for a fair and efficient courts and tribunal system.
- Support an independent judiciary in the administration of justice.
- Drive continuous improvement of performance and efficiency across all aspects of the administration of the courts and tribunals.
- Collaborate effectively with other justice organisations and agencies, including the legal professions, to improve access to justice.
- Work with government departments and agencies to improve the quality of their decision making in order to reduce the number of cases coming before courts and tribunals.

Business Priorities

- Implement the HM Courts & Tribunals Service operating strategy.
- Manage the first year of HM Courts & Tribunals Service effectively.
- Develop a sustainable business model for civil, family and administrative justice which balances spending and income.
- Increase efficiency and reduce cost across the Criminal Justice System (CJS) by driving and implementing process change, matching resources to demand, reducing duplication and waste.
- Delivering a cheaper, faster and more proportionate enforcement system that achieves a significantly higher degree of compliance with court orders.

HM Courts & Tribunals Service Governance

The Board

The Board is responsible for overseeing the leadership and direction of HM Courts & Tribunals Service in delivering the aims and objectives set by the Lord Chancellor, the Senior President of Tribunals and the Lord Chief Justice. Its detailed role is defined in our Framework Document.¹⁰

The membership of the Board comprised an independent Non-Executive Chairman, two further Non-Executive members; three judicial members who collectively represented the Lord Chief Justice and Senior President of Tribunals; the Chief Executive and three Executive Directors.

The Board met regularly under the Non-Executive Chairmanship of Robert Ayling and details of its membership as at 31 March 2012 can be found on page 44 of this report.

Chief Executive

The Chief Executive is responsible for day to day operations and is the principal advisor to the Board and, through it, to the Lord Chief Justice, the Senior President of Tribunals, the Lord Chancellor, and the Justice ministerial team. The Chief Executive met regularly with the Lord Chief Justice, the Senior Presiding Judge and the Senior President of Tribunals on issues such as budgets, the estate and senior appointments. The Chief Executive also met with the team of Executive Directors as required to focus on key performance measures in all jurisdictions, to identify and find practical solutions to critical concerns and to discuss key operational issues.

Ministry of Justice

The MoJ itself brings together areas responsible for the administration of the courts, tribunals, legal aid, sentencing policy, prisons, the management of offenders and also matters concerning law and rights.

It is one of the largest government departments, employing around 76,000 people (including those in the Probation Service), with a budget of approximately £9 billion. Each year millions of people use its services across the UK - including at over 500 courts and tribunals, and 133 prisons in England and Wales.

¹⁰To the extent that the functions of the Senior President of Tribunals and of the former Tribunals Service (as now inherited by HM Courts & Tribunals Service) extended beyond England and Wales, nothing in HM Courts & Tribunals Service Framework Document, which sets out the agreement reached between the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals for the operation of the agency, is to be taken as affecting the continuation of the previous arrangements in relation to other parts of the UK, or in particular their relations with and responsibilities to respectively the Lord President of the Court of Session or the Lord Chief Justice of Northern Ireland, or any other authority in those other parts.

6 Performance Review

Progress against Business Priorities

Our first year has been one of significant change and success. In the face of a major organisational restructure and large caseloads, staff and judiciary have worked closely together to ensure our daily business has stayed on track. Simultaneously we have made considerable progress against the commitments set out in our four year business plan, contributing to the MoJ's vision of Justice Transformed.

We have implemented a new operating structure, delivering significant financial savings by removing unnecessary management layers and duplication of work. Our senior management are now much closer to courts and tribunals users and are better able to identify and respond to local needs. Other benefits of our restructure include the ability to share knowledge across previously disparate parts of the business. For example we successfully used the expertise of staff with tribunals experience to establish a county court back office at the Salford Business Centre to deal with all designated money claims in civil cases in England and Wales; and to assist with workload in some tribunals we are using legal advisers as Registrars.

Business performance is improving due to the significant efforts by staff and judiciary. Our focus on continuously improving processes has helped to remove wasted effort from processes and to focus resources on activities that matter most to our users and to the judiciary. That same professionalism has been displayed in challenging situations, such as when staff in courts around the country, along with our criminal justice partners, dealt impressively with the unprecedented demands arising from the civil unrest last August. Other instances include the response of tribunals' staff to the demands of a variety of changes to business processes. This included the introduction of fees in immigration and asylum appeals and finding innovative ways to cope with the continuing high workload levels in the Social Security and Child Support jurisdiction.

Other key achievements during 2011-12 include preparing the magistrates' courts and the Crown Court for digital working – this is a major step towards modernising the criminal justice system and making the system more efficient and cost-effective. We have also supported a successful pilot of the Senior Presiding Judge's early guilty plea scheme in a number of courts and, given the positive results, we will be implementing this nationally during 2012-13. We have also continued to work with colleagues in the MoJ, the Scottish Government and Northern Ireland Executive and the judiciary in those areas, to ensure the effective delivery of tribunal business in Scotland and Northern Ireland and any change to that business which is agreed.

We are proud of our achievements in 2011-12. However we recognise the ongoing challenge to reform our services and make best use of available resources in order to meet the future needs of both our users and the judiciary. We are confident that we can build on the successes of our first year and continue to improve the service we provide.

Implement the HM Courts & Tribunals Service future operating strategy

- During 2011-12 we have begun to work in earnest on the development of a new operating model to simplify and modernise the service we offer our users. To fully capitalise on the benefits of integration, the new administrative and legal organisational structure will enable the sharing of best practice, cross-jurisdictional working and the flexible deployment of staff. We are committed to ensuring

operational viability by working through the detail of our new operating strategy to ensure we get it right and have made encouraging progress on the work which underpins it.

- We have implemented a common IT infrastructure across HM Courts & Tribunals Service with the entire agency now hosted on a single network. This has created greater flexibility by allowing users to work from anywhere across the agency's estate as well as facilitating system-wide enhancements.
- We are modernising and opening a number of courts, while closing those with inadequate facilities as part of our strategy to modernise and improve the courts network in England and Wales:
 - New courts opened include the Rolls Building (Business Court) of the Royal Courts of Justice. The Rolls Building is the largest specialist centre for the resolution of financial, business and property litigation anywhere in the world, and is a centre of excellence for high value dispute resolution. It contains 31 courtrooms including three 'super courts', has electronic presentation of evidence, in-court video conferencing systems and provides facilities for parties to use their own IT.
 - We also completed City of Westminster Magistrates' Court, a state of the art building with first class facilities, and an extension to Woolwich Crown Court, both of which opened in August 2011. Westminster Magistrates' Court has achieved an 'excellent' Building Research Establishment Environmental Assessment Method (BREEAM) rating, and has been nominated for a variety of sustainability awards.
 - Modernisation of courts includes refurbishment work to Aberystwyth Law Courts. The completed facility will exemplify the future of the justice system by housing magistrates, civil and tribunal court and hearing rooms under one roof. At Basingstoke, the county court is being integrated into the current magistrates' court and the existing building is being extended to provide two additional courtrooms. In Newport a new four courtroom courthouse, primarily for use by magistrates and tribunals, is due for completion by summer 2012.
 - We have created cumulative savings over the 2010 Spending Review period of an estimated £60.6m, with an anticipated £4.1m realised in 2011-12 through the closure of a number of courts - as at 31 March 2012, we closed 129 out of 142 courts; 84 magistrates' courts and 45 county courts. An additional £5.1m in capital receipts has been raised from the sale of seven buildings.
- We are making use of the lessons learned by HM Courts Service and the Tribunals Service to create a Continuous Improvement Strategy which builds upon the excellent progress made by our predecessors and aims to deliver an improved user experience by focusing resources on activities that reduce unjustified costs, improve productivity and which make a real difference to our processes. We are encouraging a culture of continuous improvement amongst our staff to create Lean working practices. Our key achievements so far include:
 - The creation of an end-to-end process for developing and improving Standard Operating Procedures (SOPs) in all jurisdictions, with a core set of 24 SOPs developed and released to the criminal courts by April 2012. SOPs provide a consistent level of service to users; allow staff to share best practice more easily and managers to target resources more effectively. Some examples of the impact of SOPs and the dramatic benefits of applying Lean ways of working to our processes include:

- The Court of Protection reduced the number of paper cases waiting to be dealt with from 2,456 to 165 and saved the equivalent of 42 posts.
- Bury St Edmunds Employment Tribunal reduced the waiting time from lodgement to a decision, from nine to six weeks for the 'open track' discrimination process.
- Leeds County Court cleared over 100 hours of outstanding work by implementing a SOP (created by Southampton County Court) which aims to complete all orders on the day of hearing.
- Nine courts and tribunals have reached Beacon status, showcasing service transformation and continuous improvement based on Lean principles. Another 11 additional offices having begun working towards this goal.
- Over 2,000 people have attended a variety of Lean and continuous improvement training events.
- We merged the Local Justice Areas on 1 Jan 2012, reducing them from 239 to 166 to reflect the current and future requirements of court users and partner agencies.
- Work has progressed on the implementation of HM Courts & Tribunals Service Business Centres, a key part of our future operating model:
 - The new County Court Money Claims Centre at Salford Business Centre was launched in March 2012 to process all designated money claims in England and Wales. The new service will ensure that we make the most effective use of our administrative resource and provide an effective, efficient and consistent service to court users across England and Wales.
 - We expanded the customer contact centre at Loughborough to deal with the majority of calls about Social Security and Child Support appeals for England and Wales since the end of November 2011. It has also successfully supported the Salford Business Centre since its opening in March. Customers are able to speak to fully trained staff dedicated to dealing with queries, and performance data shows that the team is delivering improvements to the service that we provide to users as well as significantly increased efficiency. It is already exceeding the target of answering a minimum of 90% of all calls at the first point of contact.

Manage the first year of HM Courts & Tribunals Service effectively

In HM Courts & Tribunals Service Business Plan 2011-2015 we committed to delivering the full potential of the new agency by reducing costs, directing as much resource to the front line as possible and ensuring staff are equipped to fulfil their new roles.

We created a new headquarters and regional structure. This has removed unnecessary layers of duplication at management level, delivering significant financial savings and providing a simpler streamlined management chain for operational services. It also means that senior management are now much closer to courts and tribunals users and are better able to identify and respond to local needs.

We have focussed our resources firmly on the frontline and we will continue with front line restructuring plans. Below the new Delivery Directors for each region, strategic oversight has been split into a Civil, Family and Tribunals, and a Crime jurisdiction. Within the immediate line management chain of the Delivery Director we created 'clusters' - new organisational units led by 'Cluster Managers'. We expect these

managers to share resources and best practice effectively across and within the different jurisdictions within their cluster.

Our staff reduction programme supporting the organisational redesign is progressing ahead of schedule with around 2,500 reductions by end of 2011-12 against the full 2010 Spending Review reduction of 2,980. We continue to drive the agenda at pace, working productively with staff and the unions to manage the reduction programme, with 1,268 voluntary exits in 2011-12.

A reconsideration of HM Courts & Tribunals Services' legal structure has mirrored our work on administrative restructuring. We have completed a consultation and identified a preferred model for implementation in 2012-13. The new legal structure will provide a clear leadership framework for our legal teams, supporting the efficient and effective delivery of legal advice within the agency and to the judiciary. It will also enable career development opportunities and diversification for our legal staff. We have begun to pilot the use of magistrates' courts legal advisors in tribunals' jurisdictions. During 2012-13 we will review future roles and responsibilities for all other HM Courts & Tribunals Service legal staff, including Royal Courts of Justice and tribunals' lawyers.

We have undertaken a range of work to support staff within the new administrative structure and help them deliver in their new roles. This includes:

- The launch of Operational Delivery as a profession within HM Courts & Tribunals Service in December 2011. So far 29 HM Courts & Tribunals Service staff have undertaken a diploma. We will offer a similar opportunity for a further 50 staff over the next two years. The scheme provides recognition for the professional work done by people in this area and ensures that their transferable skills are respected across the Civil Service and the wider economy.
- Ensuring that the learning needs identified by the business are provided as efficiently, cost effectively and appropriately as possible.
- The development and roll-out of a programme to support and develop operational managers, identifying skills gaps and embedding leadership skills and behaviours. This will carry on into 2012-13.
- The completion of leadership training for all first line managers.
- A review of all business skills materials has begun to identify items suitable for converting to e-learning or computer based training. This will allow us to develop staff more effectively within the workplace, and is consistent with the Civil Service Learning approach to providing staff with a variety of learning and development solutions.

Develop a sustainable business model for civil, family and administrative justice which balances spending and income

During 2011-12, we continued our development of a sustainable business model for civil, family and administrative justice. As well as work on establishing business centres, our achievements include:

- Putting clear and timely plans in place to implement the recommendations of the independent Family Justice Review, following the Government's response in February 2012. Already we have:
 - Developed a case progression tool for public law cases which will deliver a step change improvement in management information, and have a rolling programme to develop Lean Standard Operating Procedures in the family

courts. These are both good examples of the strong partnership working between the judiciary and administration.

- Completed work which increased resources for family courts equivalent to 1,400 sitting days in 2012-13, and to adjust our internal measures to reflect the imminent implementation of a six month time limit in care proceedings cases.
- Established the Family Business Authority together with senior judiciary. This is now the joint authority for taking family court reform forward into 2012-13. It aims to improve family court performance and reduce delay in care proceedings cases.
- The introduction of fees for immigration and asylum appeals in the First-tier Tribunal (Immigration and Asylum Chamber) in 2011. As well as introducing the enabling legislation, we launched a new website and online guidance, and moved to new business processes. This is a significant achievement for us as we deliver on the Government's proposal that users of the appeals system should contribute towards the cost of running the system. For the first time appellants are now able to lodge and pay for their appeals online, as well as by post, and it means that fees of either £140 or £80 are payable by the majority of individuals who wish to bring an appeal against a Home Office Notice of Decision dated 19 December 2011 or later. We have put in place safeguards under our exemptions and remissions policy to ensure that access to justice is preserved for the poorest appellants.
- We have supported MoJ in commencing a public consultation on the design of a fees scheme for Employment Tribunals and the Employment Appeal Tribunal.
- The administration of the Residential Property Tribunals Service was transferred to HM Courts & Tribunals Service in July 2011. In addition, the administration of the Agricultural Land Tribunals and the administration of the Gangmasters Licensing Appeals were transferred to HM Courts & Tribunals Service in August 2011 and September 2011 respectively, as part of the on-going programme to transfer a number of tribunals' administration to HM Courts & Tribunals Service.
- We have worked with the Department of Work and Pensions to increase capacity significantly again during 2011-12 to deal with the increase in appeals caused by the introduction of the Employment and Support Allowance and other reforms in the welfare system. Waiting times, while still longer than historically, have stabilised and the number of disposals has increased significantly from 279,000 in 2009-10 to 433,400 in 2011-12, outstripping receipts. This is a considerable achievement and has been accomplished through a range of measures including recruiting more judges and medical panel members; increasing administrative resources; securing additional estate; increasing the number of cases listed in each session; running double shifts in our largest processing centre; running Saturday sittings in some of the busiest venues; and setting up a customer contact centre to deal with telephone enquiries.

Increase efficiency and reduce cost across the Criminal Justice System (CJS) by driving and implementing process change, matching resources to demand, reducing duplication and waste

Our four year business plan outlined how, working in partnership with judiciary, we intended to maximise courtroom efficiency, improve case progression across all criminal justice agencies and make greater use of technology. 2011-12 has seen a number of pieces of work to achieve this aim including:

- National roll-out of the Senior Presiding Judge's early guilty plea and case management scheme which commenced in April 2012 following a successful pilot

at the Crown Courts in Liverpool, Bristol, Reading and Winchester. National implementation is due to be completed by December 2012.

- The 'Stop Delaying Justice' initiative, a judicially-led project, involving HM Courts & Tribunals Service and other CJS partners, was successfully implemented. This is aimed at reducing delay in uncontested cases in the magistrates' courts through improved case management.
- A phased national roll-out of the postal charging and requisitioning process, as part of the work to modernise the summons process in the magistrates' courts.
- We progressed a number of information and communication technology initiatives in 2011-12:
 - A cross CJS agency Document Repository Service is currently being tested in Northumbria. This will help facilitate an efficient process for the preparation and use of a single, unified, digital case file, jointly produced and owned by the Police, Crown Prosecution Service and HM Courts & Tribunals Service from arrest to disposal, supported by efficient case progression.
 - A refresh of video link equipment between prisons and magistrates' courts was implemented, and we are on track to complete a refresh of such links with the Crown Court by August 2012. We have also increased capacity to use video links between police stations and magistrates' courts to hold Virtual Courts and to enable police witnesses to give their evidence at summary trials directly from police stations.
 - We successfully implemented the Digital Audio Recording Transcription and Storage system nationally across the Crown and combined courts. The project delivered a digital audio recording system capable of recording and storing hearings, providing instant access to recordings for the judiciary, and reducing costs by eliminating the need to employ loggers in courtrooms and purchase analogue tapes.
- A contract containing a new framework for delivery of interpreters' services to the courts and tribunals commenced in the North West Region on 12 December 2011 and subsequently rolled out across England and Wales on 30 January 2012. Pivotal to the success of the contract is value for tax-payers across the justice system. There were a number of difficulties experienced in the first few weeks of the contract and accordingly the contractor's performance is closely monitored and areas for improvement rigorously managed.

Delivering a cheaper, faster and more proportionate enforcement system that achieves a significantly higher degree of compliance with court orders

We have made a successful start to improving the enforcement system for the collection of fines and compensation orders. We have reduced the overall cost of enforcement by 3.2% by creating a national enforcement team, while for the first time since 2003-04 reducing the outstanding debt owed to Government. In 2011-12 we collected £279m in respect of financial penalties, reducing the outstanding balance of financial penalties by £16.3m or 3% to £593m.

The Board, and subsequently ministers, agreed that we should explore the potential of forming a partnership with a commercial company for the future delivery of the collection of criminal financial penalties. We are currently examining various options as to what that partnership may look like and will use our experience of similar exercises to inform its development and application.

Honours and Awards

Honours

	<i>Commanders of the Order of the British Empire (CBE)</i>	<i>Officers of the Order of the British Empire (OBE)</i>	<i>Members of the Order of the British Empire (MBE).</i>
The Birthday 2011 Honours List	Her Honour Frances Kirkham, for services to the Legal Profession and to the Administration of Justice. Philip Waller, Senior District Judge Family Division, for services to the Administration of Justice.	The Honourable Mrs Frances Hoare JP, for services to the Administration of Justice. David Goodman, Justices Clerk and Director of Legal Services, Staffordshire.	Barbara Stone, Family Justice Council Administrator and Family Business Manager. Valerie Watson, Crown Court Manager.
The New Year 2012 Honours List	Keith Budgen, lately Regional Director, South East Region.	Sylvia Maharaj, Chair of Licensing Committee, Waltham Forest Magistrate's Court, for services to the Administration of Justice.	Glenys McDonald, Senior Judges' Clerks' Manager, Royal Courts of Justice.

National Government Finance Profession (GFP) Awards

In November 2011, the Midlands Regional Finance Team of HM Courts & Tribunals Service won Finance Team of the Year at the annual awards, which recognise and value the good work carried out by finance professionals in government.

7. Annual Accounts

Chief Executive's report

The Chief Executive's report acts as management's commentary, as required by the 2011-12 Government Financial Reporting Manual (FRoM).

The focus placed on developing and implementing streamlined management and delivery structures has enabled us to deliver significant financial savings during 2011-12. Combined with the focus placed upon improving and simplifying operational processes we believe we have positioned ourselves to deliver continuous improvement in future years.

Accounts

The annual accounts of HM Courts & Tribunals Service for 2011-12 are on pages 58 –123. The accounts have been prepared in accordance with the accounts direction issued by HM Treasury on 20 December 2011 under section 7(2) of the Government Resources and Accounts Act 2000.

This is the first set of annual accounts for HM Courts & Tribunals Service following its formation on 1 April 2011. The 2010-11 comparatives have been presented as if the new entity has always existed in its present combined form.

The Accounting Officer for the MoJ has designated the HM Courts & Tribunals Service Chief Executive as the Executive Agency's Accounting Officer.

Financial performance

Overall financial performance

HM Courts & Tribunals Service had annual net operating costs of £1,429m, a decrease of £141m (9.0%) compared to the annual net operating cost for 2010-11. As can be seen from the Statement of Net Comprehensive Expenditure this has arisen from a reduction in net administration costs of £9m and net programme costs of £132m.

Further information on the three major cost categories is set out below.

Staff and judiciary costs

We have designed the structure of HM Courts & Tribunals to minimise managerial positions within the headquarters function. The number of managerial posts within headquarters has consequently been reduced by over fifty percent and focus has been directed to supporting posts responsible for the delivery of our services. There has been a reduction in the average number of full time equivalents employed in 2011-12 of 1,073 compared to 2010-11. Excluding the effect of early departure costs, total staff and judiciary costs have decreased by £35m for the year. Staff and judiciary costs included £54.8m of early departure costs for staff who opted to volunteer for an early exit under a Ministry of Justice Voluntary Early Departure (VED) scheme that was offered to selected HM Courts & Tribunals Services employees during the year.

Other operating costs (excluding non-cash costs)

Other operating costs in 2011-12 were £556.8m compared to £546.4m in 2010-11. There has been a targeted drive to reduce other operating costs, and there have been reductions in juror, other judicial and staff costs of £9.8m. Accommodation, maintenance and utilities costs amounted to £249.6m in 2011-12, comprising 45% of

other operating costs. Accommodation, maintenance and utilities costs have increased by £11.3m as a result of our strategy to rationalise our portfolio of courts by modernising and opening a number of new courts, such as The Rolls Building, whilst closing those with inadequate or underused facilities. The aim is to increase utilisation in the magistrates' courts from 64% to around 75% and for the courtrooms in the county courts to sit nearer to 200 days a year rather than the current 180 days. There has also been an increase in property rental costs of £9.1m resulting primarily from the commencement of a rental agreement for the new City of Westminster Magistrates' Court.

Depreciation

The depreciation charge for the year was £104.3m, comparable to the charge of £104.9m in 2010-11.

Other non-cash costs

Non-cash costs have reduced by £137.4m from £473.7m to £336.3m. This has been driven by a reduction of movements in provisions of £147m (2010-11 saw an increase in the provision for pensions transfer deficit of £182.2m). The pensions transfer deficit provision increased significantly in 2010-11 due to adverse movements in stock markets reducing the valuation of assets held by the pension schemes.

Reductions in impairment charges to property and equipment of £42.3m and the intra-departmental recharge of £3.3m were offset by an increase in the valuation of property and equipment of £51.6m recorded in 2010-11 compared to £nil in 2011-12.

Income

Total operating income for the year was £594.6m (2010-11: £568.6m). This mainly consisted of fee income relating to services provided to users of the civil courts and tribunal services of £479.6m (2010-11: £464.3m). The increase in fee income recorded was due to the introduction of Civil Fee Charges at the start of the financial year. The introduction of fees to the Asylum and Immigration Tribunal also resulted in an increase in recorded fees of approximately £1m.

All fee charging services must have a financial objective agreed with HM Treasury; details for the actual and target fee recoveries are shown in note 6 to the Accounts.

Capital

The value of assets held as property and equipment at 31 March 2012 has fallen by £41m compared to 31 March 2011. Additions to property and equipment of £86m have been offset by net movements arising from disposals of £37m and a depreciation charge of £104m.

HM Courts & Tribunals Service invested £86m in land and buildings during the year. This comprised of work across a large number of significant capital projects such as Chelmsford and Colchester Magistrates' Court, Newport Magistrates' Court and Central London Magistrates' Court.

As part of the ongoing court rationalisation programme a total of 163 under-utilised court buildings were earmarked for closure over the next few years. Five properties were sold during the year and one property was removed from the review and reclassified to being a live court property. Fifteen properties were classified as assets held for sale as at 31 March 2012. Consequently, at the end of the year there remained 85 properties under review.

Intangible assets decreased by £14m largely due to the annual amortisation charge of £14m.

Pensions

Details of how pension costs and liabilities are treated can be found in note 1 to the Accounts, and further information relating to pensions is included in note 4 to the Accounts and in the Remuneration report.

Going concern

The future financing of the MoJ liabilities is to be met by future grants of supply and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming and that the activities of HM Courts & Tribunals Service's activities will not be funded in future financial periods. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Payments

HM Courts & Tribunals Service's policy was to pay suppliers within five days of receipt of a valid invoice at the correct billing address.

For 2011-12, 86.6% of invoices were paid within these terms against the cross-government target of 80% (2010-11: HM Courts Service achieved 84.1% and Tribunals Service achieved 82% within 10 days of receipt against a target of 80%).

Capital structure

HM Courts & Tribunals Service's net assets were represented entirely by taxpayers' equity, consisting of the General Fund and the Revaluation Reserves as detailed in the Statement of Changes in Taxpayers' Equity.

Auditor

The Accounts, comprising the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Changes in Taxpayers' Equity and Statement of Cash Flows are audited by the National Audit Office on behalf of the Comptroller and Auditor General. The auditor's remuneration for the audit of the Accounts of HM Courts & Tribunals Service for 2011-12 was £0.5m (2010-11: £0.5m), no non-audit work was performed in 2011-12 or 2010-11.

Sickness Absence Data

The average number of working days lost ("AWDL") due to sickness for staff across HM Courts & Tribunals Service was 7.4 days against the MoJ target of 7.5 days. Reducing sickness absence remains a workforce strategy priority and HM Courts & Tribunals Service is committed to further reducing sickness absences in order to fulfil our Smarter Government commitments.

Engagement and consultation with employees

HM Courts & Tribunals Service attaches considerable importance to ensuring the fullest involvement of employees in delivering its aims and objectives. Staff involvement is encouraged as part of the day-to-day process of line management and we consult and inform our constituent Trade Unions at all levels of the organisation. A variety of media are used to keep staff up-to-date with the challenges

that HM Courts & Tribunals Service faces, the Board's vision for the agency and progress we are making.

HM Courts & Tribunals Service participated in the Civil Service People Survey in October 2011 and achieved an improved response rate on the aggregate of that for legacy organisations. Staff gave more neutral scores for high level vision and leadership, reflecting the fact that at the time of the survey it was a new organisation, with a new leadership cadre only recently appointed, and in the midst of restructuring. HM Courts & Tribunals Service maintained, however, its inherited strengths in teamwork, line management, resources to do the job and workload. Managers at all levels engaged with staff about both the outcome of the survey and action plans to respond to the results.

Equality and Diversity

HM Courts & Tribunals Service is committed to ensuring that we consider thoroughly the diverse needs of our staff and all those with an interest in the services we provide. We promote a culture where staff and service users are treated with fairness and respect. We ensure that we are sensitive to the needs of those who are vulnerable or socially excluded.

HM Courts & Tribunals Service works hard to ensure equality for disabled staff and customers. We have a Reasonable Adjustment Policy under which advice, support and guidance are provided on the wide variety of adjustments available to disabled staff and customers. Guidance on supporting disabled staff and providing reasonable adjustments is also incorporated in the MoJ Departmental Ability Manual. The Department is an authorised user of the Two Ticks Scheme and participates in the Guaranteed Interview Scheme for candidates with a disability.

Following implementation of the Equality Act 2010, which consolidated and strengthened equality law, HM Courts & Tribunals Service has reviewed and updated its internal guidance and training to ensure that all our staff understand how to meet the legal requirements of the Act in their daily work in all areas of our business.

The general equality duty introduced by the Equality Act 2010 requires all public bodies to consider the needs of all individuals in shaping policy, delivering services in relation to their own employees. HM Courts & Tribunals Service demonstrates the necessary due regard to this duty by proportionate use of any equality impact assessment toolkit which ensures that the right steps are taken by the right people at the right time.

In paying due regard to the equality duty, HM Courts & Tribunals Service takes a light touch approach which focuses on achieving effective outcomes and reduced unnecessary bureaucracy. We are currently reviewing the equality information we collect and publish to help the public to understand what we do and hold us to account.

Principal risks and uncertainties of the business

HM Courts & Tribunals Service faced challenges and risks to the achievement of its business objectives particularly around the organisational change required to integrate the courts and tribunals operations. Detailed information on the strategies to address the risks arising from the integration of the courts and tribunals operations have been provided in the Governance Statement.

Further risks and uncertainties arise from the requirement to reduce operating costs in line with funding restrictions and the rationalisation of the courts estates to reduce the number of underutilised courts. A detailed risk management strategy has been in place throughout the year to ensure that organisational risks were effectively managed.

A handwritten signature in black ink, appearing to read 'Peter Handcock'.

Peter Handcock CBE
Chief Executive and Accounting Officer
2 July 2012

Statement of Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury directed HM Courts and Tribunals Service to prepare for each financial year a statement of accounts (the Accounts) in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 20 December 2011. 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 income and expenditure, recognised gains and losses and cash flows for the financial year.

The Principal Accounting Officer for the MoJ has designated the HM Courts & Tribunals Service's Chief Executive as HM Courts & Tribunals Service's Accounting Officer.

In preparing HM Courts & Tribunals Service's Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the Accounts;
- Prepare the Accounts on a going concern basis; and
- Ensure that, so far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that HM Courts & Tribunals Service's auditors are aware of that information.

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



Peter Handcock CBE
Chief Executive and Accounting Officer
2 July 2012

Governance Statement 2011-12

1 Introduction

This Governance Statement is provided in my role as Accounting Officer for HM Courts & Tribunals Service. This is the first statement for HM Courts & Tribunals Service being a new organisation and resulting from the integration of the former HM Courts Service and the former Tribunals Service with effect from 1 April 2011. HM Courts & Tribunals Service is an agency of the MoJ whose key aim is to run an efficient and effective courts and tribunals system which enables the rule of law to be upheld and provides access to justice for all.

As Accounting Officer I have established a governance framework and management structure for the new organisation to support me in the management of our key risks. I am satisfied that I have the necessary systems and processes in place to maintain an effective system of internal control which supports the achievement of policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally accountable.

HM Courts & Tribunals Service operates in accordance with its published Framework Document which sets out the basis of an operating partnership between the Lord Chancellor (Secretary of State for Justice) and the Lord Chief Justice. As Chief Executive I am responsible to both, for the day-to-day operations and administration of the agency and leadership of its staff. As Chief Executive and Accounting Officer I am also accountable to the MoJ Permanent Secretary and ultimately to Parliament.

This reporting year has been a great challenge for me and the organisation in its first year of operations. The Agency has undergone a substantial restructure and change. The priority for me and my Senior Management Team (SMT) has been to maintain and support front line operations whilst establishing new streamlined management and governance structures for headquarters and regionally based support functions.

Change has been delivered at a rapid pace which has been driven forward and led by me and my SMT. The introduction of the new organisational structure, which still continues, has been managed through a detailed Implementation Programme and in line with 'The MoJ Managing Organisational Change Framework' which sets out procedures for managing organisational change to ensure that it is handled in a way that is sensitive, consistent, fair and in line with statutory requirements and best practice.

The delivery of such fundamental change, as referred to above, has not been without substantial risks to performance, the impact on staff and maintaining effective governance and control. The arrangements for the management and outcomes of these risks are reported on throughout this statement. Despite these risks I'm pleased to say that the organisation has maintained performance in key areas whilst also delivering a significant change portfolio. Performance data is set out in section 4 of the Annual Report.

This statement goes on to set out in more detail the governance structure that has been developed in addition to highlighting a number of the other significant risks the organisation has faced during this year. There have also been some control issues that I consider to have had a significant impact on the organisation and these are reported on throughout the statement, including the action that has been taken to deal with the impact of those issues.

2 Governance Framework and Management Structure

Significant aspects of the management structure and framework are detailed below. To ensure effectiveness, light touch self assessment reviews have been carried out during February and March 2012 to assess their effectiveness over the first 11 months. A more rigorous review will be conducted for 2012-13 when the Board and its sub-Committees have been operating for a more significant period of time.

HM Courts & Tribunals Service Board - the Board provides a vital role in shaping and directing the organisation ensuring we are equipped to deliver high quality and cost effective services to court and tribunal users. It provides leadership on the broad direction for the organisation in delivering the aims and objectives agreed by the Lord Chancellor and the Lord Chief Justice. The Board has overall responsibility for Corporate Governance within HM Courts & Tribunals Service.

The Board operates within the parameters of the Framework Document and the agreed Terms of Reference. Both of these documents are published on the organisation's intranet.

The Chair of the Board conducted an initial discussion on the effectiveness of the Board at their December 2011 meeting. This was followed with a request from the Chair that Board members complete the National Audit Office (NAO) 'Board Evaluation Questionnaire' in February 2012. The results were summarised into a report, identifying key actions for 2012-2013. Key actions arising were:

- The Board to identify how it could be effectively updated on the outcomes of meetings with Ministers and other key stakeholders;
- A 'stakeholder engagement strategy' should be developed;
- Further enhanced reporting from the Change and Modernisation sub-Committee to the Board on all programmes and projects to include benefits realisation analysis and key points from post-evaluation reviews;
- The Board to continually exercise governance arrangements on service delivery where accountability and expenditure is devolved to partner organisations, such as IT;
- Enhanced financial information to be provided to the Board so it is confident of the available funding to deliver the objectives in the HM Courts & Tribunals Service Business Plan; and
- The Board Secretariat to review the induction and development of Board members and identify any further learning and development opportunities.

A particular theme reflected in responses was the view HM Courts & Tribunals Service was less than 12 months old and members found it difficult to evaluate so early on in the existence of the Board. However, a commitment has been given by the Chair that an independent evaluation of the effectiveness of the Board will take place in late 2012–13.

There are three formal sub-Committees to the Board which are:

The Audit Committee - the Audit Committee is an advisory body which supports the Chief Executive, in his role as Accounting Officer, and the Board in their responsibilities for risk management, control and governance. The Committee reviews the comprehensiveness of assurances from internal and external audit, executive management and other sources, and reviews the reliability and integrity of

those assurances. The Chair of the Committee provides a report highlighting and escalating issues to the Board after each quarterly meeting.

To review effectiveness of the Audit Committee, the Chair requested members to complete the NAO 'Audit Committee self-assessment checklist' in March 2012. The results were summarised into a report, identifying key actions for 2012-13. Key actions arising were:

- The Audit Committee to continue to engage with Internal Audit to ensure effective delivery of audit activity;
- The Board Secretariat to review the continuous development of Audit Committee members to ensure members felt equipped with the specialist skills to be an effective Committee; and
- The Audit Committee to ensure an independent evaluation of its effectiveness in 2012-13. The Chair to consider inviting input from either Internal Audit or External Audit.

The Change and Modernisation sub-Committee - the Committee has overall responsibility for developing and promoting change to deliver the strategic objectives for the organisation on behalf of the Board, supporting the Board in its delivery of the agency strategy, policies and services. The Committee was established from July 2011.

The Chair of the Committee conducted an initial discussion on its effectiveness at its meeting in February 2012. This resulted in a subsequent substantial agenda item to discuss effectiveness at its March 2012 meeting. The outcome of the discussion highlighted a number of actions which were summarised into a report, identifying key actions for 2012-13. Key actions arising were:

- Sub-Committee Secretariat and Portfolio Office Managers to consider and establish activities to raise awareness on the purpose and role of the Committee;
- Portfolio Office Managers to heighten awareness of current reporting processes to the sub-Committee and continue to establish fully formalised reporting routes to ensure governance processes are adhered to;
- Monthly financial reporting of the Portfolio to be enhanced by quarterly reports on actual expenditure against planned expenditure with re-allocation of budgets where appropriate;
- Enhanced focus on benefits realisation to understand both the current position on benefits and how a change in project plans affect overall delivery of benefits; and
- Portfolio Project Plan for 2012–13 to be developed to ensure all change activity comes through the sub-Committee. Portfolio Project Plan to enable links throughout the portfolio and wider business and enable prioritisation of projects and resource.

The Chair gave a commitment to continually review effectiveness and consider further evaluation of the sub-Committee's effectiveness in late 2012–13.

The Health and Safety Committee - the Committee is an advisory body that supports the Chief Executive as Accounting Officer and the Board in their responsibilities for managing risk and establishing effective control for Health and Safety. The Committee promotes health and safety throughout the organisation and ensures we meet agreed standards including legal obligations.

The Chair of the Health and Safety Committee, conducted an effectiveness review at the meeting in March 2012. Attendees of the Committee considered a set of questions facilitated by the Chair to prompt discussion on the effectiveness of the Committee. There were no actions identified and it was concluded all attendees were content with the effectiveness of the Committee. The Chair gave a commitment at the meeting that performance of the Health and Safety Committee will continue to be considered and reviewed throughout 2012 – 2013 to ensure ongoing effectiveness.

Full details of the membership and attendance records of the Board and its sub-Committees are shown in the tables one to four in the attached tables.

The following form part of the wider HM Courts & Tribunals Service management structure:

The HM Courts & Tribunals Service Senior Management Team (SMT) - the Chief Executive and his lead Directors of all functions make up the SMT. The team meet fortnightly to review performance across the organisation and deal with all other business that may arise. In addition, on a monthly basis the meeting is extended to encompass the regional Delivery Directors, enabling regional business as usual activity to be discussed. This Committee is also responsible for reviewing the corporate risk register on an alternate monthly basis.

Governance Working Group - although not a body within the governance framework itself, a Governance Working Group (GWG) was established during the year to support me in the development of the framework for the new organisation. The key aim of the group is to ensure that appropriate and proportionate governance arrangements are developed, and where required, enhanced as appropriate to underpin the new streamlined governance structure.

The GWG has responsibility for commissioning reviews and approving all major changes to the organisation's governance framework. The decisions and outcomes of the GWG are subject to endorsement by the SMT to ensure effective challenge and oversight of the arrangements that are developed.

The Group is chaired by the Delivery Director for London with other members representing jurisdictional policy leads, the Director of Finance and Governance, Internal Audit, the Head of Governance and representing front line operations, three court and tribunal Cluster Managers. A Non-Executive Member of the Audit Committee has also recently joined the group providing a key feedback and challenge loop to the Audit Committee.

Corporate Governance in Central Government Departments - Code of Good Practice

During this reporting year the "Corporate Governance in Central Government Departments - Code of Good Practice" was published through HM Treasury. The code applies directly to the Ministry of Justice. HM Courts & Tribunals Service has adopted key principles as best practice where appropriate. A review of the code has identified that we are compliant with key principles, with the exception of the requirement for a Nominations Committee. The key functions of this Committee are dealt with through the MoJ Workforce Committee and also under the remit of the HM Courts & Tribunals Service Board who have the responsibility for approving the corporate governance framework and controls. As such I do not consider it necessary for this separate Committee to be established within the organisational structure.

3 Risk Management

Risk Management systems are in place to identify, assess and prioritise risk efficiently and effectively, and to ensure risk is managed to an acceptable level.

The organisation had in place throughout the year a risk management framework to identify, monitor, manage and report the risks or threats to the achievement of its objectives. The risk policy, encompassing Regional, Directorate and Corporate level, builds upon the arrangements used successfully in the former HM Courts Service and Tribunals Service and those in use across the corporate Ministry.

A key change within the new organisational structure is the appointment of Cluster Managers. They are responsible for the leadership and management for the delivery of operational objectives and targets across a cluster of courts and tribunals. Cluster Managers report to Regional Delivery Directors. Cluster Managers maintain effective risk controls at cluster level which are aggregated up to regional risk registers for the Delivery Director. Following a successful pilot of new reporting mechanisms to streamline the administration of risks at cluster level, a new reporting tool will be implemented for all cluster managers in 2012-13.

We have a process in place to enable escalation of risks to the MoJ Corporate Risk Register if risks breach the organisation's tolerance level. The MoJ are regularly provided with copies of the Corporate Risk Register.

During the first quarter of the reporting year the SMT and Regional Delivery Directors took part in a risk workshop to identify the key strategic corporate risks to the organisations objectives in its first year of operation. This resulted in the production of the Corporate Risk Register which is owned and maintained by the SMT. The SMT continued to review the risk register on at least alternate months and in accordance with the policy this has been submitted to the Board every six months.

During the year we have focussed on the risks introduced by the scale of the organisational restructure. Key amongst those were issues relating to the workforce and the impact to business as usual particularly due to transitioning staff under Voluntary Early Departure schemes and being appointed to new posts, loss of experienced staff, some delays in recruiting to posts and concern over staff engagement.

I'm pleased to say that these issues have been managed and mitigated effectively through actions including clear and targeted communications, SMT visibility through visits to update staff, and the Director for HR being Senior Responsible Officer for the Implementation Project providing HR overview throughout. This work continues as the restructuring progresses within the organisation.

Other key risks have included potential impacts on performance due to the ongoing restructure. This risk has been managed to the extent that performance has not only been maintained but the organisation has recorded its best ever performance. This has been achieved through continuous monitoring arrangements, including senior managers holding a monthly "performance Hub" enabling open discussion of issues and agreeing remedial action as necessary to sustain performance.

Financial pressures too have been managed appropriately to ensure objectives have been delivered within agreed financial baselines. This has been achieved through robust financial management across the organisation and effective collaboration with finance professionals within MoJ Corporate Finance.

The most significant and ongoing risk relates to the adequacy and flexibility of the ICT infrastructure in supporting the organisation to achieve its objectives. This risk is managed in collaboration with the MoJ Information Communication and Technology Director and plans are in place to mitigate effects as far as possible within current financial constraints.

Management of Risks Arising During the Year

During this year a number of risks have materialised that have required the organisation to put in place contingency arrangements to manage the effects of the risks. These are detailed below and include the mitigation and contingency arrangements.

- *Business Continuity Plans - Civil Unrest Summer 2011*

HM Courts & Tribunals Service had to provide an immediate and visible response to the public disorder across England in August 2011 to act as a deterrent to further disorder and to provide reassurance to the public. Contingency plans ensured that courts were able to deal swiftly with the sharp rise in numbers brought before the courts and this organisation contributed fully to the coherent response seen from across the wider Criminal Justice System (CJS).

We immediately reviewed the position in partnership with senior judiciary and other CJS agencies in light of existing business continuity responses. A framework was agreed for ensuring a proportionate response by the courts with decisions being co-ordinated through a strategic CJS command structure and the senior judiciary. This led to managed opening of courts overnight or late in the evening to prevent police cells becoming overcrowded and enable swift hearings of cases. This also supported clear lines of communication and supported local arrangements to effectively manage caseloads, for example having two dedicated Crown Courts in London to hear cases. This resulted in fast disposal of a high number of cases in a very short space of time.

The overall response by the organisation to this unexpected and extraordinary situation was outstanding and exceptional with many staff managers, and members of the magistracy and judiciary going above and beyond the call of duty in dealing with this situation.

We are continuing to work closely with MoJ and our CJS partners to ensure lessons learned are captured and embedded into future business continuity plans.

- *Language Services Contract*

The Language Services Contract under the Framework Arrangement with Applied Language Solutions came into effect on 31 October 2011. Following a successful trial in the North West, the service was rolled out across MoJ on 30 January 2012 for provision of interpretation and translation services, including courts and tribunals.

There were an unacceptable number of problems in the first two weeks of full implementation of the contract after 30 January 2012. Close monitoring of the national roll-out has ensured that an action plan to address the problems was in place within two weeks of the new interpreter service commencing on a national basis. This plan included providing additional staff to deal with bookings, further targeted recruitment of interpreters in key languages and improvements to the call handling, complaints and payment processes. We have seen a marked

improvement in service and continue to monitor the system on a daily basis to ensure that improvement continues.

We remain committed to ensuring the rights and needs of those who require interpreters are safeguarded as well as ensuring value for tax payers across the justice system.

- *Curfew and Tagging Orders*

One region has reported a weakness in compliance with the process for reporting a curfew and tagging order to the necessary authorities. As a result, one defendant was not tagged or placed under curfew and subsequently went on to commit a further serious offence. Urgent arrangements were put in place through Cluster Managers and Justices' Clerks to ensure that arrangements were operating effectively elsewhere. Guidance was reinforced for appropriate staff at team briefings.

- *The Government Banking Scheme (GBS)*

The introduction of the GBS system has enabled HM Courts & Tribunals Service to improve controls around the reporting and reconciliation of financial transactions in Crown and county courts. However, feedback from external auditors and a subsequent Internal Audit of the system identified opportunities to improve the reconciliation process and to further tighten controls through better guidance and staff training. A training needs analysis has been conducted and courts will receive additional training in order to identify the extent of any issues and to ensure proper reconciliation of internal returns.

Health Safety and Security (HS&S) Risks

Management of these risks is led through a dedicated team of HS&S professionals. Following the integration of the two former agencies an assessment was undertaken by the HS&S team of the processes in place for security and safety management and a rating was given at amber/red. A subsequent internal audit review confirmed this rating which indicates weaknesses in control that require prompt attention. The issues relate mainly to transitional restructure points with a lack of clarity over new roles and responsibilities and some lack of join up in legacy assurance systems operating in the two previous Agencies. The Audit Committee was alerted to the issues and urgent work to embed new roles and to fully integrate the assurance processes is now almost complete.

HM Courts & Tribunals Service was issued with two Improvement Notices by the Health and Safety Executive (HSE) last year with regards to failure of its Estates personnel to adequately manage asbestos within its premises. HM Courts & Tribunals Security & Safety members met with the HSE and informed them of the actions taken to ensure that similar failures will not occur again. As a result the HSE regard the Improvement Notices as complied with.

Wider estates services are provided to HM Courts & Tribunals Service through Estates Directorate of the MoJ. We are awaiting confirmation from Corporate MoJ that all actions required of Estates by the Improvement Notices have been addressed.

HM Courts & Tribunals Service HS&S team are working hard to address issues that have been highlighted in local self-assessments of security and safety and through regional management teams. Key work streams have been established and will include a relaunch of a fully reviewed and streamlined HS&S policy in time for the

new financial year. In addition, audits are to be undertaken and prioritised for those premises where existing arrangements are seen as weaker. There will be a new programme of regional based audits and we will work with our external providers to ensure that the new Total Facilities Management contract is aligned with our HS&S processes.

The Audit Committee and the Health and Safety Committee will be kept updated on progress.

Information Assurance

HM Courts & Tribunals Service is committed to ensuring public data is appropriately protected and work is on-going in these areas to ensure the agency fulfils its obligations to the public. The organisation has information assurance arrangements in place. The Information Assurance Team leads and directs Information Assurance to ensure compliance with the mandatory government standards set out in the Security Policy Framework. There has been work underway during this year to ensure we are compliant with these requirements.

Key controls that we have in place to manage our information assurance responsibilities include:

- The appointment and training of the HM Courts & Tribunals Service Senior Information Risk Owner.
- Staff annual mandatory Information Assurance training completed.
- All new staff are required to complete compulsory Information Assurance induction training.
- Mandatory signing of HM Courts & Tribunals Service Data Sharing Agreements by other government departments and Research Bodies bound by law to share personal information entrusted to us.
- On-going compliance review visits by the Information Assurance Team to courts and tribunals to review the effectiveness of policies, guidance, procedures and processes to determine whether further actions are needed to be taken, processes and guidance updated or amended and/or if further Information Assurance training is required.
- Mature management of data incidents that ensures data losses are reported, escalated and dealt with at the appropriate level within the agency.

There are a number of areas where we have identified that we are not compliant with the Security Policy Framework. This is again largely due to the change and restructuring. Key issues include:

- Named individuals are yet to be assigned to our information assets. The responsibilities of this role are currently being covered by the Delivery Directors.
- The quarterly information risk assessments considering the confidentiality, integrity and availability of information assets did not take place. However, information risk assessments were undertaken by Centre Managers and Tribunals Managers on an ad hoc basis.
- The creation of an Information Assurance Board to undertake dedicated and regular review of the agency's Information Assurance policies, procedures and guidance is under consideration.

During the reporting year there were no significant data loss incidents that needed reporting to the Information Commissioner. All data losses have been dealt with in accordance with our reporting arrangements, including reporting through to ministers where appropriate. The vast majority of our data loss incidents were losses of Driving Licences during despatch and it should be noted that this actually constitutes less than 0.01% of all licences despatched annually. Although a fractional loss, we are still actively working with a third party to determine the root causes of these losses and how to prevent or minimise the number even further.

Internal Control Framework

HM Courts & Tribunals Service has in place an organisation-wide system of internal control to facilitate the management of risk in accordance with HM Treasury requirements. The system of internal control includes governance structures to support the risk management framework. The key features of the structure, as set out earlier in this statement, have been developed and enhanced throughout the year as the organisation has evolved. In support of that new structure a new risk and assurance reporting framework was set up to ensure risk and control issues were being identified, managed and escalated for attention at the right level.

The MoJ provides a number of services to the agency, to improve value for money and to support the development of consistent professional corporate services. In the areas of HR, IT, Procurement services and Estates management, HM Courts & Tribunals Service draws assurance of adequacy and effectiveness from MoJ. In addition, Directors of HR and IT are members of the new HM Courts & Tribunals Service SMT, reporting directly to the Accounting Officer and Chief Executive providing regular updates on risks and issues within their respective arenas. The Director of Finance and Governance is a substantive member of the MoJ wide Procurement Committee which provides executive level oversight of procurement activity across the whole of the MoJ.

The organisation has in place control processes to provide management with assurance over financial and operational risks. During this year many of these processes have been subject to robust review and development to make them more appropriate for the new streamlined and leaner organisation. These processes are set out below.

I agreed a programme of Internal Audit reviews with the MoJ Head of Internal Audit. The Audit programme was based on a joint assessment of the HM Courts & Tribunals Service Risk Register with additional scrutiny of areas most vulnerable because of the restructure.

- The HM Courts & Tribunals Service Assurance Programme is a tool for operational managers to measure and self assess assurance on key processes and controls within their remit. This process was in place for the former HM Courts Service and during the early part of this reporting year was extended to encompass the former Tribunals Service, providing a consistent approach to self assessment and assurance across the organisation. Much work has also been undertaken under the remit of the GWG, to develop and enhance the tool making it more relevant to the streamlined organisation. Following very positive feedback formal rollout of this superior tool will be during the new reporting year.
- The Compliance Control Framework which operated in the former Tribunals Service and was retained for the first quarter of the reporting year before a transition to the HM Courts & Tribunals Service Assurance Programme reporting tool. Staff were trained in the principles and its use prior to its roll-out.

- Statements on Internal Control were in place for managers of courts in the former HM Courts Service and compliance control certificates for the former Tribunals Service. To provide for consistency and reduce the burden for front line operations the formalised Statements on Internal Control process was removed and replaced with a new certification process that reduced administration and supported the new cluster structure. The newly created Statement of Assurance and Compliance enables sign off by managers to confirm that procedures for assurance are in place and also provides for visible escalation of risks and issues as appropriate.
- Health, safety and security risk and assurance processes which were based on bringing together of the processes in place for the former HM Courts Service and former Tribunals Service. A review of these arrangements is set out earlier within this statement.
- A series of fraud risk management policies designed to prevent and detect fraudulent activity. HM Courts & Tribunals Service has representation on the MoJ organisation wide Counter Fraud Group and a new counter fraud strategy has been developed which will be implemented for the new reporting year.
- The provision and review of regular management information including regular reviews by management of financial and operational reports indicating performance against forecasts.
- Financial and administrative procedures including delegations of financial authority and segregation of duties on key financial processes.

Value for money reviews

In November 2011 the NAO reported on HM Courts & Tribunals Service management of its income (including fines and penalties income which HM Courts & Tribunals Service collects on behalf of third parties) through its Financial Management Report 2011 on the MoJ (HC 1591, Session 2010-12). The NAO issued an overall recommendation that the MoJ should make more progress dealing with the strategic difficulties that hinder improvements in collecting fees, fines and assets under confiscation orders. These points are explained below along with a summary of recent progress and ongoing efforts by HM Courts & Tribunals Service in each area.

On fee income – the NAO reported that the MoJ did not have a full understanding of how changes in fee levels affected demand, and highlighted the decrease in fee recovery levels for HM Courts Scervice' civil fees from 82% in 2009-10 to 80% in 2010-11. As reported in note 6.2, the equivalent rate for 2011-12 has improved considerably to 85% due both to increased fee income and reductions in the related costs. HM Courts & Tribunals Service has a strategy in place to recover its costs fully in respect of chargeable business streams by 2014-15 (excluding the impact of statutory remissions).

On fine collections – the NAO noted that the Public Accounts Committee (PAC) has criticised the MoJ's principle measure of performance in fine collection, which calculates how much is collected as a percentage of fines levied in year, on the basis that much of the income collected relates to previous years. HM Courts & Tribunals Service has now developed three new measures for fine collection performance which are reported to the Departmental Board, these now form part of the MoJ published statistics and were first published as 'experimental statistics' in the Court Statistics Quarterly Report - Oct- Dec 2011 on 29 March 2012.

On confiscation order collections – the NAO noted HM Courts & Tribunals Service role as one of several lead enforcement agents for confiscation orders, which are reported on in total in the HM Courts & Tribunals Service Trust Statement, and the fact that there has been little change in the amount of confiscation orders collected despite a rising balance of debt. As the NAO describe, this is due to a variety of factors including large one-off confiscation orders in 2010-11; the continued accrual of interest on outstanding orders; and legislative restrictions which prevent HM Courts & Tribunals Service from writing off orders which it considers irrecoverable. HM Courts & Tribunals Service continues to work with its partners in the criminal justice system in this complex area to improve both the quality of information held in respect of confiscation orders on the Joint Asset Recovery Database, and overall collection performance.

Further information on fee income is included at note 6 to the accounts. Fines and penalties (including confiscation orders) are not reported in the financial statements since they are collected on behalf of third parties, but further information on these is available in the HM Courts & Tribunals Service Trust Statement.

4 Oversight and Assurance

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of my executive managers who have responsibility for the development and maintenance and reporting of the internal control framework, together with observations made by the external auditors in their management letters and other reports.

The MoJ's Internal Audit and Assurance Division are engaged to provide a programme of internal audit across HM Courts & Tribunals Service activities. As a result of the restructuring within HM Courts & Tribunals Service and the wider ministry, the plan agreed with Internal Audit and Assurance Division slipped and it was necessary to reschedule resources so that the most significant risk areas were prioritised for attention. Internal Audit and Assurance Division delivered a revised programme of audits with appropriate reports and feedback to management and to the Agency's Audit Committee.

The Board is updated on the risk profile and effectiveness of the systems of internal control through the receipt of minutes from the Audit Committee, through a review of the HM Courts & Tribunals Service performance reports and through direct feedback from the Chair of the Audit Committee. The Board is also provided with the risk register on a six monthly basis.

My immediate Directors provide me with quarterly Statements on Internal Control, which included control issues raised by directorate and regional management teams, and escalated and reviewed by senior management teams. These statements included reporting on sources of internal control and this in turn provided assurance of management's compliance with operational policies, procedures and established key controls. The Assurance Programme which reports compliance issues at the operational level was in place across the former HM Courts Service and subsequently successfully rolled out to offices in the former Tribunals Service.

I acknowledge that the organisation has undergone a substantial period of change this year, which included staff transitioning into and out of posts, reduced resource in line with the streamlined structure and the loss of some experience. This resulted in the potential risk that some established control processes could have been diluted. My SMT and regional management teams have been fully sighted on these issues

deploying resources as effectively as possible to effectively address and mitigate the key areas.

The Audit Committee oversees the adequacy and effectiveness of the risk management processes and the system of internal control for the organisation. The Committee regularly reviewed the corporate risk register and the production of the Annual Report and Accounts for the Agency. The Audit Committee Chair has free and confidential access to the MoJ Audit Committee Chair, the Internal Audit and Assurance Division and the external auditors as required.

Internal Audit Overview and Report

The Head of Internal Audit has produced an annual report summarising the results of audit activity. The auditors have identified weaknesses in a number of systems. Although some of these, for example, banking and resulting, have been weak for some years, with little action having been taken to remedy the weaknesses, the new Chief Executive appears committed to ensuring that the action plans agreed following our audits this year are fully implemented. Other systems were weak because they have not been developed to reflect the new Agency.

It is in the context of the significant amount of change taking place in the Agency, our focus on key risks and on those areas that were considered by both management and internal audit to be vulnerable, that I am only able to give a limited assurance on the adequacy of the Agency's risk, control and governance arrangements.

5 Significant Control Issues

Through the course of assurance activity the following issues have been identified as significant to the organisation. I am confident that each of the control issues has been subjected to rigorous review and that comprehensive action plans are in place to address identified weaknesses.

Resulting processes - A member of staff from a magistrate's court was found guilty under the Bribery Act. The individual has been dismissed, and two additional staff members have been suspended. A number of internal reviews and audits were completed to fully review the effectiveness of existing controls. As a result, revised mandatory instructions were issued to all courts and changes made to improve IT systems. All other actions identified in the audit work are either complete or on target. A lessons learned exercise was completed with a report issued to Delivery Directors and Cluster Managers.

Weaknesses in information reported to Driver and Vehicle Licensing Agency (DVLA) - A joint review of communications between DVLA and HM Courts & Tribunals Service revealed that alcohol levels for some drink driving convictions were not provided to DVLA by the courts affecting some 262,225 driver records going back over 20 years. As a result, it was possible that driving licences were reissued to individuals whose ban had expired, but without them undergoing legally required medical tests. We have implemented IT changes which mean that the courts will not allow drink driving cases to be resulted without a valid alcohol level having been provided. Furthermore, new operational guidance has been issued to staff who deal with these cases. HM Courts & Tribunals Service and the police are working together urgently to identify the correct alcohol readings for the missing alcohol readings in line with records retention policies and time limits set under the Rehabilitation of Offenders Act 1974. Any further High Risk Offenders identified from these will be required to undergo a medical assessment by DVLA. This work has now been completed and we have agreed with DVLA to end this exercise at the end of June 2012.

IT Case Management System Review - The HM Courts & Tribunals Service Change and Modernisation sub-Committee carried out a review of all in-flight change projects inherited from the previous Agencies to validate costs and benefits. The review highlighted concerns about an over-running IT project aimed to provide a new case management system for the commercial court. The HM Courts & Tribunals Service Board agreed with the recommendation that the project was unlikely to deliver its planned benefits without significant rework and that future spend on the project would represent very poor value for money. The Board agreed to write off the capital investment in the project up to the value of £5.2m.

A new project to deliver a more flexible case management system capable of being deployed more widely across HM Courts & Tribunals Service has been commissioned.

The review and the decision to avoid spend that represents poor value for money is evidence of the much tighter governance over investment decisions introduced with the HM Courts & Tribunals Service portfolio management approach.

Ongoing Investigations - We have officers dedicated to managing and investigating fraud and irregularity incidents. There were relatively few in number in total across the organisation but there are a small number of cases deemed more significant which continue to be investigated in conjunction with the police, including a number of instances reported in previous years' Statements on Internal Controls where investigations are continuing. Further information however cannot be disclosed as to do so may prejudice these investigations.



Peter Handcock CBE
Chief Executive and Accounting Officer

2 July 2012

Attendance at HM Courts & Tribunals Service Board and Committees

Table 1: - HM Courts & Tribunals Service Board

Members	No. meetings attended out of a possible 9
Robert Ayling – Independent Chairman	8
Francis Dobbin – Non Executive Member	9
Alison White – Non Executive Member	9
Lord Justice Carnwath – Senior President of Tribunals	7
Lord Justice Goldring – Senior Presiding Judge	8
District Judge Michael Walker – Judicial Member	7
Peter Handcock – Chief Executive	9
Steve Gillespie – Finance Director	8
Shaun McNally – Director of Crime	9
Kevin Sadler – Director of Civil, Family and Tribunals	9

- *Other members of the SMT attend the Board regularly as the business agenda dictates.*
- *External Auditors have also attended to observe governance in practice*

Table 2: HM Courts & Tribunals Service Change and Modernisation Sub Committee

Members	No. meetings attended out of a possible 8
Director of Strategy and Change - Chair	7
Deputy Director of Strategy and Change	8
Finance Director	7
HR Director	7
IT Director	8
District Judge – Judicial Representative – Courts	8
Judicial Representative – Tribunals	4
Director of Civil, Family and Tribunals (or representative)	8
Delivery Director for the South East	6
Deputy Director of Crime (or representative)	8
Alison White – Non Executive Member	1 (out of a possible 3 from January 2012)

Other members of executive management attend as required.

Table 3: HM Courts & Tribunals Service Audit Committee

Members	No. meetings attended out of a possible 3
Francis Dobbyn – Non Executive – Chair	3
Alison White – Non Executive Member	3
District Judge Michael Walker – Judicial Member	3
Judge Colin Bishopp – Judicial Committee Member	1
Regular Attendees	
Peter Handcock – Chief Executive	2
Steve Gillespie – Finance Director	3
Hannah Witty – Head of Governance and Assurance	3
Gary Spooner – Head of Operational Assurance and Compliance	2
Joyce Drummond Hill – Head of Internal Audit and Assurance (or representative)	3
National Audit Office and Pricewaterhouse Coopers Audit Team.	3

Table 4: HM Courts & Tribunals Service Health and Safety Committee

Members and Attendees	No. meetings attended out of a possible 4
Finance Director - Chair	3
Representative North East Region	2
Representative North West Region	1
Representative Midlands Region	2
Representative South East Region	2
Representative South West Region	2
Representative London Region	3
Representative for Wales	3
Departmental Trade Union Side – 4/5 representatives	4
Head of Health, Safety and Security	2
Health, Safety and Fire Officer	4
Health, Safety and Fire Officer	4
Security Officer	1
Representation MoJ Estates	2

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.

Board members' Remuneration report

The Remuneration report has been prepared in accordance with the requirements of the Government Financial Reporting Manual (FReM) as issued by HM Treasury.

The Prime Minister sets the remuneration policy of senior civil servants following independent advice from the Senior Salaries Review Body. The salaries of HM Courts & Tribunals Service Board members were set following discussions between the Permanent Secretary of the Ministry of Justice and his Director Generals in accordance with the rules of the Civil Service Management Code.

HM Courts & Tribunals Service does not have a Remuneration Committee. The key functions of this Committee are dealt with through the MoJ Workforce Committee.

The following sections provide details of the remuneration and pension interests of HM Courts & Tribunals Service Board members who served during 2011–12. All Board members were appointed on 1 April 2011 and remained in position at 31 March 2012. The merger of HM Courts Service with the Tribunals Service on 1 April 2011 has been accounted for using merger accounting principles. Therefore the 2010–11 disclosures for the remuneration payments to HM Courts Service Board Members and the Tribunals Service Management Board have been presented in the following sections.

Table 1 – Remuneration payments to HM Courts & Tribunals Service Board members during the period 1 April 2011 to 31 March 2012

Name	Board member role	Salary £'000	Bonus Payments £'000	Benefits in kind £'000
Robert Ayling	Independent Chairman	15 - 20	Nil	Nil
Peter Handcock	Chief Executive	140 – 145	10 – 15	0.5 – 0.6
Steve Gillespie	Director, Finance and Governance	80 – 85	5 – 10	Nil
Shaun McNally	Director, Crime	80 – 85	5 – 10	Nil
Kevin Sadler	Director, Civil Family & Tribunals	95 – 100	5 – 10	Nil
Alison White	Non Executive Director	5 – 10	Nil	Nil
Francis Dobbyn	Non Executive Director	5 – 10	Nil	Nil
Lord Justice Carnwath Resigned 16 April 2012	Senior President of Tribunals	Nil ¹	Nil ¹	Nil ¹
Lord Justice Goldring	Senior Presiding Judge	Nil ¹	Nil ¹	Nil ¹
District Judge Michael Walker	Judicial Representative	Nil ¹	Nil ¹	Nil ¹
Band of Highest Paid Director's Total Remuneration			£140,000 - £145,000	
Median Total Remuneration			£19,800	
Ratio			8.0	

¹ Judicial members are remunerated as judges and received no additional payments as directors of HM Courts & Tribunals Service.

Table 2 Remuneration payments to HM Courts Service Board members during the period 1 April 2010 to 31 March 2011

Name	Board member role	2010-11 Salary £000	Full year salary equivalent £000	2010-11 Bonuses £000
Sir Duncan Nichol CBE	Chairman (to 31 March 2011)	45 – 50	45 – 50	Nil
Chris Mayer CBE	Chief Executive (to 30 September 2010)	60 – 65 ¹	125 – 130	Nil
Peter Handcock CBE ²	Access to Justice Director-General, Ministry of Justice Representative (to 30 September 2010); Chief Executive (from 1 October 2010 to 31 March 2011)	70 – 75	140 – 145	5 – 10
Owen Mapley	Finance Director (to 30 November 2010)	60 – 65	90 – 95	5 – 10
Steve Gillespie	Finance Director (from 1 December 2010 to 31 March 2011)	25 – 30	80 – 85	Nil
Alan Eccles	Regional Director (Board Member to 31 March 2011)	140 – 145	140 – 145	5 – 10
Clare Pillman	Regional Director (Board Member from 1 June 2010 to 7 March 2011)	60 – 65	80 – 85	Nil
Anita Bharucha	Programme Director, Courts and Tribunals Integration Programme, Ministry of Justice Representative (from 1 October 2010 to 1 March 2011)	Nil ³	Nil ³	Nil ³
Jonathan Booth	Director, Criminal Justice Reform, Ministry of Justice Representative (from 2 March to 31 March 2011)	Nil ⁴	Nil ⁴	Nil ⁴
Guy Beringer QC	Non Executive Director (to 31 March 2011)	10 – 15	10 – 15	Nil
Kenneth Ludlam	Non Executive Director (to 31 March 2011)	10 – 15	10 – 15	Nil
District Judge Michael Walker CBE	Judicial Member (to 31 March 2011)	Nil ⁵	Nil ⁵	Nil ⁵
Lord Justice Goldring	Judicial Member (to 31 March 2011)	Nil ⁵	Nil ⁵	Nil ⁵
His Honour Judge William Kennedy	Judicial Member (to 31 March 2011)	Nil ⁵	Nil ⁵	Nil ⁵
Band of Highest Paid Director's Total Remuneration		£140,000 – £145,000		
Median Total Remuneration		£19,580		
Ratio		7.8		

No Board members received any benefits in kind during 2010-11.

Notes:

¹ In addition to the salary amounts shown above, Chris Mayer CBE received a payment in lieu of notice on departure within the range of £30,000 to £35,000 and a payout of accrued leave entitlements within the range of £10,000 to £15,000.

² Peter Handcock CBE sat on the HMCS Board as the formal representative of the MoJ during 2009/10. Remuneration details for this period are disclosed separately within the MoJ resource accounts.

³ Anita Bharucha sat on the HMCS Board as the formal representative of the MoJ. Remuneration details are disclosed separately within the MoJ resource accounts.

⁴ Jonathan Booth sat on the HMCS Board as the formal representative of the MoJ. Remuneration details are disclosed separately within the MoJ resource accounts.

⁵ Judicial members are remunerated as judges and received no additional payments as directors of HMCS.

Table 3 Remuneration payments to Tribunals Service Management Board members 1 April 2010 to 31 March 2011

Name	Board member role	2010-11 Salary £000	Full year salary equivalent £000	2010-11 Bonuses £000
Kevin Sadler	Chief Executive	95 – 100	95 – 100	5 – 10
Nick Chibnall	Policy Director	85 – 90	85 – 90	Nil
Joy Coles	Change Programme Manager	60 – 65	60 – 65	0 – 5
Dennis Collins	Acting Director, Finance & Resources	70 – 75	70 – 75	Nil
Norman Egan	Regional Director, North (until 10 October 2010) Director, Scotland (from 11 October 2010)	35 – 40	75 – 80	0 – 5
Paul Stockton	Director of Tribunals Judicial Office	85 – 90	85 – 90	0 – 5
Guy Tompkins	Regional Director, South (to 10 October 2010), Director of Operations (England & Wales) (from 11 October 2010)	70 – 75	70 – 75	5 – 10
Paul Shipley	IT Director	115 – 120	115 – 120	5 – 10
Chris Ball	Director of Human Resources	90 – 95	90 – 95	Nil
Greg Watkins	Head of Operational Support	70 – 75	70 – 75	0 – 5
John Butler	Non Executive Director	5 – 10	5 – 10	Nil
Howard Cressey	Non Executive Director	10 – 15	10 – 15	Nil
Francis Dobbyn	Non Executive Director	0 – 5	0 – 5	Nil
Band of Highest Paid Director's Total Remuneration		£115,000 - £120,000		
Median Total Remuneration		£19,098		
Ratio		6.4		

No Board members received any benefits in kind during 2010-11.

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; and any ex-gratia payments. 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 the Department and thus recorded in these accounts.

Bonuses

Bonuses are based on performance levels attained 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. The bonuses reported in 2011-12 relate to performance in 2010-11 and the comparative bonuses reported for 2010-11 relate to the performance in 2009-10.

Benefits in kind

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

Third party payments

There were no amounts payable to third parties in respect of members of the HM Courts & Tribunals Service Board in 2011-12.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

Banded remuneration of the highest-paid director

The banded remuneration of the highest-paid director in HM Courts & Tribunals Service in the financial year 2011–12 was £155–160k which includes salary of £140–£145k and bonus payments of £10–£15k (2010–11, HMCS: £150–155k, TS: £120-125k). This was 8.0 times (2010–11, HMCS: 7.8, TS: 6.4) the median remuneration of the workforce, which was £19,800 (2010–11, HMCS: £19,580, TS: 19,098). In 2011-12, no (2010-11, HMCS: nil, TS: nil) employees received remuneration in excess of the highest-paid director.

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

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 three 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 www.civilservicecommission.org.uk

Name	Contract start date	Unexpired term	Notice period
Robert Ayling	1 April 2011	3 years	1 month
Peter Handcock	4 January 1971	To retirement	3 months
Steve Gillespie	22 November 1976	To retirement	3 months
Shaun McNally	17 December 1985	To retirement	3 months
Kevin Sadler	10 September 1984	To retirement	3 months
Alison White	1 April 2011	2 years	1 month
Francis Dobbyn	1 April 2011	2 years	1 month
Lord Justice Carnwath ¹	N/A	N/A	N/A
Lord Justice Goldring ¹	N/A	N/A	N/A
District Judge Michael Walker ¹	N/A	N/A	N/A

Notes:

¹ Judicial members do not operate under contracts.

Pension Benefits

Table 4 – HM Courts & Tribunals Service Board members' pension benefits and the cash equivalent transfer values (CETV) of those benefits during and at the end of the financial year.

Name	Accrued pension at pension age as at 31/3/12 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/12 £'000	CETV at 31/3/11 Restated £'000	Real increase in CETV £'000
Robert Ayling Independent Chairman	N/A	N/A	N/A	N/A	N/A
Peter Handcock Chief Executive	90 – 95 plus nil lump sum	(2.5) – 0 plus (2.5) – 0 lump sum	1,825	1,724	(50)
Steve Gillespie Director, Finance and Governance	35 – 40 plus 110 – 115 lump sum	2.5 – 5 plus 7.5 – 10 lump sum	708	604	52
Shaun McNally Director, Crime	25 – 30 plus 80 – 85 lump sum	(2.5) – 0 plus (2.5) – 0 lump sum	397	371	(7)
Kevin Sadler, Director, Civil Family & Tribunals	30 – 35 plus 100 – 105 lump sum	(2.5) – 0 plus (2.5) – 0 lump sum	589	550	(10)
Alison White	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Francis Dobbyn	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Lord Justice Carnwath Senior President of Tribunals	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
Lord Justice Goldring Senior Presiding Judge	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
District Judge Michael Walker Judicial Representative	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²

Notes:

¹ No pension contributions are made on behalf of HM Courts & Tribunals Service non-executive Board members.

² Judicial members are remunerated as judges and received no additional pension entitlements as directors of HM Courts & Tribunals Service.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). 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** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. 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 three 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 his 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. 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). No members of the HM Courts & Tribunals Service Board were members of the partnership pension account.

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** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

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. A 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 Schemes (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.

The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31.3.11 and 31.3.12 have both been calculated using the new factors for consistency. The CETV at 31.3.11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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.

A handwritten signature in black ink, appearing to read 'Peter Handcock'.

Peter Handcock CBE
Chief Executive and Accounting Officer
2 July 2012

Sustainability Report 2011-12

Introduction

It is now mandatory for all central government bodies that produce Annual Reports and Accounts in accordance with the Government Financial Reporting Manual to include a discrete section of sustainability information and related costs.

This is our first sustainability report. It forms the complete HM Courts & Tribunals Service Sustainability Report as well as part of the MoJ consolidated report in the Annual Report and Accounts.

We focus on the environmental challenges that most affect our estate. This includes environmental impact of our energy and water use, waste generation and recycling together with the costs associated with each of these. Our priority is to reduce our utility consumption.

HM Courts & Tribunals Service recently established a carbon management plan blueprint in collaboration with the Carbon Trust. The plan is a systematic approach to reducing Greenhouse Gas emissions - integrating technical, regulatory, financial, corporate governance and communications within an overarching strategy. The plan follows the Carbon Trust's nationally recognised framework for effective carbon reduction.

The carbon management plans and statements will be kept under review and open to amendment in order to facilitate a continued swathe of actions and targets to meet our statutory and mandatory obligations for climate change adaptation.

Scope

HM Courts & Tribunals Service was formed in April 2011 from the merging of HM Courts Service and the Tribunals Service. The agency's estate is diverse, containing over 700 occupations with a variety of functions throughout England and Wales including courts, Judges Lodgings and administrative. In addition, certain tribunals in Scotland fall under the governance of HM Courts & Tribunals Service. Police Authorities and Probation Trusts occupy space within many of our buildings.

Scope exclusions

Within our estate there are a number of shared or tenanted buildings where sufficient data with respect to sustainability is not available. In these instances, we have made an estimate based upon an average cost per unit of energy, waste or water.

Fugitive emissions are of limited coverage at this stage. Systems are now in place to gather this data but historic data is unavailable.

Greening Government Commitments

The Greening Government Commitments commenced on 1 April 2011 and replaced the Sustainable Operations on the Government Estate targets. The Greening Government Commitments is the primary government target and energy efficiency driver – the commitments require HM Courts & Tribunals Service to reduce carbon emissions 25% by 2014-15 (compared to a 2009-10 baseline). These commitments can be found at <http://sd.defra.gov.uk/gov/green-government/commitments/>.

The 2009-10 baseline figures are under review at this time and MoJ is working with the Cabinet Office and DEFRA in order to confirm the baseline.

Carbon Reduction Commitment

Carbon Reduction Commitment is managed by the MoJ although associated carbon allowances are accrued by each reporting department including HM Courts & Tribunals Service. The budget accrual associated with Carbon Reduction Commitment allowances for HM Courts & Tribunals Service in 2011-12 is £1,428,000 (based on last year's consumption).

Climate Change adaptation and mitigation

The MoJ Sustainable Development Delivery Team (SDDT) has drafted a Statement for Climate Change Adaptation; and set their built and non-built estate challenging objectives, which will focus on and address the following four areas:

- To enable the MoJ estate to evaluate risks to its strategy for programme delivery on vulnerable flood plains and evaluate its baseline for future adaptation of its targets and actions against climate change.
- To enable the MoJ estate to prioritise its management of high risk sites and where necessary divert and recalculate important and fragile resources where they are essentially vital to operational delivery.
- Identifies where its stakeholders and central partners need to act to facilitate further or additional actions to protect against climate change.
- Establish a strategic process in which MoJ can put in place measures necessary to adapt to future climate change.

These plans and statements will be kept under review and open to amendment in order to facilitate a continued swathe of actions and targets to meet our statutory and mandatory obligations for climate change adaptation.

Biodiversity action planning

The MoJ SDDT has now implemented a strategy for Biodiversity across the MoJ estate to deliver against the Greening Government Transparency Targets. All sites on the MoJ estate that have designated sites either by right of ownership or neighbouring designated sites are continuing to deliver Biodiversity Action Plans.

To date MoJ has 30 Biodiversity Action Plans in place at its nationally designated sites. An ongoing process to audit these plans is also in place, which is now monitored through a data information team; and the site audits are now conducted by Area Biodiversity Coordinators.

The MoJ estate is now a member of the National Biodiversity Network (NBN), which is administered through the SDDT. The Total Facilities Management contract is fully aware of biodiversity legislation through communications with the MoJ SDDT and their own internal protocols.

Governance and internal assurance

The MoJ has established clear governance protocols and responsibilities regarding Sustainability Reports. This highlights key stakeholders and their responsibilities as well as referring to guidance, highlighting internal procedures and identifying the main reporting areas. Overall governance and assurance is managed by MoJ Financial Planning with assurances delivered by the MoJ Sustainable Development Delivery team.

About our data

There are limitations to the accuracy of our financial and non-financial sustainability data and we continue to improve the quality of our internal controls, for example through internal audit. The data gathering process is designed to provide oversight and assurance with regards to the

Sustainability Report. Each department within the MoJ produces, and approves, independent Sustainability Reports which are reviewed and then aggregated into a corporate Report.

Sustainable procurement

The MoJ has recently signed-up as a main 'signatory' to the Hospitality and Food Service Sector Voluntary Agreement, (a DEFRA initiative designed to tackle food waste issues) and will be considering the most appropriate strategy to encourage existing and future catering service providers to endorse the Agreement, with regard to Government Buying Standards.

Sustainable construction

All major refurbishments and new builds are required to be Building Research Establishment Environmental Assessment Method (BREEAM) assessed to a standard of 'very good' for refurbishments and 'excellent' for new builds. In addition the department is committed to reducing construction waste to landfill and ensures that all major refurbishment and new build projects have clauses requiring details on waste streams.

Social and environmental awareness

The MoJ SDDT has drafted a statement for social and community partnership, which also encourages external partnerships to promote learning and skills training in all areas of sustainable development work streams. The MoJ SDDT has also implemented initiatives for its lead and central partners to enter Memorandum of Understandings, which promote restorative justice, reduce reoffending; and support further progress towards UK sustainable development strategy targets.

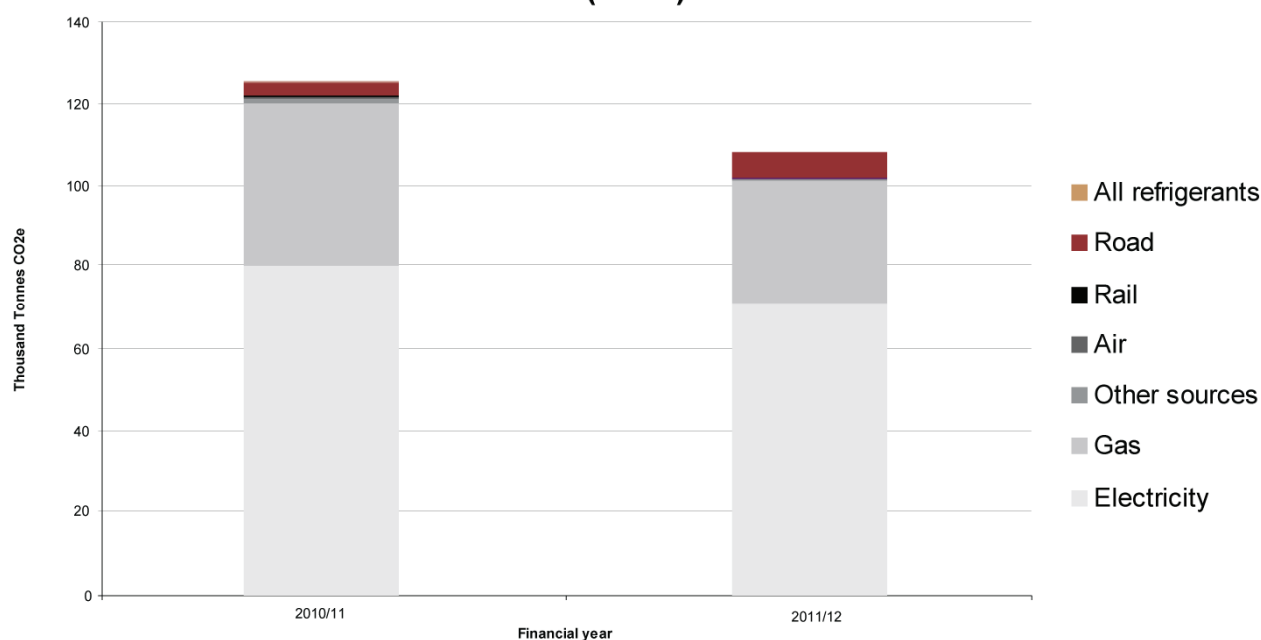
Environmental management system

The MoJ Sustainable Delivery Team has an on-going programme of implementing an Environmental management system and is looking to develop a more streamlined system that fully meets the requirements while reducing resource impacts on front line services.

Greenhouse Gas Emissions		2010-11	2011-12
Non-Financial Indicators (tCO2e)	Total gross emissions for scopes 1 & 2	121,987	103,936
	Electricity: green/renewable ¹¹	19,688	14,046
	Total net emissions for scopes 1 & 2	102,299	89,890
	Gross emissions scope 3 travel	3,394	3,920
	Total gross reported emissions	125,381	107,856
Non-Financial (mWh)	Electricity: PURCHASED. Grid, CHP & non-renewable	146,753	135,220
	Electricity: renewable	6	6
	Gas	193,177	162,768
	Other energy sources	8,009	1,944
	Total energy	347,946	299,938
Financial indicators	Expenditure on energy	£19,591,000	£22,159,000
	Expenditure on official business travel	£8,011,000	£11,087,000

¹¹Renewables only allow for a reduction in CO2, not kWh.

Greenhouse Gas (GHG) Emissions



Performance commentary (including targets)

HM Courts & Tribunals Service is committed to achieving the Government Greening Government Commitments by 2014-15 (based on a 2009-10 baseline – the agency has yet to establish a baseline for carbon). The above figures show 7% reduction in electricity and 15% reduction in gas based on 2010-11 consumption. This provides a carbon reduction figure for scopes 1 and 2 of over 14% which can be attributed to numerous projects such as courts estate rationalisation, voltage optimisation, awareness campaigns (including the bank holiday switch off campaign) and also the 10% campaign which was successfully completed in May 2011. Many of the best practise and infrastructure improvements established for the 10% campaign continue on a daily basis. The significant reduction in gas can also largely be attributed to the milder winter in the UK during the last year.

Normalised performance (against FTE):

2010-11: 20,777 FTE's & 125,381 tCO₂e = 6.03 tCO₂e per employee. 2011-12 = 19,704 FTE & 107,856 tCO₂e = 5.47tCO₂e per employee.

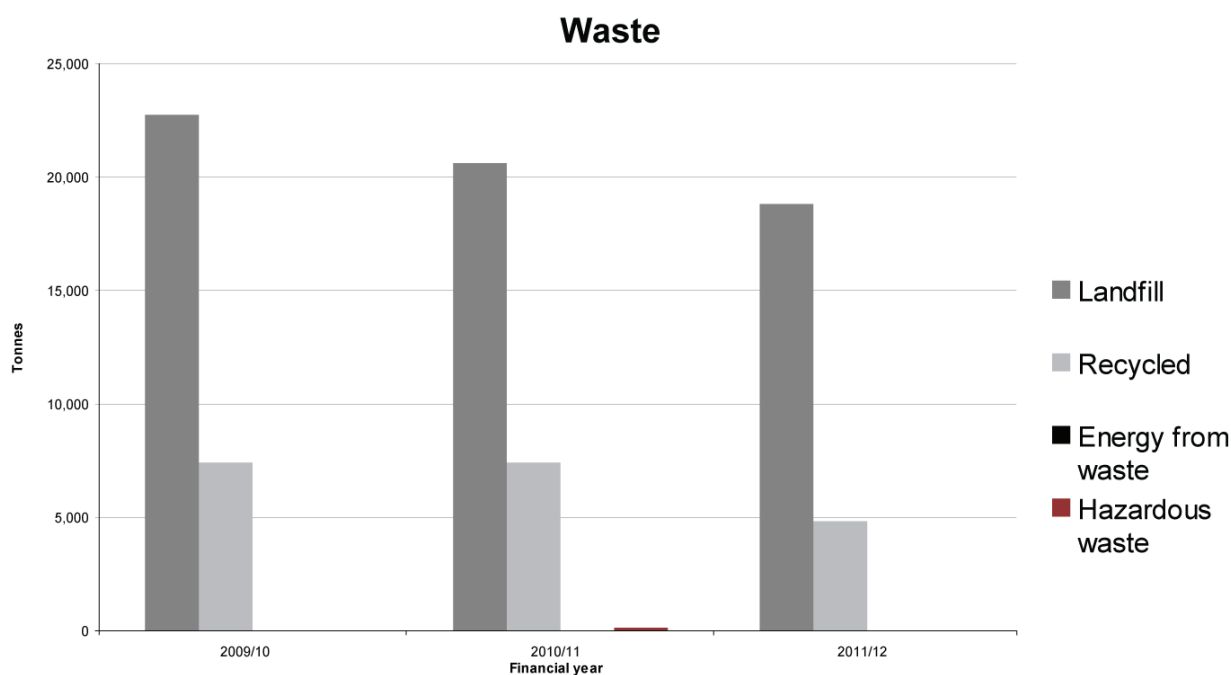
Controllable impacts commentary

Delivering cost and carbon savings remains a priority for HM Courts & Tribunals Service. Sustainable Development matters and energy reduction targets are central to the recently awarded Total Facilities Management contracts. The contracts highlight the GGC 2014-15 targets as a key deliverable.

Overview of influenced impacts

MoJ Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the MoJ Procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Waste			Weight (tonnes)	
			2010-11	2011-12
Non-Financial Indicators (tonnes) ¹²	Hazardous waste	Hazardous waste	136	9
	Non-hazardous waste	Landfill waste	20,627	18,837
		Reused/ recycled waste ¹³	7,396	4,837
		Energy from waste ¹⁴	0	0
		Total waste arising	28,159	23,683
Finance				
			2010-11	2011-12
Financial Indicators ¹⁵	Hazardous waste	Hazardous waste	£1,786,662	£1,805,543
	Non-hazardous waste	Landfill waste		
		Reused/ recycled waste ¹⁶		
		Incinerated waste ¹⁷		
		Total waste costs	£1,786,662	£1,805,543



¹²The minimum requirement is to report absolute values for (administrative and operational including construction) produced by the organisation against the following categories: total waste arising, waste sent to landfill (e.g. residual waste), waste recycled / reused (recycled, composted, internal or external re-used), and waste incinerated / energy from waste (e.g. food waste).

¹³Recycled, composted, internal or external re-used.

¹⁴This includes food waste sent for biogas (i.e. energy from waste).

¹⁵Total expenditure on waste disposal (waste disposal contracts, specialist waste arising and the purchase of licenses for waste) and expenditure against each category.

¹⁶Recycled, composted, internal or external re-used.

¹⁷This includes food waste sent for biogas (i.e. energy from waste).

Performance commentary (including targets)

HM Courts & Tribunals Service waste targets are led by the government's Greening Government Commitments which require a 25% reduction in waste arising by 2014-15 based on 2009-10. HM Courts & Tribunals Service is currently showing a 16% reduction between 2010-11 and 2011-12. Waste costs cover the primary accounts - systems do not currently allow the breakdown of different costings although it is intended this reporting will improve for 2012-13.

Normalised performance (against FTE)

2010-11: 20,778 FTE's & 28,159 tonnes of waste arising = 1.36 tonnes per employee. 2011-12 = 19,704 FTE's & 23,683 tonnes of waste arising = 1.20 tonnes per employee.

Controllable impacts commentary

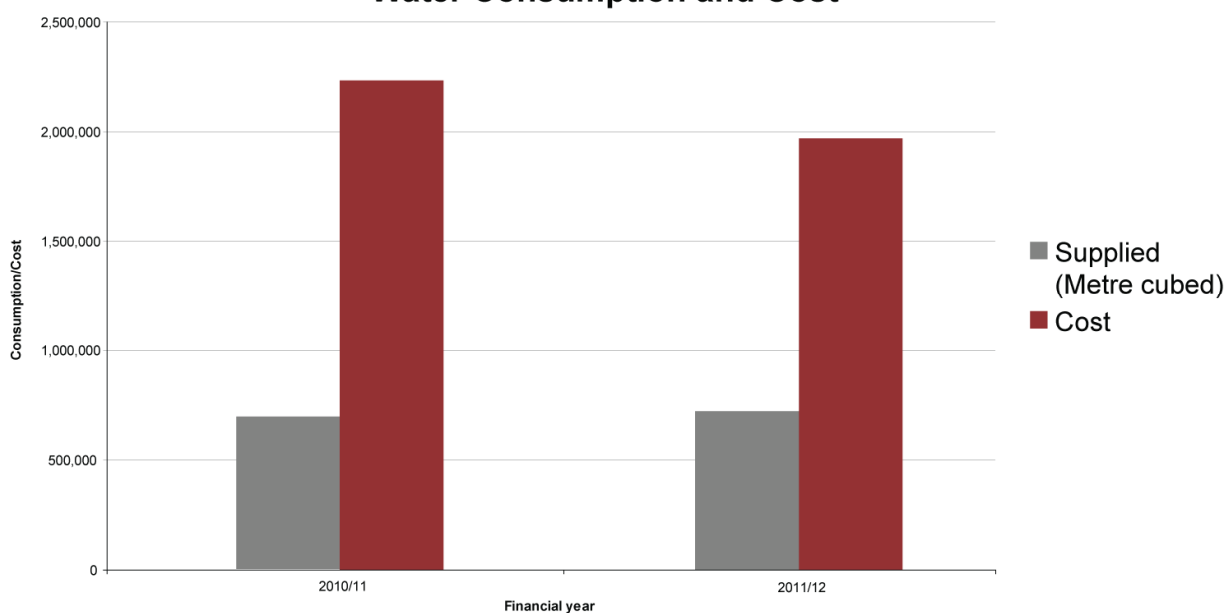
Waste data is gathered via a central management system. The figures are uplifted based on the proportion of offices that supply full monthly data. The 'waste management report' is HM Courts & Tribunals Services' waste monitoring structure which enables accurate reporting and assured reductions monitoring.

Overview of influenced impacts

MoJ Procurement liaise with suppliers to reduce the environmental impact of our operations. Where possible the MoJ procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction. HM Courts & Tribunals Services' staff are also encouraged to reduce landfill in publications such as the 'Green Message'.

Water			2010-11	2011-12
Non-Financial Indicators (cubic metres)	Water consumption	Supplied	655,547	655,650
		Abstracted	0	0
	Total water consumption		655,547	655,650
Financial Indicators	Total water supply costs		£2,241,650	£1,966,138

Water Consumption and Cost



Performance commentary (including targets)

The above data is estimated based on financial returns. HM Courts & Tribunals Services' targets are led by the Government's Greening Government Commitments which require benchmark performance to be established by 2014-15. The target is to reduce water consumption from a 2009-10 baseline, and report on office water use against best practice benchmarks - ≥ 6 m³ water consumption per FTE is defined poor practice, 4m³ to 6m³ per FTE considered good practice and ≤ 4 m³ per FTE is best practice. The department is expected to report the percentage of offices meeting each benchmark.

Controllable impacts commentary

Current water monitoring systems are limited. This matter is a priority. Water consumption figures are available for a portion of the estate based on invoice data - the data available through this process is limited but due to increase. The installation of smart water meters will allow for accurate monitoring and targeting in line with the above reporting requirements.

Overview of influenced impacts

MoJ Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the MoJ procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction. Water reporting systems are due to be upgraded to enhance our monitoring in line with the targets set by government.

Paper	2011-12
Cost excluding VAT	£1,196,000

MoJ commenced use of the mandatory pan-government Government Office Supplies contract in October 2011. Under the terms of the contract, management information data is distributed by the Government Procurement Service and greater detail is expected but is currently unavailable.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of HM Courts & Tribunals Service for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the HM Courts & Tribunals Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by HM Courts & Tribunals Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of HM Courts & Tribunals Service's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Chief Executive's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

4 July 2012

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

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2012

	Notes	2011-12	2010-11 Restated*
		£000	£000
Administration costs:			
Staff and judiciary costs	4	12,705	18,779
Other administration costs	5.1	13,588	16,988
		26,293	35,767
Income	6	-	(23)
Net administration costs		26,293	35,744
Programme costs:			
Staff and judiciary costs	4	1,080,255	1,071,317
Other programme costs	5.1	879,443	1,003,125
Finance costs	5.2	37,313	28,248
		1,997,011	2,102,690
Income	6	(594,623)	(568,577)
Net programme costs		1,402,388	1,534,113
Net operating cost		1,428,681	1,569,857

* The 2010-11 balances have been restated to reflect the merger of HMCS and the Tribunals Service set out in note 2, the prior period adjustment and change in accounting policies set out in note 1.33.

Other Comprehensive Expenditure

	Notes	2011-12	2010-11 restated*
		£000	£000
Net operating cost		1,428,681	1,569,857
Net (gain)/loss on revaluation of property, equipment and investment property		(30,653)	(39,251)
Net (gain)/loss on revaluation of intangible assets		(65)	334
Actuarial gain on pension scheme liabilities	16.3	(19)	(37)
Total comprehensive expenditure		1,397,944	1,530,903

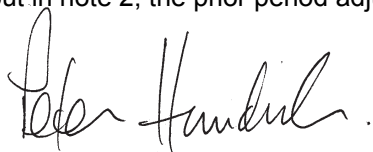
* The 2010-11 balances have been restated to reflect the merger of HMCS and the Tribunals Service set out in note 2, the prior period adjustment and change in accounting policies set out in note 1.33.

The notes on pages 62 to 123 form part of these accounts.

Statement of Financial Position as at 31 March 2012

	Notes	31 March 2012	31 March 2011 Restated*	1 April 2010 Restated*
		£000	£000	£000
Non-current assets				
Property and equipment	7	2,787,832	2,828,845	2,791,458
Investment property	8	950	1,000	1,855
Intangible assets	10	58,465	72,559	77,161
Trade and other receivables	12	114	136	38,982
Operating lease prepayments	18	145	150	154
Total non-current assets		2,847,506	2,902,690	2,909,610
Current assets				
Assets held for sale	9	5,405	20,252	4,103
Trade and other receivables	12	101,431	254,656	103,010
Cash and cash equivalents	13	11,995	60,976	167,773
Total current assets		118,831	335,884	274,886
Total assets		2,966,337	3,238,574	3,184,496
Current liabilities				
Trade and other payables	14	(345,724)	(399,218)	(352,378)
Provisions for liabilities and charges	16	(25,109)	(21,119)	(32,030)
Total current liabilities		(370,833)	(420,337)	(384,408)
Total assets less current liabilities		2,595,504	2,818,237	2,800,088
Non-current liabilities				
Trade and other payables	14	(397,796)	(384,715)	(256,296)
Provisions for liabilities and charges	16	(277,218)	(298,020)	(275,062)
Total non-current liabilities		(675,014)	(682,735)	(531,358)
Total assets less total liabilities		1,920,490	2,135,502	2,268,730
Taxpayers' equity				
General fund		1,667,765	1,887,645	2,050,510
Revaluation reserves		252,725	247,857	218,220
Total taxpayers' equity		1,920,490	2,135,502	2,268,730

*The 2010-11 balances have been restated to reflect the merger of HMCS and the Tribunals Service set out in note 2, the prior period adjustment and change in accounting policies set out in note 1.33.



Peter Handcock CBE
Chief Executive and Accounting Officer
02 July 2012

The notes on pages 62 to 123 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2012

	Notes	General fund	Revaluation reserves	Restated* Total
		£000	£000	£000
Balance as at 1 April 2010		2,050,510	218,220	2,268,730
Funding from the Ministry of Justice		1,108,518	-	1,108,518
Comprehensive expenditure for the year		(1,569,857)	-	(1,569,857)
Notional costs:				
Consolidated fund judicial salaries	15	143,203	-	143,203
External auditors' remuneration	15	514	-	514
Departmental recharge	15	143,007	-	143,007
Notional rent	15	1,783	-	1,783
Other movements		350	-	350
Revaluation of property and equipment		(4,522)	43,773	39,251
Net loss on revaluation of intangibles		-	(334)	(334)
IFRS adjustments		300	-	300
Actuarial gain on pension scheme liabilities	16.3	37	-	37
Reclassification from revaluation reserves		12,875	(12,875)	-
Movement between reserves		927	(927)	-
Balance as at 31 March 2011		1,887,645	247,857	2,135,502
Transfer from other departments		(1,838)	-	(1,838)
Funding from the MoJ		900,700	-	900,700
Comprehensive expenditure for the year		(1,428,681)	-	(1,428,681)
Notional costs:				
Consolidated fund judicial salaries	15	141,962	-	141,962
External auditors' remuneration	15	459	-	459
Departmental recharge	15	139,716	-	139,716
Notional rent	15	1,933	-	1,933
Revaluation of property, equipment and investment property			30,653	30,653
Net gain on revaluation of intangible assets		-	65	65
Actuarial gain on pension scheme liabilities	16.3	19	-	19
Reclassification from revaluation reserves		25,850	(25,850)	-
Balance as at 31 March 2012		1,667,765	252,725	1,920,490

*The balances as at 31 March 2011 and 1 April 2010 have been restated to reflect the merger of HMCS and the Tribunals Service set out in note 2, the prior period adjustment and change in accounting policies set out in note 1.33.

Statement of Cash Flows for the Year ended 31 March 2012

	Notes	2011-12	2010-11 restated*
		£000	£000
Cash flows from operating activities			
Net operating costs		(1,428,681)	(1,569,857)
Adjustments for notional and non-cash transactions	15	478,240	616,888
Finance costs	5.2	37,313	28,248
Decrease/(increase) in trade and other receivables		153,133	(109,570)
(Decrease) in trade and other payables		(54,972)	(6,755)
Utilisation of provisions	16	(52,935)	(36,049)
Net cash outflow from operating activities		(867,902)	(1,077,095)
Cash flows from investing activities			
Purchases of property and equipment	15.2	(95,994)	(97,941)
Purchases of intangible assets	10	-	(11,028)
Proceeds from disposal of property and equipment and assets held for sale		54,930	2,404
Net cash outflow from investing activities		(41,064)	(106,565)
Cash flows from financing activities			
Funding from the MoJ		900,700	1,108,518
Capital element of PFI contracts		(8,926)	(8,926)
Capital element of finance leases		(85)	92
Repayments of Local Authority Loans		(3,121)	(3,293)
Interest paid	5.2	(12,218)	(13,059)
Net cash inflow from financing activities		876,350	1,083,332
(Decrease) in third party balances	14	(16,365)	(6,469)
Net decrease in cash and cash equivalents in the period	13	(48,981)	(106,797)
Cash and cash equivalents as at the beginning of the period	13	60,976	167,773
Cash and cash equivalents as at the end of the period	13	11,995	60,976

* The 2010-11 balances have been restated to reflect the merger of HMCS and the Tribunals Service, the prior period adjustment and change in accounting policies set out in note 1.33.

The notes on pages 62 to 123 form part of these accounts.

Notes to the Accounts for the Year Ended 31 March 2012

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. 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 the particular circumstances of HM Courts & Tribunals Service for the purpose of giving a true and fair view has been selected. The particular policies adopted by HM Courts & Tribunals Service are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

HM Courts & Tribunals Service accounts have been prepared under the historical cost convention modified to account for the revaluation of property and equipment, investment property and intangible assets, inventories and certain financial assets and liabilities.

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

1.2 HM Courts & Tribunals Service Administration and Programme

The Statement of Comprehensive Net Expenditure is analysed between Administration and Programme income and expenditure. The classification of income and expenditure as Administration and Programme follows the definition of administration costs as set out in the Spending Review by HM Treasury. Administration expenditure reflects the costs of running HM Courts & Tribunals Service while programme costs relate to service delivery activities.

1.3 Machinery of Government changes and restatement of comparatives

Machinery of Government changes, which involve the transfer of functions or responsibilities between two or more parts of the public sector/government departments, are required to be accounted for using merger accounting principles in accordance with the FReM. Where material the prior year comparatives are restated as appropriate, so that it appears that the entity has always existed in its present form.

On 1 April 2011, HM Courts Service merged with the Tribunals Service to form a new Agency, HM Courts & Tribunals Service. The new entity is a partnership between the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals and is responsible for the administration of the criminal, civil and family courts and tribunals in England and Wales, and non-devolved tribunals in Scotland and Northern Ireland. The previously separate HMCS and Tribunals Service Boards have been replaced with a newly convened HM Courts & Tribunals Service Board.

The comparatives in these financial statements have been restated to incorporate the financial activities and position of the merged entities. Details of the restatement of the comparatives are shown in note 2.

Certain costs shown within other operating costs have been reclassified within categories in note 5. The reclassification has no effect on the total operating costs.

In addition to the merger described above, the following tribunals transferred to HM Courts & Tribunals Service in 2011-12:

Name	Previous parent department	Date of transfer
Residential Property Tribunals Service (RPTS)	Department for Communities and Local Government (DCLG)	1 April 2011
Gangmasters Licensing Appeals Tribunal (GLA)	Department for Environment and Rural Affairs (Defra)	19 September 2011
Agricultural Lands Tribunal	Department for Environment and Rural Affairs (Defra)	31 October 2011

The assets and liabilities transferred by each of these tribunals, and their comprehensive expenditure in 2010-11, were not material to HM Courts & Tribunals Service and these transfers have therefore been treated as in-year transactions. As such, the comparatives have not been restated.

1.4 Income

Operating income is income that relates directly to the operating activities of HM Courts & Tribunals Service and is therefore recognised as revenue in the Statement of Comprehensive Net Expenditure.

It principally comprises charges for services provided on a full cost basis to external customers and the recovery of costs from other government departments. Other operating income includes rents, receivables and miscellaneous receipts (for example sale of publications). Income is stated net of VAT.

Funding from the MoJ is credited directly to the General Fund in line with FReM requirements.

1.5 Fee revenue

Fee revenue consists of amounts for services rendered to civil, family court and tribunals users. The elements where payment has been received, but relate to work yet to be completed, are held in the Statement of Financial Position as deferred revenue. The deferred revenue is subsequently recognised as revenue upon completion of the service.

The point at which the revenue is recognised depends upon the nature and circumstances of the individual service which is provided. For most revenue streams, the service provided by HM Courts & Tribunals Service is the initiation of the application, which occurs immediately on receipt of the application. The accompanying application fee is therefore recognised as revenue immediately on receipt.

For certain fee revenue streams, such as warrants and assessments, an estimate is made of the time period in which the application is made (typically one week) and the deferred element is thus determined.

For other fee revenue streams, such as petitions, appeals and probate, specific records are maintained in respect of the outstanding services and the deferred revenue is directly determined based upon these.

Fee revenue is stated net of fee remissions and exemptions (REMEX). The REMEX scheme is prescribed in the Fee Orders approved by Parliament and remitted fees are not collected by HM Courts & Tribunals Service. The financial objective of full cost recovery net of REMEX is agreed with HM Treasury to ensure that individuals are not denied access to justice through inability to afford the prescribed fees.

1.6 Fines and financial penalties imposed by the criminal justice system

Magistrates' courts are responsible for collecting fines and financial penalties imposed by the criminal justice system.

Effective from 1 April 2011, HM Courts & Tribunals Service ceased recognising balances in relation to the collection of fines and penalties. These balances are now accounted for in their entirety in the HM Courts & Tribunals Service Trust Statement as detailed in note 1.33.

1.7 HM Courts & Tribunals Service Trust Statement

Since 2010-11, HM Treasury has required Government departments that collect material revenues from taxes, duties, fines and penalties, on behalf of the Consolidated Fund, to prepare a stand-alone Trust Statement that specifically reports on the financial activities relating to such collections.

HM Courts & Tribunals Service, as the Executive Agency of the MoJ responsible for collecting fines and financial penalties imposed by the criminal justice system, prepares a stand-alone Trust Statement that should be read in conjunction with the HM Courts & Tribunals Service 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.

1.8 Non-cash charges

Non-cash charges in the Statement of Comprehensive Net Expenditure include external auditors' remuneration, which represents the National Audit Office's cost for the audit of HM Courts & Tribunals Service's accounts, departmental overhead recharges which are recharged to the Agency from the MoJ, and notional rents on properties owned by the City of London Corporation and Royal Borough of Kingston upon Thames.

Other non-cash charges include salary and social security costs of senior judges who, being independent of HM Courts & Tribunals Service, are funded from the Consolidated Fund. Senior judges also receive long service payments under an agreement with the MoJ. There is a provision for these payments within the MoJ resource accounts.

1.9 Operating segments

Operating segments are analysed in accordance with IFRS 8 'Operating Segments' along with the lines of information presented to the Chief Operating Decision Maker (CODM) who for the purpose of these accounts is determined to be the Chief Executive. The CODM is responsible for allocating resources and assessing performance of the operating segments.

1.10 Recognition of property and equipment

Items of property and equipment, including subsequent expenditure on existing assets, are initially recognised at cost when it is probable that future economic benefits or service potential associated with the asset will flow to HM Courts & Tribunals Service and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Capitalisation threshold – individual assets

The threshold for individual assets is £10,000.

Capitalisation threshold – grouped assets

Where a significant purchase of individual assets which are individually beneath the capitalisation threshold arises in connection with a single project, they are treated as a grouped asset.

Grouped assets typically comprise:

- An integrated system of diverse equipment designed to deliver a specific solution, for example, an IT equipment refresh project;
- A materially significant acquisition of furniture or IT at a single site; or
- IT and furniture refresh programmes, where the combined planned spend exceeds the capitalisation threshold.

HM Courts & Tribunals Service apply a capitalisation threshold for grouped assets of £1m (including VAT). 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 treated as a tangible fixed asset.

1.11 Valuation of property and equipment

Land and buildings (including dwellings)

Land and buildings (including dwellings) comprise mainly court facilities. Land and buildings are included at fair value, as interpreted by the FReM, on the basis of professional valuations which are conducted for each property at least once every five years.

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'. In between professional valuations, carrying values are adjusted by the application of indices or through desktop valuations.

Criminal Courts are mostly classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued on depreciated replacement cost (DRC) and modern equivalent basis in accordance with the Red Book, taking into account the functional obsolescence of the property. Ingoing works are fair valued using the Building Cost Information Service Tender Price Index as compiled by the RICS.

For non-specialised property assets in continuing use, fair value is interpreted as market value for existing 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.

As part of an ongoing court rationalisation review, Ministers earmarked a total of 163 under-utilised court buildings for closure over the next two to three years. Given that these courts are no longer expected to form part of HM Courts & Tribunals Service's operational estate in the future, their valuation method has been altered from depreciated replacement cost to fair value less selling costs determined from market-based evidence. As this change in valuation method indicates a permanent diminution in value, any impairment has been taken direct to the Statement of Comprehensive Net Expenditure, with the balance of any Revaluation Reserve taken to the General Fund.

Other assets

Other assets comprise information technology, equipment, furniture, fixtures and fittings. These assets are included at cost upon purchase and are restated at each reporting date using the Producer Price Index produced by the Office of National Statistics.

Other assets revaluations and subsequent costs are accounted for in a consistent manner to land and buildings above.

Non-current assets held for sale

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' and their 'fair value less costs to sell'. Any subsequent impairment or reversal of impairment is recognised in the Statement of Comprehensive Net Expenditure. Assets classified as held for sale are not depreciated.

Assets under construction

Assets under construction are valued at historical cost within property, plant and equipment and are not depreciated. Relevant expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation is then charged on the asset in accordance with the depreciation accounting policy.

1.12 Revaluation of property and equipment

When an asset's carrying value increases as a result of a revaluation, any revaluation surplus is credited to other comprehensive expenditure and accumulated directly in Taxpayers' equity under the heading of Revaluation Reserve. An exception is any gain on revaluation that reverses a revaluation decrease on the same asset previously recognised as an expense. Such gains are first credited within net operating cost in the Statement of Comprehensive Net Expenditure to the extent the gain reverses a loss previously recognised within net operating cost in the Statement of Comprehensive Net Expenditure.

When an asset's carrying amount 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 'Other Operating Costs' in the Statement of Net Comprehensive Expenditure, with any remaining Revaluation Reserves balance released to the General Fund.

When an asset's carrying amount decreases (other than as a result of a permanent diminution), the decrease is recognised in the Revaluation Reserve to the extent a balance exists in respect of that asset. Any further decrease in excess of revaluation surpluses is charged to 'Other Operating Costs' in the Statement of Comprehensive Net Expenditure.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Fund.

1.13 Depreciation of property and equipment

Depreciation is charged on a straight-line basis at rates calculated to write-off the value of assets less estimated residual value evenly over their estimated useful lives or, for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or asset categories are reviewed annually and any changes are discussed with the relevant authorities to ensure that budgeting implications have been properly considered. Where a change in asset life is agreed, 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	Shorter of remaining life or 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
Plant and 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 held for sale	Not depreciated
Investment properties	Not depreciated
Assets under construction	Not depreciated

1.14 Disposals of property and equipment

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised within 'Other Operating Costs' in the Statement of Comprehensive Net Expenditure.

When revalued assets are sold, the amounts included in Revaluation Reserve are transferred to the General Fund.

1.15 Investment property

Investment property comprises freehold land and buildings not principally occupied by HM Courts & Tribunals Service. Investment property is carried at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The Valuation Office Agency (VOA), who are independent of HM Courts & Tribunals Service, carries out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book" as at 31 March each year. Changes in fair values are recorded in the Statement of Comprehensive Net Expenditure.

When investment property is leased out under an operating lease, the leased asset remains within 'Investment Property' in the Statement of Financial Position. The lease revenue is recognised over the term of the lease on a straight-line basis.

1.16 Intangible assets

HM Courts & Tribunals Service's intangibles comprise internally developed software for internal use (including such assets under construction).

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by HM Courts & Tribunals Service, such as external consultant costs, software development employee costs and an appropriate portion of relevant overheads, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- HM Courts & Tribunals Service intends to complete the software product and use it;

- there is an ability to use the software product;
- the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Purchased software licenses are recognised as assets when it is probable that future service potential will flow to HM Courts & Tribunals Service and the cost of the license can be measured reliably. Such licenses are initially measured at cost.

Subsequent to initial recognition, intangible assets are included in the financial statements at fair value. As no active market exists for the intangible assets of HM Courts & Tribunals Service, 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 of National Statistics (ONS).

Intangible assets are amortised using the straight-line method over their expected useful life. The useful lives of internally developed software range from three to seven years. Purchased software licences are amortised over the licence period. Assets in development are not amortised until they are ready for use, at which point amortisation is then charged in accordance with the stated accounting policy.

1.17 Impairment of property, equipment and intangible assets

An impairment reflects a permanent diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential. At each reporting date, HM Courts & Tribunals Service assesses 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. Property, equipment and intangible assets are subject to an annual impairment review.

The recoverable amount of an asset is the higher of its "fair value less costs to sell" and "value in use". For the purposes of the public sector, the FReM defines the "value in use" of a non-cash-generating asset as 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.

Any impairment loss is charged directly to 'Other Operating Costs' in the Statement of Comprehensive Net Expenditure. If the impaired asset has previously been re-valued, any balance on the Revaluation Reserve (up to the level of the impairment loss) is transferred to the General Fund.

At each reporting date HM Courts & Tribunals Service also assesses whether there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. If any such indication exists, the recoverable amounts of the assets in question are reassessed. The reversal of an impairment loss is then recognised in the Statement of Comprehensive Net Expenditure, if there has been a change in the estimates used to determine

the asset's recoverable amount since the last impairment test was carried out. The amount of any reversal is restricted to increasing the carrying value of the relevant assets to the carrying value that would have been recognised had the original impairment not occurred (that is, after taking account of normal depreciation that would have been charged had no impairment occurred).

1.18 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes, where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement, as service concession arrangements. HM Courts & Tribunals Service has therefore recognised 'on Statement of Financial Position' PFI schemes as property and equipment together with a liability to pay for them. The services received under the contract are recorded as operating costs. 'Off Statement of Financial Position' PFI schemes are treated as operating leases. See note 20 for further details of these schemes.

For 'on Statement of Financial Position' PFI schemes, the annual unitary payments are separated into the following component parts, using appropriate estimation techniques where necessary:

- Payment for the fair value of services received; and
- Payment for the PFI asset, including finance costs.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'Other Operating Costs'.

PFI asset

A PFI asset is recognised as the asset comes into use. The asset is capitalised at the lower of the fair value of the property or equipment and the present value of the minimum payments. Subsequently, the asset is measured at fair value according to HM Courts & Tribunals Service's accounting policy for each relevant class of asset.

PFI liability

A PFI liability is recognised at the same time the PFI asset is recognised. It is measured initially at the same amount as the fair value of the PFI asset and is subsequently measured at amortised cost. The corresponding rental obligations, net of finance charges, are included in trade and other payables. Interest is charged to the Statement of Comprehensive Net Expenditure over the arrangement period at a constant periodic rate of interest on the remaining balance of the liability for each period.

1.19 Lease classification

Leases are classified as either finance leases or operating leases based on the substance of the arrangement. The lease of land and buildings is split at inception of the lease into a separate lease of land and a lease of buildings.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease. Contingent rent is recognised in the period in which it arises.

Up-front payments for a leasehold interest classified as an operating lease are recognised as a lease prepayment in the Statement of Financial Position and amortised over the lease term.

Lease revenue from operating leases where HM Courts & Tribunals Service is the lessor is recognised in revenue on a straight-line basis over the lease term.

Operating lease incentives

HM Courts & Tribunals Service treats lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) as an integral part of the consideration for the use of the leased asset. The incentives are accounted for as an integral part of the net consideration agreed for the use of the leased asset and are spread appropriately over the lease term.

Finance leases

HM Courts & Tribunals Service leases certain property and equipment from other parties. Leases of property and equipment are classified as finance leases where HM Courts & Tribunals Service has substantially all the risks and rewards of ownership. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property or equipment and the present value of the minimum lease payments. Up-front payments for a leasehold interest classified as a finance lease are capitalised as part of the asset.

The corresponding rental obligations, net of finance charges, are included in trade and other payables. Interest is charged to the Statement of Comprehensive Net Expenditure over the lease period at a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rent is recognised in the period in which it arises.

The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that HM Courts & Tribunals Service will obtain ownership at the end of the lease term.

1.20 Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position and Statement of Cash Flow 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.

1.21 Third party cash balances

HM Courts & Tribunals Service holds a number of different cash balances on behalf of third parties. These consist of bail monies which are received and held while a criminal case progresses.

Third party cash balances are not included in the Statement of Financial Position in line with FReM requirements and a disclosure of these balances is made in note 23 to the accounts.

1.22 Financial instruments

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with HM Courts & Tribunals Service's normal purchase, sale or usage requirement, are recognised when, and to the extent which, performance occurs. All other financial assets and liabilities are recognised when HM Courts & Tribunals Service becomes party to the contractual provisions to receive or make cash payments.

De-recognition

A financial asset is considered for de-recognition when the contractual rights to the cash flows from the financial asset expire, or HM Courts & Tribunals Service has either transferred the contractual right to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. HM Courts & Tribunals Service de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. HM Courts & Tribunals Service's trade and other receivables comprise trade and other debtors, deposits and advances, accrued revenue, intra-departmental debtors and inter-departmental debtors. Trade and other receivables are initially recognised at fair value and are measured at amortised cost using the effective interest rate method. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest revenue or expense over the relevant period using the estimated future cash flows.

Impairment of financial assets

At the end of each reporting period, HM Courts & Tribunals Service assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is:

- Objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the end of the reporting period ('a loss event');
- The loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
- A reliable estimate of the amount can be made.

Financial assets are recorded in the Statement of Financial Position net of any impairments.

Financial liabilities

All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. Where the effect is material, the estimated cash flows of financial liabilities are discounted.

They are included in current liabilities except for the amounts payable more than twelve months after the end of the reporting period, which are classified as non-current liabilities. Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and is charged to the Statement of Comprehensive Net Expenditure.

1.23 Value Added Tax (VAT)

Most of the activities of HM Courts & Tribunals Service 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.

1.24 Provisions

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when HM Courts & Tribunals Service has:

- 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; and
- 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.

1.25 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 'Provisions, contingent liabilities, and contingent assets', HM Courts & Tribunals Service discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote as required by the Managing Public Money guidelines.

Where the time value of money is material, contingent liabilities that are required to be disclosed under IAS 37 are measured at discounted amounts. Contingent liabilities that are not required to be reported under IAS 37 are stated at the amount reported to Parliament.

1.26 Contingent assets

Contingent assets are disclosed where a possible asset arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within HM Courts & Tribunals Service's control.

1.27 General Fund

Funding received from the government is credited to the General Fund within the Statement of Taxpayers' Equity upon receipt of the funds.

1.28 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling, which is the functional currency, at the exchange rate specified in the contract. Transactions are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in a foreign currency at the Statement of Financial Position date are translated at the rates at that date. These translation differences are dealt with in the Statement of Comprehensive Net Expenditure. HM Courts & Tribunals Service has not engaged in hedge accounting.

1.29 Employee benefits

Short term benefits such as salaries and wages or post-employment benefits resulting from employment and long-term benefits such as long service awards, including termination benefits (for example early departure costs) and pension benefits are 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.

IAS 19 ('Employee Benefits') requires HM Courts & Tribunals Service to recognise the expected cost of the annual leave entitlement of its employees that is accrued at the end of each financial year. HM Courts & Tribunals Service estimates this accrual by calculating the average value of outstanding leave across each payband which is then used to provide an extrapolated total.

1.30 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. The agency recognises 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, the agency recognises 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 4.2.2.

HM Courts & Tribunals Service has recognised a provision for the pension transfer deficit arising from the transfer of employees from Magistrates' Courts Committees to the Agency in 2005, since this represents an additional liability calculated under a separate agreement with the PCSPS. This provision is formally valued on an annual basis by the Government Actuary's Department (GAD) and the amount recorded in the Statement of Financial Position reflects this valuation.

1.31 Early departure costs

HM Courts & Tribunals Service is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme or individual agreement is binding on HM Courts & Tribunals Service. The provision is measured at the present value of the expenditures required to settle the obligation. Where the effect is material, the estimated risk-adjusted cash flows are discounted using the nominal rate set by HM Treasury (2011-12: 4.9% and 2010-11: 5.6%). The increase in the provision due to passage of time is recognised as interest expense.

1.32 By-analogy pension scheme

HM Courts & Tribunals Service has three by-analogy pension schemes for the Immigration and Asylum Chamber (IAC), the Criminal Injuries Compensation tribunal (CIC) and the Residential Property Tribunal Service (RPTS) which are similar to the PCSPS. These are funded from the Department's Vote and payments are administered by the Department and Capita respectively. Payments made to the IAC pensioners are made via the payroll system.

1.33 Changes in accounting policy, disclosures and prior period adjustment

Changes in accounting policy

Accounting for Fine Income

Prior to the commencement of the financial year, management made a change in accounting policy in respect of the accounting for elements of fine receipts that HM Courts & Tribunals Service had previously been entitled to retain as income.

This change was made to remove any possible perception that the judiciary might have a bias in sentencing to improve the finances of HM Courts & Tribunals Service through the partnership agreement between the Lord Chancellor, Lord Chief Justice and the Senior President of Tribunals that governs the entity's operation.

As a result of the change, the elements of fine receipts that HM Courts & Tribunals Service had previously been entitled to retain as income are now recorded as income by the Ministry Core Department. Information on these retentions can be found in the 2011-12 MoJ Annual Report and Accounts.

This change in accounting policy has required the restatement of prior year comparatives contained within the accounts. Relative to the 2010-11 accounts, these restatements have resulted in a decrease in revenue of £103.6m and an equal increase in the net costs for the year recognised in the General Fund. This notional increase in net costs for the year has been off-set by a corresponding increase in funding from the MoJ. These changes are reflected in the 2010-11 restated column of the Statement of Comprehensive Net Expenditure and the Statement of Changes in Taxpayers' Equity.

Accounting for fine and penalty collections

Management has made a change in accounting policy in respect of accounting for fine and penalty collections. This change affects the recording of cash and balances payable to the Consolidated Fund and other third parties to whom the fine and penalty receipts are due.

Previously, on making collections of fines and penalties, HM Courts & Tribunals Service recognised cash balances and corresponding payable balances due to the MoJ Core Department (on behalf of the Consolidated Fund) or a third party, depending on the nature of the fine or penalty collected.

Effective 1 April 2011, HM Courts & Tribunals Service ceased recognising balances in relation to fine and penalty collections. These balances are now accounted for in their entirety in the HM Courts & Tribunals Service Trust Statement.

In line with HM Treasury guidance, this accounting policy change, which relates only to presentation and has no effect on net assets or expenditure, has been applied prospectively and therefore has no impact on the comparative balances shown for 2010-11.

Further information can be found in the 2011-12 HM Courts & Tribunals Service Trust Statements.

Prior period adjustment

Accounting for the provision for pension transfer deficit

The substance of the transaction giving rise to the pension transfer deficit is described in the narrative accompanying note 16.1.

HM Courts & Tribunals Service, in conjunction with our auditors, have reviewed the pension transfer deficit and have agreed that sufficient certainty exists over particular components of the provision to require those components to be reclassified as trade and other payables during 2011-12. For consistency and to enhance understanding, this has been applied retrospectively to 2010-11 prior year comparatives so that the classification between provisions and trade and other payables is comparable for the current and prior year.

As a result, £167,867k has been reclassified as trade and other payables as at 31 March 2012 (31 March 2011: £145,273k). There has been no impact on net operating costs or on the net asset position in either the current or prior years.

For further details on the pension transfer deficit liability and the classification of the liability between provisions and trade and other payables, please refer to note 16.1.

Early adoption of new accounting standards

HM Courts & Tribunals Service did not early-adopt any new accounting standards during the year.

New and amended standards adopted

IAS 24 (revised), 'Related party disclosures', was amended to simplify the definition of a related party and to provide a partial exemption from the disclosure requirements for government-related entities. This is a disclosure standard only and there is no financial impact to the accounts.

IFRS's issued but not yet effective for the financial year beginning 1 April 2011 and not early adopted

IFRS 9 – Financial instruments

IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition and depends on the contractual cash flow characteristics of the instrument and the method in which an entity manages its financial instruments. The new standard is applicable for accounting periods beginning on or after 1 January 2015 and is not expected to have a material impact on HM Courts & Tribunals Service.

IAS 19 (revised 2011) - Employee benefits

IAS 19 (revised 2011), 'Employee benefits', (effective for accounting periods beginning on or after 1 January 2013) was amended in June 2011. The impact on the MoJ will be to immediately recognise all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.

IFRS 13 – Fair value measurement

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The new standard is applicable for accounting periods beginning on or after 1 January 2013 and is not expected to have a material impact on HM Courts & Tribunals Service.

Amendment to IFRS 7, Financial instruments: Disclosures

Amendment to IFRS 7, Financial instruments: Disclosures (effective for accounting periods beginning on or after 1 July 2011) provides additional disclosure requirements intended to help better understand off-balance sheet risks.

1.34 Critical accounting estimates and judgements

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.

Critical accounting estimates and assumptions

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

Valuation of property and equipment

Land and buildings (including dwellings) comprise mainly court facilities. Land and buildings are shown at fair value, based on professional valuations. The Valuation Office Agency carries out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book".

The majority of buildings are valued at depreciated replacement cost to a modern equivalent basis. All other buildings are measured at fair value determined from market-based evidence. The value of HM Courts & Tribunals Service's land and buildings fluctuates with changes in construction costs and the current market value of land and buildings. The accounting policy for land and buildings is set out in note 1 and information on the land and buildings is set out in note 7.

Provision for pension transfer deficit

The present value of the pension transfer deficit obligations depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets to be transferred to the Principal Civil Service Pension Scheme. The assets to be transferred consist of gilts, bonds, equities, cash and property. Elements of the actual liability to be assumed by HM Courts & Tribunals Service will therefore continue to be subject to uncertainty, as a result of a number of factors. The accounting policy for pension transfer deficit is set out in note 1 and further information on the pension transfer deficit is set out in note 16.1.

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined, both the building and land elements may be capitalised as separate finance leases if they meet the criteria for a finance lease. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease. The accounting policy for leases is set out in note 1.

Accounting for fines and penalty collections

Cash collected by HM Courts & Tribunals Service in respect of fines and penalties imposed by the criminal justice system is now accounted for in its entirety in the HM Courts & Tribunals Service Trust Statement.

In practice, these cash receipts are deposited in local bank accounts and are subject to HM Courts & Tribunals Service's treasury management processes. Magistrates' Courts operate individual, local commercial bank accounts which transfer receipts monthly to a centralised commercial account. To minimise cash held at commercial banks, all cash held at commercial banks is swept into centralised bank accounts, operated by the Government Banking Service (GBS). To remove fine and penalty receipts, as well as cash held at commercial bank accounts, HM Courts & Tribunals Service has had to make a judgement to value the cash currently held in GBS bank accounts within its accounting boundary as a result of the sweep arrangements affecting fine and penalty receipts. Management's judgement is based on financial information provided to us by our commercial banking partners. Management's estimate of fine and penalty cash within GBS accounts which has been removed from these accounts and is accounted for in the Trust Statement is £58.9m. Cash in commercial accounts is also accounted for in the Trust Statement. £58.9m is management's best estimate of the value, and management is confident that the estimate, in all material respects, is complete and accurate.

2. Machinery of Government change

On 1 April 2011, the HM Courts Service merged with the Tribunals Service to form a new Agency, HM Courts & Tribunals Service. This change has been accounted for using the merger accounting principles in accordance with section 5.4 of the FReM. The 2010-11 comparatives in these financial statements are therefore presented so that it appears that the new entity has always existed in its present form.

A summary of the primary statements of the individual merged entities at 1 April 2011 is presented below to show how the comparatives have been derived.

	2010-11	2010-11	2010-11	2010-11
	£000	£000	£000	£000
	Restated HMCS	Tribunals Service	Merger adjustment	Restated HM Courts & Tribunals Service
Net costs through the Statement of Comprehensive Net Expenditure	(1,268,329)	(301,528)	-	(1,569,857)
Funding from the MoJ	842,318	266,200	-	1,108,518
Revaluation movements through General Fund	8,353	927	-	9,280
Notional costs	273,167	15,340	-	288,507
Other General Fund movements	350	337	-	687
Total movements on General Fund	(144,141)	(18,724)	-	(162,865)
Net movement on Revaluation Reserve	30,255	(618)	-	29,637
Statement of Financial Position				
Non-current assets	2,872,578	30,112	-	2,902,690
Current assets	321,316	15,946	(1,378)	335,884
Current liabilities	(373,902)	(47,813)	1,378	(420,337)
Non-current liabilities	(677,554)	(5,181)	-	(682,735)
Total assets less liabilities	2,142,438	(6,936)	-	2,135,502
General Fund	1,901,204	(13,559)	-	1,887,645
Revaluation Reserves	241,234	6,623	-	247,857
Total taxpayers' equity	2,142,438	(6,936)	-	2,135,502

3. Statement of Operating Costs by Operating Segments

HM Courts & Tribunals Service is organised for management purposes into eight operational regions and a number of corporate areas.

For financial reporting purposes, the segment reporting format is determined based on the way in which the Chief Operating Decision Maker monitors the operating results of segments for the purpose of making decisions and allocating resources.

HM Courts & Tribunals Service's reportable operating segments are as follows:

- London Region
- North East Region
- South East Region
- North West Region
- Midlands Region
- South West Region
- Wales Region
- Scotland Region
- Centralised Frontline
- Central Estates
- Other

The operating segment's net cost of operations is measured on the same basis as the corresponding amounts reported in the financial statements.

Centralised front line costs include frontline operation costs not incurred directly by Regional Directorates such as Higher Judicial Salaries and fees, the National Taxation Team and Bulk Processing Centres and Enforcement.

3.1 Segment revenue and results

A description of the services from which the reportable segments derive income is provided in note 6. There were no inter-segment transactions in the year (2010-11: nil).

The following table presents the net operating costs of operations by reportable operating segments for the period ended 31 March 2012:

	2011-12	2010-11 Restated*
	£000	£000
London Region	296,948	286,515
North East Region	125,974	132,868
South East Region	126,592	137,973
North West Region	123,555	127,748
Midlands Region	144,490	149,022
South West Region	75,697	80,109
Wales Region	58,074	57,853
Scotland Region	24,225	22,999
Centralised Frontline	264,984	261,776
Central Estates	239,077	218,026
Other	543,688	663,568
Gross Expenditure	2,023,304	2,138,457
Income	(594,623)	(568,600)
Net Expenditure per Operating Cost Statement	1,428,681	1,569,857

'Centralised Frontline' includes frontline operation costs not incurred directly by Regional Directorates such as Enforcement, Higher Judicial Salaries and Fees, the National Taxation Team and Bulk Processing Centres.

'Other' includes headquarters functions, centrally managed non-cash items and the MoJ overhead recharge.

'Income' is primarily managed centrally and therefore has been shown as a separate category.

* The 2010-11 operating segments have been restated to ensure consistency with the reportable segments following the creation of HM Courts & Tribunals Service.

4 Staff and judiciary costs and numbers

Staff costs and numbers are separated between those attributable to employees of HM Courts & Tribunals Service and those attributable to members of the judiciary. Each category is dealt with in the following notes, with total costs summarised in the table below:

	Notes	2011-12			2010-11		
		Admin	Prog	Total	Admin	Prog	Total
		£000	£000	£000	£000	£000	£000
Staff costs	4.1	12,369	610,175	622,544	17,457	601,550	619,007
Judiciary costs	4.2	38	462,503	462,541	290	454,078	454,368
Agency staff costs	4.1	298	7,577	7,875	1,032	15,689	16,721
Total staff and judiciary costs		12,705	1,080,255	1,092,960	18,779	1,071,317	1,090,096

4.1 Staff costs comprise:

	2011-12		
	Permanently employed staff	Agency and contract staff	Total
	£000	£000	£000
Wages and salaries	459,983	7,875	467,858
Social security costs	30,315	-	30,315
Employer's pension contributions	77,915	-	77,915
Voluntary early departures	54,817	-	54,817
	623,030	7,875	630,905
Add: inward secondments	737	-	737
	623,767	7,875	631,642
Less: recoveries in respect of outward secondments	(1,223)	-	(1,223)
Total staff costs	622,544	7,875	630,419

	2010-11		
	Permanently employed staff	Agency and contract staff	Total
	£000	£000	£000
Wages and salaries	487,882	16,721	504,603
Social security costs	32,498	-	32,498
Employer's pension contributions	82,555	-	82,555
Voluntary early departures	17,139	-	17,139
	620,074	16,721	636,795
Add: inward secondments	955	-	955
	621,029	16,721	637,750
Less: recoveries in respect of outward secondments	(2,022)	-	(2,022)
Total staff costs	619,007	16,721	635,728

The MoJ offered a Voluntary Early Departure (VED) scheme to selected HM Courts & Tribunals Service employees. The terms of the scheme offered were in accordance with the Civil Service Compensation scheme introduced by the government in December 2010. The VED expenses reported above cover amounts paid to individuals who accepted the offer of voluntary exit and who were approved to leave during 2010-11 and 2011-12. In line with the terms of the Civil service Compensation scheme, no ex-gratia amounts were paid to individuals who exited under the VED scheme. There were no compulsory redundancies during the period to 31 March 2012. A summary of VED exits is provided in note 4.1.3.

VED costs have increased from £17,139k in 2010-11 to £54,817k in 2011-12, contributing to the overall increase in total staff and judiciary costs as shown in the above table.

4.1.1 Pension scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HM Courts & Tribunals Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Cabinet Office: Civil Superannuation Resource Accounts.

For 2011-12, employer's contributions of £77.9m (2010-11: £82.6m), were payable to the PCSPS at one of four rates in the range of 16.7% to 24.3% (2010-11: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

4.1.2 Average number of staff employed

The average number of full time equivalent persons paid during the year including Board members was:

	2011-12		
	Permanently employed staff	Agency and contract staff	Total
Directly employed	19,383	-	19,383
Other	-	271	271
Staff engaged on capital projects	50	-	50
Total	19,433	271	19,704

	2010-11 Restated		
	Permanently employed staff	Agency and contract staff	Total
Directly employed	20,359	-	20,359
Other	-	385	385
Staff engaged on capital projects	33	-	33
Total	20,392	385	20,777

4.1.3 Voluntary Early Departures

A summary of approved VED exits is shown below:

Exit package cost	Number of compulsory redundancies		Number of voluntary departures agreed		Total number of exit packages by cost	
	2011-12	2010-11 Restated	2011-12	2010-11 Restated	2011-12	2010-11 Restated
<£10,000	-	-	59	4	59	4
£10,000 - £25,000	-	-	368	36	368	36
£25,000 - £50,000	-	-	494	90	494	90
£50,000 - £100,000	-	-	254	103	254	103
£100,000 - £150,000	-	-	67	30	67	30
£150,000 - £200,000	-	-	20	9	20	9
£200,000 - £250,000	-	-	4	1	4	1
£250,000 - £300,000	-	-	2	1	2	1
£300,000 - £350,000	-	-	-	-	-	-
£350,000 - £400,000	-	-	-	-	-	-
£400,000 - £450,000	-	-	-	-	-	-
Total number of exit packages by type	-	-	1,268	274	1,268	274
Total resource cost (£000)	-	-	54,817	17,139	54,817	17,139

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 when HM Courts & Tribunals Service has agreed and is committed to the departure. Where HM Courts & Tribunals Service has agreed early retirements, the additional costs are met by HM Courts & Tribunals Service and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

4.2 Judiciary costs and numbers

Members of the judiciary are independent of HM Courts & Tribunals Service. Their payroll costs are met either from the consolidated fund, in the case of senior judiciary, or directly by HM Courts & Tribunals Service for other judiciary. All costs are included within HM Courts & Tribunals Service's Accounts to ensure that the full cost of operations is disclosed.

	2011-12				2010-11 Restated			
	Senior judiciary salaries	Other judiciary salaries	Fee paid	Total	Senior judiciary salaries	Other judiciary salaries	Fee paid	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Wages and salaries	126,397	102,533	120,049	348,979	128,461	103,084	111,134	342,679
Social security costs	15,565	12,050	12,647	40,262	14,742	11,147	11,832	37,721
Employer's pensions contribution	40,570	32,730	-	73,300	41,238	32,730	-	73,968
Total payroll costs of the judiciary	182,532	147,313	132,696	462,541	184,441	146,961	122,966	454,368

4.2.1 Average number of judiciary

The amounts in note 4.2 include salary costs for an average 945 (2010-11: 980) judicial officers and fees for 1,495 full-time equivalent fee paid judiciary (2010-11: 1,365). The salary costs of a further 933 members (2010-11: 967 members) of the senior judiciary were met from the consolidated fund.

4.2.2 Judicial Pension Scheme

The Judicial Pension Scheme is an unfunded multi-employer defined benefit scheme which prepares its own accounts, but for which HM Courts & Tribunals Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2009. Details can be found in the resource accounts of the Judicial Pension Scheme at www.official-documents.co.uk.

Judicial pensions are paid out of the consolidated fund where the judicial office holder's salary was paid from that fund, or the Judicial Pension Scheme where the salary has been paid from the Department's supply estimate. Contributions to the Judicial Pension Scheme have been made at a rate of 32.15% (2010-11: 32.15%).

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.

4.2.3 By-analogy pension scheme

HM Courts & Tribunals Service has three by-analogy pension schemes for the Criminal Injuries Compensation (CIC) tribunal, the Immigration and Asylum Chamber (IAC) and the Residential Property Tribunal Service (RPTS) for which pension liabilities are given (see note 16.3).

RPTS was transferred to HM Courts & Tribunals Service from the Department of Communities and Local Government on 1 April 2011.

An actuarial valuation was carried out at 31 March 2012 by the Government Actuaries Department (GAD) in respect of qualifying members for each scheme listed above.

4.2.3.1 The scheme liabilities under IAS 19 have been calculated using the following assumptions:

	2011-12	2010-11
Price inflation	2.00%	2.65%
Rate of increase in salaries	4.25%	4.90%
Rate of increase in pensions (deferred in payment)	2.00%	2.65%
Discount rate	4.85%	5.60%

The actuarial (gains)/losses on pension scheme liabilities are as a result of an actuarial valuation in respect of these schemes.

4.2.3.2 The following amounts have been recognised in the Statement of Comprehensive Net Expenditure

	Note	2011-12 £000	2010-11 Restated £000
Current service cost	16.3	135	-
Interest cost	16.3	216	75
Past service cost	16.3	-	(106)
Total charges		351	(31)

It was announced in the Budget of 22 June 2010 that the Government would adopt the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), for the indexation of public service pensions from April 2011.

The change was measured for accounting purposes at the date of the Budget announcement and was treated as a change in benefits. The change resulted in a negative past service cost all of which was charged to the Statement of Comprehensive Net Expenditure in 2010-11.

4.2.3.3 Actuarial (gain) recognised in Other Comprehensive Expenditure

	2011-12 £000	2010-11 Restated £000
Experience (gain)/loss arising in scheme liabilities	(82)	11
Changes in assumptions underlying the present value of the scheme liabilities	63	(48)
Total actuarial (gain)	(19)	(37)

4.2.3.4 The movement in scheme liabilities is analysed as follows:

	2011-12 £000	2010-11 Restated £000	2009-10 Restated £000	2008-09 Restated £000
Present value of scheme liabilities at the start of the year	1,597	1,802	1,582	1,336
Increase in provision for current service cost	135	-	-	22
Interest on by-analogy scheme	216	75	91	68
Actuarial (gain)/loss on scheme liabilities	(19)	(37)	300	282
Benefits paid	(213)	(137)	(171)	(126)
Past service cost	-	(106)	-	-
Transfer from other department	2,296	-	-	-
Present value of scheme liabilities at the end of the year	4,012	1,597	1,802	1,582

The experience (gain) / loss on the scheme liabilities as a percentage of the present value of the scheme liabilities as at 31 March 2012 is 2.04% (31 March 2011: 0.7%, 31 March 2010: 3%, 31 March 2009: 24%).

The total actuarial gain / (loss) as a percentage of the present value of the scheme liabilities as at 31 March 2012 is 0.5% (31 March 2011: 2.3%, 31 March 2010: (17%), 31 March 2009: (18%)).

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Expenditure Statement since the introduction of resource accounting is a loss of £874k (31 March 2011: loss of £893k).

Contributions expected to be paid to the plan during 2012-13, including employee's contributions, are estimated to be 25% of pensionable salary.

5 Operating costs

5.1 Other operating costs consist of the following:

	2011-12		
	Administration £000	Programme £000	Total £000
Accommodation, maintenance and utilities	28	249,586	249,614
Juror costs	-	40,854	40,854
PFI service charges	-	20,371	20,371
Other service charges	11,474	1,442	12,916
Communications, office supplies and services	194	36,655	36,849
Contracted service costs	369	33,628	33,997
IT services	115	15,578	15,693
Consultancy costs	51	1,719	1,770
Other staff costs (including travel and subsistence)	1,186	9,748	10,934
Other judicial costs (including travel and subsistence)	18	43,752	43,770
Bank charges	-	3,693	3,693
Other costs	115	6,147	6,262
Capital grants	-	281	281
Other grants	-	15	15
	13,550	463,469	477,019
Operating leases			
Property rental costs	-	76,010	76,010
Hire of equipment and machinery	6	1,295	1,301
Other expenditure	32	2,391	2,423
	38	79,696	79,734
Non-cash costs			
External auditors' remuneration – audit of the Accounts	-	459	459
Net loss on disposal of property and equipment	-	4,375	4,375
Impairment of property and equipment	-	21,469	21,469
Impairment of intangible assets	-	5,152	5,152
Decrease in fair value of investment properties	-	15	15
Increase in fair value of assets held for sale	-	(2,791)	(2,791)
Increase in fair value of intangible assets	-	(8)	(8)
Notional rent	-	1,933	1,933
Straight-line of operating lease payments	-	15,766	15,766
Amortisation of operating lease prepayment	-	5	5
Movement in provisions	-	31,345	31,345

Intra-departmental recharges	-	139,716	139,716
Transfer from other agencies	-	(43)	(43)
Movement in bad debt provision	-	112	112
Depreciation	-	104,301	104,301
Amortisation	-	14,472	14,472
	13,588	879,443	893,031

	2010-11		
	Administration Programme £000	Programme £000	Total Restated £000
Accommodation, maintenance and utilities	1,018	237,301	238,319
Juror costs	-	42,813	42,813
PFI service charges		18,812	18,812
Other service charges	11,747	321	12,068
Communications, office supplies and services	398	40,503	40,901
Contracted service costs	399	29,929	30,328
IT services	36	19,593	19,629
Consultancy costs	87	2,005	2,092
Other staff costs (including travel and subsistence)	1,790	10,238	12,028
Other judicial costs (including travel and subsistence)	56	50,430	50,486
Bank charges	-	3,887	3,887
Other costs	40	4,382	4,422
	15,571	460,214	475,785
Operating leases			
Property rental costs	1,370	65,584	66,954
Hire of equipment and machinery	7	213	220
Other expenditure	40	3,429	3,469
	1,417	69,226	70,643
Non-cash costs			
External auditors' remuneration – audit of the Accounts	-	514	514
Net (profit)/loss on disposal of property and equipment		(84)	(84)
(Increase)/decrease in valuation of property and equipment	-	(51,635)	(51,635)
Impairment of property and equipment	-	63,803	63,803
Impairment of intangible assets	-	10,327	10,327
Decrease in fair value of investment properties	-	239	239
Decrease in fair value of assets held for sale	-	75	75

Decrease/(increase) in fair value of intangible assets	-	306	306
Notional rent	-	1,783	1,783
Straight-line of operating lease payments	-	8,492	8,492
Operating lease prepayment – amortisation	-	4	4
Movement in provisions	-	178,322	178,322
Past service costs	-	(106)	(106)
Departmental overhead recharge	-	143,007	143,007
Movement in bad debt provision	-	(93)	(93)
Depreciation	-	104,912	104,912
Amortisation	-	13,819	13,819
Total other operating costs	16,988	1,003,125	1,020,113

Past service cost

The negative past service cost reported in 2010-11 has arisen due to the announcement by the Government to use CPI rather than RPI, for the indexation of public sector pensions (see note 4.2.3.2.).

Departmental recharge

The departmental recharge represents the cost of services shared with the Ministry of Justice including human resources, IT, legal and judicial services and finance and administration.

Notional rent

Notional rent is recognised in respect of properties owned by the City of London Corporation and Royal Borough of Kingston upon Thames.

Auditors' remuneration

The costs of the audit performed by the National Audit Office on behalf of the Comptroller and Audit General are recognised as a non-cash charge. During the year HM Courts & Tribunals Service did not purchase any non-audit services.

5.2 Finance costs consist of the following:

	2011-12	2010-11 Restated
	£000	£000
Interest on pension fund transfer deficit	19,264	9,968
Interest on by-analogy pension scheme liability	216	75
Unwinding of discount on provisions	5,615	5,146
Total non-cash finance costs	25,095	15,189
Local authority loan interest	1,955	2,268
Finance charge on PFI and leased assets	10,263	10,791
Total cash finance costs	12,218	13,059
Total finance costs	37,313	28,248

6 Income

	2011-12	2010-11 Restated
	£000	£000
Fee income	479,575	464,280
Rental income	1,457	917
Miscellaneous income	113,591	103,403
Total income	594,623	568,600

Income relating to Administration and Programme respectively amounted to £nil (2010-11: £23k) and £594,623k (2010-11: £568,577k).

Fee income

Fee income comprises amounts received from five business streams as shown in note 6.2.

Rental revenue

Rental revenue comprises investment property rental, sub-letting and other rental paid by occupiers of the HM Courts & Tribunals Service estate.

Miscellaneous revenue

Miscellaneous revenue included: £44.1m (2010-11: £43.3m) received from the National Insurance Fund as a contribution towards the cost of national insurance related appeals; £26.3m (2010-11: £16.9m) received from Department for Work and Pensions as a contribution to Social Security & Child Support tribunals; £0.9m (2010-11: £0.8m) from wider market initiatives; £1.5m (2010-11: £4.7m) from safety camera partnership revenue; bailiff fees of £24.1m (2010-11: £18.5m); Legal Services Commission service charges of £9m (2010-11: £12.1m); and other revenue of £3.3m (2010-11: £3.4m). The remainder of miscellaneous income relates to income received from sales of publications, vending machine receipts, telephone boxes, casual lettings and income from other government departments.

6.1 Consolidated Fund Income

Total income does not include amounts collected by HM Courts & Tribunals Service where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the HM Courts & Tribunals Service Trust Statement published separately from, but alongside, these financial statements.

6.2 Fees and Charges

HM Courts & Tribunals Service is required, in accordance with HM Treasury's 'Managing Public Money', to disclose performance results for the areas of its activities where fees and charges are levied. The analysis provided below is for fees and charges purposes and is not intended to meet the requirements of IFRS 8 'Operating Segments'.

HM Courts & Tribunals Service covers the following business areas: civil, tribunal, criminal and other. Only the Civil and Tribunal businesses have systems for charging fees. Fee income therefore consists of amounts for services rendered to the Civil and Family Courts and Tribunals users. Fee income relating to the Civil and Family Courts is stated net of fee remissions and exemptions (REMEX). The REMEX scheme is prescribed in the Fee Orders approved by Parliament, and remitted fees are not collected by HM Courts & Tribunals Service. The policy and financial objective for the civil business of full cost recovery net of REMEX has been agreed with HM Treasury to ensure that individuals are not denied access to justice through inability to

afford the prescribed fees. Separate cost recovery targets have been agreed for the tribunal business.

Other areas of activity that meet the parameters as set out in HM Treasury's 'Managing Public Money' are the Lands Tribunal, Asylum and Immigration Tribunal (AIT) and the Residential Property Tribunals Service (RPTS).

Only civil business has a system of court fees in place to cover its cost. The policy and financial objective is to recover the full cost of the processes involved less the cost of funding fee remissions. The system of fee remissions exists to ensure that individuals are not denied access to the courts if they genuinely cannot afford the fee.

HM Courts & Tribunals Service reports on both the civil and tribunal business segments. The civil business contains four business streams: family; civil higher courts; civil magistrates' courts, and non-contentious probate. The Tribunal business contains five business streams: asylum and immigration; lands; residential property; gambling, and gender recognition.

At the most recent review of Government spending, the Spending Review 2010 (SR10), the MoJ confirmed that it remains committed to delivering a simpler and more sustainable fees regime that delivers full cost recovery by March 2015 for Civil, Family and Administrative Justice, which is based on a solid understanding of the evidence and which fits around the planned major reforms of the justice system. Much of the work to complete this will take place during the SR10 period. Once this work is completed this will enable HM Courts & Tribunals Service to achieve a higher percentage fee recovery.

In 2011-12 The Public Accounts Committee (PAC) made the following recommendations concerning fee income:

- That, given that the Department has not recovered the full cost of Family and Civil (Magistrates' Court) work through the fees charged to service users, the Department sets fees so as to achieve 100% cost recovery in a fair and equitable manner.
- That the Department demonstrates how it is monitoring the impact of fee changes on access to justice.
- That the Department demonstrates that efficiency savings are being delivered.

The Department is committed to keep the PAC updated with progress on all recommendations.

2011-12	Income		Net		Net surplus/ (deficit)	Gross surplus/ (deficit)	Fee recovery	
	Grossforegone income	Remission	income	Expenses			Actual	Target
	£'000	£'000	£'000	£'000	£'000	£'000	%	%
	Notes 1, 2						Note 3	
Civil business								
Family	120,539	(15,598)	104,941	(239,341)	(134,400)	(118,802)	50%	100%
Civil (higher courts) [Note 4]	346,296	(10,004)	336,292	(323,247)	13,045	23,049	107%	100%
Probate	17,805	(25)	17,780	(13,851)	3,929	3,954	129%	100%
Civil (magistrates courts)	18,258	(112)	18,146	(18,005)	141	253	101%	100%
Total civil business	502,898	(25,739)	477,159	(594,444)	(117,285)	(91,546)	85%	100%

2011-12	Income		Net income	Expenses	Net surplus/ (deficit)	Gross surplus/ (deficit)	Fee recovery	
	Gross income	foregone via Remission					Actual	Target
	£'000	£'000	£'000	£'000	£'000	£'000	%	%
Tribunal business [Note 5]								
Asylum & Immigration	1,486	(131)	1,355	(102,769)	(101,414)	(101,283)	1%	25%
Lands	637	-	637	(2,272)	(1,635)	(1,635)	28%	48%
Residential Property	409	-	409	(12,814)	(12,405)	(12,405)	3%	33%
Gambling	3	-	3	(173)	(170)	(170)	2%	100%
Gender Recognition	40	(28)	12	(58)	(46)	(18)	69%	100%
Total Tribunal Business	2,575	(159)	2,416	(118,086)	(115,670)	(115,511)	2%	
Total HM Courts & Tribunals Service Business	505,473	(25,898)	479,575	(712,530)	(232,955)	(207,057)	71%	
2010-11 HMCS Civil Business(excl Tribunals)	491,705	(27,793)	463,912	(612,504)	(148,593)	(120,799)	80%	100%
2010-11 Lands Tribunal Service	368	-	368	(2,143)	(1,775)	(1,775)	18%	48%
2010-11 Gambling	6	-	6	(18)	(12)	(12)	33%	33%
2010-11 Gender Recognition	39	(29)	10	(74)	(64)	(35)	53%	53%

Notes:

1. The costs above include the judicial costs that are borne directly by the Consolidated Fund.
2. The total resource spend for HM Courts & Tribunals Service's modernisation of civil and family IT systems is included.
3. The fee recovery target is calculated using gross income against expenditure; this complies with HM Treasury's Managing Public Money guidance of setting fees 'at cost' Annex 6.2.
4. Civil (higher courts) includes Court of Protection.
5. Only the income charging tribunals have been included in the table above.
6. In 2010-11 Gambling & Gender Recognition tribunal income was below the required threshold for inclusion in the segmental analysis and therefore was not published in the accounts. The 2010-11 costs have been restated in the above table to facilitate comparison.

On 4 April 2011 MoJ increased the fees charged in respect of civil proceedings, family proceedings and probate work. The increases related to fees charged mainly in civil and non-contentious probate cases. There were 15 family case fee increases to ensure harmonisation with equivalent civil fee structures. Fees payable for civil work undertaken in the magistrates' courts and civil fees payable through Money Claims OnLine, Possession Claims OnLine and the Claim Production Centre were not increased. The fees payable for enforcement proceedings in the High Court and County Court were also not affected as they were increased and aligned in July 2009.

The modest increase provides an effective interim measure to help reduce the current shortfall between fee income and expenditure until the outcome of the family justice reforms and other changes are known.

The most current fees orders are:

- **The Civil Proceedings Fees (Amendment) Order 2011 No.586 [L2]** which amends The Civil Proceedings Fees (Amendment) Order 2009 No 1498 [L15];
- **The Family Proceedings Fees (Amendment) Order 2011 No.587 [L3]**, which amends The Family Proceedings Fees (Amendment) Order 2010 no 1916 [L10];
- **The Non-Contentious Probate Fees (Amendment) Order 2011 No.588 [L4]** which amends The Non - Contentious Probate Fees (Amendment) Order 2009 No 1497 [L14];
- **The Magistrates' Courts Fees (Amendment No 2) Order 2010 [1917]** which amends The Magistrates' Courts Fees (Amendment) Order 2010 No 731 [L4].
- **The Court of Protection Fees (Amendment) Order 2009 [513]** which amends the Court of Protection Fees Order 2007 [1745]
- **The First-tier Tribunal (Immigration and Asylum Chamber) Fees Order 2011 No 2841.**
- **The Upper Tribunal (Lands Chamber) Fees (Amendment) Order 2010 No.2601**, which amends the Upper Tribunal (Lands Chamber) Fees Order 2009 No.1114
- **The First-tier Tribunal (Gambling) Fees (Amendment) Order 2010 No.633**, which amends the First-tier Tribunal (Gambling) Fees (Amendment) Order 2010 No.42
- **The Gender Recognition (Application Fees) (Amendment) Order 2011 No 628**, which amends the Gender Recognition (Application Fees) Order 2006
- **The Residential Property Tribunal (Fees) (England) Regulations 2006 No 830**

HM Courts & Tribunals Service has recognised revenue of £115.0m (2010-11: £104.3m) and expenses of £1,312.0m (2010-11: £1,523.7m) related to its criminal and other business activities.

7 Property and Equipment

2011-12									
	Land excluding dwellings	Buildings excluding dwellings	Land for dwellings	Dwellings	Information Technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	Notes 7.1, 7.3, 7.4	Notes 7.1, 7.3, 7.4	Note 7.2	Note 7.2					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
As at 1 April 2011	495,723	2,123,183	6,893	12,294	101,199	43,568	31,181	142,172	2,956,213
Additions	-	5,036	-	31	375	2,099	640	77,708	85,889
Disposals	(17,667)	(18,070)	-	(2)	(84,559)	(910)	(561)	(370)	(122,139)
Impairments	(14,171)	(7,034)	5	(285)	4	-	12	-	(21,469)
Reclassification	(6,948)	101,799	-	1,084	2,709	426	141	(96,305)	2,906
Revaluation	3,152	(58,881)	305	(402)	17	321	245	-	(55,243)
Reclassified to assets held for sale	(2,105)	(2,170)	-	-	-	-	-	-	(4,275)
Transfers from the MoJ	-	52	-	-	-	3,827	-	3,121	7,000
As at 31 March 2012	457,984	2,143,915	7,203	12,720	19,745	49,331	31,658	126,326	2,848,882
Depreciation									
As at 1 April 2011	-	16	-	-	87,222	25,209	14,921	-	127,368
Charged in year	346	86,221	11	404	7,026	7,543	2,750	-	104,301
Disposals	1	(764)	-	-	(82,964)	(736)	(560)	-	(85,023)
Reclassifications	(1)	1	1	-	334	-	-	-	335
Revaluations	(345)	(85,473)	(12)	(404)	10	177	116	-	(85,931)
As at 31 March 2012	1	1	-	-	11,628	32,193	17,227	-	61,050
Net book value as at 31 March 2012	457,983	2,143,914	7,203	12,720	8,117	17,138	14,431	126,326	2,787,832
Net book value as at 31 March 2011	495,723	2,123,167	6,893	12,294	13,977	18,359	16,260	142,172	2,828,845
Asset financing									
Owned	404,918	1,704,864	5,178	10,115	8,117	16,896	14,431	126,326	2,290,845
Finance leased	37,570	259,906	2,025	2,605	-	242	-	-	302,348
On-balance sheet PFI contracts	15,495	179,144	-	-	-	-	-	-	194,639
Carrying value at 31 March 2012	457,983	2,143,914	7,203	12,720	8,117	17,138	14,431	126,326	2,787,832

2010-11 Restated

	Land excluding dwellings	Buildings excluding dwellings	Land for dwellings	Dwellings	Information Technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	Notes 7.1, 7.3, 7.4	Notes 7.1, 7.3, 7.4	Note 7.2	Note 7.2					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
As at 1 April 2010	526,897	2,061,290	6,970	13,271	100,852	37,035	30,113	124,669	2,901,097
Additions	1,530	3,709	-	-	1,345	4,694	2,454	127,769	141,501
Disposals	(320)	(502)	(330)	(607)	(219)	(1,257)	(43)	(330)	(3,608)
Impairments	(20,150)	(43,529)	-	-	-	-	-	-	(63,679)
Restatements due to IFRS	240	-	-	-	-	-	-	-	240
Other restatements	-	9	-	-	-	-	-	-	9
Re-classification*	-	98,806	-	1,092	2,751	376	15	(109,936)	(6,896)
Revaluation	(3,972)	12,282	253	(1,462)	(3,112)	2,720	(1,358)	-	5,351
Assets reclassified to assets held for sale	(8,502)	(8,882)	-	-	-	-	-	-	(17,384)
Transfers to the MoJ	-	-	-	-	(418)	-	-	-	(418)
As at 31 March 2011	495,723	2,123,183	6,893	12,294	101,199	43,568	31,181	142,172	2,956,213
Depreciation									
As at 1 April 2010	-	(69)	-	-	77,638	19,381	12,689	-	109,639
Charged in year	316	83,022	11	783	12,427	5,576	2,777	-	104,912
Disposals	-	-	-	-	(204)	(1,190)	(15)	-	(1,409)
Impairments	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Restatements due to IFRS	-	-	-	-	-	-	-	-	-
Other restatements	-	-	-	-	(8)	-	-	-	(8)
Re-classification	-	5	-	-	-	-	3	-	8
Revaluations	(316)	(82,942)	(11)	(783)	(2,328)	1,442	(533)	-	(85,471)
Transfers to the MoJ	-	-	-	-	(303)	-	-	-	(303)
As at 31 March 2011	-	16	-	-	87,222	25,209	14,921	-	127,368
Net book value:									
As at 31 March 2011	495,723	2,123,167	6,893	12,294	13,977	18,359	16,260	142,172	2,828,845
As at 31 March 2010	526,897	2,061,359	6,970	13,271	23,214	17,654	17,424	124,669	2,791,458
Asset financing									
Owned	437,993	1,718,121	4,818	9,898	13,977	17,960	16,260	142,172	2,361,199
Finance leased	39,875	229,814	2,075	2,396	-	399	-	-	274,559
On-balance sheet PFI contracts	17,855	175,232	-	-	-	-	-	-	193,087
Carrying value at 31 March 2011	495,723	2,123,167	6,893	12,294	13,977	18,359	16,260	142,172	2,828,845

* During 2010-11 HM Courts & Tribunals Service reclassified net £6.9m of property and equipment to intangible assets.

Notes:

7.1 Included under land and buildings excluding dwellings are PFI contract assets with a net book value of £194.6m (2010-11: £193.1m) and depreciation charged in year of £4.3m (2010-11: £4.0m); also included are finance lease assets with a net book value of £297.5m (2010-11: £269.7m) and depreciation charged in the year of £7.5m (2010-11: £7.1m).

7.2 Included under Land for dwellings are finance leases with a net book value of £2.0m (2010-11: £2.1m) and depreciation charged in the year of £0.01m (2010-11: £0.01m). Included under Dwellings are finance lease assets with a net book value of £2.6m (2010-11: £2.4m) and depreciation charged in the year of £0.2m (2010-11: £0.5m).

7.3 The assets introduced resulting from the formation of HM Courts & Tribunals Service, shown within land and buildings excluding dwellings, represent none of the remaining properties which did not transfer to HM Courts & Tribunals Service in 2005 as a result of "The Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005" (PTS). In these cases the property transfers were declared invalid in a high court judgment in 2005. However, the right to use these properties for magistrates' courts purposes is secured by the PTS. Subsequent negotiations with the owners of these properties have resulted in a valid transfer of title.

HM Courts & Tribunals Service is seeking a negotiated valid transfer from the owners of two (2010-11: three) remaining properties valued at £1.3m (2010-11: £2.6m), one of which is recorded in the Statement of Financial Position at a value of £1.1m owing to HM Courts & Tribunals Service bearing the risks and rewards of ownership. A third property is also recorded in the Statement of Financial Position at a value of £0.6 m, owing to HM Courts & Tribunals Service bearing the risks and rewards of ownership, but transfer is no longer being sought for this property as there is a joint agreement to dispose of it. Thus, of these properties, two (2010-11: two) are recorded in the Statement of Financial Position at a value of £1.7 m (2010-11: £2.5m) as a result of HM Courts & Tribunals Service bearing the risks and rewards of ownership for these properties.

7.4 As part of an ongoing court rationalisation review, Ministers earmarked a total of 163 under-utilised court buildings for closure over the next few years. At the start of the year 106 properties remained under review. During the year, a further five properties were sold. One property was removed from the review and reclassified to a live court property. Fifteen properties were classified as assets held for sale as at 31 March 2012 (2010-11: eight). Hence by the year end there were 85 properties under review. Given that these courts are no longer expected to form part of HM Courts & Tribunals Service's operational estate in the future, their valuation method has been altered from depreciated replacement cost to fair value less selling costs determined from market-based evidence. As this change in valuation method indicates a permanent diminution in value, any impairment has been taken direct to the Statement of Comprehensive Net Expenditure, with the balance of any Revaluation Reserve taken to the General Fund.

The total court closure impairment for 2011-12 was £19.3m (2010-11: £59.4m).

7.5 Land and buildings (including dwellings) are shown at fair value, based on professional valuations. The Valuation Office Agency (VOA), who are independent of HM Courts & Tribunals Service, conduct valuations as at 31 March each year in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Ingoing works are valued using the Building Cost Information Service Tender Price Index compiled by the RICS.

7.6 All assets other than 'Land and Buildings (excluding dwellings)' and 'Assets under Construction' are valued using the Price Index Numbers for Current Cost Accounting (PINNCA) produced by the Office for National Statistics (ONS).

8 Investment property

	2011-12	2010-11 Restated
	£000	£000
As at the beginning of the period	1,000	1,855
Decrease in value of investment property	(50)	(239)
Assets reclassified to assets held for sale (note 9)	-	(616)
As at the end of the period	950	1,000

Investment property rental revenue of £0.02m (2010-11: £0.02m) was recognised in the Statement of Comprehensive Net Expenditure. HM Courts & Tribunals Service leases surplus properties under various agreements which terminate between 2012 and 2013. These agreements do not include an extension option.

9 Assets held for sale

As part of an ongoing court rationalisation review, HM Courts & Tribunals Service has committed to a plan to sell a number of surplus properties (land and buildings) that were previously used to provide court services. An active programme to locate buyers and complete the sale of each property has commenced and estate agents are actively marketing the properties. The properties are available for sale in their present condition and the sales are highly probable to occur within one year from the date of classification to assets held for sale within the Statement of Financial Position.

A net loss on disposal of assets held for sale as at 31 March 2012 of £0.1m (net loss as at 31 March 2011 - £0.1m) is included in net profit/(loss) on disposal of property and equipment within Other Programme Costs in the Statement of Comprehensive Net Expenditure.

	2011-12	2010-11 Restated
	£000	£000
As at the beginning of the period	20,252	4,103
Assets reclassified from property and equipment (note 7)	4,275	17,384
Assets reclassified from investment property (note 8)	-	616
Increase/(decrease) in fair value of assets held for sale (note 5.1)	2,791	(75)
Disposals	(21,913)	(1,776)
As at the end of the period	5,405	20,252

10 Intangible assets

	2011-12		
	Information technology	Assets under construction	Total
	£000	£000	£000
Cost or valuation			
As at 1 April 2011	86,014	5,165	91,179
Additions	-	-	-
Disposals	(1,370)	(53)	(1,423)
Impairments*	-	(5,152)	(5,152)
Reclassifications	(3,420)	514	(2,906)
Revaluations	81	-	81
Transfers from other departments/agencies **	2,292	7,561	9,853
As at 31 March 2012	83,597	8,035	91,632
Amortisation			
As at 1 April 2011	18,620	-	18,620
Charged in year	14,472	-	14,472
Disposals	(1,147)	-	(1,147)
Reclassifications	(335)	-	(335)
Revaluations	8	-	8
Transfers from other departments/agencies	1,549	-	1,549
As at 31 March 2012	33,167	-	33,167
Carrying value at 31 March 2012	50,430	8,035	58,465
Carrying value at 31 March 2011	67,394	5,165	72,559
Asset financing:			
Owned	50,430	8,035	58,465
Finance leased	-	-	-
PFI Contracts	-	-	-
Carrying value at 31 March 2012	50,430	8,035	58,465

* The impairment of £5,152k reflects all costs associated with the abandoned e-Working intangible asset under construction.

**Included in Transfers from other departments/agencies is £743k of internal labour costs transferred from the MoJ Core ICT Department.

	2010-11 Restated		
	Information technology	Assets under Construction	Total
	£000	£000	£000
Cost or valuation			
As at 1 April 2010	19,366	62,727	82,093
Additions	-	11,028	11,028
Disposals	-	-	-
Impairments	-	(10,327)	(10,327)
Reclassifications*	65,314	(58,418)	6,896
Revaluations	(785)	-	(785)
Transfers from the MoJ	2,119	155	2,274
As at 31 March 2011	86,014	5,165	91,179
Amortisation			
As at 1 April 2010	4,932	-	4,932
Charged in year	13,819	-	13,819
Disposals	-	-	-
Impairments	-	-	-
Reclassifications	15	-	15
Revaluations	(146)	-	(146)
Transfers from the MoJ	-	-	-
As at 31 March 2011	18,620	-	18,620
Carrying value at 31 March 2011	67,394	5,165	72,559
Carrying value at 31 March 2010	14,434	62,727	77,161
Asset financing:			
Owned	67,394	5,165	72,559
Finance leased	-	-	-
Carrying value at 31 March 2011	67,394	5,165	72,559

* During 2010-11 HM Courts & Tribunals Service reclassified net £6.9m of Property and equipment to Intangible assets.

The net book values and remaining amortisation lives of individually material assets within intangible assets are detailed below:

Asset Description	2011-12		2010-11	
	Net book value	Remaining amortisation period (years)	Net book value	Remaining amortisation period (years)
	£000		£000	
Magistrates Courts Operational Business Systems	10,890	5.15	10,401	5.8
Software upgrade programme to case management system	26,846	5.06	31,044	5.9

11 Financial instruments

IFRS 7 'Financial Instruments: Disclosures', requires disclosure of the role that financial instruments have had during the period in creating or changing risks an entity faces in carrying out its business.

As HM Courts & Tribunals Service is funded via MoJ, it is 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. HM Courts & Tribunals Service has no powers to borrow or invest surplus funds. Its financial assets and liabilities arise from day-to-day operational activities and are not held to hedge risks arising from these activities.

Liquidity risk

HM Courts & Tribunals Service is financed by funds made available from the government and is therefore not exposed to significant liquidity risk.

Interest rate risk

HM Courts & Tribunals Service is financed by funds made available from the government and is not therefore exposed to significant interest rate risk.

Foreign currency risk

HM Courts & Tribunals Service has no material foreign currency revenue or expenditure and is therefore not exposed to significant foreign currency risk.

Credit risk

Credit risks arise from HM Courts & Tribunals Service's financial assets, which comprise cash and cash equivalents, trade and other receivables and other financial assets. HM Courts & Tribunals Service's exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in financial loss to HM Courts & Tribunals Service.

Credit risk associated with HM Courts & Tribunals Service's 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 HM Courts & Tribunals Service is exposed to is the carrying value of its financial assets within the Statement of Financial Position.

11.1 Financial assets

	Notes	2011-12	2010-11 Restated
		£000	£000
Cash and cash equivalents	13	11,995	60,976
Trade receivables	12	5,342	5,778
Other receivables		29,287	38,269
Accrued revenue		9,015	12,427
Intra-departmental debtors	12	28,889	161,286
Total financial assets		84,528	278,736

Financial assets, other than cash and cash equivalents, are classified as trade and other receivables and are measured at amortised cost.

Financial assets have the following maturity profile:

	Notes	2011-12	2010-11 Restated
		£000	£000
Total amounts due within one year		84,417	278,609
Total amounts due after one year		111	127
		84,528	278,736
Non-financial assets			
Prepayments		19,203	18,559
VAT recoverable	12	9,809	18,473
Total non-financial assets		29,012	37,032

11.2 Financial liabilities

	Notes	2011-12	2010-11 Restated
		£000	£000
Trade payables	14	6,637	11,276
Other payables	14	24,053	15,173
Accruals		132,141	129,629
Creditor for capital value of PFI contracts	14	149,013	157,940
Creditor for pension transfer deficit: amounts payable to LGPS	16.1	167,867	145,273
Cash balances payable to other government departments	14	-	28,520
Third party balances	14	-	16,365
Intra-departmental creditors	14	90,213	120,712
Local authority loans		38,993	42,114
Obligations under finance leases	14 & 19	17,699	17,784
Total financial liabilities		626,616	684,786

Financial liabilities are classified as trade and other payables and are measured at amortised cost.

Financial liabilities have the following maturity profile:

	Notes	2011-12	2010-11 Restated
		£000	£000
Total amounts due within one year		291,807	344,217
Total amounts due after one year		334,809	340,569
		626,616	684,786

11.3 Non-financial liabilities

Taxation and social security	14	18,335	19,600
Deferred revenue		4,740	7,735
Holiday accrual		12,826	12,143
Voluntary early departures		17,361	15,285
Lease incentives		63,644	44,384
		116,906	99,147

Fair values

The fair values of HM Courts & Tribunals Service's financial assets and liabilities as at 31 March 2012 and 31 March 2011 approximate their book values.

The fair value of the creditor for pension transfer deficit amounts payable to LGPSs has been derived by discounting the future cash payments to be made in order to extinguish the liability. The discounting is considered to be material to the accounts. Refer to note 16.1 for further information.

12 Trade and other receivables

Amounts due within one year:

	2011-12	2010-11 Restated	2009-10 Restated
	£000	£000	£000
Trade receivables	5,342	5,778	13,441
Deposits and advances	-	169	155
Other receivables:			
VAT recoverable	9,809	18,473	9,452
Intra-departmental debtors	28,889	161,286	48,307
Prepayments and accrued revenue	28,215	30,977	28,356
Other receivables	29,176	37,973	3,299
Total amounts due within one year	101,431	254,656	103,010

Amounts due after one year:

	2011-12	2010-11 Restated	2009-10 Restated
	£000	£000	£000
Other receivables	111	127	38,976
Prepayments	3	9	6
	114	136	38,982

12.1 Analysis of receivable balances by organisational type

	2011-12		2010-11 Restated		2009-10 Restated	
	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year
	£000	£000	£000	£000	£000	£000
Other central government bodies	40,297	-	184,930	-	74,443	-
Local authorities	1,147	-	1,081	-	3,915	-
NHS bodies	-	-	12	-	24	-
Public corporations and trading funds	243	-	935	-	387	-
Bodies external to government	59,744	114	67,698	136	24,241	38,982
Total trade and other receivables	101,431	114	254,656	136	103,010	38,982

13 Cash and cash equivalents

	2011-12	2010-11 Restated	2009-10 Restated
	£000	£000	£000
As at the beginning of the period	60,976	167,773	244,491
Net decrease in cash balances	(48,981)	(106,797)	(76,718)
As at the end of the period	11,995	60,976	167,773
The following balances as at 31 March were held at:			
Government Banking Service	11,712	62,587	167,881
Commercial banks	-	(1,796)	(526)
Cash in hand	241	133	378
Imprests	42	52	40
Total cash and cash equivalents	11,995	60,976	167,773

The Government Banking Service (GBS) was established in April 2008 and is the banking shared service provider to government and the wider public sector. It is part of HM Revenue & Customs and incorporates the Office of HM Paymaster General (OPG).

GBS accounts are maintained for Crown Courts, county courts, the tribunals offices and centralised functions. In addition, HM Courts & Tribunals Service maintains commercial bank accounts for the magistrates' courts to deposit funds, which are then transmitted at regular intervals to the central account maintained with the GBS. An offset arrangement is in place to minimise daily holding in commercial banks.

Following a change in accounting policy in respect of accounting for fine and penalty collections effective 1 April 2011, HM Courts & Tribunals Service ceased recognising balances in relation to fine and penalty collections. These balances are now accounted for in their entirety in the HM Courts & Tribunals Service Trust Statement. Further information in respect of cash and cash equivalents related to the collection of fines and penalties can be found in the Trust Statement.

14 Trade and other payables

Amounts due within one year:

	Notes	2011-12	2010-11 Restated	2009-10 Restated
		£000	£000	£000
Other taxation and social security		18,335	19,600	19,335
Trade payables		6,637	11,276	7,021
Other payables		24,053	15,174	16,442
Intra-departmental creditors		90,213	120,712	109,413
Accruals and deferred revenue		167,723	165,030	146,422
Creditor for pension transfer deficit: amounts payable to LGPS	16.1	29,590	13,369	-
Current portion of finance leases		247	246	210
Current portion of imputed finance lease element of on-balance sheet PFI contracts		8,926	8,926	8,926
Cash balances payable to other government departments		-	28,520	21,775
		345,724	382,853	329,544
Third party balances *		-	16,365	22,834
Total amounts due within one year		345,724	399,218	352,378

* Following a change in accounting policy in respect of accounting for fine and penalty collections effective 1 April 2011, HM Courts & Tribunals Service ceased recognising balances in relation to fine and penalty collections. These balances are now accounted for in their entirety in the HM Courts & Tribunals Service Trust Statement. Further information in respect of trade and other payables related to the fines and penalties collection activities can be found in the Trust Statement.

Amounts due after one year:

	Notes	2011-12	2010-11 Restated	2009-10 Restated
		£000	£000	£000
Capital value of PFI contracts		140,087	149,014	157,939
Other payables		101,980	86,259	81,050
Creditor for pension transfer deficit: amounts payable to LGPS	16.1	138,277	131,904	-
Obligations under finance leases		17,452	17,538	17,307
Total amounts due after one year		397,796	384,715	256,296

14.1 Analysis of payables by organisational type

	2011-12			2010-11 Restated		2009-10 Restated
	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year
	£000	£000	£000	£000	£000	£000
Other central government bodies	127,515	-	188,618	-	167,595	-
Local authorities	37,188	177,270	20,579	174,018	7,095	45,406
NHS bodies	53	-	17	-	20	-
Public corporations and trading funds	306	-	284	-	337	-
Bodies external to government	180,662	220,526	189,720	210,697	177,331	210,890
Total trade and other payables	345,724	397,796	399,218	384,715	352,378	256,296

15 Notes to the Statement of Cash Flow

Summary of notional and non-cash costs are as follows for the year ended:

	2011-12	2010-11 Restated
	£000	£000
Notional costs		
Consolidated fund judicial costs – wages and salaries	126,397	128,461
Consolidated fund judicial costs – social security costs	15,565	14,742
External auditors' remuneration	459	514
Notional rent	1,933	1,783
Departmental recharge	139,716	143,007
Notional costs	284,070	288,507
Non-cash costs		
Net loss/(profit) on disposal of property and equipment	4,375	(84)
Increase in valuation of property and equipment	-	(51,635)
Impairment of property and equipment	21,469	63,803
Impairment of intangible assets	5,152	10,327
(Increase)/reduction in fair value of intangible assets	(8)	306
(Increase)/reduction in fair value of assets held for sale	(2,791)	75
Operating lease prepayment amortisation	5	4
Reduction in fair value of investment property	15	239
Straight-line of operating lease payments	15,766	8,492
Past service costs	-	(106)
Movement in provisions	31,345	178,322
Movement in accounts receivable impairment	112	(93)
Non cash movements in respect of intra-departmental transfer	(43)	-
Depreciation	104,301	104,912
Amortisation	14,472	13,819
Non-cash costs	194,170	328,381
Total notional and non-cash costs	478,240	616,888

In addition to the costs in the table above, HM Courts & Tribunals Service incurred non-cash interest expense as detailed below. These expenses are included in the interest line on the face of the Statement of Cash Flow.

	2011-12	2010-11 Restated
	£000	£000
Interest on pension fund transfer deficit (note 5.2)	19,264	9,968
Interest on by-analogy pension scheme liability (note 5.2)	216	75
Unwinding of discount on provisions (note 5.2)	5,615	5,146
Total non-cash interest expense	25,095	15,189

15.2 Reconciliation of property, equipment and intangible assets

	2011-12	2010-11 Restated
	£000	£000
Additions per notes 7 and 10:		
Property and equipment	85,889	141,501
Intangibles	-	11,028
Plus:		
Increase/(decrease) in capital accrual	10,105	(43,073)
Movement in inter-departmental non-current assets and receivable/payable	-	(487)
Total additions per Cash Flow Statement	95,994	108,969

16 Provision for liabilities and charges

	Notes	2011-12	2010-11 Restated
		£000	£000
Provision for pensions transfer deficit	16.1	182,464	198,727
Provision for early departure costs	16.2	107,411	109,472
Provision for by-analogy pension scheme	16.3	4,012	1,597
Other provisions	16.4	8,440	9,343
Total provisions		302,327	319,139

Provisions for liabilities and charges fall due as follows:

	2011-12	2010-11 Restated
	£000	£000
One year	25,109	21,119
Two to five years	136,516	50,503
More than five years	140,702	247,517
Total provisions	302,327	319,139

16.1 Provisions for pensions transfer deficit

	2011-12	2010-11 Restated
	£000	£000
As at the beginning of the period	198,727	178,000
Increase in provision	30,000	182,232
Interest and unwinding of discount on pension transfer deficit	19,264	9,968
Utilised in year	(42,933)	(26,200)
	205,058	344,000
Amount reclassified to trade and other payables	14	(145,273)
As at the end of the period	182,464	198,727

The Courts Act 2003 legislated for the transfer of magistrates' courts functions and responsibilities to HM Courts & Tribunals Service. As a result, approximately 8,000 employees on the local Magistrates' Court Committees' contracts of employment transferred to HM Courts & Tribunals Service and required changes in their pension arrangements. The transferred staff became members of the Principal Civil Service Pension Scheme (PCSPS) on 1 April 2005. They were given options to transfer their accrued benefits to the PCSPS.

Approximately 6,000 staff opted to transfer their accrued service. The remainder opted to continue to hold their accrued pension benefits within the relevant Local Government Pension Scheme (LGPS). The LGPS does not operate as a single fund but is a series of funds administered locally.

All 8,000 transferred employees will, upon retirement, receive their pension in line with the agreed PCSPS benefits relating to the period from 1 April 2005 to the date of retirement. The 6,000 employees who opted to transfer their accrued pension benefits will receive their total pension in line with the agreed PCSPS benefits.

The PCSPS therefore needed to know the accrued pension entitlement for the 6,000 transferred staff. An agreement was reached between HM Courts & Tribunals Service and the Cabinet Office for HM Courts & Tribunals Service to pay an actuarially calculated amount to reflect the liability for the PCSPS arising from the individuals' periods of local government service transferred; plus/less an amount to meet any deficits/surpluses incurred as a result of the net asset/liability position for the individuals in the Local Government Pension Scheme (LGPS).

It was agreed that the past service pension liability would be calculated as at 1 April 2005 by the PCSPS' actuary. The Government Actuary's Department (GAD) has estimated the pension liability as at 1 April 2005 of those employees who have opted to transfer service to the PCSPS. This calculation was based upon a number of fixed actuarial assumptions which have been agreed by GAD, the Cabinet Office and HM Courts & Tribunals Service. HM Treasury approval for this arrangement has been requested but has not yet been formally received.

There are two key sets of assumptions which determine the liabilities:

- 1 The agreements with the LGPS schemes – signed by the actuaries and the LGPS schemes which specify the funds transferrable, and in the case of negative shares of funds, the payments to LGPS schemes; and
- 2 The assumptions agreed with PCSPS for calculating the PCSPS liabilities.

Following the employees' transfer from the administering local authority to PCSPS, the LGPSs are required to identify the underlying net funding position of the transferred employees. If a net deficit results due to the historic under-funding of the LGPS, then HM Courts & Tribunals Service will be liable for the LGPS deficit in relation to the employees. However, if the LGPS had sufficient funds to cover retained liabilities, then the relevant portion of the net asset will be transferred to the PCSPS.

As part of the agreement, HM Courts & Tribunals Service agreed to fund the net deficit incurred by the PCSPS over a 10 year period subject to sufficient funding, including the interest implications arising from this approach. The provision made at inception in the 2005-06 HM Courts Service accounts was for £268.0m.

The value of the transferred pension asset or liability from the individual LGPS to PCSPS is calculated on each scheme's value as at the date of transfer and not as at 1 April 2005. Therefore, the transferred asset or liability is subject to uncertainty resulting from changes to the LGPS and market conditions up to the point that the transfer is finalised.

As at 31 March 2012, final transfer values have been agreed for 35 of the 41 LGPS funds. For those funds where positive transfer values were agreed, one-off payments have been made to the PCSPS for the value of the positive transfer amounts. For those funds where negative transfer values were agreed, a series of 10 annual payments, equal to the value of the agreed negative transfer amounts, will be made to the applicable LGPS funds.

As at 31 March, the LGPSs were at the following stages:

	2011-12	2010-11
Funds crystallised – positive transfer values agreed	5	5
Funds crystallised – negative transfer values agreed	30	27
Initial funding position provided, progressing to final agreement	4	5
Estimate of funding position to be provided	2	4
Total number of schemes	41	41

As at 31 March 2012, the net liability due to the LGPS in relation to the 35 crystallised funds has been agreed. An estimate has been made by GAD for the six funds yet to be finalised on the basis of estimates provided by the LGPS funds or where these are not available, by calculating an estimate with reference to the positions of similar LGPSs that have already crystallised. The liability in respect of LGPS deficit funds is deemed to have crystallised when formal agreement has been reached between the parties signifying a contractual obligation and commitment to an agreed payment schedule.

An estimate has been made for the net liability due to PCSPS which represents the actuarially calculated amount to reflect the liability in the PCSPS arising from the individuals' periods of local government service.

The table below summarises the position of the relevant components of the pension transfer deficit:

	Notes	2011-12	2010-11
Liability to PCSPS		128,000	130,000
Liability to LGPS where an initial funding position has been provided or an estimate of funding position is to be provided		53,464	63,727
Other *		1,000	5,000
Total provision for the pension transfer deficit	16.1	182,464	198,727
Liability to LGPS for crystallised funds – due within the year	14	29,590	13,369
Liability to LGPS for crystallised funds – due after one year	14	138,277	131,904
Total liability for the pension transfer deficit		350,331	344,000

* In addition to the liabilities crystallised by the transfer at 1 April 2005, liabilities also transferred to HM Courts & Tribunals Service concerning two smaller prior staff transfers. Allowance for these liabilities has been included in the provisions above.

Management has reviewed the actual liability for the funds where final transfer values have been agreed, along with the GAD estimate for those funds yet to crystallise. Management has made the following assumptions in determining that the liability for the pension transfer deficit of £350.3m is appropriate:

- Interest is payable at an assumed rate of 5.6%. As at 31 March 2012, a total of £85.7m of interest is included in the above provision (2010-11: £66.5m);
- HM Treasury will approve the fixed assumptions made at 1 April 2005; and
- The remaining two LGPS funds for which an estimate of funding position is yet to be provided will show surpluses/deficits in line with estimates provided by the LGPS funds, or where these are unavailable, the average position of similar funds.

16.2 Provision for early departure costs

	2011-12	2010-11 Restated
	£000	£000
As at the beginning of the period	109,472	118,729
Increase/(decrease) in provision	1,289	(4,933)
Unwinding of discount	5,615	5,146
Utilised in year	(8,965)	(9,470)
As at the end of the period	107,411	109,472

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 HM Courts & Tribunals Service staff in the PCSPS. Provision has also been made for costs related to the reorganisation and modernisation programme.

The provision has been calculated by discounting the estimated future cash flows using the nominal HM Treasury rate of 4.85% (2010-11: 5.6%).

The provision for early departure costs recorded above is separate to the Voluntary Early Departure (VED) scheme costs recorded in note 4.1.3.

16.3 By-analogy pension scheme

	2011-12	2010-11 Restated
	£000	£000
As at the beginning of the period	1,597	1,802
Increase in provision	135	-
Interest charge	216	75
Actuarial (gain) on scheme liabilities	(19)	(37)
Utilised in year	(213)	(137)
Past service cost	-	(106)
Transfer in from other department	2,296	-
As at the end of the period	4,012	1,597

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 Service (RPTS). These schemes have 1 member, 13 members and 31 members respectively.

The schemes' liabilities were valued by GAD as at 31 March 2012 (see note 4.2.3) and the associated interest and current service costs have been charged to the Statement of Comprehensive Net Expenditure.

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.

16.4 Other provisions

	2011-12	2010-11 Restated
	£000	£000
As at the beginning of the period	9,343	8,561
(Decrease)/increase in provisions	1,126	1,024
Reversed in year	(1,205)	-
Utilised in year	(824)	(242)
As at the end of the period	8,440	9,343

17 Capital commitments

Contracted capital commitments not yet incurred as at 31 March 2012 are as follows:

	2011-12	2010-11 Restated
	£000	£000
Capital commitments at the end of the period not otherwise included in these accounts:		
Property and equipment	18,032	41,409
Intangible assets	-	1,831
Total capital commitments	18,032	43,240

18 Operating leases

HM Courts & Tribunals Service leases various land and buildings under non-cancellable operating lease agreements. The land and buildings comprise mainly court facilities and have lease terms ranging from 3 to 125 years. The operating leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

HM Courts & Tribunals Service also leases various equipment and cars under non-cancellable operating lease agreements. The lease terms are between 1 and 14 years.

The non-cancellable operating lease expenditure charged to the Statement of Comprehensive Net Expenditure during the year is disclosed in note 5.

The total future minimum lease payments under non-cancellable operating leases for each of the following periods are as follows as at 31 March:

	2011-12			2010-11 Restated		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	93,957	723	94,680	84,933	1,174	86,107
Later than one year but not more than five years	356,320	1,157	357,477	327,857	948	328,805
Later than five years	1,235,194	-	1,235,194	1,065,997	24	1,066,021
Total commitments under operating leases	1,685,471	1,880	1,687,351	1,478,787	2,146	1,480,933

HM Courts & Tribunals Service earned sub-lease revenue of £0.6m (2010-11: £0.1m).

The minimum lease payments above are determined from the relevant lease agreements. The lease payments do not reflect possible increases as a result of market based reviews.

The prepaid operating lease balances under non-cancellable operating leases for each of the following periods are as follows:

	2011-12	2010-11 Restated
	£000	£000
As at the beginning of the period	150	154
Amortisation	(5)	(4)
As at the end of the period	145	150

19 Finance leases

HM Courts & Tribunals Service leases various buildings under non-cancellable finance lease agreements.

The total future minimum lease payments under non-cancellable finance leases for each of the following periods are as follows as at 31 March:

	2011-12			2010-11 Restated		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	926	219	1,145	913	249	1,162
Later than one year but not more than five years	3,895	233	4,128	3,826	452	4,278
Later than five years	161,818	-	161,818	162,812	-	162,812
Less: interest element	(149,295)	(97)	(149,392)	(150,290)	(178)	(150,468)
Total present value of obligations	17,344	355	17,699	17,261	523	17,784

Present Value of obligations under finance leases for the following periods comprise:

	2011-12			2010-11 Restated		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	87	160	247	79	167	246
Later than one year but not more than five years	501	195	696	430	356	786
Later than five years	16,756	-	16,756	16,752	-	16,752
Total present value of obligations	17,344	355	17,699	17,261	523	17,784

HM Courts & Tribunals Service leases various buildings under non-cancellable finance lease agreements. The buildings comprise mainly court facilities and have lease terms ranging from 15 to 999 years. The finance leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

20 Private finance initiative

HM Courts & Tribunals Service has entered into eight private finance initiative (PFI) service concession arrangements. A summary of each PFI contract is set out below:

Project name	Contract start date	Duration of (years)	On/off Statement Financial Position	Initial capital value (£m)	Description
Probate Records	July 1999	25	Off	10.9	Provision of storage and retrieval services
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 HM Courts & Tribunals Service 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 HM Courts & Tribunals Service 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 HM Courts & Tribunals Service has the option of acquiring the under lease at the lower of its open market value or £2.0m.
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.
Hereford & 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.
Manchester Magistrates' Court	March 2001	25	On	32.9	Provision of an 18-courtroom courthouse.
Humberside Magistrates' Court	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HM Courts & Tribunals Service has the option of taking the assets back for a nominal amount of £3.0m.
Avon & Somerset Magistrates' Court	August 2004	27	On	46.6	Provision of serviced accommodation for magistrates' courts and offices in Bristol, Weston-Super-Mare and Flax Bourton.

20.1 On Balance Sheet Contracts

The total future minimum payments under non-cancellable PFI arrangements for each of the following periods are as follows as at 31 March 2012:

	2011-12	2010-11
	£000	£000
Not later than one year	17,577	18,113
Later than one year but not more than five years	64,950	67,092
Later than five years	144,076	159,511
Minimum future lease payments	226,603	244,716
Future interest expense	(77,590)	(86,776)
Present value of minimum lease payments	149,013	157,940

The present value of obligations under non-cancellable PFI arrangements for each of the following periods is as follows as at 31 March 2012:

	2011-12	2010-11
	£000	£000
Not later than one year	8,926	8,926
Later than one year but not more than five years	35,703	35,703
Later than five years	104,384	113,311
Total present value of obligations	149,013	157,940

20.2 Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI contracts (and other service concession arrangements) and the service element of on-balance sheet PFI contracts (and other service concession arrangements) was £20.4m (2010–11: £18.8m).

The payments to which the agency is committed in respect of on-balance sheet PFI contracts are as follows.

	2011-12	2010-11
	£000	£000
Not later than one year	36,045	34,662
Later than one year but not more than five years	138,825	133,290
Later than five years	331,424	347,417
Total	506,294	515,369

21 Contingent liabilities and assets

Contingent liabilities

The MoJ is defending a lead case in respect of a fee paid judicial office holder claiming pension entitlements. The claim also potentially extends to holiday and sick pay, payments in respect of training and writing up fees, increases in daily fees and cancellation fees where bookings are not honoured. Additional cases are stayed behind the lead case. The estimated timing of resolution of the lead and stayed cases could be from 12 to 18 months.

HM Courts & Tribunals Service is involved in a number of legal cases dealing with ex gratia, compensation and other claims. The estimated cost of settlement for HM Courts & Tribunals Service is £1.9m (2010-11: £7.8m). In addition, as part of the court closure initiative, HM Courts & Tribunals Service may terminate a number of leases prior to their expiry dates. The expected cost of these terminations, should they occur, is £1.2m (2010-11: £1.7m).

As detailed in note 7.3, the result of the July 2005 High Court challenge meant that HM Courts & Tribunals Service has not been able to gain control of a number of properties intended to come within the 31 March 2005 Property Transfer Scheme. HM Courts & Tribunals Service faces a contingent accommodation liability for the properties that it is yet to control.

If HM Courts & Tribunals Service is not able to effect a transfer of ownership and control of these properties it faces potential accommodation obligations to the parties who ultimately own the property rights and will control the underlying economic benefits. Based on the rental value of the properties as at 31 March 2007, it is estimated that HM Courts & Tribunals Service could be exposed to additional costs of up to £0.3m per annum (2010-11: £0.3m) with a total maximum contingent liability since 1 April 2005 of £2.3m (2010-11: £2.0m).

HM Courts & Tribunals Service has no other unquantifiable contingent liabilities.

Contingent assets

The Secretary of State for Justice was Claimant in High Court civil proceedings in relation to property transactions concerning First Avenue House, High Holborn, London in 2002 and 2003. On 23 May 2012, the matter was settled without admission of liability. As is normal the terms of the settlement are confidential and, as such, further details have not been disclosed.

22 Related party transactions

HM Courts & Tribunals Service is an Executive Agency of the MoJ, which is regarded as a related party. During the year, HM Courts & Tribunals Service has had material transactions with the MoJ and other entities for which the MoJ is regarded as the parent entity. The other entities are as follows:

- National Offender Management Service (NOMS);
- Office of the Public Guardian; and
- Legal Services Commission.

In addition, HM Courts & Tribunals Service has had material transactions with the following other government departments and other central government bodies:

- Department for Work and Pensions (DWP);
- City of London;
- Hampshire County Council;
- HM Revenue & Customs (HMRC);
- Home Office;
- The Insolvency Service;
- Warwickshire Police Authority;
- Birmingham City Council;
- Wales Office;
- HM Prison Service; and
- The Treasury Solicitor's Department.

Further information in respect of related party transactions related to fines and penalties collection activities can be found in the Trust Statement.

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgments on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue received from the Registry Trust Limited in the year amounted to £0.6m (2010-11: £0.6m) with a total debtor balance due to HM Courts & Tribunals Service as at 31 March 2012 of £0.2m (2010-11: £0.1m).

During both 2011-12 and 2010-11, no Board Members or other related parties have undertaken any material transactions with HM Courts & Tribunals Service.

HM Courts & Tribunals Service has a number of arrangements with the MoJ and its departments which are classified as intra-departmental recharges. These payments are for the use of assets and other services, and are expensed in the Statement of Comprehensive Net Expenditure 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

HM Courts & Tribunals Service holds a number of different cash balances on behalf of third parties. These consist of bail monies which are received and held while a criminal case progresses and funds held in respect of child maintenance court orders. At 31 March 2012 these amounted to £11,249k and £646k respectively (2010-11: £10,124k and £630k respectively) and have not been recognised in the accounts in accordance with the change in accounting policy detailed in note 1.33.

24 Events after reporting period

Financial reporting

In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General. There were no such events requiring disclosure in or adjustment to the accounts.

25 Accountability

The following disclosures are included to comply with government accounting reporting requirements:

- There were 1,428 (2010-11: 1,172) cases of reported cash losses totalling £205,192.76 (2010-11: £139,263.69). These primarily relate to instances where small discrepancies arise in the receipting of cash at court level;
- During the year, a total of £0m (2010-11: £0.1m) of debts were written-off as unrecoverable. These amounts had previously been recognised as an impairment expense in the Statement of Comprehensive Net Expenditure;
- There were 8,376 (2010-11: 7,740) cases totalling £1,498,297.38 (2010-11: £1,501,215.40) where fees were remitted for individuals who were not in receipt of government means tested benefits. In these cases, HM Courts & Tribunals Service has granted remission based on the Guidance for Administering the System of Fee Concession (EX160) published by MoJ;
- During the year there were 2,122 (2010-11: 1,974) special payments, totalling £2,032,038.55 (2010-11: £1,455,050.37). Special payments are those that go beyond administrative rules or for which there is no statutory cover or legal liability; and
- During the year there were 4 payments (2010-11: nil) in respect of interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 totalling £1,442.50 (2010-11: £nil).
- An impairment of intangible assets of £5,152k (2010-11: £10,327k) has been recognised to reflect all costs associated with the abandoned e-Working intangible asset under construction.

26 Criminal Injuries Compensation Statement of Account as at 31 March 2012

This statement has been included in accordance with the accounts direction issued by the Secretary of State, in pursuance of section 6(3)(a)(ii) of the Criminal Injuries Compensation Act 1995 and paragraph 4 of the Criminal Injuries Compensation Scheme 2001, after consultation with the Scottish Ministers in accordance with section 88(2) of the Scotland Act 1998.

	2011-12		2010-11
	£'000	£'000	Restated £'000
Income *		(409)	(431)
Staff costs:			
Staff payroll costs	712		793
Judicial payroll costs	<u>1,494</u>		<u>1,506</u>
Total payroll costs		2,206	2,299
Other operating costs		<u>1,439</u>	<u>1,578</u>
Net cost of operations		<u>3,236</u>	<u>3,446</u>

* Includes £409k (2010-11: £431k) contribution from the Scottish Executive towards Scottish cases.

Annex A: Data sources and data quality

This annex gives brief details of data sources for the figures given in this report, along with a brief discussion on data quality. Further information can be found in 'Judicial and Court Statistics 2011' and 'Annual Tribunals Statistics 2011-12' via the MoJ website at <http://www.justice.gov.uk/statistics/courts-and-sentencing/judicial-annual> and <http://www.justice.gov.uk/statistics/tribunals/annual-stats>

County courts (non-family)

This information has been produced using the Management Information System (MIS), a data warehousing facility drawing data from court-based administrative systems. County court data in MIS has been sourced from the 'CaseMan' administrative system, used by court staff for case management purposes. This contains good quality information about the incidence and dates of major events in a case's progress through the court system. Statistical quality assurance procedures include the identification and removal of duplicate entries for the same event in a case, and checks that data have been collated for all courts to ensure completeness. However, the numbers of small claims hearings and trials are dependent on court staff entering correct hearing outcome codes onto the system.

Family courts

The data on the family courts was principally sourced from the county court administrative system FamilyMan (via MIS), used by court staff for case management purposes and containing good quality information about a case's progress through the family courts. Some data is also sourced from the HM Courts & Tribunals Service Performance Database. Statistical quality assurance procedures include the identification and removal of duplicate entries for the same case on the administrative systems, and checks that data has been collated for all courts to ensure completeness.

Crown Court

The data on the Crown Court has been sourced from the Crown Court administrative system CREST (via MIS), used by court staff for case management purposes. This contains good quality information about the incidence and dates of major events of each case's progress in the Crown Court. Statistical quality assurance procedures include the identification and removal of duplicate entries, checks of apparent anomalies and checks for completeness.

Magistrates' courts

The statistics on completed proceedings are sourced from the HM Courts & Tribunals Service Performance Database, which was rolled out across magistrates' courts during 2007-2008 and is populated using information contained on the Libra Management Information System and manual data collection. This contains good quality information about magistrates' courts' caseloads. Data provided by the courts must be checked and verified by court staff before being submitted onto the HM Courts & Tribunals Performance Database. The centrally collated data are subject to further checks including the investigation of apparent anomalies in the data.

The statistics on the effectiveness of recorded trials and the enforcement of financial penalties are also sourced from the HM Courts & Tribunals Service Performance Database.

Data relating to Breached Community Penalties is collected by courts on an MS Excel based tracker system, and snapshot data is collated centrally. The spreadsheet contains validations on key data, and further checks are completed centrally investigating anomalies in the data.

Tribunals

The data on tribunals presented in this report are Official Statistics drawn from a number of administrative sources and quality checked and reconciled. Although care is taken when processing and analysing the data, the details are subject to inaccuracies inherent in any large-scale recording system and it is the best data that is available at the time of publication.

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