Presented pursuant to the GRA Act 2000 c.20. s.6

Judicial Pensions Scheme

Resource Accounts 2004-05

LONDON: The Stationery Office
HC 285

20 July 2005
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(For the year ended 31 March 2005)

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Contents

FOREWORD

History and Statutory Background

The Department for Constitutional Affairs (DCA) has had full responsibility for the central administration of the Judicial Pensions Scheme (JPS) since 1 April 2003. Prior to 1 April 2003, HM Treasury and the Cabinet Office were responsible for the management of judicial pensions.

There are currently various judicial pension arrangements, all contracted out of the State Pensions Scheme, that are known collectively as the JPS. The terms of most of the pension arrangements are set out in, or in some cases are analogous to, the provisions of two Acts of Parliament, the Judicial Pensions 1981 Act and the Judicial Pensions & Retirement 1993 Act (JUPRA). The JPS is an un-funded scheme with most of the benefits payable being statutory entitlements. Other benefits are discretionary.

Judicial pension benefits are paid from two sources. Under statute, certain judicial post holders' basic pension benefits (but not the annual pension increase) can only be paid out of the Consolidated Fund (CF). For the rest the pension benefits are paid from Judicial Pensions Scheme Estimates voted by Parliament.

The boundary of these Scheme accounts is inclusive of all relevant expenditure and income relating to the payment of judicial pension benefits irrespective of the source of the funds.

Note: The CF holds all funds credited to the "Account of Her Majesty's Exchequer". This account receives tax revenue and all other public monies payable to the Treasury. The pension payments met out of the CF can only be authorised by the Treasury and the Comptroller and Auditor General. As such the DCA has no control over the issue of those payments, but they are accounted for in the Scheme Statement.

The Scheme accounts have been prepared in accordance with the 2004-05 Resource Accounting Manual (RAM) issued by HM Treasury. This in turn is based on the recommendations of the Statement of Recommended Practice entitled *Financial Reports of Pension Schemes* together with the reporting requirements of Financial Reporting Standard (FRS) 17 "Retirement Benefits". It has been adapted by the Treasury for Public Sector Pension Schemes (see in particular 2.10 to 2.11 of the Financial Reporting Advisory Board report for the period April 2003 to March 2004).

Principal Purpose and Administrative Aim

In administering the Scheme on behalf of Judicial Appointing Bodies (those Government Departments whose Ministers have responsibility for the appointment and/or administration of Judicial Office Holders), DCA, as the lead department, aims to ensure that all pension payments due to entitled pensioners and dependants are made in a timely and accurate fashion.

Management Board

The JPS is administered, managed and operated by the Judicial Pay and Pensions Division (JPD) within the DCA. The Permanent Secretary of the DCA is the designated Accounting Officer of the Scheme. The Accounting Officer has delegated responsibility for overseeing the Scheme's administration to the Head of JPD. There is a JPS Board, chaired by the Head of JPD, which includes members of DCA's Internal Assurance and Finance Divisions. It meets on a regular basis (usually quarterly) to review the performance of and manage the business risk of the Scheme.

The JPS Board's terms of reference are:

1. To oversee the delivery of a professional pensions service to the judiciary.
2. To identify and authorise any actions required to improve, develop and extend the judicial pensions service.
3. To provide strategic guidance to the JPS and to act on any recommendations made to it on issues adjudged to require the Board's attention: including risk management, communications, stakeholder relationships, Corporate Governance and quality assurance (both review and approval).
4. To provide a formal review and approval forum for key service delivery or policy products.

The JPS Board during the year consisted of:

Mr David Staff	Head of Judicial Pay and Pensions Division
Mrs Elizabeth Grimsey	Director, Judicial Policy Directorate
Ms Carole Russell	Deputy Head, Judicial Pay and Pensions Division
Mr Barry Coidan	Head of Branch, Judicial Pay and Pensions – Finance
Mrs Shirley Hales	Head of Branch, Judicial Pay and Pensions – Administration
Mr Gary Smith	Head of Accounting Development, DCA Finance (until 31 December 2004)
Ms Kate Ivers	Head of Financial Accounts, DCA Finance (from 01 January 2005)

Board attendee:

Mrs Nadine Tigg	Internal Audit Division

Future Liabilities

These Resource Accounts do not take account of obligations to pay pensions and benefits that fall due after the end of the Scheme year, except for liabilities already accrued and included on the Balance Sheet (page 20). The Government Actuary's Department (GAD) report is also included within these Accounts and this covers the actuarial position of the Scheme. It highlights the present value of the current and future liability to all retired, deferred and active members, using assumptions – other than the discount rate – which comply with FRS 17 "Retirement Benefits". The Actuarial Statement has been prepared using the projected unit method. GAD carry out a full actuarial valuation of the Scheme, at least once every four years, with an interim valuation every other year. The report of the actuary on pages 9 to 10 takes account of the full actuarial valuation carried out as at 31 March 2005.

In these Resource Accounts the Scheme liabilities are discounted using an assumed long-term real rate of return (discount rate) as advised by GAD and prescribed by HM Treasury. The current rate is 3.5 per cent per annum (Notes 2.6 to the Accounts). HM Treasury have prescribed that for 2005-06 the real rate will be 2.8 per cent per annum.

Going Concern.

In common with other public sector pension Schemes, the future financing of the JPS's liabilities is to be met by future grants of supply and the application of future pension contributions, both to be approved annually by parliament. Such approval for amounts required for 2005-06 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Auditors

The accounts of the JPS are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000.

Alex Allan
Accounting Officer of the Judicial Pensions Scheme

Date: 14th July 2005

REPORT OF THE ACCOUNTING OFFICER AS THE SCHEME MANAGER

Introduction

The JPS is an unfunded, salary-related, contracted out occupational pension scheme open to most members of the Judiciary under the requirements of two Acts; the Judicial Pensions Act 1981 and the Judicial Pensions & Retirement Act 1993 (JUPRA).

Manager, Advisers and Appointing Bodies

The Manager, Advisers and Appointing Bodies for the scheme are as listed below:

Manager

Scheme Manager and Accounting Officer

Alex Allan, Permanent Secretary, Department for Constitutional Affairs, Selborne House, 54/60 Victoria Street, London SW1E 6QW

Advisers

Scheme Administrator

Barry Coidan, Head of Branch, Judicial Pay and Pensions Division – Finance, Department for Constitutional Affairs, Selborne House, 54/60 Victoria Street, London SW1E 6QW

Scheme Actuary:

Government Actuary's Department, Finlaison House 15-17 Furnival Street. London EC4A 1AB

Auditors:

Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP.

Bankers:

The Office of HM Paymaster General, HM Treasury, Room 3/30, 1 Horse Guards Road, London SW1A 2HQ.

Providers of external Additional Voluntary Contributions:

The Equitable Life Assurance Company, Walton Street, Aylesbury, Bucks HP21 7QW and Prudential plc, Laurence Pountney Hill, London EC4R 0HH.

Pension Payment Contractors

Capita Hartshead Ltd – Mowden Hall, Darlington, Co Durham, DL3 9SZ and Paymaster (1836) Limited – Sutherland House, Russell Way, Crawley, West Sussex. RH10 1UH

Appointing Bodies

As at 31 March 2005 the following bodies participate in the JPS:

- Department for Constitutional Affairs
- Department of Trade & Industry
- Department for Work & Pensions
- Northern Ireland Court Service
- Scottish Executive
- Corporation of London
- Department of Health

Responsibilities of the Scheme Manager

DCA as the lead department is responsible for:

- administration of the JPS including dealing with queries from scheme members, maintaining a membership database, authorising pension awards and liasing with GAD to enable the calculation of accrued superannuation liability charges (ASLCs);
- accounting for all the transactions of the JPS;
- production of the JPS Resource Accounts covering the pension payments from both the Consolidated Fund(CF) and the JPS Estimate (the estimate); and
- Managing or assisting in the management of contracts with external contractors (currently Capita Hartshead Ltd (Capita) and Paymaster (1836) Limited (Paymaster)) responsible for making pension payments and other retirement benefits.

The administration of the payment of the judicial base pensions from the Consolidated Fund was transferred to the Judicial Pay and Pensions Division of DCA from April 1 2005. No potential adjustments to the 2004-05 resource accounts have been identified.

Pension Benefits of the Scheme.

The JPS is a defined benefit scheme. Judges appointed for the first time on or after 31 March 1995 belong to the scheme under the 1993 Act. Those appointed prior to that date generally belong to the scheme under the 1981 Act. There is a right of election to transfer from the 1981 Act to the 1993 Act at any time up to a date 6 months after retirement.

The 1993 Act provides a lump sum of 2.25 times the member's annual pension. The annual pension is calculated at 1/40th of the highest of the last three years pensionable pay, up to the Inland Revenue earnings cap, multiplied by the number of years of reckonable service. Pension benefits are payable from age 65 subject to 5 years service.

There are different arrangements for different Judicial Offices under the 1981 Act; in some cases maximum benefits accrue over 15 years, in others the period is 20 years. The qualifying conditions for pension benefits vary according to age and length of service requirements. Here the lump sum is twice the annual pension.

Spouses' pension benefits payable on the death of a member are paid at the rate of ½ that of the member's annual pension entitlements under both the 1993 and 1981 Acts.

A top up scheme operates to provide pension benefits for 1993 Act members in respect of salaries above the Inland Revenue earnings cap (The 2004-05 earnings cap was £102,000).

● Pension Increases

Annual increases are applied to pension payments from the first Monday on or before 6 April, in line with the RPI all-items index, as at the previous 30 September in accordance with the Pensions (Increase) Act 1971. The annual pension increase in April 2004 was 2.8 % (2003:1.7%).

● Ill health payments

Early payment of a pension (with enhanced service under the 1993 Act) is available from the JPS to those members where in the wording of the 1993 Act, "the person is incapable of discharging his duties and the incapacity is likely to be permanent".

● Death benefits

On death in service, a lump sum of twice annual pensionable pay is paid under the 1993 Act. Under the 1981 Act the death in service lump sum is equal to the annual salary. On death in early retirement, a lump sum representing the difference between the combined value of the retirement lump sum plus any pension actually paid and the judge's last annual salary may be payable, under the 1981 Act depending on the amount of pension drawn before the date of death. In the 1993 Scheme the lump sum has an effective limit of 2.75 times the pension (assuming payment of the lump sum but no pension).

- **Transfer between schemes**

Members joining or leaving the JPS are, subject to time limits, able to take a transfer value from or to another pension scheme or arrangement.

- **Preserved benefits**

Leaving Scheme members who have completed 2 years' service have the option to preserve their accrued JPS benefits for payment when they attain normal pension age.

Contributions into the Scheme

- **Appointing Bodies' Contributions**

Appointing Bodies outlined on page 5, meet their share of the cost of the pension cover provided to serving JPS members by payment of contributions to the Scheme each month. These contributions are called accruing superannuation liability charges (ASLCs). The Government Actuary reviews the contribution rates following a full scheme valuation at least every four years. For 2004-05, the ASLCs were 29% of pensionable pay plus 0.25% towards the Scheme's administration costs. The valuation as at 31st March 2005, recommends an ASLC of 30.75%.

- **Members' Normal Contributions**

Serving members bear a share of pension costs through making normal contributions at 3% or 4% of pensionable pay. These contributions are referred to as Widows(ers) pension scheme (WPS) contributions.

- **Members' Additional Voluntary Contributions (AVCs)**

Serving members are able to increase their personal pension benefits and/or dependant's entitlements by making additional voluntary contributions to one of three AVC facilities within the Scheme and also externally, to the AVC suppliers – The Equitable Life Assurance Society and Prudential plc.

Internal arrangements

The three AVC arrangements within the JPS are provided for under the Judicial Pensions and Retirement Act 1993 ("the 1993 Act") and the Judicial Pensions Act 1981(''the 1981 Act'') as amended by the 1993 Act. The arrangements are as follows:

- The Judicial Added Benefit Scheme (JABS) (for the 1981 Act members only). JABS enables members to increase the level of benefits payable from their main judicial pension scheme.
- The Judicial Added Years Scheme (JAYS) (for the 1993 Act members only). JAYS enables members of the 1993 Act to increase the length of service and the benefits at retirement.
- The Judicial Added Surviving Spouse's Pension Scheme (JASSPS) (for the 1993 Act members only). JASSPS enables members to make contributions which will increase only the level of the contingent surviving spouse's pension.

External arrangements

The following external arrangements are not brought to account in these Resource Accounts

- The Judicial Additional Voluntary Contributions Scheme enables contributions to be made to an "authorised provider", which is an independent pension provider who invests the scheme members' contributions at the scheme members' directions within a range of investment options. At the time of retirement the funds are used to purchase pension benefits for the Scheme member or their dependants on a money purchase basis.
- In addition, life assurance (death in service benefits) may also be purchased by contributions to the authorised provider.
- The providers are The Equitable Life Assurance Company and Prudential plc. The benefits under these two arrangements are provided for from investments in external funds managed by the two companies and they are therefore not included in the JPS balance sheet on page 20.

Free-Standing Additional Voluntary Contributions (FSAVC)

- Active members of the JPS may make their own arrangements for making payments to institutions which offer FSAVC schemes. The manager of the JPS has no responsibility in connection with such arrangements and they are not included in the JPS Balance Sheet on page 20.

Membership Statistics

A. Active members: Office Holders who are in service

B. Deferred members: Former Office Holders who are not currently in pensionable service but who are entitled to JPS benefits as a result of previous service, at some future date.

C. Pensioners in payment: Former Office Holders who are currently receiving JPS benefits, plus other JPS beneficiaries such as widow(er) s and other dependants of former office holders.

Detail of the current membership of the JPS is as follows:

A. Active members

	2004-05	2003-04
Active members B/F	2,016	1,972
Adjustment for Prior Year	(3)	–
	2,013	1,972
Add: New entrants in the year	129	133
Transfers in	–	–
less: Retirements in the year	(71)	(81)
Transfers out		–
Deferred member	(1)	–
Deaths	(7)	(8)
Active members at 31 March 2005	**2,063**	**2,016**

B. Less deferred members

Deferred members at 1 April 2004	5	4
add: Members leaving who have deferred pension rights	1	2
less: Members who are re-appointed to Judicial posts	(2)	(1)
Deferred members at 31 March 2005	**4**	**5**

C. Pensioners in payment	Members	Dependants	Total	Total
Pensioners in payment B/F	824	418	1,242	1,181
Members retiring in year at normal retirement age	71	–	71	81
Members retiring in year, previously in receipt of Guaranteed Minimum Pension (GMP)	(13)	–	(13)	(17)
Members in receipt of GMP	5	–	5	13
New dependants		39	39	35
Deaths in year	(35)	(16)	(51)	(51)
Cessation of full time education		(2)	(2)	–
Pensioners in payment at 31 March 2005	**852**	**439**	**1,291**	**1,242**

The active member figures have been adjusted. The published figure (2,016) included members who had retired or died in March 2004 and excluded members appointed in that month.

Further Information:

Any enquiries about the JPS should be addressed to the Scheme Administrator at:

Judicial Pensions Scheme, Judicial Pay and Pensions Division
Department for Constitutional Affairs
Selborne House
54-60 Victoria Street
London SW1E 6QW

REPORT OF THE ACTUARY:

For the year ended 31 March 2005

A. The Judicial Pensions Scheme (JPS) is an un-funded public service scheme providing pensions and related benefits for members of the judiciary. Participating Judicial Appointing or Administering Bodies make contributions known as accruing superannuation liability charges (ASLCs), to cover the expected costs of benefits under the JPS. ASLCs are assessed regularly by the Scheme Actuary to be consistent with those which might have applied had the Scheme been funded.

B. Liabilities

The capitalised value as at 31 March 2005 of expected future benefit entitlements under the JPS, for benefits accrued in respect of service (or former service) prior to 31 March 2005, has been assessed using the methodology and assumptions set out in Sections D and E below. The results are as follows:

	Value of liabilities
	£ million
Pensions in Payment	433
Deferred Pensions	1
Serving Members (Past Service)	736
Total	**1,170**

C. Accruing Costs

The cost of benefits accruing for each year of service is met by a mandatory contribution from the Appointing or Administering Bodies who are deemed as the 'employers' and by contributions from individual Judicial Office Holders. The contribution rate required from the Judicial Appointing Bodies or Administering Bodies to meet the cost of benefits accruing in the year 2004-05 has been assessed as 29.25% of the relevant judicial salaries. This includes an element of 0.25% as a contribution towards administration costs of the Scheme.

Based on a pensionable salary of £222.2million, the cost of benefits accruing in the year is equivalent to £70 million.

D. Methodology

The value of the liabilities for benefits accrued prior to the assessment date has been obtained using the projected accrued benefits method, with allowance for expected future pay increases in respect of active members. The standard contribution rate for benefits accruing after the assessment date has been determined using the projected unit method, with a control period of 3 years.

E. Assumptions

The principal financial assumptions adopted for the pension assessments made in relation to this statement are an investment return in excess of price increases of 3.5%p.a. (pension benefits under the scheme are increased in line with prices), and an investment return in excess of earnings increases of 2%p.a. The demographic assumptions used to assess the value of the scheme's liabilities are derived from the specific experience of the membership of this scheme and detailed in my report of the 2005 Judicial Pension Scheme Valuation. The demographic assumptions used to assess the value of the scheme's standard contribution rate are detailed in my report of the 2001 Judicial Pension Scheme valuation.

F. **Notes**

(1) This Statement is based on the ASLC review carried out as at 31 March 2005.

(2) The pension benefits taken into account in this assessment are those normally provided from the rules of the pension scheme, including retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. Costs relating to payments made before normal retirement age as compensation for early retirement are excluded. We have been informed by the DCA that these costs are included within the relevant Resource Accounts of the participating bodies in the JPS.

D G Ballantine June 2005
Fellow of the Faculty of Actuaries
Government Actuary's Department

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, the Accounting Officer is required to prepare a financial statement for judicial pensions in the form and on the basis determined by HM Treasury.

With the exception of certain transactions, which are accounted for on a cash basis, the financial statements are prepared on an accruals basis. These must give a true and fair view of the financial transactions of the Scheme during the year and the Scheme's net liabilities at the end of the financial year. Notes to the accounts (2.5) and (2.9) describe those transactions, which are accounted for on a cash basis. The application of the cash basis in these instances has no material effect on the net outgoing for the year, or on the combined net liabilities at the year-end.

HM Treasury has appointed the Permanent Secretary of the Department for Constitutional Affairs as Accounting Officer of the Scheme with responsibility for preparing the Scheme accounts and for transmitting them to the Comptroller and Auditor General.

The Accounting Officer is also the Scheme Manager and his relevant responsibilities are as outlined in the Report of the Accounting Officer as the Scheme Manager (page 5).

In preparing these financial statements, the Accounting Officer is required to satisfy himself that:

- suitable accounting policies have been selected and applied consistently;
- the financial statements have been prepared on a going-concern basis, unless it is inappropriate to presume that the Scheme will continue in operation;
- reasonable and prudent judgements and estimates have been made;
- applicable accounting standards have been followed, in accordance with the guidelines set out by HM Treasury, subject to any material departures disclosed in the financial statements.

The responsibilities of an Accounting Officer, including: responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, keeping proper records and safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*.

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Constitutional Affairs' (DCA) policies, aims and objectives, whilst safeguarding the public funds and Departmental assets, including the JPS, for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting.*

I am also the Scheme Manager for the Scheme and my responsibilities are as outlined on page 6.

DCA as lead department for judicial pensions within the UK has full responsibility for the central administration of the JPS. JPS Estimate covers the payment of pensions and other related benefits normally paid out of funds voted by Parliament. It also appropriates in aid pension contributions from bodies with judicial appointments, in the form of accrued superannuation liability charges, and members' contributions.

The JPS Estimate excludes the payment of pension benefits met directly from the Consolidated Fund (CF), which are administered by the Exchequer Fund Account Team (EFA), of the Treasury.

As Accounting Officer, I work with Ministers and senior DCA Management through the Ministerial Executive Board (which replaced Ministerial ExCom, ExCom and the Corporate Board), the Departmental Management Board and other meetings and correspondence to implement the Department's plans, allocate resources and delegate financial authority to senior staff. The DCA's Judicial Pay and Pensions Division (JPD) administers the JPS. I delegate financial authority together with internal control and risk management responsibilities to the Director General Legal and Judicial Services, who in turn has delegated financial authority to the Head of the JPD.

2. 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 JPS policies, aims and objectives. Also, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. In particular, the system of internal controls is designed to detect fraud, minimise omissions and material errors in the payment of pensions and receipt of contributions from Appointing Bodies and JPS members.

The system of internal control has been in place in the Department for the year ended 31 March 2005, and up to the date of approval of the annual accounts, accords with Treasury guidance.

3. Capacity to Handle Risk

As Accounting Officer, I acknowledge my overall responsibility for the effective management of risk throughout the Department.

The Department's Risk Management Policy and Framework document, approved and endorsed by the Corporate Board (now the Ministerial Executive Board), was published in June 2002. This, in conjunction with the guidance on the Quarterly Risk Reporting process sets out the Department's attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk. The document is available to all staff on the Department's Intranet.

The Judicial Pensions Scheme Board oversees the financial, accounting and administrative functions of the Scheme. The Head of JPD chairs it. The DCA's Internal Audit Division are represented on the Board. The Board receives regular reports on Business Risks identified in the Scheme's Business Risk Register. The Register is regularly updated and the risks, their nature and impact and mitigating action, are regularly assessed.

4. The Risk and Control Framework

The key elements of the JPS's risk management strategy for identifying, evaluating and controlling risk include a Risk Management Policy and Framework document, which sets out formal processes for identifying, evaluating, managing and reporting risk. Risks that threaten the JPS's objectives are identified and analysed in terms of impact and probability, assigned to an individual owner and reported regularly in a Risk Register at Board level.

The JPS undertakes an annual self-certification exercise on the development and effectiveness of its risk management.

The other key elements in the JPS's control system are regular financial and management information. In particular this includes quarterly management reports by the administrators of the Scheme to the Scheme Board and quarterly financial reports (including cash flow and consumption of resources) to the Director General, Legal and Judicial Services Group, including, on an exception basis, the position on any business risk – financial, accounting and operational.

Pensioner payroll

Capita Hartshead Ltd (Capita) and Paymaster (1836) Limited (Paymaster) are contracted to provide payroll services for the payment of base pensions and pension increases paid from the JPS Estimate. Both contractors operate appropriate corporate governance and internal control arrangements and their operations are audited. JPD manages and monitors the performance of the Capita contract. The Exchequer Finance Account (EFA) Team has primary responsibility for the Paymaster contract and payments from the CF, and JPD monitors the performance of Paymaster in respect of pension increases paid from the JPS Estimate. These pension increases are for the Judiciary whose basic pensions are met directly from the CF.

Financial and accounting support

Liberata UK Limited maintains and manages the JPS accounts at HM Paymaster General. Liberata UK Limited also provide and maintain the accounting system that supports the JPS accounts. These services are provided under the terms of the company's contract with the DCA. Liberata provides assurance that the services provided by them have been delivered in compliance with the assurance and control requirements of that contract.

5. 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 the internal auditors and the administrators of the JPS 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.

The Scheme Administrator has also established a programme of risk awareness training and guidance for staff. He has also been able to identify and keep up to date a register of risks facing the Scheme and has initiated risk management procedures consistent with DCA's corporate risk control framework.

The key elements of the system of internal control are set out above and contribute to my review of the system's effectiveness. In addition, the following bodies inform my review of the JPS's system of internal control;

The Department's Corporate Board: The Board approved the Department's Framework and Policy Document and has been involved in the development of the Corporate Risk Register. The Department's Executive Committee will consider the quarterly risk reports, including any significant JPS risks and any issues arising are discussed at the Corporate Board.

The Audit Committee: The committee serves as a source of advice and assurance on the effectiveness of the risk management process of the JPS. The Committee meets a minimum of three times each year and has a non-executive Chair. It receives updates on the development of risk management and internal control and considers internal and external audits on the system of internal control and any material weakness in the administration of the JPS. The Committee reviews these Accounts before being recommended to the Corporate Board.

Internal Audit Division (IAD): The DCA's IAD operates to the Government Internal Audit Standards. It submits reports on the adequacy and effectiveness of the JPS's administrative processes and makes recommendations for improvement.

Following IAD's audit in 2003-04, there have been no significant changes to JPS's system of internal control. The 2004-05 audit concentrated on strategic changes affecting the JPS financial arrangements during this operational year. The findings indicate that IAD maintains its opinion that management can place reasonable assurance on the adequacy and effectiveness of the risk management, control and governance processes operating over the JPS. Recommendations for improvement have been implemented.

There are no significant internal control issues for the JPS.

This statement applies to the JPS. The Statement on Internal Control for the Department for Constitutional Affairs as a whole will be available from the Stationery Office when the Department's 2004-05 Accounts are published later this year.

Alex Allan 14 July 2005
Accounting Officer

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

I certify that I have audited the financial statements on pages 17 to 31 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the accounting policies set out on pages 22 to 24.

Respective responsibilities of the Accounting Officer, Actuary and Auditor

As described on page 11 the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the other contents of the Accounts. As described in Note 13, the Actuary is responsible for carrying out the actuarial valuation of the scheme and assessing the future liabilities. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and 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. I also report if, in my opinion, the Report of the Scheme Manager is not consistent with the financial statements, if the Department has not kept proper accounting records for the Scheme or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies within the financial statements.

I review whether the statement on pages 12 to 14 reflects the Department's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with the United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme'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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the financial transactions of the Scheme for the year ending 31 March 2005, the net out-goings, recognised gains and losses and cash requirement for the year and the amount and disposition at that date of its assets and liabilities and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

15 July 2005

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

Schedule 1

Summary of Resource Outturn
for the year ended 31 March 2005

	2004-05							2003-04
	Estimate			Outturn			Difference	Outturn
	Gross Expenditure	*A-in-A*[1]	*NET TOTAL*	*Gross Expenditure*	*A-in-A*	*NET TOTAL*	*Net total outturn compared with Estimate saving/ (excess)*	*NET TOTAL*
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources	92,427	68,114	24,313	92,282	68,114	24,168	145	147,570
Net cash requirement						–		–

	Note		Estimate		Outturn	Difference	2003-04 Outturn
	Note		£000		£000	£000	£000
Reconciliation of resources to net cash requirement							
Net total resources[2]	6		**24,313**		**24,168**	**145**	**147,570**
Accruals adjustments:							
Non-cash items: Increase in provision	15.1		(92,427)		(92,282)	(145)	(86,984)
Other Non-cash items	15.2		–		63	(63)	78
Movements in working capital other than cash	16		–		(325)	325	6,009
Use of provision in year	17		18,400		18,457	(57)	17,691
Prior period adjustment[3]			–		–	–	(127,364)
Excess cash to the CF			**49,715**		**49,919**	**(204)**	**43,000**
Net cash requirement (Schedule 4)[4]			**1**		**–**	**1**	**–**

Explanation of variation between Estimate and Outturn:
The variation between Estimate and actual net cash requirement is not considered to be significant under the rules currently laid down by *Government Accounting*.

Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement:
The variation between Estimate and actual net cash requirement is not considered to be significant under the rules currently laid down by *Government Accounting*.

The notes on pages 22 to 31 form part of these accounts.

Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in Italics).

	2004-05 Forecast		2004-05 Outturn	
	Income	*Receipts*	Income	*Receipts*
	£000	*£000*	£000	*£000*
Operating income and receipts – excess A-in-A (note 10/12)	2,096	*2,096*	2,231	*2,231*
Subtotal	**2,096**	***2,096***	**2,231**	***2,231***
Excess cash surrenderable to the Consolidated Fund	–	*49,715*	49,919	*49,919*
Total	**2,096**	***51,811***	**52,150**	***52,150***

Notes

[1]**Appropriations in Aid (A-in-A)**

These are items of income whose limit is authorised by Parliament and can be offset against items of expenditure in order to arrive at the total net resources required for the year (as shown in Schedule 1). Amounts of income in excess of the A-in-A are referred to as 'excess A-in-A' and surrendered to the Consolidated Fund for the purposes of Parliamentary control.

[2]**Actual outturn – Resources**

Actual amount of net resources outturn is £24,168,000.00 (2003-04: £147,570,200.00). Actual amount of savings in resources under Estimate is £145,000.00.

[3]**Prior period adjustment (PPA)**

The PPA covers the past years 2001-02 and 2002-03 because it is only since 2001-02 that resource based Estimates have been in place.

Actual outturn – Cash

[4]**Net Cash requirement**:

Outturn net requirement is £0.00.

The actual receipts surrenderable to the Consolidated Fund were £52,150,194.16 of which £49,919,543.59: were excess cash receipts relating to the current year 2004-05. The remainder was excess appropriations-in-aid of £2,230,650.57.

The notes on pages 22 to 31 form part of these accounts.

Schedule 2

Revenue Account
For the year ended 31 March 2005

	Note	2004-05	2003-04
		£000	£000
Income			
Contributions receivable	3	(70,345)	(66,918)
Out-goings			
Pension cost	4	70,000	67,000
Interest on scheme liabilities	5	62,000	58,000
		132,000	125,000
Net out-goings for the year		**61,655**	**58,082**
Net Resource Outturn	6	**24,168**	**147,570**

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses
for the year ended 31 March 2005

	Note	2004-05	2003-04
		£000	£000
Actuarial (loss)/ gain	14.1/14.2	(63,972)	271
Total recognised gains and losses for the financial year		**(63,972)**	**271**

The notes on pages 22 to 31 form part of these accounts.

Schedule 3

Balance Sheet
as at 31 March 2005

	Note	31 March 2005 £000	31 March 2005 £000	31 March 2004 £000	31 March 2004 £000
Current Assets					
Debtors	9	5,465		5,736	
Cash Balance	10	9,171		8,315	
			14,636		14,051
Creditors (amounts falling due within one year)					
Creditors	11	(1,067)		(927)	
Consolidated Fund Extra Receipts	12	(9,171)		(8,315)	
			(10,238)		(9,242)
Net current liabilities			4,398		4,809
Provisions for liabilities and charges:					
Pensions	13		(1,169,700)		(1,026,000)
Net liabilities			**(1,165,302)**		(1,021,191)
Financed by:					
Revenue account:					
Balance brought forward			(1,021,191)		(951,654)
Combined net outgoing for the year (Schedule 2)			(61,655)		(58,082)
Actuarial gain/(loss) (SRGL) (Schedule 2)			(63,972)		271
Excess Cash Surrendered to the Consolidated Fund (schedule 1)			(49,919)		(43,000)
Excess Appropriations in Aid for current year (schedule1)			(2,231)		(140)
Payments met from outside sources	15.3		33,666		31,414
Balance carried forward			**(1,165,302)**		(1,021,191)

Alex Allan
Accounting Officer

14 July 2005

The notes on pages 22 to 31 form part of these accounts.

Schedule 4

Cash Flow Statement
for the year ended 31 March 2005

	Note	2004-05 £000	2003-04 £000
Net cash outflow from operating activities	Note a	52,150	43,140
Amounts paid to the Consolidated Fund		(51,294)	(34,825)
Increase in cash		**856**	**8,315**

Note a: Reconciliation of net out-goings to operating cash flows

	Note	2004-05 £000	2003-04 £000
Net out-goings for the year (Schedule 2)		(61,655)	(58,082)
Increase in pension provision	15.1	132,000	125,000
Other non-cash items	15.2	33,752	31,060
Movements in working capital other than cash	16	325	(6,009)
Use of provisions – pension liability	17	(52,272)	(48,829)
Net cash outflow from operating activities		**52,150**	**43,140**

Analysis of financing and reconciliation to the net cash requirement

		2004-05 £000	2003-04 £000
(Increase) in cash		(856)	(8,315)
Net cash flows other than financing		**(856)**	**(8,315)**
Amounts due to Consolidated Fund received in prior year and paid over		(8,315)	–
Amounts due to Consolidated Fund received and not paid over		9,171	8,315
Net cash requirement		–	–

Amount of grant actually issued to support the net cash requirement = £0.00.

The notes on pages 22 to 31 form part of these accounts.

Notes to the accounts
for the year ended 31 March 2005

1. Basis of preparation of the Scheme accounts

The Scheme accounts have been prepared in accordance with the 2004-05 Resource Accounting Manual (RAM) issued by HM Treasury. This is based on the recommendations of the Statement of Recommended Practice entitled *Financial Reports of Pension Schemes* together with the reporting requirements of Financial Reporting Standard (FRS) 17, as it has been adapted by the Treasury for Public Sector Pension Schemes. In particular, the discount rate is kept fixed throughout each pending Review period, whereas FRS 17 requires it to be set by reference to AA corporate bond rates at the accounts date.

1.1 Judicial Pensions Scheme (JPS)

The Scheme accounts summarise the transactions of the JPS irrespective of whether the source of fund is from funds voted by Parliament to Appointing Bodies or whether it is met directly from the Consolidated Fund. The balance sheet shows the deficit on the Scheme; the Revenue Account shows the movements in the liability analysed between the current service costs (which are actuarially assessed), and the interest on the Scheme liability. The actuarial position of the pension Scheme is dealt with in the Report of the Actuary, and the Scheme accounts statement should be read in conjunction with that Report.

The accounting policies adopted are described below. They have been applied consistently in dealing with items that are considered material in relation to the Scheme statements.

1.2 Going Concern

The balance sheet at 31 March 2005 shows a net liability of £1,165,302,000. This reflects the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pensions, which come into payment each year. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All monies, including those derived from pension contributions in excess of pensions benefits paid are surrenderable to the Fund.

In common with other Public Sector Pension Schemes, the future financing of the JPS's liabilities is to be met by future grants of Supply and the application of future pension contributions, both to be approved annually by Parliament. Such approval for amounts required for 2005-06 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2. Accounting policies for the JPS

2.1 Contributions receivable

Appointing bodies normal pension contributions are accounted for on an accruals basis.

Any appointing bodies special pension contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on a cash basis.

Appointing Bodies meet their share of the cost of the pension cover provided to serving JPS members by payment of contributions to the Scheme each month. These contributions are called accruing superannuation liability charges (ASLCs). The contribution rates are reviewed following a full scheme valuation at least every four years by the Government Actuary. For 2004-05, the ASLCs are 29% of pensionable pay. An additional 0.25% is contributed towards the administration costs of the Scheme

All members' normal pension contributions are accounted for on an accruals basis. Members' contributions paid in respect of the purchase of added years or any other benefits to be gained from the Scheme are accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure

Active members bear a share of pension costs through making normal contributions at 3% or 4% of pensionable pay. These contributions are referred to as Widows(ers) pension scheme (WPS) contributions.

Active members are able to increase their personal pension benefits and/or dependants entitlements by making additional voluntary contributions (AVCs) to one of three AVCs within the Scheme and also externally, to approved AVC providers – The Equitable Life Assurance Society and Prudential plc.

Internal arrangements

The three AVC arrangements within the JPS are provided for under the Judicial Pensions and Retirement Act 1993 ("the 1993 Act") and the Judicial Pensions Act 1981 as amended by the 1993 Act. The arrangements are as follows:

- The Judicial Added Benefit Scheme (JABS) (for 1981 Act members only). JABS enable members to increase the level of benefits payable from their main judicial pension scheme.
- The Judicial Added Years Scheme (JAYS) (for 1993 Act members only). JAYS enables members of the 1993 scheme to increase the length of service and the benefits at retirement.
- The Judicial Added Surviving Spouse's Pension Scheme (JASSPS) (for 1993 Act members only). JASSPS enables members to make contributions, which will increase only the level of the contingent surviving spouse's pension.

External arrangements

All external arrangements are not brought to account in these Resource Accounts.

Members' contributions to AVCs provided externally by "approved providers" are deducted from Judicial Office Holders' salaries and are paid over directly by the Appointing Bodies (who are deemed as 'the employing departments') to the approved providers. These contributions to external providers are not brought to account within these Scheme Accounts but are disclosed for information in note 7.

The Judicial Additional Voluntary Contributions Scheme enables contributions to be made to an "authorised provider", which is an independent pension provider who invests the scheme members' contributions at the scheme members' directions within a range of investment options. At the time of retirement the funds are used to purchase pension benefits for the scheme member or their dependants on a money purchase basis.

In addition, life assurance (death in service benefits) may also be purchased by contributions to the authorised provider.

The authorised providers are The Equitable Life Assurance Company and Prudential plc. The benefits under these two arrangements are provided for from investments in external funds managed by the two companies and are therefore not included in the JPS balance sheet on page 20.

Free-Standing Additional Voluntary Contributions (FSAVC)

Active members of the JPS may make their own arrangements for making payments to institutions, which offer FSAVC schemes. The manager of the JPS has no responsibility in connection with such arrangements and they are therefore not included in the JPS Balance Sheet on page 20.

2.2 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current members' service in the current period and is recognised in the Revenue Account. The cost is based on the assumptions used by the Actuary.

2.3 Past service costs

Past service costs are increases in the present value of the scheme liabilities related to member service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Past service costs are recognised in the Revenue Account on a straight-line basis over the period in which the increase in benefit arises.

2.4 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because accrued members benefits are one year closer to settlement and this is recognised in the Revenue account. The interest cost of 3.5 per cent is consistent with the assumptions used for current service costs (2.2 above).

2.5 Other payments

Other payments unusual in nature may be accounted for on an accrual basis where the amount of the obligation on the scheme is known with certainty, otherwise they are accounted for on a cash basis.

2.6 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit method and has been discounted at a real rate, as prescribed by HM Treasury, which for 2004-05 is 3.5 per cent p.a

HM Treasury have prescribed for the year 2005-06 the real rate used will be 2.8 per cent p.a.

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years with interim valuations every two years. The full valuation was carried out as at 31 March 2005.

2.7 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the Scheme liability on an accruals basis.

2.8 Pension payments to those retiring at their normal retirement age

Where a retiring member of the pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

2.9 Pension payments to and on account of leavers before their normal retirement age

Where a member of the pension scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

Where a member of the pension scheme has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

2.10 Lump sums payable on death in service (or death early in retirement)

Lump sum payments payable on death in service or in early retirement are accounted for on an accruals basis. They are a direct charge to the pension provision, as they are funded through the normal pension contributions.

2.11 Actuarial gains/losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Statement of Total Recognised Gains and Losses for the year. These gains and losses are based on the figures provided by the Actuary and the assumptions which have been deemed appropriate by GAD and Scheme managers.

2.12 Administration fees and expenses

The DCA is the manager of the JPS. A proportion of the total ASLCs received from Appointing Bodies is deemed as the cost of administering the Scheme. In 2004-05, administration cost of £400,000 (about 0.25 per cent of the ASLCs received) was paid over by Appointing Bodies to the DCA. This payment is reported separately in DCA's Resource Accounts.

Other pension related expenses to the Judiciary (such as payments for early retirement and ex-gratia payments) are borne by the relevant Appointing Body and reported in their Departmental Resource Accounts.

2.13 Consolidated Fund pension payments

Pension payments met directly from the Consolidated Fund and not from the funds held by the JPS are reflected in these accounts as notional expenditure. The JPS has no control over the issue of these payments.

The ultimate control for pensions paid out of the Consolidated Fund remains with the Comptroller and Auditor General.

Revenue account: Judicial Pensions Scheme

3. Contributions receivable

	2004-05	2003-04
	£000	£000
Appointing Bodies (ASLCs)		
Judicial Office Holders:	63,887	60,756
Normal contributions: Widows(ers) Pension Scheme (WPS)	5,789	5,591
Purchase of added benefits: Internal JPS AVCs only	669	571
	70,345	**66,918**

Judicial Office Holders' contributions may fluctuate from year to year as members can elect rates of contributions.

March contribution of the DCA for both the Higher and lower judiciary were received in May 05 instead of April 05

4. Pension Cost

		2004-05	2003-04
	Note	£000	£000
Current service costs			
Judiciary paid from the JPS Estimate and Pension Increases for all judiciary		30,282	28,984
Judiciary paid from the Consolidated Fund (notional expenditure)	6/15.1	39,718	38,016
		70,000	**67,000**

5. Interest on Scheme liabilities

	2004-05	2003-04
	£000	£000
Interest charge for the year	62,000	58,000
	62,000	**58,000**

6. Reconciliation of net out-goings for the year to net resource outturn

	2004-05	2003-04
	£000	£000
Net outgoings (Schedule 2)	61,655	58,082
Add: Income not appropriated in aid, payable to the Consolidated Fund	2,231	140
Add: prior period Adjustment	–	127,364
Remove: Non voted expenditure	(39,718)	(38,016)
Net Resource Outturn (Schedule 1)	**24,168**	**147,570**

7. Additional Voluntary Contributions to External Approved Providers

The JPS provides for members to make additional voluntary contributions (AVCs) to increase their pension entitlements. Members may arrange to have agreed sums deducted from their salaries, for onward payment to the approved providers; The Equitable Life Assurance Company and Prudential plc. The Managers of the JPS have responsibility only for the onward payment by Appointing Bodies members' contributions to the provider. These AVCs are not brought to account in this Scheme accounts. Members of the Scheme participating in this arrangement receive an annual statement from the provider annually confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows

	Equitable Life		Prudential	
	2004-05	**2003-04**	**2004-05**	**2003-04**
	£000	£000	£000	£000
Movements in the year				
Balance at 1 April	576	583	176	–
New investments	51	–	61	169
Sales of investments to provide pension benefits	(54)	(63)	(30)	–
Changes in market value of investments	38	56	12	7
Balance at 31 March	**611**	**576**	**219**	**176**
Contributions received to provide life cover	8	8	–	–
Benefits paid on death	–	–	–	–

8. Contingent liabilities

There were no known contingent liabilities at 31 March 2005.

Balance Sheet – Judicial Pensions Scheme

9. Debtors – amounts due to the Consolidated Fund

	2004-05	2003-04
	£000	£000
Judicial Office Holders' normal contributions	5,421	5,710
Overpaid pensions	44	26
	5,465	**5,736**

All Judicial Office Holders normal contributions due are intra-government balances with other central government bodies. Overpaid pensions are due from bodies external to government.

10. Cash at bank

	Note	2004-05	2003-04
	Note	£000	£000
Balance at 1 April		8,315	–
Net cash inflow		856	8,315
Balance at 31 March		**9,171**	**8,315**
The following balance at 31 March is held at the Office of HM Paymaster General		9,171	8,315
		9,171	**8,315**
The balance at 31 March comprises:			
Excess appropriations in aid due to Consolidated Fund	12	2,231	140
Excess cash receipts due to Consolidated Fund	12	6,940	8,175
		9,171	**8,315**

11. Creditors – amounts falling due within one year for pensions

	2004-05	2003-04
	£000	£000
Overpaid Judicial Office Holders' contributions	65	–
Inland Revenue and voluntary contributions	969	883
Administration Charges	33	42
Total Creditors within Supply	**1,067**	**925**
Pensions (Outside of Supply)	–	2
Total Creditors	**1,067**	**927**

12. Creditors – amounts falling due within one year to the Consolidated Fund

	Note	2004-05	2003-04
	Note	£000	£000
Appropriations in aid realised (Schedule 2)	3	70,345	66,918
Less Appropriations in aid authorised (Schedule 1)		(68,114)	(66,778)
Income not "appropriated in aid", payable to the Consolidated Fund	10	2,231	140
Excess receipts surrenderable to the Consolidated Fund	10	6,940	8,175
		9,171	8,315

All creditors falling due within one year are intra-government balances with other central government bodies.

13. Provision for pension liability

The Judicial Pensions Scheme is an un-funded defined benefit scheme. The Government Actuary's Department carried out a full actuarial valuation as at 31 March 2005. The major assumptions used by the Actuary were:

	March 2005	*March 2001*
Real Investment yield in excess of earnings	2.0%	2.0%
Real Investment yield net of Retail Price Index (discount rate)	3.5%	3.5%

The Scheme Manager is responsible for providing the Actuary with the information the Actuary needed to carry out the valuation. This information includes, but is not limited to, details of:

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- income and expenditure, including details of expected bulk transfers into or out of the scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and – with the exception of the discount rate (see notes 1 and 2.6) – reflect a best estimate of future experience.

The Scheme liability as assessed by the Actuary is based on full valuation as at 31 March 2005.This is the professional judgement of the actuary based on the information provided by the Scheme administrator (see Actuary's Report pages 9-10). The JPS membership profile was assessed as part of the full valuation in the year.

Pension scheme liabilities accrue over members' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse, eligible partner and dependants survives the pensioner. In valuing the scheme liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. These variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable. Membership numbers in the years between full actuarial valuations is assumed to be stable.

The value of the liability included on the Balance Sheet may change if the assumption used to calculate the liability changes. For example, if at a subsequent valuation, it is considered appropriate to reduce the real investment yield (net of inflation or earnings growth) then the value of the pension scheme liability will increase (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will decrease.

A change in the inflation rate on its own would not necessarily change the value of the Scheme's liabilities. (E.g. if the inflation rate and the gross discount rate fell by the same amount, one would expect the value of the liabilities to be broadly unchanged, all other things being equal). To illustrate these pensions in payment will increase in line with inflation, but in calculating the liability one discounts all future pension payments back to the valuation date at the discount rate. It is the difference between the discount rate and the inflation rate, which affects the change in liability rather than the absolute values of either of the rates.

The Scheme Manager accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed where appropriate. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

Analysis of movement in scheme liability

	Note	2004-05 £000	2003-04 £000
Scheme liability at 1 April		**(1,026,000)**	**(950,100)**
Current service cost	4	(70,000)	(67,000)
Interest on pension scheme liability	5.1	(62,000)	(58,000)
		(1,158,000)	(1,075,100)
Benefits payable	17	52,272	48,829
		(1,105,728)	(1,026,271)
Actuarial (loss)/gain	14.1	(63,972)	271
Scheme liability at 31 March		**(1,169,700)**	**(1,026,000)**

During the year ended 31 March 2005, contributions from ASLCs (Note 3) represented an average of 29 per cent of pensionable pay.

14. Actuarial gains and losses

14.1 Analysis of actuarial gains and losses

	Note	2004-05 £000	2003-04 £000
Experience (loss)/ gain arising on the Scheme liabilities	13	(63,972)	271
Per Statement of Recognised Gains and Losses		**(63,972)**	**271**

14.2 History of experience gains and losses

	2004-05 £000	2003-04 £000
Experience loss/ gains on scheme liabilities:		
● Amount	(63,972)	271
Percentage of the present value of the scheme liabilities	5.47%	0.03%
Total actuarial loss/gain:		
● Amount	(63,972)	271
Percentage of the present value of the scheme liabilities	5.47%	0.03%

Cash Flow Statement: Judicial Pensions Scheme

15. Non-cash items

15.1 Increase in pension provision for the year

	Note	2004-05 £000	2003-04 £000
Interest on Scheme liabilities	5	62,000	58,000
Increase in pension provision – current service costs	4	70,000	67,000
Total Increase in Pension Provision (Schedule 4)		**132,000**	**125,000**
Less Increase in Pension current costs for Judiciary paid from the Consolidated Fund	4/6	(39,718)	(38,016)
Total Increase in Pension Provision (Schedule 1)		**92,282**	**86,984**

15.2 Other non-cash items

	Note	2004-05 £000	2003-04 £000
Income attributable to Judiciary at the Corporation of London – CoL (calculated as 29.25% of the CoL Judicial Paybill)			
Accruing Superannuation Liability charges (ASLCs)		60	78
WPS-(ASLCs) (paid by CoL)		3	–
Other non-cash items per Schedule 1	**15.3**	**63**	**78**
Pension benefits payable directly from the Consolidated Fund		(33,815)	(31,138)
Other non-cash items per cashflow statement (Schedule 4)		**(33,752)**	**(31,060)**

15.3 Payments financed from sources outside JPS funds

	Note	2004-05 £000	2003-04 £000
Pension payments made by the Consolidated Fund	17	33,815	31,138
Less Pension creditor outside Supply	11	–	(2)
Other Non-Cash Items	15.2	(63)	3
Increase in Inland Revenue creditor	16	(86)	275
		33,666	31,414

16. Movements in working capital other than cash

	Note	2004-05 £000	2003-04 £000
(Decrease)/increase in debtors	9	(271)	5,697
Decrease/(Increase) in creditors (within Supply)	11	(140)	37
Adjust for movement in Inland Revenue creditor	15.3	86	275
Per Schedule 1 and Schedule 4		**(325)**	**6,009**

17. Use of Provisions (Pension benefits paid)

	2004-05		2003-04	
	£000	£000	£000	£000
Members – Base pensions	7,985		8,183	
Members – Pensions Increase	5,118		3,781	
Members – Lump sum on retirement	1,838		2,286	
Dependants – Pensions	1,644		1,438	
Dependants – Lump sum on death of member	–		246	
Dependants – Pensions Increase	1,872		1,757	
Pension benefits paid from JPS Estimate		**18,457**		**17,691**
Members – Base pensions	22,534		20,646	
Members – Lump sum on retirement	6,184		6,190	
Dependants – Base pensions	3,281		2,885	
Dependants – Lump sum on death of member	1,816		1,417	
Pension benefits paid from Consolidated Fund		**33,815**		**31,138**
Total pension benefits paid charged against provision		**52,272**		**48,829**

18. Related-party transactions

The Judicial Pensions Scheme does not fall within the ambit of the DCA, as it obtains parliamentary approval for its resources under a separate Estimate. The DCA is the Lead Appointing Body for most Judiciary within the Scheme, and also the Scheme Manager. The Permanent Secretary to the DCA has been appointed as Accounting Officer for the Scheme. The DCA is regarded as a related party.

During the year the Scheme had material transactions with the DCA and other participating Government Departments who appoint Judicial Office Holders that are members of the Scheme.

Neither the Scheme Manager, key managerial staff nor other related parties have undertaken any material transactions with the Scheme during the year.

19 Post Balance Sheet Events

There have been no key post balance sheet events.

20. Financial Instruments

FRS 13 Derivatives and Other Financial instruments requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the Judicial Pensions Scheme is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 applies.

Liquidity risk

Funds from the Consolidated Fund and resources voted by Parliament finance the Judicial Pensions Scheme's net resource requirements. The Judicial Pensions Scheme is not therefore exposed to significant liquidity risks.

Interest Rate risk

All of the Judicial Pensions Scheme's financial assets and liabilities carry nil or fixed rates of interest. The Scheme is not therefore exposed to any interest rate risk.

21. Losses

No losses were reported during the year.

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