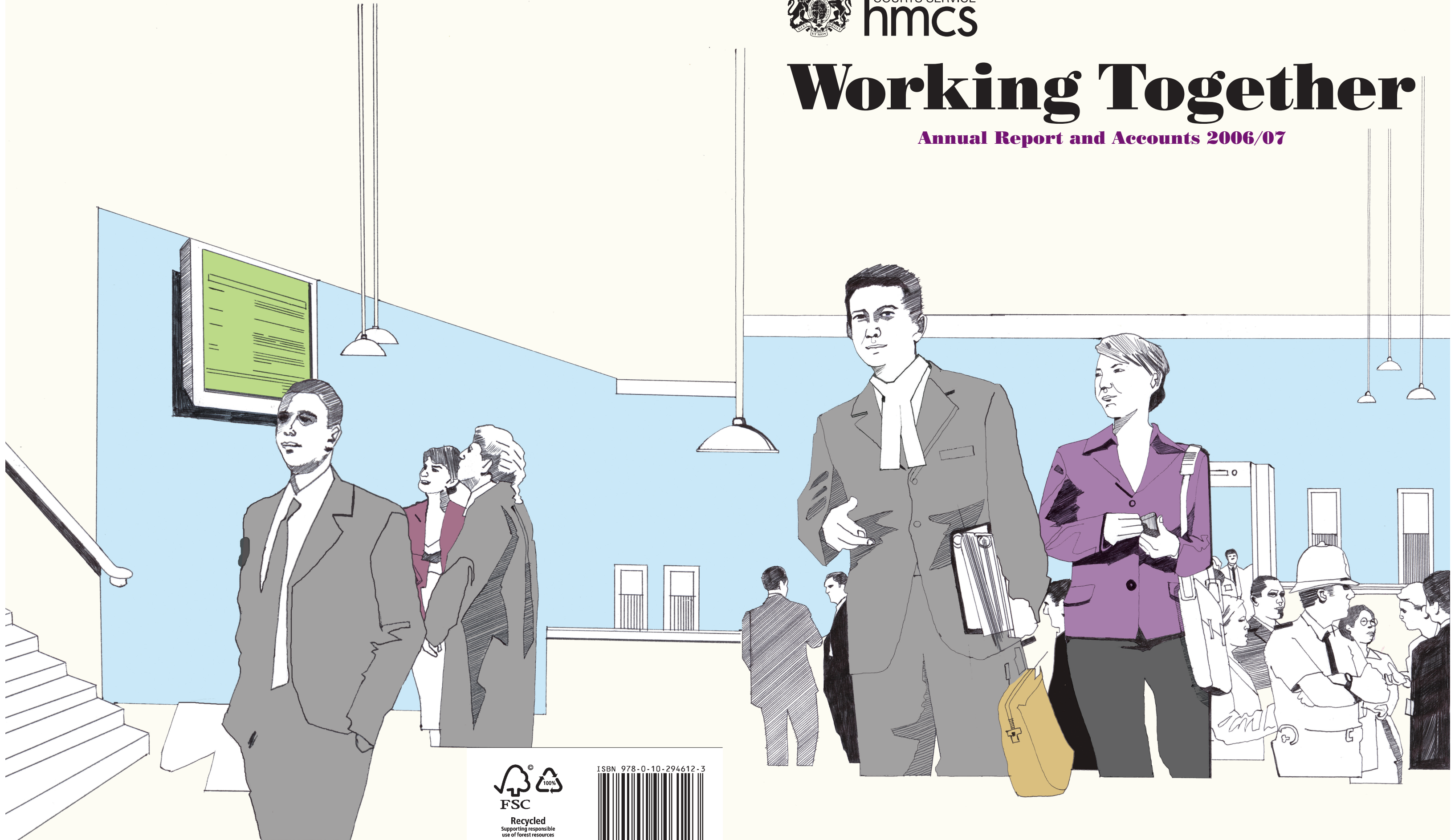




HER MAJESTY'S
COURTS SERVICE
hmcs

Working Together

Annual Report and Accounts 2006/07



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**INCREASING ACCESS TO JUSTICE • BUILDING SAFER COMMUNITIES
PROTECTING THE VULNERABLE • IMPROVING THE COURTS**

Working Together

All citizens according to their differing needs are entitled to access to justice,

whether as victims of crime, defendants accused of crimes, consumers in debt, children in need of care, or business people in commercial disputes. Our aim is to ensure that access is provided as quickly as possible and at the lowest cost consistent with open justice and that citizens have greater confidence in, and respect for, the system of justice.



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**HER MAJESTY'S
COURTS SERVICE**
**Annual Report and Accounts
2006/07**

Her Majesty's Courts Service (HMCS) was an executive agency of the Department for Constitutional Affairs during the reporting year 2006/07. On 9 May 2007, it became an executive agency of the Ministry of Justice.

Presented to the House of Commons pursuant to section 1(4) of the Courts Act 2003 and section 7 of the Government Resources and Accounts Act 2003.

Ordered by the House of Commons to be printed on 24 July 2007.

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Working Together

During the year, Her Majesty's Courts Service worked with partners to bring

1.3 million offences to justice
resulting in over **900,000 convictions,**

issued over **1 million claims** for monies owed,

received over **150,000 petitions** for divorce,

handled over **100,000** child protection cases

and granted probate in almost **300,000 cases.**



HER MAJESTY'S
COURTS SERVICE
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15. Contingent liabilities

There are a number of properties which were included in the property transfer scheme 'The Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005' for which the transfer of ownership was not effected in 2005. If HMCS is not able to effect a transfer of ownership and control of the properties, it faces potential accommodation obligations of £20m per annum based on current market rental yields with a total maximum contingent liability since 1 April 2005 of £34m.

HMCS is involved in a number of legal cases dealing largely with ex-gratia and compensation claims. The estimated cost of settlement for HMCS in these cases is £1.0m (2005/06: £0.4m).

16. Related party transactions

HMCS as an executive agency of the DCA (now the Ministry of Justice), during the year had a significant number of material transactions with the DCA and other entities for which the DCA was regarded as a parent department.

HMCS also had a significant number of material transactions with other government departments and other central government bodies.

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains, on behalf of the Lord Chancellor and Secretary of State for Justice, the Register of County Court Judgements. Income received from Registry Trust Limited in the year amounted to £400,000 (2005/06: £126,745), with a total debtor balance due to HMCS as at 31 March 2007 of £400,000 (2005/06: £30,000).

During the year, none of the Board members, members of senior management staff or other related parties have undertaken any material transactions with HMCS.

17. Post balance sheet events

In accordance with the requirements of Financial Reporting Standard 21 Events after the balance sheet date, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the accounts are laid before Parliament which is 24 July 2007.

On 1 April 2007 the CFO left HMCS and joined the Offices of the Official Solicitor and Public Trustee to form an associated office of the DCA.

On 9 May 2007, as a result of the machinery of government changes, a new Ministry of Justice was created. The new ministry brought together the DCA, including HMCS, the National Offender Management Service and the Office for Criminal Justice Reform.

18. Accountability

The following disclosures are included to comply with the Government Accounting reporting requirements, for 2006/07 HMCS had:

- approximately 4,500 cases involving corrective payments relating to some children's funds not being invested in accordance with appropriate investment instructions, these total £12.5m;

- 973 cases involving cash losses, totalling £109,651;
- 53,134 cases where fees were remitted, totalling £5.04m;
- 1,260 ex-gratia payments, totalling £645,336;
- special payments, totalling £75,729; and
- interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 of £43,376.

19. Financial instruments

19.1 Liquidity risk

HMCS net expenditure resource requirement is financed by resources voted annually by Parliament to the Ministry of Justice, (formerly the DCA) as is the majority of its capital expenditure. The Agency has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities. It is not exposed to significant liquidity risks.

19.2 Interest rate risk

All HMCS financial liabilities carry nil or fixed rates of interest and therefore it is not exposed to significant interest rate risk.

19.3 Foreign currency risk

HMCS exposure to foreign currency risk is not material.

20. Other third party assets

The CFO manages money held in court on behalf of clients who may be involved in a civil legal action; patients under the Court of Protection who are not able to manage their property and affairs; and children under the age of 18. These are non-HMCS assets and are not included in the HMCS accounts. The assets held at the balance sheet date comprised cash, index tracker funds and securities.

The main items, with their market value as at 28 February 2007:

- cash, sterling held and invested on behalf of the Accountant General through the Commissioners for the Reduction of National Debt's Court Funds Investment Account to a total of £4.77billion (2005/06: £4.47billion);
- the Index Tracker Fund (formerly the Common Investment Fund), administered on behalf of the Accountant General by an appointed fund manager; the beneficiaries have unit shares in the fund, which consists of a balanced portfolio managed by the fund manager in accordance with the investment strategy in force at the time, to a net asset value of £75.7m (2005/06: £57.9m); and
- securities; a combination of units and stock holdings held in the name of the Accountant General with a market valuation of approximately £283m (2005/06: £208m).

Further information is contained in the Funds in Court Part A Accounts which are audited by the Comptroller and Auditor General and laid before Parliament.

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IN BRIEF

The role of Her Majesty's Courts Service

HMCS is:

- responsible for managing magistrates' courts, the Crown Court and county courts in England and Wales. It also manages the Royal Courts of Justice, where the majority of High Court and Court of Appeal cases are heard
- an executive agency of the Ministry of Justice (previously the Department for Constitutional Affairs).

HMCS will:

- put the needs of the citizen first
- increase access to justice
- ensure respect for, and confidence in, the courts
- transform service delivery
- support the independence of the judiciary
- be an employer of choice for those wishing to deliver a first class public service.

HMCS has responsibility for 725 properties and manages 591 court-houses, including:

- 90 Crown Courts
- 360 magistrates' courts
- 228 county courts, and
- the Royal Courts of Justice.

To find out more about our performance during 2006/07 and how we've used our budget to improve courts and support the delivery of justice, go to page 27.

WHAT'S INSIDE

Her Majesty's Courts Service Annual Report 2006/07

FOREWORD

4 A year of achievement and development

Foreword from the Chief Executive Sir Ronald De Witt

FEATURES

6 Increasing access to justice

- 6 Simple, speedy, summary: transforming magistrates' courts
- 9 Increasing access to Civil Justice

10 Building safer communities

- 10 Community justice spreads to 11 new areas
- 12 Courts and the community

14 Protecting the vulnerable

- 14 Tackling domestic violence
- 17 Understanding the real impact: Improving courts for victims and witnesses
- 18 Helping families resolve issues themselves
- 19 Making family courts a better environment

20 Improving the courts and the way we work

- 20 Improving operations, improving outcomes
- 22 Notice anything different?

CHIEF EXECUTIVE'S REPORT

- 25 Purpose and structure: Our aims and objectives, Strategic principles, Objectives for 2006/07
- 26 Objectives for 2007/08: Ministers and senior officials, Governance, Management of resources, Being an employer of choice, HMCS: a diverse employer
- 27 Our performance
- 29 Management structure
- 30 HMCS Board
- 31 HMCS Audit Committee
- 32 Statement of Chief Executive's responsibilities, Statement on internal control
- 35 Board members' remuneration report

ACCOUNTS 2006/07

- 39 The Certificate and Report of the Comptroller and Auditor General to the House of Commons
- 40 Income and expenditure account, Statement of recognised gains and losses
- 41 Balance sheet
- 42 Cash flow statement
- 44 Notes to the accounts



A YEAR OF ACHIEVEMENT AND DEVELOPMENT

Foreword from the Chief Executive

It's sometimes hard to believe that Her Majesty's Courts Service (HMCS) has only been in operation for two years. In that time, we've not only seen enormous change but also achieved so much. My report this year looks at the changes, but more importantly at our achievements.

For example, in July 2006 the Lord Chancellor launched his blueprint for *Delivering Simple, Speedy, Summary Justice* in magistrates' courts. In four test areas, we've already seen trials take place sooner and offenders sentenced faster. It's a similar approach to community justice, dealing with the specific concerns of local residents, which has proved so successful in both Liverpool and Salford, leading to the decision to introduce community justice in 11 new areas over the coming year.

We've made significant progress over the last couple of years in our commitment to protect the vulnerable. We are tackling domestic violence through both criminal and civil courts, as well as through our involvement in new processes outside court that try and reduce the risk of repeat victimisation. We are continuing to protect victims and witnesses when they come to court through better case management and investment in premises.

We're also working hard to provide justice in other ways, such as mediation, both in civil and family cases. The underlying aim is to resolve these disputes faster but also in a less adversarial way, because the relationships – both commercial and family – may need to continue.

All of these successes are detailed further in this report, and credit for them lies with our staff, working closely with partners across the justice system. I can only praise the way everyone has responded positively to new policies, processes and practices.

During the year I have made frequent visits to courts and I continue to be impressed by the hard work and dedication of our staff, and the level of service they deliver to court users. This year, I am also particularly proud of the support and guidance that HMCS has provided overseas. We have continued

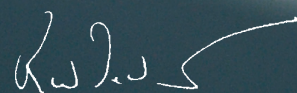
to forge links with court services in other countries; sharing best practice with them and, where possible, learning from their operational processes and procedures.

But looking forward, we recognise that there is much more that can be done to transform service delivery and improve the public experience of going to court. Our comprehensive change programme is now under way, which will enable us to achieve these goals.

The programme aims to help us become more effective as an organisation – delivering a better service to court users and the public as a whole, while generating operational efficiencies. One of the foundations of the programme was Area Restructuring, which meant that we've restructured our operations over the last 12 months, bringing the number of areas down from 42 to 25. This is a change that is already bearing fruit, streamlining administration and helping us to exceed the efficiency target set for us: an invaluable achievement, especially given the ongoing need for all government organisations to work within tight financial constraints.

Further changes will not only deliver greater efficiencies but also help to increase customer choice and enable us to work more effectively with our partners.

Alongside this business change, the year also saw the Lord Chancellor consulting HMCS staff extensively to help put together eight promises which will enable us to deliver a step change in performance across England and Wales. These promises build on work we're already doing, and embody the dedication of everyone in HMCS to support court users. Taking the promises forward and ensuring that best practices are shared are amongst the most exciting opportunities of the coming year. Moreover, now that we are part of the new Ministry of Justice, I believe we will be in a better position than ever to improve service and support our partners within the justice system.



Sir Ronald De Witt
Chief Executive, HMCS

The PFI commitments relate to contracts for the provision of accommodation and other services; these commitments include repayment of capital, interest payable and a charge for the provision of services. Future annual payments are indexed, generally by 2% per annum, but may vary in accordance with formulae based on operating requirements.

HMCS has entered into nine PFI arrangements; a summary of each contract is set out below.

Project name	Contract start date	Duration (years)	On/off balance sheet under FRS5 ¹	Capital value (£m)	Description
Probate Records	July 1999	25	Off	10.9	Provision of storage and retrieval services.
Exeter	November 2002	30	On	20.1	Provision of a courthouse comprising four criminal courts, one civil court, four district judges hearing rooms and further related administrative space. At the end of the contract term the building will revert to HMCS at no cost.
East Anglia	October 2002	25	On	34.5	Provision of Crown Court centres in Ipswich and Cambridge. Ipswich comprises five criminal courtrooms; Cambridge comprises three criminal courtrooms. At the end of the contract term the buildings will revert to HMCS at no cost.
Sheffield	November 2002	25	On	7.7	Provision of a Family Hearing Centre in Sheffield consisting of two family courtrooms, two hearing rooms and a training room. At the end of the contract term HMCS has the option of acquiring the under-lease at the lower of its open market value or £2m.
Derbyshire Magistrates' Courts	August 2001	27	On	29.5	Provision of serviced accommodation for magistrates' courts at New Mills, Chesterfield and Derby. The length of this PFI contract can be extended (subject to agreement of mutually acceptable terms) by up to five years. No construction at New Mills has taken place to date due to planning permission issues.
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 length of this PFI contract can be extended for another ten years by giving notice at least twelve months before the date on which the contract would otherwise expire.
Manchester Magistrates' Court	March 2001	25	On	32.9	Provision of an 18-courtroom courthouse in Manchester as part of an overall complex including retail units and coroner's court.
Humber-side Magistrates' Courts	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HMCS has the option of taking the assets back for a nominal amount of £3m.
Avon and Somerset Magistrates' Courts ²	August 2004	27	On	19.6	Provision of serviced accommodation for magistrates' courts and offices in Bristol and North Somerset. One remaining site will open in 2007/08 (Bristol Magistrates' Court).

Note:

1. Financial Reporting Standard 5 Application Note F defines whether the related assets and liabilities of a PFI contract should or should not be included on the balance sheet of an entity, this depends upon whether the risks and rewards of ownership rest with that entity.
2. Avon and Somerset Magistrates' Court is made up of three sites, two of which are currently operational. The third, Bristol Magistrates' Court, is currently under construction and will become operational during 2007/08; this building has a capital value of £27.0m and would increase the total initial capital value of the project to £46.6m.

| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

11.2 Revaluation reserve

	2006/07 £000	2005/06 £000
Balance at start of year	292,286	–
Revaluation of fixed assets during year	175,007	297,254
Transfer to general fund of realised element of reserves	(13,452)	(4,968)
Balance at end of year	453,841	292,286

11.3 Notional costs

	Notes	2006/07 £000	2005/06 £000
Consolidated fund judicial salaries and social security costs	4.2	127,599	125,989
External auditor's remuneration	5.1	358	450
Notional rent	5.1	2,300	2,301
Departmental recharge	5.1	91,020	99,502
Interest on capital	5.2	77,115	70,756
Total notional costs		298,392	298,998

12. Capital commitments

Contracted capital commitments as at 31 March 2007, for which no provision has been made, amounted to £35.5m (2005/06: £60.3m) in relation to property developments.

13. Commitments under operating leases

HMCS was committed to making the following payments during the subsequent year in respect of operating leases expiring:

	2006/07 Land and buildings £000	2006/07 Other £000	2005/06 Land and buildings £000	2005/06 Other £000
Within one year	9,431	600	2,555	162
After one year but not more than five years	5,479	798	5,276	358
After more than five years	24,005	–	23,626	1
Total commitments under operating leases	38,915	1,398	31,457	521

14. PFI commitments

At 31 March 2007 HMCS was committed to making the following payments during the next year in respect of PFI contracts expiring as follows:

	16-20 years £000	21-25 years £000	26-30 years £000	Total £000
Probate Records	1,856	–	–	1,856
Exeter	–	2,859	–	2,859
East Anglia	5,355	–	–	5,355
Sheffield	979	–	–	979
Derbyshire Magistrates' Courts	–	4,945	–	4,945
Hereford and Worcester Magistrates' Courts	4,910	–	–	4,910
Manchester Magistrates' Court	5,736	–	–	5,736
Humberside Magistrates' Courts	4,237	–	–	4,237
Avon and Somerset Magistrates' Courts	–	4,352	–	4,352
Total PFI commitments for the year 2006/07	23,073	12,156	–	35,229
Total PFI commitments for the year 2005/06	14,901	13,577	4,359	32,837



| FEATURES |

Increasing access to justice

SIMPLE, SPEEDY, SUMMARY

Four areas of the country see the benefits of a new way of working in magistrates' courts

July 2006 saw the Lord Chancellor publish *Delivering Simple, Speedy, Summary Justice* – a blueprint for a new way of working in magistrates' courts. HMCS has tested the programme in four areas and is seeing real success.

A young man is arrested for stealing a mobile phone. The victim sees the crime taking place: she'd been at school with the offender. It seems like a straightforward prosecution. But in the past the case might have got delayed in the system. By the time the court date came up, the victim could have lost interest – she's got a new phone – and the young man may have committed other, more serious crimes.

This is precisely the kind of scenario that *Delivering Simple, Speedy, Summary Justice* sets out to tackle. Published as a combined response to a wholesale review of magistrates' courts in particular, it looks at ways to reduce delay and make better use of every hearing.

The review highlighted some key problems, in particular the fact that cases were taking too long to reach a conclusion – perhaps due to the overly complex processes being used, or because prosecution or defence papers weren't ready. The outcomes were that court time was being wasted and victims and witnesses were losing confidence in the system.

Practical measures

The programme proposed a number of measures, concentrating particularly on pre-court preparation, effective first hearings and real case progression between first hearing and trial.

This is intended to build community confidence and tackle offending behaviour immediately. At the same time, we have looked to help prosecution and defence teams prepare more fully for going to court by giving defence solicitors more information before first hearings, meaning that they can

advise their client and so increase the likelihood of entering a plea.

We tested these new measures out in four areas: West Cumbria, Coventry, Camberwell and Thames (both in London). Across the board, they led to magistrates being able to make decisions faster and so allow court staff to progress cases more quickly. The impact can be illustrated by:

- a large reduction in the time taken between first hearing and trial
- a halving of the average time from charge to first hearing
- a 70% reduction in interim hearings between first hearing and trial
- a 30% increase in guilty pleas at first hearing
- 59% of those pleading guilty now being sentenced at first hearing.

Partnership for progress

The credit for this success doesn't just lie with the courts: it's an approach that demands better information sharing across the criminal justice system and the strong direction of Local Criminal Justice Boards. But with success rates like these, partners are as committed to the programme as we are – so we are introducing the approach in more courts across England and Wales throughout 2007/08.

“One of the great things about this initiative has been the partnership approach of the agencies, the number of guilty pleas that come out at the first hearing, the ability to fix a trial on the first hearing without intervening court appearances taking the case straight to trial.”

David Hansford
Divisional Crown Prosecutor in Cumbria



| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

10.3 Provision for by-analogy pension scheme

	2006/07 £000	2005/06 £000
Balance at start of year	2,449	–
Provision introduced on HMCS creation	–	2,433
Increase in provision	97	121
Utilised in year	(97)	(105)
Balance at end of year	2,449	2,449

This pension provision relates to the pension scheme that HMCS operates on behalf of the Law Commission by analogy with the PCSPS. During the year, payments made to pensioners are set against the provision. At the year-end, the pension liabilities are valued in accordance with the Treasury guideline and the cost of augmenting the provision is charged as a cost to the income and expenditure account.

10.4 Other provisions

	2006/07 £000	2005/06 £000
Balance at start of year	5,970	–
Provision introduced on HMCS creation	–	4,249
Increase in provision	15,486	2,281
Utilised in year	(602)	(560)
Balance at end of year	20,854	5,970

Provision has been made in respect of ongoing legal costs associated with the transfer of ownership of properties originally intended to form part of the property transfer scheme as detailed in note 6. Provision has also been made in respect of corrective payments relating to children's funds as detailed in note 18. Other provisions have been made in respect of specific claims lodged with HMCS: these include claims in respect of the administration of court proceedings, third party liability and employment tribunals' proceedings.

11 Reserves

11.1 General fund

	Notes	2006/07 £000	2005/06 £000
Balance at start of year		2,394,147	–
Net resources introduced resulting from the formation of HMCS		431,206	1,983,579
Funding from the DCA		702,525	1,117,111
Net cost of operations		(999,538)	(1,010,509)
Transfer from revaluation reserve	11.2	13,452	4,968
Notional costs	11.3	298,392	298,998
Other general fund movements		(458,910)	–
Balance at end of year		2,381,274	2,394,147

Net resources introduced resulting from the formation of HMCS in 2006/07 consist of two elements. There are magistrates' court properties transferred into HMCS as a result of the property transfer scheme put in place at the creation of HMCS, referred to in note 6; these total £490.7m. There are also the liabilities to bear 80% of the repayments of commercial loans taken out, prior to the formation of HMCS, by local authorities that relate to the capital cost of properties due to transfer from the local authorities as a result of the property transfer scheme; these total £59.5m and are included within other creditors in notes 9.1 and 9.2.

Other general fund movements in 2006/07 include the settlement of the 2005/06 intra-departmental balance of £468.6m in respect of legal aid payments. Other movements relate to corrections to PFI creditors and to fixed asset valuations in the previous period.

| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

10. Provisions for liabilities and charges

	Notes	2006/07 £000	2005/06 £000
Provision for pension transfer deficit	10.1	218,000	243,000
Provision for early departure costs	10.2	93,624	88,242
Provision for by-analogy pension scheme	10.3	2,449	2,449
Other provisions	10.4	20,854	5,970
Total provisions		334,927	339,661

The provisions fall due within:

	2006/07 £000	2005/06 £000
One year	45,340	33,155
Two to five years	111,280	130,370
More than five years	178,307	176,136
Total provisions	334,927	339,661

10.1 Provision for pension transfer deficit

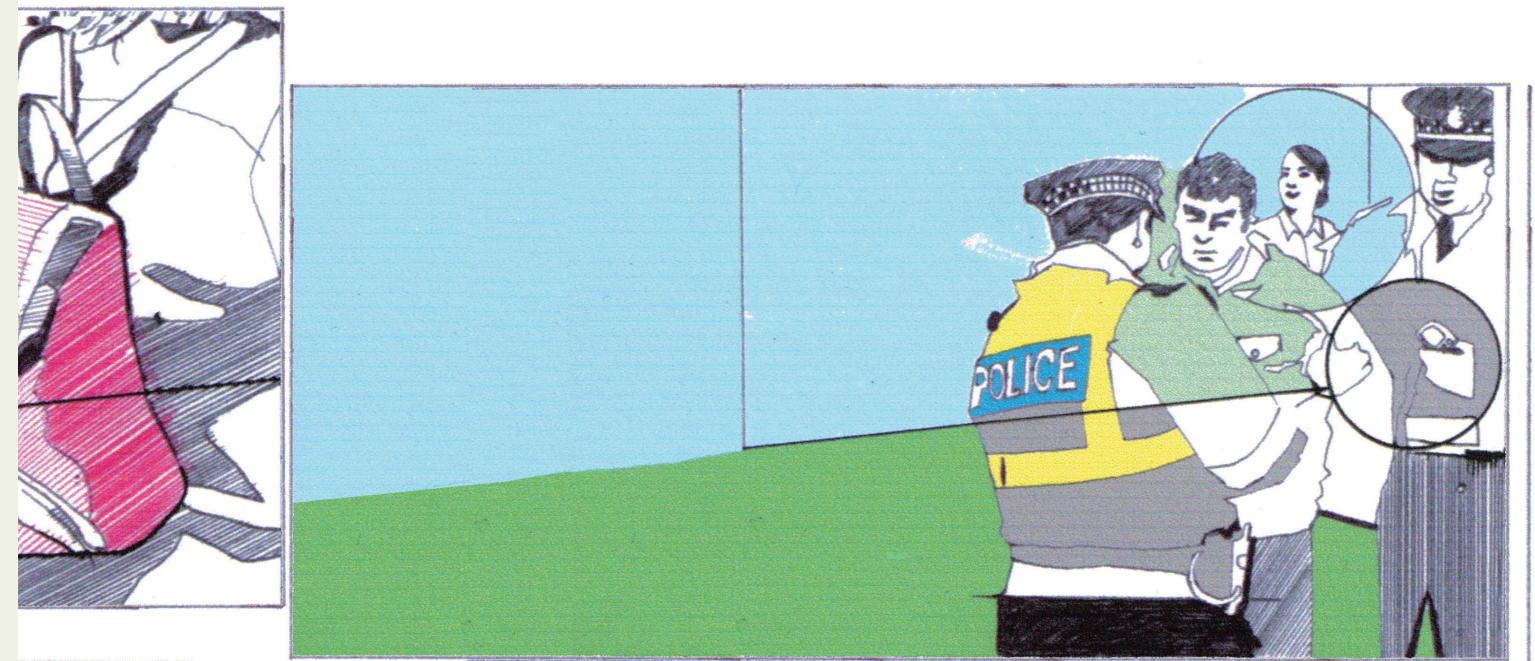
	2006/07 £000	2005/06 £000
Balance at start of year	243,000	–
Provision introduced on HMCS creation	–	268,000
Utilised in year	(25,000)	(25,000)
Balance at end of year	218,000	243,000

The provision relates to the liability arising from the transfer of pension arrangements of the former magistrates' courts committees staff from their previous pension providers, the local government pension schemes (LGPS), to the PCSPS. The liability arising due to the shortfall in the funding of the LGPSs has been estimated by the Government Actuary's Department. A payment of £25.0m (2005/06: £25.0m) has been made in the year to the PCSPS as part settlement of the estimated deficit.

10.2 Provision for early departure costs

	2006/07 £000	2005/06 £000
Balance at start of year	88,242	–
Provision introduced on HMCS creation	–	88,472
Increase (decrease) in provision	5,147	(604)
Unwinding of discount	5,300	5,278
Utilised in year	(5,065)	(4,904)
Balance at end of year	93,624	88,242

Provision has been made for the costs of unfunded early retirement benefits of certain magistrates' court staff previously paid for by local authorities on a cash basis. 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 HMCS staff in the PCSPS. Provision has also been made for costs related to the reorganisation and modernisation programme.



70%
reduction in interim hearings
between first hearing and trial

30%
increase in guilty pleas
at first hearing

59%
of those pleading guilty
now being sentenced at
first hearing

“Defence solicitors are always keen to make progress at court, but often, without having the paperwork ready, it is not possible for them to properly advise their clients. These processes are helping to address some of these issues.”

Rodney Warren
Director of the Criminal Law Solicitor's Association



Working Together

Offenders beware!

The National Enforcement Service (NES) is fully operational in the North West and is being rolled out nationally. Its aim is to ensure offenders, defendants and defaulters obey court orders. NES' focus on greater sentence compliance and enforcement requires more collaboration, increased intelligence sharing, centralised information, standard processes and less duplication between courts and other agencies such as the police, National Offender Management Service and the Crown Prosecution Service.



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| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

9. Creditors

9.1 Amounts falling due within one year

	2006/07 £000	2005/06 £000
Taxation and social security	15,421	15,149
Trade creditors	21,988	3,928
Other creditors	25,195	11,735
Accruals and deferred income	89,861	100,608
Obligations under finance leases	18	16
Creditor for capital value of PFI contracts	8,042	6,329
Cash balances payable to the other government departments	50,449	33,733
Third party balances	36,859	9,957
Intra-departmental creditors	13,579	–
Total amounts falling due within one year	261,412	181,455

9.2 Amounts falling due after more than one year

	2006/07 £000	2005/06 £000
Creditor for capital value of PFI contracts	157,803	161,279
Accruals, deferred income and other creditors	71,143	11,512
Obligations under finance leases	24	136
Total amounts falling due after more than one year	228,970	172,927

The creditors fall due within:

	2006/07 £000	2005/06 £000
One to two years	13,065	11,336
Two to five years	38,038	32,300
More than five years	177,867	129,291
Total amounts falling due after more than one year	228,970	172,927

9.3 Analysis of creditor balances by organisational type

HMCS holds creditor balances for the following types of organisations:

	Amounts falling due within one year £000	2006/07 Amounts falling due after one year £000	Amounts falling due within one year £000	2005/06 Amounts falling due after one year £000
Other central government bodies	86,333	–	58,490	–
Local authorities	4,548	65,201	2,037	8,465
Bodies external to government	170,531	163,769	120,928	164,462
Total creditors	261,412	288,970	181,455	172,927

| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

7. Debtors

	2006/07 £000	2005/06 £000
Amounts falling due within one year		
VAT recoverable	10,672	6,552
Trade debtors	7,533	13,048
Deposits and advances	978	2,223
Other debtors	9,429	22,456
Prepayments and accrued income	19,834	22,190
Prepayments on PFI contracts	–	23
Intra-departmental debtors	21,216	447,150
Total debtors falling due within one year	69,662	513,642
Amounts falling due after one year		
Deposits and advances	44	62
Prepayments	110	278
Total debtors falling due after one year	154	340
Total debtors	69,816	513,982

HMCS holds debtor balances for the following types of organisations:

	2006/07 Amounts falling due within one year £000	2006/07 Amounts falling due after one year £000	2005/06 Amounts falling due within one year £000	2005/06 Amounts falling due after one year £000
Other central government bodies	54,013	–	473,099	–
Local authorities	910	–	9,363	–
Public corporations and trading funds	373	–	200	–
Bodies external to government	14,366	154	30,980	340
Total debtors	69,662	154	513,642	340

8. Cash at bank and in hand

	2006/07 £000	2005/06 £000
Office of HM Paymaster General	126,691	52,914
Commercial banks	14,755	8,437
Cash in hand	667	602
Imprest accounts	74	124
Total cash at bank and in hand	142,187	62,077

HMCS maintains commercial bank accounts for use by the magistrates' courts for depositing funds, which are then transmitted at regular intervals to the account maintained with the Office of HM Paymaster General (OPG). OPG accounts are also maintained for Crown and county courts and for centralised functions.

Included within the Office of HM Paymaster balance above is £36.9m (2005/06: £10.0m) held as third party balances as shown in note 9.1 below.

| FEATURES |

Increasing access to justice

INCREASING ACCESS TO CIVIL JUSTICE

While simple, speedy, summary justice is transforming the way criminal cases are dealt with in the magistrates' courts, we are also working to make access to justice faster and more flexible in civil cases.



COURT SERVICES

Your way

Phone in to court. Hours saved and reduced costs for litigants, more effective use of court premises: just some of the benefits of the nationwide roll-out of telephone hearings in county courts. Now most allocation hearings, listing hearings and interim applications are set to be handled by telephone conference – a move that has won immediate approval in each area as it was introduced.

Make your claim online
October 2006 saw the launch of Possession Claim Online

(PCOL), which enables property owners to apply electronically for repossession when rent or mortgages aren't paid. This addition to HMCS' online service portfolio makes claiming far simpler and faster: fees are paid electronically, claims issued straight away and hearing dates scheduled automatically.

Piloted extensively in South Wales, PCOL reflects our aim of increasing the proportion of civil cases started electronically to at least 75% by 2010.

THE MANCHESTER SMALL CLAIMS MEDIATION SCHEME

Case study

In June 2005, we set up a series of pilot schemes to provide a free in-court mediation service for small claims cases with a full-time, court-based mediator.

“For some people, taking a case to court can appear intimidating, time consuming and stressful – not to mention costly,” explains James Rustidge, the in-court mediator at Manchester. “Mediation provides an alternative that allows parties to discuss the issues in a less formal environment, to ‘patch-up’ differences and most importantly to agree a settlement.”

It's an alternative that more and more people are proving willing to choose – and with good reason. In the calendar year after the Manchester pilot scheme was set up, 121 small claims mediations were conducted, often by telephone rather than requiring a face-to-face meeting; 86% resulted in settlement on the day. Others were resolved by mediation

before a full court hearing was required.

Overall, that meant that the average time from submission to settlement was just four weeks – compared to 10 or 12 when a court hearing was required.

Equally importantly, none of the mediated claims required enforcement action afterwards – something James puts down to the fact that claims can be settled in a wide range of ways, as long as parties agree. “This can be particularly beneficial where a continuing relationship is necessary,” he adds, “for example in a business case.”

As a testimony to the success of the scheme, the judiciary in Manchester are now referring more than 75% of all small claims cases to the mediator. Similar schemes are now being rolled out across England and Wales. Nine further mediators have already been appointed, with the aim that by April 2008 all court users will have access to a small claims mediation service.

75%+
of all small claims cases are referred to a mediator

86%
Settled on the day

COMMUNITY JUSTICE

Spreads to 11 new areas

Following the success of two pilot community justice projects, HMCS announced plans to introduce community justice schemes in 11 new areas of England and Wales.

But as well as setting up specific projects, HMCS has announced its intention to embed “the underlying principles behind community justice in all magistrates’ courts.”

Community justice is about improving local quality of life, with all the criminal justice agencies joining with the community to combat crime and anti-social behaviour that make lives miserable. Less than two years after the pilot projects went live in Liverpool and Salford, the programmes have meant that communities have seen many of their specific concerns – both about individual offenders and about types of crime – being dealt with in innovative ways.

Judges and magistrates have been highly visible and approachable, and taken



Communities have seen their specific concerns being dealt with in innovative ways

a hard yet innovative stance to tackle both individual offending behaviour and particular types of crime.

For instance, to tackle kerb-crawling in a street in Liverpool, the judge banned offenders from driving. And

when residents informed ‘their’ judge that – due to vandalism and fly-tipping – the local canal had become dangerous, young offenders were punished by being ordered to clean up the canal.

In both areas, more offenders are receiving community orders (over 40% of all sentences handed down in the North Liverpool Community Justice Centre) rather than custodial sentences, often leading to restorative justice or community work; attendance rates are high at court and more guilty pleas are entered at first hearing.

Working across the justice system – in particular with social services and the National Offender Management Service – we aim to replicate this problem-solving approach in the new areas. These are Birmingham, Bradford, Devon and Cornwall, Kingston upon Hull, Leicestershire, Merthyr Tydfil, Middlesbrough, Nottingham and three locations in London: Haringey, Newham and Wandsworth.

Salford has led the way in the use of unpaid work in the community as a key part of sentencing. What do those affected think?

Community member

“It’s not only a punishment – doing something in the community that may well make other people’s lives a bit better is making it right.”

Magistrate

“Offenders . . . are putting something back into the community that they have lived in, maybe all their lives, but never felt a part of. They can get something out of that as well.”

Offender

“I think it’s a good idea – to do it where you’ve offended, because it serves the people that you’ve done it to.”

6. Tangible fixed assets

	Land and buildings excluding dwellings ^{1,2} £000	Dwellings ³ £000	Information technology ⁴ £000	Plant and equipment £000	Furniture, fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation at 1 April 2006	2,630,163	22,944	81,198	5,054	13,004	67,564	2,819,927
Assets introduced resulting from the formation of HMCS	492,604	–	–	–	–	–	492,604
Additions	12,933	–	5,548	2,865	925	77,343	99,614
Disposals	(8,776)	–	(113)	(565)	(680)	(936)	(11,070)
Revaluation	81,459	2,204	(1,126)	(675)	(590)	–	81,272
Reclassification	29,918	–	(668)	949	–	(30,199)	–
Transfers to the DCA	–	–	378	(522)	89	–	(55)
At 31 March 2007	3,238,301	25,148	85,217	7,106	12,748	113,772	3,482,292
Depreciation at 1 April 2006	–	–	10,386	2,231	2,893	–	15,510
Assets introduced resulting from the formation of HMCS	1,948	–	–	–	–	–	1,948
Charged in year	79,090	274	13,625	2,110	1,857	–	96,956
Disposals	(482)	–	(46)	(431)	(641)	–	(1,600)
Revaluation	(80,556)	(274)	2,439	(68)	(472)	–	(78,931)
Reclassification	–	–	198	(198)	–	–	–
Transfers to the DCA	–	–	286	(354)	56	–	(12)
At 31 March 2007	–	–	26,888	3,290	3,693	–	33,871
Net book value At 31 March 2007	3,238,301	25,148	58,329	3,816	9,055	113,772	3,448,421
At 31 March 2006	2,630,163	22,944	70,812	2,823	10,111	67,564	2,804,417

Notes:

- Included under land and buildings excluding dwellings are assets with a net book value of £521.0m (2005/06: £89.0m) and depreciation charged in the year of £3.4m (2005/06: £2.1m) for which HMCS holds the risks and rewards of ownership but does not hold legal title; these have arisen as a result of the PTS referred to below.
- Included under land and buildings excluding dwellings are PFI contract assets with a net book value of £202.6m (2005/06: £171.8m) and depreciation charged in year of £8.2m (2005/06: £4.7m); also finance lease assets with a net book value of £186.3m (2005/06: £162.1m) and depreciation charged in the year of £6.5m (2005/06: £5.3m).
- Included under dwellings are finance lease assets with a net book value of £5.4m (2005/06: £5.0m) and depreciation charged in the year of £0.1m (2005/06: £0.1m).
- Included under information technology are PFI contract and other finance lease assets with a net book value of £0.1m (2005/06: £0.5m).

The assets introduced resulting from the formation of HMCS, shown within land and buildings excluding dwellings, are those properties that did not transfer to HMCS in 2005 as a result of the property transfer scheme (PTS) ‘The Transfer of Property (Abolition of Magistrates’ Courts Committees) Scheme 2005’. These properties have been included within fixed assets during the year as a result of either the actual transfer of legal title or in order to reflect the substance of the status of these properties whereby the risks and rewards of ownership rests with HMCS.

In addition to the fixed assets above there are 43 properties which did not transfer to HMCS in 2005 as a result of the PTS. In these cases the property transfers were declared invalid in a high court judgement in 2005, however the right to use these properties for magistrates’ courts purposes is secured by the PTS. These properties have been valued at the balance sheet date, according to HMCS accounting policy, at £67.2m. In addition to the fixed assets above, there are assets under construction with a carrying value of £27.8m (2005/06: £19.3m) relating to the Libra project which provides IT services for the magistrates’ courts, these fixed assets are held within the Ministry of Justice (formerly the DCA) core departmental accounts.

There are six operational heritage assets included in the portfolio of land and buildings. These grade one listed monuments are all valued at depreciated replacement cost and on the identical replacement cost basis.

| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

5. Other administrative costs

5.1 Other operating costs

	2006/07 £000	2005/06 £000
Accommodation, maintenance and utilities	204,550	198,378
Juror costs	40,495	39,580
PFI service charges	30,374	39,661
Communications, office supplies and services	31,506	37,367
Contracted service costs	45,437	46,677
Agency staff and consultancy costs	11,038	13,308
Other grants	8,606	8,778
Miscellaneous	17,002	6,847
Other staff costs (including travel, subsistence and hospitality)	11,194	11,421
Other judicial costs (including travel and subsistence)	32,525	31,519
Operating leases:		
Property rental costs	35,443	29,611
Hire of plant and machinery	1,733	1,462
Other expenditure	142	1,207
Non-cash costs:		
External auditor's remuneration	358	450
Profit on disposal of fixed assets	(7,462)	(3,169)
Permanent impairment in asset value	14,804	22,553
Notional rent	2,300	2,301
Movement in provisions	26,030	7,077
Prepayment on PFI contracts	23	45
Departmental recharges	91,020	99,502
Movement in bad debt provision	772	(148)
Total other operating costs	597,890	594,427

5.2 Interest payable

	2006/07 £000	2005/06 £000
Notional interest on capital	77,115	70,756
Finance charges on leased assets	10,008	27
Total interest payable	87,123	70,783

The notional interest on capital charge reflects the cost of capital utilised by HMCS to undertake its business and deliver services. Even though this is a notional non-cash cost, it is still charged as an expense through the income and expenditure account and is reflected in the net cost of operations figure.

Finance charges on leased assets include a calculation of the interest element of PFI unitary payments at £10.0m (2005/06: £10.2m); in 2005/06 this charge was included in PFI service charges in note 5.1.



Working Together

Justice in the community for the community

"We want the legal system to work at a local level for the benefit of local people, helping to solve the problems that cause crime, as well as dealing with crime itself... Some of our neighbours are already telling me they feel safer and that the area is starting to change. Their views are the ones that matter."

Judge David Fletcher
North Liverpool Community Justice Centre

- Courts connecting to the community
- Justice seen to be done
- Cases handled robustly and speedily
- Strong independent judiciary
- Solving problems and finding solutions
- Working together
- Repairing harm and raising confidence
- Reintegrating offenders and building communities

◀ Judge David Fletcher

COURTS AND THE COMMUNITY

Working for the public, with the public

INSIDE JUSTICE WEEK

Inside Justice Week gave courts across England and Wales an opportunity to build links with their local communities. More than 15 courts held open days and mock trials, while representatives from other courts joined panel discussions about justice.

Poole

Court staff from Poole in Dorset put on an exhibition in the local shopping centre, giving members of the community the chance find out more about the justice system.

Neath & Port Talbot

In Neath and Port Talbot, South Wales, the court facilitated a domestic violence awareness workshop, raising money for charity and awareness of the issue.

Lewes

An open day at Lewes Combined Court in East Sussex saw more than 2,500 visitors learn about justice today and in days gone by.

LISTENING TO OUR CUSTOMERS

Making changes

Making premises more accessible is often seen as a massive investment. But thanks to a programme of visits from users with disabilities, courts in the Humber area have been able to make valuable improvements to their premises at little or no cost.

Throughout 2006, customer service officers from the area arranged visits to their buildings from a diverse range of users with disabilities such as autism, hearing difficulties and visual impairment, as well as those with mobility issues who required a wheelchair. The purpose of these visits

was to seek the views and comments of local user groups on the facilities provided in their respective courts.

Visitors were taken on a tour of all areas available to members of the public, looking at issues such as the type of signage provided, information on noticeboards, the height and colour of notices, the layout of seating in waiting areas and the visibility of edges of stairs.

The officers took time to elicit comments and talk through concerns with all the visitors and as a result were able to recommend and implement low-cost changes that help address the needs of these groups.

As an indication of how much this was appreciated by the groups themselves, they then provided support to the area on assessment for Charter Mark accreditation.

The purpose of these visits was to seek the views and comments of local user groups on the facilities provided in their respective courts

Pension benefits are provided through PCSPS arrangements. From 1 October 2002, civil servants may be in one of three statutory-based 'final salary' defined benefit schemes: classic, premium and classic plus. The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of the premium scheme or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for the classic scheme and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable earnings for each year of service; additionally, a lump sum equivalent to three years' pension is payable on retirement. Benefits in premium accrue at the rate of 1/60th of final pensionable earnings for each year of service; there is no automatic lump sum but members may commute some of their pension to provide a lump sum. Classic plus is a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5%, depending on the age of the member, into a stakeholder pension product chosen by the employee. The employee does not have to contribute, but where employees do make contributions the employer will match these up to a limit of 3% of pensionable salary in addition to the employer's basic contribution. Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

4.2 Judiciary

Members of the judiciary are independent of HMCS. Their payroll costs are met either from the consolidated fund in the case of senior judiciary, or directly by HMCS for other members of the judiciary. All costs are included within the HMCS accounts.

	2006/07			2005/06		
	Senior judicial salaries £000	Other judicial salaries £000	Total £000	Senior judicial salaries £000	Other judicial salaries £000	Total £000
Wages and salaries	114,129	72,962	187,091	112,943	74,464	187,407
Social security costs	13,470	8,509	21,979	13,046	8,413	21,459
Employer's pension contributions	35,718	14,361	50,079	32,929	13,292	46,221
Total payroll costs of the judiciary	163,317	95,832	259,149	158,918	96,169	255,087

HMCS meets the salary costs of District Judges and all fees paid to Deputy Judges. Costs include salary costs for 520 judicial officers (2005/06: 513 judicial officers) and 73,141 fee paid days (2005/06: 71,787 fee paid days), equivalent to 340 full-time District Judges (2005/06: 334 full-time District Judges). The salary costs of a further 942 members (2005/06: 926 members) of the senior judiciary were met from the consolidated fund.

The judicial superannuation scheme is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HMCS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2005. Details can be found in the resource accounts of the JPS at www.official-documents.co.uk

Judicial pensions are paid out of the consolidated fund where the judicial office holder's salary was paid from that fund, or the JPS where the salary has been paid from the Department's supply estimate. Superannuation has been included for judicial salaries using a rate of 30.75% (2005/06: 29.25%).

The benefits payable are governed by the provisions of either the Judicial Pensions Act 1981 for those judicial office holders appointed before 31 March 1995, or the Judicial Pensions and Retirement Act 1993 for those newly appointed or appointed to a different judicial office on or after that date.

| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

4. Staff and judiciary costs and numbers

Staff costs and numbers are broken down between those attributable to employees of HMCS and those attributable to members of the judiciary.

	Notes	2006/07 £000	2005/06 £000
Staff costs	4.1	554,350	546,349
Judicial costs	4.2	259,149	255,087
Total staff and judicial costs		813,499	801,436

4.1 HMCS staff

	2006/07 £000	2005/06 £000
Wages and salaries	445,070	444,628
Social security costs	32,021	31,660
Employer's pension contributions	77,322	71,020
	554,413	547,308
Add: inward secondments	854	714
	555,267	548,022
Less: recoveries in respect of outward secondments	917	1,673
Total staff costs	(554,350)	(546,349)

The average number of full-time equivalent staff employed during the year, including Board members, was:

	2006/07	2005/06
Magistrates' courts	7,435	7,830
County courts	4,533	4,762
Crown Court	2,304	2,540
Civil appeals	67	68
Criminal appeals	102	110
Royal Courts of Justice	1,068	1,193
HQ, including judges' lodgings	553	487
CFO	140	139
Enforcement	1,027	1,094
National taxing team	110	122
Other offices	2,647	2,644
Total staff numbers	19,986	20,989

The staff numbers for magistrates' courts have been realigned to current HMCS business activity areas and incorporate other business changes during the year, for easier comparison with 2005/06 staff numbers.

In addition to the staff shown above, HMCS paid for 63,795 days of casual employment (2005/06: 79,223 days), equivalent to 319 full-time staff (2005/06: 396 full-time staff). Included within the wages and salaries figure above is £15.1m (2005/06: £15.7m) relating to agency and contract staff.

The PCSPS is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HMCS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006/07, employer's contributions of £77.3m were payable to the PCSPS (2005/06: £71.0m) at one of four rates in the range of 17.1% to 25.5% of pensionable pay based on salary bands. Employer's contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.



THE NEW GENERATION

There's more to law

If you gained all your knowledge of courts through the television, you'd be forgiven for thinking that the only people who work in court are barristers, judges and the occasional clerk. But in reality, courts offer a wide range of career opportunities - something the Mid and West Wales area courts staff, in conjunction with Careers Wales, were keen to demonstrate.

They hosted a one-day event called 'There's More to Law' which gave local students the chance to learn about the huge variety of legal career opportunities available to them, including those within courts.

The event took place at Haverfordwest and Llanelli Law Courts and gave students a chance to take part in mock trials, visit the cells and see a presentation about the way courts work and the different job roles involved in hearing a case.

Feedback was hugely positive, so much so that the team are currently investigating the possibility of filming the next event to give students who cannot attend the same insight.

Many other courts across the country are working with local schools to help with justice-related projects, to host mock trials and to offer visits.

AN INTERNATIONAL PERSPECTIVE

Court managers for Romania

Our expertise and insight into running courts and administering justice is recognised internationally, and we receive a number of requests every year for advice and assistance in developing court systems. Such requests not only mean we can use our knowledge to support justice and citizens in other countries, but they also provide an excellent opportunity for us to learn from our international peers.

One request we responded to during 2006/07 was from the Romanian Ministry of Justice, to help them reform the court system in Romania. The international partnership, set up following a meeting

between Baroness Ashton, then Parliamentary Under Secretary of State, and the Romanian Minister of Justice Madame Monica Macovei, focused in particular on looking at how to reduce the administrative burden on Romanian judges.

Following a fact-finding visit, HMCS staff recommended the introduction of court managers within Romanian courts, and have helped the Romanians put together a comprehensive business case. Senior Romanian judges have also visited courts in the UK, looking in particular at the way court managers work, as well as observing the justice system more widely.

TACKLING DOMESTIC VIOLENCE

Domestic violence remains a serious challenge and is an inter-ministerial and inter-agency priority. HMCS has played its part in combating it.

For victims of domestic violence, it can seem like there's no hiding place. And traditionally, courtrooms were no exception to that. Coming face-to-face with the abuser was often more than victims could cope with, leading to low prosecution rates and repeat offending.

In recognition of this, the Government introduced a programme working across different departments that aims to provide better support to victims, to protect those at risk (particularly through increased use of civil court injunctions) and to prosecute offenders. Specialist domestic violence courts are a fundamental part of that.

Specialist support

There are now 64 specialist domestic violence courts (SDVC) across England and Wales. They aren't separate premises, but rather specialist hearings at magistrates' courts.

Magistrates themselves receive additional training in dealing sensitively with the issue, and the courts work in close partnership with voluntary and statutory agencies, under locally developed protocols, to ensure that extra support is available for the victim both before and after the hearing. Wherever possible, victims and witnesses are kept separate from defendants while waiting and, in some cases, in the courtroom itself – giving testimony from behind a screen or over a video link.

It's an approach that is making a real difference. A victim from the North West found it a completely different experience to a previous visit to the magistrates' court, and said she really noticed the difference. "I believe 100% that I wouldn't have had the courage to report him to the police and see it through to the end if it hadn't been for the specialised court."

Changing perceptions

The experience of victims like this is helping to change perceptions and encourage people to come forward – a difference that

Carol Wakefield, the former head of the Witness Service (part of Victim Support) in Wigan, really noticed. "Word gets around that if the case is going to the SDVC, chances are that it'll be fast-tracked and offenders are more likely to plead guilty on their first appearance," Carol explains, "and more cases get a guilty plea on the day because witnesses have turned up."

Debbie Parry from the Crown Prosecution Service agrees. "There has been a profound change in how cases proceed. It is no longer typical for the abuser to make no comment at a police interview and then wait for the victim to retract, leading to a hearing delay and for the case to inevitably fail." Better for the victim – and often the rest of the family – and a better and more rewarding use of court and justice system resources.

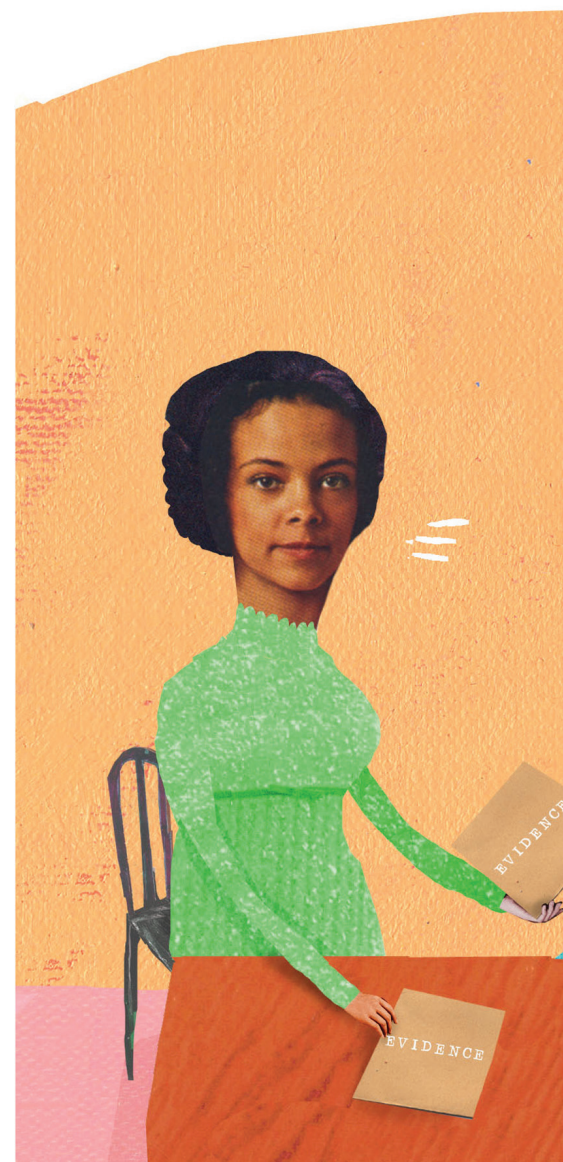
An integrated approach

The same benefits underpin an even more co-ordinated approach: the Integrated Domestic Violence Court in Croydon. Here, the same judge hears both the criminal and family aspects of a domestic violence case, ideally in one day. This reduces the stress on the victim and ensures that the criminal sentence and the family judgment are in line with each other. The criminal case is always heard first, to ensure a fair hearing, and early indications are that the integrated court is having a positive impact.

These initiatives are just part of the Government's broader approach to tackling domestic violence. Over the last year, changes have also been made to the way legal aid is provided to victims of domestic violence and those who are at risk, under the Criminal Defence Service Act 2006. The changes mean that more people will receive legal support when they need it – in family and civil cases as well as in criminal ones.

2007/08 is set to see further progress, particularly after the remaining key provisions of the Domestic Violence, Crime and Victims Act 2004 came into force on 1 July 2007.

As well as ensuring that domestic violence legislation protects former partners and non-cohabiting couples, breaching a civil order will become a criminal offence punishable by up to five years' imprisonment.



2.2 Discontinuing operations

The CFO left HMCS on 1 April 2007 and joined the Office of the Official Solicitor and Public Trustee. These discontinuing operations, included in the income and expenditure account, are as follows:

	2006/07 £000	2005/06 £000
Income		
UK Debt Management Office recoveries	13,500	15,000
Total operating income	13,500	15,000
Operating costs		
Staff costs	5,847	5,737
Other operating costs	20,153	9,263
Total operating costs	26,000	15,000
Net cost of operations	(12,500)	–

2.3 Administration and programme costs

Of the total operating costs shown in the income and expenditure account, £29.7m (2005/06: £35.9m) are classified, according to HM Treasury budgetary requirements, as administration costs; all other costs are programme costs.

3. Operating income

	2006/07 £000	2005/06 £000
Fee income	448,244	407,954
Fines income	99,433	82,784
Rental income	1,291	928
UK Debt Management Office recoveries	13,500	15,000
Miscellaneous income	33,462	31,231
Total operating income	595,930	537,897

Fee income comprises amounts received from the five business streams, civil (supreme, county and insolvency), family, non-contentious probate, magistrates' civil and magistrates' family. £357.6m (2005/06: £335.9m) was from the civil (supreme, county and insolvency) business and £54.8m (2005/06: £46.8m) from family court fees. Probate and magistrates' (civil and family) fees contributed a further £35.8m (2005/06: £25.3m).

Fines income consists of warrant enforcement, Courts Act, fine incentive, debt initiative and asset recovery income. Warrant enforcement income contributed £66.6m (2005/06: £66.6m) with an additional £12.8m (2005/06: £10.8m) from fine incentive income. Asset recovery income contributed approximately £13.1m (2005/06: £Nil). A further £6.9m (2005/06: £5.4m) was received for Courts Act income used to implement initiatives related to the national rollout of the Courts Act 2003.

UK Debt Management Office recoveries for 2006/07 consists of £11.6m (2005/06: £13.7m) for CFO operations, £0.1m (2005/06: £0.1m) for Strategic Investment Board, £1.1m (2005/06: £1.2m) for accommodation and £0.7m (2005/06: £Nil) for the investment and banking project. The income received from UK Debt Management Office is used by the CFO to recover the cost of its operations.

In 2006/07, £9.9m (2005/06: £10.5m) was from wider market initiatives, including income received for the cost of collecting and accounting for monies on behalf of the Safety Camera Partnership scheme; £13.2m (2005/06: £10.4m) was recorded for bailiff fees; £10.1m (2005/06: £6.4m) was for Legal Services Commission service charges; and other income of £0.3m (2005/06: £3.9m).

| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

	Gross income £000	Income foregone via REMEX £000	Net income £000	Expenditure £000	Net surplus/ (deficit) £000	Gross surplus/ (deficit) £000	Fee recovery actual %	Fee recovery target %
				Note 1				Note 2
Family (higher)	76,697	21,904	54,793	186,308	(131,515)	(109,611)	41	66
Family (magistrates')	3,152	639	2,513	39,215	(36,702)	(36,063)	8	
Sub-total family	79,849	22,543	57,306	225,523	(168,217)	(145,674)	35	
Civil (higher)	369,622	12,018	357,604	343,572	14,032	26,050	108	100
Civil (magistrates')	16,730	118	16,612	44,026	(27,414)	(27,296)	38	
Non-contentious probate	16,732	10	16,722	13,260	3,462	3,472	126	100
Total civil business	482,933	34,689	448,244	626,381	(178,137)	(143,448)	77	
2005/06 civil business	437,225	29,271	407,954	555,911	(147,957)	(118,686)	79	100
Court Funds Office	13,500	–	13,500	26,000	(12,500)	(12,500)	52	100
2005/06 Court Funds Office	15,000	–	15,000	15,000	–	–	100	100

Notes:

1. The costs above include the judicial costs that are borne directly by the consolidated fund, a notional cost for insurance and a £25m IT modernisation.
2. The fee recovery target is calculated using gross income against expenditure; this complies with the Fees and Charges Guide concerning full cost recovery.

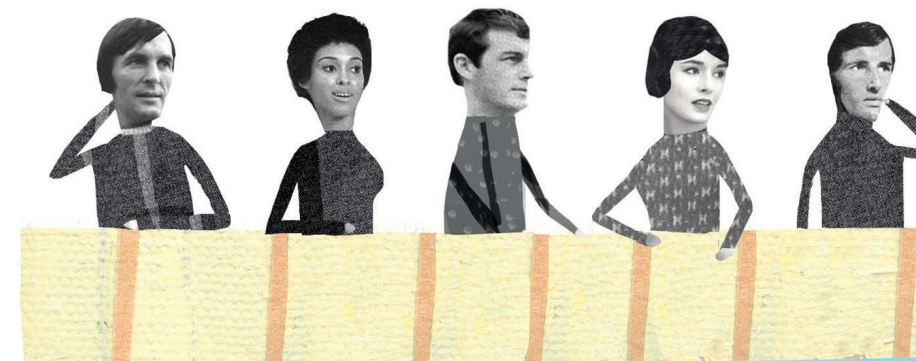
HMCS has, with the endorsement of Ministers, developed a long-term strategy for reviewing and reforming the court fee system for civil business.

Much of the work to implement this strategy will take place during the CSR07 period. Its objectives are to ensure that the system:

- meets the cost recovery targets set for civil, family and probate business including, where appropriate, the cost of modernisation;
- protects access to justice through a well-targeted system of exemptions and remissions;
- ensures that the taxpayer contribution to the cost of the court system remains affordable, and;
- broadly matches where practicable the level of particular fees or sets of related fees to the cost of the process and types of cases concerned.

HMCS also plans, as a part of this strategy, to resolve the issue of cross subsidy that currently exists between the individual business streams, including the over-recovery within the civil and probate business areas over this same period. Two fundamental reviews were undertaken this year, the first reviewed the system of exemptions and remissions to ensure that it adequately protects access to justice, the second begins a long-term review of the structure of the fee system and the points at which fees are charged; so as to achieve a closer match of income and cost drivers. Proposals arising from the two reviews were put forward in the Civil Court Fees consultation paper issued on 2 April 2007.

The CFO generally recovers the full cost of operations from the UK Debt Management Office on a reimbursement basis, in accordance with the Administration of Justice Act 1982, on a yearly basis. The deficit in 2006/07 arises as a result of the corrective payments to the children's funds referred to in note 18 which may not be within the scope of the reimbursement basis of the above Act.



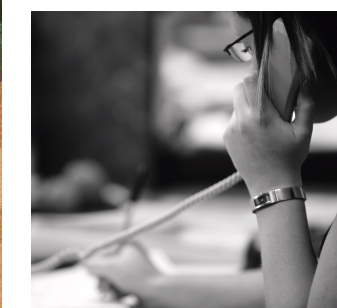
30,000

Injunctions issued

In the civil courts, more than 30,000 injunctions were issued over the last year – in many cases offered by the court during the course of other proceedings to save the victim from having to make a separate application.



“I wouldn't have had the courage to report him to the police and see it through to the end if it hadn't been for the specialised court.”



Working Together

Knowing what to expect as a witness at court

When attending court as a witness, either for the prosecution or defence, or as a victim of crime, you want to know what to expect at court. That's why our new DVD, 'Going to court: a step by step guide to being a witness', will prove such an asset. Piloted in Nottingham during 2006, the DVD provided witnesses with a good foundation for what to expect when attending court.

- 77% said that they felt 'more informed about the process of going to court' having seen the DVD.
- Two out of three said they felt 'more confident' about going to court.
- More than half said they would now encourage others they know who are called as witnesses to go to court.
- 52% said watching the DVD made them 'more likely to go to court' – the single overriding objective of the DVD.

It will be available in English and Welsh, both with sub-titles, as well as an additional seven other languages and British Sign Language. The DVD will be available from August 2007.



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1.5 Pensions

Most past and present employees are covered by the provisions of PCSPS or the Judicial Pension Scheme (JPS) which are multi-employer defined benefit schemes. Employer contributions are made to the cost of pension cover provided to the staff and are a charge on the income and expenditure account. Pension benefits payable under the schemes are financed from the consolidated fund on an annual basis through a separate resource supply voted each year by Parliament.

The defined benefit schemes are unfunded and non-contributory except in respect of dependants' benefits. The Ministry of Justice (formerly the DCA) recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from the employees' services by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the various schemes.

There is a separate scheme for the benefit of the Law Commission which is 'by analogy' or similar to the PCSPS; provision has been made for the future cost of benefits under this scheme.

1.6 Early departure costs

HMCS is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme is binding on HMCS. Where the balances are material the estimated cash flow is discounted using HM Treasury's discount rate.

1.7 Notional costs

The salary and social security costs of senior judges, being independent of HMCS, are funded from the consolidated fund and are included in the books of HMCS as notional costs.

A charge reflecting the cost of capital utilised by HMCS is included in interest payable. This charge is set by HM Treasury at 3.5% on the carrying value of net assets excluding: amounts due to or from the consolidated fund liabilities; advances from the contingencies fund; cash holdings with the Office of HM Paymaster General; and amounts due to or from entities within the Ministry of Justice (formerly the DCA) family through any inter-agency transactions.

Other notional charges are auditors' remuneration, notional rent on properties owned by the City of London Corporation and departmental overhead charges recharged by the Ministry of Justice (formerly the DCA).

1.8 Operating leases

Rentals under operating leases are charged on a straight-line basis over the term of the lease.

1.9 Finance leases

Assets held under finance leases are capitalised and included within fixed assets, with a corresponding lease obligation included within creditors at the fair value of the leased assets at the inception of the lease. Depreciation is charged on the leased assets. Rentals payable are apportioned between the finance charge at an appropriate rate and a reduction in the outstanding obligation for future amounts payable.

1.10 Private Finance Initiative contracts

Private Finance Initiative (PFI) transactions have been accounted for in accordance with HM Treasury's Technical Note No. 1 (Revised) How to account for PFI Transactions. PFI contracts are in the form of property leases or service agreements and are accounted for either as finance leases or operating leases depending on the terms of the contract.

1.11 Court impositions

Magistrates' courts are responsible for collecting financial penalties imposed by the criminal justice system. These comprise fines, fixed penalties, confiscation orders, prosecutors' costs and compensation to victims.

Upon collection an element of fines receipts are retained by HMCS and shown in income; the remainder are remitted to the consolidated fund via the Ministry of Justice (formerly the DCA) and are not recognised as income in HMCS. Receipts of confiscation orders, fixed penalties, prosecution costs and compensation orders are remitted directly to appropriate government departments or the victims of crime and are not recognised as income for HMCS; cash balances held prior to remittance are shown as third party balances.

1.12 Consolidation

HMCS is an executive agency of the the Ministry of Justice (formerly the DCA) and is consolidated within the DCA resource accounts.

2. Segmental analysis

2.1 Fees and charges

HMCS is required, in accordance with HM Treasury's Fees and Charges Guide, 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 the Statement of Standard Accounting Practice 25 – Segmental Reporting, which is not applicable to HMCS under the FReM.

HMCS has four business segments: civil and family court business (civil business), CFO, criminal and other. Only civil and CFO business segments have a fee recovery regime in place.

The fee target for the civil business segment is to recover the full administrative and judicial costs less the cost of providing fee exemptions and remissions. These fee exemptions and remissions (REMEX) have been agreed with HM Treasury to ensure that no sector of the population is denied access to justice through inability to afford the requisite fees.

HMCS continues to report on the civil business against its five constituent business streams; family (higher courts); family (magistrates' courts); civil (higher courts); civil (magistrates' courts); and non-contentious probate.

The two family streams will be amalgamated in future years in order to reflect moves towards the administration of the family jurisdiction of the magistrates' and other courts as a single service. The civil (higher) stream includes both the High Court and county courts, which share a single set of procedural rules and a largely common jurisdiction.

At the most recent review of Government spending, the Comprehensive Spending Review 2007 (CSR07), new targets were agreed for the recovery of fees within each of these business streams:

- To recover 100% of the cost of civil and private business (including civil business in magistrates' courts), less remission and exemptions.
- For family (all courts), the targets would be confirmed following a review and consultation during 2007, the assumption being that the target should be 100% recovery, less remissions and exemptions.

| ACCOUNTS |

Notes to the accounts for the year ended 31 March 2007

Notes to the accounts for the year ended 31 March 2007

1. Accounting policies

The accounts have been prepared in accordance with the 2006/07 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow the Generally Accepted Accounting Principles in the United Kingdom (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

The accounts have been prepared under the historical cost convention; modified to account for the revaluation of fixed assets.

1.1 Fixed assets – land and buildings (including dwellings)

Land and buildings (including dwellings) are included on the basis of professional valuations, which are conducted for each property at least once every five years on a rolling programme of professional valuations. The Valuation Office Agency (VOA) carries out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

- Land is valued at open market value.
- The majority of buildings are specialised and by their nature cannot be sold on the open market for a continuation of their existing use; these are valued at depreciated replacement cost.
- Buildings under construction are valued at historical cost within 'Assets under construction'.
- Buildings that are both vacated and awaiting disposal are valued at open market value.
- All other buildings are valued at existing use value.

1.2 Fixed assets – non land and buildings

- Non-land and buildings (excluding assets under construction) are included at cost upon purchase and are restated at each balance sheet date using Price Index Numbers for Current Cost Accounting (Office for National Statistics).
- Assets under construction are valued at historical cost within 'Assets under construction'.

1.3 Depreciation

Depreciation is provided at rates calculated to write off the cost or valuation of the assets, less the estimated residual value, evenly over their estimated useful lives. Estimated useful lives are as follows:

Leasehold land with a remaining lease term of less than 125 years 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 50 years

The remaining life of buildings is determined according to the rolling programme of professional valuations.

Information technology

7 years

Plant and equipment

3 to 5 years

Furniture, fixtures and fittings

10 to 20 years

Finance leases

remaining lease period

No depreciation is charged on freehold land, leasehold land with a remaining lease in excess of 125 years, vacated buildings awaiting disposal or on assets under construction.

1.4 Income

Income, excluding VAT, includes both operating income appropriated in aid; and income payable to the consolidated fund that is authorised by HM Treasury to be treated as operating income.

Fee income comprises amounts for services provided to court users and is recorded when the fee is raised. Elements that relate to work yet to be completed at the balance sheet date are held as deferred income rather than recognised as income in the period.

Fines income is accounted for upon collection and is split between the element retained by HMCS and that remitted to the consolidated fund via the Ministry of Justice (formerly the DCA). The element of fines retained by HMCS is recognised as income upon collection and is designed to cover the cost of the fines enforcement operations plus an amount determined by the fines incentive scheme.

UNDERSTANDING THE REAL IMPACT

Family Impact Statements

In April 2006, the Rt. Hon Harriet Harman QC MP, then Minister of State, launched a new pilot programme called the Victims Advocate Scheme in five courts across the country.

The scheme gives the relatives of murder or manslaughter victims the chance to speak in court, after conviction but before sentencing. This enables them to feel involved and ensures that the court hears about the effects of the crime on them. The statements are made with the assistance of the Crown Prosecution Service or an independent advocate, so relatives don't have to speak themselves.

Since the pilot began on 24 April 2006, over 230 cases have participated in the scheme, and in over 25 cases relatives have chosen to make a Family Impact Statement.

Relatives are also offered up to 15 hours of free legal advice from an independent solicitor on issues relating directly to the death of their relative. This might help them to handle complex issues such as access to the deceased's property, residency orders and next of kin status, or financial matters including benefits and entitlements.

Ministers have agreed to continue the pilot scheme for a second year, up to April 2008, to enable a full evaluation.



IMPROVING COURTS FOR VICTIMS AND WITNESSES

Investments in 2006/07

A safe place to wait

We improved safety arrangements for witnesses by installing secure locks on witness waiting room doors and enhancing communication systems between waiting rooms and court staff or security.

Court on screen

HMCS began the process of replacing a number of ageing video-link systems in courts.

In 2006/07, 42 Crown Courts (74 courtrooms) and 19 magistrates' courts (20 courtrooms) had new equipment installed.

The £2.75m programme sees old-style TV monitors being replaced with modern plasma screens to make viewing clearer. DVD players and laptop connections have also been installed to make it easier to present evidence in court in digital format.

94

courtrooms with new equipment installed

£2.75m

spent on upgrading equipment



FEATURES

Protecting the vulnerable

HELPING FAMILIES RESOLVE ISSUES THEMSELVES

New mediation helpline

Hostility. Confusion. Frustration. Vengefulness. When relationships break down, emotions run high, and it can seem impossible to sort out the simplest things with former partners – let alone deal with issues as sensitive as child contact or accommodation.

Going to court is often seen as the natural next step. But in reality, it can end up lengthening the process and exacerbating the problems for everyone involved.

Mediation has long been recognised as a valuable alternative. Its great strength is that it doesn't seek to

provide counselling or advice. Instead, as the Family Mediators Association explains, "the mediator will discuss the choices open to you and help you to negotiate with each other to reach decisions that are acceptable to you both."

Helpline is at hand

We have always actively promoted mediation as a viable alternative to court, and the launch of the Family Mediation Helpline in May 2006 was a major step forward.

The telephone helpline and its corresponding website provide general

advice about family mediation as well as specific advice on whether a particular case may be suitable for mediation.

Where appropriate, helpline operators also refer or provide callers with details of other services, which include Citizens Advice, Relate, the National Domestic Violence Helpline, Parentline Plus and debt and addiction counselling services.

Developed in conjunction with the main stakeholders in the family mediation field, including the UK College of Family Mediators, the Family Mediators Association, National Family Mediation, Resolution and the Law Society's family mediation panel, the helpline has already received more than 2,500 calls. It's estimated that more than half of calls received were made by people going through a divorce or civil partnership dissolution. Other calls were received from cohabitants who were



Working Together

support for mediation

Mediation is becoming more and more accepted as a way of resolving family issues. Because it aims to find a shared way forward, rather than imposing a solution, mediation can be a less acrimonious means of reaching a settlement – which makes it better for everyone involved.

Families are able to receive legal aid to help them to settle disputes out of court. If they meet the eligibility criteria for legal aid, family mediation is free.



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ACCOUNTS

Cash flow statement for the year ended 31 March 2007

Notes to the cash flow statement a. Summary of notional and non cash costs

	2006/07 £000	2005/06 £000
Consolidated fund judicial salaries	127,599	125,989
Notional interest on capital	77,115	70,756
External auditor's remuneration	358	450
Gain on disposal of fixed assets	(7,462)	(3,169)
Permanent impairment in asset value	14,804	22,553
Notional rent	2,300	2,301
Movement in provisions	26,030	7,077
Prepayment on PFI contracts	23	45
Departmental recharge	91,020	99,502
Bad debt provision	772	(148)
Depreciation	96,956	81,760
Total notional and non-cash costs	429,515	407,116

b. Movements in working capital

	2006/07 £000	2005/06 £000
Decrease/(increase) in debtors	444,166	(513,982)
Adjusted for movement in:		
Bad debt provision	(772)	(148)
Prepayment on PFI contracts	(23)	23
Net intra-departmental debtors	(468,560)	447,150
Fixed asset debtors	(2,150)	15,843
Total increase in debtors	(27,339)	(51,114)
Increase in creditors	136,000	354,382
Adjusted for movement in:		
Inclusion of local authority loans in other creditors	(59,450)	–
Balances payable to other government departments	(16,716)	(33,733)
Creditor for capital value of PFI contract < 1 year	(1,713)	(6,329)
Obligations under finance leases < 1 year	(2)	(16)
Creditor for capital value of PFI contract > 1 year	3,476	(161,279)
Obligations under finance leases > 1 year	112	(136)
Third party balances	(26,902)	(9,957)
Fixed asset creditors	(5,710)	(18,963)
Total increase in creditors	29,095	123,969
Total movement in working capital	1,756	72,855

| ACCOUNTS |

Cash flow statement for the year ended 31 March 2007

Cash flow statement for the year ended 31 March 2007

	Notes	2006/07 £000	2005/06 £000
Net cash outflow from operating activities			
Net cost of operations		(999,538)	(1,010,509)
Adjust for notional and non-cash costs	a	429,515	407,116
Adjust for movements in working capital other than cash	b	1,756	72,855
Cash movement in provisions		(30,764)	(30,569)
		(599,031)	(561,107)
Net cash outflow from investing activities			
Purchase of fixed assets		(81,416)	(68,816)
Proceeds from disposal of fixed assets		20,291	35,744
		(61,125)	(33,072)
Net cash inflow from financing activities			
Funding from the DCA		704,767	1,117,111
Transfers to the DCA		–	(463,250)
Transfers from other government departments		16,716	–
Capital element of PFI contracts		(8,009)	(7,714)
Capital element of finance leases		(110)	152
		713,364	646,299
Increase in third party balances		26,902	9,957
Increase in cash in the year		80,110	62,077

The notes on pages 44 to 58 form part of these accounts.



separating from their partners and from people who were already living apart from a former cohabitant, civil partner or spouse.

With over 900 of those calls leading to referrals to mediation providers, it's clear that the helpline is not only raising the profile of mediation but also encouraging people to take the next step towards resolving their problems. Best of all, it's enabling them to do so themselves.

Relationship breakdown can be a tempestuous time – especially when there are children to consider. Rather than going straight to court, however, more and more families are turning to mediation.

MAKING FAMILY COURTS A BETTER ENVIRONMENT

Progress towards the Unified Family Service

When families can't resolve issues themselves, going to court might be the only solution. To help simplify the process for families – and to help towards getting cases heard more quickly – HMCS is working towards establishing a Unified Family Service, which brings together the work of the family proceedings courts, and family business in

county courts.

Three locations, Barnet, Birmingham and Ipswich, ran pilots for the Unified Family Programme. In Barnet and Birmingham, we created a Family Courts Centre, where all types of family case can be heard at one location, regardless of whether it is a Family Proceedings Court or a county court case. In Ipswich

we brought together the administration for the Family Proceedings Courts and county courts.

The successes of these pilots have encouraged local initiatives across England and Wales. We have shared best practice and information about the benefits of unifying family courts. During Spring 2007, the project team led a series

of workshops at regional and area level, which generated real enthusiasm and excellent feedback from delegates. We will continue to deliver these events in 2007/08 as part of our ongoing commitment to support local initiatives, monitoring progress and overcoming obstacles to delivering a Unified Family Service.

| FEATURES |

Improving the courts and the way we work

IMPROVING OPERATIONS, IMPROVING OUTCOMES

The HMCS Change Programme

Following publication of our five-year business strategy in February 2006, we launched a major change programme to transform our business and help us to meet our strategic goals.

The programme looks at all aspects of our business, from the organisation structure and management processes to the way we are supporting staff, and our use of IT. We have identified many improvements to deliver a better service to court users, while generating operational efficiencies. These have then become specific projects within the overall change programme.

At the heart of the programme are those projects which are of critical and strategic importance to the future of HMCS. The major projects are those which will

modernise the fundamental work in all our courts with streamlined, national processes, enabled by modern IT systems. These projects, which will support our magistrates', county and family courts, will enable us to provide better quality, and more consistent services for those who use our courts, as well as processes which can change and adapt more flexibly and efficiently to meet the changing needs of our users and the public.

However, the programme encompasses more than just IT projects. It also covers many other areas of work, including how we work with our partners in the criminal justice system to improve the flow and timeliness of cases through magistrates' courts, how we bring together the work to support families

in both magistrates' and county courts, and ensure our local services meet the special needs of families, and how we help people to lodge civil debt and possession claims through internet based services. And underpinning this, we are looking at how we support and develop our frontline staff and managers in courts, to enable them to provide effective and quality service, while helping to deliver all this change.

The programme will take several years to complete, as projects are at different stages of development and delivery. However, during 2006/07, we put in place the foundations for transformation to ensure we have the right projects, focusing on the right priorities, and that they are being delivered successfully.

Working smarter


From 1 April 2007, HMCS started operating in 25 areas rather than the 42 we began with when we were created in April 2005. This consolidation, a fundamental part of the change programme, has enabled us to streamline operations and reduce our management overheads without compromising service. Many administrative functions have been consolidated, and we're working more efficiently and effectively as a result.

| ACCOUNTS |

Balance sheet as at 31 March 2007

Balance sheet as at 31 March 2007

	Notes	2006/07 £000	2005/06 £000
Fixed assets			
Tangible fixed assets	6	3,448,421	2,804,417
Current assets			
Debtors	7	69,816	513,982
Cash at bank and in hand	8	142,187	62,077
Total current assets		212,003	576,059
Creditors: amounts falling due within one year	9.1	261,412	181,455
Net current assets		(49,409)	394,604
Total assets less current liabilities		3,399,012	3,199,021
Creditors: amounts falling due after more than one year	9.2	228,970	172,927
Provisions for liabilities and charges	10	334,927	339,661
Total net assets		2,835,115	2,686,433
Taxpayers' equity			
General fund	11.1	2,381,274	2,394,147
Revaluation reserve	11.2	453,841	292,286
Total taxpayers' equity		2,835,115	2,686,433



Sir Ronald De Witt
HMCS Chief Executive and Accounting Officer
13 July 2007

The notes on pages 44 to 58 form part of these accounts.

Working together for

Our sustainable development plan sets out our commitments to reducing energy consumption and carbon emissions. Over 10% of the court estate now receives electricity from renewable sources, exceeding the renewables target set out in the Government's framework for sustainability. We also make sustainability a key factor in procurement.



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| ACCOUNTS |

Income and expenditure account for the year ended 31 March 2007

Income and expenditure account for the year ended 31 March 2007

	Notes	2006/07 £000	2005/06 £000
Income	3	595,930	537,897
Total operating income		595,930	537,897
Operating costs			
Staff costs	4	813,499	801,436
Other operating costs	5.1	597,890	594,427
Depreciation	6	96,956	81,760
Total operating costs		1,508,345	1,477,623
Net cost of operations before interest		(912,415)	(939,726)
Interest payable	5.2	87,123	70,783
Net cost of operations		(999,538)	(1,010,509)

All activities are continuing with the exception of the Court Funds Office (CFO) operations which transferred out of HMCS on 1 April 2007; details of these discontinued operations are given in note 2.2.

Statement of recognised gains and losses for the year ended 31 March 2007

	Notes	2006/07 £000	2005/06 £000
Unrealised surplus on revaluation of tangible fixed assets	11.2	175,007	297,254
Total recognised gains and losses		175,007	297,254

The notes on pages 44 to 58 form part of these accounts.

We are committed to ensuring that we don't just serve the public today, but that our courts can continue to serve the public in the future.

Redefining roles

To encourage service improvements at the individual court level, we have worked closely with court managers to clarify their role. This gives them real ownership, responsibility and accountability for managing their courts – empowering them to make changes to the way the court operates to deliver a better service to the public.

Strengthening systems, supporting staff

Like any organisation today, we use information technology (IT) to support the delivery of our services. We are currently rolling out a new case management system across all magistrates' courts, and using this to implement best practice ways of working and joining up our courts with our criminal justice partner systems. Crucially, each of the roll-outs has been supported by in-depth training so that staff can start reaping the benefits of the new applications immediately, delivering business change alongside IT change.

Implementing changes in Legal Aid

Means testing for criminal proceedings in the magistrates' courts was re-introduced when the Criminal Defence Service Act (CDS Act) came into effect on 2 October 2006.

HMCS retains an administrative role and now handles all straightforward applications for criminal legal aid that are made (complex applications are handled by a new unit at the Legal Services Commission).

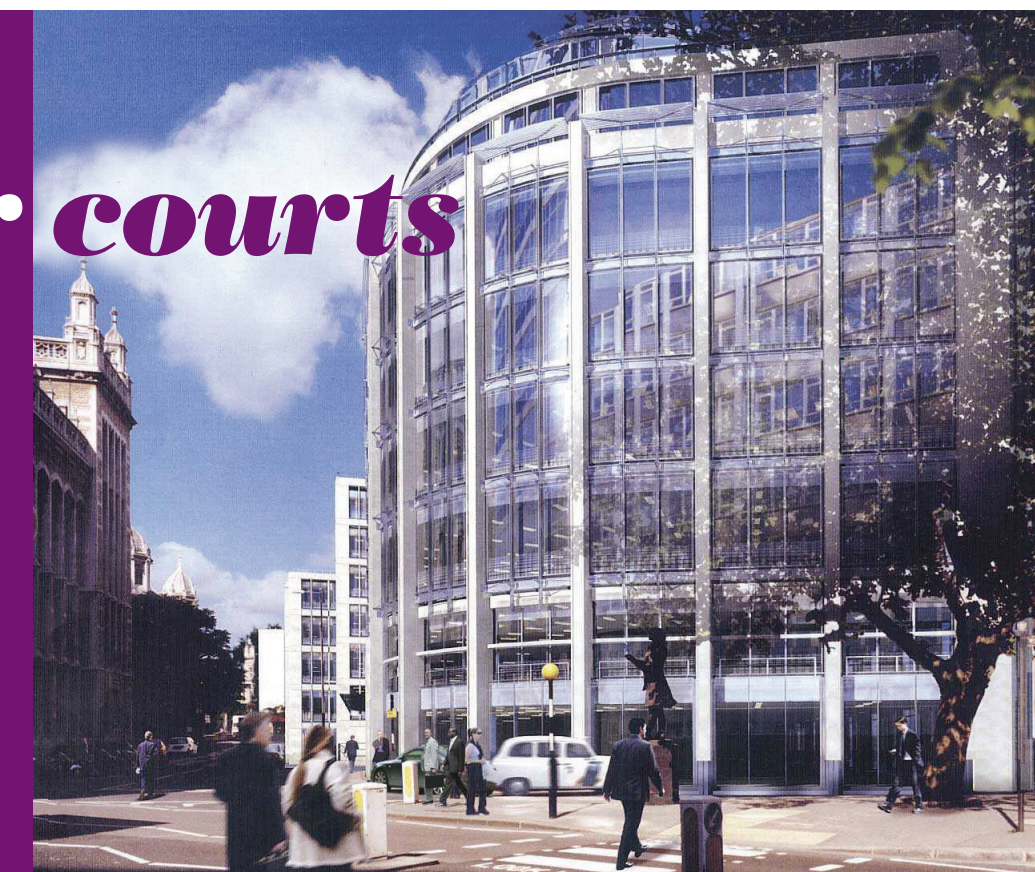
Courts for the future

We are committed to ensuring that we don't just serve the public today, but that our courts can continue to serve the public in the future.

During 2006, we published our sustainable development plan, setting out our commitments to reducing energy consumption and carbon emissions as well as our water consumption. We are also developing a sustainable procurement policy that puts environmental issues at the heart of all our decision-making – from issues about estates and premises, to IT supplies, to our use of consumables and transport. An illustration of this integrated approach is the new Business Court for London, the plans for which were unveiled in December 2006.

We will make sustainability part of our everyday approach and will increase staff awareness of the new policies. We are planning training programmes and introducing information about sustainable development into our induction package.

greener courts



NOTICE ANYTHING DIFFERENT?

We hope so. We have taken real steps over the last year to ensure court users receive a consistently high standard of service across all our premises. Here are some of the projects we have undertaken.

CHECK THE CHARTER

In early 2007, new Courts Charters became available in the Crown Court, civil courts, the Royal Courts of Justice, magistrates' courts, family courts and the Probate Service.

They set out the standard of service that users of any of these courts can expect, both before their court appearance and during the hearing.



NEW CUSTOMER SERVICE STANDARDS

Providing consistency and transparency for all court users

We've issued new customer service standards for counter and telephone services, written correspondence and complaint handling, providing consistency and transparency for all court users, no matter how they contact us.

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

I certify that I have audited the financial statements of Her Majesty's Courts Service for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Chief Executive's Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2007, and of the net operating cost, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information given within the Annual Report, which comprises the Chief Executive's Report, is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
16 July 2007

| ACCOUNTS |

Board members' remuneration report

Pension benefits

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) arrangements. From 1 October 2002, civil servants may be in one of three statutory-based 'final salary' defined benefit schemes: classic, premium and classic plus. The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of the premium scheme or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for the classic scheme and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable earnings for each year of service; additionally, a lump sum equivalent to three years' pension is payable on retirement. Benefits in premium accrue at the rate of 1/60th of final pensionable earnings for each year of service; there is no automatic lump sum but members may commute some of their pension to provide a lump sum. Classic plus is a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5%, depending on the age of the member, into a stakeholder pension product chosen by the employee. The employee does not have to contribute, but where employees do make contributions the employer will match these up to a limit of 3% of pensionable salary in addition to the employer's basic contribution. Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details of the PCSPS arrangements can be found at www.civilservice-pensions.gov.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 an arrangement to secure pension benefits in another pension scheme, or an 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 CETV figures and other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Principal Civil Service Pension Scheme arrangement and for which the Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in cash equivalent transfer value

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation and 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.



Sir Ronald De Witt
HMCS Chief Executive and Accounting Officer
13 July 2007

HANDLING COMPLAINTS

Over the last year HMCS has exceeded its target for handling complaints effectively.

	Target	Performance
Individual Courts	Handle 85% of complaints within 5 working days	88%
Areas	Handle 85% of complaints received within 10 working days	88%
Central Customer Services	Handle 94% of complaints within 15 working days	97%

WHAT DO YOU THINK?

We want to know what court users think of our services. That's why we have developed a nationwide customer survey that began in January 2007. Using a combination of face-to-face interviews and postal questionnaires, the survey asked court users their

opinions on a range of issues, including:

- accessibility
- how staff deal with customers
- information
- waiting/timeliness
- the court environment.

We will use the results of the customer surveys to help us develop our services.



CHARTER MARK Update

We are seeking to ensure that every part of our organisation delivers outstanding service. One way of measuring that is the Charter Mark, the well-established and independently assessed

public sector customer service standard. Our aim is for corporate accreditation in 2010/11. Over 100 courts and many of our support services have already attained the standard.

Chief Executive's Annual Report and Accounts

CHIEF EXECUTIVE'S REPORT

- 25 Purpose and structure
 - Our aims and objectives
 - Strategic principles
 - Objectives for 2006/07
- 26 Objectives for 2007/08
 - Ministers and senior officials
 - Governance
 - Management of resources
 - Being an employer of choice
 - HMCS: a diverse employer
- 27 Our performance
- 29 Management structure
- 30 HMCS Board
- 31 HMCS Audit Committee
- 32 Statement of Chief Executive's responsibilities
 - Statement on internal control
- 35 Board members' remuneration report

ACCOUNTS 2006/07

- 39 The Certificate and Report of the Comptroller and Auditor General to the House of Commons
- 40 Income and expenditure account for the year ended 31 March 2007
 - Statement of recognised gains and losses for the year ended 31 March 2007
- 41 Balance sheet as at 31 March 2007
- 42 Cash flow statement for the year ended 31 March 2007
- 44 Notes to the accounts for the year ended 31 March 2007

Board members' pension benefits and cash equivalent transfer values (CETVs)

Name	Real increase in pension at age 65 and related lump sum in 2006/07 £000	Accrued pension at age 65 and related lump sum at 31 March 2007 £000	CETV at 31 March 2007 £000	CETV at 31 March 2006 £000	Real increase in CETV in CETV £000
Sir Ronald De Witt	17.5 – 20.0	25 – 30	855 ¹	153	97
Nicola Bastin (to 31 July 2006)	5.0 – 7.5 plus 20.0 – 22.5 lump sum	30 – 35 plus 95 – 100 lump sum	617	470	10
Dorothy Brown (from 18 September 2006)	0 – 2.5	25 – 30	358	341	9
Keith Budgen (from 31 October 2006)	0 – 2.5 plus 5.0 – 7.5 lump sum	45 – 50 plus 135 – 140 lump sum	993	906	53
Stephen Caven	2.5 – 5.0	30 – 35	514	24	18
Nick Chibnall	0 – 2.5 plus 5.0 – 7.5 lump sum	15 – 20 plus 50 – 55 lump sum	262	240	29
Alastair Clegg	0 – 2.5 plus 0 – 2.5 lump sum	5 – 10 plus 25 – 30 lump sum	115	106	7
Alan Eccles	37.5 – 40.0	35 – 40	543	25	24
Alan Fenton	0 – 2.5	0 – 5	73	42	26
Philip Lloyd	0 – 2.5 plus 2.5 – 5.0 lump sum	15 – 20 plus 55 – 60 lump sum	276	256	14
Chris Mayer CBE	2.5 – 5.0 plus 7.5 – 10.0 lump sum	30 – 35 plus 100 – 105 lump sum	663	606	57
Mark Ormerod	0 – 2.5 plus 5.0 – 7.5 lump sum	25 – 30 plus 85 – 90 lump sum	486	422	39
Kevin Pogson CBE	0 – 2.5 plus 0 – 2.5 lump sum	40 – 45 plus 130 – 135 lump sum	956	903	6
Peter Risk	0 – 2.5 plus 5.0 – 7.5 lump sum	35 – 40 plus 115 – 120 lump sum	726	660	36
Clare Sumner CBE	0 – 2.5	0 – 5	29	18	9
Neil Ward	2.5 – 5.0 plus 10.0 – 12.5 lump sum	40 – 45 plus 130 – 135 lump sum	901	794	68
Helen Dudley CBE ² (to 12 July 2006)	N/A	N/A	N/A	N/A	N/A
Yvonne Gallagher ² (from 26 June 2006)	N/A	N/A	N/A	N/A	N/A
Annette Vernon CBE ² (to 1 June 2006)	N/A	N/A	N/A	N/A	N/A
Sir Peter Bonfield ³	N/A	N/A	N/A	N/A	N/A
Jeff Denton ³	N/A	N/A	N/A	N/A	N/A
Lord Justice Leveson ³ (from 1 January 2007)	N/A	N/A	N/A	N/A	N/A
Mee Ling Ng ³	N/A	N/A	N/A	N/A	N/A
Lord Justice Thomas ³ (to 31 December 2006)	N/A	N/A	N/A	N/A	N/A

Notes:

- 1. During the year an amount was transferred from another pension scheme into the Principal Civil Service Pension Scheme.
- 2. Employed directly by the DCA and all pension obligations are therefore met by the DCA.
- 3. Non-executive HMCS Board members, no pension contributions are made on their behalf.

| ACCOUNTS |

Board members' remuneration report

Salary covers both pensionable and non-pensionable amounts and includes, but may not necessarily be confined to: gross salaries; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private-office allowances or other allowances to the extent that they are subject to UK taxation; and any ex gratia payments. When a Board member has joined or left the Board during the year, their salary reflects the period during which they served as a member of the Board. The figures shown do not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

Performance pay or bonuses are based on an assessment against a set of consistent criteria designed to measure the individual's performance against the objectives and targets set and agreed by the individual and their manager.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no amounts payable to third parties in respect of Board members in 2006/07.

Sir Ronald De Witt and Sir Peter Bonfield are also Ministry of Justice (formerly the DCA) board members. Helen Dudley, Yvonne Gallagher and Annette Vernon were also DCA board members, and were employed by, and had their salaries paid by the DCA. Sir Peter Bonfield has waived his entitlement to remuneration for his services as an HMCS Board member. Lord Justice Thomas and Lord Justice Leveson are remunerated as judges via the Consolidated Fund and their details are therefore not disclosed.

Board members' service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition, but also outlines other circumstances under which appointments may be made.

HMCS Board members are employed on contracts which are open-ended until they reach the normal retiring age of 65. The duration of Senior Civil Service contracts is the fixed term or in accordance with the standard four-year posting.

Name	Contract start date	Unexpired term	Notice period
Sir Ronald De Witt	23-02-04	2 years	6 months
Nicola Bastin (to 31 July 2006)	15-03-04	N/A	N/A
Dorothy Brown (from 18 September 2006)	28-08-04	To retirement	3 months
Keith Budgen (from 31 October 2006)	18-09-67	To retirement	3 months
Stephen Caven	01-04-05	To retirement	6 months
Nick Chibnall	03-10-88	To retirement	3 months
Alastair Clegg	20-03-00	To retirement	3 months
Alan Eccles	01-04-05	To retirement	3 months
Alan Fenton	01-11-04	2 years	6 months
Philip Lloyd	04-01-05	To retirement	3 months
Chris Mayer CBE	05-12-74	To retirement	3 months
Mark Ormerod	02-11-81	To retirement	3 months
Kevin Pogson CBE	27-02-67	To retirement	3 months
Peter Risk	11-10-71	To retirement	3 months
Clare Sumner CBE	27-03-06	To retirement	4 months
Neil Ward	17-02-03	To retirement	3 months
Helen Dudley CBE ¹ (to 12 July 2006)	N/A	N/A	N/A
Yvonne Gallagher ¹ (from 26 June 2006)	N/A	N/A	N/A
Annette Vernon CBE ¹ (to 1 June 2006)	N/A	N/A	N/A
Sir Peter Bonfield	25-03-04	N/A	N/A
Jeff Denton	21-02-05	N/A	N/A
Lord Justice Leveson (from 1 January 2007)	N/A	N/A	N/A
Mee Ling Ng	21-02-05	N/A	N/A
Lord Justice Thomas (to 31 December 2006)	N/A	N/A	N/A

Notes:

1. Employed directly by the DCA.

There was no compensation payable to former HMCS Board members as at 31 March 2007, nor any provisions made in the accounts. Early termination, other than by misconduct, would result in the individual receiving compensation in accordance with the terms of the Civil Service Compensation Scheme under section 1 of the Superannuation Act 1972.

| CHIEF EXECUTIVE'S REPORT |

Purpose and structure

Purpose and structure

HMCS is responsible for managing magistrates' courts, the Crown Court and county courts in England and Wales. It also manages the Royal Courts of Justice where the majority of High Court and Court of Appeal cases are heard. In total, we manage 591 courthouses.

An executive agency of the Ministry of Justice, we operate across 25 areas within seven geographical regions – six English regions and Wales – and the Royal Courts of Justice Group. Previously we were organised into 42 areas, but on 1 April 2007 we restructured to reduce operating costs and streamline decision-making.

Each area has an area director, who reports to one of the six regional directors or the Director for Wales, and a Courts Board, which is designed to be a forum where local people can be consulted on the operation of their local courts. There are 23 Courts Boards, since London is divided into three areas but only has one Courts Board.

Our aims and objectives

In February 2006, we published our five-year business strategy and vision and we set out our strategic goal:

"All citizens according to their differing needs are entitled to access to justice, whether as victims of crime, defendants accused of crimes, consumers in debt, children in need of care, or business people in commercial disputes. Our aim is to ensure that access is provided as quickly as possible and at the lowest cost consistent with open justice and that citizens have greater confidence in, and respect for, the system of justice."

Strategic principles

Our strategy for achieving this goal is based on six principles. HMCS will:

- put the needs of the citizen first
- increase access to justice
- ensure respect for, and confidence in, the courts
- transform service delivery
- support the independence of the judiciary
- be an employer of choice for those wishing to deliver first class public service.

Objectives for 2006/07

Our specific business objectives and internal performance measures for 2006/07 were set out in our balanced scorecard, published in our business plan for 2006/07 and reproduced here.

As well as monitoring progress against Public Service Agreement (PSA) targets, we measure our performance against a broad range of additional measures, some of which were set out in our 2006/07 balanced scorecard. Progress to date is summarised below and key achievements are reported on in more detail in the front section of this report. Many of our work programmes aim to deliver continuous improvement or span more than one financial year.

Key performance results

Progress against PSA targets is set out in the table on pages 27 to 28

- We will further reduce our operating costs ensuring we remain within our budget allocation. [Achieved](#)
- We are drawing up plans to deliver up to 605 job reductions within HMCS during 2006/07. [Achieved*](#)
- We will continue the Estates Integration Programme. [Ongoing](#)

Customers and the community

- We will pilot a Victim Advocates Scheme in five criminal justice areas from April 2006. [Achieved](#)
- We will implement common customer complaint targets across the whole organisation. [Achieved](#)
- We will carry out a national customer satisfaction survey across our full range of customers and analyse and produce customer service standards and performance measures for the whole organisation. [Achieved](#)
- We will continue to develop the corporate evidence for Charter Mark in readiness for the corporate application. [Ongoing](#)
- We will improve the way that family courts deal with victims of domestic violence. [Ongoing](#)
- We will promote knowledge of rights and responsibilities and how to protect and exercise them through leaflets, websites, partnership with the voluntary sector and targeted information campaigns. [Ongoing](#)

Improving the way we work

- We will establish the HMCS change programme to ensure that all project and change work is aligned with and directed towards delivery of the HMCS Business Strategy. [Ongoing](#)
- We will further develop the concept of problem-solving courts such as community justice centres and drug and domestic violence courts. [Ongoing](#)
- We will implement a pathfinder in the North West Region for the National Enforcement Service. [Achieved](#)
- We will work with DfES and CAF/CASS to improve the experience of parents going through relationship breakdown who turn to the courts for help to decide the best arrangements for their children. [Ongoing](#)
- We will roll out a framework for in-court mediation, delivering a national infrastructure and accreditation to support local schemes. [Ongoing](#)

*HMCS originally set a target to reduce headcount by 1000 during 2006/07. This was later revised to reduce by 750 during 2006/07 and then by a further 750 during 2007/08. The 2006/07 target of 750 was then further reduced to 605 to reflect the 145 posts required to implement the legal aid changes. HMCS actually achieved a reduction of 875 posts during 2006/07 meaning 480 post reductions now need to be made during 2007/08.

People and learning

- We will work towards reducing sick absence to an average of 7.5 days or less per annum. [Ongoing](#)
- We will deliver the HMCS contribution to the DCA diversity objectives, including the representation of women, people from minority ethnic groups and people with disabilities in senior roles within the organisation. [Achieved](#)
- We will ensure all staff have objectives in line with the organisation's performance management system. [Achieved](#)
- We will respond to the key action areas identified in the 2005 staff opinion survey. [Achieved](#)

Objectives for 2007/08

HMCS published its business plan for 2007/08 on 2 April 2007. Our specific business objectives and internal performance measures for 2007/08 are set out in our revised balanced scorecard which is published in the business plan for 2007/08 but not reproduced here.

Ministers and senior officials

During 2006/07 ministers with responsibility for HMCS were:

- Lord Chancellor and Secretary of State for Justice – Lord Falconer of Thoroton
- Minister of State – Rt Hon Harriet Harman QC MP

The HMCS board is responsible for determining strategy and for ensuring its achievement through efficient planning. Details of Board membership are on page 30.

Governance

HMCS operates clear governance structures, including the Board, the Corporate Governance Branch, an Internal Audit Division and an Audit Committee. Overall responsibility for risk management governance lies with the Chief Executive.

For full details of the governance structures and processes, see our Statement on internal control (pages 32 to 34).

Management of resources

Like all public service organisations, we continue to work within tight financial constraints. We have set ourselves a challenge to maintain our performance and improve services while reducing our core operating costs.

For full details of our income and expenditure, see the accounts on pages 40 to 58.

Being an employer of choice

One of our strategic principles is to "be an employer of choice for those wishing to deliver first class public service." By achieving that, we will not only improve the service we provide to our customers, but also help ensure that HMCS is a good place to work. We are committed to investing in our staff, and providing them with the right training, skills and tools to perform their roles effectively. We use the Professional Skills for Government Programme as a core element of this.

As part of the former Department for Constitutional Affairs, we followed their overall human resources (HR) policies, and DCA provided HR services and support to us and this continues under the Ministry of Justice.

We are committed to providing learning and development opportunities for all our staff and we offer a broad range of workplace support, both face-to-face and by telephone.

Equality and diversity

HMCS is committed to equal opportunities and aims to be representative of the diverse communities we serve.

- We follow the Civil Service Code of Practice on the Employment of Disabled People, and strive to ensure that all people with disabilities are encouraged to apply for employment and progress within the organisation. In addition, local disAbility Advisers provide specialist support to managers and staff on disability issues.
- We are continuing to develop our positive action training programme for staff of minority ethnic origin.
- We are implementing our action plan to improve the representation of people from minority groups in the Senior Civil Service.
- We are improving the data we hold on diversity to help us understand how effectively we are delivering on our diversity goals.

HMCS: a diverse employer

As at 31 March 2007:

- 69% of staff are female
- 12% of staff are from an ethnic minority (where ethnicity is known)
- 4% of staff have a disability.

This is consistent with the latest Civil Service figures, which are:

- 52.4% of staff are female
- 8.1% of staff are from an ethnic minority
- 4.5% of staff have a disability

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

Board members' remuneration report

The Prime Minister sets the remuneration policy of senior civil servants following independent advice from the Senior Salaries Review Body. The salaries of HMCS Board members are determined by the Permanent Secretary of the Ministry of Justice (formerly the DCA) in accordance with the rules of the Civil Service Management Code.

Name	Board member's role	2006/07 Salary (excluding pension contributions) £000	2006/07 Benefits in kind	2005/06 Salary (excluding pension contributions) £000	2005/06 Benefits in kind
Sir Ronald De Witt	Chief Executive and Chairman	155 – 160	Nil	150 – 155	Nil
Nicola Bastin (to 31 July 2006)	Regional Director – London	50 – 55	Nil	75 – 80	Nil
Dorothy Brown (from 18 September 2006)	HR Director for HMCS	70 – 75	Nil	N/A	N/A
Keith Budgen (from 31 October 2006)	Regional Director – South East	100 – 105	Nil	N/A	N/A
Stephen Caven	Regional Director – North East	110 – 115	Nil	90 – 95	Nil
Nick Chibnall	Regional Director – Wales and Cheshire	85 – 90	£200 ¹	70 – 75	£300 ¹
Alastair Clegg	Director Royal Courts of Justice Group	70 – 75	Nil	60 – 65	Nil
Alan Eccles	Regional Director – Midlands	115 – 120	Nil	100 – 105	Nil
Alan Fenton	Estates Director	90 – 95	Nil	85 – 90	Nil
Philip Lloyd	Resources Director	130 – 135	Nil	125 – 130	Nil
Chris Mayer CBE	Regional Director – North West	90 – 95	Nil	80 – 85	Nil
Mark Ormerod	Director, Civil, Family and Customer Services	90 – 95	Nil	80 – 85	Nil
Kevin Pogson CBE	Regional Director – London	100 – 105	Nil	85 – 90	Nil
Peter Risk	Regional Director – South West	100 – 105	£2,400 ²	80 – 85	£2,300 ²
Clare Sumner CBE	Director of Crime and Strategy	90 – 95	Nil	70 – 75	Nil
Neil Ward	Chief Operating Officer	110 – 115	Nil	95 – 100	Nil
Helen Dudley CBE (to 12 July 2006)	DCA Human Resources Director	Nil	Nil	Nil	Nil
Yvonne Gallagher (from 26 June 2006)	DCA Chief Information Officer	Nil	Nil	Nil	Nil
Annette Vernon CBE (to 1 June 2006)	DCA e-Delivery Director	Nil	Nil	Nil	Nil
Sir Peter Bonfield	Non Executive Director	Nil	Nil	Nil	Nil
Jeff Denton	Non Executive Director	5 – 10	Nil	5 – 10	Nil
Lord Justice Leveson (from 1 January 2007)	Non Executive Director	Nil	Nil	Nil	Nil
Mee Ling Ng	Non Executive Director	5 – 10	Nil	5 – 10	Nil
Lord Justice Thomas (to 31 December 2006)	Non Executive Director	Nil	Nil	Nil	Nil

Notes:

1. Interest-free loan extended as part of a relocation package and relates to interest foregone.
2. Private use of an allocated car in circumstances permitted by the Civil Service Management Code.

| ACCOUNTS |

Statement on internal control

- considering the adequacy and effectiveness of management responses to issues identified by Corporate Governance, external auditors and IAD
- overseeing the agency's risk management arrangements.

The HMCS Audit Committee is chaired by a non-executive director who has free and confidential access to the Ministry of Justice (formerly the DCA) Audit Committee Chair, the IAD and external auditors with no executives in attendance.

The 2007/08 year brings many challenges for HMCS, falling from the formation of the Ministry of Justice and recent Area restructuring. HMCS is still a new Agency that has inherited many systems, processes and procedures. Internal reviews of our arrangements for risk management, control and governance confirmed within internal audit's annual findings have identified the need for continued improvement over the adequacy and effectiveness of aspects of the risk management, control, and governance arrangements to ensure these meet the demands of the Agency into the future. HMCS also recognise that staff pressures due to headcount reductions could impact this situation further and are putting measures in place to address this.

Significant control issues

The following significant control issues have been highlighted.

Court Funds Office – Children's fund accounts

The Court Funds Office (CFO) manages cases relating to children's funds, which are required to be invested within an investment framework defined by the CFO management team and the Public Trustee.

A review of this area during the year identified a requirement to correct a number of children's accounts, to ensure that the award was appropriately invested as originally directed by the court. An exercise has been undertaken to identify all the affected accounts and, where the consequence has been a lower rate of return, to pay the balance necessary to ensure affected accounts are not disadvantaged. This correction has been estimated within Note 18, Accountability, to the financial statements.

Establishing an integrated IT system for the magistrates' courts

Prior to the establishment of HMCS, the DCA initiated a project (Libra) to deliver a standard IT system across all magistrates' courts and to support integrated working within the criminal justice system. The project has successfully delivered IT infrastructure into all magistrates' courts, providing common office products such as word processing and spreadsheets, secure e-mail, access to the internet and provision of an internal intranet.

The current project is continuing to work on the application development to support case management and fine accounting, and to provide consistent and up-to-date management information.

The project has been subjected to delay for a variety of reasons, some of them being external factors including supplier delays. The operational impact of these delays has been mitigated by the continued use of legacy systems which continue to operate effectively. This has ensured that data capture and analysis has not been interrupted. However, the Management Information System requirements have developed and changed in the last three years, and

further work is being taken forward in the project to ensure the new system adequately supports the business needs.

The project has now transferred to the HMCS Change Programme to manage and deliver, with my Chief Operating Officer as senior reporting officer. Implementation to remaining courts is on target for completion by the end of 2008.

Ensuring our estates are fit for purpose


An integral part of HMCS' role is to maintain and develop the court estate, to ensure it meets the needs of court staff, the justice community, witnesses and other court users. HMCS is seeking to enhance the estate to meet the changing needs of court users and further embed the unification and rationalisation of the legacy systems operating in courts across HMCS.

To meet these challenges an estate strategy has been developed. The Lord Chancellor and Secretary of State for Justice has approved this strategy. The Department has reached a settlement for the Comprehensive Spending Review 2007 period and this provides for capital investment in the court estate. The implications of the settlement require improvements in the overall running of the court estate. The Director of Estates is working with the Regional Directors to develop plans which will progress the improvements in the court estate within the limits of the recently announced settlement.

Managing our external suppliers

On 26 September 2006 a programme in the BBC documentary series Whistleblower was broadcast purporting to expose failings within a supplier company in respect of the execution of magistrates' court distress warrants by some of its staff. An HMCS led review of controls, processes and contract management has resulted in a series of actions being required of the company to strengthen its internal control arrangements. The company has implemented improvements and is in the process of implementing further requested changes. The company has co-operated fully throughout the investigation.

I am confident that each of the above control issues has been subjected to rigorous review and that comprehensive action plans are in place to address identified weaknesses.



Sir Ronald De Witt
HMCS Chief Executive and Accounting Officer
13 July 2007

| CHIEF EXECUTIVE'S REPORT |

Our performance

Our performance

Her Majesty's Courts Service (HMCS) contributes to the delivery of the Department for Constitutional Affairs Public Service Agreement (PSA) targets in conjunction with our partners.

The contribution of HMCS is monitored by a series of key performance indicators (KPIs) and supporting indicators. The figures shown here reflect full-year performance: the DCA Annual Report for 2006/07 published figures for performance up to the end of March 2007 unless otherwise stated.

PSA 1

Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.25 million by 2007/08.

Crown	How HMCS is measured
Sitting days in the Crown Court, facilitating the increase in the number of crimes for which an offender is brought to justice	
HMCS Target	104,200 days
HMCS Performance	105,810 days

Target contributing to the Criminal Justice System PSA

Crown	How HMCS is measured
Overall national reduction in ineffective trials (this measure also supports PSA 2)	
HMCS Target 14.2% by March 2007	
Area and London targets set by LCJBS	
HMCS Performance	11.5%

Magistrates' Courts	How HMCS is measured
Overall national reduction in ineffective trials	
HMCS Target 19.4% by March 2007.	
Area and London targets set by LCJBS	
HMCS Performance	18.9%

Timeliness – a supporting measure to the PSA target

Crown	How HMCS is measured
Improve the percentage of defendants' cases that commence within a specific time in the Crown Court	
HMCS Target 78% committed for trial commence within 16 weeks of committal	
HMCS Performance	67%
HMCS Target 78% sent for trial commence within 26 weeks of sending	
HMCS Performance	73.5%

Magistrates' Courts

How HMCS is measured

Magistrates' courts timeliness (performance measured on a sample survey)	
Performance for March 2007 showed average time from:	
First listing to completion	32 days
Offence to completion	148 days

PSA 2

Reassure the public, reducing the fear of crime and anti-social behaviour, and building confidence in the CJS without compromising fairness.

HMCS contributes to the overall CJS Target	How HMCS is measured
HMCS supporting indicators are:	
Measure for 2006/07	Payment Rate Target 83%*
Performance in 2006/07	92%
Community Penalty Enforcement	
Measure for 2006/07	
35 day Average between failure to comply and case resolution	
Performance in 2006/07	45 Days

Measure for 2006/07	
50% of breaches resolved within 25 days.	
Performance in 2006/07	50%

* The payment rate is calculated by dividing the amount of fines collected in a year by the amount of fines imposed. The monies collected may relate to fines and other financial penalties imposed in that or earlier years.

PSA 3

PSA Target 3 refers to asylum claims and HMCS does not contribute to it.

PSA 4

By 2009-10, increase the proportion of care cases being completed in the courts within 40 weeks by 10%.

County	How HMCS is measured
Proportion of public law cases dealt with within 40 weeks	
Interim Targets for 2006/07	
Not less than 49% within 40 weeks	
HMCS Performance in 2006/07	42.1%

Magistrates' Courts	How HMCS is measured
Proportion of public law cases dealt with within 40 weeks	
Interim Targets for 2006/07	
Not less than 61% within 40 weeks	
HMCS Performance in 2006/07	52.8%

CHIEF EXECUTIVE'S REPORT

Our Performance

PSA 5

To achieve earlier and more proportionate resolution of legal problems and disputes by:
Increasing advice and assistance to help people resolve their disputes earlier and more effectively

How HMCS is measured

Proportion of legal problems in respect of which people receive suitable advice and assistance (target primarily delivered by the advice sector)

Interim Targets for 2006/07	50% (by March 2008)
HMCS Performance in 2006/07	44.5% (at February 2007)

Increasing the opportunities for people involved in court cases to settle their disputes out of court

How HMCS is measured

Reduce the proportion of disputed claims in the courts that are ultimately resolved by a hearing

Interim Targets for 2006/07	40%
HMCS Performance in 2006/07	41%

Reducing delays in resolving those disputes that need to be decided by the courts

How HMCS is measured

Increase the proportion of small claims hearings that take place within target time

Interim Targets for 2006/07	81%
HMCS Performance in 2006/07	80%

Notes

PSA 4

Performance during 2006/07 has slipped. Significant increases in the volume of applications in 2005 (which take an average of a year to complete) and increased complexity due to legislation requiring concurrent planning of care / placement orders are felt to be key contributors to this downturn. HMCS is working closely with a wide range of other family justice organisations and individuals such as the local authorities, the Department for Children, Schools and Families, the Children and Family Court Advisory and Support Service, the Legal Services Commission and the judiciary to implement the priority recommendations of the Review of Child Care Proceedings System in England and Wales. In addition, an HMCS performance improvement group is being established and regional action plans implemented to improve performance against this target.

PSA 5 – first target

The target is measured by the Civil and Social Justice Survey (conducted by the Legal Services Research Centre), and the results are made available on a quarterly basis. This target is primarily delivered by the advice sector, although HMCS actively promotes advice services such as CLS Direct in all its courts.

PSA 5 – second target

Performance during 2006/07 has been improving, but the major change will take place during 2007/08. We now have 10 small claims mediators working in courts around England and Wales, with a further 13 to be appointed before March 2008. Access to mediation services for higher value claims is available via the National Mediation Helpline (www.nationalmediationhelpline.com) at all county courts, with many courts having launched dedicated referral schemes during 2006/07; more are planned for the coming year.

PSA 5 – third target

Over recent months, performance against this target has slipped and we have narrowly missed the 2006/07 KPI and are behind PSA target level. An action plan to improve performance against this target is now being implemented – good practice on organising court lists and managing information relating to small claims cases is being shared between HMCS areas. Regular bulletins are also circulated to ensure staff are aware of latest performance levels and informed about steps they can take to make sure the target is met.

- the HMCS Risk Steering Group (RSG) which meets periodically as required, is chaired by the HMCS Director of Resources and also includes a balanced mix of executive management from both the regions and directorates; in order to strengthen its role the RSG has been incorporated into the Corporate Services Committee from 1 April 2007
- seven Regional Risk and Audit Committees which meet quarterly.

The risk and control framework

A risk and control framework is in place to identify, monitor, manage and report the risks or threats to the achievement of the Agency's objectives. Key features of the framework include:

- the Business Continuity Planning Board to oversee business continuity
- a governance hierarchy, most notably the HMCS Audit Committee, the HMCS RSG (now subsumed within the Corporate Services Committee), HMCS Corporate Governance, the Regional Risk and Audit Committees and the Governance Officer role
- identification of risks through a methodology that encourages management and staff to explore risks across a variety of categories
- a risk maturity model and the risk management assessment framework which seeks to assess the progression of risk management as a discipline directed and controlled by HMCS Corporate Governance
- incorporation of risk management into all planning and decision making processes
- a defined reporting process that ensures HMCS risks are communicated effectively to the Ministry of Justice (formerly the DCA).

As an executive agency, HMCS has in place an organisation-wide system of internal control to facilitate the management of risk in accordance with HM Treasury requirements. The HMCS system of internal control includes established key governance structures to support the risk management framework and alignment of the separate legacy management assurance processes.

- A range of internal control processes are in place to provide management with financial and operational assurance, including:
- the provision and review of regular management information
 - financial and administrative procedures including delegations of authority and segregation of duties
 - formal approval by the Management Team of business plans and their regular review against performance
 - regular reviews by management of financial and operational reports indicating performance against forecasts
 - an environment whereby both management and staff view the management of risk as an opportunity to manage proactively the risks to the Agency's objectives.

HMCS is not a stand alone organisation and the maintenance of internal controls is reliant on the Ministry of Justice (formerly the DCA), which provides a number of key services to the agency including:

- Finance
- Human Resources (HR)
- Information Technology/e-Delivery Group (eDG)
- Internal Audit
- Procurement

- Legal and Judicial. Assurance over the robustness of internal controls for these services from, but not limited to, the following mechanisms:
 - my role on the Ministerial Executive Board and Departmental Management Board
 - memoranda of understanding
 - statements on internal control
 - internal audit reports
 - service level agreements
 - statement of roles and responsibilities between HMCS and Ministry of Justice (formerly the DCA) Finance.

Review of effectiveness

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 Internal Audit (IAD) and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the HMCS Board, the HMCS Audit Committee and RSG, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The HMCS Board and Management Team are regularly updated on the HMCS risk profile and effectiveness of the systems of internal control through the receipt of minutes from the HMCS Audit Committee, the RSG and also through a review of the HMCS performance reports. Risk management also remains a department wide priority and I obtain further assurance on the management of cross-departmental risks through my role on the Ministry of Justice (formerly the DCA) Management Board.

My directors provide me with a quarterly statement on internal control, which includes control issues raised by directorate and regional management teams. These statements include reporting on the Management Assurance Programme and Key Risk Control assurance processes, which in turn provides assurance of management's compliance with operational policies, procedures and established 'key risks and controls'.

I review the effectiveness of the HMCS assurance processes through an Assurance Working Group that has been created to ensure that assurance processes cover all activities and become more effective and robust in the provision of evidence to support the regional and directorate level statements on internal control.

I review the effectiveness of shared service arrangements.

The HMCS Audit Committee oversees the adequacy and effectiveness of the risk management process. The HMCS Audit Committee complies with its terms of reference by:

- reviewing the planned activity and results of external audit, IAD and other review bodies
- reviewing reports from HMCS Corporate Governance which include the corporate risk register and recommendations from the Risk Steering Group (now Corporate Services Committee)
- reviewing feedback and key messages from the Regional Risk and Audit Committees

ACCOUNTS

Statement on internal control

| ACCOUNTS |

Statement of Chief Executive's responsibilities

Statement of Chief Executive's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed Her Majesty's Courts Service (HMCS or the Agency) to prepare a statement of accounts (the annual accounts) for each financial year in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 18 December 2006. The annual accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency at the financial year-end and of its net cost of operations, recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the Ministry of Justice (formerly the Department for Constitutional Affairs) has designated the HMCS Chief Executive as the Agency's Accounting Officer.

In preparing the Agency's annual accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the annual accounts; and
- prepare the annual accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which they are answerable, for keeping proper records, for safeguarding the Agency's assets and for preparing the HMCS annual accounts, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in the Government Accounting Manual.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of HMCS policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

As Accounting Officer for HMCS and a Board member of the Ministry of Justice (formerly the DCA) Ministerial Executive Board and the Ministry of Justice (formerly the DCA) Management Board, I am responsible and accountable to the Secretary of State and Lord Chancellor through the Ministry of Justice (formerly the DCA) Permanent Secretary for the running, management, performance and future development of HMCS.

I am supported by the HMCS Board, which comprises non-executive and executive members. The HMCS Board assists me in the alignment of Ministerial priorities with strategy and planning and also in the co-ordination of governance, strategy and activities of the agency. I regularly interact with both the Permanent Secretary and Secretary of State and the Lord Chancellor to ensure that Ministerial priorities are fully taken into account.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental and agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, in accordance with Treasury guidance. From 1 April 2007 I have introduced a revised board structure which I believe strengthens the governance arrangements.

Capacity to handle risk

I acknowledge my overall responsibility for the effective management of risk throughout HMCS. I can confirm that leadership is given to the risk management process and that staff are trained or equipped to manage risk in a way appropriate to their authority and duties.

Clarity in roles and responsibilities is essential to ensure that the management of risk is both effective and efficient. Further, it ensures that training and guidance can be targeted effectively. I as Chief Executive lead on the management of risk within HMCS. In my leadership role I am supported by a management structure that includes but is not limited to:

- the HMCS Management Team which meets monthly
- the HMCS Board which meets quarterly
- the HMCS Audit Committee, which meets quarterly, has six non-executive members appointed by the Chief Executive; three (one of which acts as chair) are non-executive directors serving on the HMCS Board and three are chairs of Regional Risk and Audit Committees

Chief Executive



Sir Ronald De Witt
Chief Executive

Centre Directors



Philip Lloyd
Director of Resources



Clare Sumner
Director of Crime and Strategy



Mark Ormerod
Director, Civil & Family and Customer Services



Neil Ward
Chief Operating Officer



Atula Gor
Communications Director



Alan Fenton
Estates Director



Karen Wheeler
Change Programme Director



Darren Scates
IT Business Partner



Dorothy Brown
HR Director

Regional Directors



Keith Budgen
South East



Stephen Caven
North East



Nick Chibnall
HMCS Wales



Alastair Clegg
RCJ Group



Alan Eccles
Midlands



Chris Mayer
North West



Kevin Pogson
London



Peter Risk
South West

HMCS Board

The HMCS Board is responsible for determining strategy and for ensuring its achievement through effective planning. The members of the Board are as follows:

Sir Ronald De Witt	Chief Executive and Chairman
Dorothy Brown (from 18 September 2006)	HR Director for HMCS
Philip Lloyd	Resources Director
Mark Ormerod CB	Director, Civil, Family and Customer Services
Clare Sumner CBE	Director of Crime and Strategy
Neil Ward	Chief Operating Officer
Faith Boardman (from 1 April 2007)	Non Executive Board Member
Kevin King (from 1 April 2007)	Non Executive Board Member
Lord Justice Leveson (from 1 January 2007)	Non Executive Board Member
Kenneth Ludlam (from 1 April 2007)	Non Executive Board Member
Mee Ling Ng OBE	Non Executive Board Member
Maggie Semple OBE (from 1 April 2007)	Non Executive Board Member

Previous members of the Board who served during the year were as follows:

Nicola Bastin (to 31 July 2006)	Regional Director – London
Keith Budgen (from 31 October 2006 to 31 March 2007)	Regional Director – South East
Stephen Caven (to 31 March 2007)	Regional Director – North East
Nick Chibnall (to 31 March 2007)	Regional Director – Wales
Alastair Clegg (to 31 March 2007)	Director Royal Courts of Justice Group
Alan Eccles (to 31 March 2007)	Regional Director – Midlands
Alan Fenton (to 31 March 2007)	Estates Director
Mike Littlewood (from 1 August 2006 to 30 October 2006)	Regional Director – South East
Chris Mayer CBE (to 31 March 2007)	Regional Director – North West

Kevin Pogson CBE (to 31 March 2007)	Regional Director – South East (to 31 July 2006) Regional Director – London (from 1 August 2006)
Peter Risk (to 31 March 2007)	Regional Director – South West
Helen Dudley CBE (to 12 July 2006)	DCA Human Resources Director
Yvonne Gallagher (from 26 June 2006 to 31 March 2007)	DCA Chief Information Officer
Annette Vernon CBE (to 1 June 2006)	DCA e-Delivery Director
Sir Peter Bonfield (to 31 March 2007)	Non Executive Board Member
Jeff Denton (to 31 March 2007)	Non Executive Board Member
Lord Justice Thomas (to 31 December 2006)	Non Executive Board Member

The Board met four times during the year.

Details of the remuneration of members of the HMCS Board who served during 2006/07 can be found in the remuneration report.

No Board member had any other directorship or significant interest which conflicted with their responsibilities as a member of the HMCS Board. So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

HMCS Audit Committee

The HMCS Audit Committee supports the HMCS Accounting Officer in the discharge of his responsibilities for governance, risk management, control and assurance. It is an advisory body and has no executive powers.

The Audit Committee met four times during the year and the external auditors attended all meetings. Members of the Audit Committee are as follows:

Kenneth Ludlam (from 1 April 2007)	Non Executive Board Member and Chairman
Jeff Denton (to 31 March 2007)	Non Executive Board Member and Chairman
Kevin King (from 1 April 2007)	Non Executive Board Member
Mee Ling Ng OBE	Non Executive Board Member
Neil Andrews	Non Executive Member
John McGorrigan OBE, JP	Non Executive Member
Laurie Pavelin CBE	Non Executive Member

Details of the remuneration of members of the HMCS Audit Committee can be found in the remuneration report.

No Audit Committee member had any other directorship or significant interest which conflicted with their responsibilities as a member of the HMCS Audit Committee.

Auditors

The auditor's remuneration for the audit of the financial statements of HMCS for 2006/07 was £358,000 (2005/06: £450,000) which included the cost of audit of the Funds in Court Part A accounts which are prepared by the Court Funds Office (CFO) and audited in accordance with the Administration of Justice Act 1982. The auditor's remuneration for non-audit work during the year was £Nil (2005/06: £Nil).

Pensions

Details of how pension costs and liabilities are treated in the accounts can be found in note 1.5 to the accounts, and further information relating to pensions is included in note 4.1 to the accounts and in the remuneration report.

Payments

HMCS complies with BS7890: Method for Achieving Good Payment Performance in Commercial Transactions. HMCS policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of the receipt of the goods and services or the presentation of a valid invoice, whichever is the later. During the year, 95% (2005/06: 89%) of invoices were paid within payment terms based on the date of receipt at the service provider.

Capital structure

HMCS net assets are represented entirely by taxpayers' equity, consisting of the general fund and the revaluation reserve as detailed in note 1.1 to the accounts.

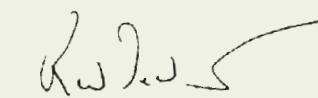
Operating and financial review

HMCS had a net cost of operations of £999.5m (2005/06: £1,010.5m) which mainly consisted of staff costs of £813.5m (2005/06: £801.4m).

HMCS capital investments were £99.6m (2005/06: £95.9m) of which £34.4m was invested in schemes designed to address ongoing maintenance.

Total operating income of HMCS was £595.9m (2005/06: £537.9m) and was mainly fees relating to services provided to users of the civil courts, £448.2m (2005/06: £408.0m), and an element of fines receipts retained by HMCS upon collection, £99.4m (2005/06: £82.8m). All fee-charging services must have a financial objective agreed with HM Treasury; details of the actual and target fee recovery are shown in note 2.1 to the accounts.

The total expenditure, including non-cash charges, was £1,595.5m (2005/06: £1,548.4m), of which expenditure for civil business was £652.4m (2005/06: £570.9m) and for criminal business £943.1m (2005/06: £977.5m).



Sir Ronald De Witt
HMCS Chief Executive and Accounting Officer
13 July 2007