



HM Courts &  
Tribunals Service

# HM Courts & Tribunals Service Annual Report and Accounts 2018-19







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## Annual Report and Accounts 2018-19

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

Accounts presented to the House of Commons under Section 7 of the Government Resources and Accounts Act 2000 and to the House of Lords by Command of Her Majesty.

Ordered by the House of Commons to be printed on 18 July 2019.



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ISBN 978-1-5286-1337-8

CCS0519307960

07/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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## Section 1: Introductions

### 1.1 Introduction by the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals

We are pleased to introduce the eighth Annual Report & Accounts published by HM Courts & Tribunals Service.



The Rt. Hon. David Gauke MP  
Lord Chancellor and Secretary of  
State for Justice



The Rt. Hon. The Lord Burnett of  
Maldon  
Lord Chief Justice of England and  
Wales



The Rt. Hon. Sir Ernest Ryder  
Senior President of Tribunals

Our justice system is internationally renowned and a cornerstone of our civil society. HMCTS is a fundamental part of that system. It provides a direct service to those involved in cases and appeals, and helps safeguard the rule of law which protects us all.

We are indebted to the work of over 16,000 members of staff across HMCTS, and the independent judiciary they support, for their dedication, commitment and service over the past 12 months. The work they do is far from easy but it is of immense importance – individually as well as collectively. They are all deserving of our gratitude, and they all have our sincere thanks.

This is the first annual report since Tim Parker was appointed as chairman of the HMCTS Board. We are very grateful to him for his careful stewardship and advice. As can be seen from the contents of this report there has been both significant progress and achievement, and considerable challenge for HMCTS during the last year.

The organisation's core purpose is to support our courts and tribunals, and to serve the countless people, businesses and organisations who rely on our justice system every single day. This service is putting considerable effort into a programme of modernisation and reform to ensure it better meets the needs of those who will use it in the future.



### Among the highlights in this report:

HMCTS handled a caseload of over 4.4 million proceedings across the criminal, civil, family and tribunal jurisdictions :

- the **criminal courts received 1.5 million cases** during 2018, ending the 2018-19 reporting year with the lowest outstanding number of Crown Court cases since 2000. The criminal magistrates courts improved their performance in the completion of cases too
- more than **62,000 Civil Money Claims** have been issued online since the service's launch last year. The average time to settle a case using the online process is 5.2 weeks compared to 13.7 weeks using our non-reformed services, and
- more than **14,000 people have submitted online Social Security & Child Support appeals** against Personal Independence Payment and Employment Support Allowance decisions. In addition, those submitting their appeal online in England and Wales have been able to use the Track Your Appeal service, which allows an appeal to be tracked online through its key stages.

HMCTS delivered its first online services to the public which were used by over 130,000 people who expressed an average user satisfaction rate of 84.5%. For example –

- an **online Divorce Service** is now available with more than **41,000 applications** made since April 2018. The online application takes half as long to complete as its paper equivalent, and has reduced the error rate from 40% to 1%
- an **online Probate Service** is now available which has been used by more than **20,000 applicants** and

- an **online Plea Service** for defendants being prosecuted by Transport for London increased the speed by which these cases are determined. In one case a defendant pleaded guilty online and within four days had received the decision in the case and was able to pay their fine. This compares with the postal method which takes on average 29 days. There has been a steady increase in the number of pleas being entered online with more than 2,900 online pleas entered by March 2019 and 73% of those using the service say they are satisfied or highly satisfied with it.

HMCTS has also had to deal with significant challenges. During January 2019, two substantial IT problems caused significant and widespread disruption across the entire MoJ network, which included numerous sites across HMCTS.

This was not an easy time for staff, the judiciary or court and tribunal users. But we are heartened by the stories of resilience, where members of staff, judges, tribunal members and magistrates worked hard to get around the problems thrown at them, and because of that helped to ensure that serious and significant effects were avoided.

We will continue to rely on the commitment of HMCTS staff and the expertise and dedication of the judges, specialist tribunal members and magistrates they support, over the year ahead. Their critical work will ensure access to justice continues to be delivered and improved.

## 1.2 Foreword and introduction

by Susan Acland-Hood, Chief Executive



The justice system is a cornerstone of our modern society, defending our fundamental rights and freedoms. Whatever else may be going on in people's lives, whatever uncertainty and difficulty they may face, people rightly rely and depend on our justice system to be there for them when they need it. Our justice system is the envy of the world; but to remain so, it needs to change and improve; and our reform programme is designed to use new technology and modern ways of working to make the system work better, and more efficiently, for all those who use it.

This year has seen us make good progress as our programme of reform has scaled up significantly – our new online services in divorce, probate, civil claims and social security appeals have been used by more than 130,000 people, and feedback has remained excellent. Through testing and refining our services, with the support and help of judges, members of the legal profession and other users, we have iterated and improved them. We are also making good progress with our next phase of work in public family law, immigration and asylum tribunals, and through the use of video hearings for suitable cases.

In January, we opened our first Courts & Tribunals Service Centres, in Stoke-on-Trent and Birmingham; a tangible and important step in changing the way that we work. We have given excellent training and support to our staff so that they can in turn give better, more consistent, and a more professional service to the public.

As our plans have been delivered, they have rightly been subject to a great deal of scrutiny and examination. Not everything has gone as we planned it. In particular, we now know that it will take us longer than we first planned to put in place the 'common capabilities' that we need to have across all our new services, in the right way. In response to the feedback that we have received, and our own review of our future plans, we have decided to extend the reform programme's timetable to 2023. The additional time will ensure that the changes we are making are delivered effectively.

Operationally, this year has been challenging, with caseloads rising across the civil, family and tribunals jurisdictions, and a large-scale outage to the Ministry of Justice's IT infrastructure causing considerable disruption to our back-office administrative work. Throughout the course of the year, though, the hard work and commitment of staff across HMCTS has once again come to the fore. A huge amount of effort was put in to ensure that the effects of the IT outage were mitigated as much as possible (with very few hearings disrupted), and that performance levels across all jurisdictions remained consistent with particular successes in immigration and asylum, Crown and magistrates' courts. It has also been pleasing to see civil and family orders – which were being issued too slowly in the early part of the year – improve over the course of the year in response to a dedicated programme of work.



**Over 200 delegates from more than 20 jurisdictions discussed cutting-edge court technologies from around the world, at the first International Forum on Online Courts in December 2018.**

I am pleased that the progress that we are making through our reform programme is starting to provide our staff with the tools that they need – and deserve – to help them do their jobs as best they can. I am also pleased that this year, alongside our annual programme of spending and works to improve our buildings, we were able to secure an additional £15million of investment in maintenance. This investment paid for more than 450 individual projects across our estate, enabling us to continue to concentrate on small improvements that I know make a big difference to the day-to-day experience of those using our buildings. At the same time, we will be investing in larger-scale structural projects such as making sure that roofs aren't leaking and lifts are being fixed. We also completed our survey programme, ensuring that we have an accurate picture of the condition of all buildings across the estate, allowing us to understand what is needed and to prioritise the resources that we have more effectively.

In December, HMCTS jointly hosted an international conference on digital court reform, which brought together court administrators, lawyers, academics and judges from around the world. It demonstrated that our reform programme is part of a wider global movement of change, to shape justice systems around the needs of those who use them. There was widespread interest and support for what we are doing here – and we were able to draw important lessons from what is going on elsewhere.

The year ahead will see a further step-change in the scale and scope of our reform programme, and the changes that we make will touch more and more users of our systems. That will of course bring its own share of challenges, but I know that the strong foundations that we have laid, and the hard work and efforts of people across HMCTS and the wider justice system, will enable us to deliver a system fit for the needs of the 21st century.

**Susan Acland-Hood**

**Chief Executive and Accounting Officer  
HM Courts & Tribunals Service**

## 1.3 Foreword by Tim Parker, Independent Chairman of the HM Courts & Tribunals Service



This annual report is my first since I was appointed independent Chairman of the HM Courts & Tribunals Service Board last April.

When HMCTS was established in 2011, the Lord Chancellor, Lord Chief Justice and Senior President of Tribunals delegated to the HMCTS Board the responsibility for overseeing the agency's leadership and direction, in delivering its aim of running an efficient and effective courts and tribunals system, enabling the rule of law to be upheld and providing access to justice for all.

I was very proud to be appointed Chairman of the HMCTS Board, and am appreciative of the opportunity offered to me by the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals to lead the Board at such a crucial point in HMCTS' history.

The justice system is, like the courts and tribunals that underpin it are, central to the fabric of our society. Our ability to access justice when and how we need to is something that we take for granted. Many of us may never need to come into contact with the justice system, some may do so only once or twice in our lives; but we all rely on the fact that if we ever do need it, it will be there for us, most likely at a time when we are at our most vulnerable. Our justice system rightly enjoys an outstanding reputation globally, but it could and should be better.

Since my appointment, I have visited a wide variety of courts and tribunals, meeting staff, members of the judiciary and court users wherever I have been, and I have seen at first hand the bits of our system that work, and those that do not. I have never failed to be impressed by the hard work and commitment of people working across the system, but too often I have seen them having to do their best with outdated processes and without the support that modern technology has to offer. But this is starting to change.

This year's annual report reflects the significant progress made with HMCTS' ambitious programme of reform. This is a £1 billion programme that will transform the way that justice is administered and, ultimately, experienced by those who come into contact with our systems. New online services are now available to the public, where previously only laborious paper forms existed. Simpler and more efficient means of accessing justice are being developed and put in place, while still reflecting and upholding the importance of the principles that they underpin. Given the crucial role that our courts and tribunals play, it could not be more important that we get this right.

But this change is long overdue, and although not everything that we try will work first time, with the support of our Ministers in the Ministry of Justice, as well as the judiciary, led by the senior judges, and working closely with stakeholders from across the legal profession and the wider justice system, I am confident that we will deliver our vision for a just, proportionate and accessible system that is fit for the 21st century.

What this year's annual report also reflects is the broad effort that has gone in across the agency to ensuring that our performance is as strong as it can possibly be. This has not been easy given the challenges faced across some jurisdictions – and it is certainly the case that we will be striving in the year ahead to improve performance further – but it is testament to the hard work of staff and the judiciary across our courts and tribunals that we continue to perform as strongly as we do as an organisation.

In financial terms, this year's annual accounts represent a successful year, with adept and prudent financial management enabling the organisation to do what it does, both through our reform programme and in terms of day-to-day performance, in a way that represents excellent value for money for the general public.

When I joined HMCTS last year, I knew that our purpose was vital, that our challenges were numerous and varied, and that our plans were ambitious and extensive. All of that has been reaffirmed over the course of the year, but what is also clear to me is the level of commitment and the strong values that drive forward all of those who work in and support the justice system. I thank all of them for their hard work this year.

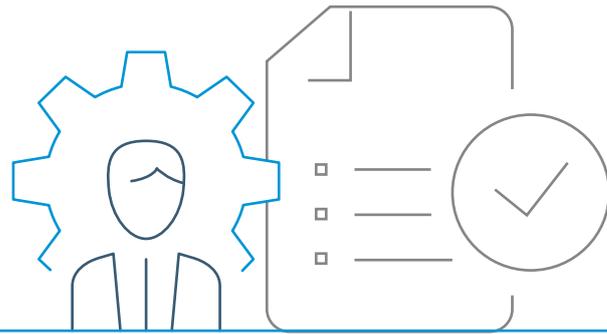
I would like to pay tribute to my predecessor, Robert Ayling, under whose chairmanship HMCTS has gone from strength to strength since its establishment seven years ago. I have been lucky to inherit an experienced and skilful Board, whose members, whether non-executive, judicial or executive are dedicated to driving the organisation forward; a strong and talented senior management team, under the excellent leadership of Chief Executive Susan Acland-Hood; and the support of the wider Ministry of Justice, its Ministerial team and a forward-looking and ambitious senior judiciary. I would like to thank them all for their support in my first year as HMCTS Board Chairman and I look forward very much to the year ahead.

**Tim Parker**  
Chairman

## Section 2: Performance report

HM Courts & Tribunals Service (HMCTS) is an executive agency of the Ministry of Justice, responsible for the management and administration of courts and tribunals. Our courts operate across the criminal, civil and family jurisdictions, and run throughout England and Wales. Our tribunals are based throughout the United Kingdom, and include the non-devolved jurisdictions in Wales, Scotland and Northern Ireland.





### 2.1 Overview: Who we are and what we do

We are governed by a Framework Document, which codifies a partnership between the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals (the Framework principals), each of whom have specific leadership responsibilities set out in statute. As an agency established underneath that partnership, our aim is to run an efficient and effective courts and tribunals system, enabling the rule of law to be upheld, and providing access to justice for all.

We handle over 4.4 million cases a year, operate from 338 court and tribunal hearing centres and have over 16,000 members of staff, most of whom work in frontline, operational roles.

#### We are responsible for:



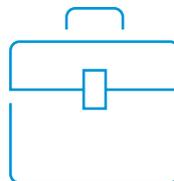
**providing the supporting administration** for a fair, efficient and accessible courts and tribunal system



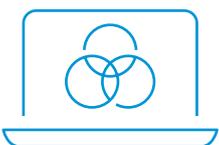
**collaborating effectively** with other justice organisations and agencies, including the legal professions, to improve access to justice



**supporting an independent judiciary** in the administration of justice



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



**making improvements** across all aspects of the administration of courts and tribunals

Led by an independent board that is accountable to the Framework principals, we provide the system of support, including infrastructure and resources, for the administration of the courts and tribunals for which the Lord Chancellor is ultimately responsible. The agency provides the support necessary to enable the judiciary, including judges, tribunal members and magistracy, to exercise their judicial functions independently and effectively.

Every day, we ensure that our courts and tribunals system continues to lead the world, and meet the needs of all those we serve in the 21st century. To do this we have developed a strategy, at the heart of which are the needs of the people and organisations that rely upon us.

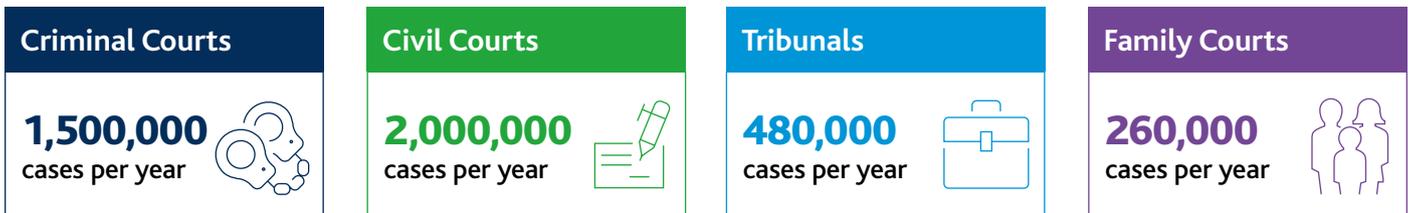
This strategy is based around the vision of transforming our justice system, as set out by the framework partnership principals:

<b>Fair</b> <i>"It was fair – and it felt fair"</i>	<b>Humane &amp; Responsive</b> <i>"You understood; you treated me properly; you listened"</i>	<b>Accessible</b> <i>"I could get justice and it wasn't complicated"</i>	<b>Swift &amp; Efficient</b> <i>"You didn't waste my time; your systems worked"</i>	<b>Seamless</b> <i>"The different bits of the system fitted together well for me"</i>
<b>Just Purpose</b>	<b>Accessible</b>		<b>Proportionate</b>	
	<b>Humanity</b>	<b>Openness</b>	<b>Together</b>	

We are in the middle of a programme to invest over £1billion in transforming the courts and tribunal service, making the justice system easier to access, convenient to use and more efficient to run.

This programme of reform, led in partnership by HMCTS and the judiciary, will:

- open up new ways to access justice that are more straightforward and convenient
- improve processes so they are simpler and available digitally, taking procedures out of the costly and inconvenient courtroom if they don't need to be done there
- close underused and inappropriate court buildings and reinvest that money elsewhere, and
- move gradually to a smaller, centralised workforce with new skills and technology to improve the quality, consistency and efficiency of the service we provide.



**A justice system designed in another age, not by or for the people and organisations we now serve.**

**Paper based systems & poor IT infrastructure**, which drives over-reliance on physical hearings to move cases forward. The result is to sink scarce resources into crumbling estate and manual processing instead of good services.

Arcane processes that are hard to administer & even harder to navigate. Court is used to solve issues better dealt with elsewhere.

Resource and time allocation does not reflect the work being done – simple things can take a lot of time.



The reform programme was launched in 2016 by the government and the senior judiciary. In a joint statement, the then Lord Chancellor, Lord Chief Justice and the Senior President of the Tribunals said that reforms would combine “our respected traditions with the enabling power of technology”.

They added:

*“The vision is to modernise and upgrade our justice system so that it works even better for everyone, from judges and legal professionals, to witnesses, litigants and the vulnerable victims of crime. When they have to engage with the system, we want everyone to have available to them the finest justice system in the world.”*

You can read their full statement setting out the vision of the reform programme on GOV.UK.<sup>1</sup>

Now in the third phase of the reform programme, we will be scaling-up our new services and processes. Online services will be expanded and extended so they are available to a wider range of people and offer a complete end to end service to users. The number of Courts & Tribunals Service Centres will expand, with more staff providing more services from them over time. We have been developing digital systems in building blocks called ‘common capabilities’ which will be used to sit behind our next set of online services, enabling rapid future development and provide consistent and effective access to case information for legal professionals.

<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/553261/joint-vision-statement.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/553261/joint-vision-statement.pdf)

## 2.2 Our performance

### Progress against our 2018-19 key priorities

In July 2018, we published our corporate business plan, which explained our key priorities during 2018-19. Our strategy shapes our ambitious Reform Programme, and reflects the vision of the Lord Chancellor, Lord Chief Justice and Senior President of Tribunals. Our business plan sets out our key objectives under three themes:

**The right number of well-trained people in whom we invest properly, and whose outstanding commitment we value and build on;**

**Modern systems and processes, underpinned with great technology; and**

**Fewer, better buildings and settings that suit our new ways of working**





## Our year in numbers

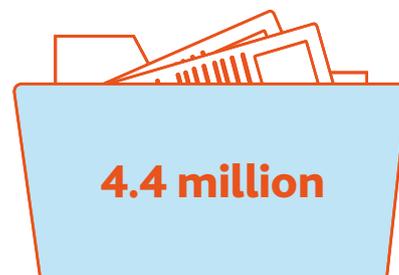
We have delivered services whilst undergoing transformational change. Here are HMCTS's notable achievements during 2018-19:



Thanks to additional funding of **£15 million**, we have now completed over **400 improvement projects**



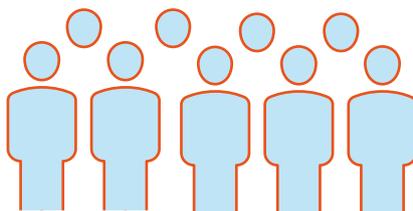
In 2018-19 more than **62,000** online civil money claims were made



Over **4.4 million** criminal, civil, family and tribunal cases were handled in 2018



We operate from **338 courts and tribunal hearing centres**

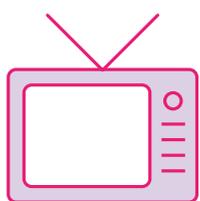


We have over **16,000 members of staff** across HMCTS



We have opened our **first two Courts and Tribunal Service Centres** in Stoke and Birmingham

With our **new online services** you can:



Make a plea for traffic offences & TV licenses



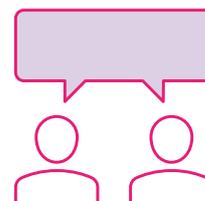
Apply for a divorce



Apply for probate



Submit a tax appeal

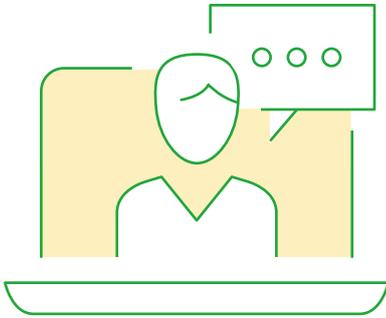


Issue and resolve civil claims

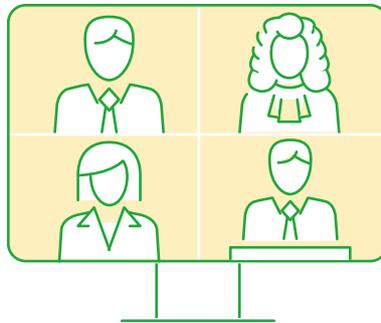


Respond to juror summons

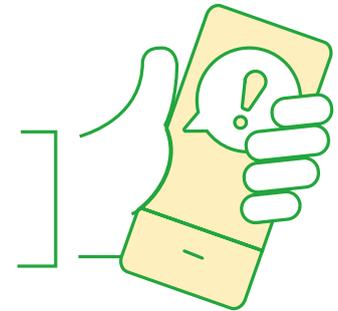
Improvements we have made to our **online services**



In 2018 we used over **116,000 video links**



We successfully piloted **fully video hearings**



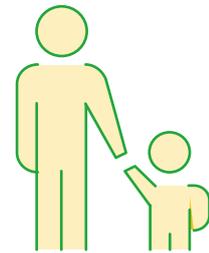
Appellants can **track their appeal online**, and receive text and email alerts



If you need help with our online services, **'Assisted Digital'** is available by phone, webchat and face-to-face

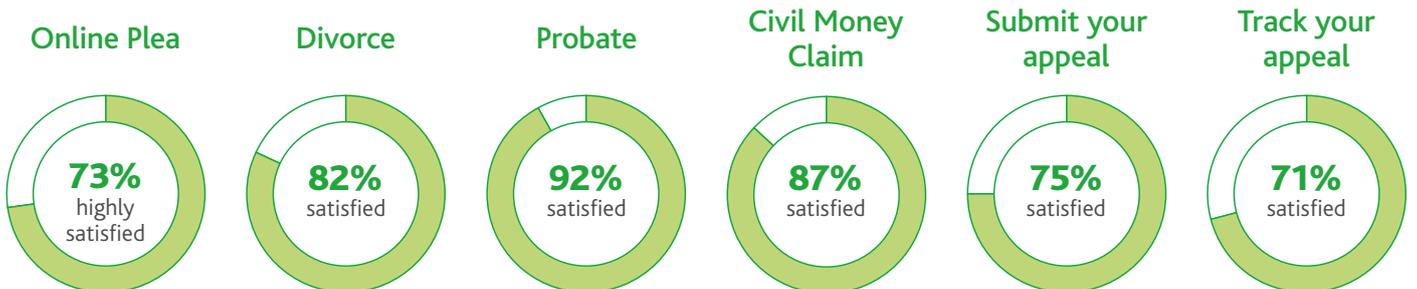


**Online divorce** reduced user error rate for paper based applications to **1%**.



We are piloting digital services for care and supervision orders with **at-risk children**

**Online services** user satisfaction results



## Our strategic priorities and how we have performed against them

### Our People and Culture

*"Our people are at the heart of everything that makes HMCTS a success. As the organisation transforms in the way it operates, the nature and the number of jobs along with the tools, expectations and capabilities required are also fundamentally changing.*

*Throughout the year, we have been working together on ways in which we can help people to continually improve their skills, be supported in making choices about their own future and feel involved and engaged both in their jobs and with the changes ahead.*

*We will continue to do this whilst also listening to feedback, looking at other ways to improve our working lives, and building on the evident commitment and enthusiasm to ensure every person feels well-supported in meeting the needs of this changing organisation."*

*Louise Alexander, HR Director*



**Our Business Plan for 2018-19, committed us to deliver excellent training for our staff, particularly on of new ways of working and to develop our culture of humanity and responsiveness to the people we serve. In order to achieve this, we said we would:**

- reduce the time taken to hire staff and have a clear retention strategy to help us keep our best and most experienced people through change
- use 'Our People Promise' to put renewed focus on our people, changing how we respond to feedback to improve our services, and
- invest in learning and development opportunities and leadership skills at all levels, so that our people are able to lead through change and are supported through career transition routes.

### What we have achieved in 2018-19

**Apprenticeships** - Between the period April 2018 to March 2019, we received and approved 250 applications for apprenticeships – more than double the applications we received in the previous year despite a challenging operational environment. This places us in a very strong position to achieve the government apprenticeship target (requiring 2.3% of our eligible workforce to commence an apprenticeship by end of the reporting period 2017-2021)

**iTransform** - We designed, developed and rolled out iTransform HMCTS, our development programme for all our leaders. It is a 12-month, blended learning programme, which includes situational judgment tests, digital learning, workshops, emotional intelligence coaching and peer learning groups. 2,460 leaders started their iTransform programme in 2018 -19.

**Digital You programme** - We designed and developed a bespoke, bite-sized, blended learning programme to build the digital confidence of our operational staff. After the pilot, digital confidence increased among those who had taken part by 24%. We trained 70 Activity Leads to deliver the face-to-face sessions.

**Courts & Tribunals Service Centres (CTSCs) learning curriculum** - We designed a comprehensive learning curriculum for staff moving into new CTSC roles. The bespoke materials cover a two-week formal induction period, followed by six weeks of working in a supported academy (live work with formal learning periods and intensive support from development coaches). We also delivered four weeks of train the trainer sessions.

### The vision ahead

As part of National Apprenticeship Week 2019, we announced the extension of a legal apprenticeship scheme that was piloted during 2018. We are increasing the number of places on the Paralegal and Chartered Legal Executive Apprenticeship programmes by doubling the places available from 15 to 30. We are also exploring bespoke apprenticeships for ushers and considering how apprenticeships could add value to new roles being created in Courts & Tribunals Service Centres (CTSCs).

We will continue to roll out the programme to all our leaders to support and equip them with the skills and behaviours required to lead our people through reform and beyond.

Senior Civil Servants (SCS) coaching: we will roll out coaching for our most senior leaders.

Frontline managers: we will develop a package to support our front-line managers.

**Digital You programme** – we will train further Activity Leads and roll out the programme to over 14,000 operational staff.

**Digital skills webinars** – we will design, pilot and roll out webinars on specific digital skill gaps.

We will develop the design of the CTSC learning curriculum based on lessons learned from the first two.

For the organisation more widely, we will design the learning curriculum for staff transitioning into different kinds of roles as a result of the Reform Programme.

**Human voice of justice** - Customer Service learning, we have designed, developed and piloted a bespoke, blended learning programme to build customer service capability in CTSCs. We based learning materials on our customer service aspirations and our tone of voice to reflect the human voice of justice.



Customer service learning – we will further develop the learning programme so that it supports both staff working with users in person and staff working in HQ functions. We will roll out the new blended customer service learning to all staff. We will develop further complementary customer service training on reasonable adjustments and working with vulnerable users.

**Opinions, Praise, Treatment, Incident and Complaints system (OPTIC)** - In 2018 we developed an improved feedback system to replace 'CAFe', the database used to record all customer feedback. OPTIC went live nationally on 31st January 2019. Over 5,600 users were registered in advance of it going live, with more joining since the launch. This is more than double the number of users on CAFe.

The new system offers significant additional functionality for incident reporting including: health and safety data and detention and integration with our correspondence team.

A range of OPTIC learning products and materials are now available to staff and Regional Support Units have details of colleagues who can offer advice and guidance in each area.



In the coming months, we will be:

- embedding the OPTIC across the business
  - engaging with senior leaders to demonstrate the functions and performance improvement opportunities available through the use of OPTIC
- developing the London School of Economics complaint analysis reporting within OPTIC, and developing an online complaints form feeding into OPTIC, to allow for more structured feedback and streamlined internal processes.

**Talent and performance management** - HMCTS' performance framework (Personal Impact Development - PID) has been successfully embedded following its introduction in 2018. Our Talent and Performance Strategy has been implemented with the introduction of enhanced tools and guidance to enable a greater understanding of the career aspirations of our people. This approach is improving the way we develop our staff and has strengthened our succession planning.



We will explore ways to capture performance, development goals, aspirations and outcomes for all staff below SCS. This will help our managers to further develop talented staff who are considered to have high potential and performance.

The feedback from staff in our People Survey suggests our new approach to talent management has been well received.





### The human voice of justice – case study

**The human voice of justice is our new tone of voice, introducing a more human, caring way to our communications.**

#### We're all human

The justice system can be daunting and confusing. Complex policies, official procedures, legal language and jargon can make people feel 'processed', whether they're going through the system or work within it. That's why it's important that we communicate in a caring and human way. It shows we really listen and act on what people tell us, to make HMCTS a supportive place to work.

Launching the human voice of justice, Liz Olney, Deputy Director of Customer Change and Innovation said, *"The human voice of justice shows we're a modern organisation that treats people as individuals, not numbers. We're encouraging everyone across HMCTS to apply the human voice of justice to all of our communications."*

**Our human voice of justice is based on three easy to remember commitments:**

We'll **listen** to you.

We'll **explain** everything clearly.

We'll **guide** you<sup>1</sup>.

It's a useful approach we are starting to apply every time we communicate – whether it's when we speak, write, or connect with the people who use our courts and tribunals, or the people we work with.

Following these commitments helps us to express the values we all share at the Ministry of Justice – those of purpose, humanity, together and openness. It also gives us a way to live up to our HMCTS promise, by listening to people's needs and treating them how they want to be treated.

We initially introduced the human voice of justice for handling complaints in one of the business centres, and saw a 40% reduction in the number of second stage complaints. So, we know it can make things better for people using our courts and tribunals, as well as our staff. Embedding human voice of justice across the organisation and building the capability of our staff to apply the human voice of justice, is a top priority in the coming year.

<sup>1</sup> HMCTS does not provide legal advice.

## Our strategic priorities and how we have performed against them

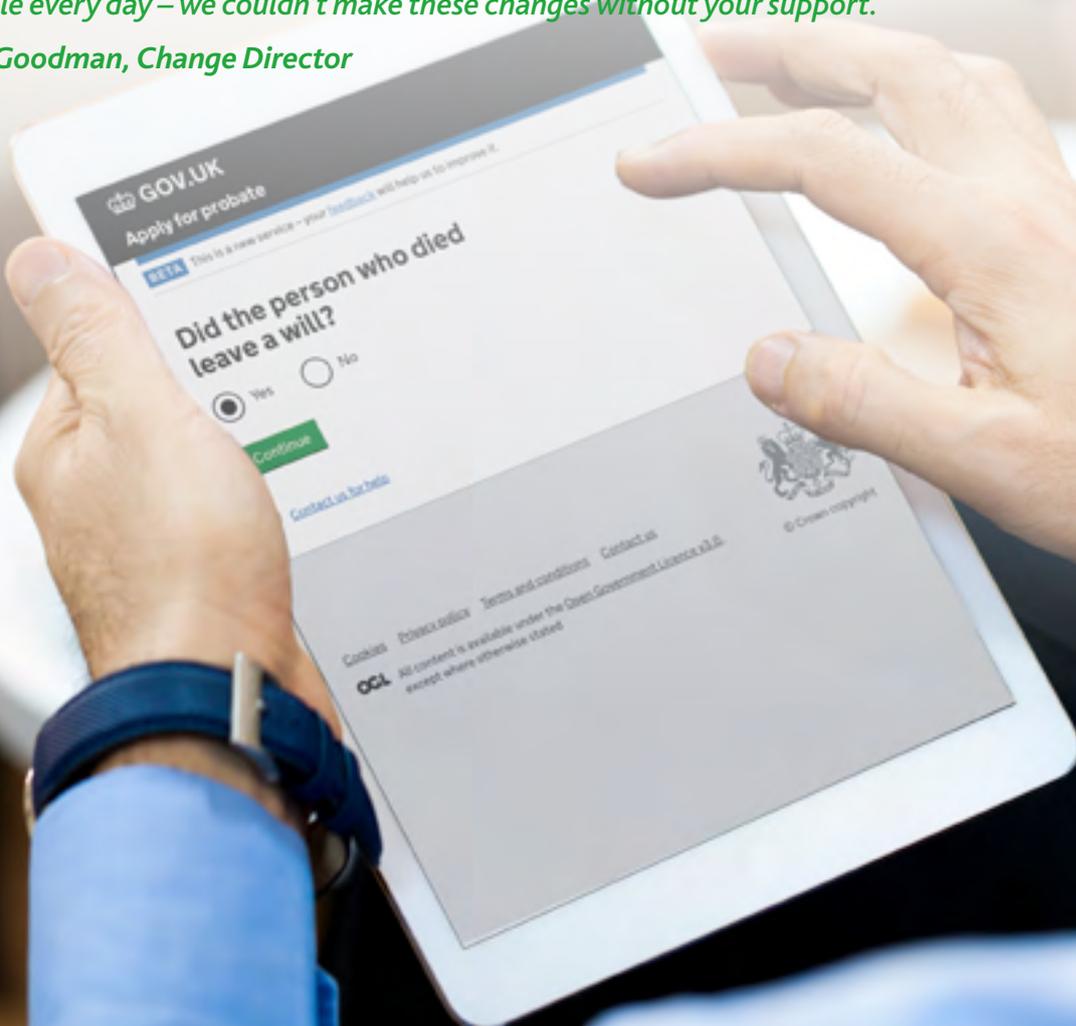
### Our Systems, Processes and Technology

*"These online services are opening up the justice system to people who otherwise might have felt excluded. We know that making a civil money claim in the past felt too intimidating for some people who had been wronged to seek justice – now it's increasingly simple and straightforward."*

*"By designing around the user, we're making services better but also more efficient – for example, if we reduce uncertainty by making things simple, we can reduce the unnecessary follow up phone calls or forms that need to be resubmitted."*

*"I want to say a big thank you to those colleagues who have designed and implemented these new services but also to those colleagues who may not be directly involved in the reform programme but are on the sharp end of making the rest of the system run as smoothly as possible every day – we couldn't make these changes without your support."*

*Richard Goodman, Change Director*



**In our Business Plan for 2018-19, we committed to improving our systems, process and technology – and working to provide a proficient effective service with modern ways of working. To achieve this we said we would:**

- enable the sharing of national best practice, moving towards more common processes
- design and deliver new ways of working across all jurisdictions
- improve our processes and performance,
- develop enhancements and upgrades to current court digital applications and deliver new products to support more digital working; and
- identify and act more effectively on our most significant causes of serious operational failure and risk, with a new 'Operational Assurance team' to drive and check progress.

### What we have achieved in 2018-19

**Video Hearings** - From March to May 2018, there was small-scale testing in Tax Chamber of the First-tier Tribunal where a judge conducted the case in open court with appellants based in multiple locations. The pilot tested the technology and processes that will allow hearings to be run using full video, where it is deemed appropriate.

In early 2019, we began testing a small number of cases in the civil and family court in Birmingham and Manchester Civil Justice Centres. Volumes have been low, but the pilots represented a good start.

**Automated Track Case Management (ATCM)** - Our new digital system for summary offences being heard by a single justice, has handled over 38,000 cases since 1 April 2018. It is now being used for Transport for London and TV Licensing single justice procedure cases (TVL).

**Online pleas** - 2009 online pleas have been made within the Single Justice Service for Transport for London and TV Licensing cases in 2018 - 19. User satisfaction with the service stands at 73%. The introduction of an online plea and case management system aims to reduce delays and improve engagement and efficiency.

A defendant is able to plead guilty online and within four days receive the outcome of the case and could pay their fine. This compares with the postal method which takes on average 29 days.

In addition, this year more than 81,000 online pleas have been made for low-level motoring offences via the Make a Plea service.

### The vision ahead

We are now building a new version of the video technology which will be ready for release in summer 2019. This technology will allow us to test video hearings to scale, in the Tax Chamber later this year.



User research continues in parallel with small scale testing in civil and family hearings, ensuring it informs the further development of the video hearing service design. This will include short notice injunction hearings which will offer added value to both the court and its users, it will reduce travel and waiting at a stressful time and enable the court to manage short notice hearings and urgent orders. As with the Tax Chamber, party-to-party testing will be evaluated by independent academics and published on completion.



Following a successful pilot for TV Licensing prosecutions in the Midlands region, plans are in place to roll out ATCM nationally. Assisted Digital Support for TVL and DVLA online pleas will be undertaken by the Courts & Tribunals Service Centres (CTSC). Assisted Digital support will be offered for users of the low-level motoring Make a Plea service, whilst it transitions to the CTSCs. We will continue to review and undertake further research so that we improve our service, increase engagement and overall satisfaction.

## What we have achieved in 2018-19

**Common Platform** - The pilots involving Cheshire-Mersey Crown Prosecution Service, Merseyside Police and Liverpool Crown Court continued, enabling CPS review of cases on Common Platform and making available to all legal parties the Initial Details of the Prosecution Case (IDPC) for many 'either way' and 'indictable-only' cases once the police confirm that charging has taken place. The Crown Court pilot was limited by a restricted number cases, although this has increased towards the end of the year.

**Civil Money Claims online** - Following the launch of the Civil Money Claims Service in March 2018, the new service is resulting in speedier resolution. The average time to settle a case this way is 5.2 weeks compared to 13.7 weeks using non-reformed services. The system allows claims to be issued, responded to and settle claims without the need for any third-party involvement. Parties can make and accept without-prejudice offers. Delivery of the project has been slower than we would have anticipated. This has been due in part to a lower than initially forecasted digital up take. We hope that when we offer a help with fees solution we will see digital up take increase at a faster pace.

**Divorce online** - Between the national rollout in April 2018 and the end of March 2019, we received over 41,000 applications for divorce online. We are now supporting applications for uncontested divorce, and allowing the digital upload of marriage certificates and online payment.

From January 2019 we introduced the next stages of the online divorce to include the acknowledgement of service and decree nisi applications online.

**Section 28** - In 2018 we reviewed the detailed planning work for section 28 (s.28), of the Youth Justice and Criminal Evidence Act 1999, which allows for the pre-recorded cross examination of certain witnesses (namely adult complainants in sexual offences and Modern Slavery Act offences). The first phase of rollout was planned in three early adopter courts (Liverpool, Leeds and Kingston upon Thames); and for child and vulnerable adult witnesses in a further six Crown Court centres (Chester, Mold, Carlisle, Durham, Sheffield and Bradford). This work did take longer than originally anticipated, as we took time to develop and agree the detail with the judiciary. But it is now helping vulnerable and intimidated witnesses or victims of crime, by reducing the stress they face during live cross examination.

## The vision ahead

The Common Platform has commenced a pilot of magistrates' court functionality to enable Single Justice Procedure referrals to be heard.

 This will be introduced in magistrates' court hearings to test the Common Platform, using cases that have started in the Single Justice Procedure but have then been referred to court for a hearing. The two pilot sites will include Lavender Hill Magistrates' Court (handling TfL cases) and Warwickshire Justice Centre, Nuneaton (TVL cases only).

We will continue to expand and improve our online civil money claims service – so that a complete digital end-to-end system is available to users. Over time we will expand on the type of claims that can be issued so that it can be used more widely.



A consent order pilot in financial remedy has developed enough to expand and as of the end of April 2019, we had 33 legal firms using it. We are also testing an online service for legal professionals and up to the end of April 2019, 28 firms were using it.

 We will release the decree nisi and decree absolute outcome feature during 2019 and will continue to add features to the solicitors' online application. The financial remedy element of the project will also be added to the ongoing 'consented' pilot and we are working towards a contested pilot release in 2019.

We will learn from implementing s.28 in the first tranche of courts before deciding where to roll out further phases. We are working closely with the judiciary and other criminal justice system partners to ensure the roll out of s.28 is delivered most effective way.



### What we have achieved in 2018-19

**Probate online** - After initial testing, in late 2018 we launched a service for individuals to apply for probate on GOV.UK. Further improvements to the online application have been made since then. We have used feedback from those who've used the service to implement a streamlined, digital system to speed up and simplify the process for users who apply for a grant of probate in non-contentious cases.

Since early 2019, we have redesigned the grant of probate to include additional counter-fraud measures such as a digital seal and hologram. The online application allows users to upload supporting documents. We were due to move all digital probate applications to be dealt with at Courts & Tribunal Service Centres in January 2019, but this was delayed until March as we worked through the complexities of case management systems. We used this time to provide additional training to our new staff members.

**Social Security and Child Support (SSCS) Tribunal** - We have established a new, digital process to improve the experience of appellants, allowing them to submit, track and manage an appeal online. This will include verification checks and an online listing tool.

The Submit Your Appeal service allows people to appeal a benefit decision on GOV.UK. Appellants across England and Wales can digitally upload evidence to support the appeal, such as photographs, medical reports or other relevant information. It is currently being used in two types of benefits appeals: Personal Independence Payment (PIP) and Employment Support Allowance (ESA). By the end of March 2019 over 14,000 appeals had been received on GOV.UK for both services.

**Wi-Fi** - We have completed the installation of Wi-Fi into 111 civil, family and tribunal court buildings. We have over 80,000 professionals using Wi-Fi in our buildings each week. In all Wi-Fi enabled buildings people can access the HMCTS Wi-Fi service using Professional Court User (PCU Wi-Fi) accounts or GovWiFi accounts.

We have been upgrading Wi-Fi in criminal courts to bring it in line with the Wi-Fi provision in civil, family and tribunals buildings. These upgrades will allow Wi-Fi to be available across the whole building and to make it accessible to everyone who attends court.

A Wi-Fi service has been installed across all areas of the Royal Courts of Justice and the Rolls Building both Professional Court User (PCU Wi-Fi) and GovWiFi networks have been enabled for users.

### The vision ahead

After we implemented changes in early 2019, between April and June 2019 the average waiting time for a grant of probate increased but this is now starting to improve. The longer waiting times were due to a combination of increased volumes of incoming work and transition to a new case management IT system. Urgent action was taken to address these delays, staffing has been increased and the digital service further improved to reduce the waiting times.

We will continue to develop the online service for professionals, which is currently in a limited testing phase. Our aim is to make applying for probate digital from start to finish.

It is vital that we continue to listen to feedback to make sure we are getting things right for those who are dealing with probate, as it is by definition a difficult time in their lives.

In the months ahead, we will build on the success of submit and track your appeal and complete the digital journey by introducing a system to allow the tribunal to share and receive evidence with the DWP. We will also allow the appellant to submit further evidence, to withdraw or amend their appeal online.

The introduction of a bulk scanning and printing services will allow for paper appeals to be digitised.

We will extend submit your appeal to other benefit types as well as introduce the service in Scotland.

Finally, we will pilot continuous online resolution in the SSCS tribunal where appellants can potentially conclude their appeal by responding to questions from an SSCS panel via an online service.

All criminal court buildings already have Wi-Fi available, but in non-upgraded courts this was designed to provide service to specific areas of the building. Further work is planned to upgrade more criminal courts in the coming years, (subject to appropriate approvals). These upgrades are expected to be completed in 2021.

We continue to review coverage and performance to improve the service where required.

## What we have achieved in 2018-19

**Care proceedings** - We began a pilot to start testing digital services for court cases involving at-risk children. In January 2019 the first phase of a new digital system for care and supervision applications was launched.

The new system allows local authorities to complete and submit a C110a application for care and supervision orders along with the supporting documents required by the family court to issue and progress the case online. Local authorities are also able to upload a bundle to cases. The system is being tested in four Family Court sites in Portsmouth, Stoke-on-Trent, Swansea and West London.

**Immigration and Asylum project inception** - We are developing the administration of the Immigration and Asylum Chamber's service so that it can adapt to the different needs of diverse users.

A new process for appealing asylum decisions is being tested in two hearing centres, in Taylor House, London and in Manchester with the aim of simplifying the process and reducing delays.

It is hoped that this change will reduce the number of cases that are adjourned because of missing information.

**Warrants of Control** - Recognising a clear need to make improvements, since April 2018, we have set up 12 Warrant of Control Support Centres to address the pressures faced by bailiffs and improve the service provided to our users. These centres will standardise and improve the service for all users through court staff making telephone contact with debtors to provide support, resolve disputes and avoid a door step visit by a bailiff. In February 2019 we also set up a pilot to use a 'signed for' postal service for court documents received from foreign countries.

**Juror online** - Jurors can now reply to a jury summons online at the touch of a button through a new online system launched in July 2018.

Potential jurors can now confirm their availability, request a different date, or authorise someone else to respond for them online. They no longer need to fill out and post cumbersome paper forms.

In the pilot involving 38,164 jurors, 96.5% (36,833) responded digitally within seven days, compared to a mere 1% using the old paper form.

As well as making the process easier for jurors, forms accepting a summons are automatically uploaded to online court systems to save staff valuable time.

## The vision ahead

We will be monitoring the success of the pilot and using the information to inform further development.

In parallel to making improvements to our existing service, we will be developing the next stages, including case management, evidence management and orders. This part of the work will include respondent and children's solicitors. This will eventually lead to us testing an end-to-end service to take those using the service from application through to final order.

In adoption we will further develop and test our ideas and initial designs. To do this, we will continue to engage with our users focusing on the application process, issuing new proceedings and creating a directions order.

The project will continue through its pilot receiving digital appeals from selected solicitors at the Taylor House and Manchester hearing centres. In November 2019, we hope to extend the digital service to all asylum appeals at all hearing centres in the UK.

We have plans to continue to research and design other appeals processes including bail.

We will continue to expand and consolidate the role of the tribunal caseworker that should ultimately see better case progression and management leading to fewer adjournments.

If the pilot proves to be a success, this will allow bailiff resource to be re-directed to enforcing the remaining Warrants of Control that still require door step activity.

We will enhance the digital service with the introduction of automated communications in the nine-weeks leading up to their jury service. We will send updates, providing information and guidance to jurors in advance of attending court to provide more timely and informative guidance for jurors ahead of their juror service.





## Social Security and Child Support track your appeal – case study

### We have launched the Submit Your Appeal service allowing people to appeal a benefit decision online on GOV.UK

It includes a function to digitally upload evidence to support the appeal, such as photographs, medical reports or other relevant information. The service for Personal Independence Payment (PIP) appeals and Employment Support Allowance (ESA) has been rolled out to all regions of England and Wales. At the end of March 2019 over 14,000 appeals have been received on GOV.UK for both services.

In addition, those submitting their appeal online in England and Wales can also sign up to the Track Your Appeal service, which allows the appeal to be tracked online through its key stages. This includes information on when the appeal is received, when a hearing is booked and when a decision is made. These updates can be sent as emails or text message.

We have been developing software to support 'continuous online hearings', allowing judges and panel members to ask appellants and the DWP questions and get responses (which can be typed, or provided through audio or video recording) to allow them to make decisions.

***"A million times better than the written appeal process and is better for the environment due to less paper wastage."***

– User

***"It was easy to use as I was able to state exactly the areas that I wanted to appeal by the prompts given to use. Thank you."***

– User

## Our strategic priorities and how we have performed against them

### Our Buildings and Settings

*"While we have spent significant sums on the maintenance of our estate, including an additional £15 million announced in the Autumn Statement, the challenges of maintaining the court and tribunal estate to the quality we would wish remain. The consolidation of the estate has resulted in the closure of some poor quality, poorly used buildings, which has helped to reduce our maintenance requirements. However we recognise that the challenge of making significant improvements to our estate remains considerable".*

*Tim James, Property Director*



**In our Business Plan for 2018-19, we committed to work to improve our buildings and invest in our estate. To enable this we said we would:**

- deliver visible and tangible improvements in court buildings
- complete the survey programme that will give us a true picture of the whole estate's condition and allow us to spend where it is most needed, and
- continue to make sure that we are using buildings as effectively as possible. This will be achieved through work to optimise hearing capacity, and closures and amalgamations of buildings to allow us to focus funding on future needs.

### What we have achieved in 2018-19

**Courts & Tribunals Service Centres (CTSCs)** - In January 2019 we opened our first two CTSCs, in Stoke-on-Trent and Birmingham. The sites were selected for their ability to meet the specific design requirements, developed and agreed for CTSCs in partnership with key stakeholders. In addition to fitting out the properties, we took the opportunity to address outstanding maintenance issues at both sites and improve environmental performance.

By making best use of technology and bringing together case administration and progression, mediation, scheduling, listing and the management of video hearings under one roof we are able to work more efficiently than before. We can now offer a national and more consistent experience for those using our services, making it easier and quicker to access support. Our service centre teams ensure support is given to all users as we transform from paper-based processes to modern digital systems.

Social Security and Child Support tribunals and the probate digital telephone service are operating from Birmingham, and Single Justice Service and Divorce services from Stoke-on-Trent.

**Transforming the courts & tribunals – estate** – In July 2018, following a set of consultations, and against the context of our reform programme expected to decrease the demand for physical hearings, ministers announced their decision to close seven court buildings. Of these seven courts, five have been closed.

A public consultation on the court and tribunal estates strategy, Fit for the future: transforming the Court and Tribunal estate was published in January 2018. Responses to the consultation were analysed during 2018-19.

### The vision ahead

In November 2018 we announced that our third CTSC will be in Loughborough and the service centre is expected to be fully operational by May 2020. We are able to learn lessons from Birmingham and Stoke-on-Trent, and this continuous improvement process will be applied to the fit out at Loughborough and at subsequent CTSC locations. Loughborough will deal with all aspects of handling cases including new applications, managing questions from the public and professional users, and supporting the judiciary in progressing cases and listing hearings.



Looking forward we shall continue to select sites for future CTSCs that provide the best fit with our design principles, as they continue to evolve. Where this involves taking new properties onto the estate their ability to meet our sustainability and layout requirements will be a key feature of our decision making.

All proceeds from these closures will be reinvested in modernising the justice system.



A response to the Fit for the future consultation was published in May 2019, setting out how we intend to strengthen the principles which guide the decisions we make about the court and tribunal estate. <sup>2</sup>

<sup>2</sup> [www.gov.uk/government/consultations/fit-for-the-future-transforming-the-court-and-tribunal-estate](http://www.gov.uk/government/consultations/fit-for-the-future-transforming-the-court-and-tribunal-estate)

## What we have achieved in 2018-19

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**Investment in the estate** – During 2018 -19, we continued to focus on priority activities with the capital maintenance allocation available. This included 78 projects that addressed heating and cooling issues, lift replacement projects at 24 buildings and 39 projects to upgrade the fabric of court and tribunal centres. Some of the projects include a significant window replacement project at Cardiff Crown Court and roof replacements at Preston Magistrates' Court and Mid and SE Northumberland Magistrates' Court.

**Courts and Tribunals Design Guide** – The Court and Tribunal Design Guide was agreed by the HMCTS Board in June 2018. It was launched to project managers, sponsors and regional estate leads to ensure it is embedded into all building projects. The guide provides the standards for refurbishment and redevelopment of existing and future court and tribunal buildings. This includes improvements to user experience whilst meeting affordability constraints and achieving better value for money.

[www.gov.uk/government/publications/court-and-tribunal-design-guide](http://www.gov.uk/government/publications/court-and-tribunal-design-guide)

**Flexible operating hours** – Flexible operating hours for courts and tribunals have proven a sensitive issue, especially for lawyers with busy practices but also responsibilities beyond their professional lives. We have invested a lot of time engaging with these concerns, and will continue to do so as work here continues. In November 2018 we published a revised Pilots Prospectus that sets out proposals for two flexible operating hours pilots in the civil and family jurisdictions only, as well as the feedback that we received to our initial proposals. We developed two pilots to test options for varying the hours of court sittings to make better use of court hearing rooms and improve convenience for court users in the civil and family jurisdictions.

[www.gov.uk/government/publications/flexible-operating-hours-prospectus-for-civil-and-family-court-pilots](http://www.gov.uk/government/publications/flexible-operating-hours-prospectus-for-civil-and-family-court-pilots)

## The vision ahead

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The analysis of our building survey has allowed us to produce an indicative five-year investment programme, which we are seeking funding for. We continue to prioritise projects within the funding available to deliver.



The guide is being used in the design of the new City of London building, as well as other live projects within the Property Directorate. The Design Guide team will continue to work alongside projects to ensure the principles are applied into refurbishment works.



Lessons learned from the application of the guide into live projects will be captured throughout 2019.

During 2019-20 we will conduct two pilots in Brentford County Court and Manchester Civil Justice Centre to examine the feasibility of different operating hours. Local Implementation Teams, involving partners across the justice system are in place at Brentford and Manchester and will be responsible for the detailed design of the pilots in each site, including the and start date of the pilots in each site. The pilots will run for six months and a full independent evaluation will be carried out to consider whether flexible operating hours could become part of the way courts and tribunals work in the future, and where and how we could use them in the future.



## What we have achieved in 2018-19

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**Facilities for victims, witnesses, and other vulnerable parties** - Vulnerable or intimidated witnesses are entitled to the use of screens or curtains in the courtroom, so they do not have to see the defendant, and, in some cases, the public gallery.

HMCTS has invested in an additional 295 privacy screens for use in 111 Crown and magistrates' courts across England and Wales. Introducing these additional screens has helped to meet commitments set out in the Victims Strategy, to improve the experience of victims and witnesses attending court.

We launched a joint HMCTS, National Police Chiefs' Council and Crown Prosecution Service protocol for remote video link sites which includes guidelines on making more of our facilities child friendly. The protocol meets one of our early commitments in the Victims Strategy to ensure consistency and further support the experience for witnesses giving evidence.

We want to provide a safe, secure and comfortable environment for families and have established a model family room at East London Family Court. We introduced dedicated play zones for children at Birmingham Civil Justice Centre. We have also introduced mobile toy boxes for each of the Immigration and Asylum Chambers hearing centres helping to provide a better experience for children.

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**Accessibility of our buildings and settings** - Our estate comprises a variety of property types, including leasehold and listed buildings which have restrictions on works we can carry out, as well as older buildings not yet as accessible as they should be. We have undertaken work to remove various physical barriers to access across our estate. We also now have a page on GOV.UK setting out how we support court and tribunal users with disabilities. We advise users who to contact to get the right support and explain how we will discuss individual needs with the judge hearing a case.

We have launched guidance to help our staff provide reasonable adjustments and support to users who have disabilities.

Drawing on the results of our facilities audits for victims and witnesses, we have introduced new individual listening devices and professional loop testers for all HMCTS sites bringing immediate improvements for users with hearing impairments.

We have also introduced a new juror DVD with subtitles to help jurors with hearing impairments, and other jurors viewing the DVD in noisy areas.

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## The vision ahead

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We will continue to improve the experience for victims and witnesses coming to court, to meet our commitments in the Victims Strategy. This will include promoting best practice for the use of videos to provide evidence, working with criminal justice agencies to support protocols. We are also developing improved monitoring, reporting and transparency of how we meet obligations in the Victim's Code and Witness Charter standards.

The Court and Tribunal Design Guide makes clear that providing separate entrances and waiting areas for victims and witnesses with special measures, will be a requirement for all buildings where criminal and family cases will be heard.

We are planning another facilities audit in 2019 to look at the standards in place for victims and witnesses in criminal courts. We will also be assessing standards in the Family Courts.

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There is more to do. We recognise that. We will continue to deliver improvements to the accessibility of our buildings and settings, throughout the Reform Programme.

We have recently launched new walkthrough guidance, to help our staff see hearing centres from a user's perspective, and develop actions that will create a better experience for them. The updated guidance places more emphasis on improving the look and feel of our buildings in the here and now, making sure users feel confident that they know where to go when they arrive, and can find the relevant information they may need.

We are developing learning products on reasonable adjustments for staff in CTSCs following ongoing research to understand how best to support users with complex needs.

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## Courts and Tribunals Service Centres – case study

### A new way of working in HMCTS

We opened two new Courts & Tribunals Service Centres (CTSCs) in Bennett House, Stoke-on-Trent and Hagley Road, Birmingham in January 2019, which are dealing with digital cases in the single justice service, divorce, social security and child support (SSCS) and some probate services.

The new centres bring a number of justice services together under one roof to offer an improved and more consistent experience for victims, witnesses, and anyone who uses the court system. As our administrative functions are modernised and processes move to CTSCs, courts and tribunals will continue to focus on supporting our users that are attending for physical and video hearings.

The Courts, Tribunals and Regional Tier Project (CTRT) is a newly formed project, that will develop the detail of the ways in which we will run reformed courts and tribunals and the regional tier in the future. We will work closely with the CTSC project to design and build new ways of working.

Lesley Wilby, Senior Project manager said:

*"I am passionate about seizing the opportunities brought by Reform in making improvements to better support those attending courts and tribunals. This project helps us set up systems and processes to build a public service we are all proud to be part of as we support people during a really difficult time in their lives."*

## Key Challenges from 2018-19

Across the 2018-19 year, against our Business Plan commitments and delivering our core services, we achieved a lot. But the year was not easy, and was not without its challenges.

Operational performance in some jurisdictions improved, but in others it worsened. We publish data on that operational performance routinely, and summarise that in the Performance Analysis section from page 36.

Our supporting infrastructure – most particularly in respect of aged IT systems and our physical estate – also continued to demonstrate the case for the investment now secured to reform our courts and tribunals system. We experienced IT disruption, the most significant of which is reported in Current Control Challenges (page 68), this disruption regularly causes frustration for our staff, the judiciary they serve, and the users who rely on our services. We worked hard throughout the year to improve the integrity of our underlying infrastructure, and will continue to address this weakness.

We used an additional £15 million provided by HM Treasury to address some of the most pressing concerns in our estate, including a focus on works to improve judicial security. But much work remains to be done; and while that work is outstanding, we recognise that all those working in court and tribunals buildings will experience conditions that should be better.

The National Audit Office published their report into the reform programme in April 2018 saying it presented a very significant challenge. The report led to a Public Accounts Committee hearing in the summer, with the Committee publishing its report in July 2018 saying our programme to modernise courts was hugely ambitious and on a scale which has never been attempted anywhere before. The Committee said that the pressure to deliver quickly and make savings was limiting our ability to consult meaningfully with stakeholders and risked driving forward changes before we fully understand the impact on users and the justice system more widely. The Committee said that we had not shared a sufficiently well-developed plan of what we aim to achieve.

We provided the Committee with details of 23 key indicators against which we would measure progress at our next major programme checkpoint, 'interim state two', in January 2019. In November 2018, as planned, we sent the Committee a copy of our [Engaging with external stakeholders: Our approach and plans](#), document which we then published. It describes what we had done to step up our engagement activity over the previous 12 months. And it set out our commitment and plans to increase our engagement activity further, providing greater visibility, more opportunities to contribute to and shape the programme, and giving greater confidence in it.

We wrote to the Committee chair in January 2019 advising that we had fully delivered 20 of the 23 indicators we had planned to meet at that stage. This included the national rollout of four new digital services and two new private beta services.

We have been working on the three-outstanding indicators since:

- **we will have completed a number of testing exercises using prototype scheduling and listing tools with the operational business and decided whether to buy or build the end-state tool.** We have successfully completed a number of testing exercises for these important tools, using prototypes and we have made a decision to buy the end state tool, rather than build a bespoke tool in-house
- **the Civil Enforcement service will have launched into private beta.** The Civil Enforcement project has been paused until the end of 2019; the project will undertake detailed planning during the pause period to better understand its delivery path, and
- **the digital service for handling Single Justice Service cases for DVLA will be in pilot.** The Driver and Vehicle Licencing Agency was not ready to pilot the service, and the target date for starting the pilot has been amended to the summer.

In January 2019, the Infrastructure and Projects Authority Project Assessment Review of the reform programme provided a Delivery Confidence Assessment rating of Amber and made 11 new recommendations to help strengthen our grip on design and delivery. We have integrated these recommendations into our continuous improvements to best support transformational delivery and the realisation of benefits. Some of these improvements include the introduction of a new Transition Directorate to ensure our transition to new services is well managed and, development of a revised Performance Management Framework and a revision of our communications strategy.

We have examined the services we have delivered so far, as well as the feedback received from external scrutiny and assurance. Through this process we have decided to re-order aspects of the programme and to allow more time to further develop the underlying shared technology components that sit behind our online services. This has moved our proposed end date from 2022 to 2023, though this has not increased the overall budget for reform and the programme's existing cost envelope remains unchanged.

The impact primarily affects users by further staggering the delivery of new services over the timeframe of the programme. For instance, in the civil, family and tribunal jurisdictions, adoption, immigration and asylum, and public family law projects are now expected to finish on average nine months later than previously planned. However, we have not changed the ambition of providing fully digital services through each of these projects and their scope remains as planned. This means users will not see the introduction of digital services until slightly later in the programme, but will receive the same experience when reform is complete.

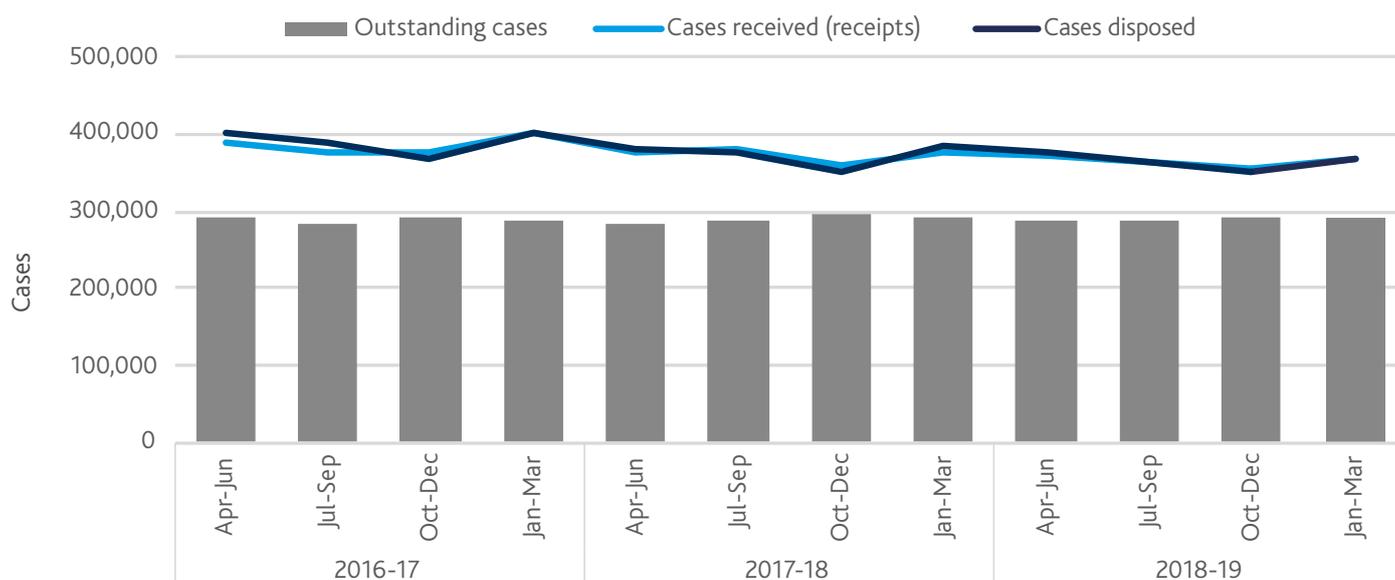
## Performance analysis

We measure performance across all jurisdictions against our operational key performance measures, as part of our commitment to improving the services that we provide. In line with the wider government commitment to transparency, we publish national statistics on a quarterly basis about activity in the magistrates' courts, the Crown Court, the County Court, the Family Court, the High Court, Court of Appeal and tribunals in England and Wales and non-devolved tribunals in Scotland and Northern Ireland.

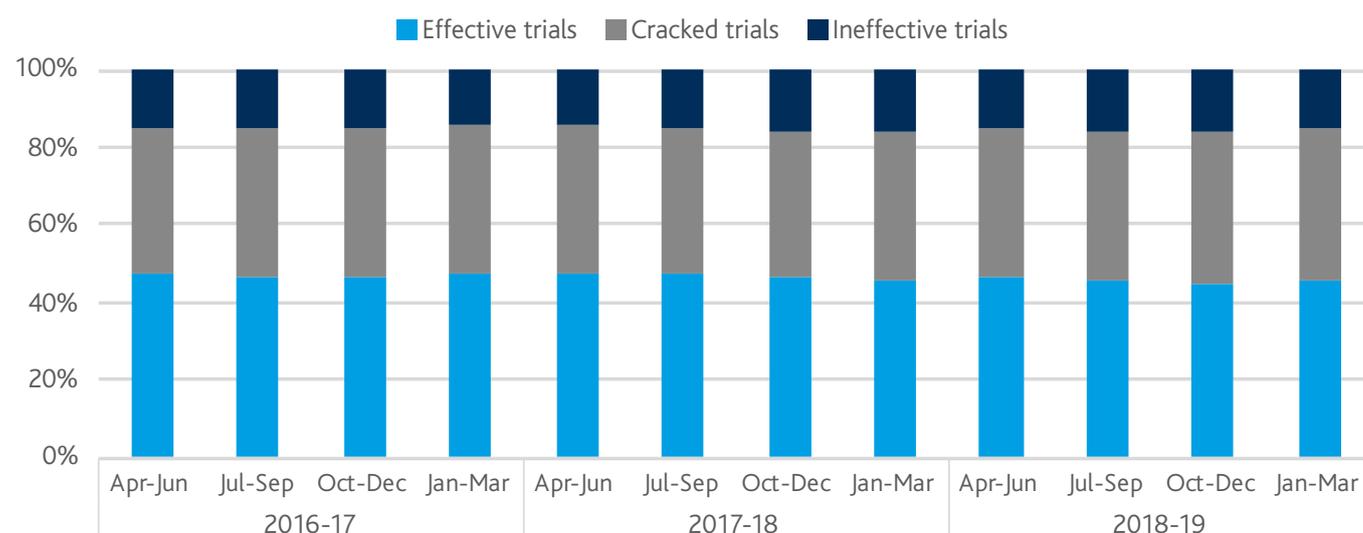
A glossary of terms, with links to where you can find explanations and further information on the data set out in this section, is included at page 43. We also publish HMCTS' summary management information on a monthly basis.

### Magistrates' courts:

**Figure 1: Receipts, disposals and outstanding for all criminal cases in the magistrates' courts in England and Wales, 2016-17 to 2018-19**



**Figure 2: Effectiveness of magistrates' courts trials in England and Wales, 2016-17 to 2018-19**



Crown Court:

Figure 3: Receipts, disposals and outstanding for all cases in the Crown Court in England and Wales, 2016-17 to 2018-19

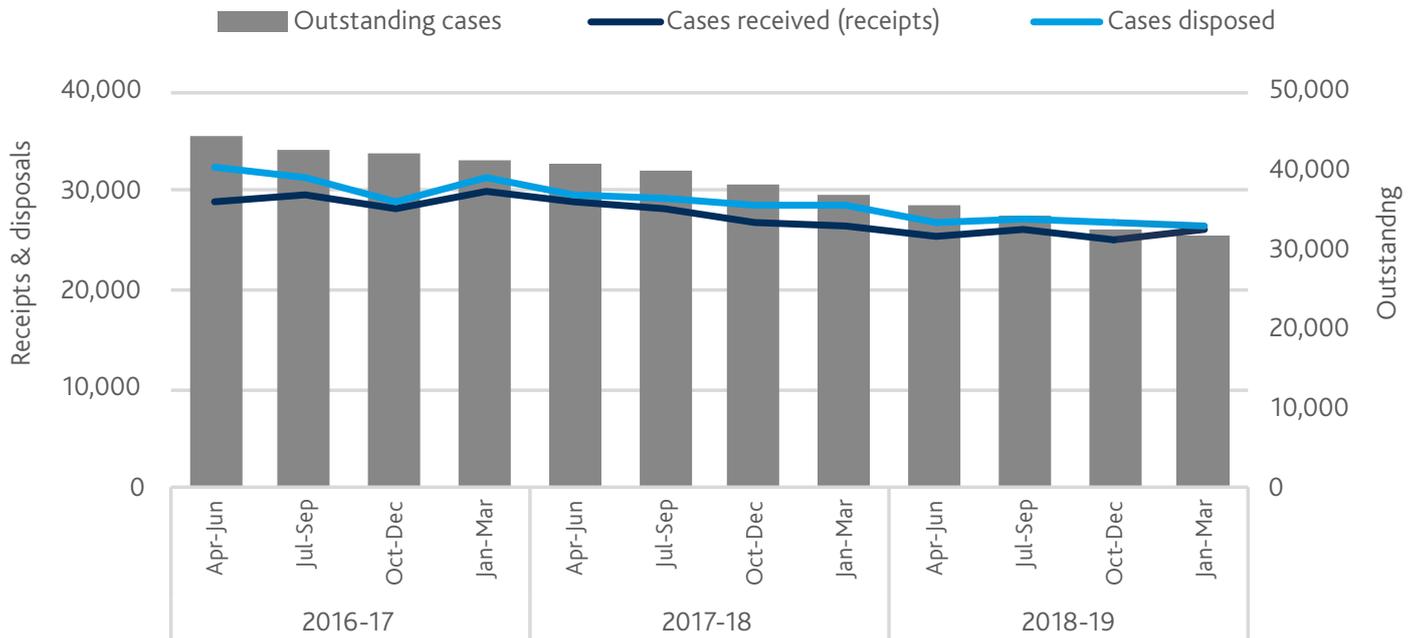
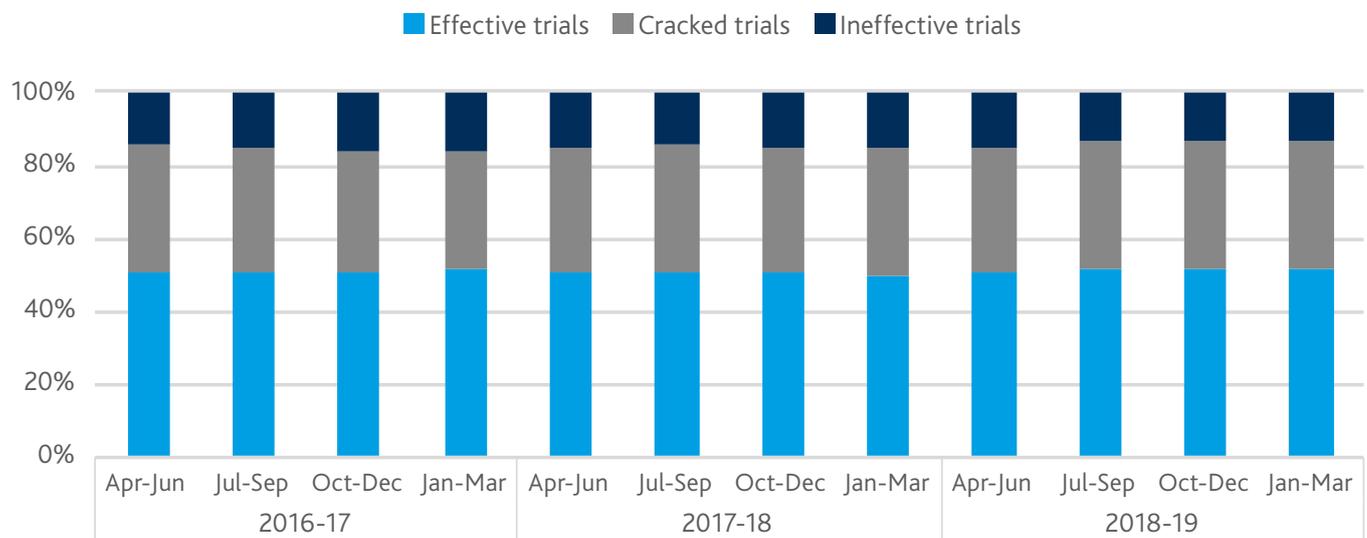
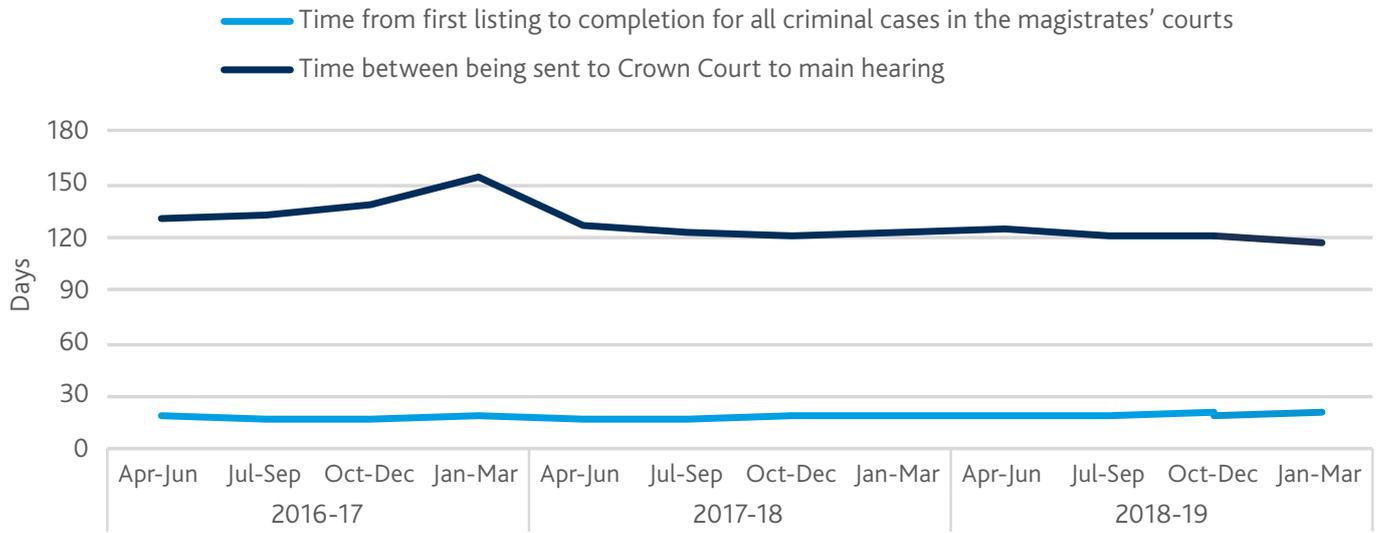


Figure 4: Effectiveness of crown court trials in England and Wales, 2016-17 to 2018-19



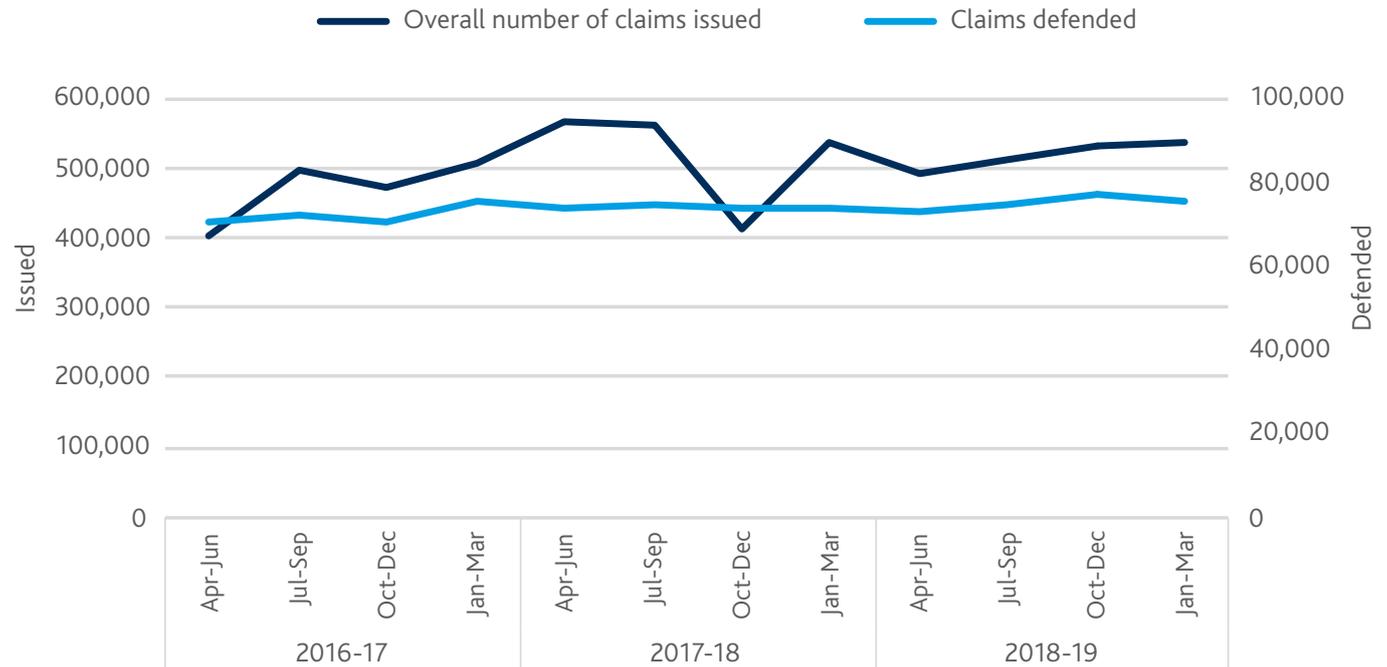
Timeliness for magistrates' and Crown::

Figure 5: Average number of days taken from first listing to completion for all criminal cases at the magistrates' court and those being sent to the crown court to main hearing, England and Wales, 2016-17 to 2018-19



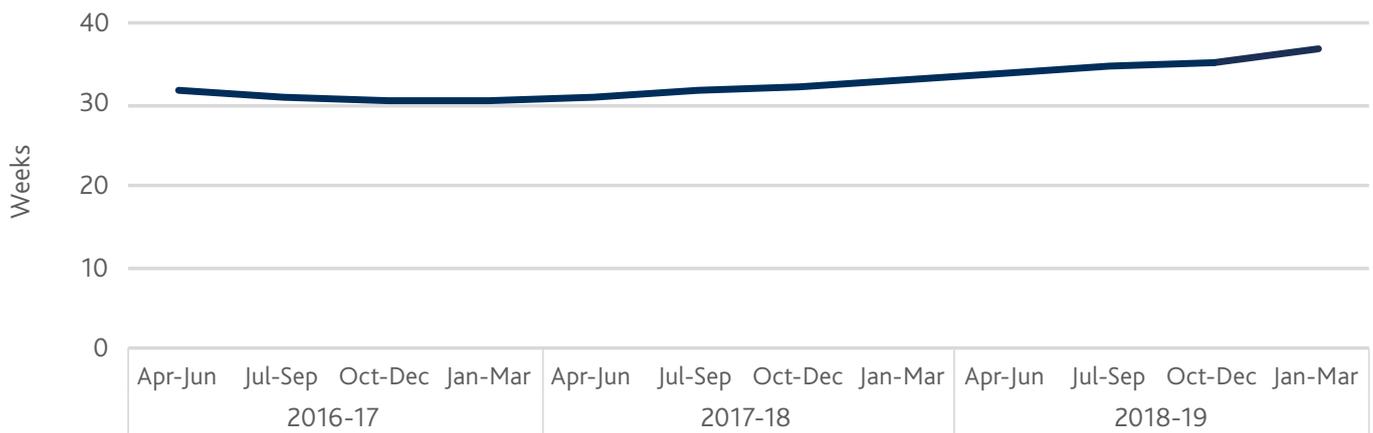
County Court:

Figure 6: County Court activity<sup>3</sup>, England and Wales, 2016-17 to 2018-19



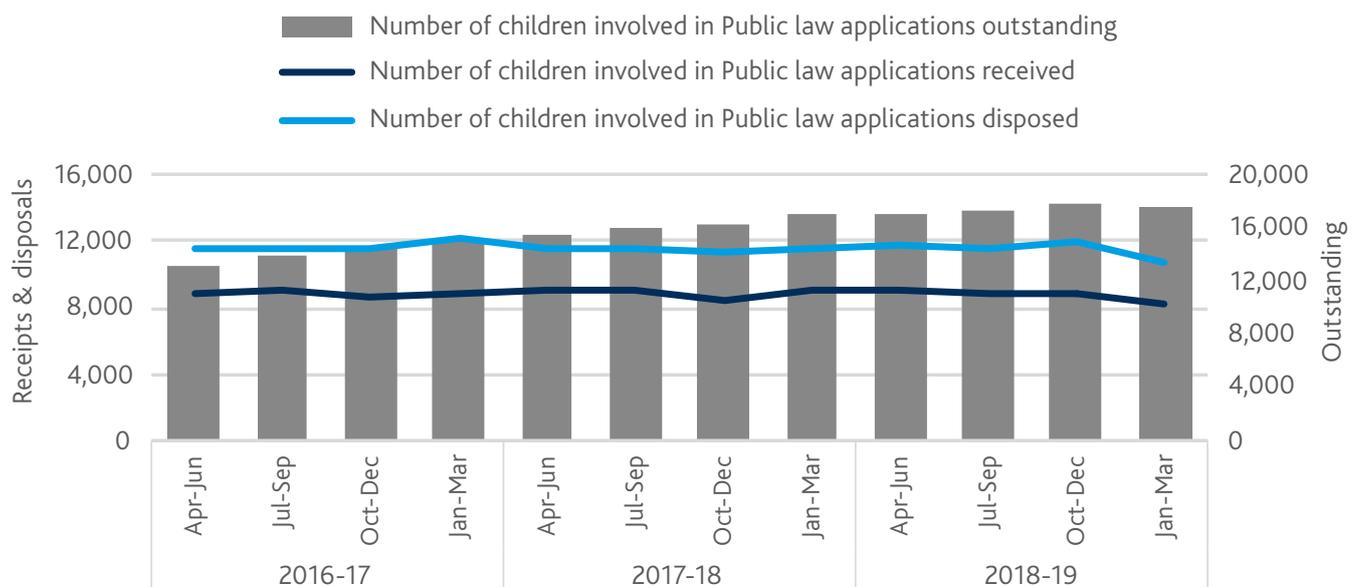
<sup>3</sup> The fall in total claims in October 2017 (particularly in specified money claims) was driven by the implementation of the Pre-Action Protocol for Debt claims (Debt PAP). Debt PAP was implemented with the intention of guiding parties to resolve their issues without the need to start court proceedings.

Figure 7: Average time to reach trial for a small claim in the County court in England and Wales, 2016-17 to 2018-19



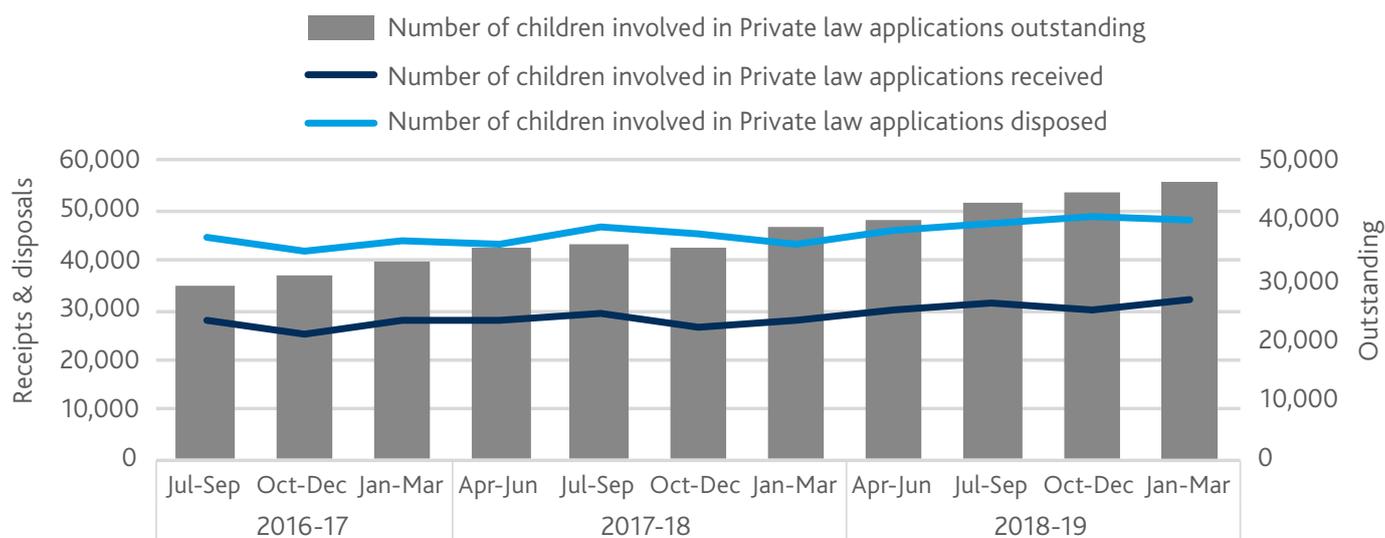
Family:

Figure 8: Number of children involved in Public law application receipts and disposals<sup>4,5</sup>, in England and Wales, 2016-17 to 2018-19<sup>6</sup>

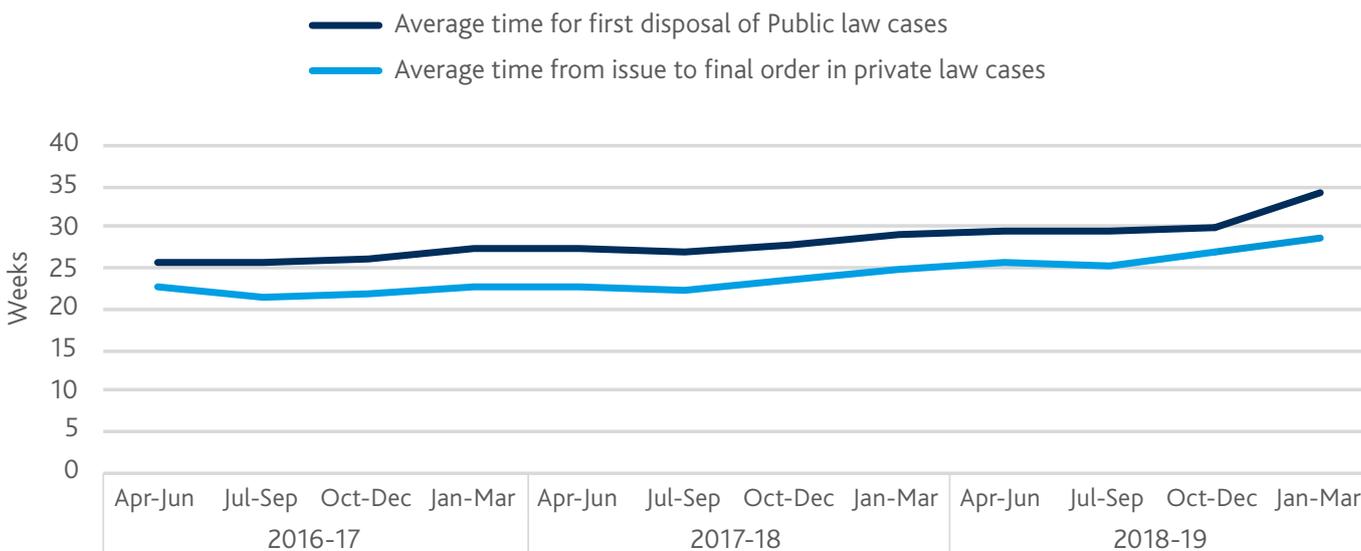


4 Public and private law disposals count the number of orders made, orders refused or applications withdrawn.  
 5 There is not a one-to-one relationship between applications and disposals (for example, one application may result in multiple disposals). As a result, changes in outstanding volumes do not equal the difference between receipts and disposals.  
 6 Public and private law outstanding figures are sourced from HMCTS internal management systems and as a result, are subject to change over time. This MI and relevant guidance can be found at <https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics>

**Figure 9: Number of children involved in Private law application receipts and disposals<sup>7, 8</sup> in England and Wales, 2016-17 to 2018-19<sup>9</sup>**



**Figure 10: Public and Private Law summary statistics on the timeliness in the Family courts of England and Wales, 2016-17 to 2018-19**



7 Public and private law disposals count the number of orders made, orders refused or applications withdrawn.

8 There is not a one-to-one relationship between applications and disposals (for example, one application may result in multiple disposals). As a result, changes in outstanding volumes do not equal the difference between receipts and disposals.

9 Public and private law outstanding figures are sourced from HMCTS internal management systems and as a result, are subject to change over time. This Management Information and relevant guidance can be found at <https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics>

Tribunals:

Figure 11: Employment single claim receipts<sup>10</sup>, disposals and claims outstanding, 2016-17 to 2018-19

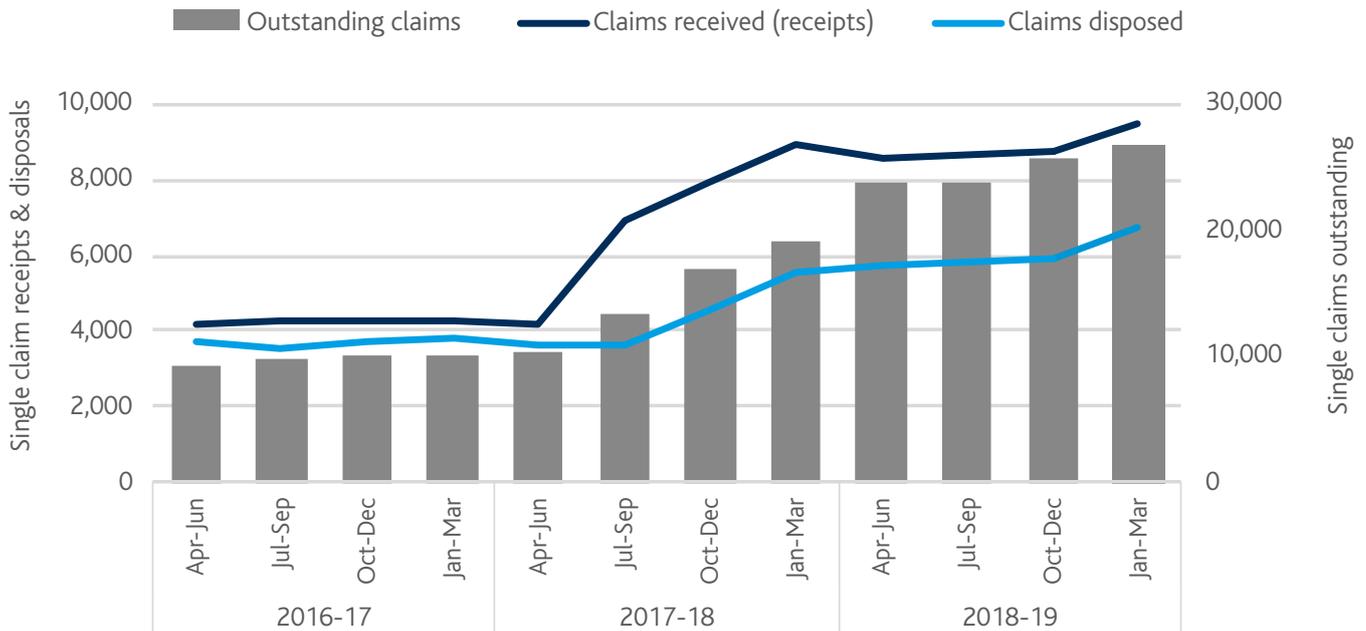
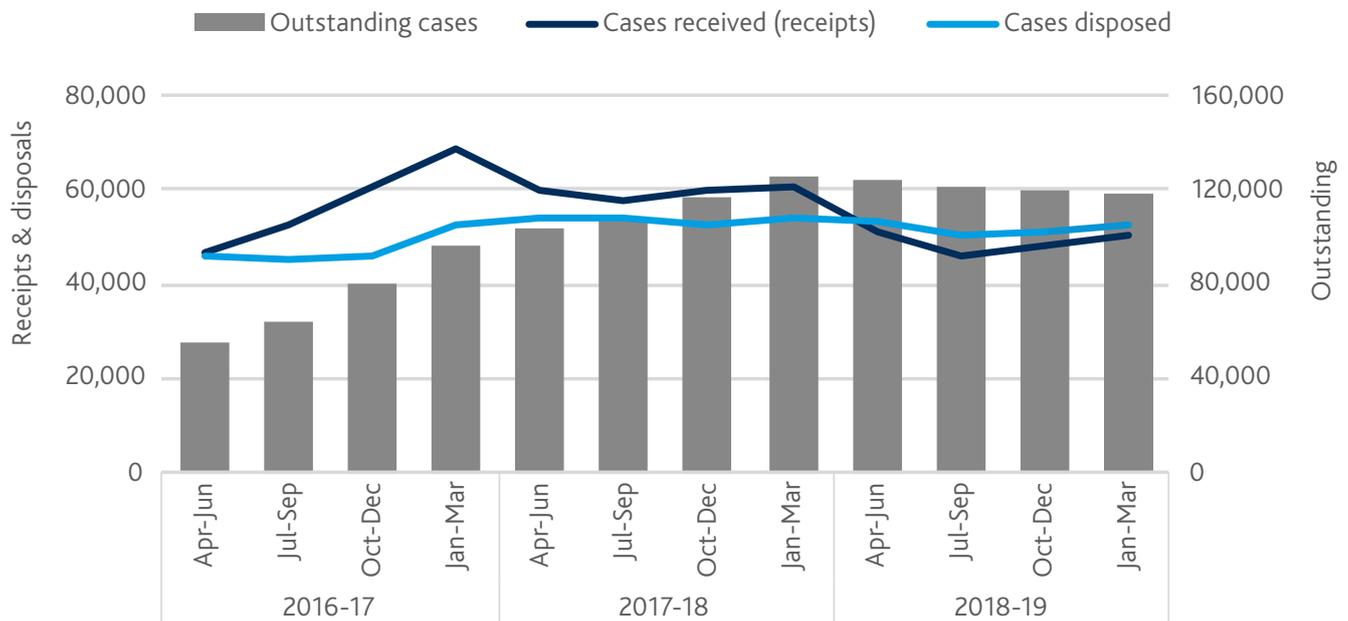


Figure 12: Social Security and Child Support receipts, disposals and caseload outstanding, 2016-17 to 2018-19



10 On 26 July 2017 the Supreme Court ruled that Employment Tribunal and Employment Appeal Tribunal Fees Order 2013, SI 2013/1893 ("the Fees order") which came into effect on 29 July 2013 was unlawful under both domestic and EU law. The subsequent removal of fees and invitations to claimants whose cases were closed due to non-payment of fees has increased the workload received at employment tribunals.

Figure 13: First-tier Tribunal, Immigration and Asylum receipts, disposals and caseload outstanding, 2016-17 to 2018-19

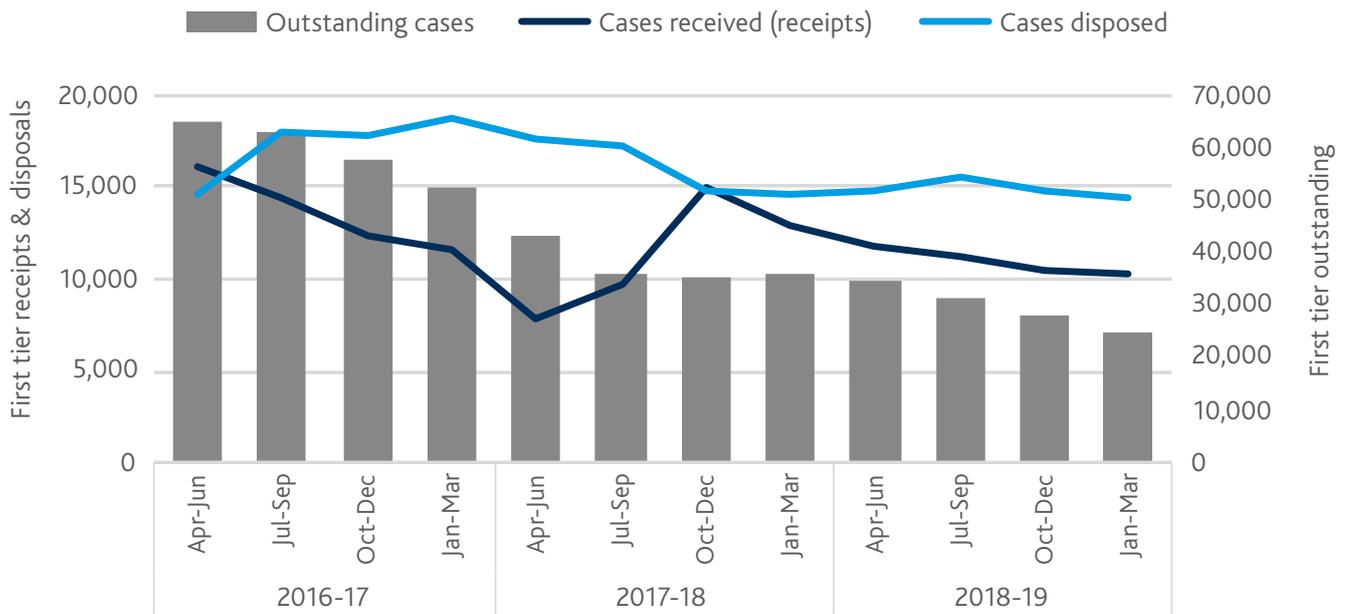
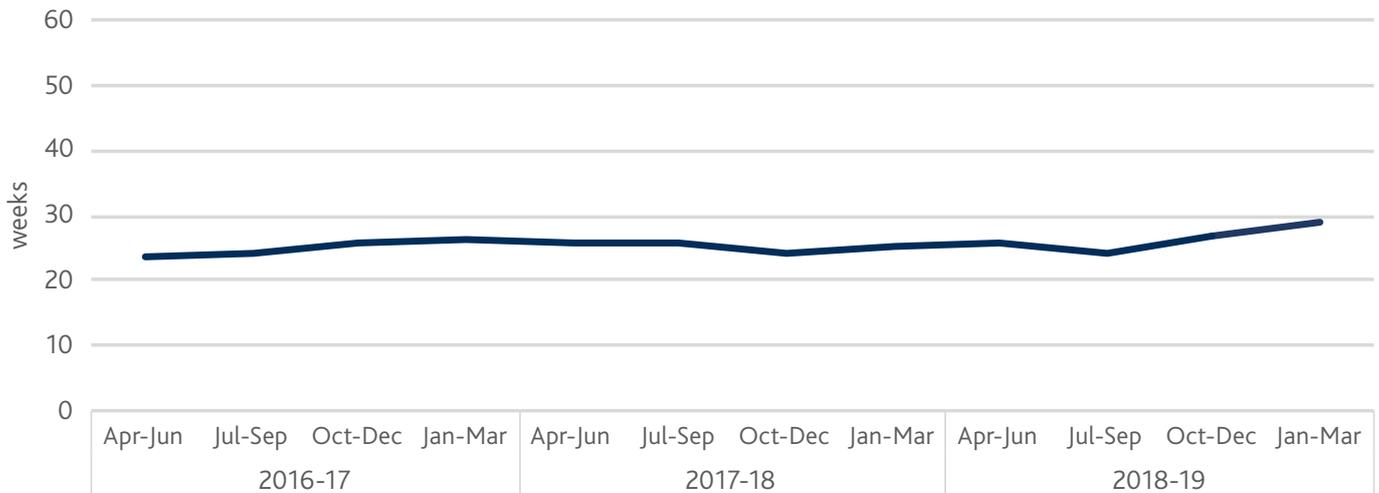
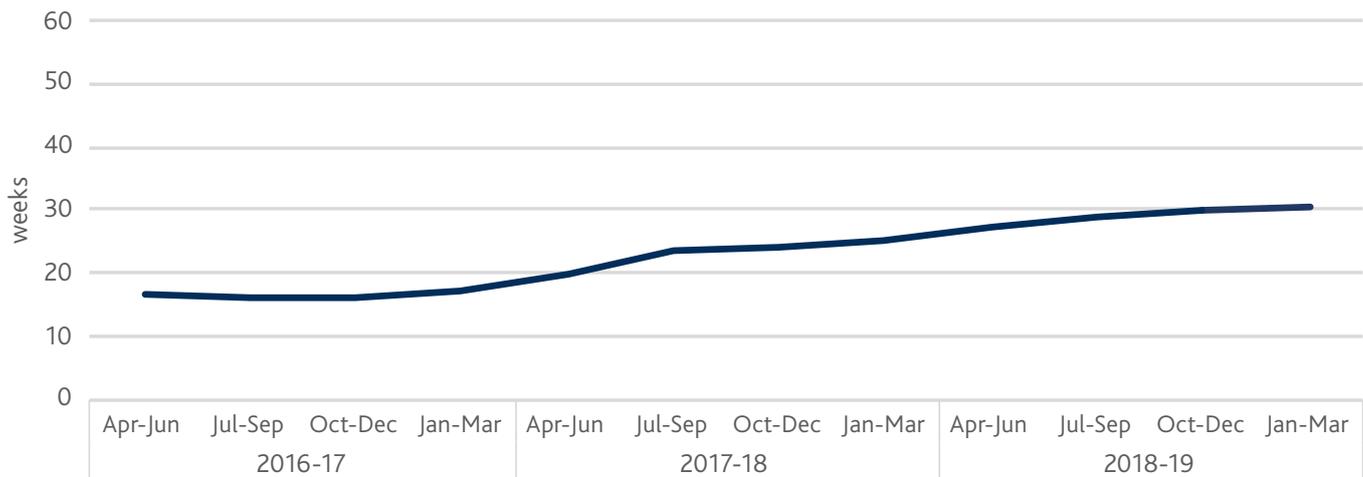


Figure 14: Average age of a disposal in Employment Tribunal Single claims, England, Scotland and Wales, 2016-17 to 2018-19<sup>11</sup>

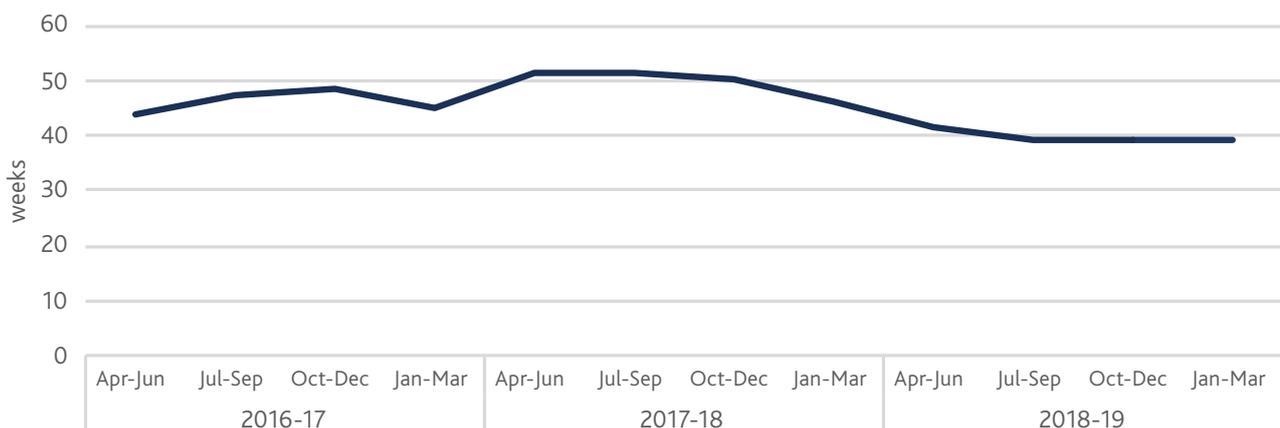


<sup>11</sup> Data are from HMCTS management information (MI). This MI and relevant guidance can be found at: <https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics>

**Figure 15: Average age of Social Security and Child Support cases disposed of in England, Scotland and Wales, 2016-17 to 2018-19<sup>12</sup>**



**Figure 16: Average age of a disposal of First Tier Immigration and Asylum appeals in England, Scotland and Wales, 2016-17 to 2018-19<sup>13</sup>**



<sup>12</sup> Data are from HMCTS management information (MI). This MI and relevant guidance can be found at <https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics>

<sup>13</sup> Data are from HMCTS management information (MI). This MI and relevant guidance can be found at <https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics>

**Glossary and notes:** Further information on terms, concepts and definitions published in the HMCTS annual report, can be found here:

The source for the data shown in this section is MoJ official statistics except where stated otherwise. MoJ official statistics are published at: <https://www.gov.uk/government/organisations/ministry-of-justice/about/statistics>

Further information on terms, concepts and definitions published in the HMCTS annual report, can be found here:  
Civil justice and tribunals: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/569605/civil-administrative-justice-statistics-glossary.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/569605/civil-administrative-justice-statistics-glossary.pdf)

Family: <https://assets.publishing.service.gov.uk/government/>

[uploads/system/uploads/attachment\\_data/file/694798/family-court-stats-guide.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694798/family-court-stats-guide.pdf)

Criminal Court: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/695383/criminal-court-statistics-guide.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695383/criminal-court-statistics-guide.pdf)

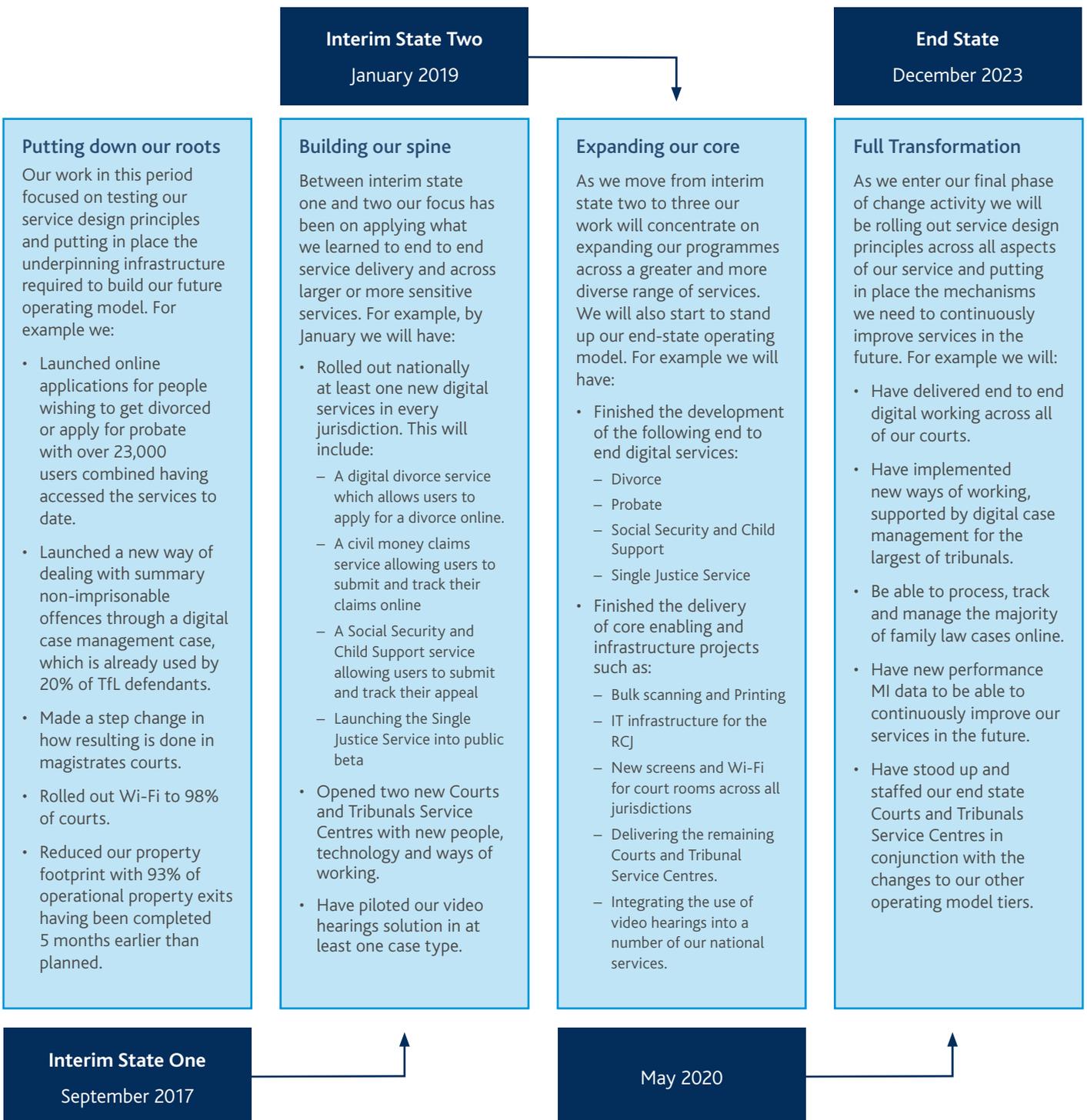
Published Management Information (MI): <https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics>

## 2.3 Our vision and priorities for 2019-20

Our HMCTS Business Plan 2019-20 sets out our overarching strategy and key priorities for the year ahead. It will be published in summer 2019 and available to view at [www.gov.uk/government/organisations/hm-courts-and-tribunals-service](http://www.gov.uk/government/organisations/hm-courts-and-tribunals-service).

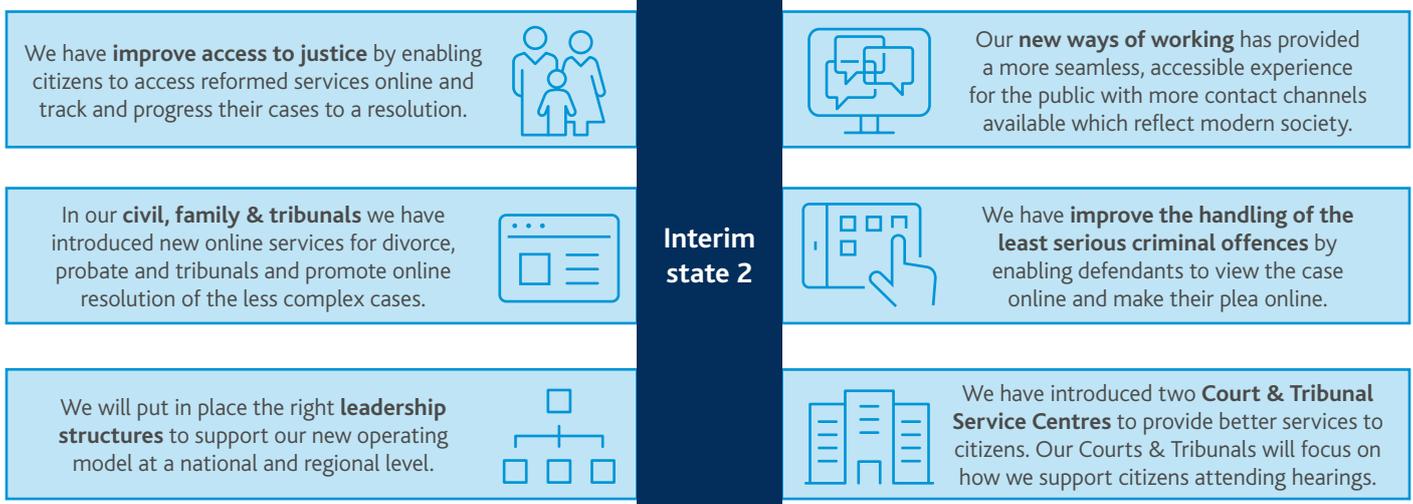
We are in the third year of our ambitious seven-year programme to reform the courts and tribunals system. Together, we are changing how we work to ensure that our justice system continues to lead and inspire the world, and works better for everyone, from judges and legal professionals, to witnesses, litigants and the vulnerable victims of crime. Justice matters and delivering justice well needs all parts of the system to work together, sharing a common vision.

The progress of reform is measured by using four waypoints in the programme’s lifecycle, called ‘Interim States.’ These are:



### 'Interim State 1: Putting down our roots' laid the foundations for further change

We reached Interim State 1 in September 2017. We successfully trialled digital services in divorce, probate, civil money claims, social security and child support in the first stage of reform, ensuring that digital services are available across every jurisdiction in preparation for Interim State 2.



### 'Interim State 2: Building our spine' completed key infrastructure changes, allowing us to scale up the programme to deliver sustainable national change.

At Interim state two, in January 2019, we had made substantial infrastructure changes across the organisation which will allow us to scale up the delivery of reform as we move into Interim State three in May 2020. Some of our Interim State two achievements include:

- opening two new **Courts & Tribunals Service Centres** (CTSCs) in Birmingham and Stoke-On-Trent in January 2019 allowing us to support our new services with new technology, staff and ways of working.
- building on the pilots of our **digital services** conducted at Interim state 1 and launching our digital services at scale:
  - we launched our new **Divorce Service** nationally allowing over 41,000 people to apply for divorce online. This has received consistently good feedback with user satisfaction at 82% and has reduced the rejection rate from nearly 40% to below 1%
  - **Probate online** was deployed nationally, allowing people to submit applications online for certain probate cases. Over 20, 000 applications have been received and user satisfaction is at 92%.
  - **Civil Money Claims** was deployed nationally and over 62,000 members of the public have issue, respond to, and settle claims up to £10,000 online. User satisfaction is at 87%.
  - **Social Security and Child Support tribunals** launched the 'track your appeal' and 'submit your appeal' services, with user satisfaction rates of 71% and 75% respectively, and
  - we launched the **Single Justice Service (SJS)** which has handled over 42,000 cases since April 2018 and
- now being used for Transport for London and TV Licensing cases, with a user satisfaction rate of 73%.
- completed deployment of **Wi-Fi** to all criminal and civil, family and tribunal centres, and installed 100% of access points across the RCJ estate.
- creating a series of **scheduling and listing** pilots, co-designed and sponsored by the Judicial Working Group, to refine aspects of the requirement set and develop detailed learnings about the approach to transition.
- the **bulk scanning and printing** project successfully integrating scanning for SSCS, probate and divorce; printing for CMC, divorce and probate.
- successfully relaunched the **Flexible Operating Hours project** with its revised scope of two pilots across Civil and Family Jurisdictions, due to start in Summer 2019 and run for six months.
- our **online rota system** being rolled out in magistrates' courts.
- completing the national roll out of digital mark-up, an **in-court resulting system**.
- launching a small-scale pilot to further test fully **video hearings** with members of the public in the Tax tribunal, independently evaluated by the LSE, and began small-scale testing in Civil & Family jurisdictions in December 2018.
- conducting a broad-ranging **consultation on the future of the court estate** which is was published in May 2019, and
- establishing a new **Courts and Tribunals Regional Tier (CIRT) programme**.

**'Interim State 3: Expanding our core' will significantly increase the velocity and volume of delivery**

Our journey to Interim State Two has proven our ability to operate our services nationally and seen significant changes to our operating model. As we move into the next stage of reform we expect to deliver:

- fully transformed services in civil, family and tribunal jurisdictions:
  - Divorce and Financial Remedy, Probate, Civil Money Claims and SSCS Tribunals **fully reformed and supported by the CTSCs**
  - Public Family Law & Adoption, Immigration & Asylum, Employment Tribunals launched into public beta and **partially transformed** with reformed elements supported by the CTSCs
  - activities to build a **transformed Specialist Tribunals service** is underway and the end to end online process for Civil Money Claims, Possession and Civil launched
  - the **common components** delivering the CFT tranche 1 services will be fully implemented
- enhancing the digital services available in the criminal courts:
  - beginning to roll out the first functionality of the **common platform** nationally in both Crown and Magistrates courts, and
  - **Online Plea and Allocation** rolling out nationally
- integration with enabling services:
  - the **fully video-enabled hearings service** will be operational and begin integration with our transformed services
  - the **Scheduling and Listing tool** will improve scheduling of cases, allowing us to better use our court estate and providing us with more accurate data on the length of cases
- increase the capacity of the CTSCs:
  - there will be **three fully operational CTSCs**, Birmingham and Stoke-On-Trent (which opened in January 2019) and Loughborough (expected later in 2019). These centres deliver a set of reformed civil, family and tribunal, and crime services, with staff supporting case progression, delivering mediation services, supporting the scheduling and listing of hearings and administering and facilitating fully video-enabled hearings. Strategic technology will be introduced to support the work in CTSCs, and
  - the **fourth CTSC location** will have been announced
- started our first stages of reforming the Courts and Tribunals regional tier
  - There will be **reformed processes** in place to support improved front of house service to court users.





### Key Challenges for 2019-20

This will remain a complex, challenging transformation programme, requiring a relentless focus on delivery supported by effective risk management and risk mitigation.

Our remaining challenges include:

- **technology acquisition** – we successfully implemented the first two CTSC in January, but the affordability of the technology required in the longer-term in these centres remains an issue. We are working hard to reduce the price
- **pace of the crime programme** – we will continue to improve the programme’s delivery velocity, guided by the lessons learned as we worked towards Interim State Two
- **strengthening our commercial function** – we are working to minimise the number of contacts which need to be retendered, and to consolidate our supply chain, reducing our exposure to risk of contract or supplier failures
- **managing our people transition** – as we move from existing to reformed ways of working, there will often be transitional periods where old and new processes operate in parallel; and there will inevitably be challenge in managing the point where one team stops and the next picks up work. Retaining people in ‘legacy’ functions, and transferring/recruiting people into reformed functions, is a clear challenge, with potential impact on both our ability to deliver current business and to ‘land’ reform. We have set up a new Transition Directorate, Transition Board and supporting Working Group to focus on the impact of change on operations and people
- **tracking, monitoring and realising benefits** – the business case on which the reform programme’s investment is justified is based on the improvements we should see to our system’s effectiveness and efficiency. We know we need to do more work to track and monitor the benefits targeted and achieved so that we can both demonstrate more clearly the progress we are making, as well as embed the improvements and savings which will enhance the system
- **mitigating the impact of lost and delayed legislation** – while this does not fundamentally jeopardise the principles and planning behind reform, the end of 2020 is the last point at which introduction of legislation would have a significant financial impact within the timeline of the reform programme. We will continue to make a strong case for legislation as it allows us to realise the full benefits, and
- **new approaches** - to digital, transition, commercial, performance management and service design will help us respond to the challenge of scaling-up, drawing on what we have learned in the opening of our CTSCs and in the experience of the public to date. Focus on delivery needs by working in partnership with judiciary and continued engagement with, our people and stakeholders outside the programme.

## 2.4 Our performance against other required reporting

### 2.4.1 Finance

During 2018-19, we spent £74.2 million on change and reform projects, continuing our work to deliver a modernised and improved justice system. There was a further £108.3 million reform capital investment, including both investment in our physical estate and new digital assets. In addition, the sale of court properties has continued to generate income that is being reinvested in the justice system. Our accounts show a net gain on disposals of property equipment and £2.8 million (note 6 to the accounts).

We continued to refund Employment Tribunal fees, following the ruling<sup>14</sup> of the Supreme Court in July 2017 that the fees regime implemented was unlawful. Our accounts show that £10.3 million has been refunded during the year including interest, bringing the total refunded to £17.4 million (including interest and accruals). The remaining liability for monies yet to be refunded is described in notes 17.3 and 22 to the accounts. We have also made further provisions of £43.4 million for the refund fees which were set above cost. Work has commenced, in conjunction with MOJ, on the development of these other fee refund schemes.

In September 2018, MoJ and HMCTS announced that the difficult decision had been taken to end the Transforming Compliance and Enforcement (TCEP) programme before its completion, as it was no longer affordable within the current spending review settlement. The cancellation of the programme has resulted in the recognition of a constructive loss of £12.1 million, of which £8.5 million relates to the impairment of the TCEP intangible IT asset which was under construction. Since its inception in 2016 the programme, through its historic debt project, has resulted in the recovery of over £37 million of fines which were previously thought uncollectable.

### 2.4.2 Sustainability

This is the sixth Sustainability Report for HMCTS, it is prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at: [Government financial reporting manual 2018 to 2019 - GOV.UK](#)

This report matches the scope and details laid out in the Greening Government Commitments (GGC)<sup>15</sup>. GGC forms the primary sustainability driver across government and carries a series of improvement targets against areas such as energy, waste, water and biodiversity.

The Ministry of Justice (MoJ) is committed to achieving these government targets, reducing its environmental impact and reducing costs. Priorities include reducing carbon emissions, water consumption and waste to landfill.

### Scope, exclusions and limitations

The data below shows our present position for the financial year 2018-19 against a 2009-10 baseline (unless otherwise stated). We do not report on shared occupations due to data limitations. This is consistent with wider government and with last year's report. We do not consider that the exclusion of these areas has a material impact on sustainability reporting. The environmental data for 2017-18 has been restated to show the full year up to March 2018. The data presented for 2018-19 relates to performance for the period January 2018 to December 2018.

There are some limitations to the accuracy of our financial and non-financial sustainability data and we are committed to improving the quality of our internal controls, for example through internal audit, and through continuous engagement with both internal and external stakeholders. Limitations include estimated data from some utility companies and that we are unable to report data from locations where landlords do not provide data.

Our data is gathered and validated by a third party employed to manage our Greening Government Commitment data returns. Further checks are undertaken by the Building Research Establishment (BRE) on behalf of the Department for Environment, Food and Rural Affairs (Defra).

### Performance

Over the course of 2018-19 we have continued to invest in the improvement of our estate to realise a range of efficiencies, including improving environmental performance.

An additional £15m funding was announced in the autumn budget for works to improve the condition of court and tribunal buildings. This additional funding has enabled more than 450 wide-ranging improvement works to be undertaken across 206 sites during 2018-19.

We have invested in the installation of smart metering to gas supplies across our estate. This, in combination with the smart metering of electricity already in place, has given us a clear insight to the quality of control of our buildings' systems for the first time. This data has made it possible to prioritise sites where control needs to be improved and we have commenced a programme to adjust building management systems' settings in courts to better reflect occupancy levels. We have realised savings of £6 million on energy since 2009-10.

Our reform programme continues to support the reduction of our overall carbon emissions through its various projects to make our operations more accessible and efficient. One example is our first Courts and Tribunal Service Centre in Stoke-on-Trent which opened in January 2019 and consolidates

14 <https://www.supremecourt.uk/cases/uksc-2015-0233.html>

15 <http://sd.defra.gov.uk/gov/green-government/commitments/>

services into a single administrative centre as part of our estate workstream, contributing to a reduction in the size of our estate, our energy consumption, and our greenhouse gas emissions. The reform programme will also provide digital options for many of our processes which traditionally involve the use of paper, travel, and buildings. Through these projects, we shall reduce waste generation, water consumption, and the use of energy.

## Greenhouse gas emissions

Overall, we have achieved a reduction in emissions of greenhouse gases of 37% since 2009-10. There has been a 39% reduction in electricity consumption and a 17% decrease in gas consumption across the estate against the 2009-10 baseline. The greenhouse gas conversion factors used can be found in the government environmental impact reporting requirements for business<sup>16</sup>. Energy use at 102 Petty France, London, our headquarters building is online at <http://webview2.ecodriver.net/Justiceshared/>

Greenhouse Gas Emissions		2009-10	2014-15	2015-16	2016-17	2017-18 <sup>17</sup>	2018-19 <sup>18</sup>
Non-financial indicators (tCO <sub>2</sub> e)	Scope 1 (direct) site-based emissions and owned transport	36,338	32,938	30,506	29,079	28,894	31,112
	Scope 2 (indirect) supplied energy (electricity and heat)	66,809	65,954	59,589	46,433	38,937	33,469
	Scope 3 (other indirect) business travel and transmission losses from supplied energy	5,268	8,558	8,373	3,793	3,637	4,143
	<b>Total gross GHG emissions</b>	<b>108,415</b>	<b>107,450</b>	<b>98,468</b>	<b>79,305</b>	<b>71,467</b>	<b>68,724</b>
Non-financial indicators (MWh)	Electricity	159,811	132,163	118,111	103,341	110,481	110,976
	Gas	192,293	169,388	159,633	158,038	153,066	160,346
	Other Energy Sources	7,455	4,507	3,385	335	486	0
	<b>Total energy</b>	<b>359,559</b>	<b>306,058</b>	<b>281,129</b>	<b>261,714</b>	<b>264,033</b>	<b>271,298</b>
Financial indicators (£m)	Expenditure on Energy	24	24	19	21	21	22
	Expenditure on official business travel	9	8	6	3	4	5
	<b>Total expenditure on energy and business travel</b>	<b>33</b>	<b>32</b>	<b>25</b>	<b>24</b>	<b>25</b>	<b>27</b>

## Waste

During 2018-19, our estate produced a total of 9,584 tonnes of waste. Of the total waste generated, 94% (9,052 tonnes) was diverted away from landfill disposal with 66% (6,350 tonnes) directed to reuse and recycling and 28% (2,702 tonnes) to energy from waste incineration.

Waste		2009-10	2014-15	2015-16	2016-17	2017-18 <sup>19</sup>	2018-19 <sup>20</sup>	
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill	23,028	2,517	1,784	3,074	1,306	532
		Reused/recycled	7,430	5,913	4,770	6,948	5,794	6,350
	Incinerated with energy from waste	0	963	1,541	2,506	1,352	2,702	
	Incinerated without energy recovery	0	5	8	12	0	0	
	<b>Total waste</b>	<b>30,458</b>	<b>9,398</b>	<b>8,103</b>	<b>12,540</b>	<b>8,452</b>	<b>9,584</b>	
Financial indicators (£m)	<b>Total disposal cost</b>	<b>1.6</b>	<b>2.6</b>	<b>2.5</b>	<b>2.1</b>	<b>2.8</b>	<b>3.1</b>	

<sup>16</sup> <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018>

<sup>17</sup> The environmental data for 2017-18 has been restated to show the full year up to March 2018

<sup>18</sup> The environmental data for 2018-19 is from January 2018 to December 2018

<sup>19</sup> The environmental data for 2017-18 has been restated to show the full year up to March 2018

<sup>20</sup> The environmental data for 2018-19 is from January 2018 to December 2018

## Water

We are committed to reducing water usage across the estate and will be re-procuring our water services in Spring 2019. As part of this re-procurement we are exploring the possibility of installing smart metering devices on our water supplies, which would enable us to monitor, analyse and better manage water use across our buildings and drive down our consumption.

Water Consumption		2009-10	2014-15	2015-16	2016-17	2017-18 <sup>21</sup>	2018-19 <sup>22</sup>
Non-financial indicators (m <sup>3</sup> )	Whole Estate ('000)	722,887	734,613	507,895	651,404	480,879	496,762
Financial Indicators (£m)	Water Supply & Sewage Costs	2.3	2.6	2.4	2.6	2.7	2.7

## Governance

While we deal directly with the estates related aspects of environmental sustainability, we are supported on broader sustainability issues by the MoJ Sustainability Team who have overall responsibility for sustainability across the department. We work closely with the team to address issues such as communications and engagement, resource consumption, and travel impacts.

The Senior Sustainability Board (SSB) is the internal accounting body for sustainability in the MoJ. The HMCTS Property Director is a member of the board and takes an active part in the oversight, governance, and decision making of this important topic.

HMCTS understands its obligations surrounding its heritage estate, and is working to ensure important historic buildings are properly protected and maintained whilst in its responsibility. All listed buildings in the HMCTS estate have been identified and we work closely with Historic England (HE) about historic buildings for disposal. Prospective purchasers must confirm that they have read and understood the heritage report and are aware of their obligations. HMCTS will continue to dispose in accordance with HE's guidelines.

## Sustainable Operations Policy

We follow the MoJ's [Sustainable Operations Strategy](#)<sup>23</sup> which sets out how we embed environmental sustainability throughout our estate, operations and procurement activity. We also subscribe to a range of other sustainability strategies and policies for our staff and supply chain:

- [Carbon and Energy Reduction Strategy](#)
- [BREEAM Policy](#)
- [Biodiversity Policy](#)
- [Water strategy](#)
- [Pollinator Strategy](#)
- [Bio-security Strategy and Policy](#)
- [Single use plastics Policy](#)

## Commercial policy

We adhere to the MoJ Commercial policy to meet best ethical, environmental, and health and safety practice in meeting business needs. This includes supporting the implementation of the newly approved Sustainable Procurement policy over the course of 2019-20.

Defra provides details of Government Buying Standards (GBS) for a range of products. The minimum standards required by these GBS are mandated for use by us and must be included as part of all tendering activity where they apply. All new contracts will be compliant with the Government Buying Standards.

## Carbon Reduction Commitment (CRC)

The MoJ Sustainability team manages CRC on behalf of all its departments. The cost of the associated carbon allowances for 2018-19 are forecasted to be £1.2 million.

## Climate change adaptation

Sites located within flood risk areas have been registered with the Environment Agency for flood warnings in the event of any risk of flooding. Relevant projects include climate resilient designs. To manage occurrences of extreme weather conditions, robust business continuity plans are in place. Over the course of the next year we are considering the impact and risks of climate change with a view to developing a specific strategy.

<sup>21</sup> The environmental data for 2017-18 has been restated to show the full year up to March 2018

<sup>22</sup> The environmental data for 2018-19 is from January 2018 to December 2018

<sup>23</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/692521/sustainable-operations-sustainable-operations-strategy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692521/sustainable-operations-sustainable-operations-strategy.pdf)

### Biodiversity

At Snaresbrook Crown Court we have introduced signage to raise awareness of biodiversity as a Site of Special Scientific Interest (SSSI). We have four environmental interpretation signs presenting information about the court, woodland, meadow, and pond (Eagle Pond). We have worked closely with our facilities management supplier to organise four practical volunteer days in the grounds of the court. Groups of HMCTS and MoJ staff got involved in clearing vegetation, building habitat piles and conducting a flora and fauna survey.

Other courts have been involved in the national MoJ BioBlitz, a citizen science survey that involves recording all species seen in an allotted time.

One of the MoJ ecology volunteers who works at the Field House Tribunal Hearing Centre has been working on their roof space. Wildflowers in pots have been put on the roof to encourage pollinators and to ensure they are part of the B-lines scheme run by Buglife.

### Rural proofing

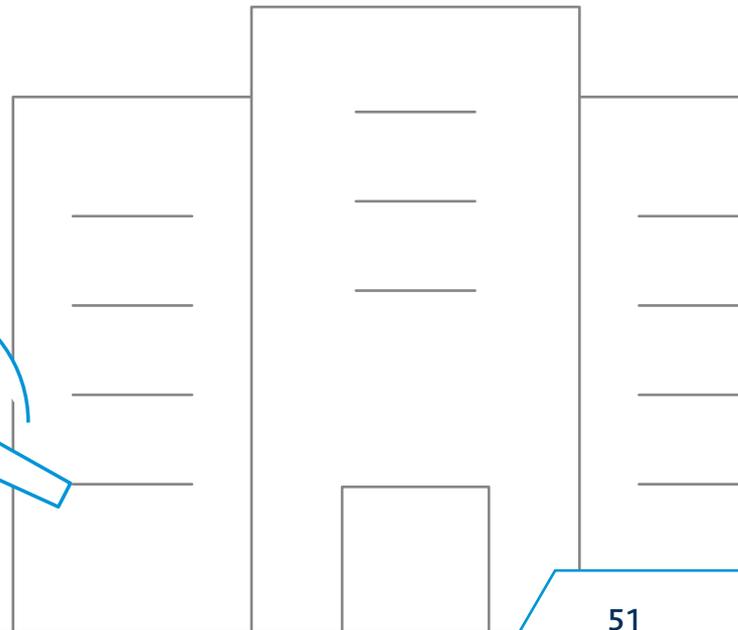
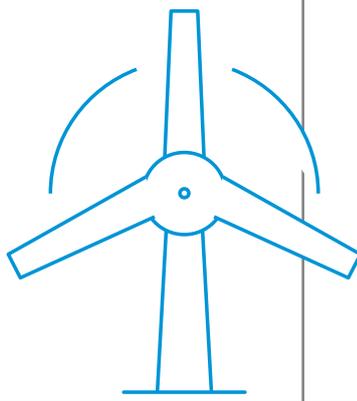
Following the national estates consultation in 2015, HMCTS carefully considered, and continues to consider, the impact of these proposals on court users in rural areas. The DEFRA rural proofing checklist was followed to make sure that an appropriate assessment was made. In some rural areas, concerns regarding maintaining appropriate levels of access to the courts were addressed by the provision of alternative local access, for example through video-link facilities.

In addition, HMCTS measures travel times to court for the public as part of the process of assessing potential changes to the court estate. This includes analysing the impact of any possible individual court closure on the nearby population (including rural areas) as part of the consultation and impact assessment process for all proposed closures. The analysis includes scrutiny of the geographical areas with the longest public transport travel times to their nearest court.

### 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. A recent example is the refurbishment of Bennett House, Stoke-on-Trent, to accommodate our first Court and Tribunal Service Centre. In addition, the MoJ is committed to reducing construction waste to landfill and ensures, where possible, that all major refurbishment and new build projects have clauses requiring details on waste streams.

We are working with the Sustainability Team to roll out training to staff involved in construction projects, to ensure the application of the BREEAM policy.



## 2.4.3 Complaints to the Parliamentary and Health Service Ombudsman in 2018 -19

Complaints are received and dealt with at three levels:

- **first contact** – at the point where the problem arose
- **review** – by a senior manager within the relevant business unit
- **appeal** – by the HMCTS customer investigations team.

Most complaints are resolved at levels one and two. Complainants who remain dissatisfied after the appeal stage can take their complaint to the Parliamentary and Health Service Ombudsman (PHSO).

PHSO investigates complaints from individuals who believe they have received poor service from government departments, other public organisations and the NHS in England. It has the power, in law, to investigate and make the final decision on complaints about public services for individuals. It can also recommend how mistakes can be put right – this can include explanations, apologies and recommendations for the service to learn and improve - and ask organisations to produce action plans to show how they will be implemented.

The PHSO investigated four complaints against HMCTS in 2018-19 which represents less than 0.017% of all complaints received. We complied with all four recommendations.

The data below shows that the volume of HMCTS complaints investigated by PHSO has fallen since 2014-15.

HMCTS is committed to continually improving how we handle complaints from those who use our services, and we want to use data to drive a better user experience. To support this we have introduced a new complaints management system which not only allows us to record complaints in more detail but allows data and Management Information to be produced more effectively, therefore making it easier to analyse trends. We have continued to embed the 'Human voice of justice' across HMCTS in a sustainable way, supporting frontline staff and senior leaders to apply it to our communications so that we can show we are listening, explaining and guiding the users of our courts and tribunals.

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Investigations completed by PHSO	39	68	48	18	15	4
	100%	100%	100%	100%	100%	100%
Upheld complaints against HMCTS	11	14	5	1	0	0
	28.2%	20.6%	10.4%	5.5%	0%	0%
Partly upheld complaints	8	24	15	9	3	3
	20.5%	35.3%	31.2%	50%	20%	75%
Complaints not upheld against HMCTS	20	30	28	8	12	1
	51.3%	44.1%	58.3%	44.5%	80%	25%

### Health and Safety

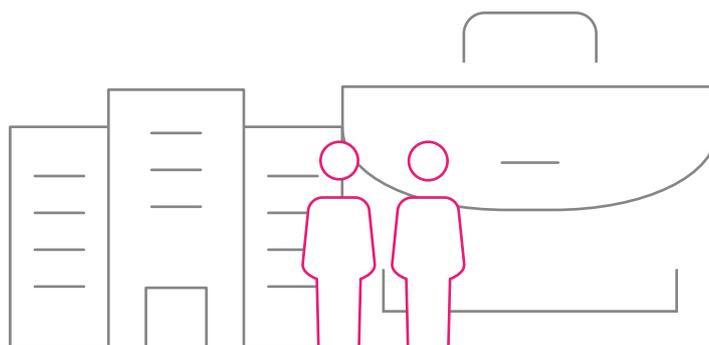
We are committed to protecting the health, safety, security and general wellbeing of our employees, members of the judiciary, contractors and all our visitors to our premises (including but not limited to legal professionals, parties, jurors, witnesses, journalists and members of the public). Occupational health and safety plays an important role in the delivery of our corporate objectives. Our National Committee for Health, Safety and Security, which includes focus on fire safety as well, meet quarterly, and Trade Union leads attend in parallel with relevant operational and corporate HQ managers. The annually-reviewed corporate policy fire, health, safety and security continues to provide a framework for continuous improvement, and a targeted approach for monitoring our performance. HMCTS is fully committed to meeting its statutory healthy and safety obligations. Our health, safety and security policy is underpinned by a governance structure, enabling oversight and appropriate assurance, and that structure is under ongoing review to ensure it delivers as effectively as it should.

Susan Acland-Hood  
Chief Executive and Accounting Officer  
11 July 2019



## Section 3: Accountability report





### 3.1 Our governance and accountability report

#### 3.1.1 Directors' report

How we work – The partnership of the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals: The Framework Document

HMCTS operates in a unique environment, as an Executive Agency of the MoJ. We provide the system of support, including infrastructure and resources, for the administration of the business of the courts in England and Wales and those tribunals throughout the United Kingdom for which the Lord Chancellor is responsible. We provide the support necessary to enable judges, tribunal members and magistracy to exercise their judicial functions independently.

The Framework Document reflects an agreement reached by the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals on a partnership between them in relation to the effective governance, financing and operation of HMCTS.

The Lord Chancellor, Lord Chief Justice and Senior President of Tribunals will not intervene (whether directly or indirectly) in the day-to-day operations of HMCTS and have placed the responsibility for overseeing the leadership and direction of it in the hands of its board. The Chief Executive is responsible for the day-to-day operations and administration of the agency.

The agreed objectives of HMCTS as detailed in the Framework Document are as follows:

- provide the supporting administration for a fair, efficient and accessible courts and tribunals 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, and
- work with government departments and agencies, as appropriate, to improve the quality and timeliness of their decision making in order to reduce the number of cases coming before tribunals and courts.

The HMCTS Board is responsible for overseeing the leadership and direction of HMCTS in delivering the aim and objectives set by the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals.

## Our Board composition

As at 31 March 2019, there were 12 members of the HMCTS Board, comprising non-executive, executive and judicial members.

Name	Dates in post, if not entire year	Biographies
<b>Non-executive members</b>		
<b>Robert Ayling</b> , outgoing Independent Chairman,	Until 27 April 2018	
<b>Tim Parker</b> , Independent Chairman	From 27 April 2018	<a href="https://www.gov.uk/government/people/tim-parker">https://www.gov.uk/government/people/tim-parker</a>
<b>Victoria Cochrane</b> , Senior Independent Non-Executive Member and Independent Chair of HMCTS Audit and Risk Assurance Committee		<a href="https://www.gov.uk/government/people/victoria-cochrane">https://www.gov.uk/government/people/victoria-cochrane</a>
<b>Ian Playford</b> , Independent Non-Executive Member		<a href="https://www.gov.uk/government/people/ian-playford">https://www.gov.uk/government/people/ian-playford</a>
<b>Lakh Jemmett</b> , Independent Non-Executive Member	In post from 27 July 2018	<a href="https://www.gov.uk/government/people/lakh-jemmett">https://www.gov.uk/government/people/lakh-jemmett</a>
<b>Other members</b>		
<b>Liz Doherty</b> , Ministry of Justice Representative		<a href="https://www.gov.uk/government/people/liz-doherty">https://www.gov.uk/government/people/liz-doherty</a>
<b>Executive members</b>		
<b>Susan Acland-Hood</b> , Chief Executive		<a href="https://www.gov.uk/government/people/susan-acland-hood">https://www.gov.uk/government/people/susan-acland-hood</a>
<b>Kevin Sadler</b> , Deputy Chief Executive and Director of Courts and Tribunals Development		<a href="https://www.gov.uk/government/people/kevin-sadler">https://www.gov.uk/government/people/kevin-sadler</a>
<b>Andrew Baigent</b> , Chief Financial Officer		<a href="https://www.gov.uk/government/people/andrew-baigent">https://www.gov.uk/government/people/andrew-baigent</a>
<b>Guy Tompkins</b> , Operations Director		<a href="https://www.gov.uk/government/people/guy-tompkins">https://www.gov.uk/government/people/guy-tompkins</a>
<b>Judicial members</b>		
<b>Sir Ernest Ryder</b> , Independent Judicial Board Member		<a href="https://www.gov.uk/government/people/lord-justice-ryder">https://www.gov.uk/government/people/lord-justice-ryder</a>
<b>Dame Julia Macur</b> , Independent Judicial Member		<a href="https://www.gov.uk/government/people/justice-macur">https://www.gov.uk/government/people/justice-macur</a>
<b>District Judge Tim Jenkins</b> , Independent Judicial Member		<a href="https://www.gov.uk/government/people/tim-jenkins">https://www.gov.uk/government/people/tim-jenkins</a>

## Register of interests

Details of company directorships and other significant interests can be found in note 23 of the accounts.

### Personal data related incidents

We are required to report on personal data related incidents where these have been formally reported to the Information Commissioner's Office. The following incidents were reported by us between 1 April 2018 and 31 March 2019.

Date of incident	Nature of incident	Nature of data involved	No. of people potentially affected	Notification steps
1 May 2018	An application for an adoption hearing was mistakenly disclosed to the birth mother.	Names, addresses of the adoptees	2	ICO notified on 13 June. Data subjects notified. The ICO closed its investigation taking no action noting incident was due to human error.
30 July 2018	A bag of paperwork and driving licences was lost in transit by a secure courier company	Driving licences; personal data such as the individuals' names, addresses.	Approx. 260	ICO notified 20 August 2018. ICO closed its investigation and taking no action as the data was found; it has been incorrectly delivered to another HMCTS business unit.
12 June 2018	HMCTS issued two court notices to an incorrect address.	Both court notices contained name, date of birth, account/case references of the data subject. The first document also contained details of the offence. The offence was 'distributing an indecent photograph or pseudo-photograph of a child'.	1	Withdrawn – dealt with via formal HMCTS complaints process.
20 September 2018	HMCTS Digital uncovered a breach of the EJudiciary	A rule had been added to the judge's email account which meant all emails received by the judge were automatically forwarded to a malicious email account with an IP address in Nigeria.	1	Withdrawn by HMCTS as the incident and data Controller was the Judicial Office
13 March 2019	HMCTS received an e-mail request from an enquirer requesting information relating to previous convictions for a neighbour (the data subject)	A junior member of staff responded via e-mail that the data subject had been convicted on 3 May 2002, but that such conviction was now spent since May 2007. The nature of the offence was neither confirmed or denied. However, the implied confirmation may have re-enforced the enquirer's view that offences of this nature were involved. This was a breach of the rehabilitation of Offenders Act 1974.	1	ICO notified on 29 March 2019. Data subjects notified. The ICO closed its investigation taking no action noting incident that while the ICO recognises the extreme sensitivity of the information disclosed and the possibilities for detriment, it is not considered to be significant in this instance.

### 3.1.2 Governance Statement

#### Introduction

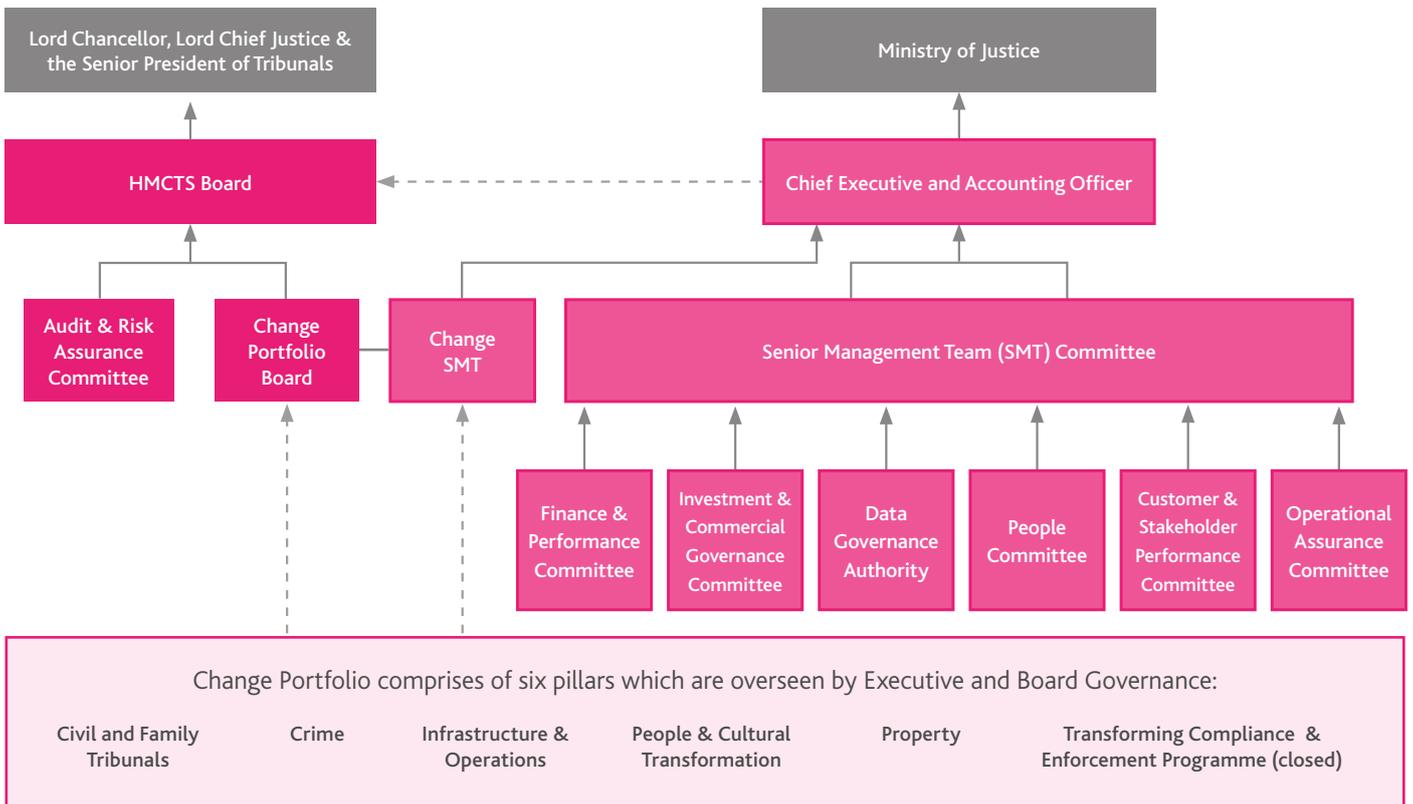
HMCTS is an executive agency of the MoJ. Our aim is to run an efficient and effective courts and tribunals system which enables the rule of law to be upheld and provides access to justice for all. The organisation operates in accordance with our published Framework Document which sets out the basis of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

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

As Accounting Officer, and working together with my directors, I have responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of HMCTS policies, aims and objectives, while safeguarding the public funds and assets for which I am personally accountable. Overall, I am satisfied that HMCTS has had effective governance, risk management and internal controls in place during 2018-19. I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

#### Governance framework and management structure 2018-19

Governance within HMCTS is delivered through a robust board and executive team as set out in the Delegation of Authority Policy. The governance structure for 2018-19 is shown in the chart below.



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

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

We have a People Committee with responsibility for considering talent and succession planning within the organisation. In addition, the HMCTS Board discussed performance and talent management for our senior executives at their May 2018 meeting.

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

### HMCTS Board and its sub-committees

	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board
Terms of reference	These were reviewed and agreed in July 2018.	These were reviewed and agreed in May 2018.	These were reviewed and amended in March 2018.
Roles and responsibilities	Has responsibility for overseeing the leadership and direction of HMCTS in delivering the aim and objectives of the agency.  It also advises, provides scrutiny and where necessary gives direction to the Chief Executive in relation to the strategy of the agency, the overall delivery and the key roles relating to the operation of HMCTS.	This is an advisory body supporting the Chief Executive as Accounting Officer and the HMCTS Board in its responsibilities for risk management, control and governance and production of the annual report and accounts.	Has delegated authority from the HMCTS Board to make decisions about the prioritisation of the programmes and projects within the change portfolio.
Chair	Tim Parker, Independent Chairman	Victoria Cochrane, senior non-executive director	Susan Acland-Hood, HMCTS Chief Executive
Issues covered	<ul style="list-style-type: none"> <li>reviewed and discussed performance at each meeting, including the performance dashboard, and had regular deep-dives on operational performance</li> <li>discussed the financial position monthly and the quarterly review of demand across all jurisdictions as well as approving the annual budget substantive</li> <li>approved the HMCTS Change Portfolio Business Case for presentation to HM Treasury</li> <li>discussed the transformational courts and tribunals change programme, showcasing new services being developed and introduced</li> <li>undertook substantive discussions in respect of current and future estate priorities</li> <li>discussed updates on HMCTS EU Exit Preparations and judicial recruitment</li> <li>held a strategy awayday on 31 January 2019.</li> </ul>	<ul style="list-style-type: none"> <li>regular discussion on all corporate risks to challenge management</li> <li>controls and effectiveness of mitigation</li> <li>regular deep-dives of corporate risks</li> <li>substantive discussions on the findings and implementation of recommendations from internal audit reports</li> <li>discussed adequacy of management response to issues identified by audit activity, including National Audit Office management letter and value for money audits</li> <li>acted on the delegated authority of the HMCTS Board to approve the annual report and accounts and trust statement (2017-18)</li> <li>discussed operational assurance activity, including updates from the Operational Assurance Committee and the introduction of HMCTS Operational Governance and Assurance (OG&amp;A) Health Checks to provide the assurances previously provided by Cluster Audits.</li> <li>substantive discussions around the roll out of Digital Mark-Up in magistrate courts</li> </ul>	<ul style="list-style-type: none"> <li>discussed progress against the portfolio performance plans providing input to and direction on overarching portfolio direction</li> <li>reviewed the portfolio's financial position monthly</li> <li>discussed the position in respect of the delivery of benefits and</li> <li>approved the approach being taken in respect of the HMCTS Change Portfolio Business Case</li> <li>reviewed proposals in respect of the Courts and Tribunals Service Centres and the Crime Programme.</li> <li>reviewed and discussed the findings and implementation of recommendations from internal and external assurance reviews</li> <li>agreed and reviewed regularly the portfolio risks and issues and mitigation for them</li> </ul>
Effectiveness reviews	<ul style="list-style-type: none"> <li>discussed findings of annual self-assessment of performance at the meeting on 25 May 2018.</li> <li>identified key actions including: <ul style="list-style-type: none"> <li>scheduling a yearly strategy awayday to focus on the bigger picture issues and horizon-scanning</li> <li>creating a decision log to ensure there is a full audit trail for key decisions made by the Board</li> </ul> </li> <li>the 2018-19 evaluation was carried out in March 2019 and the results were analysed and discussed at the May meeting - a continuous improvement action plan will be progressed during 2019-20</li> </ul>	<ul style="list-style-type: none"> <li>discussed findings of annual self-assessment of performance in May 2018.</li> <li>identified key actions including: <ul style="list-style-type: none"> <li>providing an overview of how the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA) collaborate</li> <li>the NAO sharing details of the alternative approaches being taken by audit committees across government in respect of annual effectiveness reviews</li> </ul> </li> </ul> <p>the 2018-19 evaluation was carried out in March 2019 and a continuous improvement action plan will be progressed during 2019-20.</p>	<ul style="list-style-type: none"> <li>discussed findings of annual self-assessment of performance at the meeting on 24 April 2018.</li> <li>identified key actions including: <ul style="list-style-type: none"> <li>enhancing the new Portfolio Performance Pack, focusing on the Portfolio Implementation Plan and its inter-programme dependencies</li> <li>strengthening the forward look mechanism in place to ensure Board discussions are focused</li> </ul> </li> <li>the 2018-19 evaluation was carried out in April 2019 and the results were analysed and discussed at the May meeting - a continuous improvement action plan will be progressed during 2019-20</li> </ul>

## Our Senior Management Team

There are nine members of the Senior Management Team; four of whom are also executive members of the HMCTS Board.

Name	Dates in post from if not entire year	Biographies
<b>Susan Acland-Hood</b> , Chief Executive		<a href="https://www.gov.uk/government/people/susan-acland-hood">https://www.gov.uk/government/people/susan-acland-hood</a>
<b>Kevin Sadler</b> , Deputy Chief Executive and Director of Courts and Tribunals Development		<a href="https://www.gov.uk/government/people/kevin-sadler">https://www.gov.uk/government/people/kevin-sadler</a>
<b>Andrew Baigent</b> , Chief Financial Officer		<a href="https://www.gov.uk/government/people/andrew-baigent">https://www.gov.uk/government/people/andrew-baigent</a>
<b>Guy Tompkins</b> , Operations Director		<a href="https://www.gov.uk/government/people/guy-tompkins">https://www.gov.uk/government/people/guy-tompkins</a>
<b>Kevin Gallagher</b> , Digital Change Director	1 Jun 2015 to 03 May 2019	<a href="https://www.gov.uk/government/people/kevin-gallagher">https://www.gov.uk/government/people/kevin-gallagher</a>
<b>Richard Goodman</b> , Change Director		<a href="https://www.gov.uk/government/people/richard-goodman">https://www.gov.uk/government/people/richard-goodman</a>
<b>Faran Johnson</b> , Human Resources Director	Until 11 May 2018.	<b>Faran Johnson</b> , was HR director until 11 May 2018. Marie-Claire Uhart took up post as interim Human Resources Director until 19 Nov 2018 when a permanent director was appointed.
<b>Marie-Claire Uhart</b> , Interim Human Resources Director	From 14 May 2018 to 19 Nov 2018	<a href="https://www.gov.uk/government/people/marie-claire-uhart">https://www.gov.uk/government/people/marie-claire-uhart</a>
<b>Louise Alexander</b> , Human Resources Director	From 19 Nov 2018	<a href="https://www.gov.uk/government/people/louise-alexander">https://www.gov.uk/government/people/louise-alexander</a>
<b>Sidonie Kingsmill</b> , Customer Director		<a href="https://www.gov.uk/government/people/sidonie-kingsmill">https://www.gov.uk/government/people/sidonie-kingsmill</a>
<b>Ed Owen</b> , Director of Communications		<a href="https://www.gov.uk/government/people/ed-owen">https://www.gov.uk/government/people/ed-owen</a>

## Other attendees at Senior Management Team meetings

Name	Biographies
<b>Paul Harris</b> , Courts and Tribunals Operations Director	<a href="https://www.gov.uk/government/people/paul-harris">https://www.gov.uk/government/people/paul-harris</a>
<b>Gemma Hewison</b> , Crime Programme Director	<a href="https://www.gov.uk/government/people/gemma-hewison">https://www.gov.uk/government/people/gemma-hewison</a>
<b>Jonathan Wood</b> , National Business Centres Director	<a href="https://www.gov.uk/government/people/jonathan-wood">https://www.gov.uk/government/people/jonathan-wood</a>
<b>Marie-Claire Uhart</b> , Transition Director	<a href="https://www.gov.uk/government/people/marie-claire-uhart">https://www.gov.uk/government/people/marie-claire-uhart</a>
<b>Tim James</b> , Property Director	<a href="https://www.gov.uk/government/people/tim-james">https://www.gov.uk/government/people/tim-james</a>
<b>John Michalski</b> , Commercial Director	

The attendance schedule for the HMCTS Board and its sub-committees

Attendance at meetings – expressed as number of meetings attended out of number eligible to attend:

Member	HMCTS Board	ARAC	Change portfolio board
Robert Ayling – Independent Chairman (until 27 April 2018)	1/1		
Tim Parker - Independent Chairman (from 27 April 2018)	10/10		
Victoria Cochrane – Non-Executive Member	7/10	7/7	
Lakh Jemmett - Independent Non-Executive Member (from 27 July 2019)	5/5		
Ian Playford – Non-Executive Member	8/10		
Liz Doherty – Non-Executive Member MoJ	7/10		
Sir Ernest Ryder – Senior President of Tribunals	7/10		10/11
Dame Julia Macur – Senior Presiding Judge	8/10		
Lady Justice Thirlwall – Deputy Senior Presiding Judge			10/11
District Judge Tim Jenkins – Judicial member	9/10	7/7	
Susan Acland-Hood – Chief Executive	9/10	6/6*	10/11
Kevin Sadler – Deputy Chief Executive and Director of Courts and Tribunals Development	10/10		11/11
Andrew Baigent – Chief Financial Officer	10/10	7/7	10/11
Guy Tompkins – Director of Operations	9/10		7/11
Judge Brian Doyle – Judicial member		7/7	
Tom Taylor – Independent Non-Executive (until 20 June 2018)		3/3	
Jan Gower			9/11
Richard Goodman			10/11
Sidonie Kingsmill			4/11
John Michalski			10/11
Kevin Gallagher			11/11
Faran Johnson (until 11 May 2018)			0/1
Marie-Claire Uhart (14 May - 18 November 2018)			3/5
Louise Alexander (from 18 November)			5/5
Tim Britten			9/11
Representative from Infrastructure and Projects Authority			7/11
Representative from MoJ Policy			9/11

\* Is not invited to attend Effectiveness Review

## HMCTS Senior Management Team and its sub-committees

You can find board meeting summaries at: [www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/our-governance#board-meetings](http://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/our-governance#board-meetings)

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### **Committee: Senior Management Team – business as usual**

**Chair:** Chief Executive

**Key responsibility:**

- set the leadership and direction;
- be visible to and within the organisation;
- be accountable for delivering aims and objectives;
- agree and make recommendations to the HMCTS Board, via the Chief Executive and executive board members on matters not excluding:
  - budget allocations and in year variations
  - strategic objectives, performance and risk, including continuous improvement
  - establish and maintain a strong working relationship between employees and the judiciary
  - create and maintain the corporate governance framework and controls
  - develop strategic plans for the service
  - ensure all matters reserved for the HMCTS Board are considered in an open and timely fashion

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### **Committee: Change Portfolio Senior Management Team**

**Chair:** Change Director

**Key responsibility:**

- reviews progress against the Portfolio Plan to ensure delivery within agreed tolerances;
- agrees Portfolio tolerances with regard to scope, schedule, resources, costs and benefits
- manages strategic risks, issues and dependencies across the Portfolio together with proposed and actual mitigating actions
- governs benefits realisation management across the Portfolio;
- governs change and readiness across the Portfolio;
- reviews delivery of change to ensure alignment between what is being delivered by programmes and workstreams within the Change Portfolio and the business;
- considers exceptional requests for direction and assistance made by Programmes when these cannot be provided at the programmatic level;
- considers and approves change requests (as appropriate - defined by tolerances and authorisation levels) and PDO-proposed capability shifts to ensure delivery to critical path

and to support the Portfolio Board to make third line of defence escalations if required

- monitors the commercial capability of the Portfolio to ensure delivery to critical path;
- escalates matters to the Change Portfolio Board where required.

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### **Committee: Finance and Performance Committee**

**Chair:** Chief Financial Officer

**Key responsibility:**

- oversee and govern all performance reporting in HMCTS
- examine and understand the leading indicators of HMCTS financial and non-financial performance to identify risk and opportunity, and appropriate action
- establish a transparent approach to budget setting and resource allocation, which is underpinned by good data and Management Information (MI), and reflects Board and SMT priorities;
- oversee and make recommendations to SMT on the annual budget setting and resource allocation process (Resource Delegated Expenditure Limit, Capital Delegated Expenditure Limit fee income, other government department (OGD) income and fines and charges;
- oversee and make recommendations to SMT on HMCTS' contribution to the Spending Review Process
- review and oversee income and debt management, and the relationships that HMCTS has with other government departments which underpins those income streams

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### **Committee: Investment and Commercial Governance Committee**

**Chair:** Chief Financial Officer

**Key responsibility:**

- scrutinise and review investment business cases for all those projects, identified as needing the committee's oversight, and approve cases in accordance with their delegated limits and otherwise provide a short report to the approving authority
- review the commercial dashboard and metrics to provide assurance that both are appropriately managed, including the commissioning of new contractual arrangements
- review exit plans for managing the successful ending of contracts
- scrutinise the sourcing and contract management provision for HMCTS
- ensure robust arrangements are in place and operating effectively to ensure all suppliers providing services to HMCTS (including the change programme) are held to account on behalf of the executive

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### **Committee: Operational Assurance Committee**

**Chair: Operations Director**

**Key responsibility:**

- oversee the implementation and operation of the operations directorate service assurance framework, and the service standards and assurance team
- monitor quality of service issues/risks escalated to it, where local/regional routes have been exhausted and it is of sufficient severity as to threaten the reputation of HMCTS or is illustrative of a more widespread service assurance issue
- ensure that appropriate action is in place to address potential failures and remedy actual failures, in service delivery, commission/sponsor such activity where not already in place or being progressed and assure that such action is progressing to agreed timeframes
- ensure that appropriate action is in place to remedy actual failures in service delivery, commission/sponsor such activity where not already in place or being progressed (working collaboratively with Digital Change Directorate (DCD), Customer Directorate (CD) and/or Courts Tribunals Development Directorate (CTDD) as required), and assure that such action is progressing to agreed timeframes;
- ensure lessons learned from significant service failure/business continuity incidents are being shared effectively and promptly
- ensure that thematic service/compliance deficiencies, including recurring deficiencies highlighted across reporting deficiencies, are robustly and rapidly addressed

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### **Committee: Customer and Stakeholder Performance Committee**

**Chair: Customer Director**

**Key responsibility:**

- oversee and monitor all customer and stakeholder insight and feedback reporting in HMCTS;
- scrutinise HMCTS performance against customer measures contained within the Enterprise Performance Framework (EPF), incorporating data from the OPTIC (opinions, praise, treatment, incidents, complaints) system, and according to the agreed metrics for Effort, Perception and Experience (the EEP model);
- monitor new stakeholder feedback and insight; including perception audit, surveys and feedback from events;
- undertake regular deep dives in relation to specific areas of insight;
- ensure collaborative working with the Operational Assurance Committee and support that Committee in providing a greater level of compliance and service assurance to enable the Executive to have a more rounded view of all aspects of operational performance.

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### **Committee: People Committee**

**Chair: HR Director**

**Key responsibility:**

- drive our people strategy including diversity and induction, health and wellbeing and capability
- proactively engage on talent management and succession planning (current and future)
- make workforce decisions on people
- provide an annual report to the HMCTS Board.

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### **Committee: Data Governance Authority**

**Chair: Chief Financial Officer**

**Key responsibility:**

- ensure data is being/will be collected that support effective operation of the business and delivery of services, made more widely available within the organisation, and allows tracking of important business information we currently find difficult (such as repeat use of services).
- enable HMCTS to make available data from new systems (in an appropriate form) for external researchers and the public.
- identify and investigate decision points around our data as we develop new services so that we can ensure that we do not become locked into data practices we might later find undesirable.
- avoid duplicated effort around developing HMCTS data capability (including collaborating with Ministry of Justice central capability where appropriate), and ensure overall coherence and interoperability of data and Management Information (MI).
- build sustainable data capabilities with the capacity to grow and develop with the organisation.

## Quality of information

HMCTS ensures the Board and sub committees receive good quality management information, analysis and sound advice to facilitate informed decisions. The Board Secretariat works closely with the professional analytical teams to ensure the information provided meets the Board's requirement and is consistent. They provide a template for papers, structured to ensure risks and resource implications are highlighted and to ensure sufficient engagement and challenge during discussions.

The structure of, and information contained within regular performance-related agenda items has been reviewed and improved to meet emerging requirements over the course of the year, in close consultation with the Board. Information presented to the Board is considered in advance by HMCTS' Senior Management Team and by the HMCTS Finance & Performance Committee to ensure the key messages are understood and provide further confidence to the HMCTS Board.

The Data Governance Authority is accountable for improving our use of data and evidence as an organisation, including improving our data systems, developing a framework for the quality assurance of modelling and developing new tools to improve reporting as part of the new Enterprise Performance Framework.

## Risk management

We introduced our risk policy in 2017 by way of the HMCTS risk strategy. The strategy sets out how HMCTS should manage the risks associated with the delivery of our strategic priorities as well as providing new tools and robust guidance to support the management of risk on a day-to-day basis. The Strategy has been successfully embedded but we recognise there is more work to do to improve our risk management activity and an updated Risk Strategy will be introduced in 2019-20.

## Risk Assessment 2018-19

We use a scoring methodology for impact and likelihood to determine the level of risk. This provides a 'Very high, High, Medium and Low' risk rating which ensures we assess our risks in a consistent way and focuses resources on the most significant risks to the organisation.

To produce the risk register for 2018-19 our senior management team (SMT) held a risk workshop at the beginning of the year to identify the risks to the delivery of our priorities and the controls required to manage those risks. These risks were compiled into a new Risk Register, which was subsequently approved by the Board. The SMT regularly reviewed the risk register and undertook a 'deep dive' on specific risks including Performance, Commercial and Recruitment & Retention, which enabled a much more in-depth assessment of individual risks. Additionally, the register is shared quarterly with MoJ to highlight any risks which could potentially have an impact at MoJ level.

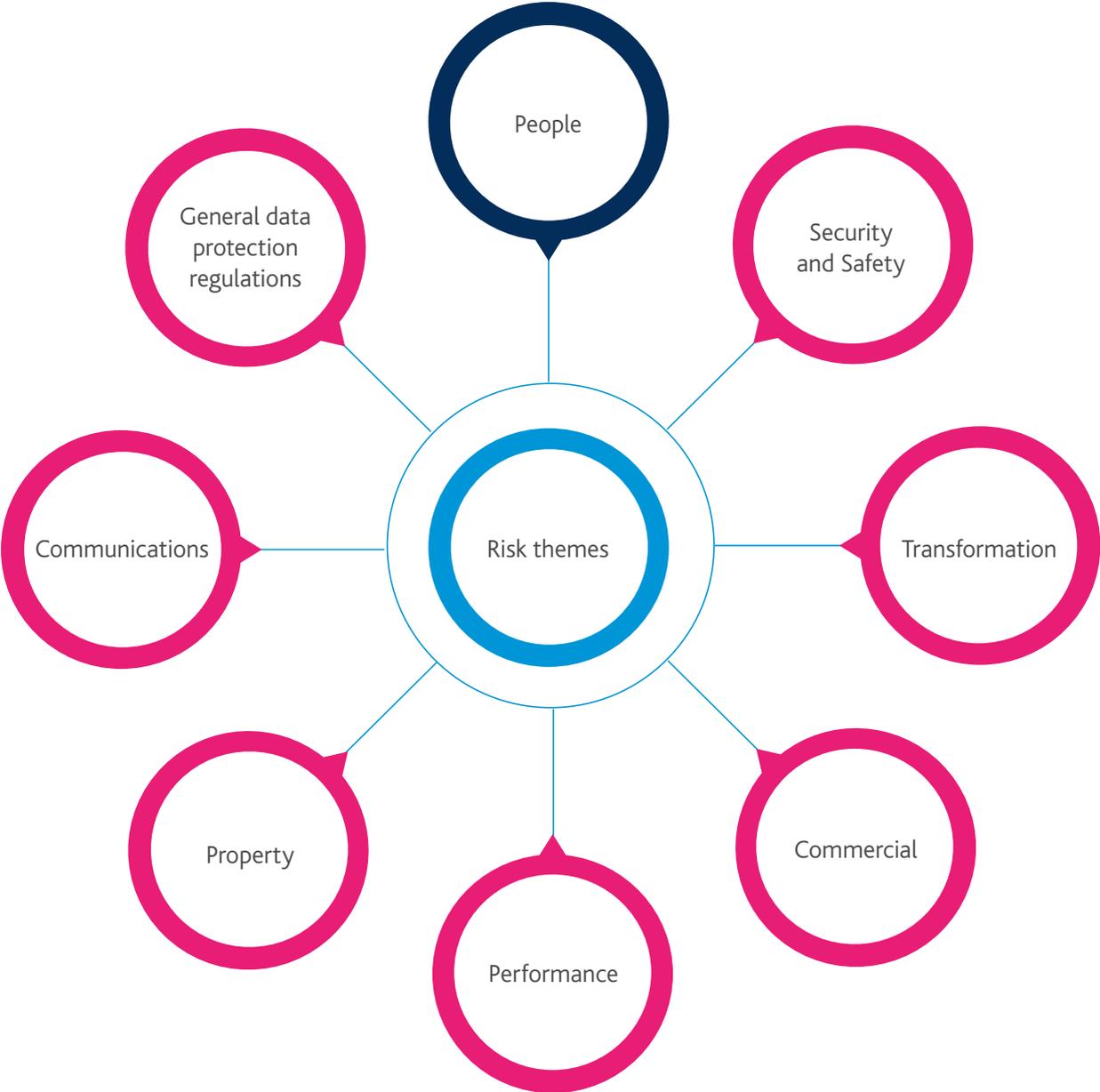
### 'Very high' risks

Through our successful risk management arrangements, we have seen an overall reduction in the scores of our more significant and 'very high' risks. More specifically:

- one risk was closed and removed from the risk register relating to the Modern Employee Proposition, which was a change to our employee terms and conditions but rejected by the Civil Service unions;
- the risk relating to recruitment and retention which reduced slightly but remains a high risk at the end of the reporting year, and,
- the Transformation risk reduced to a 'medium' risk through the year as a result of our effective controls.

Risk themes

A summary of a number of our higher risks, the controls and the changes through the year, is set out below:



- Risks assessed as very high
- Risks assessed as high

**Key**

Relation of risk to key priorities  Modern technology  Modern settings  Modern capability  Relates to all three priorities

Risk movement  Risk increase  Risk decrease  No risk movement

Risk theme /description	Strategic priority	Key controls and activities to manage risks	Risk movement (did risk reach target)
<p><b>Finance risks</b></p> <p>HMCTS is not financially sustainable during and when the change portfolio is delivered.</p>		<p>The financial control system failure risk was removed from the register at the end of the year, as it had met its target score and no longer represented a significant risk.</p> <hr/> <p>The Financial sustainability risk has been managed through developing a detailed understanding of the financial pressures we face, and the changes in workload in the work we do. We are also planning for the next cross-government spending review, by building a detailed understanding of the costs we are likely to face in the next 3-5 years.</p>	<p><b>n/a</b></p> <p>Risk removed from register.</p> <hr/>  The risk changed through the year between 'medium' and 'high', particularly through the October to January months. The risk though ended the year at a 'high'.
<p><b>Security and Safety</b></p> <p>HMCTS does not effectively manage Safety &amp; Security.</p>		<p>We have Health safety and security policies in place which are continuously monitored to ensure they are applied and remain current and appropriate. We allocated £3million additional funding to bringing hearing rooms up to appropriate security standards. In addition, we have increased external 'penetration testing' of our buildings following an increasing number of incidents. The results are monitored and used to identify improvements that can be made.</p> <p>This risk is above target and will continue to be on the register in 2019-20.</p>	 Risk has remained at a 'high' all year.
<p><b>Transformation</b></p> <p>HMCTS does not deliver Transformation Programme to time, cost and quality.</p>		<p>Effective and robust assurance procedures in place to review the risk and performance including up to date performance packs and ministerial and senior leadership oversight. Proactive work to prevent delays to the legislation required to complete transformation and realise benefits. This risk will continue to be managed effectively through to 2019-20.</p>	 The risk started the year as 'very high', reducing to a 'high' score in September and then to a 'medium' score in February 2019.
<p><b>Commercial</b></p> <p>HMCTS is not commercially compliant and fails to deliver value for money.</p>		<p>The target score was amended to 'medium' in November 2018. The new Investment and Commercial Governance Committee (ICGC) is providing scrutiny and oversight of the function, which is provided by the Ministry of Justice under a shared service arrangement.</p> <p>The most significant contracts are identified as 'gold contracts' and are subject to robust biannual review.</p> <p>This risk continues to be high and remains a risk for 2019-20.</p>	 The target score was changed to 'medium' in November 2018 from 'high' at the beginning of the year. The risk remained 'high' through to the end of the year.
<p><b>Property</b></p> <p>Lack of repair and maintenance of the estate and capacity within the function.</p>		<p>Our Property Board, which consists of HMCTS executives and members of the senior judiciary, provided guidance on prioritising our spend to areas of the estate. Our Facilities Management Board reviewed facilities management performance.</p> <p>and our Building Champions provide local support in each of our buildings. We also completed a comprehensive condition survey of our buildings to support our prioritisation of work going forward.</p>	 No change – 'high' risk all year.

Risk theme /description	Strategic priority	Key controls and activities to manage risks	Risk movement (did risk reach target)
<p><b>Communications</b></p> <p>HMCTS reputation is seriously weakened by a failure to carry the support and confidence of key partners and stakeholders / slow or less effective change takes place because of HMCTS and the Judiciary not optimising collective working to deliver the shared vision.</p>		<p>A new Communications strategy has been developed to unify and improve HMCTS communications activity. We have increased our use of online media platforms to reach a wider audience and developed a Communications Crisis and Incident Guidance which is part of our Business Continuity process.</p> <p>Following the reduction in score this risk has been transferred to Directorate level management.</p>	 This Risk has remained at 'medium' since being added in June 2018.
		<p>A risk that we fail to communicate effectively with our judicial partners is also monitored. This has been on our risk register as a 'high' risk throughout the year and remain on the register for 2019-20.</p>	 This risk started and ended the year as 'high'.
<p><b>People</b></p> <p>There were three people related risks during the year on recruitment, retention and workforce management; an inability to set out the roles required for our reformed organisation creating delays.</p> <p>The complexity of negotiating and agreeing the Modernised Employee Proposition.</p>		<p>Two of the three 'people' risks were removed from the risk register during the year. These related to the negotiation of a new pay and conditions framework, which was withdrawn following rejection by all four Trade Unions and 'Interim and end-state capability' which has been integrated into the Recruitment and Transformation risks going into 2019-20.</p> <p>These risks were managed by our People Committee. During the year we developed and implemented 'iTransform' - a leadership programme for managers that includes emotional intelligence training – and combined this with dedicated communication strategies, and emphasis on succession planning and skills transfer arrangements and career transition support.</p>	 Three risks – reduced generally but still ended as high risks.
		<p>Performance and operational risks continue to be on the HMCTS risk register as we move to the 2019-20 reporting year.</p>	 The operational failure risk remained 'high' throughout the year.
<p><b>Performance</b></p> <p>HMCTS does not deliver satisfactory performance across all jurisdictions.</p> <p>HMCTS does not manage high profile service delivery failure in Operations.</p>		<p>Both performance and operational service failures were consistently high risks all through the reporting year. We continued to monitor performance closely and developed new dashboards to help us to do this. Our new Operational Assurance Committee, with the remit to consider the quality of service and implement remedial action, has considered key areas to mitigate the performance risks we face. We also established a 'Service Standards and Assurance Team' who investigate and rectify high profile operational issues.</p>	 The performance risk increased due to the potential impact increasing but the likelihood of the risk occurring decreased. Overall the risk ended as 'high.'
		<p>Performance and operational risks continue to be on the HMCTS risk register as we move to the 2019-20 reporting year.</p>	 Reduced from 'high' to 'medium' in November.
<p><b>GDPR</b></p> <p>HMCTS does not effectively manage/adhere to its plans to achieve compliance with the General Data Protection Regulation (Data Protection Act 2018).</p>		<p>This risk began the year with a focus on the implementation and delivery of the GDPR regulations but was amended in July to focus on ongoing compliance with the new regulations.</p> <p>We have a dedicated GDPR team in place to provide cross Agency direction, working closely with the MoJ. The team rolled out awareness training to the organisation during March 2018 and led our engagement with the Information Commissioner's Office.</p> <p>This risk still features as a risk for management but at a Directorate level for 2019-20.</p>	 Reduced from 'high' to 'medium' in November.

## Current control challenges

Throughout 2018-19 HMCTS had appropriate governance in place to mitigate control challenges and issues. We did however have two issues that were significant.

### IT outages

In January 2019, a significant network problem was identified by Ministry of Justice's IT suppliers. This issue led to a period of disruption to operations across all MoJ agencies. The impact was felt across HMCTS, with front line operations of courts and courts business being acutely affected. Staff were unable to access systems for a prolonged period, leading to impacts on hearings and case preparation, which created backlogs requiring in excess of 30,000 hours of staff overtime to address. Contrary to inaccurate media reports in the national media, potentially damaging HMCTS' reputation, there was no adverse impact on public protection as manual, largely paper based workarounds were adopted where required.

Business continuity arrangements were activated and these mitigated the more significant aspects, including defendants in the crime jurisdiction being handled appropriately. Led by the Operations Director, a full assessment of the impact to the courts, and the activation of business continuity measures for the front line were put in place while work continued to restore operations back to normal. A 'Lessons Learned' exercise with Directors and their deputies was held shortly after the incident, and several key recommendations around improved business continuity and crisis management handling were identified. An action plan has been put in place to take forward the recommendations. Separately, work was undertaken to restore our ICT systems back to normal.

The MoJ IT outages were caused by three separate incidents:

- disruptions from 16 January to 22 January due to an outage on the Criminal Justice Secure Email service
- a severe degradation of MoJ IT infrastructure from 16 January to 18 January, and
- there was a degradation of the service that allows staff to connect to the internet from 20 January to 24 January.

Following the ICT disruption, MoJ commissioned an internal post-incident review. This is close to completion and will allow the MoJ to gain a better understanding of how an incident of this magnitude was able to happen, to determine what changes are needed to be made to the way network infrastructure and commercial arrangements related to this work are managed.

## Over recovery of fees

A review, in November 2017, of the courts and tribunals fees set by the Ministry of Justice and charged by HMCTS against the unit costs of those services identified that some fees had been unintentionally set at a level above the unit costs of the service. These issues affect the fees charged for certain proceedings in the Court of Protection, a small number of civil proceedings in the magistrates' courts, fees for general applications in insolvency proceedings and the fees charged for High Court judges sitting as arbitrators. The intention when these fees were prescribed was that they should be set at, or below, full cost recovery levels and it was on that basis that they were approved by Parliament.

A Written Ministerial Statement on 4 July 2018, announced that a statutory instrument had been laid before Parliament which reduced those fees which had inadvertently been set above cost to their full cost recovery levels; and that a refund scheme will be established to reimburse the amounts overcharged.

The Employment Tribunal fee refund scheme was created following the Supreme Court judgment which found that fees charged in the Employment Tribunal and Employment Appeals Tribunal were unlawful. This refund scheme was set up in 2017-18 and payments continue to be made under it. £17.4 million has been refunded under the scheme since its inception, including interest.

As part of ongoing improvements, the Department will continue its review of court fees, including the methodology for setting those fees, to minimise the risk of this issue re-occurring in future. The Department has strengthened the governance around fee income, introducing more regular review and more senior oversight with the remit to protect and maximise income, giving assurance on the risk of over-recovery.

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

The Ministry of Justice has zero tolerance of fraud, bribery and corruption, whether involving its own employees or other external individuals or bodies. The Ministry has clear policies which set out responsibilities for the prevention, detection and reporting of fraud, bribery and corruption, which apply to all staff across the department and its agencies, including us. We have a dedicated counter fraud and investigations function, which works both proactively and reactively with the business to manage the risk of fraud, bribery and corruption.

A new intelligence-led delivery model for the counter fraud function was implemented in April 2017. This has developed further during 2018-19 including strengthening themes covered by the Cabinet Office cross-government Fraud Functional Standards, which measure government organisation's preparedness to combat fraud and criminality. As part of this, to reduce HMCTS' exposure to fraud and criminality a Fraud Risk Assessment has been completed across HQ and Operational Directorates which will inform work to strengthen existing controls. The next assessment of this work by the Cabinet Office will commence in May 2019.

The HMCTS Counter Fraud Strategy, launched in August 2018, seeks to build individual and organisational counter fraud capability for the future, by placing fraud awareness and prevention at the heart of the organisation. Successes include: Governance, Cyber Security and Operational staff working more closely to futureproof HMCTS systems and processes; a new, bespoke fraud training module has been delivered to new Courts and Tribunal Service Centre staff, and, individual assessments with Change project leads to support the build of counter fraud controls early during programme builds, rather than undertake difficult, retrospective fixes.

For the coming year, HMCTS will continue to support change and reform projects design out risks of fraud and criminality. Priorities include developing digital controls to prevent, deter and proactively detect suspicious activities from internal and external parties, and working across government to explore data sharing opportunities to reduce fraud risks provided by the Digital Economy Act.

### Our approach to information security

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

The annual mandatory information assurance (IA) training was issued in Q4 of 2018-19. Completion figures are not yet ready for publication. The HMCTS IA Team have delivered 128 hours of information security training during 2018-19 to approximately 1300 employees, to ensure that HMCTS builds upon the great strides that have been made to proactively prevent data incidents and manage the impact when they do occur. The training focuses on how to identify an incident and how to report it. HMCTS has a strong reporting culture and understands the importance of information assurance and security to the delivery of business objectives. Reports indicate that during 2018-19 there was further improvement in the level of IA maturity, proportionate to the level of data HMCTS handles, moves and processes. There has been a 10% increase in reported data incidents, which is primarily due to the implementation of GDPR and the mandatory GDPR and IA training across the business. HMCTS has also implemented a new data incident management system, OPTIC. This new system provides us with a single platform to record a range of important management information in a single place including data incidents. The feedback it captures will help HMCTS further understand where improvements can be made for our users.

There were 2,463 data incidents during 2018-19, of which five were reported to the ICO, please see page 57 for full details. In all five reported incidents, no action was taken against HMCTS and the remaining incidents were all considered to be low impact. As many as 14% (414) of closed incidents were identified, through root cause analysis, as 'not at fault' incidents, but external events such as incorrect information supplied to HMCTS.

84% (1,518) of 'at fault' incidents were in respect of unauthorised disclosures caused by staff errors, for example, enclosing two pieces of data in the same envelope or issuing data to the wrong address.

HMCTS technical architecture team, within the Digital Change Directorate, manages the technical risks and issues associated with our systems and applications. This year it has established improved processes and procedures in support of the transition to becoming a fully digital business.

## Our approach to 'whistleblowing'

HMCTS' whistleblowing policy encourages employees to raise concerns of wrongdoing, advises on the protection afforded to whistle-blowers and provides reassurance that concerns will be investigated responsibly and professionally. There are currently seven whistleblowing Nominated Officers across the department and all are of senior management grade. There were seven whistleblowing cases reported by HMCTS during 2018-19. Complaints of harassment, bullying and discrimination are reported separately under the department's grievance policy.

HMCTS is confident that we have an effective whistleblowing policy in place and that we have a robust communications plan which ensures there are regular opportunities for new and existing staff to be made aware of the whistleblowing policy and all relevant related guidance. The HMCTS Audit and Risk Assurance Committee is responsible for overseeing the effectiveness of the whistleblowing policy in HMCTS, and a paper giving assurance on this was provided to the committee in February. In September 2018, HMCTS participated in the campaign Safe to Challenge: Speaking up if something isn't right which included an HMCTS blog and a 'safe to challenge presentation' which remains accessible on our intranet.

## Governance and risk assurance oversight arrangements

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of my executive managers. They have the responsibility for the development, maintenance and reporting of the internal control framework. This, combined with observations and recommendations made by internal and external auditors in their management letters and other reports has shaped the HMCTS approach to governance and assurance.

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

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

In addition, the HMCTS Board and I gain assurance through:

- up-to-date and comprehensive reports on performance and finance at all board meetings by the executive
- financial and administrative procedures which includes delegations of financial authority and segregation of duties on key financial processes
- assurances from MoJ for the provision of shared services
- Audit and Risk Assurance Committee (ARAC) overseeing the adequacy and effectiveness of the risk management processes and the system of internal control for the organisation (the committee regularly reviews governance and assurance reports, the corporate risk register,

undertakes deep dives on our key risks and oversees the production of our annual report and accounts, as does the executive and HMCTS Board)

- regular reviews of the risk profile and effectiveness of the systems of internal control through the receipt of minutes from ARAC, through review of performance reports and through direct feedback from the chair of the committee
- internal audit reports (see below), and
- value for money and other reports produced by the National Audit Office.

## Internal audit and annual audit opinion

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

The Group Head of Internal Audit provided an annual overall opinion of *MODERATE*.

## National Audit Office (NAO) reports

The NAO published its report into our progress in transforming courts and tribunals in May 2018. This was followed by a Public Accounts Committee hearing in June and a report in July 2018, with the Committee saying that our reform programme was hugely ambitious and on a scale which has never been attempted anywhere before. We accepted and responded to all of the Committee's recommendations and more can be read here: <https://www.gov.uk/government/news/response-to-justice-select-committee-court-and-tribunal-reforms-inquiry>. The NAO is now reviewing progress of our reform programme and intends publishing its report in Autumn 2019.

## Conclusion

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

I am satisfied that the significant control issues identified within this statement, relating to substantial ICT outages and over recovery of fees have been subject to rigorous review and continue to be managed through appropriate, effective and proportionate mitigating activity.

**Susan Acland-Hood**  
**Chief Executive and Accounting Officer**  
 11 July 2019

### 3.1.3 Statement of Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed HMCTS 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 19 December 2018. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the agency and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing HMCTS' accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and 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 judgments 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
- have taken all steps that ought to have been taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information, and that they are not aware of any relevant audit information of which the entity's auditors are unaware of
- prepare the accounts on a going concern basis
- confirm that the annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Principal Accounting Officer for the MoJ has designated the HMCTS Chief Executive as HMCTS Accounting Officer. 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 HMCTS assets and for preparing HMCTS accounts, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Managing Public Money*.

## 3.2 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 Houses of Parliament.

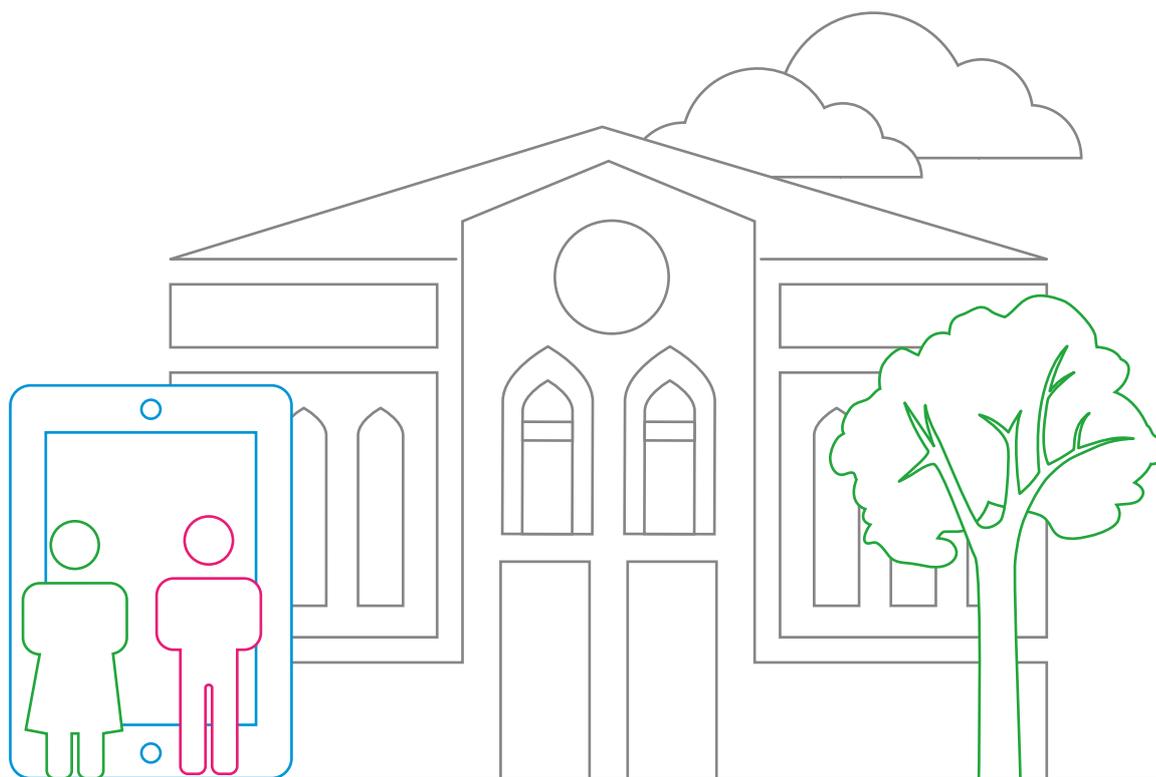
### Board Members Remuneration Report

The remuneration report has been prepared in accordance with the requirements of the Government Financial Reporting Manual (FRM) as issued by 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 HMCTS Board members were set following discussions between the Permanent Secretary of the MoJ 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 HMCTS Board members who served during 2018–19.



**Table 1 – Remuneration payments to HM Courts & Tribunals Service Board members during the period 1 April 2018 to 31 March 2019**

	2018-19					2017-18				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1000)	Total	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1000)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tim Parker (Independent Chairman (from 27 <sup>th</sup> April 2018))	15-20 (15-20 FYE <sup>2</sup> )	Nil	Nil	Nil	15-20	Nil	Nil	Nil	Nil	Nil
Susan Acland-Hood, Chief Executive	130-135	Nil	10-15	55	200-205	125-130	Nil	Nil	157	285-300
Kevin Sadler, Deputy Chief Executive	105-110	Nil	10-15	23	140-145	105-110	Nil	10-15	3	120-125
Guy Tompkins, Operations Director.	95-100	17.9 <sup>1</sup>	Nil	3	115-120	95-100	16.3 <sup>1</sup>	0-5	0	110-115
Andrew Baigent, Chief Financial Officer	125-130	Nil	Nil	55	180-185	60-65 (125-130 FYE) <sup>2</sup>	Nil	Nil	13 <sup>4</sup>	75-80
Robert Ayling Independent Chairman (until 27 <sup>th</sup> April 2018) <sup>5</sup>	0-5 (15-20 FYE <sup>2</sup> )	Nil	Nil	Nil	0-5	15-20	Nil	Nil	Nil	15-20
Lakh Jemmett Non – Executive Director. (From 27 <sup>th</sup> July 2018)	5-10 (10-15 FYE <sup>2</sup> )	0.7 <sup>1</sup>	Nil	Nil	5-10	Nil	Nil	Nil	Nil	Nil
Ian Playford, Non-Executive Director	10-15	0.1 <sup>1</sup>	Nil	Nil	10-15	10-15	0.1 <sup>1</sup>	Nil	Nil	10-15
Victoria Cochrane, Non-Executive Director	10-15	0 <sup>1</sup>	Nil	Nil	10-15	10-15	0.2 <sup>1</sup>	Nil	Nil	10-15
Liz Doherty, Non-Executive Director <sup>3</sup>	5-10	Nil	Nil	Nil	5-10	5-10	Nil	Nil	Nil	5-10

<sup>1</sup> Comprises of reimbursements for travel expenses to required business meetings.

<sup>2</sup> Full year equivalent.

<sup>3</sup> Liz Doherty is also a non-executive director on the Ministry of Justice board. Her remuneration for that role is disclosed in the MoJ annual report and accounts.

<sup>4</sup> Andrew Baigent's 2017-18 pension benefits have been recalculated by MyCSP.

<sup>5</sup> Robert Ayling stepped down as a Chair of the HMCTS Board on 27 April 2018, his contract ended on 30 April 2018.

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

- Sir Ernest Ryder, Senior President of Tribunals
- Lady Justice Macur, Senior Presiding Judge
- District Judge Tim Jenkins, Judicial Representative

### Salary

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

### Benefits in kind

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

### Pay multiples

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.

**Table 2 – Pay multiples**

	2018 -19	2017-18
Band of highest paid director’s total remuneration (£000)	145-150	125-130
Median total remuneration (£)	20,888	21,903
Ratio	7:1	6:1

The pay multiple ratio has increased in 2018-19 because the highest paid Director, Susan Acland-Hood, received performance related pay of £13,000 (2017-18, nil)

Remuneration ranged from £15,000-20,000 to £160,000-£165,000 (2017-18: £10,000-15,000 to £205,000-£210,000).

In 2018-19, 2 employees received remuneration in excess of the highest paid director (2017-18: 6).

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

In 2017-18 the highest remunerated individual was employed on a contingent labour basis. They were not employed during 2018-19. The lowest pay band increased in 2018-19, this was largely due to the increase in the minimum wage, rising for the first time to over £15,000 for an employee over 25, and a 1% salary award in 2018.

### 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: [civilservicecommission.org.uk](http://civilservicecommission.org.uk)

**Table 3 HM Courts & Tribunals Service Board members' contracts<sup>1</sup>** - This table is not subject to audit

Name	Contract start date	Unexpired term	Notice period
Tim Parker	27 April 2018	3 years 6 months	1 month
Robert Ayling <sup>2</sup>	1 April 2011 (renewed 1 April 2015)	0 months	1 month
Susan Acland Hood	21 November 2016	To retirement	3 months
Andrew Baigent	14 August 2017	To retirement	3 months
Kevin Sadler	10 September 1984	To retirement	3 months
Guy Tompkins	7 November 2005	To retirement	3 months
Liz Doherty	18 January 2016 (renewed on 18 August 2018)	2 years 5 months	1 month
Lakh Jemmett	27 July 2018	2 years 4 months	1 month
Victoria Cochrane	1 November 2014 (renewed on 17 July 2017)	1 year 7 months	1 month
Ian Playford	1 August 2014 (renewed on 17 July 2017)	1 year 4 months	1 month

<sup>1</sup> Judicial members do not operate under contracts.

<sup>2</sup> Robert Ayling stepped down as a Chair of the HMCTS Board on 27 April 2018, his contract ended on 30 April 2018.

### 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 31/3/19 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/19 £'000	CETV at 31/03/18 £'000	Real increase in CETV £'000
Tim Parker, Independent Chairman (from 27 <sup>th</sup> April 2018)	N/A	N/A	N/A	N/A	N/A
Susan Acland-Hood, Chief Executive	40-45	2.5-5	571	461	22
Kevin Sadler, Deputy Chief Executive	45-50 plus a lump sum of 145-150	0-2.5 plus a lump sum of 2.5-5	1,105	985	22
Guy Tompkins, Operations Director	40-45 plus a lump sum of 130-135	0-2.5 plus a lump sum of 0-2.5	986	892	2
Andrew Baigent, Chief Financial Officer	60-65	2.5-5	891	745 <sup>2</sup>	28
Robert Ayling, Independent Chairman (until 30 April 2018)	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Lakh Jemmett, Non-Executive (from 27 July 2018)	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Ian Playford, Non-Executive Director	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Victoria Cochrane, Non-Executive Director	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Liz Doherty, Non-Executive Director	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>

Notes:

<sup>1</sup> No pension contributions are made on behalf of HM Courts & Tribunals Service Non-Executive Board members.

<sup>2</sup> CETV at 31/3/2018 for Andrew Baigent has been recalculated by MyCSP.

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. 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.

### 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.

## 3.3 Our people – staff report



### Our employees and the judiciary

As of end of March 2019, we employed 16,219 full-time equivalent (FTE) employees, who work out of 338 courts, tribunals and offices. These figures do not include members of the judiciary, who are independent office holders, not employees of HMCTS, the Ministry of Justice. Information on the numbers of judges in post is reported separately, by the Judicial Office. Information on the cost of judicial salaries paid for by HMCTS can be found on page 109.

A number of agency workers, contractors and fixed-term contract employees make up part of our workforce, equivalent to 2,042 FTE employees, fulfilling roles across the front line as well as specialist corporate roles to support the change portfolio. As our transformation journey continues, we have deliberately recruited employees to roles on a temporary or fixed-term basis to minimise the risk of redundancy to our permanent workforce, and reduce long-term redundancy costs incurred by employing those we know we cannot offer a long-term role to.

Our employees are fundamental to our success. The nature and scale of modernisation we are undertaking is changing the way we operate and places new demands on our people. Our leadership challenge is to maintain service to our customers while we develop, deliver and embed a radically transformed service and, at the same time, support people to cope with the ambiguity and uncertainty that the change brings.

We have developed principles to guide how we engage with our people; we will involve our people in change to provide them with the opportunity to influence, and have a stake in, the future as well as to make the right decisions about their careers and we will treat people as adults through an honest, transparent and timely dialogue about change.

### Building performance for today

As we go through transformation, we will ensure HMCTS continues to help its people learn and develop. We strive to have a diverse and inclusive environment for our workforce, where our people are supported in the work they do. We have embedded a new approach to managing and rewarding performance and introduced new ways to upskill our staff, to ensure our people develop as HMCTS transforms.

We have established our capability offer, designing and introducing new interventions to help people build the capabilities we need in HMCTS, bringing existing learning opportunities together in one place. The new learning interventions cover both our strategic capability needs of leadership, customer service and digital skills as well as our more specific learning needs driven by changes to services and job roles and qualifications like apprenticeships.



### Leadership apprenticeships for Legal Advisers

#### Rebecca - Legal Adviser

***"I'm a Legal Adviser and I've been working at HMCTS for nearly 15 years."***

*I recently became involved in the pilot scheme for the Paralegal Apprenticeships being offered by HMCTS in partnership with CILEx, acting as supervisor to our Court Associate who is undertaking the programme – it's been great seeing her learn and develop and I have noticed how manageable the study is. It really has made me wish that there was something similar out there for Legal Advisers.*

*The HMCTS Apprenticeship Offer currently includes the Level three Team Leader Apprenticeship. This is a 13-month programme and successful completion entitles you to a Chartered Management Institute Level three- Diploma in First-Line Management. This programme would be ideally suited to Legal Advisers who aspire to be legal team managers and want to learn new skills.*

*The brilliant thing about apprenticeships are that they can fit easily around current work, they are relevant to your role and best of all, they are being fully supported by HMCTS as part of the commitment to apprenticeships. In my opinion, there has never been a better time to get involved!*

*I'm really hoping that there will be colleagues who feel that finally a fantastic opportunity has presented itself, one which will be of huge benefit both individually and organisationally. Who knows what other opportunities may follow!"*



We also put in place a more structured learning community of local capability leads who provide a feedback loop with HMCTS colleagues and act as capability offer champions.

To underpin access to our capability offer, we have been working in collaboration with MoJ and Shared Services Connect Ltd (SSCL) to procure a learning management system (LMS) for HMCTS. It will provide a single point of access to all HMCTS learning products and comprehensive learning management information. It has been launched for staff working in our new Courts & Tribunals Service Centres and will be accessible for all staff in quarter one of 2019-20.

## Apprenticeships

As part of our commitment to learning and development in HMCTS we are working with MoJ and across the Civil Service to actively promote the benefits and encouraging the overall uptake. During the period April 2018 to March 2019 HMCTS received and approved 250 applications for apprenticeships placing us in a strong position to achieve the Government apprenticeship target (requiring 2.3% of our eligible workforce to commence an apprenticeship by end of the reporting period 2017-2021).

HMCTS apprenticeship learning programmes are predominantly work-based, allowing the learner to build new skills, translating them to the working environment while developing academically and practically. The programmes are delivered by professional training organisations with a structured curriculum and tutors/assessors on hand to support the learning.

HMCTS has a wide range of apprenticeships available, designed to provide learning and qualifications for all employees irrespective of age, from GCSE-level equivalent to Master's level (NVQ Level 2-7).

As part of National Apprenticeship Week 2018, we announced the launch of a pilot legal apprenticeship scheme which started in September 2018.

## Welsh language

HMCTS has adopted the principle that in the conduct of public business and the administration of justice in Wales, it will treat the Welsh and English languages equally. Following a public consultation on the Welsh Language Scheme, the revised Scheme was published in April 2018. In addition, during the reporting year, we have increased our Welsh online platforms with 'Responding to a Jury Summons' and lodging and responding to a claim to the Employment Tribunal now available in Welsh. The Welsh Language Unit also became the Welsh telephony provider for the new Court & Tribunal Service Centres and published 10 new jurisdictional specific service lines to make it easier for court and tribunal users to contact us through the medium of Welsh. Work on providing a Welsh platform for the reformed civil and tribunal platforms is underway with Probate being the first to be available in Welsh by the end of 2019.

## Securing performance and inclusivity for tomorrow

We will ensure HMCTS develops into an adaptable organisation that has the right people with the right skills and knowledge to deliver and support modern and accessible justice for all. We continue to create a wide range of products, resources and programmes to develop our people capability.

HMCTS promotes Equal Opportunities for candidates when applying for jobs, this link [www.hmctsjobs.co.uk/how-to-apply](http://www.hmctsjobs.co.uk/how-to-apply) includes all information for people covered by the Equality Act who are applying for a job with HMCTS.

HMCTS has in place a number of robust policies to support disabled staff and staff who become disabled during their employment. This includes (but is not limited to) Health and Safety and Risk assessment guidance, under which all employees are required to complete Workstation assessments periodically to ensure they are working in a safe environment and changes are made as and when an employee's personal circumstances change. The Civil Service Workplace Adjustment Team provide additional support and advice regarding disability and how to get help, how to use CSWAT, including workplace passports. Support and guidance can also be accessed by all employees through the Health and Wellbeing pages of the HMCTS intranet, covering all physical and mental health issues.

Our Talent & Performance strategy, achieved through the year as part of focus on our people and culture, makes a direct link to disability inclusion, and our performance management framework (PID) enables tailored interventions to be put in place so that everyone has an opportunity to discuss their unique development needs and career aspirations.

## Positive Action Pathway (PAP)

HMCTS is committed to investing in accelerated development programmes which provide opportunities for under-represented staff. PAP is a 12-month cross-government programme for colleagues in under-represented groups. The programme is specifically open to BAME, women, disabled and LGBTI colleagues in all grades from Bands F to Band A.

PAP launched the first cohort on 11 March 2019 aimed at Bands F and E. A cohort aimed at bands B and C was launched in May 2019 with a further cohort for bands D and A planned in July 2019. PAP provides a formal learning programme consisting of development workshops, action learning sets and self-directed learning.

The programme is designed to provide development that will prepare people to move to the next grade or more stretching roles within the Civil Service. PAP does not guarantee promotion to the next grade. It aims to help:

- increase skills, knowledge and confidence
- develop confidence to overcome barriers, and
- compete on an equal footing for progression or places on Civil Service talent schemes.



### Example of the feedback on the learning programme

*“Much work has been done to set the scene in terms of HMCTS values. The introduction video is informative and helps support the interaction with this learning module. I think the evaluations throughout the modules guide the users to the right explanation of how we deliver our Human voice of justice. I thought the ‘find out more’ links throughout the modules were good and the use of sound clips was thought provoking. They do, in my view, provide a really balanced, thought provoking discussion tool to help staff really understand what work we do and how they can fit in and influence it. I liked how the style of the learning was similar in style to other new digital training, as it adds continuity for users. All in all, I thought it was fab.”*

*Adrian, Capability Lead*



### People capability

As part of our work to establish our capability strategy, we identified three strategic areas in which we need to build capability: leadership, digital and customer service skills.

To develop our leadership capability, we have designed and developed iTransform HMCTS, a 12-month, blended leadership development programme. This is for every leader within HMCTS, to support and equip them with the skills and behaviours required to lead in the future. The programme is structured around three modules: yourself; your delivery; your impact. In 2018-19, we enrolled 2,460 leaders on the programme and 93% of learners reported a positive attitude towards the programme. iTransform HMCTS also includes emotional intelligence profiling with an exploratory coaching session, supported by an accredited, internal emotional intelligence coach. Over 1,000 emotional intelligence coaching sessions have been delivered by HMCTS coaches. Our satisfaction rates show that 73% of participants are likely to use the outcomes from their session within their current role and would recommend emotional intelligence coaching to a colleague.

Our most senior leaders (SCS) have embarked on an individual and team-based executive coaching programme, which mirrors the three modules of the iTransform programme which our other leaders are completing, this will run until quarter two of 2019-20.

iTransform HMCTS is complemented by cross-departmental leadership interventions for our SCS along with the existing Civil Service Learning offer, which is available to all employees.

To develop our **digital capability and confidence**, in July and August 2018 we piloted a bite-sized, interactive learning programme, Digital You, for our operational colleagues. The approach involved local, trained Activity Leads facilitating 20-minute learning sessions around a segment of learning content specifically designed to build digital confidence. The pilot delivered a 23.3 percentage point increase in digital confidence for the pilot groups. From February 2019 we started to roll out the Digital You programme to all operational staff, training 70 Activity Leads in 2018-19.

Alongside this approach, a guide of recommended free resources to build digital skills has been made available to all employees. We are also designing further, tailored learning sessions for staff on digital skills gaps. These interventions are a joint approach between the digital change teams and the HR teams.

To develop our **customer service capability** we designed a new, interactive and blended programme of learning to support our people in user-facing roles to deliver exceptional customer service. The learning is underpinned by our HMCTS tone of voice – the Human voice of justice. The interventions are a joint approach between the Customer and HR Directorates and were piloted with staff working in new CTSCs between January and March 2019, to very positive feedback.

*"I am proud of HMCTS' diversity and inclusiveness; and I know that many people have already done a great deal to support and champion it. Setting out a clear, powerful new strategy designed to lead to real action that can make a difference is a great opportunity to build on that and make it even better. People have my backing and encouragement to think radically and to be bold in putting diversity and inclusion even more firmly at the heart of who we are and how we work."*

Susan Acland-Hood,  
HMCTS Chief Executive



## Equality, diversity and inclusion

To thrive as an organisation, we must reflect the society we serve, attracting people to work for us based on merit and potential, on capability rather than an accumulation of knowledge or behaviours and skills or social status. Building a diverse workforce of individuals from an array of different socio-economic backgrounds with a broad range of perspectives helps us to meet the demands of the modern, rapidly-changing world. HMCTS does this by:

**Investing in young people** – Outreach initiatives including our MoJ Schools Programme, STEP into Justice Work Experience Scheme and Justice Origins.

**Supporting existing staff** – Catapult mentoring and sponsorship scheme, engagement, Social Mobility Live events, the promotion of role models and range of apprenticeship programmes offered.

**Changing the fabric of the organisation** – Strength-based recruitment and selection, specific proposals for policy roles and influencing our supply chain.

- We have 81 Social Mobility Ambassadors who visit students in secondary schools and colleges; they are involved with sessions including mock interviews, speed networking, presentations, delivering our interactive activity 'You be The Judge', hosting CV and application workshops.
- We have completed 16 work experience placements through the STEP into Justice work experience scheme with a further 60 placements confirmed for 2019.
- We promote the Catapult mentoring scheme, an in-reach programme to support staff from lower socio-economic backgrounds to progress their careers.

Statistics for the UK show that one in four people are likely to experience mental health problems at some stage in their lives, and it is one of the leading reasons for workplace absence.

It can often be difficult for people to talk openly about mental health problems so HMCTS has been proactive in breaking the stigma through a network of Mental Health Allies (MHA) and through implementing bespoke workshops for our team leaders, which were designed in partnership with our Employee Assistance Programme. The programme provides awareness of positive mental health, resilience and being Disability Confident.

MHA is a staff-led group of volunteers, they are a vital source of information for staff and managers. MHA's are a source of support to individuals in need, they listen, and signpost to MoJ policies and professional advice where appropriate. The MHA aim to break the stigma associated with mental illness and create a better culture of openness around mental health issues in our workplace.

HMCTS is also piloting the 'Headspace' app during 2019. This tool will help us gain insight into the benefits of meditation and improving our mental wellbeing. Headspace makes meditation in everyday life simple and the app will help users learn how to meditate and live mindfully for just a few minutes per day. This is just one example of an innovative approach to health & wellbeing in HMCTS which will provide us with evidence of the benefits and any lessons learned which will inform a decision on offering the app free of charge to all staff who wish to use it.

## Employee Engagement

The annual people survey, in October 2018, provided an opportunity for our employees to have their say on a variety of topics which impact them. 10,917 HMCTS staff participated, which represented a 61% response rate (down two percentage points on 2017-18), compared to a 78% overall return for the whole of the Civil Service. The engagement index (EI) is the average positive responses to five key questions reflecting people's personal attachment to HMCTS, striving in the work they do, and speaking positively about working here. The EI was 49%, down four percentage points on 2017-18. This is also nine percentage points lower than the Civil Service benchmark for operations with over 2,500 staff, and 13 percentage points lower than the entire Civil Service benchmark.



*"Collaborating with colleagues helps me to learn new skills and knowledge"*

**80%**



*"People treat others with humanity where I work"*

**77%**



*"I have a strong sense of purpose at work"*

**73%**



*"My manager is considerate of my life outside work"*

**78%**



*"The people in my team can be relied upon to help when things get difficult in my job"*

**83%**



*"I am trusted to carry out my job effectively"*

**89%**



### One Conversation (4) within the HMCTS reform programme

– case study

*One Conversation (OC) is our engagement initiative designed to share the detail of the reform journey with staff.*

We recognise that we cannot transform HMCTS without the support, input and energy of our people. OC is designed to be delivered through local workshops which encourage high levels of discussion and participation. We also incorporate other formats such as videos and group activities into the design. OC events allow for a genuine open and honest dialogue with colleagues about what we are planning for reform, what we know and don't yet know, and what the potential people impact might be. In response to feedback from OC, we developed "About Us" which collated all our available reform information into a single document.

We delivered one OC session during this reporting year; OC4 workshops ran through September-November 2018. Over this period, the percentage of attendees who agreed that their understanding of how the HMCTS Reform Programme affects them increased by 12%.

Attendees to OC4 also provided the following comments:

*"Please continue to provide the opportunity to talk about reform, keeping colleagues updated and sharing information"*

*"Being honest and transparent about change enables colleagues to get answers to the difficult questions they want to ask"*

*"OC encourages colleagues to be positive and encourages them to embrace new opportunities"*



## Highlights from the 2018 results:

The survey results provide valuable information that help us understand how people are currently feeling and what we can do going forwards. Particular areas of concern are the following:

- our scores in all thematic areas focused on reduced since 2017 by between 3 - 8 percentage points (pp)
- the greatest reduction was in Leadership and Managing Change (35%↓8pp) which has undone the 5pp increase seen in 2017
- pay and benefits (14% ↓2pp) also remains a real concern with our results being 9pp below the benchmark score across whole of the Civil Service
- responses to questions relating to Learning & Development (42%↓3pp) were statistically lower by 2pp-4pp despite the investment in new initiatives such as iTransform HMCTS. This does need to be tempered however with that fact that investment has only just begun, and
- 28% of respondents stated they are not participating in regular performance management conversations, whilst 22% disagreed and 19% strongly disagreed that the new Recognition and Reward (R&R) system motivates them to do a better job.

The survey results also show that there are areas that we can celebrate as an organisation, particularly in relation to our work on topics such as mental health, performance management, engagement and shared values:

- 67% of respondents feel the strong sense that they can talk openly and honestly regarding Mental Health issue)
- we introduced the Personal Impact and Development (PID) scheme for performance management in April 2018 and nearly three quarters of respondents (72%) confirmed they are having regular PID discussions – which is not yet enough, but is a good start as we look to embed the new policy
- we have run two rounds of our engagement approach to Reform, called One Conversation, since the last People Survey and 58% of respondents understand how Reform could affect them over the coming years. There is still more work to do there, but 73% said they know where to find information about what's happening in HMCTS, and
- 86% of respondents fed back that they are interested in the work they do.

We are working to ensure remedial action (both long and short term) through local action planning to address the concerns raised through the People Survey results moving forward.

## Our People Promise

Our HMCTS-specific People Proposition has matured into "Our People Promise" (OPP), which was formally launched in December 2018. It defines in real terms what working at HMCTS stands for and the positive behaviours that we expect from each other.

Our People Promise highlights the four areas we want to celebrate most about working in HMCTS, which include:

- the work we do
- the people we work with
- the benefits we can obtain
- the learning opportunities we have.

It gives us the responsibility and opportunity to make sure that these themes remain central to who we are. Our People Promise, along with the MoJ Shared Values, are integral to our organisational culture.

Since August 2018, HMCTS has developed a range of resources designed to help colleagues to understand Our People Promise concept, share it with others and help them access the benefits of working here. Following launch, HMCTS has started to embed OPP into key people processes such recruitment, induction and training. The work to embed this will continue into 2019.

From October 2018 to January 2019 we established an organisation-wide network of champions for Our People Promise. There is a lead champion for each business area. In 2019-20 we intend to use this network to continue momentum.

Colleagues have expressed what Our People Promise means to them:

*"Our work is important and has a real impact on our customers' lives. We are encouraged to play an active role in transforming justice and continually improving our services."*

*"Great work-life balance practises, job share schemes, career-breaks, flexi-time and professional development. These are only some of the reasons I see HMCTS as an employer of choice."*

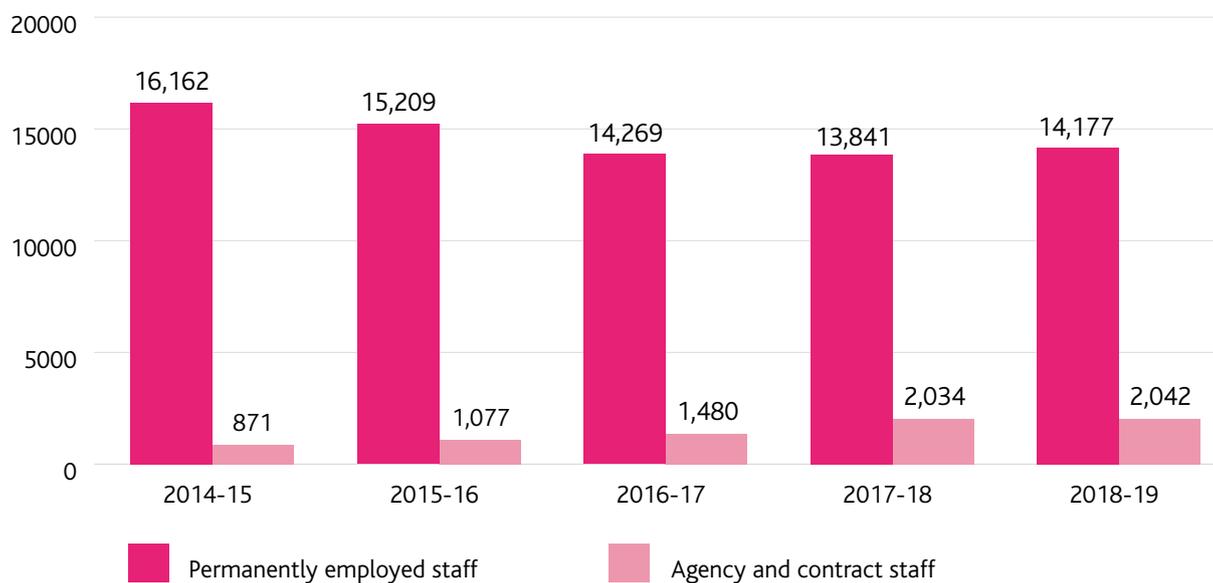
*"I've definitely experienced real teamwork since starting here last year. I'm so lucky to be part of a team that works well together inside and outside of work."*

## Other employee disclosures

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

## Our employees in numbers

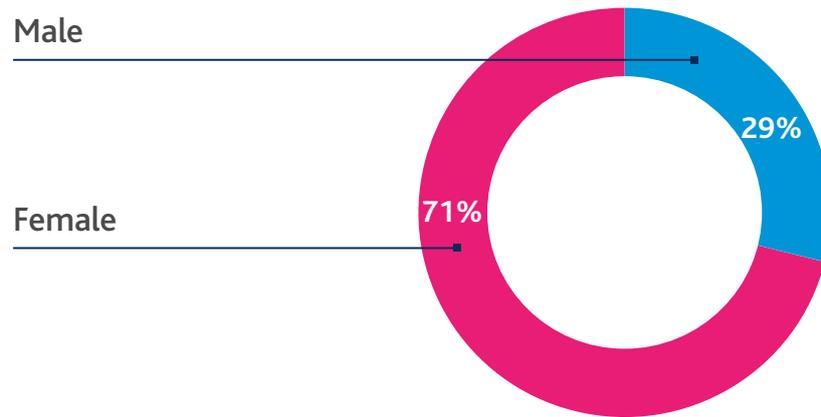
The average number of FTE employees, paid during the year was 16,219 compared to 15,875 in 2017-18, comprising of the following:



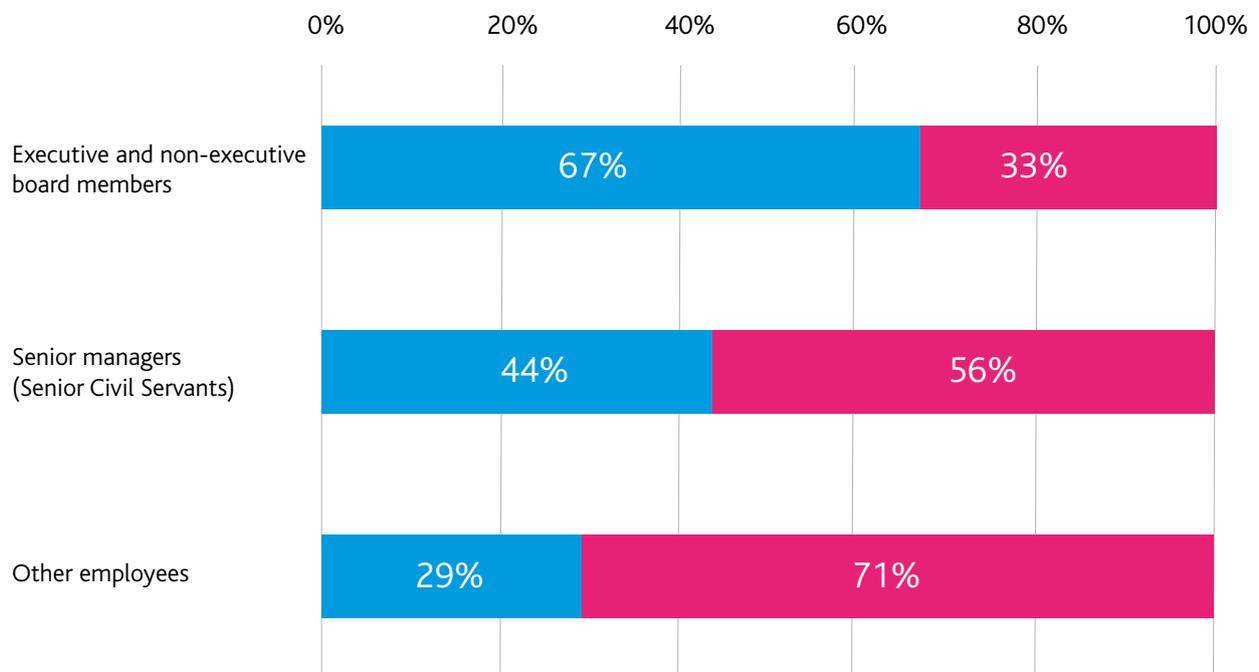
## Our employee costs

	2018-19	2017-18
	£000	£000
Wages and salaries	362,200	350,673
Social	33,412	32,913
Employer's pension contributions	70,387	68,475
Agency staff costs	70,142	75,820
Voluntary early departures	41	(4,194)
	<b>536,182</b>	<b>523,687</b>
Add: inward secondments	978	374
	<b>537,160</b>	<b>524,061</b>
Less: recoveries in respect of outward secondments	(222)	(251)
<b>Total employee costs</b>	<b>536,938</b>	<b>523,810</b>

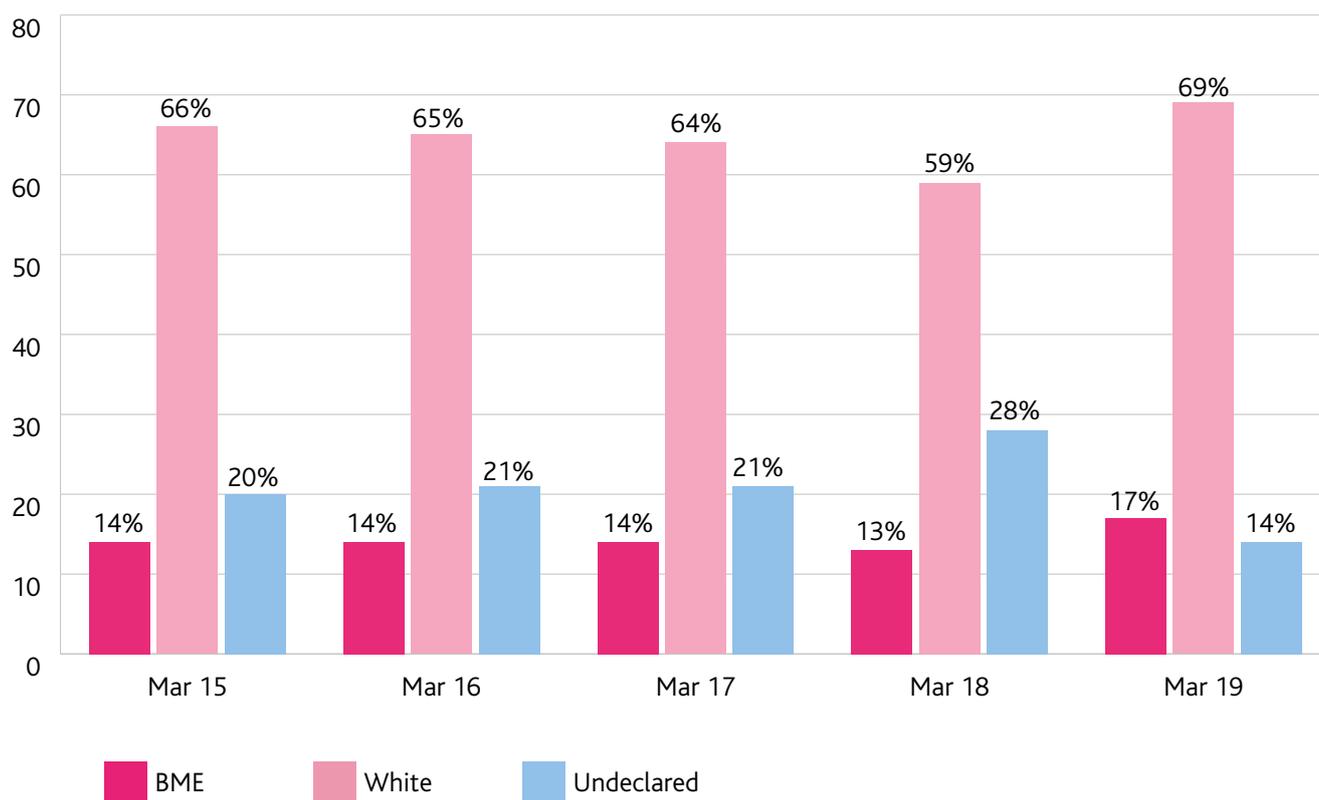
Overall male and female employees



Breakdown of employees by gender



## Ethnicity comparison based on headcount



## Number of Senior Civil Service employees

Our executive directors are all Senior Civil Service (SCS) staff. As at 31 March 2019, there were 77 SCS in HMCTS (compared to 67 at 31 March 2018). The table below is not subject to audit.

Salary band (£)	No. of senior civil service staff	
	2018-19	2017-18
60,000 to 70,000	17	23
70,000 to 80,000	20	8
80,000 to 90,000	12	9
90,000 to 100,000	15	16
100,000 to 110,000	6	5
110,000 to 120,000	1	-
120,000 to 130,000	3	3
130,000 to 140,000	1	1
140,000 to 150,000	1	1
150,000 to 160,000	-	-
160,000 to 170,000	1	1
170,000 to 180,000	-	-
180,000 to 190,000	-	-
	<b>77</b>	<b>67</b>

## Review of tax arrangements of public sector appointees

During the financial year 2018-19, HMCTS has reviewed all off-payroll engagements using HMRC’s guidance and online status indicator. Where engagements have been assessed as being within scope of the intermediaries, (IR35), legislation, the paying agency has been advised of this determination so that appropriate tax deductions are made at source from payments made in respect of the engagement. Further details of off-payroll engagements in HMCTS can be found in the MoJ departmental resource accounts.

## Pension scheme

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as ‘alpha’ are unfunded multi- employer defined benefit schemes but HMCTS is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>).

For 2018-19, employers’ contributions of £70.4 million were payable to the PCSPS (2017-18: £68.5 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

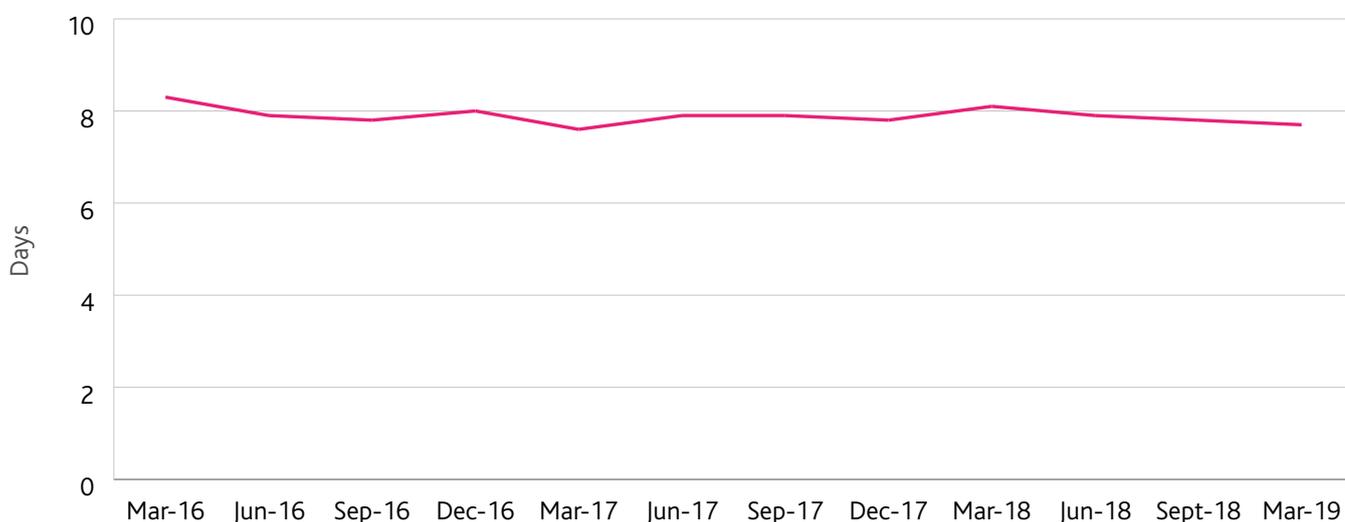
35 persons (2017-18: 24 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £83,000 (2017-18: £74,000).

## Consultancy costs

Expenditure on consultancy in 2018-19 was £23.9 million (2017-18: £22.2 million).

## Sick absence

The number of average working days lost (AWDL) due to sickness has reduced this year when compared to the previous two years. For the rolling 12 months to the end of March 2019, the AWDL per person (including leavers – those that have left HMCTS) was 7.7 days, a decrease from 8.1 days at the end of 2017-18. The AWDL per person excluding leavers at March 2018 was 7.0 days. We continue to ensure HMCTS supports its staff through the reform programme. We have enhanced our capability offer to all staff to further develop **leadership**, **digital** and **customer service skills**. We maintain a focus on supporting all aspects of the health and wellbeing agenda, covering all health issues both physical and mental.



## Reporting of civil service and other compensation schemes – exit packages

Subject to audit

A summary of the exits is shown below:

Exit package cost band	2018-19			2017-18		
	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of compulsory redundancies	Number of other departures	Total number of exit packages
< £10,000	-	5	5	-	11	11
£10,000 - £25,000	-	4	4	-	19	19
£25,001 - £50,000	-	5	5	-	17	17
£50,001 - £100,000	-	-	-	-	5	5
£100,001 - £150,000	-	-	-	-	4	4
£150,001 - £200,000	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-
<b>Total number of exit packages by type</b>	-	<b>14</b>	<b>14</b>	-	<b>56</b>	<b>56</b>
<b>Total cost of exit packages by type (£000)</b>	-	<b>£269</b>	<b>£269</b>	-	<b>£1,840</b>	<b>£1,840</b>

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

## 3.4 Parliamentary accountability report

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

### Losses:

	2018-19		2017-18	
	No. of cases	£000	No. of cases	£000
Cash losses	1,533	519	1,030	286
Administrative write-offs	128	117	126	63
Fruitless payments	660	55	14	1,053
Constructive losses	1	12,081	-	-
<b>Total losses</b>	<b>2,322</b>	<b>12,772</b>	<b>1,170</b>	<b>1,402</b>

In 2018-19 there is one (2017-18: one) loss over £300,000. HMCTS recognises a constructive loss of £12.1 million in relation to the cancellation of the Transforming Compliance and Enforcement Programme (TCEP), further information can be found in the financial commentary on page 48.

### Special payments:

	2018-19		2017-18	
	No. of cases	£000	No. of cases	£000
Compensation payment	127	956	101	837
Ex gratia	30,374	2,249	9,804	1,388
Extra-statutory and extra-regulatory payments	368	24	396	33
Special severance payments	-	-	-	-
Loans	-	-	-	-
Gifts	-	-	-	-
<b>Total special payments</b>	<b>30,869</b>	<b>3,229</b>	<b>10,301</b>	<b>2,258</b>

### Charitable donations

HMCTS made charitable donations totalling £10,000 in 2018-19 (2017-18: £10,000). These donations were made to organisations to support activities related to HMCTS' operations.

### Fee income

HMCTS is required to disclose performance results for the areas of its activities where fees and charges are made. The analysis is not intended to meet the requirements of IFRS 8 Operating Segments which is not applicable to HMCTS under the requirements of the FReM.

HMCTS covers the following business areas: civil and family courts, tribunal, criminal courts and other. HMCTS collects and reports upon fee charges that have been set by Ministry of Justice policy and which appear in statutory instrument fees orders. Section 180 of the Anti-social Behaviour, Crime and Policing Act 2014 gives the Lord Chancellor, with consent of the Treasury, the statutory power to set certain court and tribunal fees above cost recovery levels. The income generated must be reinvested back into the courts and tribunals service. Government introduced enhanced fee charging for money claims on 9 March 2015, and further enhanced fees including divorce, civil and some tribunals in March, April and July 2016. The system of 'Help with fees' (fee remissions) exists to ensure that individuals are not denied access to the courts if they genuinely cannot afford the fee. Only the civil and tribunal businesses have systems for charging fees. A fees strategy review is underway to seek to balance the interests of all court and tribunal users and the taxpayer in the wider context of funding for the system overall.

HMCTS reports on both the civil and tribunal fee-charging business segments. Civil business contains two business streams: family (including probate and court of protection) and civil (including civil business in county courts, higher courts and magistrates' courts). While tribunal business contains two business streams: immigration and asylum, and other fee charging special tribunals

(including lands, residential property, gambling and gender recognition). The table below shows the operating expenditure of those jurisdictions which are funded by fee income (after remissions) and the extent to which fee income funds them. The most current fees orders can be found in Annex A on page 132.

On July 26, 2017 the UK Supreme Court handed down a judgment that quashed that the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013/1893. The Lord Chancellor has committed to refunding the fees taken to those who paid them. To date HMCTS has refunded a total of £17.4 million in respect of fees and interest. HMCTS recognises a provision of £0.3 million and a contingent liability of £15.2 million in respect of future Employment Tribunal fee refunds, including an estimate of the interest payable. During 2018-19 £10.3 million of fees were refunded including interest and accruals (Annex B contains further information about the refunds made as part of this scheme).

In November 2017 MoJ undertook a review of other fees for courts and tribunal proceedings charged by HMCTS. MoJ identified that in some cases fees have been incorrectly charged, and that some fees had inadvertently been set above cost without the legal authority to do so. In July 2018 a Written Ministerial Statement announced that a refund scheme will be established to reimburse people the amounts they have been over-charged. Our current estimate of the total value of the refunds likely to be claimed is £60 million, and the provision has been increased by £43.4 million.

The movements in the provisions and refunds are shown separately in the table below. More details about income, provisions and contingent liabilities can be found in notes 8, 17.3 and 22 to the accounts..

### Fees and Charges

	Value of Fee Charges £000	Fees remitted £000	Income Collected £000	Expenditure £000	Income Charge surplus/ (deficit) £000
<b>Civil business</b>					
Family	188,509	(19,403)	169,106	(241,750)	(72,644)
Civil	630,623	(70,001)	560,622	(474,776)	85,846
<b>Total civil business</b>	<b>819,132</b>	<b>(89,404)</b>	<b>729,728</b>	<b>(716,526)</b>	<b>13,202</b>
<b>Tribunal business</b>					
Asylum & Immigration	8,755	(2,076)	6,679	(106,247)	(99,568)
Other tribunals	1,681	(31)	1,650	(14,156)	(12,506)
<b>Total Tribunal Business</b>	<b>10,436</b>	<b>(2,107)</b>	<b>8,329</b>	<b>(120,403)</b>	<b>(112,074)</b>
Employment Tribunals fee refunds			(10,261)		
Movement in ET refunds provision			8,928		
Other fee refund provisions			(43,398)		
<b>2018-19 Total HMCTS business</b>	<b>829,568</b>	<b>(91,511)</b>	<b>693,326</b>	<b>(836,929)</b>	<b>(98,872)</b>
<b>2017-18 Total HMCTS business</b>	<b>827,275</b>	<b>(84,666)</b>	<b>709,647</b>	<b>(839,081)</b>	<b>(96,472)</b>

Susan Acland-Hood

Chief Executive and Accounting Officer

11 July 2019

## Section 4: External scrutiny

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

#### Opinion on financial statements

I certify that I have audited the financial statements of HM Courts and Tribunals Service (HMCTS) for the year ended 31 March 2019 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

#### In my opinion:

- the financial statements give a true and fair view of the state of HMCTS' affairs as at 31 March 2019 and of the net operating expenditure 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.

#### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the HMCTS in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the HMCTS' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the HMCTS' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

## Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

## 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 parts of the Accountability 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.

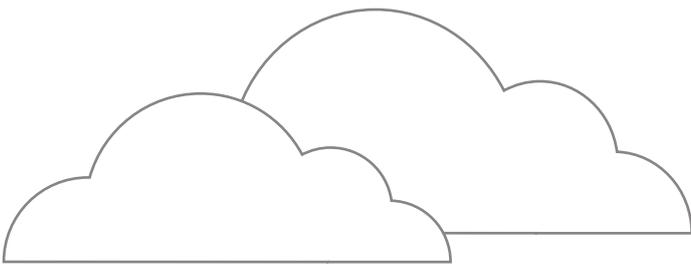
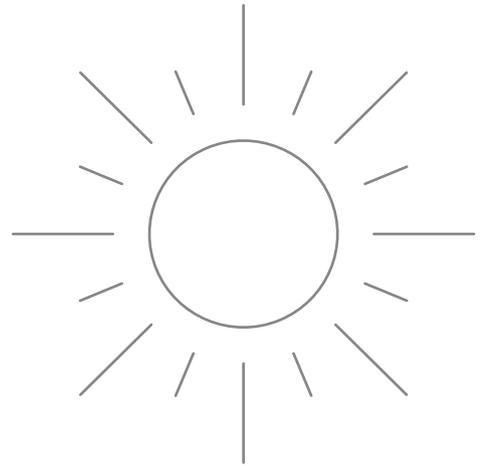
## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
Comptroller and Auditor General

16 July 2019

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



## Section 5: Our expenditure

### 5.1 Accounts

#### Statement of Comprehensive Net Expenditure for the period ended 31 March 2019

	Notes	2018-19 £000	2017-18 £000
Operating income	8	(781,344)	(788,811)
<b>Total operating income</b>		<b>(781,344)</b>	<b>(788,811)</b>
Staff costs	3	536,938	523,810
Judiciary costs	3	516,641	503,845
Purchase of goods and services	4	670,680	665,172
Depreciation and impairment charges	5	187,003	93,759
Other non-cash expenditure	6	81,308	49,063
<b>Total operating expenditure</b>		<b>1,992,570</b>	<b>1,835,649</b>
<b>Net operating expenditure</b>		<b>1,211,226</b>	<b>1,046,838</b>
Finance costs	7	12,130	14,277
<b>Net expenditure for the year</b>		<b>1,223,356</b>	<b>1,061,115</b>

#### Other Comprehensive Expenditure

	Notes	2018-19 £000	2017-18 £000
<b>Net costs</b>		<b>1,223,356</b>	<b>1,061,115</b>
Net (gain) on revaluation of property and equipment		(6,857)	(309,661)
Net (gain) on revaluation of intangible assets		(766)	(1,143)
Actuarial (gain) on pension scheme liabilities	17.2	(508)	(158)
<b>Total Comprehensive expenditure</b>		<b>1,215,225</b>	<b>750,153</b>

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

The notes on pages 98 to 131 form part of these accounts.

## Statement of Financial Position as at 31 March 2019

	Notes	2018-19 £000	Restated 2017-18 £000	Restated 1 April 2017 £000
<b>Non-current assets</b>				
Property and equipment	9	3,476,112	3,561,614	3,293,784
Intangible assets	11	312,839	236,364	169,060
Trade and other receivables	13	548	1	5
<b>Total non-current assets</b>		<b>3,789,499</b>	<b>3,797,979</b>	<b>3,462,849</b>
<b>Current assets</b>				
Assets held for sale	10	3,002	5,133	23,360
Trade and other receivables	13	99,813	95,140	91,909
Cash and cash equivalents	14	24,837	28,461	1,579
<b>Total current assets</b>		<b>127,652</b>	<b>128,734</b>	<b>116,848</b>
<b>Total assets</b>		<b>3,917,151</b>	<b>3,926,713</b>	<b>3,579,697</b>
<b>Current liabilities</b>				
Trade and other payables	15	(301,344)	(291,869)	(306,049)
Financial Liabilities	15.1	(13,792)	(14,263)	(14,780)
Provisions for liabilities and charges	17	(67,626)	(19,653)	(12,496)
<b>Total current liabilities</b>		<b>(382,762)</b>	<b>(325,785)</b>	<b>(333,325)</b>
<b>Total assets less current liabilities</b>		<b>3,534,389</b>	<b>3,600,928</b>	<b>3,246,372</b>
<b>Non-current liabilities</b>				
Trade and other payables	15	(68,582)	(100,265)	(131,038)
Financial Liabilities	15.1	(188,993)	(194,953)	(200,231)
Provisions for liabilities and charges	17	(131,300)	(158,153)	(142,717)
<b>Total non-current liabilities</b>		<b>(388,875)</b>	<b>(453,371)</b>	<b>(473,986)</b>
<b>Total assets less total liabilities</b>		<b>3,145,514</b>	<b>3,147,557</b>	<b>2,772,386</b>
<b>Taxpayers' equity</b>				
General fund		2,024,947	1,989,522	1,879,257
Revaluation reserve		1,120,567	1,158,035	893,129
<b>Total taxpayers' equity</b>		<b>3,145,514</b>	<b>3,147,557</b>	<b>2,772,386</b>

The Statements of Financial Position for 2017-18 and 2016-17 have been restated to reflect revised presentation of financial liabilities. See note 1.2d.

Susan Acland-Hood  
Chief Executive and Accounting Officer  
11 July 2019

The notes on pages 98 to 131 form part of these accounts.

## Statement of Cash Flows for the period ended 31 March 2019

	Notes	2018-19 £000	2017-18 £000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(1,223,356)	(1,061,115)
Adjustments for notional and non-cash costs	16	460,022	311,272
Adjustments for finance costs	7	12,130	14,277
(Increase) / decrease in trade and other receivables		(112,468)	(91,919)
Increase / (decrease) in trade and other payables		89,298	110,336
Utilisation of provisions	17	(16,143)	(13,403)
<b>Net cash outflow from operating activities</b>		<b>(790,517)</b>	<b>(730,552)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	16.1	(61,390)	(65,897)
Proceeds from disposal of property and equipment and assets held for sale		10,469	95,739
Purchases of intangible assets	11	(109,378)	(84,269)
<b>Net cash outflow from investing activities</b>		<b>(160,299)</b>	<b>(54,427)</b>
<b>Cash flow from financing activities</b>			
Funding from MoJ		965,000	830,500
Capital element of Private Finance Initiative (PFI) contracts		(8,926)	(8,926)
Capital element of finance leases		(71)	(78)
Repayments of Local Authority loans		(1,813)	(1,969)
Interest paid	7	(6,998)	(7,666)
<b>Net cash inflow from financing activities</b>		<b>947,192</b>	<b>811,861</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	<b>14</b>	<b>(3,624)</b>	<b>26,882</b>
Cash and cash equivalents as at the beginning of the period	14	28,461	1,579
Cash and cash equivalents as of the end of the period	14	24,837	28,461

The notes on pages 98 to 131 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the period ended 31 March 2019

	Notes	General fund £000	Revaluation reserve £000	Total £000
<b>Balance as at 31 March 2017</b>		<b>1,879,257</b>	<b>893,129</b>	<b>2,772,386</b>
Funding from the MoJ		830,500	-	830,500
Intercompany settlement with MoJ		66,839	-	66,839
Net operating expenditure		(1,061,115)	-	(1,061,115)
Notional expenditure:				
Consolidated fund judicial salaries		139,304	-	139,304
External auditors' remuneration	16	280	-	280
Intra-departmental recharges	16	88,401	-	88,401
Revaluation of property and equipment		-	309,661	309,661
Revaluation of intangible assets		-	1,143	1,143
Reclassification from revaluation reserve		45,898	(45,898)	-
Actuarial gain on pension scheme liabilities	17.2	158	-	158
<b>Balance as at 31 March 2018</b>		<b>1,989,522</b>	<b>1,158,035</b>	<b>3,147,557</b>
Cumulative catch-up adjustment on alignment with IFRS 15	1.2b	(17,179)		(17,179)
<b>Balance as at 1 April 2018</b>		<b>1,972,343</b>	<b>1,158,035</b>	<b>3,130,378</b>
Funding from the MoJ		965,000	-	965,000
Intercompany settlement with MoJ		27,534	-	27,534
Net operating expenditure		(1,223,356)	-	(1,223,356)
Notional expenditure:				
Consolidated fund judicial salaries	16	147,749	-	147,749
External auditors' remuneration	16	280	-	280
Intra-departmental recharges	16	89,798	-	89,798
Revaluation of property and equipment		-	6,857	6,857
Revaluation of intangible assets		-	766	766
Reclassification from revaluation reserve		45,091	(45,091)	-
Actuarial gain on pension scheme liabilities	17.2	508	-	508
<b>Balance as at 31 March 2019</b>		<b>2,024,947</b>	<b>1,120,567</b>	<b>3,145,514</b>

The notes on pages 98 to 131 form part of these accounts.

## 5.2 Notes to the accounts for period ended 31 March 2019

### 1. Statement of accounting policies

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2017-18 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 HMCTS for the purpose of giving a true and fair view has been selected. The particular policies adopted by HMCTS are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Basis of preparation

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

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

#### 1.2 Changes in accounting policy and disclosures

##### a) Changes in accounting policies

IFRS 15 Revenue from Contracts with Customers was adopted by the FReM and came into effect for the financial year beginning 1 April 2018.

##### b) New and amended standards adopted

IFRS 9 Financial Instruments came into effect for the financial year beginning 1 April 2018. It does not have a significant impact on financial statements of HMCTS.

HMCTS has revised its recognition of income on the basis of the cumulative catch-up method set out in IFRS 15 (see note 1.3 accounting policies for Operating Income). The prior year has not been restated. The impact on the accounts has been material, and the changes in values from the new income recognition policy compared to the previous standard (IAS 18) are shown in the table below:

HMCTS has revised its recognition of income, on the basis of the cumulative catch-up method set out in IFRS 15 (see note 1.3 accounting policies for Operating Income). The prior year has not been restated. The impact on the accounts has not been material, and the changes in values from the new income recognition policy compared to the previous standard (IAS 18) are shown in the table below:

		As presented 2018-19 £000	Adjustment £000	2018-19 £000
<b>State of Comprehensive Net Expenditure (extracts)</b>				
Operating income	8	(781,344)	3,960	(785,304)
<b>Total operating income</b>		<b>(781,344)</b>	<b>3,960</b>	<b>(785,304)</b>
<b>Net operating expenditure</b>		<b>1,211,226</b>	<b>3,960</b>	<b>1,207,266</b>
<b>Net expenditure for the year</b>		<b>1,223,356</b>	<b>3,960</b>	<b>1,219,396</b>
<b>Net costs</b>		<b>1,223,356</b>	<b>3,960</b>	<b>1,219,396</b>
<b>Total Comprehensive expenditure</b>		<b>1,215,225</b>	<b>3,960</b>	<b>1,211,265</b>
<b>Statement of Financial Position (extracts)</b>				
Non-Current Trade and other receivables	13	548	548	-
<b>Total non-current assets</b>		<b>3,789,499</b>	<b>548</b>	<b>3,788,951</b>
Trade and other receivables	13	99,813	(548)	100,361
<b>Total current assets</b>		<b>127,652</b>	<b>(548)</b>	<b>128,200</b>
Trade and other payables	15	(301,344)	(21,139)	(280,205)
<b>Total current liabilities</b>		<b>(382,762)</b>	<b>(21,139)</b>	<b>(361,623)</b>
<b>Total assets less current liabilities</b>		<b>3,534,389</b>	<b>(21,139)</b>	<b>3,555,528</b>
<b>Total assets less total liabilities</b>		<b>3,145,514</b>	<b>(21,139)</b>	<b>3,166,653</b>
General fund		2,024,947	(21,139)	2,046,086
<b>Total taxpayers' equity</b>		<b>3,145,514</b>	<b>(21,139)</b>	<b>3,166,653</b>
<b>Statement of Taxpayers' Equity (extracts)</b>				
Cumulative catch-up adjustment on alignment with IFRS 15		(17,179)	(17,179)	-
<b>Balance as at 1 April 2018</b>		<b>3,130,378</b>	<b>(17,179)</b>	<b>3,147,557</b>
Net operating expenditure		(1,223,356)	(3,960)	(1,219,396)
<b>Balance as at 31 March 2019</b>		<b>3,145,514</b>	<b>(21,139)</b>	<b>3,166,653</b>
<b>Statement of Cash Flows (extracts)</b>				
Net expenditure for the year		(1,223,356)	(3,960)	(1,219,396)
Increase / (decrease) in trade and other payables		89,298	3,960	85,338

	As presented		2018-19 £000
	Total £000	Adjustment £000	
8. Operating income (extracts)			
Gross fee income	738,057	(3,960)	742,017
<b>Total fee income</b>	<b>693,326</b>	<b>(3,960)</b>	<b>697,286</b>
<b>Total operating income</b>	<b>781,344</b>	<b>(3,960)</b>	<b>785,304</b>

13. Trade and other receivables (extracts)			
Other receivables	5,892	(548)	6,440
<b>Total amounts falling due within one year</b>	<b>99,813</b>	<b>(548)</b>	<b>100,361</b>
Other receivables	548	548	-
<b>Total amounts falling due after more than one year</b>	<b>548</b>	<b>548</b>	<b>-</b>

15. Trade and other payables (extracts)			
Accruals and deferred income	149,934	(5,612)	155,546
Deferred fee income	26,751	26,751	-
<b>Total amounts falling due within one year</b>	<b>301,344</b>	<b>21,139</b>	<b>280,205</b>

- c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2018 and not early adopted

IFRS 16 will change the way HMCTS recognises, measures, presents and discloses leases that it holds. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is expected to have a material impact on the financial statements of HMCTS, however the full impact of IFRS 16 on HMCTS has yet to be determined and will not be until it has been adopted for use in the public sector by the FReM. IFRS 16 will be adopted from 1 April 2020.

- d) Changes in presentation and reclassifications

The imputed finance lease element of on balance sheet (SoFP) PFI contracts, finance leases and operating lease liabilities have been reclassified from Trade and Other Payables (note 15) to Financial Liabilities (note 15.1). These liabilities are both material and are different in nature and therefore should be reported separately in accordance with IAS 1. Prior year comparatives have been restated to ensure comparability across years. Further an element of non-current balance within the 2017-18 and 2016-17 operating lease straight lining payable has been reclassified to current financial liabilities.

The table below shows the impact on the financial statements of the classification errors and restatements. Disclosure line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Statement of Financial Position (extract)	31 March 2017 as originally presented £000	Reclassification from non-current to current liabilities £000	Reclassification to financial liabilities £000	1 April 2017 Restated £000
<b>Current Liabilities</b>				
Trade and Other Payables	(316,405)	-	10,356	(306,049)
Financial Liabilities	-	(4,424)	(10,356)	(14,780)
<b>Non-Current Liabilities</b>				
Trade and Other Payables	(335,693)	4,424	200,231	(131,038)
Financial Liabilities	-	-	(200,231)	(200,231)

Statement of Financial Position (extract)	2017-18 as originally presented £000	Reclassification from non-current to current £000	Reclassification to financial liabilities £000	2017-18 Restated £000
<b>Current Liabilities</b>				
Trade and Other Payables	(302,469)	-	10,600	(291,869)
Financial Liabilities	-	(3,663)	(10,600)	(14,263)
<b>Non-Current Liabilities</b>				
Trade and Other Payables	(298,881)	3,663	194,953	(100,265)
Financial Liabilities	-	-	(194,953)	(194,953)

The classifications in the income note (Note 8) have been revised to more clearly reflect the impact and nature of the income, fee refunds and provisions. Prior year comparatives have been restated to ensure comparability across years.

### 1.3 Operating income

The agency has reviewed the model of income recognition to align revenue recognition to IFRS 15 and the FReM which requires that, when applying income recognition policies, legislation and regulations which enable an entity to receive cash or another financial asset from another entity should be assessed for performance obligations, so as to match revenue to the performance obligation.

The majority of fees paid to HMCTS are for an application to commence the administration of a process or, to a lesser extent a court process, or for a particular stage of the administration of the court process. The payment of a fee does not convey the right to a decision, or a particular decision from the court, nor does it set out the timescale or process which will be followed by the court or tribunal, which is at the discretion of the judge. It is a fundamental principle of an independent judiciary that judges do not have performance obligation to individuals or organisations within court and tribunal activities.

Following this principle, HMCTS has reviewed income recognition policies and has applied those findings to these accounts using the cumulative catch up transition approach. The impact of those changes is disclosed in note 1.2b.

The power to charge fees is conferred by Section 92 of The Courts Acts 2003, and the power to charge enhanced fees is conferred by Section 180 of The Anti-Social Behaviour Crime and Policing Act 2014. This is the fee law against which HMCTS assesses its performance obligations. The fee law also provides for Statutory Instruments to set out a price list for the fees to be charged, listed in Annex A. These Statutory Instruments, determined in the FReM adaption as contracts under IFRS 15, are interpreted as the performance obligations on HMCTS in respect of the individual fees charged. This does not place a performance obligation on the judiciary.

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

Civil fees (see page 89) make up the majority of HMCTS income and can be disaggregated into broad jurisdictional categories. Within each category, there are three significant common performance recognition points: issue, hearing and enforcement.

The following table describes the principal performance obligations from which HMCTS generates fees income, and the jurisdiction to which that income relates. These performance obligations are set out in the Statutory Instruments as described in Annex A.

The following is a description of principal performance obligations from which HMCTS generates fees income, and the jurisdiction to which that income relates:

Jurisdiction	Fee Law	Nature, timing and satisfaction of performance obligation
<b>Performance Obligation: Application and Issue</b>		
Probate	The Non-Contentious Probate Fees Order 2018	<p>HMCTS recognises revenue at the point of completion of the examination and sending of the of the grant of probate (these are taken to be a single performance obligation).</p> <p>Payment is banked upon receipt of the application, and a calculation of deferred income is made at the end of each period using available performance data.</p> <p>Refunds are not given once the grant application is processed.</p>
Divorce	The Civil Proceedings, Family Proceedings and Upper Tribunal Fees (Amendment) Order 2016	<p>HMCTS recognises revenue at the point that divorce papers have been issued.</p> <p>Payment is banked upon receipt of the application, and a calculation of deferred income is made at the end of each period using available performance data.</p> <p>Refunds are not given once the grant application is processed.</p>
Private Family	The Civil Proceedings, Family Proceedings and Upper Tribunal Fees (Amendment) Order 2016	<p>Revenue is recognised at the point that proceedings have been issued.</p> <p>Payment is banked upon receipt of the application, and a calculation of deferred income is made at the end of each period using available performance data.</p> <p>Refunds are not given once the grant application is processed.</p>
Care and Supervision	The Family Proceedings Fees (Amendment) Order 2014	<p>The fee is recognised when proceedings have been issued.</p> <p>HMCTS' obligation to the applicant is deemed to have been completed at this point.</p> <p>Payments are banked upon receipt of the application and a calculation of deferred income is made to match the income to the performance obligation.</p> <p>No refunds are given once papers are issued.</p>
Civil	The Civil Proceedings, Family Proceedings and Upper Tribunal Fees (Amendment) Order 2016	<p>HMCTS has an obligation to ensure that the initial application is issued, and the fee is recognised when papers have been issued, or instantaneously when a claim and fee are received electronically.</p> <p>HMCTS' obligation to the applicant is deemed to have been completed at this point.</p> <p>Paper applications are not processed immediately, and a calculation of deferred income is made to match income to the performance obligation.</p> <p>No refunds are given once papers are issued.</p>
<b>Performance Obligation – Hearing Fees</b>		
	The Civil Proceedings, Family Proceedings and Upper Tribunal Fees (Amendment) Order 2016	<p>Hearing fees, are separate from the application fee. Hearings are allocated 6 weeks before the date, and the fee is payable 4 weeks prior. Payment is banked upon receipt, and as the hearing is expected to take place in the following month, one month of hearing fees is deferred.</p> <p>HMCTS defer hearing fee income to match the income to the distinct performance obligation.</p>
<b>Performance Obligation – Civil Enforcement</b>		
	The Civil Proceedings, First-tier Tribunal, Upper Tribunal and Employment Tribunals Fees (Amendment) Order 2016	<p>A County Court Judgment (CCJ) application for enforcement can made to the Court if the debt has not been settled. The Judgment Creditor (JC) (individual to whom the debt is owed) can request, upon payment of a fee that the court issue a Warrant of Control.</p> <p>The Warrant, if it is issued, is valid for a period of 12 months and once issued there are no further fees to be paid by the JC. Two distinct performance obligations have been identified in respect of Warrants of Control:</p> <ol style="list-style-type: none"> <li>Payment is made on application by the JC for a warrant, where a warrant application and fee is received, HMCTS have an obligation to administer the application.</li> <li>Once a warrant is issued an issue notice is sent to the judgment debtor and at this point HMCTS have an obligation to try to enforce the warrant on the JC's behalf.</li> </ol> <p>The administrative process describes the actions that HMCTS enforcement offices will undertake on the JC's behalf. The requirement to administer the process creating a second performance obligation.</p> <p>HMCTS defer warrant application fee income to match the distinct performance obligations.</p>

### 1.4 HMCTS Trust Statement

HMCTS, as the Executive Agency of the Ministry of Justice responsible for collecting fines and financial penalties imposed by the criminal justice system, prepares a separate Trust Statement that should be read in conjunction with the HMCTS Annual Report and Accounts.

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

### 1.5 Notional expenditure

Notional expenditure is credited directly to the general fund and comprises the following:

- Salaries and social security costs of senior judges funded from the Consolidated Fund
- NAO's remuneration for the audits of HMCTS' accounts and Trust Statement
- HMCTS' usage of corporate services provided by Ministry of Justice

### 1.6 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 who for the purpose of these accounts is determined to be the Board.

### 1.7 Property and equipment

Initial recognition and capitalisation threshold.

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 HMCTS and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the SoCNE during the financial year in which they are incurred.

The capitalisation threshold for individual assets is £10,000.

Where significant purchases of individual assets which are separately beneath the capitalisation threshold arise in connection with a single project, they are treated as a grouped asset. The capitalisation threshold for grouped assets is £1 million. Where an item costs less than the prescribed limit, but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is capitalised. All thresholds include irrecoverable VAT.

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

#### Subsequent valuation method

Subsequent to initial recognition, land and buildings (including dwellings) are recorded 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. In between professional valuations, carrying values are adjusted by the application of indices or through desktop valuations.

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'.

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) to a modern equivalent basis in accordance with the FReM, taking into account the functional obsolescence of the property. Leasehold improvements are fair valued using the building cost information service tender price index compiled by RICS.

Assets which were most recently held for their service potential but are surplus are valued at current value in existing use where there are restrictions which would prevent access to the market at the reporting date. If HMCTS can access the market then the surplus asset should be valued at fair value in accordance with IFRS 13.

In determining whether an asset which is not in use is surplus, HMCTS has assessed whether there is a clear plan to bring the asset back into future use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing is maintained. Otherwise the asset is assessed as being surplus and valued in accordance with IFRS 13.

### Fair value hierarchy and inputs

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

The inputs to this technique constitute level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used take the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

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

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

### Revaluation

Gains arising on revaluation are credited to the revaluation reserve and shown in other comprehensive expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to the SoCNE to the extent of the previous amount expensed, and any excess is credited to the revaluation reserve.

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

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

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

### Depreciation

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

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

Estimated useful asset lives are within the following ranges:

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

### Assets under construction

Assets under construction are valued at historical cost within property and equipment and intangible assets, and are not depreciated or amortised until completed. On completion, the asset's carrying value is transferred to the respective asset category.

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

### Disposals

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

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

### 1.8 Intangible assets

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

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

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

The capitalisation threshold for software projects is £1 million (including irrecoverable VAT).

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

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

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

### 1.9 Impairment

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

An impairment reflects a diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential. At each reporting date, HMCTS 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.

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

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

### 1.10 Assets held for sale

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

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

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

## 1.11 Leases

### Finance leases

Leases of assets where HMCTS retains substantially all the risks and rewards of ownership are classified as finance leases. At the commencement of the lease term, finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. These corresponding rental obligations, net of finance charges, are included in either short-term or long-term payables, depending on the dates HMCTS is contractually obliged to make rental payments. The interest element of the finance cost is charged to the SoCNE over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of useful life of the asset and the lease term.

### Operating leases

Leases other than finance leases are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the SoCNE on a straight-line basis over the period of the lease. Any upfront payments not yet released to the SoCNE are recognised as a lease prepayment in the SoFP.

## 1.12 Service concession arrangements

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

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

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

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

## 1.13 Third party assets

HMCTS holds a number of different cash balances on behalf of third parties. These are not recognised in the SoFP in line with FReM requirements and a disclosure of these balances is made in note 24 to the accounts.

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

## 1.14 Value added tax (VAT)

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

## 1.15 Provisions and contingent liabilities

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

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

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

### 1.16 General Fund

Funding received from Ministry of Justice is credited to the General Fund within the Statement of Changes in Taxpayers' Equity (SoCTE) upon receipt of the funds.

### 1.17 Employee benefits

Short term benefits such as salaries and wages 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 HMCTS to recognise the expected cost of the annual leave entitlement of its employees that is accrued at the end of each financial year.

### 1.18 Pensions

Most past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. 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 3.

### 1.19 Critical accounting estimates and judgments

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

Estimates and judgments 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.

#### 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 value of land and buildings fluctuates with changes in construction costs and the current market conditions.

#### Valuation of court buildings earmarked for closure

As part of an ongoing estate rationalisation review, Ministers have earmarked a number of under-utilised court buildings for closure over the next few years. This has reduced the remaining estimated useful life of these assets.

Prior to the announcement of closure these court buildings are considered specialised assets and are valued at depreciated replacement cost (DRC). The announcement of closure triggers the impairment event. The reduction in the remaining useful life of these assets represents an impairment indicator. All impairment expenditure is charged to the SoCNE, with the balance of any revaluation reserve taken to the General Fund. The valuation method will be altered from DRC to the appropriate valuation methodology when the asset is transferred to held for sale or when it becomes surplus.

#### Recognition of fee income

As part of HMCTS' review of income recognition following the adoption of IFRS 15 by the public sector, HMCTS defers income where the performance obligation is not met.

A description of principal performance obligations from which HMCTS generates fees income, and the jurisdiction to which that income relates is provided in note 1.3.

## 2. Statement of operating costs by operating segments

For financial reporting purposes, the segmental reporting format is determined by the way in which the chief operating decision maker monitors the operating results of segments for the purpose of making decisions and allocating resources. The reporting format for 2018-19 includes the following reportable operating segments:

- Business as usual
- Change and Reform

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

Change and Reform expenditure relates to all change projects within HMCTS. This includes the change activity of the Reform, Common Platform and the CJS Efficiency programmes as well as other projects required to introduce new systems for legislative changes.

### 2.1 Segment results

A description of the services from which the reportable segments derive income is provided in note 8. There were no inter-segment transactions in the year (2017-18: nil).

The following table presents the net expenditure for the year by reportable operating segments for the period ended 31 March 2019:

	2018-19			2017-18		
	Business as usual £000	Change and Reform £000	Total £000	Business as usual £000	Change and Reform £000	Total £000
Operating income	(780,920)	(424)	(781,344)	(788,467)	(344)	(788,811)
<b>Total operating income</b>	<b>(780,920)</b>	<b>(424)</b>	<b>(781,344)</b>	<b>(788,467)</b>	<b>(344)</b>	<b>(788,811)</b>
Staff costs	502,143	34,795	536,938	495,625	28,185	523,810
Judiciary costs	516,622	19	516,641	503,844	1	503,845
Purchase of goods and services	628,231	42,449	670,680	605,785	59,387	665,172
Depreciation and impairment charges	187,003	-	187,003	93,759	-	93,759
Other non-cash expenditure	83,934	(2,626)	81,308	100,667	(51,604)	49,063
<b>Total operating expenditure</b>	<b>1,917,933</b>	<b>74,637</b>	<b>1,992,570</b>	<b>1,799,680</b>	<b>35,969</b>	<b>1,835,649</b>
<b>Net operating expenditure</b>	<b>1,137,013</b>	<b>74,213</b>	<b>1,211,226</b>	<b>1,011,213</b>	<b>35,625</b>	<b>1,046,838</b>
Finance costs	12,130	-	12,130	14,277	-	14,277
<b>Net expenditure for the year</b>	<b>1,149,143</b>	<b>74,213</b>	<b>1,223,356</b>	<b>1,025,490</b>	<b>35,625</b>	<b>1,061,115</b>

### 3. Staff and judiciary costs and numbers

#### Staff costs comprise:

	2018-19 £000	2017-18 £000
Wages and salaries	362,200	350,673
Social security costs	33,412	32,913
Employer's pension contributions	70,387	68,475
Agency staff costs	70,142	75,820
Voluntary early departures	41	(4,194)
	<b>536,182</b>	<b>523,687</b>
Add: inward secondments	978	374
	<b>537,160</b>	<b>524,061</b>
Less: recoveries in respect of outward secondments	(222)	(251)
<b>Total staff costs</b>	<b>536,938</b>	<b>523,810</b>

Further information on staff costs and numbers can be found in the Our staff section of the annual report on pages 77 to 87.

#### 3.1 Judiciary costs and numbers

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

	2018-19				2017-18			
	Senior judiciary	Other judiciary	Fee paid	Total	Senior judiciary	Other judiciary	Fee paid	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Wages and salaries	130,846	98,024	125,451	354,321	122,919	91,555	129,980	344,454
Social security costs	17,627	12,999	13,294	43,920	16,631	12,448	14,050	43,129
Employer's pensions contribution	49,717	37,187	31,496	118,400	45,392	35,701	35,169	116,262
<b>Total payroll costs of the judiciary</b>	<b>198,190</b>	<b>148,210</b>	<b>170,241</b>	<b>516,641</b>	<b>184,942</b>	<b>139,704</b>	<b>179,199</b>	<b>503,845</b>

#### 3.2 Average number of judiciary

The amounts above include salary costs for an average 863 (2017-18: 847) judicial officers and fees for 1,171 full-time equivalent fee paid judiciary (2017-18: 1,220). The salary costs of a further 914 members (2017-18: 877 members) of the senior judiciary were met from the Consolidated Fund.

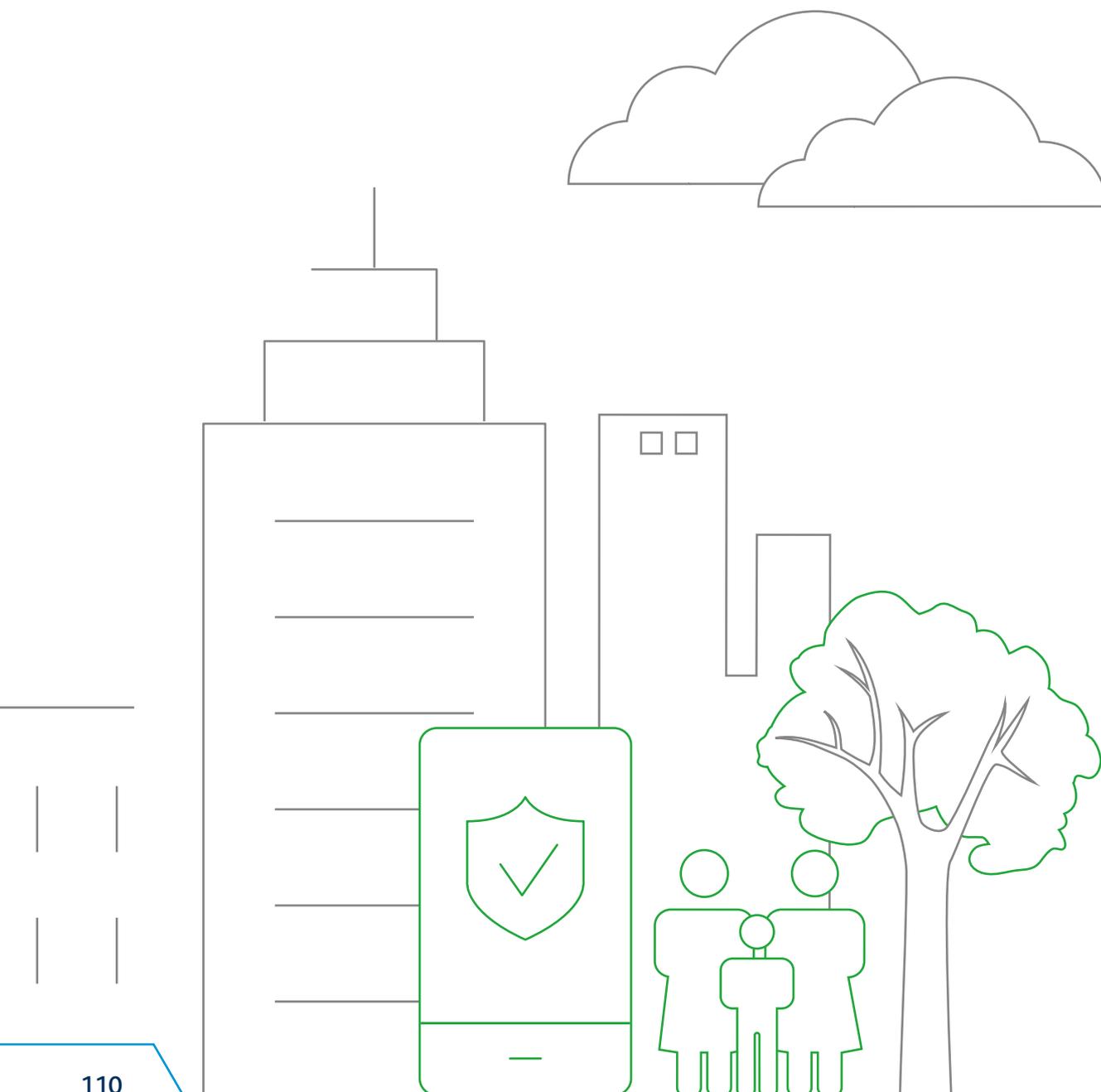
### 3.3 Judicial Pension Scheme (JPS)

The JPS is an unfunded multi-employer defined benefit scheme which prepares its own Accounts, but for which HMCTS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. Details can be found in the resource Accounts of the Judicial Pension Scheme at [www.official-documents.co.uk](http://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 JPS where the salary has been paid from the department’s supply estimate. Contributions to the JPS have been made at a rate of 38.45% (2017-18: 38.45%). The amount of these contributions is included in the table in note 3.1 shown above.

The benefits payable are governed by the provisions of either the Judicial Pensions Regulations 2015 (for newly appointed judicial office holders after 1 April 2015 and those transferring from previous schemes); or the Judicial Pensions Act 1981 or the Judicial Pensions and Retirement Act 1993 (for those remaining in those schemes due to transitional protection); or the Judicial Pensions Regulations 2017 (for eligible fee-paid judges with reckonable service from 7 April 2000 up to 31 March 2015).

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



## 4. Purchase of goods and services

	2018-19	2017-18
	£000	£000
Lease / other service concession charges:		
Rentals under operating leases	85,032	81,768
PFI service charges	26,854	26,050
Other service concession charges	2,872	10,856
Other services:		
Accommodation, maintenance and utilities	255,404	253,011
IT Services	131,053	137,523
Juror costs	36,638	39,227
Communications, office supplies and services	27,525	26,817
Contracted service costs	25,019	21,326
Consultancy costs	23,868	22,183
Non-pay staff costs	17,407	11,116
Non-pay judicial costs	6,572	7,105
Magistrates' costs	9,486	9,827
Bank charges	4,037	4,263
Other costs	18,903	14,065
Other grants	10	35
<b>Total purchase of goods and services</b>	<b>670,680</b>	<b>665,172</b>

## 5. Depreciation and impairment charges

	2018-19	2017-18
	£000	£000
Depreciation of property and equipment	130,326	119,125
Amortisation of intangible assets	17,928	17,685
Impairment of property and equipment	36,305	2,868
Impairment (reversal) of property and equipment	(7,343)	(41,958)
Impairment of intangible assets	8,548	-
Impairment (reversal) of assets held for sale	55	(3,706)
Impairment (reversal) of capital receivable	-	(300)
Increase in receivables impairment	1,184	45
<b>Total depreciation and impairment charges</b>	<b>187,003</b>	<b>93,759</b>

HMCTS recognises an impairment of £8.5 million of the intangible asset under construction on the Transforming Compliance and Enforcement Programme, which was cancelled in September 2018.

## 6. Other non-cash expenditure

	2018-19	2017-18
	£000	£000
Intra-departmental recharges	89,798	88,401
Increase/(decrease) in provisions	(8,506)	4,280
Capital grant in kind	-	4,180
Straight-lining of operating lease payments	2,566	3,209
Amortisation of operating lease prepayment	-	-
Net (gain) on disposal of non-current assets	(2,830)	(51,287)
External auditors' remuneration	280	280
<b>Total other non-cash expenditure</b>	<b>81,308</b>	<b>49,063</b>

### Intra-departmental recharge

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

### External auditors' remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year HMCTS did not purchase any non-audit services. The cost comprises £180,000 (2017-18: £180,000) for the audit of the HMCTS Annual Report and Accounts and £100,000 (2017-18: £100,000) for the audit of the HMCTS Trust Statement.

### Capital grant in kind

Capital grant in kind is recognised in relation to the transfer of property from HMCTS to Homes England, in accordance with the Consolidated Budgeting Guidance.

## 7. Finance costs

	2018-19	2017-18
	£000	£000
Finance charge on pension transfer deficit payable	2,817	3,883
Interest on by-analogy pension scheme liability	55	69
Unwinding of discount on provisions	2,260	2,659
<b>Total non-cash finance costs</b>	<b>5,132</b>	<b>6,611</b>
Local authority loan interest	978	1,106
Finance charges on PFI and leased assets	6,020	6,560
<b>Total cash finance costs</b>	<b>6,998</b>	<b>7,666</b>
<b>Total finance costs</b>	<b>12,130</b>	<b>14,277</b>

## 8. Operating income

	2018-19	2017-18
	£000	£000
Gross fee income	738,057	742,609
Movement provisions for fee refund schemes	(34,470)	(25,819)
Refunds and interest paid under refund schemes	(10,261)	(7,143)
<b>Total fee income</b>	<b>693,326</b>	<b>709,647</b>
Recoveries from other government bodies	84,499	75,001
Miscellaneous income	3,519	4,163
<b>Total operating income</b>	<b>781,344</b>	<b>788,811</b>

Information on fee income can be found in the Parliamentary accountability report on pages 88 to 89.

### 8.1 Fee refund schemes

The £34.5 million movement in fee refund scheme provisions is comprised of:

£10.4 million net decrease (2017-18: £9.2 million net increase) in the value of the provision: this represents the utilisation of the provision during 2018-19, and any subsequent changes in the estimate of the refunds likely to be claimed.

£44.9 million (2017-18 £16.6 million) of new provisions made in respect of fees which were incorrectly set above cost.

Please see Notes 17.3 and 22 for further details about the provisions and contingent liabilities for fee refund schemes. Annex B contains further details regarding the composition of the refunds and interest paid.

### 8.2 Operating income payables and receivables

	Income	Contract Assets	Deferred Fee Income
	£000	£000	£000
Recognised within trade and other receivables	16,008	548	
Recognised within trade and other payables			(26,751)

HMCTS expects the majority of receivables to be paid within 12 months. Deferred fee income is generally recognised as revenue in the month following deferral, in accordance with the accounting policy. Revenue which is not fee income does not give rise to deferred income.

### 8.3 Operating income payables and receivables

	Income	Receivables	Contract Assets	Deferred Income
	£000	£000	£000	£000
DWP	35,341	2,675	548	-
HMRC	38,036	-	-	-

HMCTS receives funding from DWP and HMRC in respect of the operations of the First Tier Tribunal (Social Security and Child Support).

### 8.4 Consolidated Fund income

Total income does not include amounts collected by HMCTS 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 can be found in the HMCTS Trust Statement published separately from these financial statements.

## 9. Property and equipment

	Land excluding dwellings £000	Buildings excluding dwellings £000	Dwellings £000	Information technology £000	Equipment £000	Furniture, fixtures and fittings £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>								
At 1 April 2018	627,436	2,777,489	17,181	62,577	69,285	32,663	98,519	3,685,150
Additions	-	3,252	-	4,065	1,210	73	56,700	65,300
Disposals	(2,750)	-	-	-	-	-	-	(2,750)
Scrap PE	-	(8)	-	(240)	(3,284)	(18,621)	-	(22,153)
Impairment	(2,259)	(34,003)	(43)	-	-	-	-	(36,305)
Revaluation	8,743	(113,691)	(157)	435	832	146	-	(103,692)
Reclassification	(2,092)	67,956	-	(3,065)	461	152	(58,051)	5,361
Transfers from Moj	-	-	-	-	-	-	-	-
At 31 March 2019	629,078	2,700,995	16,981	63,772	68,504	14,413	97,168	3,590,911
<b>Depreciation</b>								
At 1 April 2018	1	(1)	-	(34,345)	(58,468)	(30,723)	-	(123,536)
Charged in year	(724)	(118,046)	(305)	(7,570)	(3,034)	(647)	-	(130,326)
Disposals	-	-	-	-	-	-	-	-
Scrap PE	-	-	-	229	2,334	18,608	-	21,171
Impairment	-	-	-	-	-	-	-	-
Revaluations	865	117,905	305	(311)	(743)	(129)	-	117,892
Reclassification	(142)	142	-	-	-	-	-	-
Transfers from Moj	-	-	-	-	-	-	-	-
At 31 March 2019	-	-	-	(41,997)	(59,911)	(12,891)	-	(114,799)
Carrying amount at 31 March 2019	629,078	2,700,995	16,981	21,775	8,593	1,522	97,168	3,476,112
Carrying amount at 31 March 2018	627,437	2,777,488	17,181	28,232	10,817	1,940	98,519	3,561,614
<b>Asset financing:</b>								
Owned	609,658	2,461,639	16,981	21,775	8,593	1,522	97,168	3,217,336
Finance leased	-	29,605	-	-	-	-	-	29,605
On-balance sheet PFI contracts	19,420	209,751	-	-	-	-	-	229,171
Carrying amount at 31 March 2019	629,078	2,700,995	16,981	21,775	8,593	1,522	97,168	3,476,112

Land excluding dwellings and buildings excluding dwellings includes surplus assets with a net book value of £5.4 million (2017-18: £7.1 million)

## 9. Property and equipment (continued)

	Land excluding dwellings £000	Buildings excluding dwellings £000	Dwellings £000	Information technology £000	Equipment £000	Furniture, fixtures and fittings £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>								
At 1 April 2017	586,820	2,585,718	16,883	53,003	68,964	32,702	63,906	3,407,996
Additions	-	6,569	-	3,948	2,675	20	50,968	64,180
Disposals	(10,750)	(113)	-	-	(348)	-	-	(11,211)
Scrap PE	-	(22)	-	-	(3,000)	(338)	(151)	(3,511)
Impairment	(1,643)	(1,225)	-	-	-	-	-	(2,868)
Revaluation	70,561	172,314	298	1,148	682	279	-	245,282
Reclassification	(17,552)	14,248	-	4,478	312	-	(16,204)	(14,718)
Transfers from Moj	-	-	-	-	-	-	-	-
At 31 March 2018	627,436	2,777,489	17,181	62,577	69,285	32,663	98,519	3,685,150
<b>Depreciation</b>								
At 1 April 2017	-	-	-	(26,603)	(57,538)	(30,071)	-	(114,212)
Charged in year	(670)	(107,005)	(298)	(7,066)	(3,392)	(694)	-	(119,125)
Disposals	-	86	-	-	308	-	-	394
Scrap PE	-	-	-	-	2,773	297	-	3,070
Impairment	-	-	-	-	-	-	-	-
Revaluations	670	106,919	298	(676)	(619)	(255)	-	106,337
Reclassifications	1	(1)	-	-	-	-	-	-
Transfers from Moj	-	-	-	-	-	-	-	-
At 31 March 2018	1	(1)	-	(34,345)	(58,468)	(30,723)	-	(123,536)
Carrying amount at 31 March 2018	627,437	2,777,488	17,181	28,232	10,817	1,940	98,519	3,561,614
Carrying amount at 31 March 2017	586,820	2,585,718	16,883	26,400	11,426	2,631	63,906	3,293,784
<b>Asset financing:</b>								
Owned	608,528	2,542,132	17,181	28,232	10,817	1,940	98,519	3,307,349
Finance leased	-	30,819	-	-	-	-	-	30,819
On-balance sheet PFI contracts	18,909	204,537	-	-	-	-	-	223,446
Carrying amount at 31 March 2018	627,437	2,777,488	17,181	28,232	10,817	1,940	98,519	3,561,614

### 10. Assets held for sale

	Notes	2018-19 £000	2017-18 £000
As at 1 April 2018		5,133	23,360
Assets reclassified to held for sale from Property and equipment		1,765	14,980
Increase/(Decrease) in fair value of assets held for sale	5	(55)	3,706
Disposals		(3,841)	(36,913)
<b>As at 31 March 2019</b>		<b>3,002</b>	<b>5,133</b>

As part of an ongoing court rationalisation review, HMCTS 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 begun 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 SoFP.

A net profit on disposal of assets held for sale of £2.8 million (2017-18: £51.3 million) is included within the overall net gain on disposal of property and equipment within other non-cash expenditure which is disclosed in Note 6.



## 11. Intangible assets

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2018	205,038	7,800	158,385	371,223
Additions	-	-	109,378	109,378
Disposals	-	-	-	-
Scrap IA	-	-	(67)	(67)
Impairment	-	-	(8,548)	(8,548)
Revaluation	1,925	216	-	2,141
Reclassifications	3,009	-	(10,135)	(7,126)
Transfers from the MoJ	-	-	-	-
At 31 March 2019	209,972	8,016	249,013	467,001
<b>Amortisation</b>				
At 1 April 2018	(133,299)	(1,560)	-	(134,859)
Charged in year	(16,364)	(1,564)	-	(17,928)
Disposals	-	-	-	-
Revaluation	(1,289)	(86)	-	(1,375)
Reclassification	-	-	-	-
Transfers from the MoJ	-	-	-	-
At 31 March 2019	(150,952)	(3,210)	-	(154,162)
Carrying amount at 31 March 2019	59,020	4,806	249,013	312,839
Carrying amount at 31 March 2018	71,739	6,240	158,385	236,364

All intangible assets are owned by HMCTS. Assets under construction contains £114.9 million in relation to the Common Platform Programme, £27 million in relation to the Tech Workstream, £22.7 million in relation to Criminal Direct Support Services and £21.1 million in relation to Common Capabilities.

HMCTS recognises an impairment of £8.5m of the intangible asset under construction on the Transforming Compliance and Enforcement Programme, which was cancelled in September 2018.

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

Asset Description	2018-19		2017-18	
	Net Book Value £000	Remaining Amortisation Period (years)	Net Book Value £000	Remaining Amortisation Period (years)
CJS Efficiency	7,455	5	9,013	6
Common Platform - IDAM	8,838	5	10,525	6
Common Platform – Digital Markup	8,956	4	n/a	n/a

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2017	165,708	7,800	110,155	283,663
Additions	1,502		82,767	84,269
Disposals	-	-	-	-
Scrap IA	-	-	(161)	(161)
Impairment	-	-	-	-
Revaluations	3,714	-	-	3,714
Reclassifications	34,114	-	(34,376)	(262)
Transfers from the MoJ	-	-		
<b>At 31 March 2018</b>	<b>205,038</b>	<b>7,800</b>	<b>158,385</b>	<b>371,223</b>
<b>Amortisation</b>				
At 1 April 2017	(114,603)	-	-	(114,603)
Charged in year	(16,125)	(1,560)	-	(17,685)
Disposals	-	-	-	-
Revaluation	(2,571)	-	-	(2,571)
Reclassification	-	-	-	-
Transfers from the MoJ	-	-	-	-
<b>At 31 March 2018</b>	<b>(133,299)</b>	<b>(1,560)</b>	<b>-</b>	<b>(134,859)</b>
<b>Carrying amount at 31 March 2018</b>	<b>71,739</b>	<b>6,240</b>	<b>158,385</b>	<b>236,364</b>
<b>Carrying amount at 31 March 2017</b>	<b>51,105</b>	<b>7,800</b>	<b>110,155</b>	<b>169,060</b>

All intangible assets are owned by HMCTS.

## 12. Financial instruments

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

As HMCTS is funded via the Ministry of Justice, 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. HMCTS 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. HMCTS is therefore not exposed to significant liquidity, interest rate or foreign currency risk.

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

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

### Fair values

The fair values of HMCTS' financial assets and liabilities as at 31 March 2019 and 31 March 2018 approximate their book values.

## 13. Trade and other receivables

### Amounts falling due within one year:

	2018-19	2017-18	2016-17
	£000	£000	£000
Trade receivables	13,333	11,247	16,094
Other receivables:			
VAT recoverable	12,244	16,365	9,411
Intra-departmental receivables	31,527	28,740	33,105
Prepayments and accrued income	36,817	31,918	29,604
Other receivables	5,892	6,870	3,695
<b>Total amounts falling due within one year</b>	<b>99,813</b>	<b>95,140</b>	<b>91,909</b>

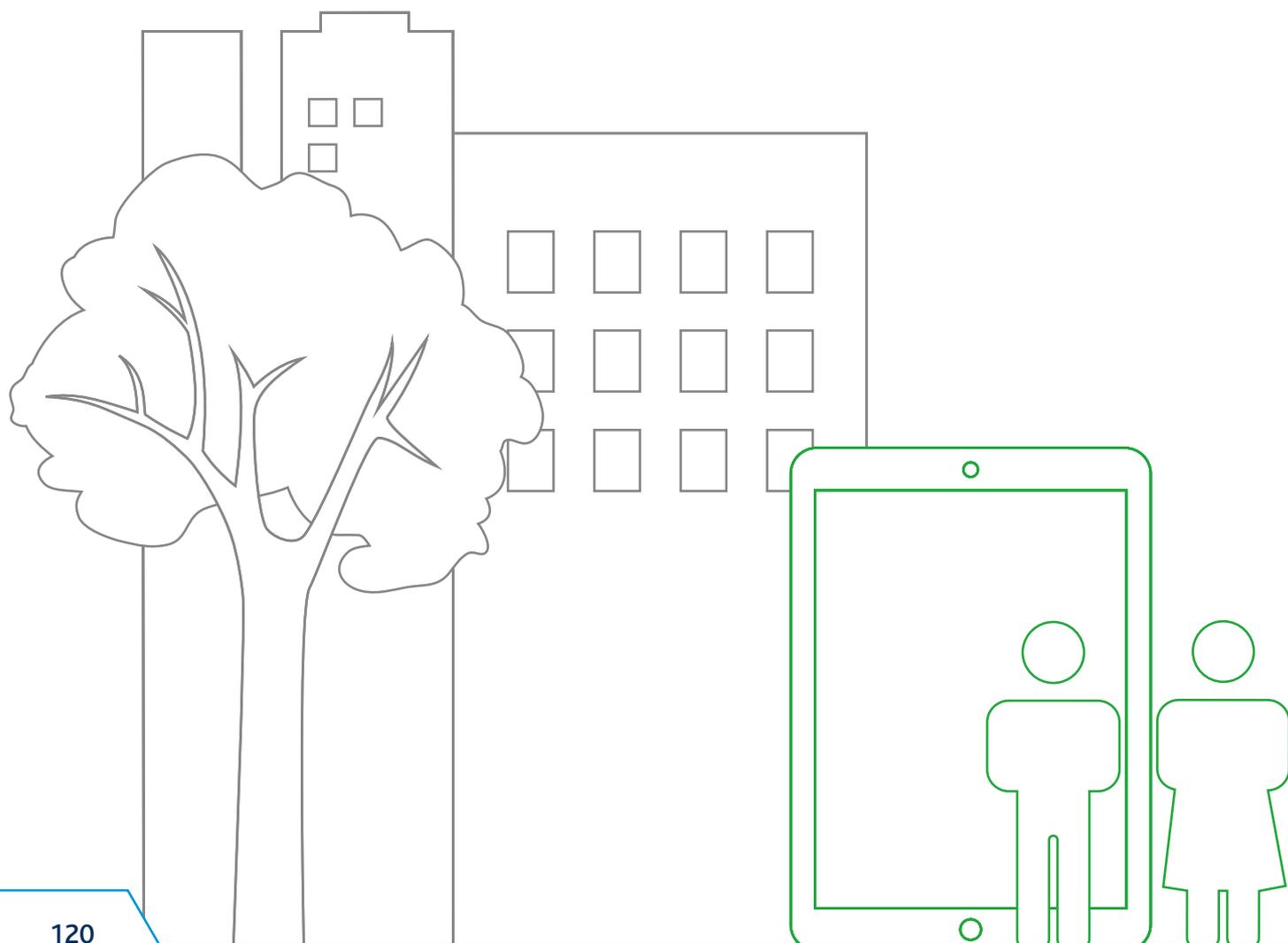
### Amounts falling due after more than one year:

	2018-19	2017-18	2016-17
	£000	£000	£000
Other receivables	548	-	-
Prepayments	-	1	5
<b>Total amounts falling due after more than one year</b>	<b>548</b>	<b>1</b>	<b>5</b>

## 14. Cash and cash equivalents

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

	2018-19 £000	2017-18 £000	2016-17 £000
As of the beginning of the period	28,461	1,579	14,414
Net increase/(decrease) in cash balances	(3,624)	26,882	(12,835)
<b>As at the end of the period</b>	<b>24,837</b>	<b>28,461</b>	<b>1,579</b>
The following balances as at 31 March held at:			
Government Banking Service	24,773	28,381	1,496
Cash in hand	60	69	71
Imprests	4	11	12
<b>Total cash and cash equivalents</b>	<b>24,837</b>	<b>28,461</b>	<b>1,579</b>



## 15. Trade and other payables

### Amounts falling due within one year:

	2018-19	Restated 2017-18	Restated 2016-17
	£000	£000	£000
Taxation and social security	16,170	15,475	15,823
Trade payables	12,586	21,174	22,821
Other payables	22,460	24,839	13,340
Intra-departmental payables	40,756	62,318	59,953
Accruals and deferred income	149,934	168,063	161,422
Deferred fee income	26,751	-	-
Cash balances payable to other government departments	-	-	3
Current part of payable for pension transfer deficit	32,687	-	32,687
<b>Total amounts falling due within one year</b>	<b>301,344</b>	<b>291,869</b>	<b>306,049</b>

### Amounts falling due after more than one year:

	2018-19	Restated 2017-18	Restated 2016-17
	£000	£000	£000
Local Authority loan balances	22,323	24,136	26,105
Payable for pension transfer deficit	46,259	76,129	104,933
<b>Total amounts falling due after more than one year</b>	<b>68,582</b>	<b>100,265</b>	<b>131,038</b>

Trade payables have been restated to separate out other financial liabilities (PFI, finance lease and operating lease payables) from trade and other payables, as these are both material and are different in nature and therefore should be reported separately in accordance with IAS 1 (see note 15.1 Financial Liabilities). See also note 1.2d for further details.

HMCTS has aligned with IFRS 15 in 2018-19 using the cumulative catch-up method, prior years have not been restated, and trade payables also now includes a separate disclosure of deferred fee income. See notes 1.2b and 1.3 for further details.

**15.1 Financial liabilities****Amounts falling due within one year:**

	2018-19	Restated	Restated
	£000	2017-18	2016-17
		£000	£000
Lease incentive payable	1,909	1,604	1,352
Straight lining payable	2,867	3,663	4,424
Finance leases	90	70	78
Imputed finance lease element of on balance sheet PFI contracts	8,926	8,926	8,926
<b>Total amounts falling due within one year</b>	<b>13,792</b>	<b>14,263</b>	<b>14,780</b>

**Amounts falling due after more than one year:**

	2018-19	Restated	Restated
	£000	2017-18	2016-17
		£000	£000
Lease incentive payable	13,527	14,929	16,395
Straight lining payable	88,970	84,511	79,327
Finance leases	8,889	8,980	9,050
Imputed finance lease element of on balance sheet PFI contracts	77,607	86,533	95,459
<b>Total amounts falling due after more than one year</b>	<b>188,993</b>	<b>194,953</b>	<b>200,231</b>

In addition to the restatement described in note 15, a classification error between current and non-current straight lining payables was also corrected in 2017-18 and 2016-17. See note 1.2d for further information on the impact on the financial statements.

## 16. Notes to the Statement of Cash Flows

Summary of notional and non-cash costs are as follows:

	2018-19	2017-18
	£000	£000
<b>Notional costs</b>		
Consolidated Fund judicial salaries - wages and salaries	130,122	122,673
Consolidated Fund judicial salaries - social security costs	17,627	16,631
External auditor's remuneration	280	280
Departmental recharge	89,798	88,401
<b>Total notional costs</b>	<b>237,827</b>	<b>227,985</b>
<b>Non-cash costs</b>		
(Profit)/loss on disposal of property and equipment	(2,830)	(51,287)
(Increase)/decrease in fair value of property and equipment	(7,343)	(41,958)
Impairment of property and equipment	36,305	2,868
Impairment of intangible assets	8,548	-
Reduction in fair value of Assets Held for Sale	55	(3,706)
Impairment (reversal) of capital receivable	-	(300)
Capital grants	-	4,180
Straight-lining of operating lease payments	2,566	3,209
Movement in provisions	35,456	33,426
Movement in receivables impairment	1,184	45
Depreciation	130,326	119,125
Amortisation	17,928	17,685
<b>Total non-cash costs</b>	<b>222,195</b>	<b>83,287</b>
<b>Total notional and non-cash costs</b>	<b>460,022</b>	<b>311,272</b>

### 16.1 Reconciliation of property and equipment

		2018-19	2017-18
	Notes	£000	£000
Additions			
Property and equipment	9	65,300	64,180
Plus:			
Movement in capital accrual		(3,910)	1,717
<b>Total purchases per statement of cash flows</b>		<b>61,390</b>	<b>65,897</b>

### 16.2 Reconciliation of liabilities arising from financing activities 2018-19

		Opening Balance	Cash flows	Closing Balance
	Notes	2017-18	2018-19	2018-19
		£000	£000	£000
Repayments of Local Authority loans	15	24,136	(1,813)	22,323
Finance Lease Liabilities	15.1	9,050	(71)	8,979
PFI Liabilities	15.1	95,459	(8,926)	86,533
<b>Total amounts falling due within one year</b>		<b>128,645</b>	<b>(10,810)</b>	<b>117,835</b>

## 17. Provision for liabilities and charges

	Early departure costs £000	By-analogy pension scheme £000	Dilapidations £000	Other Provisions £000	Fee Refunds £000	2018-19 Total £000	2017-18 Total £000
Balance at 1 April 2018	92,223	2,235	27,877	29,652	25,819	177,806	155,213
Provided in the year	-	-	1,915	698	44,870	47,483	43,783
Provisions not required written back	(7,816)	-	(2,812)	(491)	(908)	(12,027)	(10,357)
Provisions utilised in the year	(4,659)	(173)	(1,172)	(647)	(9,492)	(16,143)	(13,403)
Unwinding of discount	2,259	(453)	-	1	-	1,807	2,570
<b>Balance at 31 March 2019</b>	<b>82,007</b>	<b>1,609</b>	<b>25,808</b>	<b>29,213</b>	<b>60,289</b>	<b>198,926</b>	<b>177,806</b>
<b>Analysis of expected timings of discounted flows</b>							
Not later than one year	4,508	88	3,850	420	58,760	67,626	19,653
Later than one year but not later than five years	17,022	341	8,743	1,032	1,022	28,160	42,149
Later than five years	60,477	1,180	13,215	27,761	507	103,140	116,004
<b>Balance at 31 March 2019</b>	<b>82,007</b>	<b>1,609</b>	<b>25,808</b>	<b>29,213</b>	<b>60,289</b>	<b>198,926</b>	<b>177,806</b>

### 17.1 Provision for early departure costs

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

Also included in early departure costs is a provision for unfunded early retirement costs of HMCTS staff in the PCSPS. Provision has also been made for costs related to the reorganisation and modernisation programme.

An interest rate of 2.60% (2017-18: 2.45%) has been used to assess the interest costs of the scheme liability and future estimated payments have been discounted at a rate of 0.29% (2017-18: 0.10%).

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

### 17.2 By-analogy pension scheme

The by-analogy pension scheme provision relates to three pension schemes for the Criminal Injuries Compensation (CIC) Tribunal, the Immigration and Asylum Chamber (IAC) and the Residential Property Tribunal (RPT). These schemes have one member, ten members and 13 members respectively.

The schemes' liabilities were valued by the Government Actuary's Department (GAD) as at 31 March 2019 and the associated interest and current service costs have been charged to the SoCNE.

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

The aggregate actuarial gain on the scheme liabilities in 2018-19 was £508,000 (2017-18 was an actuarial gain of £158,000).

### 17.3 Fee Refunds

The balance at the reporting date comprises two provisions, the balances for each are shown below:

Employment Tribunals and Employment Appeal Tribunal fee refunds: £0.3 million

Other fee refunds: £60 million

#### Employment Tribunals and Employment Appeal Tribunal Fee Refunds

On July 26, 2017 the UK Supreme Court handed down a judgment that quashed that the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013/1893. In the course of proceedings against the order, the Lord Chancellor committed to making refunds to those that had paid them, if the order was deemed to be unlawful.

Since the order became law in July 2013, £32.2m has been received in fees, less remissions. During 2018-19, HMCTS wrote to those it believed to have a potential claim with details of the refund scheme. In 2018-19 HMCTS refunded £10.3 million in fees and interest, bringing the total value of fees refunded to £17.4m including interest, please refer to Annex B for more detailed information.

It is unlikely that all users who could make a claim for a refund will do so, therefore HMCTS is required to make an accounting estimate of the probable amount that will be refunded, and the interest payable on those refunds. This estimate is not intended to reflect the total amount that could be repayable should all claims be successfully made. This accounting estimate does not affect the Lord Chancellor's undertaking to repay fees to those who paid them, anyone who has paid a fee that applies and qualifies for a refund, will receive it.

In arriving at a valuation of the likely liability HMCTS used linear regression analysis of the refunds claimed to the reporting date to predict the value of future claims. Provisions for £0.3 million have been recognised in respect of fee refunds and interest likely to be paid in future.

A contingent liability of £15.2 million has been recognised for the difference between the provision and the total amount remaining to be refunded. Please see note 22 for further information about the contingent liability.

#### Other fee refunds schemes

In July 2018, The Court of Protection, Civil Proceedings and Magistrates' Courts Fees (Amendment) Order 2018, became law. The statutory instrument reduced a small number of fees which were mistakenly set above cost. These changes affect the fees charged for certain proceedings in the Court of Protection, a small number of civil proceedings in the magistrates' courts (including Council Tax Liability Orders – CTLOs), fees for general applications in insolvency proceedings and the fees charged for High Court judges sitting as arbitrators:

HMCTS recognises a provision for the refund of £38.5 million in respect of CTLOs where the fee was set above cost.

HMCTS also recognises a provision for refunds of £5.1 million and a contingent liability of £4.2 million in respect of other fees which were set above cost.

HMCTS recognises a provision of £16.4 million and a contingent liability of £1.7 million in respect of other fees which have been incorrectly charged.

MoJ and HMCTS are currently in the process of establishing how the fees can be refunded to those that paid them.

Please see note 22 for further information about the contingent liabilities.

### 17.4 Other Provisions

The 'other' category contains provisions totalling £4.3 million for claims against HMCTS, and a provision for an onerous lease of undeveloped land of £24.9 million.

### 17.5 Dilapidations

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

## 18. Capital commitments

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

	2018-19 £000	2017-18 £000
Property developments	40,067	44,817
Intangible assets	69,233	79,491
<b>Total capital commitments</b>	<b>109,300</b>	<b>124,308</b>

## 19. Operating leases

HMCTS 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 40 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.

HMCTS also leases vehicles under non-cancellable operating lease agreements. The lease terms are between one and six years.

The non-cancellable operating lease expenditure charged to the SoCNE during the year is disclosed in note 4.

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

	2018-19			2017-18		
	Land and buildings £000	Other £000	Total £000	Land and buildings £000	Other £000	Total £000
Not later than one year	82,601	548	83,149	77,976	542	78,518
Later than one year but not more than five years	275,624	679	276,303	270,401	542	270,943
Later than five years	873,653	-	873,653	900,497	-	900,497
<b>Total commitments under operating leases</b>	<b>1,231,878</b>	<b>1,227</b>	<b>1,233,105</b>	<b>1,248,874</b>	<b>1,084</b>	<b>1,249,958</b>

## 20. Finance leases

HMCTS 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 2019:

	2018-19	2017-18
	£000	£000
Not later than one year	668	653
Later than one year but not more than five years	2,832	2,768
Later than five years	15,813	16,547
<b>Minimum future lease payments</b>	<b>19,313</b>	<b>19,968</b>
Future interest expense	(10,334)	(10,918)
<b>Total present value of obligations</b>	<b>8,979</b>	<b>9,050</b>

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

	2018-19	2017-18
	£000	£000
Not later than one year	90	70
Later than one year but not more than five years	604	503
Later than five years	8,285	8,477
<b>Total present value of obligations</b>	<b>8,979</b>	<b>9,050</b>

HMCTS leases various buildings under non-cancellable finance lease agreements. The buildings comprise mainly court facilities and have lease terms ranging from 20 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.

## 21. Private finance initiative

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

Project name	Contract start date	Duration (years)	On/off Statement of Financial Position	Initial capital value (£m)	Description
Exeter	November 2002	30	On	20.1	Provision of a courthouse comprising four criminal courts, one civil court and four District Judge hearing rooms. At the end of the contract term the building will revert to HMCTS 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 HMCTS 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 HMCTS 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. At the end of the contract term the buildings shall revert to HMCTS at no cost.
Hereford and Worcester Magistrates' Courts	March 2000	25	On	30.6	Provision of serviced accommodation for magistrates' courts at Bromsgrove, Kidderminster, Worcester and Redditch. The contract term can be extended for another 10 years. At the end of the contract term the buildings shall revert to HMCTS at no cost.
Manchester Magistrates' Court	March 2001	25	On	32.9	Provision of serviced accommodation at Manchester Magistrates' Court at Spinningfields in Manchester. The contract term can be extended by mutual agreement by up to ten years. At the end of the contract term the building shall revert to HMCTS at no cost.
Humberside Magistrates' Court	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HMCTS has the option of taking the assets back for a nominal amount of £3.0m.
Avon and Somerset Magistrates' Court	August 2004	27	On	46.6	Provision of serviced accommodation at Bristol Magistrates' Court, North Somerset Magistrates' Court and Avon & Somerset Probation HQ and Training Centre, both at Worle. The contract term can be extended by mutual agreement by up to five years. At the end of the contract term the buildings shall revert to HMCTS at no cost.

**21.1 On balance sheet contracts**

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

	2018-19	2017-18
	£000	£000
Rentals due not later than one year	13,828	14,363
Rentals due later than one year and not later than five years	49,955	52,097
Rentals due later than five years	51,031	62,718
<b>Minimum future lease payments</b>	<b>114,814</b>	<b>129,178</b>
Future interest expense	(28,281)	(33,719)
<b>Present value of minimum lease payments</b>	<b>86,533</b>	<b>95,459</b>

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

	2018-19	2017-18
	£000	£000
Service charge due within one year	26,855	26,457
Service charge due later than one year and not later than five years	107,418	105,828
Service charge due later than five years	116,607	140,604
<b>Total</b>	<b>250,880</b>	<b>272,889</b>

**21.2 Charge to the Statement of Comprehensive Net Expenditure**

The total amount charged in the SoCNE in respect of the service element of PFI contracts and other service concession arrangements recognised on the SoFP was £29.7 million (2017-18: £36.9 million).

## 22. Contingent liabilities

### Fee paid judicial office holder claims:

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

The UK Supreme Court ruled on 6 February 2013 that the retired fee paid judicial office holder was entitled to a pension on terms equivalent to those applicable to salaried judicial office holder. This lead case set the precedent for other stayed cases, which in addition to pension entitlements, extended to non-pension entitlements relating to fee paid judicial office holders' employment terms and conditions. For example, 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. The Fee-Paid Judicial Pension Scheme was established in April 2017 to provide retrospective pensions for eligible fee paid judicial office holders.

There were outstanding appeals in relation to the scope of MoJ's liability arising from this decision. The UK Supreme Court in July 2017 decided to refer the question of pre-2000 liability to the Court of Justice of the European Union (CJEU).

In November 2018, the CJEU ruled that, in calculating the pension entitlement of eligible fee-paid judges, any continuous service prior to 7 April 2000 (the date that the Part-Time Worker Regulations should have been transposed into domestic law) must be taken into account. Judgment is awaited from the Supreme Court in Summer 2019 on a related case concerning the operation of time limits to make a claim: this may result in additional successful claims for a fee-paid pension.

In December 2018, the Court of Appeal upheld an Employment Appeal Tribunal decision that the transitional protection provisions in the Judicial Pension Scheme 2015 Regulations are unlawful on grounds of age discrimination. In July 2019, the Supreme Court denied permission to appeal this judgment and the case will be remitted to the Employment Tribunal for remedy.

Provisions have been made in the Judicial Pensions Scheme and Ministry of Justice Annual Report and Accounts 2018-19 for the consequences of these judgments, with both recognising an ongoing contingent liability for a number of potential additional claimants that could not be estimated. No liabilities are expected to directly affect HMCTS.

### Fee refunds:

On July 26, 2017 the UK Supreme Court handed down a judgment that quashed the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013/1893. HMCTS is making refunds of £32.2 million in fees paid under the order to those who paid them. In total HMCTS has refunded £17.4m including interest and accruals (see annex B). HMCTS has carried forward a provision of £0.3 million in relation to the fees and interest it that expects to be claimed by individuals and organisations who paid fees under the order. HMCTS has not been able to reliably estimate the probability that the remaining fees will be claimed and refunded, and therefore recognises a contingent liability of £15.2 million. Please see note 17.3 for further information about the provision.

In November 2017 MoJ undertook a review of other fees for courts and tribunal proceedings charged by HMCTS. MoJ identified that in some cases fees have been incorrectly charged, and that some fees had inadvertently been set above cost without the legal authority to do so. In July 2018 a Written Ministerial Statement announced that a refund scheme will be established to reimburse people the amounts they have been over-charged.

Our current estimate of the total value of the refunds likely to be due is £65.9 million, of which £60 million has been provided for, the balance of £5.9 million is held as a contingent liability as detailed below.

The fees which were set above cost were reduced by statutory instrument in July 2018, and a refund scheme is in the process of being established. HMCTS recognises a refund provision of £43.6 million in respect of these fees. However HMCTS is not able to reliably estimate the value of the fees that will be claimed and refunded, and therefore recognises a contingent liability of £4.2 million.

HMCTS also recognises a refund provision of £16.4 million in respect of incorrectly charged fees. However HMCTS is not able to reliably estimate the value of the fees that will be claimed and refunded, and therefore recognised a contingent liability of £1.7 million.

Please see note 17.3 for further details about the provisions.

### Other contingent liabilities:

HMCTS is involved in several legal cases dealing with ex gratia, compensation and other claims. The estimated cost of settlement for HMCTS is £1.3 million (2017-18: £4.5 million).

### 23. Related party transactions

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

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgments on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue recognised from the Registry Trust Limited in the year amounted to £0.6 million (2017-18 £0.6 million) with a total debtor balance due to HMCTS as at 31 March 2019 of £0.0 million (2017-18: £0.2 million).

From November 2016 to April 2018 Ian Playford was interim CEO of the 'New Property Model', which was a department within the Cabinet Office, whose purpose was to centrally manage the Government's non-specialist property assets. From April to July 2018 Ian served as a strategic advisor to the Government Property Agency.

On 16 July 2018 Andrew Baigent, was appointed by the Cabinet Office as a director of Integrated Debt Services Limited (trading as Indesser). Indesser is a joint venture between the Government and TDX Group Limited offering a single route for government bodies to use the private sector to recover debt. Andrew represents the Government as a non-executive director on the Board of Indesser. HMCTS uses Indesser to provide information and analysis to assist with the recovery of debt. HMCTS paid £305,066 to Indesser for goods and services during 2018-19, with a total payable balance of £63,043 (all amounts shown include VAT).

No Board Members or related parties have undertaken any material transactions with HMCTS during 2018-19 and 2017-18.

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

### 24. Third party balances

HMCTS holds a number of cash balances on behalf of third parties. These consist of bail monies and monies held on behalf of court users which are received and held while the case progresses. At 31 March 2019 these amounted to £27 million (2017-18: £26.1 million) and have not been recognised in the accounts in accordance with FReM requirements.

### 25. Events after the reporting period

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

# Annex A – Fees and charges legislation

The most current fees orders are listed below and can also be viewed at <http://www.legislation.gov.uk>

- **The Civil Proceedings Fees Order 2008** (S.I. 2008/1053)
  - Relevant amendments are S.I. 2014/874, 2014/1834, 2015/576, 2016/402, 2016/434, 2016/807, 2016/1191, 2017/702 and 2018/812
- **The Family Proceedings Fees Order 2008** (S.I. 2008/1054)
  - Relevant amendments are S.I. 2011/1045, 2014/877, 2015/576, 2015/687, 2015/1419 and 2016/402.
- **The Magistrates' Courts Fees Order 2008** (S.I. 2008/1052)
  - Relevant amendments are S.I. 2010/731, 2014/875, 2016/807 and 2018/812.
- **The Court of Protection Fees Order 2007** (S.I. 2007/1745)
  - Amended by S.I. 2009/513 and 2018/812
- **The Gender Recognition (Application Fees) Order 2006** (S.I. 2006/758)
- **The Non-Contentious Probate Fees Order 2004** (S.I. 2004/3120)
  - Amended by Schedule 11(1) paragraph 1(2) of the Constitutional Reform Act 2005 and S.I. 2007/2174, 2011/588 and 2014/876
- **The Supreme Court Fees Order 2009** (S.I. 2009/2131)
  - Amended by S.I. 2011/1737
- **The Upper Tribunal (Immigration and Asylum Chamber) (Judicial Review) (England and Wales) Fees Order 2011** (S.I. 2011/2344)
  - Relevant amendments are S.I. 2013/2069, 2016/402 and 2016/807
- **The Upper Tribunal (Lands Chamber) Fees Order 2009** (S.I. 2009/1114)
  - Relevant amendments are S.I. 2010/2601, 2013/1199 and 2016/434
- **The First-tier Tribunal (Gambling) Fees Order 2010** (S.I. 2010/42)
  - Amended by S.I. 2010/633
- **The First-tier Tribunal (Property Chamber) Fees Order 2013** (S.I. 2013/1179)
  - Amended by S.I. 2016/807

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

The First-tier Tribunal (Immigration and Asylum Chamber) Fees Order 2011 (S.I. 2011/2841)

Relevant amendments are S.I. 2013/534, 2016/928, 2016/1149, 2017/515 and 2018/330

# Annex B – Employment Tribunal Fee Refunds

These tables are not subject to audit.

The following tables are provided to show how the values given in the annual report and accounts for Employment Tribunal Fee Refunds are composed.

**Table A: Shows the composition of fee refunds reported within income in 2017-18**

	Notes	Fee Refunds 2017-18 £000	Interest 2017-18 £000	Total 2017-18 £000
Payment of refunds	8, 17.3, 22	6,538	69	6,607
Approved refunds, accrued but not paid	8, 17.3, 22	530	6	536
<b>Total refunds reported within income</b>		<b>7,068</b>	<b>75</b>	<b>7,143</b>

The payment of refunds of £6.6 million and the accrual figure of £0.5 million were reported in the fee income notes within the accountability report as well as notes 8, 17.3 and 22 of the 2017-18 HMCTS Annual Report and Accounts. Only the payment of refunds of £6.6 million was reported in the financial commentary.

**Table B: Shows the composition of fee refunds reported within income in 2018-19**

	Notes	Fee Refunds 2018-19 £000	Interest 2018-19 £000	Total 2018-19 £000
Payment of refunds		10,048	148	10,196
Approved refunds, accrued but not paid		64	1	65
<b>Total refunds reported within income</b>	<b>8,17.3</b>	<b>10,112</b>	<b>149</b>	<b>10,261</b>

The total repayment of refunds and accrual figure of £10.3 million appears within the fee income note within the accountability report, and within notes 8 and 17.3 to the accounts.

**Table C: Shows the total payments and accrual balance since the beginning of the refund scheme in October 2017.**

	Notes	Fee Refunds 2017-19 £000	Interest 2017-19 £000	Total 2017-19 £000
Refunds paid - October 2017 to March 2019		17,116	223	17,339
Approved refunds, accrued but not paid		64	1	65
<b>Total</b>	<b>17, 22</b>	<b>17,180</b>	<b>224</b>	<b>17,404</b>

£17.4 million is the total amount repaid, including interest and accruals, from the start of the scheme to the reporting date, as reported in the financial commentary and in notes 17 and 22 to the accounts, as well as in the fee income note in the accountability report.







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Produced July 2019

CCS0519307960  
978-1-5286-1337-8