




HER MAJESTY'S
COURTS SERVICE
hmcs



Her Majesty's Courts Service Annual Report and Accounts 2009-10

HC113

£27.25

Her Majesty's Courts Service Annual Report and Accounts 2009-10

Her Majesty's Courts Service (HMCS) is an executive agency of the Ministry of Justice.

Annual Report presented to Parliament pursuant to Section 1(4) of the Courts Act 2003.

Accounts presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000.

Accounts presented to the House of Lords by Command.

Ordered by the House of Commons to be printed on 15 July 2010.

HC113

London: The Stationery Office

£27.25

Crown Copyright 2010

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

ISBN: 9780102967920

Printed in the UK by The Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

ID P002377401 07/10

Printed on paper containing 75% recycled fibre content minimum.

Contents

Introduction	7
Foreword	8
Part 1 About Her Majesty's Courts Service	10
1.1 Overview	10
1.2 Our governance	13
1.3 Our estate by region and area	15
1.4 Ministry of Justice	17
Part 2 Our achievements in 2009-10	18
2.1 Criminal Courts	18
2.2 Civil Courts	30
2.3 Family Courts	36
2.4 Supporting effective operations	39
2.5 Honours and Awards in 2009-10	45
Part 3 Annual Accounts for 2009-10	49
Chief Executive's report	50
Statement of Accounting Officer's responsibilities	54
HMCS Statement on Internal Control 2009-10	55
Remuneration report	63
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	70
Operating Cost Statement for the Year Ended 31 March 2010	72
Statement of Financial Position as of 31 March 2010	73
Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2010	74
Statement of Cash Flow for the Year Ended 31 March 2010	75
Notes to the Accounts for the Year Ended 31 March 2010	76
Annex A Key Performance Indicators (KPIs): 2009-10	126
Annex B Data sources and data quality	129
Annex C Related documents and links	132

Introduction

We are pleased to introduce Her Majesty's Courts Service (HMCS) Annual Report for 2009-10.

This report covers the second full year of our partnership agreement that sets out how Her Majesty's Courts Service operates through the leadership and direction of its Board to administer the courts in England and Wales.

We would like to take this opportunity to recognise the importance of the work carried out by those who work within HMCS and our gratitude to them all for the excellent services they provide across the country to support the administration of our justice system.



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



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

Foreword

We are delighted to present the fifth annual report for HMCS. This report demonstrates the progress made over the last twelve months and the tangible difference our work is making to people's lives.



This year our focus has been on consolidating the gains we have realised from earlier investment while continuing to seize opportunities for further improvement. We have managed this in an increasingly tight financial climate, delivering substantial savings from our initial budget allocation while maintaining the quality of our services to court users. It has not been easy and we are justly proud of the contribution we have made this year to reduce our costs, and to contribute to reforms that have seen savings across the justice system.

We have embedded a culture of continuous improvement through our use of Lean techniques and we are joining with our partners in the Ministry of Justice (MoJ) and more widely across government to take on this approach. Our staff have designed new, more efficient ways of working that we have shared across HMCS, reducing pressure on those at the front line as, for example, in Kent where we are working with other Criminal Justice Agencies to deliver improvements to end to end processes.

Workload has increased in many court jurisdictions such as in the Crown Court, our family courts and many aspects of the work of the civil courts. However, this has not been the case in all courts and the decline in the number of criminal cases in our magistrates' courts continued this year. This presents us with challenges and opportunities. This year, we therefore established our Magistrates' Business Authority that has taken forward work, such as our development of an Activity Based Costing model, to ensure that we provide the right resources in the right place at the right time.

Our courts are not all the same. For example, we need different facilities in a criminal court than we do in a family court but we have done much to provide that our new buildings can be adapted to hear cases in a range of jurisdictions. And in our existing estate, we have continued to improve facilities such as completing our upgrade or replacement of video link equipment for use where witnesses need to give their evidence remotely. Where it was needed, we also replaced over 180 courtroom witness screens that were no longer fit for purpose.

We have continued to support alternative ways in which people can resolve disputes. More people have utilised our mediation services, and those that do report high levels of satisfaction. The proportion of money claims and housing possession claims that were managed via the internet or our Claims Production Centre increased this year. Fines can now be paid electronically and over the phone and we are on track for having terminals in all our county courts to enable the payment of court fees and court orders by debit cards.

But there is more we must do if we are to continue to deliver our core services and live within our means. We have made much progress this year in preparing for the future. We have begun to implement our Civil Business Modernisation Programme by establishing our first business centre in Haywards Heath, providing for a more cost effective way of completing back office functions. We have made progress on developing a new business model for the magistrates' courts and we are ready to address the challenges that will come from the current review of Family Justice. We will also work with our colleagues in the Tribunals Service to prepare for the establishment of the new agency, integrating the work of the courts and tribunals that is due to be established in April 2011.

As ever, we will rely on the ingenuity and dedication of our staff, and we have every confidence that they will rise to the challenge just as they have this year. It is only through working with our colleagues across the justice system, and in partnership with the judiciary, that we will achieve the further efficiencies that will be needed while continuing to improve services to the public in the coming years.



Sir Duncan Nichol CBE,
Non-executive Chair of the HMCS Board

Chris Mayer CBE,
Chief Executive of HMCS

About Her Majesty's Courts Service

1.1 OVERVIEW

HMCS is an agency within the MoJ. We are responsible for managing the administration of the courts across England and Wales, with the exception of the Supreme Court. In order to do this, we work closely with partners across the criminal, civil, family and administrative justice systems. The 2008 partnership agreement between the Lord Chancellor and the Lord Chief Justice provides for the effective governance, financing and operation of HMCS to ensure the independent administration of justice. The agreement makes it clear that HMCS staff owe a joint duty to the Lord Chancellor and the Lord Chief Justice for the efficient and effective operation of the courts.

Our focus is on the efficient and effective operational delivery of justice. However, it is important that our high quality of service is tempered with value for money, and in finding and eliminating waste. Consolidation, analysis of better ways of doing things and building the foundations for the future have been the focus of this reporting period. This report sets out our successes in improving our understanding of the needs of our users, in meeting those needs, and in reducing our costs.

Decisions made in the courts directly affect the lives of ordinary people. In 2009-10, in the criminal courts there were 1,857,461 criminal cases completed in the magistrates' courts, and 149,114 cases dealt with in the Crown Court. In the county courts 1.8 million civil claims were issued and those courts also heard 108,930 public law and private law family applications. A further 46,470 family applications were issued in family proceedings courts.

We have continued to administer the High Court and its District Registries throughout England and Wales, the Court of Appeal, the Probate Service and the Chief Magistrate's Office as well as the Office of the Judge Advocate General. This year we also took responsibility for administering the Court of Protection. The Court of Appeal Criminal Division heard 3,847 cases in 2009-10, and the Court of Appeal Civil Division 3,801 cases. In the High Court, 47,972 civil claims were issued; a total of 17,065 cases were issued in the Administrative Court with 15,549 in London and the remainder in the four regional centres. The Probate Service issued 252,617 Grants of Probate, and the Court of Protection issued 16,327 Protection Orders.

HMCS is responsible for 664 properties of which 530 are operational courthouses with 2,863 courtrooms.



INTRODUCTION

FOREWORD

ABOUT HER MAJESTY'S COURTS SERVICE

OUR ACHIEVEMENTS IN 2009-10

ANNUAL ACCOUNTS 2009-10

Our aim

HMCS aims to ensure that all citizens receive timely access to justice according to their different needs, whether as victims or witnesses of crime, defendants accused of crimes, consumers in debt, children at risk of harm, or business people involved in commercial disputes.

Our objectives are to:

- Promote a modern, fair, effective and efficient justice system that is available to all and responsive to the needs of the communities it serves
- Support an independent judiciary in the administration of justice
- Achieve best value for money
- Continuously improve performance and efficiency across all aspects of the courts' work, having regard to the contribution the judiciary can appropriately make
- Work collaboratively with a range of justice organisations and agencies, including the legal professions, to improve the service provided for local communities
- Promote greater confidence in, and respect for, the system of justice
- Achieve excellence as an employer



I.2 OUR GOVERNANCE

Her Majesty's Courts Service Board

The Lord Chancellor and the Lord Chief Justice have placed the leadership and broad direction of HMCS in the hands of the HMCS Board.

The Board meets regularly under the non-executive chairmanship of Sir Duncan Nichol, CBE.

Membership of the Board comprises two further non-executive members, three judicial members who collectively represent the Lord Chief Justice and the judiciary, an MoJ official representing the Lord Chancellor, and four executive members of the senior HMCS team.

The Board has considered a wide range of matters, and reported on key performance issues at quarterly intervals to the Lord Chancellor and Lord Chief Justice. In particular, it has taken the lead on the process for aligning HMCS resources for 2010-11 against the business needs of the organisation.

Membership of the HMCS Board at 31 March 2010:

Non-Executive Chair

Sir Duncan Nichol, CBE

Representatives of the Lord Chief Justice

The Right Honourable Lord Justice Goldring,

Senior Presiding Judge for England and Wales

His Honour Judge Kennedy

District Judge Michael Walker, CBE

Executive members

Chris Mayer, CBE

Chief Executive, HMCS

Anita Bharucha

Director of Court Improvement

Owen Mapley

Director of Finance

Kevin Pogson, CBE

Regional Director for London

Ministry of Justice member

Peter Handcock, CBE

Non-Executive members

Guy Beringer, QC

Kenneth Ludlam

Chief Executive

The Chief Executive Chris Mayer, CBE is accountable for the day-to-day operation of HMCS and delivery of services through the courts. She is the principal advisor to the HMCS Board and through it, to Justice Ministers. Along with other HMCS directors, the Chief Executive meets regularly with the Lord Chief Justice and the Senior Presiding Judge on issues such as budgets, the estate and senior appointments. Regional, area and local HMCS representatives work with local judiciary on the administration of HMCS within their areas.

Director's Board

The Chief Executive and her executive team of Regional Directors and Central Directors meet monthly as the Directors' Board to focus on key performance measures in all jurisdictions, to identify and find practical solutions to critical concerns and to discuss key operational issues. Each Regional Director also has key jurisdictional responsibility for a particular policy area (for example, magistrates' courts business, modernising civil business, improving family courts).

In the last year, HMCS changed its national structure to reduce management overheads and to allow a thorough focus on frontline services. We have reduced the number of areas from 25 to 18 across six English regions and Wales. Below that level, we have also streamlined Directors' offices to share resources and consolidate skills.

AREA LEGEND

North West Region

- 01 Cumbria & Lancashire
- 02 Greater Manchester
- 03 Cheshire & Merseyside

North East Region

- 04 Cleveland, Durham & Northumbria
- 05 North & West Yorkshire
- 06 Humber & South Yorkshire

HMCS Wales Region

- 07 North Wales
- 08 Mid & West Wales
- 09 South East Wales

Midlands Region

- 10 Birmingham, Coventry, Solihul & Warwickshire
- 11 Nottinghamshire & Derbyshire
- 12 Leicestershire, Lincolnshire & Northamptonshire
- 13 Black Country, Staffordshire & West Mercia

South West Region

- 14 South West West Area
- 15 South West East Area

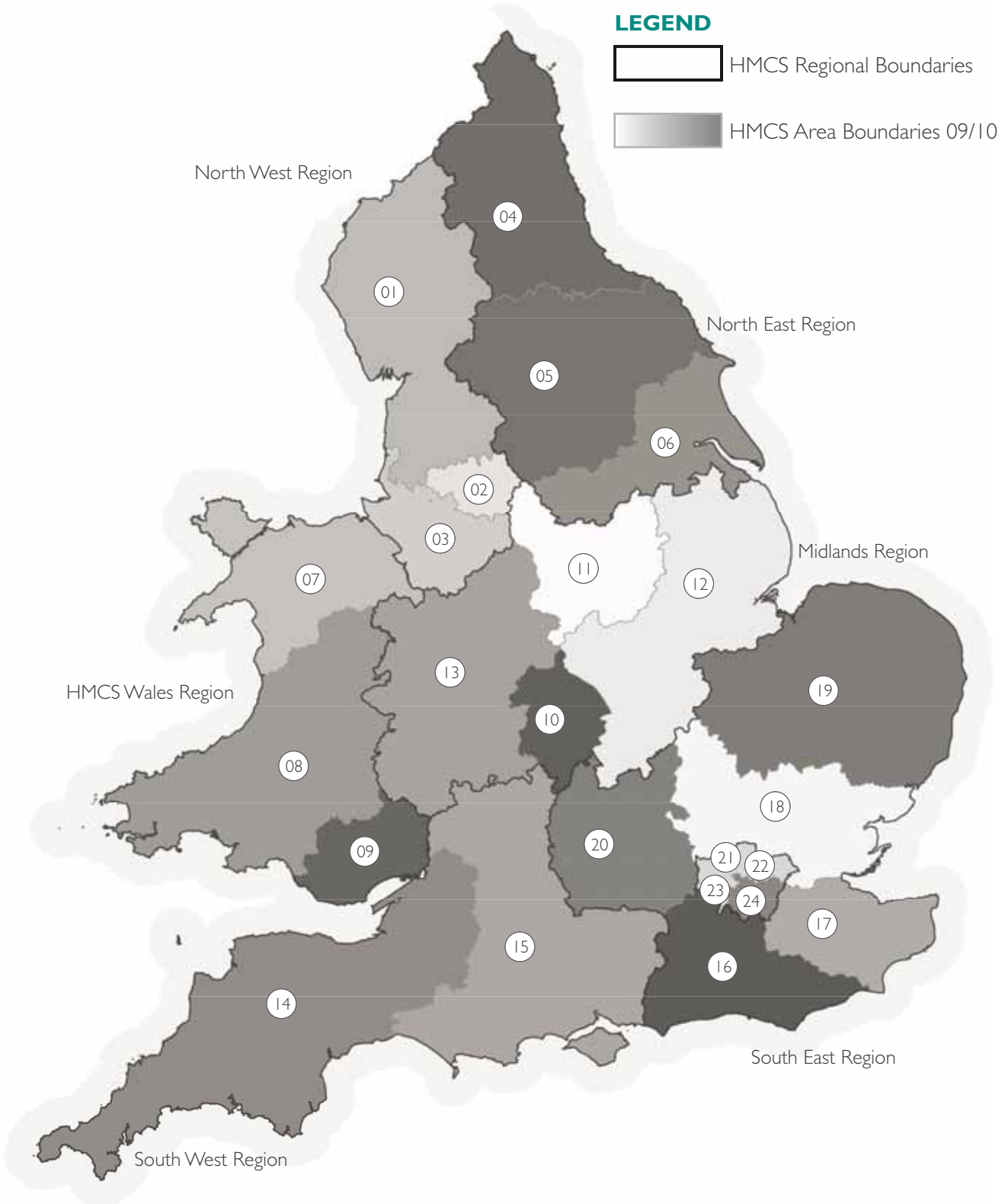
South East Region

- 16 Surrey & Sussex
- 17 Kent
- 18 Bedfordshire, Essex & Hertfordshire
- 19 Cambridgeshire, Norfolk & Suffolk
- 20 Thames Valley

London Region

- 21 London North & West
- 22 London Central & South
- 23 Civil and Family
- 24 RCJ Group including Court of Appeal and High Court

I.3 OUR ESTATE BY REGION AND AREA





I.4 MINISTRY OF JUSTICE

The Ministry of Justice (MoJ) was created in May 2007, and brings responsibility for the administration of the justice system under one Government Department. Its work is wide ranging, providing services directly to around nine million people every year across the United Kingdom through courts, tribunals, prison and probation services and its many delivery partners.

Within the MoJ, HMCS works alongside other major delivery organisations, including:

- The Tribunals Service
- The Office of the Public Guardian
- The Legal Services Commission
- The Judicial Appointments Commission
- The National Offender Management Service

HMCS is committed to working with these organisations and others within the MoJ, to improve services in order to deliver our aims and objectives. We also work closely with others across the justice system in order to deliver a high quality service, while looking for ways to reduce costs, including:

- The Crown Prosecution Service
- Cafcass and CAFCASS CYMRU
- Police
- Youth Justice Board
- Local Authorities
- The Legal Profession
- Citizens Advice

2 Our achievements in 2009-10

During the period of this report, our priorities included:

- Providing an environment in which the judiciary can better deliver justice
- Improving HMCS operational performance across all areas of the business
- Working with other agencies in the Criminal Justice System (CJS) to ensure a more effective, transparent and responsive service for victims and the public
- Driving up performance in the collection of financial penalties
- Providing access to mediation services to help people resolve their disputes in a proportionate way but ensuring that where cases need to come to the civil courts they are dealt with as efficiently as possible
- Providing greater protection for vulnerable children and adults through the family courts, and improving the openness of these courts
- Continuing to develop the leadership skills of our managers throughout the organisation

2.1 CRIMINAL COURTS

We work with our CJS colleagues to deliver efficient and effective court services. This year has been characterised by our efforts to consolidate the benefits of previous new ways of working and continued efforts to eliminate waste and increase value for money.

How we performed and improvements we made to how we work

This has been a challenging year in the Crown Court where trial receipts increased by 8%, part of a continuing trend since 2007. We have met this challenge and the Crown Court commenced 78% of cases within target (see Table 1).

During 2009-10 the Crown Court received 151,038 cases, a 3% annual increase, and disposed of 149,114 cases, also up 3% on 2008-9. The total number of outstanding cases at the end of 2009-10 had risen by 6%, from 44,281 to 46,826. Excluding appeals and sentencing cases the total of new trial cases was 99,489 up by 8% from 92,474 the previous year. 96,820 trials were disposed of this year (8% more than in 2008-9) with the number of outstanding trial cases growing by 7% from 36,546 to 39,047.

INTRODUCTION

FOREWORD

ABOUT HER MAJESTY'S COURTS SERVICE

OUR ACHIEVEMENTS IN 2009-10

ANNUAL ACCOUNTS 2009-10



CROWN COURT

6 - 8

This increase in receipts has meant that the average waiting time for trial cases in the Crown Court went up from 12.2 weeks to 12.6 weeks for defendants in custody, and for defendants on bail the average waiting time increased from 16.9 weeks to 17.2 weeks. The ineffective trial rate measures the proportion of trials that are not heard as scheduled and require a further hearing. In 2009-10, the rate increased by one percentage point to 13%.

In 2009, the Senior Presiding Judge established a programme of work to identify potential improvements in Crown Court operations and HMCS is supporting the work of this review.

Table 1

KPI 1 – Crown Court timeliness The Percentage of cases in the Crown Court commenced within the target period ¹			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
78%	80%	78%	78%
This KPI is supported by a target to maintain ineffective trial rates at 2008-09 levels. This indicator ensures that timeliness is not achieved at the expense of trials being effective. The ineffective trial rate for 2009-10 was 13%, one percentage point above last year's 12% level.			

Table 2

Juror utilisation The proportion of days jurors overall sit on trials during their period of service			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
58%	63%	70%	67%
This is a new target introduced in 2009-10.			
Crown Court trials are complex. Some do not go ahead as planned on the day because parties are not ready for trial, the defendant pleads guilty or another trial over-runs and for these reasons, it is not possible for all jurors to sit on trials on every day of their jury service.			

¹There are four main types of case heard in the Crown Court. The most serious offences can only be tried on indictment in the Crown Court and are immediately *sent for trial* from the magistrates' court to the Crown Court; their target period is 26 weeks. Offences that could be heard either in the Crown Court or magistrates' court will first have a mode of trial hearing in the magistrates' court and if they are to be heard in the Crown Court are *committed for trial*; their target period is 16 weeks. The Crown Court also hears *appeals* from magistrates' courts against conviction or sentence; their target period is 14 weeks. Where the offence warrants it an offender who is found guilty in the magistrates' court can be *committed for sentence* to the Crown Court where the judge has greater sentencing powers; their target period is 10 weeks.

Juries are an important element in the operation of the Crown Court and jury service is rightly regarded as one of the most important civic duties performed by 200,000 citizens every year. We are committed to ensuring that the time jurors give up to attend court is properly utilised. 2009-10 was the first full year of our new stretching targets for maximising the use of juror time and they follow on from the issuing of our Best Practice in February 2009. We measure the overall proportion of days jurors sit on trials during their period of service, and this year performance on national juror utilisation has improved by 4.4 percentage points to 67.2% but this still fell short of our target (see Table 2).

Defendants in the Crown Court who seek legal aid will be means tested to determine the extent to which they will be required to contribute to the cost of their defence. HMCS will be responsible for processing the means test on behalf of the Legal Services Commission. In January 2010, we implemented means testing in five Crown Court centres (Preston, Bradford, Swansea, Blackfriars and Norwich). We will continue to rollout means testing region by region and expect to complete national implementation in 2010. Defendants in the magistrates' courts are already means tested for legal aid, though there are differences in the way in which the Crown Court and the magistrates' courts schemes operate.

The vast majority of criminal cases are dealt with in the magistrates' courts. During 2009-10, magistrates' courts dealt with 1,857,461 criminal cases, a near 7% reduction on 2008-09. This decline in workload is part of an ongoing trend since 2004-5. This year, we built on the past success of Criminal Justice: Simple Speedy

Summary (CJSSS); our joint work with local criminal justice agencies aimed at improving our timeliness and effectiveness. We maintained our timeliness in the magistrates' court at an average of 6.9 weeks from charge to completion for adult criminal cases but we still have work to do to realise our target average of six weeks (see Table 3). There was an average of 2.26 hearings per case which is just above the 2.25 target.

In November 2009, the National Youth Justice Board (YJB) Conference launched the good practice guide *'Making it Count in Court'*. This is a product of our ongoing work with the YJB, magistrates, the Crown Prosecution Service, police and defence lawyers. The Senior Presiding Judge has encouraged the magistracy to use the guide.

This year, we introduced a quicker and less bureaucratic approach to issuing summonses relating to prosecutions taken out by the Department for Work and Pensions (DWP) and the Driver and Vehicle Licensing Authority (DVLA). The change enables approximately 9,100 cases per month to be processed more efficiently and more cheaply than before.

Whilst performance this year was below target, we have delivered a sustained improvement in the length of time that it takes for the magistrates' courts to pass court results to police forces (see Table 4), where they are now automatically entered on the Police National Computer. To maximise the benefits of computerised results, the Lean programme has enabled staff to develop Standard Operating Procedures (SOPs) streamlining the process for recording and reporting results. Where these have been introduced, administrative processes have become more efficient and, in the long term, the changes should help us to realise our targets.

We have continued to work with other criminal justice agencies to deliver IT business changes that will see greater efficiencies in how we operate. This year, we introduced cross-criminal justice Virtual Court schemes in London and Kent where video technology is used to enable police, defendants and/or their representatives to 'appear' before the court from video suites in police stations.

In September 2009, we upgraded the magistrates' courts IT system to provide for the automatic production of bilingual customer-facing documents in Welsh and English, including summonses and court notices. This is enabling us to comply with our obligations under the Welsh Language Act and to meet our commitments under the HMCS Welsh Language Scheme. With these upgrades in place, HMCS can ensure that court users in Wales can exercise their right to choose which language they use. This release also represents a key step forward for the wider CJS in Wales, with the courts and police forces working together to provide an improved service for Welsh speaking customers.

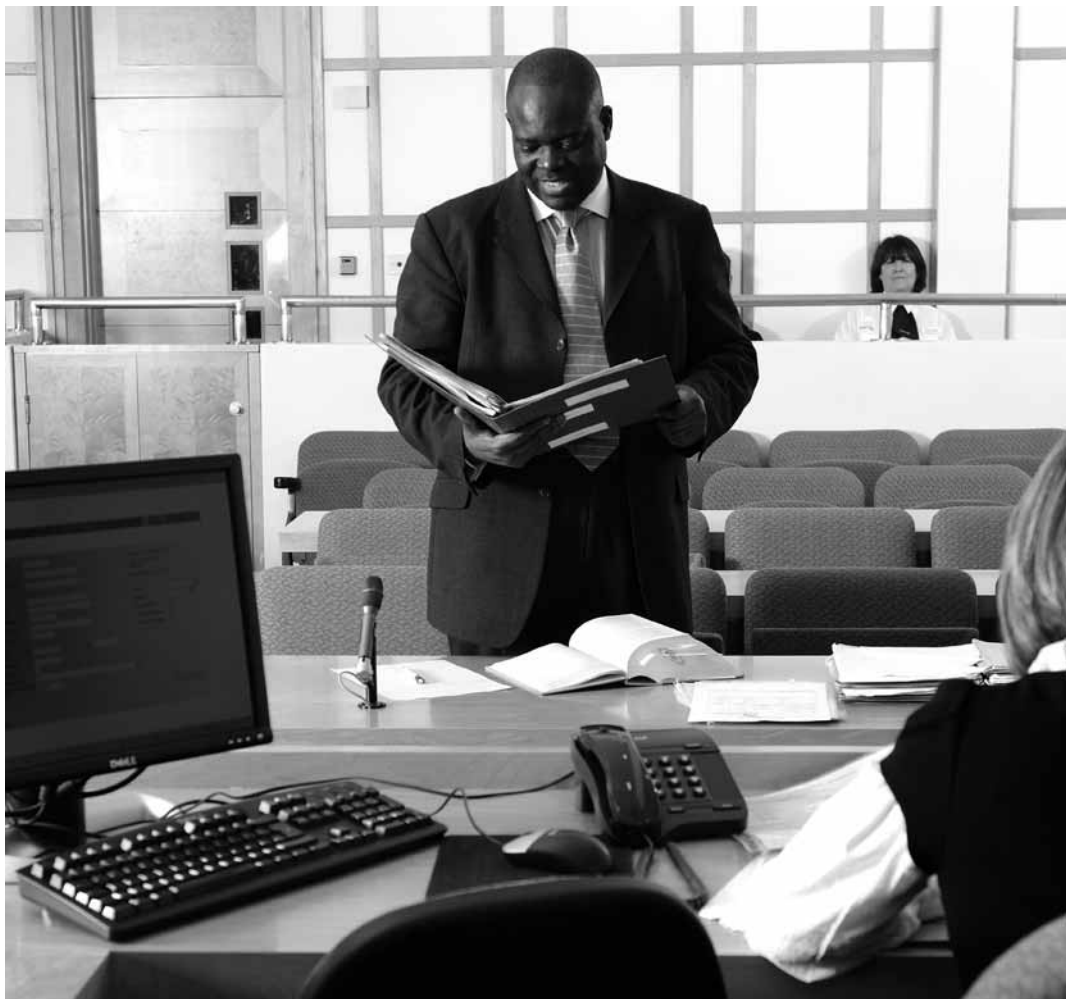


Table 3

KPI 2 – Magistrates' courts timeliness To reduce the average time from charge to disposal for adult charged cases to 6 weeks or less			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
8.0 weeks	6.9 weeks	Less than 6 weeks	6.9 weeks
<p>This KPI is supported by a target to maintain ineffective trial rates at 2008-09 levels. This supporting indicator ensures that timeliness is not achieved at the expense of trials being effective. The ineffective trial rate for 2009-10 was 19% and maintained 2008-09 performance. We also closely monitor the average number of hearings held for each magistrates' court case and in 2009-10 the average was 2.26 hearings.</p>			

Table 4

KPI 3 – Magistrates' courts results To produce and send to police 95% of magistrates' court results within 3 working days, and 100% within 6 working days			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
88%	76%	95% in 3 working days	84%
95%	89%	100% in 6 working days	96%
<p>95% of cases involving vulnerable victims were notified to police within 1 day. 93% of failure to attend warrants were notified to police within 1 working day and 99% were notified within 3 working days.</p>			
Committal papers To dispatch 100% of Committal Papers to the Crown Court within 4 working days			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
Introduced as a supporting indicator in 2008	91.7%	100% within 4 days	94.8%

Supporting Victims and Witnesses

We are committed to supporting the needs of victims and witnesses and keeping them safe and well informed when they are at court. We know that time spent waiting at court is a key issue for witnesses and we measure

ourselves against performance targets through surveys that take place in June and November of each year (see Table 5). To improve witness waiting times, we researched our best performing courts and will be issuing the results as good practice guidance in 2010.

Table 5

Witness waiting times The target average time of waiting before being called to court in the Crown Court is 2 hours 30 minutes The target average time of waiting before being called to court in the magistrates' court is 1 hour 25 minutes			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
New targets and published data introduced in 2008	2hr 10 min in June 2hr 08 min in November 1 hr 21 min in June 1 hr 24 min in November	Crown Court 2hr 30 min Magistrates' courts 1hr 25 min	2hr 11 min in June 2hr 03 min in November 1 hr 20 min in June 1 hr 25 min in November
60% of witnesses to be called to court in the Crown Court within 2 hours 60% of witnesses to be called to court in the magistrates' court within 1 hour and 80% within 2 hours			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
New targets and published data introduced in 2008	59.3% in June 59.4% in November 54% in June 52.1% in November 81.5% in June 80% in November	Crown Court 60% in 2 hours Magistrates' 60% in 1 hour 80% in 2 hours	57.6% in June 60.4% in November 53.2% in June 49.2% in November 81.2% in June 79.8% in November

All our magistrates' courts and Crown Court centres now have in place processes and procedures that meet the requirements set out in the Witness Charter Standards. We also have obligations under the Code of Practice for Victims of Crime for when notifications must be given to Witness Care Units, which support vulnerable victims and witnesses. We have introduced monitoring systems to ensure we are meeting these obligations.

This year we completed a further series of upgrades and replacement of video link equipment in the Crown Court and magistrates' courts. Additionally, money was allocated for some criminal courts to purchase 181 new witness screens. This followed our audits of witness facilities that identified that all Crown Court centres and 97% of magistrates' courts now have some kind of separate witness waiting facility. For those courts that do not have this facility, we will make special arrangements with advance notice.

Working with others

In addition to our work to support individual victims and witnesses of crime we reach out more widely to the communities we serve to better understand their needs and play our part in reducing offending behaviour.

This year, we have developed with the support of CJS partners, multi-agency guidance to test a framework for Community Impact Statements (CIS). Forty locations across England and Wales are participating. The CIS aims to provide our communities with a mechanism for informing the court and the wider CJS about its concerns, which may in

appropriate cases, inform criminal justice decisions, such as charging or sentencing.

This year we worked closely with the National Policing Improvement Agency to communicate the outcome of criminal cases to local communities. This has included identifying and providing court results of local interest to Community Safety Partnerships and the police so they can feed them back via police and community websites, newsletters or at public meetings.

This year our community engagement project supported local courts in strengthening their links with the communities they serve and the wider justice system. We have been the driver for working more strategically with the other criminal justice agencies, to co-ordinate engagement activity and minimise duplication. These ways of working are now business as usual for many courts; as they begin to focus on targeting their community engagement work on hard to reach communities as well as groups whose voice is seldom heard and who are often less informed about and less engaged with the justice system.

For the sixth year, HMCS ran, in conjunction with the Citizenship Foundation, the annual cross-CJS national mock trials in which schools groups organise their own mock trial. HMCS staff play an important part in this competition and have engaged with 371 schools in the run up to the final. Between 4,500 and 5,500 students held mock trials at 69 HMCS venues. The final was held at Manchester Magistrates' Court with 20 schools taking part and the winner of the 2009 competition was the John Taylor High School from Burton upon Trent, Staffordshire.



BUTTERWORTHS
STONE'S
JUSTICES'
MANUAL
2007

A P CARR
A TURNER

1

PI I PROCEDURE
PI II EVIDENCE
PI III SENTENCING
PI IV ROAD TRAFFIC
PI V YOUTH COURT

COURT 4

LexisNexis
Butterworths

BUTTERWORTHS
STONE'S
JUSTICES'
MANUAL
2007

A P CARR
A TURNER

2

PI VI FAMILY LAW
PI VII TRAVEL
PI VIII OFFENCES etc

Appendices
to
Cases

COURT 4

LexisNexis
Butterworths



BUTTERWORTHS
STONE'S
JUSTICES'
MANUAL
2007

A P CARR
A TURNER

3

PI IX OFFENCES etc
including child custody
Verdicts
PI X PROCEDURE
PI XI CIVIL PROCEDURE
Liability
Tribunals

COURT 3

LexisNexis
Butterworths

This year, we continued testing the Dedicated Drug Court model within magistrates' courts that aim to tackle drug-abusing offenders who persistently commit low-level crime to fund their addiction. Evaluation of these will be completed in autumn 2010. We also began testing the Mental Health Court (MHC) model at Brighton and Stratford (East London) Magistrates' Courts. The MHC model features early identification and assessment of offenders with mental health and learning disability issues, and offers creative community based sentencing options. An independent evaluation is scheduled for summer 2010.

By March 2010, we delivered, together with our partner agencies, a further 14 Specialist Domestic Violence Courts (SDVCs) bringing the total across England and Wales to 141. SDVCs represent a partnership approach with agencies working together to identify, track and risk assess domestic violence cases, provide specialist support to victims of domestic violence and ensure improved information sharing so that more offenders are brought to justice.

Between January and March 2010, testing of our HMCS Problem Solving model commenced in 40 magistrates' courts across six Criminal Justice areas. HMCS Problem Solving aims to tackle the issues behind offending behaviour and support court users by connecting courts with local community and other service providers who are able to accept referrals directly from the court. We aim to reduce reoffending by assisting offenders, once they have been sentenced, to engage with agencies that can help them to address problems such as debt, homelessness, unemployment or the need for health services. We will assess the findings from

these test sites to develop a framework for problem solving that we can mainstream in all our magistrates' courts.

This year, we delivered lectures to, and in partnership with, the legal profession to give best practice guidance on preparing and pursuing a criminal appeal within the Court of Appeal Criminal Division. Lectures have included: the London Law Society lecture; the Criminal Bar Association's Winter lecture in London; the spring conference in Manchester and the Bristol Lawyers lecture.

Enforcing the Orders of the Court

Our strategic objective for enforcement is to achieve a cheaper, faster and more proportionate system that primarily focuses on 'first time' compliance whilst continuing to apply the principles of rigorous enforcement to the hard-core of defaulters. This will raise public confidence in the justice system and bring our overall costs down.

We completed our national roll out of the Modernising Money Handling Programme to all magistrates' courts in July 2009. As a result, fixed penalties and fines that are issued by any of our criminal courts can be paid over the phone or online using debit cards or by payment cards at Post Offices and Paypoint outlets.

We now have full and timely access to DWP benefits information which enables the court instantly to identify if an offender is in receipt of a deductible benefit. As a result, this is improving the timeliness and effectiveness of collection and enforcement through earlier applications for deductions from benefits orders.

We have continued to implement our Criminal Compliance and Enforcement Blueprint. The Blueprint focuses on achieving a significantly higher degree of compliance with court orders, reducing the need for costly and ineffective enforcement action against defaulters. Regions are at various stages of implementation; tailoring their approach to meet local needs. Most regions have so far adopted some form of central system such as the regional payment centre in the North East. There has also been a focus this year on adopting elements of the Blueprint such as increased tele-chasing, texting of offenders and the use of new sanctions introduced by the Courts Act 2003.

We exceeded our fines payment rate target by one percentage point (see Table 6). However, our performance in the collection of fines varied over the reporting year. We commenced a programme of formal targeted interventions to improve compliance with financial penalties in September 2009. Ten Local Criminal Justice Boards areas were selected on the basis of size, payment rate performance and their impact on the overall national performance. The level of engagement with each area varied and those with the worst performance received a detailed site visit following which recommendations were made on how performance could be improved. Areas were set specific targets to improve performance, such as collecting a certain amount of cash each month, and were then closely monitored.

By the end of 2009-10 our annual national cash collection had increased by £12.7m, a 5% improvement on the previous year.

The speed with which Community Penalty Breaches are dealt with has been a long standing area in need of improvement, and having met our target for the first time last year we maintained that this year (see Table 7). As a cross-CJS area of work requiring the coordination of local probation, court and police staff this achievement is a testament to our effective joint working, and in particular, establishment of Single Points of Contact within each area has had a positive impact on performance. In November, we carried out with the National Offender Management Service targeted intervention in areas when performance dropped below the target.

Table 6

KPI 4 – Enforcement 85% payment rate ² for financial penalties			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
95%	85%	85%	86%

Table 7

KPI 5 – Enforcement Percentage of all Community Penalties be resolved within 25 days of the relevant failure to comply			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
58%	62%	60%	67%

²The 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.

2.2 CIVIL COURTS

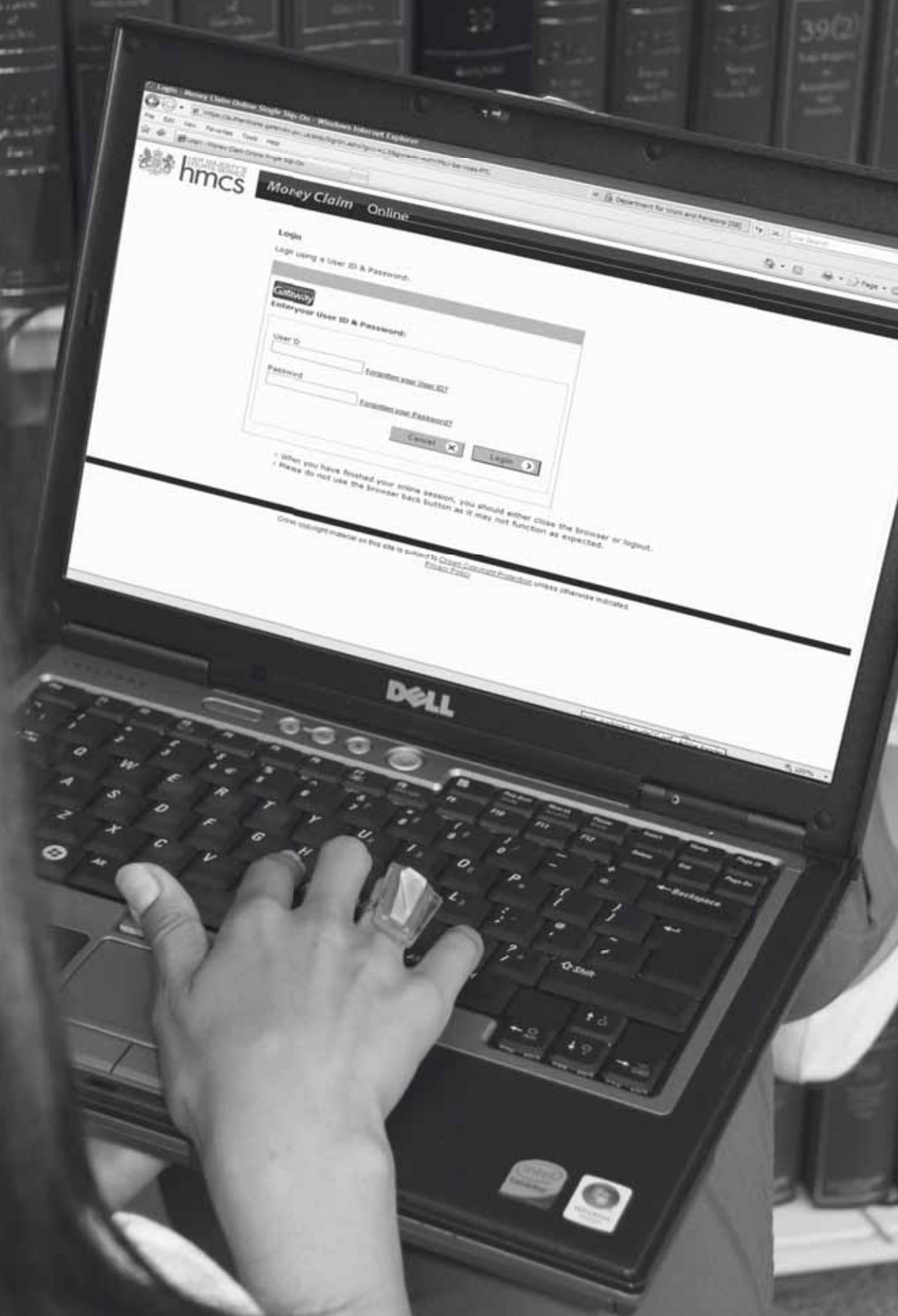
Since the production of the civil justice reforms that followed Lord Woolf's Access to Justice Report (1996), the number of civil cases has declined by 20%. Within this context, we have reviewed our operating structures to provide affordable and efficient services. We have spent the past year identifying how we can go about bringing about the necessary changes without impacting negatively on the level of delivery for users of the county courts.

In order to meet future needs of customers in a faster, more efficient and affordable way, we have been working closely with partners across the civil justice system, including Citizens Advice, the Legal Services Commission, and colleagues in the MoJ to increase the provision of mediation. We have also reviewed ways to remove inefficiencies from our processes so we can focus on delivery of a higher quality service. Our ambition is to provide alternative routes for resolution through online and telephone information and greater availability of mediation services to move business away from the court. To find the necessary savings, we have started to centralise administrative processes away from the front line to allow court staff to focus on the core task of supporting the judiciary to deal with more complex defended cases.

How we performed and improvements we made to how we work

Most small claims (of less than £5,000) can be resolved without a hearing before a judge and from research we know that it is better for parties to a civil claim to resolve their disputes themselves without recourse to a court. Our Small Claims Mediation Service is now embedded into the small claims process and enables parties to find and agree the most appropriate resolution to their dispute. In the 12 months to the end of March 2010, the service conducted more than 10,000 mediations, settling 72%, and has received very high levels of customer satisfaction. Of over 6,500 users who have completed the on-line survey, 98% are satisfied or very satisfied with the professionalism and helpfulness of the mediators, with 95% saying that they would use the service again.

In November 2009 we successfully tested mediation awareness raising sessions with staff at Bristol County Court. The sessions provide staff with the background knowledge needed to increase customer uptake of mediation via the National Mediation Helpline and we will be rolling this out to other courts in 2010-11.



We have a target for the proportion of small claims that are completed in ways that do not involve a court hearing. This year, 74% of defended small claims lodged and completed were resolved without a final hearing (see Table 8). This was above target and an improvement of 2 percentage points on last year. For higher value claims above £5,000, 87% of these fast and multi track cases settled without a final hearing and this maintained our 2008/9 performance.

For small claims that require a hearing before a judge, 68% were completed within 30 weeks of the claim being issued. This was an improvement of 3 percentage points on last year but still short of our target (see Table 9). Performance against this target was affected by increases in other categories of work in the county courts (such as bankruptcy and care cases) which placed competing demands on court and judicial resources. This year, we introduced a series of regional best practice guides on listing and case management which saw performance improve towards the end of the year. Performance for the last quarter of 2009-10 was 69% and this places us in a strong position to deliver further improvements.

The proportion of fast track cases completed from allocation to final hearing within 30 weeks has remained above target at 78%. The proportion of multi track cases completed within 50 weeks is just below target at 77%. The average time taken for a fast track case remained at the same level as in 2008-09 at just over 26 weeks.

We are committed to providing accessible services and we have continued actively to promote our services that enable money and possession claims to be made via the internet. This year we have seen increased use of both Possession Claim Online (PCOL) and Money Claim Online (MCOL) e-channels (see Table 10). Both services are simple and convenient ways of making or responding to certain types of claims.

This year 79% of possession claims were lodged via the PCOL service, an increase of 7 percentage points on last year demonstrating the extent to which this service is an effective and embedded part of our operations.

We have maintained our performance in the proportion of money claims lodged via MCOL or the Claims Production Centre at 67%. However, this was still short of our target of 75%. We have been working on improvements to the service which will make it even more attractive to users when introduced in 2010.

Table 8

KPI 6 – Civil courts Increase the proportion of defended small claims that are completed otherwise than by a hearing (settlement)			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
This measure was reconfigured in 2008 so comparable data not available	72%	65%	74%
The equivalent measure for higher value claims shows that 87% of fast and multi track cases did not require a final hearing, which maintained 2008-09 performance.			

Table 9

KPI 7 – Civil courts Increase the proportion of defended small claims that are completed (from receipt to final hearing) within 30 weeks			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
This measure was reconfigured in 2008 so comparable data not available	65%	70%	68%

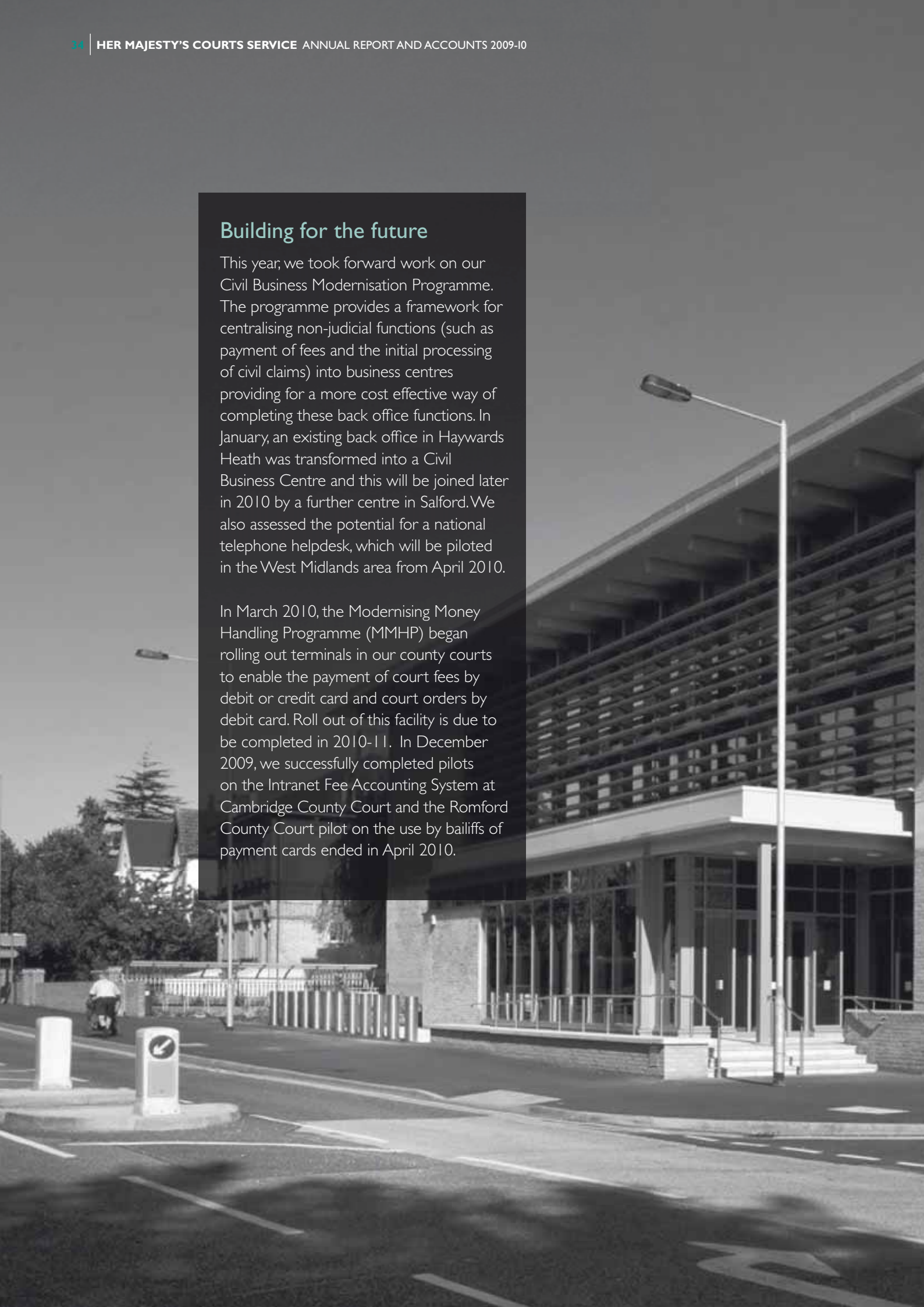
Table 10

KPI 8 Increase the amount of civil work initiated online 65% of eligible possession claims to be made through Possession Claim Online (PCOL) 75% of specified money claims to be made online through Money Claims Online (MCOL) or the Claims Production Centre (CPC)			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
This measure was reconfigured in 2008 so comparable data not available	73%	PCOL – 65%	79%
	67%	MCOL/CPC – 75%	67%
The 2008/09 targets were 55% for PCOL and 70% for MCOL/CPC			

Building for the future

This year, we took forward work on our Civil Business Modernisation Programme. The programme provides a framework for centralising non-judicial functions (such as payment of fees and the initial processing of civil claims) into business centres providing for a more cost effective way of completing these back office functions. In January, an existing back office in Haywards Heath was transformed into a Civil Business Centre and this will be joined later in 2010 by a further centre in Salford. We also assessed the potential for a national telephone helpdesk, which will be piloted in the West Midlands area from April 2010.

In March 2010, the Modernising Money Handling Programme (MMHP) began rolling out terminals in our county courts to enable the payment of court fees by debit or credit card and court orders by debit card. Roll out of this facility is due to be completed in 2010-11. In December 2009, we successfully completed pilots on the Intranet Fee Accounting System at Cambridge County Court and the Romford County Court pilot on the use by bailiffs of payment cards ended in April 2010.





INTRODUCTION

FOREWORD

ABOUT HER MAJESTY'S COURTS SERVICE

OUR ACHIEVEMENTS IN 2009-10

ANNUAL ACCOUNTS 2009-10

2.3 FAMILY COURTS

The protection of the most vulnerable children in society is one of our key priorities. Working in conjunction with other agencies, the family courts deliver a hugely important public service. We want to provide better online advice for parents and children to raise awareness of the benefits of mediation and settlement by consent. Diverting certain users to alternative means of resolution will focus the courts on those cases that need to be fast tracked into the system. This gives users of the family courts the service they need at an overall reduction in costs. In the past year, there has been legislation introduced to make procedures and decisions in the family justice system more open and clear to users, and more open to scrutiny from the wider public.

How we performed and improvements we made to how we work

From research, we know that one of the most important success criteria for users is the speed at which we complete hearings. The family KPI for this reporting period has been to reduce the time taken for care and supervision orders to be completed. The target to complete within 40 weeks has always been ambitious given the complexity of cases and the number of agencies involved.

As a result of publicity and public interest in recent high profile cases, the number of care and supervision applications received this year rose by approximately 25% which has put further pressure on the resources of all the key agencies involved and contributed to our falling short of the target (see Table 11). However, we have worked closely with agencies such as local authorities, the Children and Family Court Advisory and Support Service (Cafcass) in England and CAFCASS CYMRU in Wales to manage this increase. This year we worked closely with all family justice agencies to agree a new suite of cross-system wide targets for 2010-11 in response to the recommendations of Lord Laming's review.

In January 2010, the Government announced a fundamental review of the family justice system in England and Wales. The review will examine how the current system can be reformed to support children and parents better: HMCS will be participating fully in the review.

Table 11

KPI 9 – Family To increase the proportion of care and supervision orders completed within 40 weeks by 10 percentage points in the county courts and family proceedings courts (FPCs) by 2009-10			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
38%	34%	48% in the county courts	35%
50%	48%	56% in Family Proceedings courts	47%
This target will be replaced in 2010-11 with a cross-agency target to reduce unnecessary delay in care proceedings. Each agency having their own element to deliver.			

The former President of the Family Division, Sir Mark Potter, formulated interim guidance in July 2009 in agreement with the MoJ, the then Department for Children, Schools and Families, the Chief Executives of HMCS and Cafcass to support the judiciary to reduce backlogs of work. The guidance came into force in July 2009 for six months and was renewed in April 2010 for a further six months to 30 September 2010. In line with a commitment made in 2008, work over the past year has led to a review and revision of the Public Law Outline Practice Direction. The changes came into force on 6 April 2010, and include a new application process for care and supervision orders, a reduction in documentary requirements at issue, and more user-friendly forms. These changes mean the paperwork is less time consuming for all and primarily less burdensome for local authorities.

The availability of new 'contact activity' services continues to grow and we expect more use to be made of these by the courts. Potentially this may help reduce repeat applications over time, including applications for the enforcement of contact orders.

In April 2009, new rules were introduced to give accredited members of the media a right to attend most proceedings in the family courts. This year, the Children Schools and Families Act 2010 received Royal Assent and, once implemented it will open up the family courts further by broadening the amount of information that can be reported by accredited media representatives who attend proceedings. We have worked with policy colleagues in MoJ to ensure this openness is balanced with the protection of the privacy of the children and families involved by giving the courts the discretion to exclude the media where necessary.

Together with the MoJ, we launched the Family Court Information pilot in Leeds, Cardiff and Wolverhampton to assess the feasibility of increasing the provision of written judgments to parties involved in selected family cases. We will also assess the benefits of publishing anonymised judgments online to increase public understanding of how decisions are reached in the family court.

Building for the future

In April 2009 responsibility for the administration of the Court of Protection (CoP) transferred from the Office of the Public Guardian to the HMCS, Royal Courts of Justice (RCJ) Group. In December 2009, a working group was established by the then President of the CoP, with the agreement of the Lord Chancellor, under the chair of Mr Justice Charles and Mrs Justice Proudman. The aim of the working group is to create a set of rules, practice directions and forms that are clear and simple for our users to understand. Thus enabling the court to provide a more responsive, timely and improved service.

The Probate Service has embarked upon a modernisation programme with the overarching aim of improving service, whilst delivering it in a different way. During the summer of 2009, a blueprint for delivering the future service was agreed and in July 2009, the Lord Chancellor agreed to the then President of the Family Division's request to establish a working group to review the Non-Contentious Probate Rules. The new rules, once in place, will underpin many of the improvements identified in the blueprint.

2.4 SUPPORTING EFFECTIVE OPERATIONS

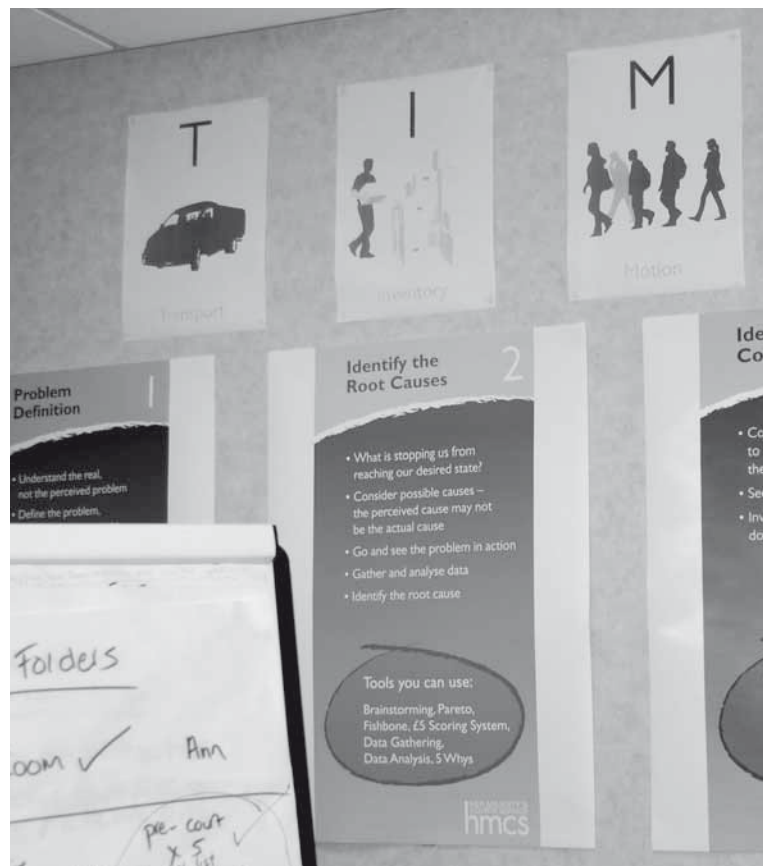
This year has been one in which we have continued to provide a high quality service to our customers, whilst living within our means. We have focussed on consolidation and securing the organisational and operational changes needed to position us for the challenges ahead.

Lean and continuous improvement

We reduced the number of Area offices from 25 to 18 enabling us to focus our limited resources on front line services. We have continued to roll out Lean and by the end of March 2010, 226 courts had held initial implementation events. Lean is an important element of our programme of improvement. It enables our staff to re-evaluate the way we do things in order to find more efficient ways of processing work then to share that knowledge across HMCS. Since January 2009, our staff have developed 27 new Standard Operating Procedures (SOPs) that have now been rolled out across the courts.

By creating a problem solving approach to our way of working and involving our staff in identifying solutions that they then put into practice, improvements are sustained. This year has seen a step change in the culture of our organisation as staff have been increasingly empowered to suggest and implement improvements that become the HMCS standard. This has enabled us to deliver 3% in further efficiencies this year, building on the 9.5% achieved in the previous year.

In addition to the incremental improvements Lean is delivering, we have also considered the overall architecture of key areas of our business. This year we took forward our work on Civil Business Modernisation (see Building for the Future, page 34) and in the magistrates' courts we developed an Activity Based Costing model that will provide precision in understanding the costs of operating magistrates' courts services. The model currently covers the activities of back office staff, and court legal advisers who support the magistrates and district judges (magistrates' courts). The model will be monitored and assessed throughout 2010-11.



We have established a Magistrates Business Authority (MBA) led by a Regional Director that has been charged with developing a framework for providing the optimum operating model for our local magistrates' courts in order to drive out further inefficiencies. The MBA has set court productivity targets relating to workload throughput and staff resources, which have already delivered improvements with reductions of between 5% to 8% in staffing levels in areas such as administration, enforcement and legal advice.

We regularly monitor our performance throughout the year. In September 2009, we established a performance hub to support the Directors' Board in addressing key performance issues and driving forward continuous improvement. The hub provides a space in which key management information is presented in a consistent and accessible format that enables Regional and Central Directors as a group to easily identify critical issues and facilitates collective decision making. The performance hub has delivered significant improvements to the way Regional and Central Directors handle and understand management information and how we use that to make business decisions on improving efficiency, service delivery and value for money.

Delivering for our customers

HMCS is committed to delivering an excellent service to our customers and we strive to understand the needs of all who use our services. We commissioned Ipsos MORI to undertake an independent Court User Satisfaction Survey throughout the year. Survey respondents who were satisfied or very satisfied accounted for 82% of all responses. This included 40% of survey respondents who were very satisfied, which is maintaining our performance (see Table 12). A report of the full results will be published on the MoJ website in October 2010.

We encourage our customers to tell us when things go wrong so we have an opportunity to put problems right. This year we received 21,210 written complaints, which was down 11% on the previous year. We also received 5,121 written compliments, which was 670 fewer than in 2008-09. Our overall complaints handling performance was 91.7% against the target of responding to 90% of complaints within set timescales (see Table 13).

Table 12

KPI 10 – Customer satisfaction The 'very satisfied' element of the HMCS court user survey to be maintained at or above the year 2 (2007-08) survey baseline of 41%			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
41%	42%	At or above 41%	40%
<p>82% of respondents were satisfied overall with their experience at court, 40% of whom reported they were 'very satisfied'. These figures are within the margins of error for the survey when compared to the survey baseline of 83% and 41% respectively in 2007-08, and therefore, the results do not constitute a tangible change.</p> <p>To support the delivery of this National target each HMCS Area has a target to maintain their 'very satisfied' survey results at or above their 2008-09 area baseline.</p>			

Table 13

Complaints handling 90% of complaints responded to by courts within 10 working days 90% of complaints responded to by Area offices within 10 working days 90% of complaints responded to by the Customer Service Unit within 15 working days
<p>2009-10 Performance:</p> <p>Total: 21,210 complaints were recorded of which 91.7% were completed within target (Courts 91.8%, Area Offices 91.7% and Customer Services Unit 92.5%).</p>

Following consultation with customers, disability groups and staff, we introduced improved customer service standards. The standards set out clearly what customers can expect from HMCS and are prominently displayed on public notice boards in all our courts and on the HMCS website.

We understand that we need to ensure our services are accessible to all who use them and we therefore implemented our Equality and Diversity Plan in September 2009. To enable our staff to provide for our customers and meet our obligations under the Disability Discrimination Act 2005, we produced Reasonable Adjustment Guidance and Disability Factsheets. In October 2009, we undertook, along with all MoJ organisations, to provide all our staff with training on their responsibilities under Equality and Diversity legislation. We are on track to have all staff complete the e-Learning package.

In November 2009, the Probate Service achieved the Customer Service Excellence standard, followed by all courts and offices in Wales in December 2009.

Supporting the judiciary

By April 2009, we had agreed a framework for the provision of support to judges with leadership, administrative or representative responsibilities. We are now working more effectively with the Judicial Communications Office to get messages to judges through known and trusted channels.

We have continued to work with the judiciary to make the best use of their time. The Civil Procedure Rule Committee approved the extension of the Automatic Orders Pilot to all county courts and District Registries from October 2009. As a result, trained court staff have been delegated to approve some county court orders where there are no legal issues. We continue to work with the judiciary to identify other non-judicial functions which would be better undertaken by court staff.

This year, we worked closely with the Ministry of Defence to implement fully on 31 October 2009 a complex transition to an entirely new system of rules of court. New practices and procedures, sentencing guidance, forms and instructions now apply to the Office of the Judge Advocate General following the enactment of the relevant provisions in the Armed Forces Act 2006. The new system was planned from the outset to be simpler, quicker and leaner, with savings built-in.

Developing our staff

The delivery of excellent customer services and effective support to the courts relies on the skills, knowledge and attitude of our staff. Equally, it is vital we equip our leaders with the skills required to create an environment which allows all our people to give of their best. The Leadership Programme was successfully completed by May 2009. The programme originally for senior managers was rolled out to all Band A and Band B staff and to 700 Band C staff with significant leadership responsibilities during the 2 years it was operating.

This year, our Learning and Development directorate delivered 32,287 training days to 16,472 delegates covering a range of interventions from training administrative staff in dealing with particular processes and procedures to events for Court Managers focussing on the skills required to manage large operational units. Additionally, we provided other development opportunities through job shadowing, secondment, regional development programmes and regional future leader schemes. In 2009-10, more than 60 members of staff completed an Apprenticeship in Customer Service, with another 100 due to complete their learning in 2010-11.

Managers and engagement champions across HMCS have developed an action plan following publication in February 2010 of the results of the MoJ-wide staff engagement survey which ran from 8 October to 6 November 2009. The survey provided all HMCS staff with the opportunity to feedback their views on how things are done, what they would like to see done differently and how they feel about working for HMCS. The results provided both reasons to celebrate and opportunities for improvement and were made available to all staff who were able to see in an anonymous form the collective results of their region and local team as well as for the whole of HMCS. Following on from publication of the results, we initiated a series of events involving our senior leaders; such as open forum discussions, telephone days and 'back to the floor' exercises making them more accessible to all staff and enabling everyone in our organisation to voice their views on what we need to do to keep improving. We now understand better the issues that inform the results and are taking forward actions at both corporate and local level.

Maximising our Estate

Our estate is crucial to our effective and efficient operations. Our estate affects the quality of the services we provide and the value for money we deliver. In the reporting period, court integrations locating different court jurisdictions within a single building were delivered in Bedford (Magistrates' and County), Bodmin (County and Probate), Caernarfon (Crown, Magistrates' and Probate), Kidderminster (Magistrates' and County), Newport (County and the family proceedings court) and Salisbury (Magistrates' and County). Furthermore, Conwy and Colwyn County Court moved into the Llandudno Magistrates' Court building with its administration moving to Caernarfon.

In 2009-10 we delivered the following new building and refurbishments:

- Caernarfon where sittings commenced in May 2009
- Isleworth Crown (extension) was fully operational in September 2009
- Salisbury where the first sittings commenced in September 2009
- Royal Courts of Justice Queens building refurbishment was completed and sittings commenced in October 2009

In April 2009, four dedicated regional offices of the Administrative Court were opened on time and within budget in existing District Registries at Cardiff, Birmingham, Leeds and Manchester. The new offices provide the high security requirements associated with Administrative Court work and its associated Crown Office Information System.

The needs of our customers change over time and it is important that our court estate meets the needs of today's communities. Following on from a full consultation, we announced in March 2010 the closure of 20 underused court houses.

We are determined to provide good value in the operation of our estate and in particular our energy consumption. All of our sites over 1000 square metres have renewed Display Energy certificates. In January 2010, we initiated a programme to implement Automatic Meter Reading. So far, we have had fitted 135 electric meters and 267 gas meters in 303 sites. These meters will enable us to monitor our energy consumption and take action where we identify wastage. This year we introduced voltage reduction equipment in 76 sites. These units are expected to realise reductions in our electricity use worth £791,000 a year. We have plans for further installations in the coming year.

2.5 HONOURS AND AWARDS IN 2009-10

The HMCS National Awards are an annual event designed to recognise and celebrate the work of our staff who display qualities such as having an exceptional ability to engage and involve local communities, a strong commitment to supporting customers, and pioneering new ways of working or having outstanding leadership skills. The fourth National Awards ceremony was held at the Royal Courts of Justice in the Strand, London in September 2009. The work of HMCS staff has an enormously positive impact on people's experiences of the courts. Our annual awards ceremony highlights the very best practice to be found within HMCS.

The Mental Health Liaison Scheme team in the Central Criminal Court, made up of Tracy Hyde and Ian Tozer won the Diversity Team category. The team developed a pilot scheme which was extremely well regarded and enhanced the reputation of HMCS, secured funding for the project and built strong, effective relationships between the judiciary and the on-site NHS team. Its work has made a considerable difference to the effectiveness of trials. Cases are now resolved more quickly with targeted psychiatric reports and fewer court hearings. The team was also presented with the Lord Chancellor's Award; the top prize for the overall winner of all categories, as their work benefited not only HMCS but also the NHS and HM Prison Service.





HER MAJESTY'S
COURTS SERVICE
hmcs

National Awards 2009
Diversity - Team

The Mental Health Liaison Scheme

Other team awards went to:

Community Justice Centre Team, North Liverpool Community Justice Centre. Responding to advice from their local community, the team has engaged with a younger audience and worked even more closely with criminal justice colleagues and stakeholders. Feedback from the public demonstrates again and again that the team's work in some of the most socially deprived neighbourhoods in the UK is appreciated.

Bedfordshire, Essex and Hertfordshire Customer Service Action Team. *Joint Winners*. The team's efforts to improve services and inform staff training and their exceptional effort and enthusiasm in using new ways of working helped the area achieve a Customer Service Excellence accreditation and an 'Excellent' rating in the MORI Court User Survey.

National Taxing Team, *Joint Winners*. This enthusiastic and innovative team has continuously improved the service they provide their work has also saved time and costs. They were awarded the Customer Service Excellence accreditation with a recommendation to the Cabinet Office that the work they had done be used as a case study in best practice.

South East Lean Team, *Innovation winners*. The team broke new ground in developing the concept of Lean management techniques and played a key role in shaping the strategy for a Lean Academy and for national implementation. This team played a crucial role in introducing Lean into HMCS.

Individual awards went to:

- Diana Edwards, Court Manager and Equality & Diversity Champion for South East Wales for Diversity
- Peter Mayoh, Legal Advisor, Rochdale, Middleton and Heywood Magistrates' Court for Community Engagement
- Anne Dawson, Usher Manager and Witness Liaison Officer, Hull Combined Court Centre for Customer Service
- Adrian Palmer, Northampton Senior Enforcement Manager, Northampton Magistrates Court for Innovation
- Adrian Draper, Court Manager, Birmingham Crown Court for Inspirational Leadership
- Lynda Woodford, Area IT Support Manager, Southend Magistrates' Court for Skills and Development

HMCS is very pleased to be able to highlight in this report the achievements of our staff who were awarded Honours:

Birthday 2009 Honours List

Officer of the Order of the British Empire

Patricia Gamble, Court Manager,
Nottingham Crown Court

New Year 2010 Honours List

Member of the Order of the British Empire

Peter Fisher, Policy Advisor to the Judge
Advocate General

3 Annual Accounts for 2009-10

INTRODUCTION

FOREWORD

ABOUT HER MAJESTY'S COURTS SERVICE

OUR ACHIEVEMENTS IN 2009-10

ANNUAL ACCOUNTS 2009-10

CHIEF EXECUTIVE'S REPORT

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 Duncan Nichol CBE	Chairman
Chris Mayer CBE	Chief Executive
Owen Mapley (from 5 May 2009)	Finance Director
Clare Pillman (from 1 June 2010)	Regional Director
Alan Eccles (from 1 April 2010)	Regional Director
Guy Beringer QC	Non Executive Director
Kenneth Ludlam	Non Executive Director
Peter Handcock CBE (from 1 December 2009)	Access to Justice Director-General, Ministry of Justice representative
District Judge Michael Walker CBE	Judicial Member
Lord Justice Goldring (from 1 July 2009)	Judicial Member
His Honour Judge William Kennedy (from 1 January 2010)	Judicial Member

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

Steve Finch (to 4 May 2009)	Interim Director of Finance
Anita Bharucha (to 31 March 2010)	Director, Court Improvement
Kevin Pogson CBE (to 31 March 2010)	Regional Director
Karen Wheeler CBE (to 30 November 2009)	Access to Justice Delivery Director, Ministry of Justice representative
Lord Justice Leveson (to 31 December 2009)	Judicial Member
Lord Justice Stanley Burnton (to 20 June 2009)	Judicial Member

The Board met nine times during the year.

Details of the remuneration of members of the HMCS Board who served during 2009-10 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 herself 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 her responsibilities for governance, risk management, control and assurance. It is an advisory body and has no executive powers.

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

Kenneth Ludlam	Non Executive Board Member and Chairman
Guy Beringer QC	Non Executive Board Member
John McGorrigan OBE, JP	Non Executive Member
Ray Palmer	Non Executive Member
Norman Kirby	Non Executive Member
District Judge Michael Walker CBE	Judicial Board Member

Details of the remuneration of Board 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 Accounts of HMCS for 2009-10 was £0.4m (2008-09: £0.4m). An additional amount of £0.1m (2008-09: £0.1m) was paid in relation to work in preparation of the transition to IFRS-based financial statements in 2009-10.

Pensions

Details of how pension costs and liabilities are treated can be found in note 1 to the Accounts, and further information relating to pensions is included in note 7.1 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% (2008-09: 98%) of invoices were paid within payment terms.

Capital structure

HMCS's net assets are represented entirely by taxpayers' equity, consisting of the General Fund and the Revaluation Reserves as detailed in the Statement of Changes in Taxpayers' Equity.

Principal risks and uncertainties of the business

HMCS faces challenges and risks to the

achievement of its business objectives. These centre around ensuring that organisational change, performance, access to justice, investment, funding and stakeholder relationships are effectively managed. A risk management strategy is in place at all levels of the organisation to ensure that risks are effectively managed. Key current identified operational risks relate to IT systems, performance, resource, finance and change management.

Resources and stakeholders

The governance, financing and operations of HMCS are agreed in the Framework Document which came into force in April 2008. This sets out the terms of an agreement reached by the Lord Chancellor and the Lord Chief Justice on a partnership between them, the principles of which govern relations between HMCS on the one hand and the Lord Chancellor and the judiciary on the other:

HMCS is an executive Agency of the Ministry of Justice (MoJ). The going concern basis for preparation of the Accounts is justified as the future financing of HMCS's liabilities is met by budget allocations from the MoJ voted on by Parliament annually under the relevant Appropriation Act.

The MoJ provides HMCS with essential services to enable HMCS to conduct its business. These include human resources, information technology, corporate finance, legal services and procurement. The corporate finance shared service includes managing the finance and human resources outsourced service provider Liberata, with whom the MoJ holds the contract. These relationships are governed by memoranda of understanding. HMCS provides administrative services for the Legal

Services Commission for the processing of means testing and legal aid. This is governed by a memorandum of understanding with service level agreement targets.

Operating and financial review

HMCS adopted International Financial Reporting Standards (IFRS) from 1 April 2009. As a result the 2008-09 comparatives have been re-stated. An explanation of how the transition to IFRS has affected the Accounts is detailed in note 27.

HMCS had net costs of £1,158.3m (2008-09: £1,487.6m), of which staff costs were £846.1m (2008-09: £859.3m).

Costs

Total expenditure, including non-cash costs, totalled £1,770.7m (2008-09: £2,099.8m), of which expenditure for civil business was £619.0m (2008-09: £616.4m).

Total costs (excluding non-cash costs) were broadly in line with the previous year at £1,222.2m (2008-09: £1,239.3m). The decreases in total expenditure related primarily to non-cash costs.

Non-cash costs totalled £548.5m (2008-09: £860.5m). The year-on-year decrease was primarily due to the value of the provisions for pensions transfer deficit decreasing by £163.0m (net of interest) during 2009-10 (2008-09: £162.0m increase). This was driven by an improvement in market conditions during the year. Further information on this decrease is contained in note 17.1 to the Accounts.

Income

Total operating income of HMCS was £612.4m (2008-09: £612.2m). This mainly consisted of fee income relating to services provided to users of the civil courts of £479.2m (2008-09: £476.6m) and an element of fines receipts retained by HMCS upon collection of £94.8m (2008-09: £92.4m).

All fee charging services must have a financial objective agreed with HM Treasury; details of the actual and target fee recoveries are shown in note 4 to the accounts.

Capital

HMCS investment in tangible capital assets totalled £113.8m (2008-09: £133.4m). Of this amount, £66.6m was spent on court enhancements, £7.5m on Disability Discrimination Act requirements, £5.0m on the completion of the Queens building, £4.8m on integration opportunities and £1.8m on the completion of Isleworth Crown Court. Investment in intangible capital assets totalled £22.3m (2008-09: £17.4m).

There were £2.8m (2008-09: £1.7m) of properties transferred on to the Statement of Financial Position for the first time subsequent to the Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005.



Chris Mayer CBE
Chief Executive and Accounting Officer
30 June 2010

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed HMCS to prepare for each financial year a statement of accounts (the Annual Accounts) in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 22 December 2009. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the MoJ has designated the HMCS Chief Executive as HMCS's Accounting Officer.

In preparing HMCS'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 accounts;
- Prepare the accounts on a going concern basis; and
- Ensure that, so far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that she

ought to have taken to make herself aware of any relevant audit information and to establish that HMCS's auditors are aware of that information.

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

HMCS STATEMENT ON INTERNAL CONTROL 2009-10

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 Managing Public Money.

I am responsible to the Lord Chancellor and Secretary of State for Justice and also to the Lord Chief Justice for the running, management, performance and future development of HMCS. As Accounting Officer for HMCS, I am accountable to the Ministry of Justice (MoJ) Permanent Secretary.

I am supported by the HMCS Board, which comprises non-executive and executive members and members of the judiciary. The HMCS Board is responsible for the leadership and broad direction of the Agency. I am responsible for the day-to-day operation of HMCS and the leadership of its staff. I work under the general direction of the Board and in accordance with the Agency's Framework Document. I regularly interact with both the Permanent Secretary and the Lord Chancellor and Secretary of State for Justice to ensure that Ministerial priorities are fully taken into account. I also have a close working relationship with the Senior Presiding Judge acting on behalf of the Lord Chief Justice.

The MoJ Permanent Secretary is supported in his responsibilities by the Access to Justice (AtoJ) Director General who leads within the MoJ on inter-agency and cross-governmental working. He is a member of

the Department's Corporate Management Board. In last year's Statement on Internal Control (SIC) I drew attention to the operation of the new Framework Document. I am pleased to report that HMCS's independent Agency status has been respected and safeguarded in my close working with the AtoJ Director General.

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 2010 and up to the date of approval of the Annual Report and Accounts, in accordance with Treasury guidance.

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, led on the management of risk within HMCS and have been supported during 2009-10 by a management structure that included but was not limited to:

- The HMCS Board which met on nine occasions throughout the year;
- The HMCS Directors' Board, which met monthly;
- The HMCS Risk Management Committee (RMC), which is a new committee established during the latter half of 2009-10 as a formal sub-committee of the HMCS Directors' Board. The Risk Management Committee is chaired by the HMCS Finance Director with membership consisting of the Director for Performance and Operations and four Regional Directors with lead jurisdictional responsibility within HMCS;
- The HMCS Audit Committee has five non-executive members and one judicial member appointed by the Chief Executive; two (one of which acts as chair) of the non-executive members and the judicial member serve on the HMCS Board and three are chairs of Regional Risk and Audit Committees. In accordance with good governance arrangements and the agreed terms of reference, membership by two of the three Chairs of the Regional Risk and Audit Committees were this year rotated to provide fresh input to the committee;
- Seven Regional Risk and Audit Committees each of which met quarterly;
- A Senior Information Risk Owner (SIRO) within HMCS;
- The HMCS Information Security Forum chaired by the SIRO and including senior operational judicial and corporate staff meets quarterly to review and assess the management of information risk within HMCS;
- HMCS Change Board which met regularly throughout the year; and
- HMCS Health and Safety Committee which is chaired by the Director for Performance and Operations and met 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:

- A governance hierarchy, most notably the HMCS Audit Committee, the HMCS Risk Management Committee, HMCS Corporate Governance and Regional Risk and Audit Committees;
- A network of governance officers within the Agency's directorates and regions to co-ordinate the identification and reporting of internal and external risk and control issues;
- A risk management policy and framework consistent with that in operation throughout the wider-Moj. The Framework Document sets out formal processes for identifying, evaluating, managing and reporting risk. Risks that threaten the achievement of the Agency's objectives are identified and analysed in terms of impact and

likelihood and are reported regularly at Corporate, Directorate, Region and Area levels;

- A risk management assessment framework which seeks to assess the progression of risk management as a discipline, directed and controlled by HMCS Corporate Governance;
- A defined reporting process that ensures HMCS risks are communicated effectively to the AtoJ and onwards to the MoJ as appropriate;
- An indication of HMCS's overarching appetite for risk; and
- The allocation of specific roles including Information Asset Owners, and a dedicated Information Risk Manager within HMCS to enable the effective assessment and management of information risk.

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 governance structures to support the risk management framework; and a range of internal control processes 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 Board of business plans and their regular review against performance by the Directors' Board;
- Regular reviews by management of

financial and operational reports indicating performance against forecasts;

- Health, Safety and Security risk and assurance processes. During the course of this year a programme of Security and Safety Audits conducted across the operational arm of the organisation were concluded. The audits resulted in an overall amber rating which indicates that control measures are generally in place but some work is still required to achieve all performance requirements and that although it is acknowledged that there is a general flexibility of managers and staff to respond quickly to issues and events, the agreed policies and procedures are not being consistently implemented;
- An environment whereby both management and key staff view the management of risk as an opportunity to manage proactively the risks to the Agency's objectives;
- A fraud risk management policy;
- Dedicated training for senior managers, audit committee members, information asset owners and the Information Risk Manager on information assurance; and
- A process by which LEAN Standard Operating Procedures are reviewed before issuing to the organisation for implementation.

HMCS is not a stand alone organisation and the maintenance of internal controls is also reliant on the MoJ, (encompassing AtoJ), which provides a number of key services to the Agency including:

- Finance;
- Human Resources (HR);
- Information Technology/ MoJ ICT;
- Internal Audit;
- Procurement; and
- Legal and Judicial.

Assurance over the robustness of internal controls for these services was obtained from, but not limited to statements of assurance from MoJ/AtoJ shared service providers.

The SIC for 2008-09 reported four significant control issues. Two of those issues remain as disclosures for the current report and updates have been provided in the final section to this statement. In relation to the other two issues:

- Information Security – Actions resulting from the significant data losses reported last year have been taken as indicated without requiring further action. One of the incidents reported involved the loss of an item of removable media (data stick) involving the potential loss of details for 1,500 staff members. The data stick was subsequently recovered without any loss of data having occurred; and
- Information Commissioner – All the actions required by the Information Commissioner to address weaknesses in the process for Subject Access Rights have now been completed and no further complaints have been received.

In addition to the above significant control weaknesses the SIC for 2008-09 identified two further areas that required improvement in control arrangements. Progress made during the course of this reporting year is as follows:

- Bank Reconciliations – The HMCS Finance Director put in place an improvement plan to address the weaknesses identified, which alongside changes required through moving to new banking arrangements within the Crown Court and county courts, has contributed to more effective control in this area; and
- Criminal enforcement procedures, in particular the need to improve controls around the monitoring of outstanding warrants. Some improvement has been made in this area during the period of this report but more work is needed and the programme of work instigated last year continues.

During the course of this reporting year a number of specific instances related to the collection of fees focussed attention on the risk of under recording fee income in courts. In response, a number of key initiatives were instigated to reinforce the importance of relevant processes and controls designed and implemented to mitigate the risk. These initiatives included organisation wide communications from the Directors of Finance and Performance and Operations and a full internal review of the processes for recording and collecting fees. In addition our internal and external auditors have been engaged with testing the assurance environment. The HMCS Directors of Finance and Performance and Operations will continue to monitor this area through 2010-11.

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 Audit Division (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 the recently established Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The HMCS Board and the Directors' Board are 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 Risk Management Committee and also through a review of the HMCS performance reports. In addition, a formalised process was set up during the year to provide the HMCS Board with copies of the HMCS Corporate Risk Register on a six monthly basis.

Risk management also remains a department wide priority and I obtained further assurance on the management of cross-departmental risks through regular meetings and discussions with the Director General of Access to Justice, a member of the MoJ Corporate Management Board.

My Directors provide me with a quarterly SIC, which includes control issues raised by directorate and regional management

teams. These statements include reporting on sources of internal control assurance including the management assurance programme and key risk and control processes which commenced reporting through the HMCS Assurance Programme (HAP) during the final quarter of this reporting year. This in turn provides assurance of managements' compliance with operational policies, procedures and established key risks and controls.

Changing and developing management structures mean continuous refining of governance arrangements. I reported last year that the arrangements for the Performance and Operations Directorate had not been fully developed. Arrangements were established and formal reporting commenced at the beginning of this reporting year.

The MoJ's Internal Audit Division (IAD) provides a comprehensive programme of internal audit across HMCS activities, operating to Government Internal Audit Standards. The IAD submits regular reports, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Agency's governance, control and risk management arrangements together with recommendations for improvement.

The opinion arising from the IAD's work undertaken for 2009-10 is that overall, HMCS has a rating of Amber / Green which indicates that governance, risk management and control arrangements were found to have been established but are not operating effectively or are not being consistently applied. This rating is an improvement over that given for 2008-09 and reflects the development that the Agency has made in its governance and control arrangements.

Other elements of the system of internal control that inform my review of the system's effectiveness include:

- The Assurance Working Group that continued to operate during this reporting year which was created to ensure that assurance processes cover all key activities and become more effective and robust in the provision of evidence to support the regional and directorate level statements on internal control. During the course of this year the group oversaw the rollout of the HMCS Assurance Programme (HAP) across the operational arm of HMCS. The programme provides a tool to allow operational managers to report and escalate issues identified through assurance activity in support of the quarterly SIC process. Rollout and a period of embedding continue into 2010-11 when detailed results through the reporting programme are expected;
- A Business Continuity Planning Board (at MoJ level) to oversee the management of business continuity plans that are in place across the organisation. During this reporting year HMCS finalised arrangements for a recovery site to provide for continuity of operations in the event of an incident that rendered the CCBC (HMCS's bulk processing centre) inoperable for a long time. A business continuity exercise will be undertaken during July 2010 to ensure the arrangements are effective;
- MoJ/AtJ shared service statements of assurance;
- National Audit Office (NAO) Reports – HMCS continues to implement recommendations made within the NAO and Public Accounts Committee reports on the Administration and value for money of the Crown Court;
- The Annual HM Treasury Report on Fraud;
- An annual information risk assessment from the SIRO, reviewed by the Information Security Forum and HMCS Audit Committee setting out identified risks and mitigations. In addition, a programme of reviews was carried out by the Court Assurance Support Team, which included key processes for management of information within HMCS. During the course of the year HMCS has managed a number of minor data loss incidents but none that have required escalation to the Information Commissioner;
- Corporate Governance updates to the Regional Risk and Audit Committees the HMCS Audit Committee and the Risk Management Committee;
- HM Inspectorate of Courts Administration publications and annual report;
- Assurance and quality reviews of the portfolio of change programmes, projects and initiatives by the HMCS Change Board; and
- A whistle blowing policy provided through shared service arrangements at MoJ level. My review has identified that these arrangements are not effective for the Agency and a new policy is currently being developed for implementation during 2010-11.

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, the IAD and other review bodies;
- Reviewing reports from HMCS Corporate Governance which includes the corporate risk register;
- Reviewing feedback and key messages from the Regional Risk and Audit Committees;
- Considering the adequacy and effectiveness of management responses to issues identified by Corporate Governance, external auditors and the IAD; and
- Overseeing the Agency's risk management arrangements.

The HMCS Audit Committee Chair has free and confidential access to the MoJ Audit Committee Chair; the IAD and external auditors with no executives in attendance.

Significant control issues

The following significant control issues have been highlighted:

Estates procurement

An issue relating to property leasing transactions from 2002-04 has been reported in the SIC for the last two years. Subsequent to the Statement of Financial Position date, HMCS commenced High Court civil proceedings in relation to the leasing transactions in connection with one of the properties. To comment further or to attempt to quantify the likely outcome

of this claim at this stage may prejudice the ongoing civil proceedings.

Family fee income - collection arrangements

In September 2009, a change of management at a Family Proceedings Court within the London Region highlighted a number of instances where fees were not collected by the court. On investigation, it was identified that this was due to a control failure at this specific location that prevented detection of the discrepancies between fees collected and those identified as due. A Ministerial Briefing was subsequently issued on 7th October 2009. Robust action has been taken by management to address this control failing and work is ongoing to collect all outstanding fees. As a wider response, the HMCS Director of Operations and Performance initiated a full review of the courts fee collection systems to ensure that standard and robust processes are in place across all the courts, with the focus of fee recovery and appropriate assurance checks to ensure the systems are operating effectively. In addition a Standard Operating Procedure has now been issued across HMCS in relation to family fee collections.

Tax liabilities

During 2009-10, HM Revenue & Customs tax investigations identified a number of separate tax compliance issues that have resulted in liabilities being payable by HMCS.

The main issue related to an MoJ-wide Leased Vehicle Scheme that was deemed to be non-compliant with relevant tax regulations. HMCS co-operated fully with the HM Revenue & Customs investigation and has as a result implemented a new, fully-compliant scheme that commenced 1 April 2010.

A second issue related to the incorrect taxing of a number of payments to external contractors. As a result of the investigation, HMCS conducted a rigorous review of policies and procedures for recording and making such payments and has made changes to ensure that any such future payments are made with consideration to the appropriate tax regulations.

Transfer of third party data

HMCS is aware that bulk transfers of data are being sent to the County Court Bulk Centre (the Agency's bulk processing centre) using unencrypted diskettes. The CCBC legacy IT system does not have secure data transfer facilities. A request to change the system to provide for secure facilities has been submitted through the Agency's IT supplier which, when complete, will provide a secure facility in accordance with the File Transfer Protocol.

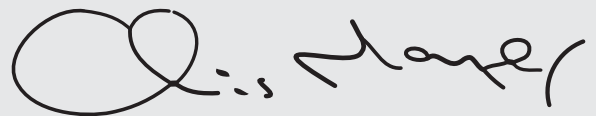
Technical security risks and issues

As a result of risk assessments being carried out on critical business systems, it has been identified that there are security policy and control breaches on some ICT systems or applications that are being addressed through action plans.

Ongoing investigations

HMCS is currently investigating a number of issues which have resulted in police investigations, including a matter disclosed in last year's SIC. Further information cannot be disclosed at this time as to do so may prejudice the investigations.

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.



Chris Mayer CBE
Chief Executive and Accounting Officer
30 June 2010

REMUNERATION REPORT

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

Board members' remuneration report

The 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 (MoJ) in accordance with the rules of the Civil Service Management Code.

Details of the remuneration of members of the HMCS Board who served during 2009-10 are shown below:

Name	Board member's role	2009-10 Salary (excluding pension contributions) £000	2009-10 Full year salary equivalent (excluding pension contributions) £000	2009-10 Benefits in kind £000	2008-09 Salary (excluding pension contributions) £000	2008-09 Benefits in kind £000
Sir Duncan Nichol CBE	Chairman	95 – 100	95 – 100	Nil	95 – 100	Nil
Chris Mayer CBE	Chief Executive	125 – 130	125 – 130	Nil	115 – 120	Nil
Owen Mapley	Finance Director (from 5 May 2009)	90 – 95	100 – 105	Nil	Nil	Nil
Steve Finch	Interim Finance Director (to 4 May 2009)	5 – 10	75 – 80	Nil	30 – 35	Nil
Anita Bharucha	Director, Court Improvement (to 31 March 2010)	85 – 90	85 – 90	Nil	85 – 90	Nil
Kevin Pogson CBE	Regional Director (to 31 March 2010)	110 – 115	110 – 115	Nil	90 – 95	Nil
Guy Beringer QC	Non Executive Director	10 – 15	10 – 15	Nil	10 – 15	Nil
Kenneth Ludlam	Non Executive Director	10 – 15	10 – 15	Nil	10 – 15	Nil

Name	Board member's role	2009-10 Salary (excluding pension contributions) £000	2009-10 Full year salary equivalent (excluding pension contributions) £000	2009-10 Benefits in kind £000	2008-09 Salary (excluding pension contributions) £000	2008-09 Benefits in kind £000
Peter Handcock CBE	Access to Justice Director-General, Ministry of Justice Representative (from 1 December 2009)	Nil ¹	Nil ¹	Nil ¹	Nil ¹	Nil ¹
Karen Wheeler CBE	Access to Justice Director-General, Ministry of Justice Representative (to 30 November 2009)	Nil ²	Nil ²	Nil ²	Nil ²	Nil ²
District Judge Michael Walker CBE	Judicial Member	Nil ³	Nil ³	Nil ³	Nil ³	Nil ³
Lord Justice Goldring	Judicial Member (from 1 July 2009)	Nil ³	Nil ³	Nil ³	Nil ³	Nil ³
His Honour Judge William Kennedy	Judicial Member (from 1 January 2010)	Nil ³	Nil ³	Nil ³	Nil ³	Nil ³
Lord Justice Leveson	Judicial Member (to 31 December 2009)	Nil ³	Nil ³	Nil ³	Nil ³	Nil ³
Lord Justice Stanley Burnton	Judicial Member (to 20 June 2009)	Nil ³	Nil ³	Nil ³	Nil ³	Nil ³

Notes:

¹ Peter Handcock CBE sits on the HMCS Board as the formal representative of the MoJ. Remuneration details are disclosed separately within the Ministry of Justice Resource Accounts.

² Karen Wheeler CBE sat on the HMCS Board as the formal representative of the MoJ. Remuneration details are disclosed separately within the Ministry of Justice Resource Accounts.

³ Judicial members are remunerated as judges and receive no additional payments as directors of HMCS.

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. The figures shown do not include amounts that 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 & Customs as a taxable emolument. There were no amounts payable to third parties in respect of Board members in 2009-10.

Subsequent to the end of the financial year, Alan Eccles joined the Board as a replacement for Kevin Pogson CBE. This appointment was effective from 1 April 2010. In addition, Clare Pillman was appointed to the Board effective 1 June 2010 as a replacement for Anita Bharucha.

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 that are open ended until they reach the normal retiring age. 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 Duncan Nichol CBE	1 April 2008	1 year	1 month
Chris Mayer CBE	5 December 1974	To retirement	3 months
Owen Mapley	23 July 2007	To retirement	3 months
Steve Finch	1 April 2005	To retirement	3 months
Anita Bharucha	23 August 1993	To retirement	3 months
Kevin Pogson CBE	27 February 1967	To retirement ¹	N/A ¹
Guy Beringer QC	1 April 2008	1 year	1 month
Kenneth Ludlam	1 April 2008	1 year	1 month
Peter Handcock CBE	4 January 1971	To retirement	3 months
Karen Wheeler CBE	1 July 2003	To retirement	3 months
District Judge Michael Walker CBE	N/A ²	N/A ²	N/A ²
Lord Justice Goldring	N/A ²	N/A ²	N/A ²
His Honour Judge William Kennedy	N/A ²	N/A ²	N/A ²
Lord Justice Leveson	N/A ²	N/A ²	N/A ²
Lord Justice Stanley Burnton	N/A ²	N/A ²	N/A ²

Notes:

¹ Kevin Pogson retired from HMCS effective 1 April 2010.

² Judicial members do not operate under contracts.

There was no provision in the accounts for compensation of HMCS senior managers as of 31 March 2010. 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.

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

Name	Real increase in pension at pension age and related lump sum in 2009-10 £000	Accrued pension at pension age and related lump sum at 31 March 2010 £000	CETV at 31 March 2010 £000	CETV at 31 March 2009 £000	Real increase in CETV £000
Sir Duncan Nichol CBE	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Chris Mayer CBE	12.5 – 15.0 plus 42.5 – 45.0 lump sum	55 – 60 plus 175 – 180 lump sum	1,217	872	295
Owen Mapley	0 – 2.5 nil lump sum	0 – 5.0 nil lump sum	40	23	13
Steve Finch	0 – 2.5 nil lump sum	0 – 5.0 nil lump sum	64	61	3
Anita Bharucha	0 – 2.5 plus 2.5 – 5.0 lump sum	15 – 20 plus 55 – 60 lump sum	220	191	16
Kevin Pogson CBE	0 – 2.5 plus 5.0 – 7.5 lump sum	50 – 55 plus 155 – 160 lump sum	1,256	1,148	47
Guy Beringer QC	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Kenneth Ludlam	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Karen Wheeler CBE	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
Peter Handcock CBE	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³
District Judge Michael Walker CBE	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴
Lord Justice Goldring	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴
His Honour Judge William Kennedy	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴
Lord Justice Leveson	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴
Lord Justice Stanley Burnton	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴

Notes:

1 No pension contributions are made on behalf of HMCS Non-executive Board Members.

2 Karen Wheeler CBE sat on the HMCS Board as the formal representative of the MoJ. Pension benefits are disclosed separately within the Ministry of Justice Resource Accounts.

3 Peter Handcock CBE sits on the HMCS Board as the formal representative of the MoJ. Pension benefits are disclosed separately within the Ministry of Justice Resource Accounts.

4 Judicial members are remunerated as judges and receive no additional pension entitlements as directors of HMCS.

5 The CETV figures at 31 March 2009 may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

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 Price 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 classic 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 about 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 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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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. This includes 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.



Chris Mayer CBE
Chief Executive and Accounting Officer
30 June 2010

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 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows 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 Chief Executive and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances

and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

Opinion on the financial statements

In my opinion:

- The financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2010, and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- The financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder:

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- Adequate accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- The SIC does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 9 July 2010

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2009-10	Restated* 2008-09
		£000	£000
Revenue	6	612,420	612,219
Staff costs	7	(846,075)	(859,266)
Other operating costs	8	(692,729)	(1,008,007)
Depreciation	9	(114,879)	(116,339)
Amortisation	12	(1,778)	(1,156)
Decrease in fair value of investment properties	10	(740)	(888)
Decrease in fair value of assets held for sale	11	(231)	-
Net cost of operations		(1,044,012)	(1,373,437)
Finance costs	8	(114,255)	(114,147)
Net costs		(1,158,267)	(1,487,584)

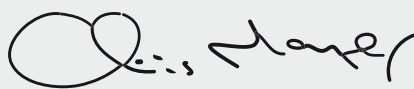
Included in the Operating Cost Statement is net programme expenditure of £1,143m (2008-09: £1,468.9m) and net administration expenditure of £15.3m (2008-09: £18.7m).

*These figures have been restated as a result of the adoption of International Financial Reporting Standards (IFRS). HMCS adopted IFRS from 1 April 2009. An explanation of how the transition from UK GAAP to IFRS has affected the Statement of Financial Position, Operating Cost Statement and Statement of Cash Flow is detailed in note 27.

The notes on pages 76 to 125 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2010

	Notes	2010	Restated* 2009	Restated* 2008
		£000	£000	£000
Non-current assets				
Property and equipment	9	2,717,563	2,993,810	3,284,914
Investment property	10	1,855	2,595	3,483
Trade and other receivables	13	38,982	10,350	4,991
Lease prepayments	19	19,241	5,289	1,842
Intangible assets	12	67,396	45,309	29,427
Total non-current assets		2,845,037	3,057,353	3,324,657
Current assets				
Assets held for sale	11	4,103	3,055	6,744
Trade and other receivables	13	96,495	46,988	51,171
Cash and cash equivalents	14	153,046	239,450	199,676
Total current assets		253,644	289,493	257,591
Total assets		3,098,681	3,346,846	3,582,248
Current liabilities				
Trade and other payables	16	311,130	254,306	301,415
Provisions for liabilities and charges	17	32,030	18,313	16,981
Total current liabilities		343,160	272,619	318,396
Total assets less current liabilities		2,755,521	3,074,227	3,263,852
Non-current liabilities				
Trade and other payables	16	250,796	260,930	266,091
Provisions for liabilities and charges	17	267,447	443,262	281,259
Total non-current liabilities		518,243	704,192	547,350
Total assets less total liabilities		2,237,278	2,370,035	2,716,502
Taxpayers' equity				
General fund		2,056,647	2,093,576	2,264,562
Revaluation reserves		180,631	276,459	451,940
Total taxpayers' equity		2,237,278	2,370,035	2,716,502



Chris Mayer CBE
Chief Executive and Accounting Officer
30 June 2010

*These figures have been restated as a result of the adoption of International Financial Reporting Standards (IFRS). HMCS adopted IFRS from 1 April 2009. An explanation of how the transition from UK GAAP to IFRS has affected the Statement of Financial Position, Operating Cost Statement and Statement of Cash Flow is detailed in note 27.

The notes on pages 76 to 125 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2009-10			Restated* 2008-09		
		General fund	Revaluation reserve	Total	General fund	Revaluation reserve	Total
		£000	£000	£000	£000	£000	£000
Balance as of the beginning of the period		2,093,576	276,459	2,370,035	2,264,562	451,940	2,716,502
Net resources introduced on HMCS creation	9	2,766	-	2,766	18,572	-	18,572
Funding from the Ministry of Justice		744,000	-	744,000	869,300	-	869,300
Net costs for the year		(1,158,267)	-	(1,158,267)	(1,487,584)	-	(1,487,584)
Revaluation of property and equipment during the year		-	(87,431)	(87,431)	-	(149,147)	(149,147)
Revaluation of intangible assets during the year		-	1,084	1,084	-	-	-
Reclassification from revaluation reserves of realised element		9,481	(9,481)	-	17,904	(17,904)	-
Reclassification from revaluation reserves		-	-	-	36,056	(36,056)	-
Notional costs		365,091	-	365,091	375,850	-	375,850
Other movements		-	-	-	(1,084)	27,626	26,542
Balance as of the end of the period		2,056,647	180,631	2,237,278	2,093,576	276,459	2,370,035

*These figures have been restated as a result of the adoption of International Financial Reporting Standards (IFRS). HMCS adopted IFRS from 1 April 2009. An explanation of how the transition from UK GAAP to IFRS has affected the Statement of Financial Position, Operating Cost Statement and Statement of Cash Flow is detailed in note 27.

Included within the revaluation reserve is £0.6m (2008-09: £0.6m) related to assets held for sale.

The notes on pages 76 to 125 form part of these accounts.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2009-10	Restated* 2008-09
		£000	£000
Cash flows from operating activities			
Net costs		(1,158,267)	(1,487,584)
Adjust for:			
Notional and non-cash costs	15	447,953	761,151
Interest expense	8	114,255	114,147
Changes in trade and other receivables		(76,737)	(6,177)
Changes in trade and other payables		25,689	(69,003)
Operating lease prepayments	19	(14,062)	(3,500)
Cash movements in provisions		(33,119)	(15,151)
Net cash outflow from operating activities		(694,288)	(706,117)
Cash flows from investing activities			
Purchases of property and equipment		(75,110)	(81,773)
Proceeds from disposal of property and equipment		2,203	12,192
Purchases of intangible assets	12	(22,262)	(17,371)
Net cash outflow from investing activities		(95,169)	(86,952)
Cash flows from financing activities			
Funding from the Ministry of Justice		744,000	855,171
Transfers with other government departments		-	65
Capital element of PFI contracts		(8,926)	(8,925)
Capital element of finance leases		(48)	(87)
Repayments of local authority loans		(14,421)	(2,204)
Interest paid		(13,663)	(14,830)
Net cash inflow from financing activities		706,942	829,190
(Decrease)/increase in third party balances		(3,889)	3,653
Net (decrease)/increase in cash and cash equivalents in the period	14	(86,404)	39,774
Cash and cash equivalents as of the beginning of the period	14	239,450	199,676
Cash and cash equivalents as of the end of the period	14	153,046	239,450

*These figures have been restated as a result of the adoption of International Financial Reporting Standards (IFRS). HMCS adopted IFRS from 1 April 2009. An explanation of how the transition from UK GAAP to IFRS has affected the Statement of Financial Position, Operating Cost Statement and Statement of Cash Flow is detailed in note 27.

The notes on pages 76 to 125 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Accounts are set out below.

Basis of preparation

The Accounts have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as interpreted for the public sector.

HMCS adopted IFRS from 1 April 2009. An explanation of how the transition from UK GAAP to IFRS has affected the Statement of Financial Position, Operating Cost Statement and Statement of Cash Flow is detailed in note 27.

The functional and presentation currency of HMCS is the pound sterling.

The Accounts have been prepared under the historical cost convention, as modified by the revaluation of property and equipment, investment property, and intangible assets.

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

Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme net expenditure. The classification of net expenditure as administration or programme follows HM Treasury budgetary requirements.

Revenue

Operating revenue, excluding recoverable Value Added Tax (VAT), is authorised by HM Treasury to be treated as revenue appropriated in aid.

Funding from the MoJ is treated as a capital contribution from HMCS's parent and is credited directly to the General Fund.

Fee revenue

Fee revenue consists of amounts for services rendered to court users. The elements that relate to work yet to be completed are held in the Statement of Financial Position as deferred revenue. The deferred revenue is subsequently recognised as revenue upon completion of the service.

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

For certain revenue streams, such as warrants and assessments, an estimate is made of the time period in which the application is made (typically one week) and the deferred element is thus determined. For other revenue streams, such as petitions, appeals and probate, specific records are maintained in respect of the outstanding services and the deferred revenue is directly determined based upon these.

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

Fine revenue

Fine revenue is accounted for upon receipt and consists of four main streams:

1. Warrant enforcement: An element of fines collected by HMCS on behalf of other government departments is retained to cover the cost of fine enforcement operations.
2. Fine incentives: An additional element of the fines collected on behalf of other government departments is retained in line with the fines incentive scheme. This scheme is based on fine collection rates for the period.
3. Asset recovery: HMCS is entitled to receive 12.5% (2008-09: 12.5%) of proceeds from assets recovered during the period on behalf of and as agreed with other participating government departments.
4. Courts Act revenue: This is received towards the implementation of initiatives related to the national rollout of the Courts Act 2003.

Financial penalties imposed by the criminal justice system

Magistrates' courts are responsible for collecting financial penalties imposed by the criminal justice system. The financial penalties comprise: fixed penalties, confiscation orders, prosecutors' costs and compensation orders. Receipts of fixed penalties, confiscation orders, prosecutors' costs and compensation orders are remitted directly to appropriate government departments or the victims of crime and are not recognised as revenue for HMCS.

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 Accounts of HMCS as notional costs. Senior judges also receive long service payments under an agreement with the MoJ. There is a provision for these payments within the Ministry of Justice's Resource Accounts.

A charge reflecting the cost of capital utilised by HMCS is included in finance costs. 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; advances from the contingencies fund; cash holdings with the Office of HM Paymaster General; and amounts due to or from entities within the MoJ family through any inter-agency transactions.

Other notional charges are auditors' remuneration, notional rent on properties owned by the City of London Corporation and Royal Borough of Kingston upon Thames, and departmental overhead charges recharged by the MoJ.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive and Accounting Officer.

Property and equipment – land and buildings (including dwellings)

Land and buildings (including dwellings) comprise mainly court facilities. Land and buildings are shown at fair value, based on professional valuations. The Valuation Office Agency (VOA), who are independent of HMCS, carries out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book" as of 31 March each year.

The land and buildings are valued on a rolling annual basis in which 20% of the land and buildings are physically visited and valued, while the other 80% are valued on a desktop basis. The majority of buildings are valued at depreciated replacement cost to a modern equivalent basis. All other buildings are measured at fair value determined from market-based evidence.

When an asset's carrying amount increases as a result of a revaluation, the increase is recognised in the Operating Cost Statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Operating Cost Statement. Any remaining increase is credited directly to Revaluation Reserves in Taxpayers' Equity. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

When an asset's carrying amount decreases as a result of a revaluation, the decrease is debited directly to the Revaluation Reserves in Taxpayers' Equity to the extent of any credit balance existing in respect of that asset. Any remaining decrease is recognised in the Operating Cost Statement.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Operating Cost Statement and depreciation based on the asset's cost is transferred from Revaluation Reserves to the General Fund.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to HMCS and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Operating Cost Statement during the financial period in which they are incurred.

Property and equipment – other assets

Other assets comprise information technology, equipment, furniture, fixtures and fittings. These assets are included at cost upon purchase and are revalued at the end of each reporting period using Price Index Numbers for Current Cost Accounting (Office for National Statistics).

Investment property

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

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

Assets under construction

Assets under construction are valued at historical cost within Assets Under Construction and are not depreciated. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset

category. Depreciation is then charged on the asset in accordance with the depreciation accounting policy.

Lease classification

Leases are classified as either finance leases or operating leases based on the substance of the arrangement. The lease of land and buildings is split at inception of the lease into a separate lease of land and a lease of buildings. Unless title is expected to pass to the lessee at the end of the lease term, leases of land are classified as operating leases.

Operating leases

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

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

Lease revenue from operating leases where HMCS is the lessor is recognised in revenue on a straight-line basis over the lease term.

Finance leases

HMCS leases certain property and equipment from other parties. Leases of property and equipment where HMCS has substantially all the risks and rewards of

ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property or equipment and the present value of the minimum lease payments. Up-front payments for a leasehold interest classified as a finance lease are capitalised as part of the asset.

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

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

Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes, where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements. HMCS has therefore recognised 'on Statement of Financial Position' PFI schemes as property and equipment together with a liability to pay for them. The services received under the contract are recorded as operating expenses. 'Off Statement of Financial Position' PFI schemes are treated as operating leases. See note 21 for further details of these schemes.

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

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

Services received

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

PFI asset

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

PFI liability

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

Depreciation

Depreciation is calculated using the straight-line method to allocate the

revalued amounts to the residual values over the assets' estimated useful lives. Estimated useful lives are as follows:

Freehold buildings (including dwellings)	shorter of remaining life or 60 years
Leasehold buildings (including dwellings)	shortest of remaining life, remaining lease period or 60 years
Information technology	shorter of remaining lease period or 7 years
Equipment	shorter of remaining lease period or 3 to 5 years
Furniture, fixtures and fittings	shorter of remaining lease period or 10 to 20 years

No depreciation is charged on freehold land, leasehold land, investment property, assets held for sale or assets under construction.

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. The remaining life of buildings is determined according to the rolling programme of professional valuations.

Non-current assets held for sale

Non-current assets are classified as 'held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets held for sale are stated at the lower of their carrying amount immediately prior to classification as 'held for sale' and their 'fair value less costs to sell'. Any subsequent impairment or reversal of impairment is recognised in the Operating Cost Statement. Assets classified as held for sale are not depreciated.

Disposal of property and equipment

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised within Other Operating Costs in the Operating Cost Statement.

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

Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by HMCS are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- The software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development of the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

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

Intangible assets in service are remeasured at the end of each reporting period using Price Index Numbers for Current Cost Accounting (Office of National Statistics).

Intangible assets in service are amortised on a straight-line basis over their estimated useful lives, which will not exceed seven years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Impairment of property and equipment, and intangible assets

Property and equipment and intangible assets are subject to an annual impairment review. Impairments arise from a loss in economic benefit or service potential. Other than for assets classified as 'held for sale', when an asset's carrying amount is impaired, the decrease is recognised in the revaluation reserve to the extent a balance exists in respect of that asset. Impairment amounts in excess of revaluation surpluses are charged to Other Operating Costs in the Operating Cost Statement.

Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position and Statement of Cash Flow include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in Current Liabilities in the Statement of Financial Position.

Third party cash balances

HMCS holds a number of different cash balances on behalf of third parties. These predominantly consist of bail monies, which are received and held while a criminal case progresses, and third party settlement amounts where HMCS acts as the intermediary for settlement between claimants and defendants.

Financial instruments

Recognition

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

De-recognition

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

Classification and measurement

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

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

Trade and other receivables

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

Impairment of financial assets

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

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

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

Financial liabilities

All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. They are included in current liabilities except for the amounts payable more than twelve months after the end of the reporting period, which are classified as non-current liabilities. Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and is charged to the Operating Cost Statement.

Value Added Tax (VAT)

Most of the activities of HMCS are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capital purchase cost of assets.

Machinery of Government changes

The transfer of responsibility for a function from one part of the public sector to another is accounted for as a Machinery of Government change using merger accounting principles. HMCS applies these principles to Machinery of Government changes material to the Accounts, while immaterial transfers are treated as an intra-government transaction.

Provision for pensions

Most past and present employees of HMCS are covered by the Principal Civil Service Pension Scheme (PCSPS), while members of the Judiciary are covered by the Judicial Pension Scheme (JPS). The pension benefits payable under the PCSPS are funded on an

annual basis through a separate resource supply voted on each year by Parliament. The JPS scheme is funded from the consolidated fund.

The pension schemes are multi-employer defined benefit schemes. HMCS is unable to identify its share of the underlying assets and liabilities of the schemes. The pension schemes are treated as defined contribution plans within HMCS's Accounts. The MoJ charges HMCS an allocation of the annual cost of the pension schemes, which is determined on an actuarial basis. The MoJ charge is recognised as an employee expense within HMCS's Accounts.

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

Provision for 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 or individual agreement is binding on HMCS. The provision is measured at the present value of the expenditures required to settle the obligation. Where the effect is material, the estimated cash flows are discounted using the rate set by HM Treasury (2009-10: 4.6% and 2008-09: 7.2%). The increase

in the provision due to passage of time is recognised as interest expense.

Other provisions

Other provisions are recognised when HMCS has:

- A present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

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

Provisions are not recognised for future operating losses.

Contingent liabilities

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

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

General Fund

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

Changes in accounting policy and disclosures

Early adoption of new accounting standard

IFRS 8 – Operating segments

The IASB issued an amendment to IFRS 8 as part of its annual improvement project. The amendment clarifies that segmental information for total assets is required only if such amounts are regularly reported to the Chief Operating Decision Maker. The amendment is applicable for accounting periods beginning on or after 1 January 2010. HMCS early adopted the amendment and excluded segmental information for total assets in note 3 Segmental analysis.

New accounting standards to be adopted

IFRS 9 – Financial instruments

The IASB intend that IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. As a first instalment, the chapters on classification and measurement of financial assets have been issued. Later instalments will cover financial liabilities, impairment methodology and hedge accounting. IFRS 9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS 39, resulting in one impairment method. The new

standard is applicable for accounting periods beginning on or after 1 January 2013 and is not expected to have a material impact on HMCS.

FReM Chapter 11 – Income and expenditure: Notional cost of capital charge

HMCS recognised a notional cost of capital charge of £74.0m (2008-09: £82.8m). The FReM has been amended to eliminate the notional cost of capital charge from 1 April 2010.

professional valuations. The VOA carries out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the “Red Book”.

The majority of buildings are valued at depreciated replacement cost to a modern equivalent basis. All other buildings are measured at fair value determined from market-based evidence. The value of HMCS's land and buildings fluctuates with changes in construction costs and the current market value of land and buildings. The accounting policy for land and buildings is set out in note 1 and information on the land and buildings is set out in note 9.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

Valuation of property and equipment

Land and buildings (including dwellings) comprise mainly court facilities. Land and buildings are shown at fair value, based on

Provision for pension transfer deficit

The present value of the pension transfer deficit obligations depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets to be transferred to the Principal Civil Service Pension Scheme. The assets to be transferred consist of gilts, bonds, equities, cash and property. The actual liability to be assumed by HMCS will therefore continue to be subject to uncertainty, as a result of a number of factors. The accounting policy for pension transfer deficit is set out in note 1 and further information on the pension transfer deficit is set out in note 17.

Critical judgements in applying HMCS's accounting policies

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined, the buildings element of the lease may be capitalised as a finance lease if it meets the criteria for a finance lease, but the land element will always be classed as an operating lease unless title transfers at the end of the lease. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease. The accounting policy for leases is set out in note 1.

HMCS's reportable operating segments are as follows:

- London Region;
- North East Region;
- South East Region;
- North West Region;
- Midlands Region;
- South West Region;
- HMCS Wales; and
- Royal Courts of Justice Group.

The operating segment's net costs of operations are measured on the same basis as the corresponding amounts reported in the financial statements. There were no inter-segment transactions in the year (2008-09: nil).

3 SEGMENTAL ANALYSIS

Segment information

HMCS is organised for management purposes into six Regions, HMCS Wales and the Royal Courts of Justice Group (RCJG).

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

Cost of operations

The services from which the reportable operating segments incur costs are detailed in note 1.

The financial information evaluated by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance is presented in the tables below.

The following table presents the net cost of operations by reportable operating segment for the year:

	2009-10	2008-09
	£000	£000
London Region	(159,114)	(163,797)
North East Region	(113,184)	(116,847)
South East Region	(140,104)	(141,112)
North West Region	(119,372)	(122,318)
Midlands Region	(133,021)	(136,871)
South West Region	(85,352)	(87,474)
HMCS Wales	(49,069)	(49,673)
Royal Courts of Justice Group	(56,504)	(53,381)
Net segment costs	(855,720)	(871,473)
Other amounts *	(302,547)	(612,271)
Net cost of operations	(1,158,267)	(1,483,744)
Effect of transition to IFRS	-	(3,840)
Net cost of operations restated under IFRS	(1,158,267)	(1,487,584)

* Other amounts of £302.5m (2008-09: £612.3m) are attributable to net central costs not allocated to identifiable segments. The change between years is primarily due to the movement in the provision for pension transfer deficit. See note 17.1 for further details.

4 FEES AND CHARGES

HMCS is required, in accordance with HM Treasury's Managing Public Money to disclose performance results for the areas of its activities where fees and charges are made. The following information is provided for Fees and Charges purposes and not for IFRS 8 purposes.

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

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

- Maintain 100% recovery of the cost for the civil (higher courts) and probate business;
- Aim to achieve 100% recovery for civil (magistrates' courts) business; and
- Aim to achieve 100% recovery for the family business.

	Gross fee Revenue	Revenue foregone via REMEX	Net fee revenue	Costs	Net fee revenue/ (costs)	Gross fee revenue/ (costs)	Fee recovery actual percentage	Fee recovery target percentage
	£000	£000	£000	£000	£000	£000	%	%
Civil business								
Family	109,643	(15,208)	94,435	(220,699)	(126,264)	(111,056)	50	100
Civil (higher courts)	363,876	(12,550)	351,326	(363,719)	(12,393)	157	100	100
Probate	16,297	(11)	16,286	(13,434)	2,852	2,863	121	100
Civil (magistrates' courts)	17,276	(84)	17,192	(21,152)	(3,960)	(3,876)	82	100
Total civil business	507,092	(27,853)	479,239	(619,004)	(139,765)	(111,912)	82	100
Restated total civil business 2008-09	500,064	(23,471)	476,593	(616,443)	(139,850)	(116,379)	81	100

HMCS has recognised revenue of £133.2m (2008-09: £135.6m) and expenses of £1,151.7m (2008-09: £1,483.4m) related to its criminal and other business activities.

The fee recovery target is calculated using gross revenue against expenditure; this complies with HM Treasury's Managing Public Money guidance of setting fees 'at cost' Annex 6.2.

MoJ is taking forward a strategy, agreed by Ministers, 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 court fees system:

- Meets its financial targets for cost recovery and net expenditure;
- Protects access to justice through a well-targeted system of fee remissions; and
- Remains viable when patterns of demand change, by achieving as close a match between revenue and costs within the system as reasonably practicable.

Following a public consultation (CP31/08), MoJ

introduced fee changes on 13 July 2009. The changes related mainly to enforcement proceedings, a process used when a debtor has failed to pay even after the court has ordered him or her to do so. In addition, changes to the magistrates' court civil fees were made with the aim to bring them to full cost.

Some fee changes were straight forward increases. For others the MoJ changed the points at which fees would be charged, or aligned fees when the same service was being provided by different courts or jurisdictions. The aim of the changes was to provide a clearer, better balanced and fairer system.

The current fees orders are:

- The Civil Proceedings Fees (Amendment) Order 2009 [1498] which amends The Civil Proceedings Fees (Amendment) Order 2008 [no 2853] and The Civil Proceedings Fees Order 2008 No 1053 (L5);
- The Family Proceedings Fees (Amendment) Order 2009 [1499] which amends The Family Proceedings Fees (Amendment) Order 2008 [no

- 2856] and The Family Proceedings Fees Order 2008 No 1054 (L.6);
- The Non-Contentious Probate Fees (Amendment) Order 2009 [1497] which amends The Non-Contentious Probate Fees (Amendment) Order 2008 [no 2854] and The Non-Contentious Fees Order 2004 No 3120 (L.22); and
 - The Magistrates' Courts Fees (Amendment) Order 2009 [1496] which amends both The Magistrates' Courts Fees (Amendment) Order 2008 [no 2855] and The Magistrates' Courts Fees Order 2008 No 1052 (L.4).

5 ADMINISTRATION AND PROGRAMME COSTS

Of the total net operating costs shown in the Operating Cost Statement, £15.3m (2008-09: £18.7m) are classified as administration costs according to HM Treasury budgetary requirements; all other costs are programme costs.

6 REVENUE

	2009-10	Restated 2008-09
	£000	£000
Fee revenue	479,239	476,593
Fine revenue	94,848	92,388
Rental revenue	1,192	1,502
Miscellaneous revenue	37,141	41,736
Total revenue	612,420	612,219

Fee revenue

Fee revenue comprises amounts received from the four business streams as shown in note 4.

Fine revenue

Fine revenue consists of warrant enforcement revenue, Courts Act revenue, fine incentive revenue and asset recovery revenue. Warrant enforcement revenue contributed £66.6m (2008-09: £64.0m); fine incentive revenue contributed £10.6m (2008-09: £11.9m); asset recovery revenue contributed £10.7m (2008-09: £10.2m)

and £6.9m (2008-09: £6.3m) of Courts Act revenue was received toward the implementation of initiatives related to the national rollout of the Courts Act 2003.

Rental revenue

Rental revenue comprises investment property rental, sub-letting and other rental paid by occupiers of the HMCS estate.

Miscellaneous revenue

Miscellaneous revenue included £1.1m (2008-09: £1.3m) from wider market

initiatives; £5.9m (2008-09: £6.6m) from safety camera partnership revenue; bailiff fees of £14.4m (2008-09: £15.1m); Legal Services Commission service charges of £10.8m (2008-09: £14.8m); and other revenue of £4.9m (2008-09: £3.9m).

7 STAFF AND JUDICIARY COSTS AND NUMBERS

Staff costs and numbers are separated between those for employees of HMCS and members of the judiciary.

	Notes	2009-10	Restated 2008-09
		£000	£000
Staff costs	7.1	556,061	574,790
Judicial costs	7.2	290,014	284,476
Total staff and judicial costs		846,075	859,266

7.1

	2009-10	Restated 2008-09
	£000	£000
Wages and salaries	453,412	467,369
Social security costs	29,924	30,410
Employer's pension contributions	73,820	77,061
	557,156	574,840
Add: inward secondments	1,066	1,485
	558,222	576,325
Less: recoveries in respect of outward secondments	(2,161)	(1,535)
Total staff costs	556,061	574,790

The average number of full-time equivalent (FTE) staff employed during the year, including Board members and excluding agency and contract staff, was:

	2009-10	2008-09
	Average FTEs	Average FTEs
HMCS HQ	552	552
London Region	2,880	2,951
North East Region	2,612	2,763
South East Region	2,700	2,885
North West Region	2,578	2,693
Midlands Region	2,986	3,170
South West Region	1,830	1,902
HMCS Wales	1,015	1,104
RCJ Group	1,138	1,083
Total staff numbers	18,291	19,103

In addition to the average number of full-time equivalent (FTE) staff employed detailed above, HMCS pays 338 (2008-09: 653) agency and contract staff.

The Principal Civil Service Pension Scheme (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 as of 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employer's contributions of £73.8m (2008-09: £77.1m), were payable to the PCSPS at one of four rates in the range of 16.7% to 24.3% 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.

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).

7.2 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 judiciary. All costs are included within HMCS's Accounts.

	2009-10			Restated 2008-09		
	Senior judicial salaries	Other judicial salaries	Total	Senior judicial salaries	Other judicial salaries	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	129,403	78,789	208,192	125,454	79,206	204,660
Social security costs	14,852	9,052	23,904	14,400	8,992	23,392
Employer's pensions contribution	41,511	16,407	57,918	40,260	16,164	56,424
Total payroll costs of the judiciary	185,766	104,248	290,014	180,114	104,362	284,476

HMCS met the salary costs of 498 (2008-09: 491) full-time equivalent (FTE) Judges. HMCS also funded an additional 55,351 fee paid days (2008-09: 57,423 fee paid days). The salary costs of a further 982 members (2008-09: 956 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 as of 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 32.15%.

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

8 OTHER ADMINISTRATIVE COSTS

Other operating costs

Other operating costs consist of the following for the year:

	2009-10	Restated 2008-09
	£000	£000
Operating costs		
Accommodation, maintenance and utilities	232,729	229,972
Juror costs	42,063	42,653
Service charges	31,171	31,607
Communications, office supplies and services	35,375	37,133
Contracted service costs	30,582	26,763
IT services	17,802	25,901
Consultancy costs	2,620	7,547
Other grant	-	1,784
Other staff costs (including early departure costs, travel and subsistence)	22,304	10,021
Other judicial costs (including travel and subsistence)	32,494	33,742
Bank charges	3,178	2,642
Other costs	7,184	6,562
	457,502	456,327
Operating leases		
Property rental costs	45,187	44,885
Hire of equipment	1,097	1,262
Other expenditure	2,873	2,619
	49,157	48,766
Non-cash costs		
External auditors' remuneration – audit of the Accounts	415	440
External auditors' remuneration – IFRS transition	100	55
Net loss on disposal of property and equipment	380	3,500
Decrease in fair value of property and equipment	187,496	173,157
(Increase)/decrease in fair value of intangible assets	(519)	333
Notional rent	1,988	2,134
Straight-line of operating lease payments	8,740	8,086
Operating lease prepayment - Amortisation	110	27
(Decrease)/increase in provisions	(155,571)	161,938
Intra-departmental recharges	144,333	150,598
(Decrease)/increase in accounts receivable impairment	(1,402)	2,646
	186,070	502,914
Total other operating costs	692,729	1,008,007

Interest expense

Interest expense consists of the following for the year:

	2009-10	Restated 2008-09
	£000	£000
Notional cost of capital	74,000	82,769
Interest on pension transfer deficit	20,553	12,000
Unwinding of discount on provisions	6,039	4,548
Local authority loan interest	2,685	3,361
Finance lease and private finance initiative interest	10,978	11,469
Total interest payable	114,255	114,147

9 PROPERTY AND EQUIPMENT

2009-10									
	Land excluding dwellings	Buildings excluding dwellings	Land for dwellings	Dwellings	Information Technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	Note 9.3	Notes 9.1, 9.3		Note 9.2					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation or cost									
As of the beginning of the period	509,404	2,276,681	5,285	12,235	79,470	29,816	22,329	131,051	3,066,271
Assets introduced resulting from the formation of HMCS Note 9.3	525	2,241	-	-	-	-	-	-	2,766
Additions	930	3,793	-	-	437	3,734	2,236	102,678	113,808
Disposals	-	(58)	-	-	(898)	(526)	(3)	(48)	(1,533)
Revaluation	(29,086)	(344,294)	(105)	599	11,326	642	290	-	(360,628)
Reclassification	4,782	102,988	-	437	95	710	-	(109,012)	-
Assets reclassified to assets held for sale	(2,103)	(1,541)	-	-	-	-	-	-	(3,644)
Transfers with the Ministry of Justice	-	-	-	-	-	977	-	-	977
As of the end of the period	484,452	2,039,810	5,180	13,271	90,430	35,353	24,852	124,669	2,818,017
Depreciation									
As of the beginning of the period	-	-	-	-	51,473	12,836	8,152	-	72,461
Charged in year	-	93,029	-	312	13,970	5,375	2,193	-	114,879
Disposals	-	-	-	-	(770)	(414)	(1)	-	(1,185)
Revaluation	-	(93,029)	-	(312)	7,249	298	93	-	(85,701)
Reclassification	-	-	-	-	-	-	-	-	-
Transfers with the Ministry of Justice	-	-	-	-	-	-	-	-	-
As of the end of the period	-	-	-	-	71,922	18,095	10,437	-	100,454
Net book value									
As of 31 March 2010	484,452	2,039,810	5,180	13,271	18,508	17,258	14,415	124,669	2,717,563

Restated 2008-09									
	Land excluding dwellings	Buildings excluding dwellings	Land for dwellings	Dwellings	Information Technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	Note 9.3	Notes 9.1, 9.3		Note 9.2					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation or cost									
As of the beginning of the period	659,120	2,426,124	6,712	13,908	89,686	14,779	15,286	115,973	3,341,588
Assets introduced resulting from the formation of HMCS Note 9.3	1,034	17,538	-	-	-	-	-	-	18,572
Additions	188	13,905	-	267	(3,897)	11,840	6,025	105,060	133,388
Disposals	-	(760)	-	-	(3,064)	(737)	(37)	(1,228)	(5,826)
Revaluation	(150,269)	(265,036)	(1,427)	(1,940)	(3,292)	984	936	-	(420,044)
Reclassification	550	86,746	-	-	37	1,302	119	(88,754)	-
Assets reclassified to assets held for sale	(1,219)	(1,836)	-	-	-	-	-	-	(3,055)
Transfers with the Ministry of Justice	-	-	-	-	-	1,648	-	-	1,648
As of the end of the period	509,404	2,276,681	5,285	12,235	79,470	29,816	22,329	131,051	3,066,271
Depreciation									
As of the beginning of the period	-	-	-	-	42,639	8,256	5,779	-	56,674
Charged in year	-	96,425	-	330	12,884	4,534	2,166	-	116,339
Disposals	-	(32)	-	-	(2,417)	(343)	(20)	-	(2,812)
Revaluation	-	(96,393)	-	(330)	(1,633)	389	227	-	(97,740)
Reclassification	-	-	-	-	-	-	-	-	-
Transfers with the Ministry of Justice	-	-	-	-	-	-	-	-	-
As of the end of the period	-	-	-	-	51,473	12,836	8,152	-	72,461
Net book value									
As of 31 March 2009	509,404	2,276,681	5,285	12,235	27,997	16,980	14,177	131,051	2,993,810
As of 1 April 2008	659,120	2,426,124	6,712	13,908	47,047	6,523	9,507	115,973	3,284,914

Notes:

9.1

Included under land and buildings excluding dwellings are PFI contract assets with a net book value of £184.4m (2008-09: £209.6m) and depreciation charged in year of £4.6m (2008-09: £5.6m); also finance lease assets with a net book value of £154.1m (2008-09: £170.5m) and depreciation charged in the year of £7.1m (2008-09: £7.0m).

9.2

Included under dwellings are finance lease assets with a net book value of £2.8m (2008-09: £1.7m) and depreciation charged in the year of £0.1m (2008-09: £0.1m).

9.3

The assets introduced resulting from the formation of HMCS, shown within land and buildings excluding dwellings, represent five (2008-09: 11) of the remaining properties

which did not transfer to HMCS in 2005 as a result of the PTS "The Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005". 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. Subsequent negotiations with the owners of these properties have resulted in a valid transfer of title.

HMCS is seeking a negotiated valid transfer from the owners of three (2008-09: 13) remaining properties valued at £4.2m (2008-09: £24.7m). Of these properties, two (2008-09: seven) are recorded in the Statement of Financial Position for a value of £4.0m (2008-09: £21.7m) as a result of HMCS bearing the risks and rewards of ownership. During 2009-10 valid title was agreed for 10 of the properties in the Statement of Financial Position.

10 INVESTMENT PROPERTY

	2009-10	Restated 2008-09
	£000	£000
As of the beginning of the period	2,595	3,483
Decrease in value of investment property	(740)	(888)
As of the end of the period	1,855	2,595

Rental revenue of £0.1m (2008-09: £0.1m) was recognised in the Operating Cost Statement.

The future minimum lease payments receivable under non-cancellable operating leases are as follows as of 31 March:

	2010	Restated 2009
	£000	£000
One year	35	31
Two to five years	-	34
More than five years	-	-
Total	35	65

Contingent-based rents recognised in the Operating Cost Statement were £nil (2008-09: £nil).

HMCS leases surplus properties under various agreements which terminate during 2010 and 2011. These agreements do not include an extension option.

II ASSETS HELD FOR SALE

HMCS has committed to a plan to sell a number of surplus properties (land and buildings) that were used to provide court services. An active programme to locate a buyer and complete the sale of each property has commenced. Estate agents are actively marketing the properties. The properties are available for sale in their present condition and the sales are highly probable to occur within one year from the date of classification to Asset held for sale within the Statement of Financial Position.

A net gain on disposal of assets held for sale as of 1 April 2009 of £0.1m (a net loss as of 1 April 2008 of £0.6m) is included in Net loss on disposal of property and equipment within Other Operating Costs in the Operating Cost Statement.

	2009-10	Restated 2008-09
	£000	£000
As of the beginning of the period	3,055	6,744
Assets reclassified to assets held for sale from property and equipment (note 9)	3,644	3,055
Decrease in fair value of assets held for sale	(231)	-
Disposals	(2,365)	(6,744)
As of the end of the period	4,103	3,055

12 INTANGIBLE ASSETS

	2009-10		
	Information technology	Assets under construction	Total
	£000	£000	£000
Valuation or cost			
As of the beginning of the period	8,033	39,438	47,471
Additions	1,883	20,379	22,262
Disposals	-	-	-
Revaluation	1,916	-	1,916
Reclassification	5,330	(5,330)	-
As of the end of the period	17,162	54,487	71,649
Amortisation			
As of the beginning of the period	(2,162)	-	(2,162)
Charged in year	(1,778)	-	(1,778)
Disposals	-	-	-
Revaluation	(313)	-	(313)
Reclassification	-	-	-
As of the end of the period	(4,253)	-	(4,253)
Net book value			
As of 31 March 2010	12,909	54,487	67,396

Restated 2008-09			
	Information technology	Assets under construction	Total
	£000	£000	£000
Valuation or cost			
As of the beginning of the period	8,366	22,067	30,433
Additions	-	17,371	17,371
Disposals	-	-	-
Revaluation	(333)	-	(333)
Reclassification	-	-	-
As of the end of the period	8,033	39,438	47,471
Amortisation			
As of the beginning of the period	(1,006)	-	(1,006)
Charged in year	(1,156)	-	(1,156)
Disposals	-	-	-
Revaluation	-	-	-
Reclassification	-	-	-
As of the end of the period	(2,162)	-	(2,162)
Net book value			
As of 31 March 2009	5,871	39,438	45,309
As of 1 April 2008	7,360	22,067	29,427

Expenditure for intangible assets not qualifying for capitalisation of £nil (2008-09: £1.1m) was recognised as an expense in the Operating Cost Statement.

13 TRADE AND OTHER RECEIVABLES

Amounts due within one year are as follows as of 31 March:

	2010	Restated 2009	Restated 2008
	£000	£000	£000
Amounts due within one year:			
Trade debtors	12,807	6,623	1,925
Other debtors	3,070	2,196	9,417
VAT recoverable	9,363	8,072	8,094
Prepayments and accrued revenue	22,362	26,651	26,483
Intra-departmental debtors	48,893	3,446	5,252
Total amounts due within one year	96,495	46,988	51,171

Amounts due after one year are as follows as of 31 March:

	2010	Restated 2009	Restated 2008
	£000	£000	£000
Amounts due after one year:			
Other debtors	38,976	10,349	4,976
Prepayments	6	1	15
Total amounts due after one year	38,982	10,350	4,991

HMCS entered into an arrangement with a third party for the development of a new court facility in central London which is expected to be utilised by HMCS under a 29 year operating lease commencing on 1 April 2011. HMCS has incurred development expenditure of £39.0m (2008-09: £10.3m) which will be reimbursed on 1 April 2011.

HMCS holds trade and other receivables from the following types of organisations as of 31 March:

	2010		Restated 2009		Restated 2008	
	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year
	£000	£000	£000	£000	£000	£000
Other central government bodies	73,354	-	22,396	-	22,325	-
Local authorities	3,909	-	2,902	-	4,242	-
NHS bodies	24	-	25	-		-
Public corporations and trading funds	385	-	297	-	220	-
Bodies external to government	18,823	38,982	21,368	10,350	24,384	4,991
Total trade and other receivables	96,495	38,982	46,988	10,350	51,171	4,991

14 CASH AND CASH EQUIVALENTS

	2010	2009
	£000	£000
As of the beginning of the period	239,450	199,676
Net (decrease)/increase in cash balances	(86,404)	39,774
Closing balance as of 31 March	153,046	239,450

The following balances as of 31 March were held at:		
Office of HM Paymaster General	153,316	217,539
Commercial banks	(683)	20,769
Cash in hand	375	1,103
Imprests	38	39
Total cash and cash equivalents	153,046	239,450

HMCS maintains commercial bank accounts for the magistrates' courts to deposit 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 £22.6m (2008-09: £26.5m) held as third party balances as shown in note 16.

15 NOTES TO THE STATEMENT OF CASH FLOW

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

	2009-10	Restated 2008-09
	£000	£000
Notional costs		
Consolidated fund judicial salaries	144,255	139,854
External auditor's remuneration	515	495
Notional rent	1,988	2,134
Departmental recharge	144,333	150,598
Notional costs	291,091	293,081
Non-cash costs		
Net loss on disposal of property and equipment	380	3,500
Reduction in fair value of property and equipment	187,496	173,157
(Increase)/reduction in fair value of intangible assets	(519)	333
Reduction in fair value of assets held for sale	231	-
Operating lease prepayment amortisation	110	27
Reduction in fair value of investment property	740	888
Straight-line of operating lease payments	8,740	8,086
Movement in provisions	(155,571)	161,938
Movement in accounts receivable impairment	(1,402)	2,646
Depreciation	114,879	116,339
Amortisation	1,778	1,156
Non-cash costs	156,862	468,070
Total notional and non-cash costs	447,953	761,151

In addition to the costs in the table above, HMCS incurred a notional cost of capital expense of £74.0m (2008-09: £82.8m) and non-cash interest expense of £26.6m (2008-09: £16.5m). These expenses are included in the interest line on the face of the Statement of Cash Flow.

16 TRADE AND OTHER PAYABLES

Amounts due within one year are as follows as of 31 March:

	2010	Restated 2009	Restated 2008
	£000	£000	£000
Amounts due within one year:			
Taxation and social security	13,424	13,246	13,527
Trade creditors	6,792	7,873	10,053
Other creditors	15,000	19,657	20,064
Holiday accrual	11,230	10,180	10,102
Accruals and deferred revenue	102,751	106,785	138,893
Obligations under finance leases	74	80	75
Creditor for capital value of PFI contracts	8,926	8,926	8,925
Cash balances payable to other government departments	21,775	24,474	24,409
Third party balances	22,636	26,525	22,872
Intra-departmental creditors	108,522	36,560	52,495
Total amounts due within one year	311,130	254,306	301,415

The holiday accrual represents leave earned as of the reporting date that will be utilised in the next financial year. The holiday accrual is measured at the amount of the benefit provided to members of HMCS and the judiciary.

Amounts due after one year are as follows as of 31 March:

	2010	Restated 2009	Restated 2008
	£000	£000	£000
Amounts due after one year:			
Creditor for capital value of PFI contracts	157,939	166,865	175,790
Other creditors	82,319	83,581	80,474
Obligations under finance leases	10,538	10,484	9,827
Total amounts due after one year	250,796	260,930	266,091

HMCS holds trade and other payables balances to the following types of organisations as of 31 March:

	2010		Restated 2009		Restated 2008	
	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year
	£000	£000	£000	£000	£000	£000
Other central government bodies	157,044	-	82,146	-	98,537	-
Local authorities	7,076	45,406	17,711	55,784	7,364	61,158
Public corporations and trading funds	164	-	53	-	270	-
Bodies external to government	146,846	205,390	154,396	205,146	195,244	204,933
Total trade and other payables	311,130	250,796	254,306	260,930	301,415	266,091

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Notes	2010	Restated 2009	Restated 2008
		£000	£000	£000
Provisions for pensions transfer deficit	17.1	178,000	367,018	215,018
Provision for early departure costs	17.2	117,667	90,373	80,155
Other provisions	17.3	3,810	4,184	3,067
Total provisions		299,477	461,575	298,240

The liabilities fall due as follows as of 31 March:

	2010	Restated 2009	Restated 2008
	£000	£000	£000
One year	32,030	18,313	16,981
Two to five years	117,210	99,488	97,311
More than five years	150,237	343,774	183,948
Total provisions	299,477	461,575	298,240

17.1 PROVISIONS FOR PENSIONS TRANSFER DEFICIT

	2009-10	Restated 2008-09
	£000	£000
As of the beginning of the period	367,018	215,018
(Decrease)/increase in provision	(183,571)	150,000
Interest on pension transfer deficit	20,553	12,000
Utilised in year	(26,000)	(10,000)
As of the end of the period	178,000	367,018

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

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

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

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

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

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

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

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

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

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

Market conditions in the financial year to 31 March 2010 have improved considerably on the prior year. LGPS schemes generally hold a portfolio of assets spread across gilts, bonds, equities, cash and property. The actual liability to be incurred by HMCS will therefore continue to be subject to uncertainty, as a result of movements in the LGPS scheme's assets, until agreement is formally reached for all of the 41 LGPS administering bodies.

Of the 41 LGPS involved in the transfer, each scheme is at a different stage of the process and the schemes are yet to agree a final transfer. There are seven administering bodies which need to provide an estimate of their funding position and hence funds available for transfer to HMCS. Initial data has been provided to HMCS and GAD by 34 administering bodies. Updated detailed information is required before payments can be finalised.

As of 31 March, the LGPS were at the following stages:

	2010	2009
Total number of schemes	41	41
Estimate of funding position to be provided	7	9
Funding position provided, progressing to final agreement and payment	34	32
Final transfer from LGPS to PCSPS	-	-

GAD is in discussion with the actuaries to all funds and checks member data and the estimated funding level calculations, upon receipt of the initial estimates. GAD also uses this data to calculate the estimated total net liability due to PCSPS from HMCS. This net liability is based upon the fixed element of the employees' future pension costs adjusted for the transferred asset or liability. As at 31 March 2010, (as noted in the table above), 34 of the 41 transferring LGPS have provided the required information.

The 2009-10 estimate provided by GAD is created on the assumption that the asset or liability to be transferred to PCSPS from the remaining seven LGPS schemes will broadly reflect the average position from the 34 schemes that have already provided information. It is not possible to determine the exact profile of the remaining seven

LGPS as the value can only be estimated by GAD once returns have been collated from all the transferring authorities. As a result, GAD has provided a range of the expected eventual outturn for the provision. This provision is therefore subject to inherent uncertainty until all returns are received and all transfer values agreed.

In addition to the liabilities crystallised by the transfer at 1 April 2005, liabilities also transferred to HMCS concerning two smaller prior staff transfers. Allowance for these liabilities has been included in the provisions below.

The table below shows the estimated range of the deficit as discussed with GAD and the provision retained by HMCS.

	2010	2009
Provision closing balance £m	178	367
GAD estimate of remaining balance £m	153 to 203	317 to 417
Information received from individual schemes	34 of 41	32 of 41

In 2009-10 the investment market conditions were less volatile than the prior year, and this has been translated into a range that is tighter in the current year.

Management has reviewed the estimate produced by GAD and has made the following assumptions in determining that the provision for the pension transfer deficit of £178.0m is appropriate:

- Interest is payable at an assumed rate of 5.6%. As at 31 March 2010, a total of £56.6m of interest is included in the above provision (2008-09: £36.0m);
- HM Treasury will approve the fixed assumptions made at 1 April 2005;
- The remaining seven LGPS returns will show surpluses/deficits broadly in line with the 34 received to date, weighted by the relevant number of employees; and
- The retained provision is within the range estimated by GAD.

17.2 PROVISION FOR EARLY DEPARTURE COSTS

	2009-10	Restated 2008-09
	£000	£000
As of the beginning of the period	90,373	80,155
Increase in provision	28,050	10,690
Unwinding of discount	6,039	4,548
Utilised in year	(6,795)	(5,020)
As of the end of the period	117,667	90,373

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

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

The provision has been calculated by discounting the estimated future cash flows using the HM Treasury rate of 4.6% (2008-09: 7.2%).

17.3 OTHER PROVISIONS

	2009-10	Restated 2008-09
	£000	£000
As of the beginning of the period	4,184	3,067
(Decrease)/increase in provision	(50)	1,248
Utilised in year	(324)	(131)
As of the end of the period	3,810	4,184

18 CAPITAL COMMITMENTS

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

	2010	Restated 2009
	£000	£000
Property developments	50,854	72,990
Intangible assets	3,619	3,210
Total capital commitments	54,473	76,200

19 OPERATING LEASES

HMCS leases various land and buildings under non-cancellable operating lease agreements. The land and buildings comprise mainly court facilities and have lease terms ranging from 2 to 150 years. The operating leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

HMCS also leases various equipment and cars under non-cancellable operating lease agreements. The lease terms are between 1 and 14 years.

The non-cancellable operating lease expenditure charged to the Operating Cost Statement during the year is disclosed in note 8.

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

	2010			Restated 2009		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	48,529	1,104	49,633	43,207	1,295	44,502
Later than one year but not more than five years	185,628	847	186,475	163,846	1,538	165,384
Later than five years	960,747	-	960,747	743,268	-	743,268
Total commitments under operating leases	1,194,904	1,951	1,196,855	950,321	2,833	953,154

HMCS earned sub-lease revenue of £0.1m (2008-09: £0.1m).

The total minimum payments to be received under non-cancellable subleases is £0.1m (2008-09: £0.2m).

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

	2009-10	Restated 2008-09
	£000	£000
As of the beginning of the period	5,289	1,842
Additions	14,062	3,500
Amortisation	(110)	(27)
Reclassifications	-	(26)
As of the end of the period	19,241	5,289

20 FINANCE LEASES

HMCS leases various buildings under non-cancellable finance lease agreements.

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

	2010			Restated 2009		
	Buildings	Other	Total	Buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	746	-	746	673	13	686
Later than one year but not more than five years	3,112	-	3,112	2,938	-	2,938
Later than five years	26,849	-	26,849	27,647	-	27,647
Minimum future lease payments	30,707	-	30,707	31,258	13	31,271
Future interest expense	(20,095)	-	(20,095)	(20,706)	(1)	(20,707)
Present value of minimum lease payments	10,612	-	10,612	10,552	12	10,564

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

HMCS also leased equipment under a non-cancellable finance lease agreement. This agreement expired in 2010.

HMCS earned sub-lease revenue of £0.1m (2008-09: £0.1m).

The total minimum payments to be received under non-cancellable subleases is £0.1m (2008-09: £0.1m).

21 PRIVATE FINANCE INITIATIVE

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

Project name	Contract start date	Duration (years)	On / off Statement of Financial Position	Initial capital value (£m)	Description
Exeter	November 2002	30	On	20.1	Provision of a courthouse comprising four criminal courts, one civil court and four District Judges hearing rooms. 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 consists of five criminal courtrooms; Cambridge consists of three criminal courtrooms. At the end of the contract term the buildings in Ipswich and Cambridge will revert to HMCS at no cost.
Sheffield	November 2002	25	On	7.7	Provision of a Family Hearing Centre in Sheffield. At the end of the contract term HMCS has the option of acquiring the under lease at the lower of its open market value or £2 million.
Derbyshire Magistrates' Courts	August 2001	27	On	29.5	Provision of serviced accommodation for magistrates' courts at New Mills, Chesterfield and Derby. The contract term can be extended (subject to agreement of mutually acceptable terms) by up to five years.
Hereford & Worcester Magistrates' Courts	March 2000	25	On	30.6	Provision of serviced accommodation for magistrates' courts at Bromsgrove, Kidderminster, Worcester and Redditch. The contract term can be extended for another 10 years.
Manchester Magistrates' Court	March 2001	25	On	32.9	Provision of an 18-courtroom courthouse.
Humberstone Magistrates' Court	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 £3 million.
Avon & Somerset Magistrates' Court	August 2004	27	On	46.6	Provision of serviced accommodation for magistrates' courts and offices in Bristol, Weston-Super-Mare and Flax Bourton.

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

	2010	2009
	£000	£000
Not later than one year	18,648	19,206
Later than one year but not more than five years	69,235	71,467
Later than five years	175,480	192,344
Minimum future lease payments	263,363	283,017
Future interest expense	(96,498)	(107,226)
Present value of minimum lease payments	166,865	175,791

HMCS also pays an annual charge for the receipt of services of £18.2m (2008-09: £17.2m). Future annual payments are indexed, generally by 2% per annum, but may vary in accordance with formulae based on operating requirements.

22 CONTINGENT LIABILITIES AND ASSETS

HMCS is involved in a number of legal cases dealing with compensation and other claims. The estimated cost of settlement for HMCS is £7.6m (2008-09: £3.5m).

As detailed in note 9 Property and equipment, the result of the July 2005 High Court challenge meant that HMCS has not been able to gain control of a number of properties intended to come within the 31 March 2005 Property Transfer Scheme. HMCS faces a contingent accommodation liability for the properties that it is yet to control.

If HMCS is not able to effect a transfer of ownership and control of these properties it faces potential accommodation obligations to the parties who ultimately own the property rights and will control the underlying economic benefits. Based on the rental value of the properties as of 31 March 2007, it is estimated that HMCS could be exposed to additional costs of up to £0.3m per annum (2008-09: £1.6m) with a total maximum contingent liability since 1 April 2005 of £1.6m (2008-09: £6.2m).

23 RELATED PARTY TRANSACTIONS

HMCS is an executive Agency of the MoJ, which is regarded as a related party. During the year, HMCS has had material transactions with the MoJ and other entities for which the MoJ is regarded as the parent entity. The other entities are as follows:

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

In addition, HMCS has had material transactions with the following other government bodies:

- Department for Work and Pensions (DWP);
- City of London;
- Hampshire County Council;
- HM Revenue & Customs;
- Home Office;
- The Insolvency Service; and
- Warwickshire Police Authority.

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgements on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue received from the Registry Trust Limited in the year amounted to £1.0m (2008-09: £0.9m) with a total debtor balance due to HMCS as of 31 March 2010 of £0.1m (2008-09: £0.2m).

During both 2009-10 and 2008-09, no Board Members or other related parties have undertaken any material transactions with HMCS.

HMCS has a number of arrangements with the MoJ and its departments which are classified as intra-departmental recharges. These payments are for the use of assets and other services, and are expensed in the Operating Cost Statement each year as they are incurred. It is impracticable to separate the payments reliably between those relating to assets, and those relating to other services. These arrangements contain no defined end date. The payments also include payments for non-lease elements in the arrangements.

24 EVENTS AFTER REPORTING PERIOD

In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

Between the Statement of Financial Position date and the date on which the Accounts were authorised for issue, HMCS commenced High Court civil proceedings seeking to recover £22.8m (excluding interest) in relation to property transactions (concerning a court building) in 2002 and 2004. Related civil proceedings are continuing.

25 ACCOUNTABILITY

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

- There were 1,734 (2008-09: 1,361) cases of reported cash losses totalling £0.3m (2008-09: £0.2m). These primarily relate to instances where small discrepancies arise in the receipting of cash at court level;
- During the year, a total of £0.9m (2008-09: £0.8m) of debts were written-off as unrecoverable. These amounts had previously been recognised as an impairment expense in the Operating Cost Statement;
- There were 14,816 (2008-09: 10,167) cases totalling £3.0m (2008-09: £1.6m) where fees were remitted for individuals who were not in receipt of government means tested benefits. In these cases, HMCS has granted remission based on the Guidance for Administering the System of Fee Concession (EX160) published by the MoJ;
- During the year there were 5,254 (2008-09: 2,560) special payments, totalling £4.8m (2008-09: £2.2m). Special payments are those that go beyond administrative rules or for which there is no statutory cover or legal liability; and
- Interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 was £0.02m (2008-09: £0.04m).

26 FINANCIAL INSTRUMENTS

IFRS 7 'Financial Instruments: Disclosures', requires disclosure of the role that

financial instruments have had during the period in creating or changing risks an entity faces in carrying out its business.

As HMCS is funded via the MoJ, it is not exposed to the degrees of financial risk or market risk facing a business entity. Financial instruments also play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 primarily applies. HMCS has no powers to borrow or invest surplus funds and its financial assets and liabilities arise from day-to-day operational activities rather than being held to change the risk facing HMCS in undertaking activities.

Liquidity risk

HMCS is financed by funds made available from the government and is not therefore exposed to significant liquidity risk.

Credit risk

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

Credit risk associated with HMCS's receivables is minimal as most debtor balances are with other government related bodies. Credit risk in relation to receivables is also monitored by management regularly by reviewing the ageing of receivables. The maximum loss

HMCS is exposed to is the carrying value of its financial assets within the Statement of Financial Position.

Foreign currency risk

HMCS has no material foreign currency revenue or expenditure and is therefore not exposed to material foreign currency risk.

Financial assets

	Notes	2010	Restated 2009
		£000	£000
Cash and cash equivalents	14	153,046	239,450
Trade debtors	13	12,807	6,623
Other debtors	13	42,046	12,545
Accrued revenue	13	10,206	15,790
Intra-departmental debtors	13	48,893	3,446
		113,952	38,404
Total financial assets		266,998	277,854

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

Financial assets have the following maturity profile:

	Notes	2010	Restated 2009
		£000	£000
Total amounts due within one year		228,022	267,505
Total amounts due after one year		38,976	10,349
		266,998	277,854
Non-financial assets			
Prepayments	13	12,162	10,862
VAT recoverable	13	9,363	8,072
Total non-financial assets		21,525	18,934

Financial liabilities

	Notes	2010	Restated 2009
		£000	£000
Trade creditors	16	6,792	7,873
Other creditors		11,410	12,164
Accruals	16	97,902	101,997
Creditor for capital value of PFI contracts	16	166,865	175,791
Cash balances payable to other government departments	16	21,775	24,474
Third party balances	16	22,636	26,525
Intra-departmental creditors	16	108,522	36,560
Obligations under finance leases	16	10,612	10,564
Total financial liabilities		446,514	395,948

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

Financial liabilities have the following maturity profile:

	Notes	2010	Restated 2009
		£000	£000
Total amounts due within one year		278,037	218,599
Total amounts due after one year		168,477	177,349
		446,514	395,948
Non-financial liabilities			
Taxation and social security	16	13,424	13,246
Deferred revenue	16	4,849	4,788
Holiday accrual	16	11,230	10,180
Long-term lease incentives		36,913	27,657
Local authority loans		48,996	63,417
Total non-financial liabilities		115,412	119,288

Fair values

The fair values of HMCS's financial assets and liabilities as of 31 March 2010 and 2009 approximate their book values.

27 EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Central Government organisations are required to prepare their 2009-10 accounts using International Financial Reporting Standards (IFRS), as interpreted for the public sector in the FReM.

Impact of IFRS on comparative financial information

HMCS publishes comparative information for one year in its Accounts. The date for transition to IFRS is 1 April 2008. The financial information set out in this note has been prepared in order to explain the adjustments made to the transition statements as of 1 April 2008 and for the year ended 31 March 2009. This information has been prepared using the accounting policies set out in note 1.

Transition arrangements

The rules for first time adoption of IFRS are set out in IFRS 1 'First-time Adoption of International Financial Reporting Standards'. IFRS 1 states that companies should use the same accounting policies in their opening IFRS Statement of Financial Position and for all periods presented thereafter. The standard requires these policies to comply with IFRSs effective at the reporting date for the first published Accounts under IFRS (31 March 2010).

IFRS 1 allows exemptions from the application of certain provisions of IFRS to assist entities with the transition process. HMCS did not utilise any of the exemptions provided.

Change in accounting policies on transition to IFRS

The first time adoption of IFRS has resulted in a significant change in accounting treatment in respect of the following:

Lease classification

Both IAS 17 and SSAP 21 require leases to be classified as finance leases or operating leases. IAS 17 requires that a lease of land and buildings is split at inception of the lease into a separate lease of land and a lease of buildings. Unless title is expected to pass to the lessee at the end of the lease term, the leases of land are classified as operating leases. Under SSAP 21, the lease of land and buildings are considered together.

Leases of land classified as finance leases under UK GAAP were reclassified as operating leases on transition to IFRS. The land recognised under UK GAAP, and related revaluation surplus, were removed from the Statement of Financial Position on transition to IFRS.

Buildings classified as finance leases under IFRS, which were classified as operating leases under UK GAAP, and the related finance lease liabilities for future minimum lease payments, were recognised in the Statement of Financial Position on transition to IFRS.

Properties classified as finance leases under UK GAAP, which are classified as operating leases under IFRS, were removed from the Statement of Financial Position on transition to IFRS.

Payments made at the inception of operating leases are presented as a separate asset within the Statement of Financial Position under IFRS. The prepayments were reclassified from property and equipment and recognised as a new asset on transition to IFRS.

The prepayments are amortised over the life of the leases.

Additional interest expense was recognised for the leases reclassified as finance leases under IFRS.

Intangible assets

Under both IFRS and UK GAAP, an intangible asset is an identifiable non-monetary asset without physical substance. Under FRS 10, the assets have to be capable of being disposed of separately from the business. Under IAS 38, an asset is identifiable when it is separable and capable of being sold separate from the entity or which arise from contractual or other legal rights regardless of whether they can be separated from the business.

Intangible assets, included within property and equipment under UK GAAP, were reclassified to a separate category of assets within the Statement of Financial Position on transition to IFRS.

Amortisation expense, included as depreciation expense under UK GAAP, was reclassified to amortisation expense within the Operating Cost Statement.

Investment property

Under IAS 40, investment property is held for long-term rental yields and is not owner occupied. The scope of SSAP 19

excludes properties let to and occupied by other group companies. This exemption is not included in IAS 40. Investment properties are not depreciated.

Investment properties, included within property and equipment under UK GAAP, were reclassified to a separate category of assets within the Statement of Financial Position on transition to IFRS.

Changes in fair value of the investment properties, recognised in the revaluation surplus under UK GAAP, were reclassified to the Operating Cost Statement as part of Other Operating Costs under IFRS.

IFRS 5 non-current assets held for sale

Under UK GAAP, HMCS was not required to identify separately on the face of the Statement of Financial Position non-current assets held for sale. IFRS 5 states that a non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale, included within property and equipment under UK GAAP, have been reclassified to a separate category within the Statement of Financial Position on transition to IFRS.

Trade and other payables – current

HMCS recognised an annual leave accrual for leave earned but not yet taken on transition to IFRS. All agencies of the MoJ and Central Government are recognising an accrual for annual leave as part of their transition to IFRS.

A finance lease liability was recognised in the Statement of Financial Position on transition to IFRS. The finance lease liability relates to buildings reclassified as finance leases under IFRS, which were operating leases under UK GAAP.

Trade and other payables – non-current

A finance lease liability was recognised in the Statement of Financial Position on transition to IFRS. The finance lease liability relates to buildings reclassified as finance leases under IFRS, which were operating leases under UK GAAP.

The operating lease payment straight-line accrual increased upon the adoption of IFRS. The increase resulted from the reclassification of land leases from finance leases under UK GAAP to operating leases under IFRS.

Provisions for liabilities and charges

The provision for early departure cost is discounted under both IFRS and UK GAAP. IFRS uses a high-quality corporate bond rate while UK GAAP uses a rate that reflects the current market assessment of the time value of money.

Reconciliation of Operating Cost Statement for the Year Ended 31 March 2009

	UK GAAP	Effect of transition to IFRS	Restated under IFRS
	£000	£000	£000
Revenue	612,219	-	612,219
Staff costs	(859,425)	159	(859,266)
Other operating costs	(1,002,527)	(5,480)	(1,008,007)
Depreciation	(118,129)	1,790	(116,339)
Amortisation	-	(1,156)	(1,156)
Reduction in fair value of investment properties	-	(888)	(888)
Net cost of operations	(1,367,862)	(5,575)	(1,373,437)
Finance costs	(115,882)	1,735	(114,147)
Net costs	(1,483,744)	(3,840)	(1,487,584)

Reconciliation of Statement of Financial Position as of 31 March 2009

	UK GAAP	Effect of transition to IFRS	Restated under IFRS
	£000	£000	£000
Non-current assets			
Property and equipment	3,087,043	(93,233)	2,993,810
Investment property	-	2,595	2,595
Trade and other receivables	24	10,326	10,350
Lease prepayments	-	5,289	5,289
Intangible assets	-	45,309	45,309
Total non-current assets	3,087,067	(29,714)	3,057,353
Current assets			
Assets held for sale	-	3,055	3,055
Trade and other receivables	46,988	-	46,988
Cash and cash equivalents	239,450	-	239,450
Total current assets	286,438	3,055	289,493
Total assets	3,373,505	(26,659)	3,346,846
Current liabilities			
Trade and other payables	244,312	9,994	254,306
Provisions for liabilities and charges	-	18,313	18,313
Total current liabilities	244,312	28,307	272,619
Total assets less current liabilities	3,129,193	(54,966)	3,074,227
Non-current liabilities			
Trade and other payables	225,016	35,914	260,930
Provisions for liabilities and charges	471,538	(28,276)	443,262
Total non-current liabilities	696,554	7,638	704,192
Total assets less total liabilities	2,432,639	(62,604)	2,370,035
Taxpayers' equity			
General fund	2,156,598	(63,022)	2,093,576
Revaluation reserves	276,041	418	276,459
Total taxpayers' equity	2,432,639	(62,604)	2,370,035

Reconciliation of Statement of Financial Position as of 1 April 2008

	UK GAAP	Effect of transition to IFRS	Restated under IFRS
	£000	£000	£000
Non-current assets			
Property and equipment	3,365,345	(80,431)	3,284,914
Investment property	-	3,483	3,483
Trade and other receivables	49	4,942	4,991
Lease prepayments	-	1,842	1,842
Intangible assets	-	29,427	29,427
Total non-current assets	3,365,394	(40,737)	3,324,657
Current assets			
Assets held for sale	-	6,744	6,744
Trade and other receivables	51,171	-	51,171
Cash and cash equivalents	199,676	-	199,676
Total current assets	250,847	6,744	257,591
Total assets	3,616,241	(33,993)	3,582,248
Current liabilities			
Trade and other payables	291,926	9,489	301,415
Provisions for liabilities and charges	-	16,981	16,981
Total current liabilities	291,926	26,470	318,396
Total assets less current liabilities	3,324,315	(60,463)	3,263,852
Non-current liabilities			
Trade and other payables	241,768	24,323	266,091
Provisions for liabilities and charges	303,044	(21,785)	281,259
Total non-current liabilities	544,812	2,538	547,350
Total assets less total liabilities	2,779,503	(63,001)	2,716,502
Taxpayers' equity			
General fund	2,317,984	(53,422)	2,264,562
Revaluation reserves	461,519	(9,579)	451,940
Total taxpayers' equity	2,779,503	(63,001)	2,716,502

Reconciliation of Statement of Cash Flow for the Year Ended 31 March 2009

	UK GAAP	Effect of transition to IFRS	Restated under IFRS
	£000	£000	£000
Cash flows from operating activities			
Net costs	(1,483,744)	(3,840)	(1,487,584)
Adjust for:			
Notional and non-cash costs	859,651	(98,500)	761,151
Interest expense	-	114,147	114,147
Changes in receivables	(6,177)	-	(6,177)
Changes in creditors	(72,323)	3,320	(69,003)
Operating lease prepayments	-	(3,500)	(3,500)
Cash movements in provisions	(14,914)	(237)	(15,151)
Net cash outflow from operating activities	(717,507)	11,390	(706,117)
Cash flows from investing activities			
Purchases of property and equipment	(102,644)	20,871	(81,773)
Proceeds from disposal of property and equipment	12,192	-	12,192
Purchases of intangible assets	-	(17,371)	(17,371)
Net cash outflow from investing activities	(90,452)	3,500	(86,952)
Cash flows from financing activities			
Funding from the Ministry of Justice	855,171	-	855,171
Transfers with other government departments	65	-	65
Capital element of PFI contracts	(8,925)	-	(8,925)
Capital element of finance leases	(27)	(60)	(87)
Repayments of local authority loans	(2,204)	-	(2,204)
Interest paid	-	(14,830)	(14,830)
Net cash outflow from financing activities	844,080	(14,890)	829,190
Increase in third party balances	3,653	-	3,653
Net increase in cash and cash equivalents in the period	39,774	-	39,774
Cash and cash equivalents as of the beginning of the period	199,676	-	199,676
Cash and cash equivalents as of the end of the period	239,450	-	239,450

Annex A: Key Performance Indicators (KPIs): 2009-10

KPI 1 – Crown Court timeliness The Percentage of cases in the Crown Court commenced within the target period ¹			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
78%	80%	78%	78%
<ul style="list-style-type: none"> Defendants' cases sent for trial within 26 weeks of sending by magistrates' courts: 77.7% Defendants' committal for trial cases within 16 weeks of committal by magistrates' courts: 72.7% Appeals within 14 weeks of the appeal being lodged: 86.8% Committals for sentence within 10 weeks of committal: 92.3% 			

¹ There are four main types of case heard in the Crown Court. The most serious offences can only be tried on indictment in the Crown Court and are immediately *sent for trial* from the magistrates' court to the Crown Court; their target period is 26 weeks. Offences that could be heard either in the Crown Court or magistrates' court will first have a mode of trial hearing in the magistrates' court and if they are to be heard in the Crown Court are *committed for trial*; their target period is 16 weeks. The Crown Court also hears *appeals* from magistrates' courts against conviction or sentence; their target period is 14 weeks. Where the offence warrants it an offender who is found guilty in the magistrates' court can be *committed for sentence* to the Crown Court where the judge has greater sentencing powers; their target period is 10 weeks.

KPI 2 – Magistrates' courts timeliness To reduce the average time from charge to disposal for adult charged cases to 6 weeks or less			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
8.0 weeks	6.9 weeks	Less than 6 weeks	6.9 weeks
The average number of hearings held for each magistrates' court case: 2.26 hearings.			

KPI 3 – Magistrates' courts results

To produce and send to police 95% of magistrates' court results within 3 working days, and 100% within 6 working days

2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
88%	76%	95% in 3 working days	84%
95%	89%	100% in 6 working days	96%

KPI 4 – Enforcement

85% payment rate² for financial penalties

2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
95%	85%	85%	86%

²The 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.

KPI 5 – Enforcement

Percentage of all Community Penalties be resolved within 25 days of the relevant failure to comply

2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
58%	62%	60%	67%

KPI 6 – Civil courts

Increase the proportion of defended small claims that are completed otherwise than by a hearing (settlement)

2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
This measure was reconfigured in 2008 so comparable data not available	72%	65%	74%

KPI 7 – Civil courts Increase the proportion of defended small claims that are completed (from receipt to final hearing) within 30 weeks			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
This measure was reconfigured in 2008 so comparable data not available	65%	70%	68%

KPI 8 Increase the amount of civil work initiated online 65% of eligible possession claims to be made through Possession Claim Online (PCOL) 75% of specified money claims to be made online through Money Claims Online (MCOL) or the Claims Production Centre (CPC)			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
This measure was reconfigured in 2008 so comparable data not available	73% 67%	PCOL – 65% MCOL/CPC – 75%	79% 67%

KPI 9 – Family To increase the proportion of care and supervision orders completed within 40 weeks by 10 percentage points in the county courts and family proceedings courts (FPCs) by 2009-10			
2007-08 Performance	2008-09 Performance	2009-10 Target	2009-10 Performance
38% 50%	34% 48%	48% in the county courts 56% in Family Proceedings courts	35% 47%

KPI 10 – Customer satisfaction The 'very satisfied' element of the HMCS court user survey to be maintained at or above the year 2 (2007/08) survey baseline of 41%			
2007-08 Performance	2008-9 Performance	2009-10 Target	2009-10 Performance
41%	42%	At or above 41%	40% ³

³The figure of 40% is within the margins of error for the survey when compared to the survey baseline of 41% in 2007-08, and therefore, the results do not constitute a tangible change compared to the baseline.

Annex B: Data sources and data quality

This annex gives brief details of data sources for the figures given in this report, along with a brief discussion on data quality. Further information can be found in "Judicial and Court Statistics 2008" via the Ministry of Justice website at <http://www.justice.gov.uk/publications/judicialandcourtstatistics.htm>.

County courts (non-family)

This information has principally been produced using the Management Information System (MIS), a data warehousing facility drawing data directly from court-based administrative systems. Most data shown in the tables have been sourced from the county court administrative system CaseMan, used by court staff for case management purposes. This contains good quality information about the incidence and dates of major events in a case's progress through the court system. Statistical quality assurance procedures include the identification and removal of duplicate entries for the same event in a case, and checks that data have been collated for all courts to ensure completeness. The following data are considered to be of lower quality:

- The numbers of insolvency petitions, applications for administration orders, administration orders made and orders for sale are sourced from manual counts made by court staff. Since April 2009 these have been recorded in the One Performance Truth (OPT) database, a web-based data monitoring system allowing direct inputting of performance data by court staff. Prior to April 2009 they were inputted into the Business Management System, designed for the purpose of monitoring and assessing court workloads. Quality assurance measures are in place to ensure that data are of sufficient quality, including querying with courts where their counts look unusually high or low and obtaining corrected figures if errors are identified.
- The numbers of small claims hearings and trials are sourced from CaseMan. Their accuracy is dependent on court staff entering correct hearing outcome codes onto the system.

Family courts

The data on the family courts was principally sourced from the county court administrative system FamilyMan, used by court staff for case management purposes and containing good quality information about a case's progress through the family courts. Some data are also sourced from the OPT database. Statistical quality assurance procedures include the identification and removal of duplicate entries for the same case on the administrative systems, and checks that data have been collated for all courts to ensure completeness. The statistics on public law and private law applications under the Children Act 1989 include further checks to remove any duplicate records for cases which have been transferred from a Family Proceedings Court to a County Court, or vice versa.

Some points to note about counting rules in the statistics:

- A disposal which occurs in one quarter or year may relate to an application which was initially made in an earlier period.
- An application of one type may lead to an order of a different type being made.
- The statistics on matrimonial, ancillary relief and domestic violence proceedings are counted by case. The statistics on public law and private law proceedings relate to the number of children which are subject to applications: for example if two children are the subject of a single case then the children would be counted separately in the statistics. Different types of orders may be made in respect of different children involved in a case.

Statistics on the number of divorces occurring each year in England and Wales are also published by the Office for National Statistics (ONS). The Ministry of Justice's (Moj) divorce statistics are sourced directly from the FamilyMan system, while the ONS data are compiled from 'DI05' forms used by the courts to record decrees absolute, which are supplied to ONS for compiling the central index of decrees absolute. There are small differences between the number of divorces as recorded by the two sets of statistics: 0.7 per cent for 2008 data. There are believed to be some differences in the quality assurance and compilation processes currently used to produce the statistics. Statisticians at the Moj and ONS are working together with HMCS to reconcile these differences as closely as possible. However some of this difference will be accounted for by the fact that the two sets of figures do not count precisely the same cases: for example, the ONS statistics include annulments while the Moj figures do not; conversely the Moj data include dissolutions of civil partnerships which are excluded from the ONS counts.

The statistics on public law and private law applications from quarter one 2009 onwards are thought to include a degree of double-counting of applications which were initially lodged in a county court and were then transferred to a Family Proceedings Court. Applications should be counted for the purpose of these statistics under the type of court in which they were first lodged. This issue is being investigated by Moj statisticians, which may lead to the figures being revised in future bulletins. As a result, they are currently flagged as provisional and are not subject to the standard revisions process used for the other statistics.

The figures for public and private law applications made to Family Proceedings Courts in quarter one 2010 are incomplete and exclude applications made in roughly 20 % of such courts. This issue is being investigated and, in line with the usual revisions policy, the statistics will be revised in the next edition. The statistics for matrimonial proceedings, ancillary relief and domestic violence cases, and the public and private law statistics for earlier quarters are not affected by this issue.

Crown Court

This information has been produced using the MIS, a data warehousing facility drawing data directly from court-based administrative systems. Most data shown in these tables have been sourced from the Crown Court administrative system CREST, used by court staff for case management purposes. This contains good quality information about the incidence and dates of major events as each case progresses in the Crown Court. Statistical quality assurance procedures include the identification and removal of duplicate entries, checks of apparent anomalies and checks for completeness.

Magistrates' courts

The statistics on completed proceedings are sourced from the OPT database, which was rolled out across magistrates' courts during 2008 and is populated based on information contained on the Libra Management Information System and manual data collection. This contains good quality information about magistrates' courts' caseloads. Data provided by the courts must be checked and verified at case level by court staff before being submitted on OPT, and the centrally collated data are subject to further checks including the investigation of apparent anomalies in the data.

The statistics on the effectiveness of recorded trials and the enforcement of financial penalties are also sourced from the OPT database.

Detailed information on magistrates' courts' timeliness is already published on a quarterly basis by the MoJ. This data comes from the Time Intervals Survey, reports on which can be found on the MoJ website at: www.justice.gov.uk/publications/timeintervals.htm

Annex C: Related documents and links

Her Majesty's Courts Service Framework Document

www.hmcourts-service.gov.uk/cms/guidance.htm

The Code of Practice for Victims of Crime

www.frontline.cjsonline.gov.uk/guidance/victims-and-witnesses/

HMCS online services

www.hmcourts-service.gov.uk/onlineservices/index.htm

Jury Service

www.hmcourts-service.gov.uk/infoabout/jury_service/index.htm

Being a Witness

www.hmcourts-service.gov.uk/infoabout/attend/witness/index.htm

Judicial and court statistics

www.justice.gov.uk/publications/judicialandcourtstatistics.htm

Openness in family courts

www.hmcourts-service.gov.uk/cms/14733.htm

Disclaimer

Apart from the photographs on pages 7, 8 and 45 all photographs have been posed by models. They are not meant to be representative of actual people who have been involved in court business or court cases.



information & publishing solutions

Published by TSO (The Stationery Office)
and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO, PO Box 29, Norwich, NR3 1GN

Telephone orders / General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-call: 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,
London, SW1A 2JX

Telephone orders / General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: www.bookshop.parliament.uk

TSO@Blackwell and other Accredited Agents

Customers can also order publications from
TSO Ireland

16 Arthur Street, Belfast, BT1 4GD

Phone: 028 9023 8451

Fax: 028 9023 5401

ISBN 978-0-10-296792-0



9 780102 967920